

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2016**

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
December 31, 2016**

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INDEPENDENT AUDITORS' REPORT

To the Town Board
Town of Clayton
Winnebago County, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town of Clayton, Wisconsin ("the Town") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Solid Waste/Recycling Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A.6, the Town changed its basis of accounting from modified accrual to accrual for the governmental activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions on page 35 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Schmidt SC

Certified Public Accountants
Green Bay, Wisconsin
March 24, 2017

BASIC FINANCIAL STATEMENTS

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Net Position
December 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 5,382,303	\$ -	\$ 5,382,303
Receivables			
Account	2,005	-	2,005
Taxes	4,568,446	-	4,568,446
Delinquent property taxes	1,160	-	1,160
Special assessments	29,951	-	29,951
Internal balances	62,722	(62,722)	-
Inventories and prepaid items	198	-	198
Restricted assets			
Cash and investments	987,063	-	987,063
Capital assets, nondepreciable			
Land	1,922,918	981	1,923,899
Construction in progress	699,477	84,689	784,166
Capital assets, depreciable			
Buildings and improvements	1,854,600	-	1,854,600
Land improvements	157,796	-	157,796
Machinery and equipment	1,495,532	85,500	1,581,032
Infrastructure	6,863,165	1,435,545	8,298,710
Less: Accumulated depreciation	(2,288,617)	(112,504)	(2,401,121)
TOTAL ASSETS	21,738,719	1,431,489	23,170,208
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	135,074	37,819	172,893
LIABILITIES			
Accounts payable	145,295	6,213	151,508
Payroll liabilities	51,063	-	51,063
Accrued interest	43,056	-	43,056
Due to other governments	7,278,441	-	7,278,441
Escrow amounts held for others	2,675	-	2,675
Long-term obligations			
Due within one year	447,261	-	447,261
Due in more than one year	5,968,925	-	5,968,925
Net pension liability	22,613	6,855	29,468
TOTAL LIABILITIES	13,959,329	13,068	13,972,397
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	1,816,294	-	1,816,294
Deferred inflows related to pension	49,096	14,882	63,978
TOTAL DEFERRED INFLOWS OF RESOURCES	1,865,390	14,882	1,880,272
NET POSITION			
Net investment in capital assets	4,360,390	1,494,211	5,854,601
Restricted for			
Capital improvements	923,322	-	923,322
Fire department expenditures	8,849	-	8,849
Unrestricted (deficit)	756,513	(52,853)	703,660
TOTAL NET POSITION	\$ 6,049,074	\$ 1,441,358	\$ 7,490,432

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2016**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 842,912	\$ 97,983	\$ -	\$ -
Public safety	314,324	75,736	31,525	628,150
Public works	929,517	324,060	168,940	-
Health and human services	6,249	6,345	-	-
Culture and recreation	24,297	7,921	-	-
Conservation and development	74,740	-	-	-
Interest on debt	169,844	-	-	-
Total Governmental Activities	2,361,883	512,045	200,465	628,150
Business-type Activities				
Stormwater management utility	112,727	166,659	-	-
Total	\$ 2,474,610	\$ 678,704	\$ 200,465	\$ 628,150

General revenues

Taxes

 Property taxes, levied for general purposes

 Other taxes and fees

 State and federal aids not restricted to specific functions

 Interest and investment earnings

 Miscellaneous

Total general revenues

Change in net position

Net position - January 1, as originally reported

Cumulative effect of change in accounting basis

Net position - January 1, as restated

Net position - December 31

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total

\$ (744,929)	\$ -	\$ (744,929)
421,087	-	421,087
(436,517)	-	(436,517)
96	-	96
(16,376)	-	(16,376)
(74,740)	-	(74,740)
(169,844)	-	(169,844)
<u>(1,021,223)</u>	<u>-</u>	<u>(1,021,223)</u>

-	53,932	53,932
<u>(1,021,223)</u>	<u>53,932</u>	<u>(967,291)</u>

1,353,831	-	1,353,831
494	-	494
41,034	-	41,034
1,007	-	1,007
32,919	-	32,919
<u>1,429,285</u>	<u>-</u>	<u>1,429,285</u>

408,062	53,932	461,994
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1,279,180	1,387,426	2,666,606
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4,361,832	-	4,361,832
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5,641,012	1,387,426	7,028,438
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<u>\$ 6,049,074</u>	<u>\$ 1,441,358</u>	<u>\$ 7,490,432</u>
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TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
 Balance Sheet
 Governmental Funds
 December 31, 2016

	General	Capital Projects	Solid Waste/ Recycling	Debt Service	Totals
ASSETS					
Cash and Investments	\$ 5,249,429	\$ -	\$ 132,874	\$ -	\$ 5,382,303
Receivables					
Accounts	941	1,064	-	-	2,005
Taxes	4,084,561	-	-	485,045	4,569,606
Special assessments	29,951	-	-	-	29,951
Due from other funds	62,722	-	-	-	62,722
Prepaid items	198	-	-	-	198
Restricted assets					
Cash and investments	8,849	978,214	-	-	987,063
TOTAL ASSETS	\$ 9,436,651	\$ 979,278	\$ 132,874	\$ 485,045	\$ 11,033,848
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 64,657	\$ 53,281	\$ 27,357	\$ -	\$ 145,295
Due to other governments	7,278,441	-	-	-	7,278,441
Escrow amounts held for others	-	2,675	-	-	2,675
Payroll liabilities	51,063	-	-	-	51,063
Total Liabilities	7,394,161	55,956	27,357	-	7,477,474
Deferred Inflows of Resources					
Property taxes levied for subsequent year	1,331,249	-	-	485,045	1,816,294
Special assessments	29,951	-	-	-	29,951
Total Deferred Inflows of Resources	1,361,200	-	-	485,045	1,846,245
Fund Balances					
Nonspendable for					
Prepaid items	198	-	-	-	198
Restricted for					
Capital improvements	-	808,413	-	-	808,413
Debt service	-	114,909	-	-	114,909
Fire department expenditures	8,849	-	-	-	8,849
Committed for					
Cemetery	45,501	-	-	-	45,501
Capital equipment	169,806	-	-	-	169,806
Sick leave and vacation payout	40,000	-	-	-	40,000
Solid waste and recycling	-	-	105,517	-	105,517
Unassigned	416,936	-	-	-	416,936
Total Fund Balances	681,290	923,322	105,517	-	1,710,129
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,436,651	\$ 979,278	\$ 132,874	\$ 485,045	\$ 11,033,848

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Balance Sheet (Continued)
Governmental Funds
December 31, 2016**

	Total
<u>Reconciliation to the Statement of Net Position</u>	
Total Fund Balances as shown on previous page	\$ 1,710,129
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,704,871
The Town's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:	
Deferred outflows of resources	135,074
Deferred inflows of resources	(49,096)
Net pension liability	(22,613)
Some liabilities, including notes and loans payable, are not due and payable in the current period and therefore are not reported in the funds.	
Notes payable	(6,257,261)
Debt premium	(87,220)
Compensated absences	(71,705)
Accrued interest on long-term obligations	(43,056)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Special assessments	29,951
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)	\$ 6,049,074

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Capital Projects	Solid Waste/ Recycling	Debt Service	Totals
Revenues					
Taxes	\$ 900,875	\$ -	\$ -	\$ 453,450	\$ 1,354,325
Special assessments	5,036	-	-	-	5,036
Intergovernmental	231,245	-	11,502	-	242,747
Licenses and permits	144,422	-	-	-	144,422
Public charges for services	41,404	-	311,109	-	352,513
Miscellaneous	23,217	24,567	57	-	47,841
Total Revenues	1,346,199	24,567	322,668	453,450	2,146,884
Expenditures					
Current					
General government	482,957	-	-	-	482,957
Public safety	295,462	-	-	-	295,462
Public works	363,699	-	317,966	-	681,665
Health and human services	6,249	-	-	-	6,249
Culture and recreation	4,471	-	-	-	4,471
Conservation and development	38,391	36,349	-	-	74,740
Debt service					
Principal of debt	-	1,500,000	-	382,739	1,882,739
Interest on debt	-	101,636	-	70,711	172,347
Capital outlay	16,740	3,234,685	-	-	3,251,425
Total Expenditures	1,207,969	4,872,670	317,966	453,450	6,852,055
Excess of Revenues Over (Under) Expenditures	138,230	(4,848,103)	4,702	-	(4,705,171)
Other Financing Sources (Uses)					
Long-term debt issued	-	5,000,000	-	-	5,000,000
Premium on long-term debt	-	87,220	-	-	87,220
Sale of capital assets	48,900	-	-	-	48,900
Transfers in	20,000	194,963	-	2,125	217,088
Transfers out	(197,088)	-	(20,000)	-	(217,088)
Total Other Financing Sources (Uses)	(128,188)	5,282,183	(20,000)	2,125	5,136,120
Net Change in Fund Balances	10,042	434,080	(15,298)	2,125	430,949
Fund Balances (Deficit) - January 1	671,248	489,242	120,815	(2,125)	1,279,180
Fund Balances - December 31	\$ 681,290	\$ 923,322	\$ 105,517	\$ -	\$ 1,710,129

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)
Governmental Funds
For the Year Ended December 31, 2016

		Total
Reconciliation to the Statement of Activities		
Net Change in Fund Balances from previous page	\$	430,949
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay in governmental fund statements	\$	2,997,381
Depreciation expense reported in the statement of activities		(370,214)
Amount by which capital outlays are greater (less) than depreciation in current period		2,627,167
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.		
Proceeds from the disposition of capital assets as reported on the governmental funds operating statement	\$	(48,900)
Loss on disposition reported on the statement of activities		(993)
Book value of assets disposed of		(49,893)
Contributed capital assets are reported as revenues in the government-wide statement of activities.		628,150
Change in the net pension liability (asset) and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan.		(10,808)
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits decreased (increased) by:		(10,489)
Revenues report in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(5,036)
Resources available for capital assets acquired during the year were financed with debt. The amount by which debt is reported in the governmental funds as a source of financing. In the statement of net position, however, debt constitutes a long-term liability.		
The amount of debt reported in the governmental funds statement is:		(5,000,000)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.		
The amount of long-term debt principal payments in the current year is:		1,882,739
Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid; in the statement of activities interest is reported as it accrues.		2,503
Debt premiums are reported in the governmental funds as a revenue. In the statement of activities, these costs are capitalized and amortized over the life of the notes		(87,220)
Change in Net Position of Governmental Activities as reported in the Statement of Activities (see pages 5 - 6)	\$	408,062

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 897,967	\$ 897,267	\$ 900,875	\$ 3,608
Special assessments	-	-	5,036	5,036
Intergovernmental	224,928	225,628	231,245	5,617
Licenses and permits	145,700	145,700	144,422	(1,278)
Public charges for services	18,168	18,168	41,404	23,236
Miscellaneous	5,250	5,250	23,217	17,967
Total Revenues	1,292,013	1,292,013	1,346,199	54,186
Expenditures				
Current				
General government	470,909	470,909	482,957	(12,048)
Public safety	316,122	316,122	295,462	20,660
Public works	397,286	397,286	363,699	33,587
Health and human services	4,746	4,746	6,249	(1,503)
Culture and recreation	9,250	9,250	4,471	4,779
Conservation and development	81,200	81,200	38,391	42,809
Capital outlay	37,500	37,500	16,740	20,760
Total Expenditures	1,317,013	1,317,013	1,207,969	109,044
Excess of Revenue Over (Under) Expenditures	(25,000)	(25,000)	138,230	163,230
Other Financing Sources (Uses)				
Sale of capital assets	-	-	48,900	48,900
Transfers in	-	-	20,000	20,000
Transfers out	-	-	(197,088)	(197,088)
Total Other Financing Sources (Uses)	-	-	(128,188)	(128,188)
Net Change in Fund Balance	(25,000)	(25,000)	10,042	35,042
Fund Balance - January 1	671,248	671,248	671,248	-
Fund Balance - December 31	\$ 646,248	\$ 646,248	\$ 681,290	\$ 35,042

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Solid Waste/Recycling Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 11,502	\$ 1,502
Public charges for services	310,200	310,200	311,109	909
Miscellaneous	-	-	57	57
Total Revenues	320,200	320,200	322,668	2,468
Expenditures				
Current				
Public works	320,149	320,149	317,966	2,183
Excess of Revenue Over Expenditures	51	51	4,702	4,651
Other Financing Uses				
Transfers out	-	-	(20,000)	(20,000)
Net Change in Fund Balance	51	51	(15,298)	(15,349)
Fund Balance - January 1	120,815	120,815	120,815	-
Fund Balance - December 31	\$ 120,866	\$ 120,866	\$ 105,517	\$ (15,349)

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Net Position
Stormwater Management Utility Enterprise Fund
December 31, 2016**

ASSETS	
Capital assets, nondepreciable	
Land	\$ 981
Construction in progress	84,689
Capital assets, depreciable	
Machinery and equipment	85,500
Infrastructure	1,435,545
Less: Accumulated depreciation	<u>(112,504)</u>
TOTAL ASSETS	<u>1,494,211</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	<u>37,819</u>
LIABILITIES	
Current liabilities	
Accounts payable	6,213
Due to other funds	62,722
Net pension liability	<u>6,855</u>
TOTAL LIABILITIES	<u>75,790</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	<u>14,882</u>
NET POSITION	
Net investment in capital assets	1,494,211
Unrestricted (deficit)	<u>(52,853)</u>
TOTAL NET POSITION	<u>\$ 1,441,358</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Position
Stormwater Management Utility Enterprise Fund
For the Year Ended December 31, 2016

Operating Revenues	
Storm water management	<u>\$ 166,659</u>
Operating Expenses	
Operating wages and benefits	32,376
Repairs and maintenance	13,787
Equipment rental	3,499
Operating supplies and expense	15,484
Depreciation	<u>47,369</u>
Total Operating Expenses	<u>112,515</u>
Operating Income	<u>54,144</u>
Nonoperating Expenses	
Interest on long-term debt	<u>(212)</u>
Change in Net Position	53,932
Net Position - January 1	<u>1,387,426</u>
Net Position - December 31	<u><u>\$ 1,441,358</u></u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Cash Flows
Stormwater Management Utility Enterprise Fund
For the Year Ended December 31, 2016

Cash Flows from Operating Activities	
Cash received from user charges	\$ 166,659
Cash payments to suppliers	(31,562)
Cash payments to employees	(33,438)
Net Cash Provided by Operating Activities	<u>101,659</u>
Cash Flows from Non-Capital and Related Financing Activities	
Due to other funds	<u>(15,701)</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(47,990)
Principal payments on long-term debt	(36,953)
Interest payments on long-term debt	(1,015)
Net Cash Used by Capital and Related Financing Activities	<u>(85,958)</u>
Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents - January 1	<u>-</u>
Cash and Cash Equivalents - December 31	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 54,144
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	47,369
Change in pension related liability (asset) and deferred outflows/inflows	190
Changes in current assets and liabilities	
Accounts payable	1,208
Accrued and other current liabilities	(1,252)
Net Cash Provided by Operating Activities	<u>\$ 101,659</u>

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Net Position - Agency Fund
December 31, 2016**

	Sanitary District
ASSETS	
Cash and investments	<u>\$ 2,374</u>
LIABILITIES	
Due to other governments	<u>\$ 2,374</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Clayton, Winnebago County, Wisconsin ("the Town"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Town are described below:

1. Reporting Entity

The Town of Clayton is a municipal corporation governed by an elected five member board. In accordance with GAAP, the basic financial statements are required to include the Town (the primary government) and any separate component units that have a significant operational or financial relationship with the Town. The Town has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The Town has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

GENERAL FUND

This is the Town's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

CAPITAL PROJECTS FUND

The fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SOLID WASTE/RECYCLING FUND

The fund is used to account for financial resources to be used for the collection and disposal of refuse and recyclable items. Significant revenues are charges for services.

DEBT SERVICE FUND

The fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Town reports the following major enterprise fund:

STORMWATER MANAGEMENT UTILITY

This fund accounts for the Town's stormwater utility.

Additionally, the Town reports the following fund type:

The Town accounts for funds held for the Sanitary District in an agency fund.

3. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, other fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's water and sewer functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources, as they are needed.

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

c. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

d. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental activities and business-type activities.

e. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of infrastructure assets constructed prior to 2004 have not been determined and are, therefore, not included in the financial statements.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

	Governmental Activities Years	Business-type Activities Years
<u>Assets</u>		
Buildings	40	40
Land improvements	25	25
Vehicles	4 - 15	4 - 15
Machinery and equipment	5 - 15	5 - 10
Infrastructure	25 - 75	40

f. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with bargaining unit agreements. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

g. Long-term Obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

h. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category in the government-wide statement of net position. The item is related to the Town's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category in the government-wide statement of net position. The first is property taxes, which will be recognized as an inflow of resources in the subsequent year for which it was levied. The second is related to the Town's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants. The Town also has an additional type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

j. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable fund balance** - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- **Restricted fund balance** - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** - Amounts that are constrained for specific purposes by action of the Town Board. These constraints can only be removed or changed by the Town Board using the same action that was used to create them.
- **Assigned fund balance** - Amounts that are constrained for specific purposes by action of Town management. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- **Unassigned fund balance** - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

Equity is classified as net position and displayed in three components:

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, constructions, or improvement of those assets and any capital related deferred inflows of resources.
- Restricted net position - Amount of net position that are subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - Net position that is neither classified as restricted nor as net investment in capital assets.

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. During November, the Town Board and officials prepare a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Town Board action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds. Budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the governmental funds.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)

- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity of the Town. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Town Board.

The Town did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2016.

2. Excess of Expenditures Over Budget Appropriations

The following expenditure accounts of the general fund had actual expenditures in excess of budget appropriations for the year ended December 31, 2016, as follows:

Function	Excess Expenditures
General Fund	
General government	\$ 12,048
Health and human services	1,503

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The Town maintains various cash and investment accounts. Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the Town's cash and investments totaled \$6,371,740 on December 31, 2016 and consisted entirely of deposits with financial institutions.

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position

Cash and investments	\$ 5,382,303
Restricted cash and investments	987,063

Agency fund Statement of Net Position

Cash and investments	2,374
	\$ 6,371,740

Fair Value Measurements

The Town implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending December 31, 2016. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The Town currently has no investments subject to fair value measurement.

Deposits of the Town are subject to custodial credit risk. Presented below is a discussion of the Town's deposits and the related risk.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016**

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Deposits with Financial Institutions

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The Town does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2016, \$1,094,625 of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits. \$1,094,625 was collateralized with securities held by the pledging financial institution or its trust department or agency in the Town's name.

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have an additional custodial credit risk policy.

2. Restricted Assets

Restricted assets on December 31, 2016 totaled \$987,063 and is made up of the following:

Governmental Activities	
Capital improvements	\$ 978,214
Fire department	8,849
Total Restricted Assets	<u>\$ 987,063</u>

3. Property Taxes

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the Town.

The Town bills and collects its own property taxes, as well as taxes for Schools Districts of Neenah and Winneconne; Fox Valley Technical College; Larson Winchester Sanitary District; the County of Winnebago and the State of Wisconsin.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 338,343	\$ 1,584,575	\$ -	\$ 1,922,918
Construction in progress	-	699,477	-	699,477
Total capital assets, not being depreciated	338,343	2,284,052	-	2,622,395
Capital assets, being depreciated:				
Buildings	1,520,573	334,027	-	1,854,600
Land improvements	140,000	17,796	-	157,796
Machinery and equipment	804,727	849,712	158,907	1,495,532
Infrastructure	6,723,221	139,944	-	6,863,165
Subtotals	9,188,521	1,341,479	158,907	10,371,093
Less accumulated depreciation	2,027,417	370,214	109,014	2,288,617
Total capital assets, being depreciated, net	7,161,104	971,265	49,893	8,082,476
Governmental activities capital assets, net	\$ 7,499,447	\$ 3,255,317	\$ 49,893	10,704,871
Less: Capital related long-term debt outstanding				(6,257,261)
Less: Debt premium				(87,220)
Investment in capital assets, net of related debt				\$ 4,360,390
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 981	\$ -	\$ -	\$ 981
Construction work in progress	450,288	11,805	377,404	84,689
Subtotals	451,269	11,805	377,404	85,670
Capital assets, being depreciated:				
Culverts	966,329	377,404	-	1,343,733
Retention ponds	55,627	-	-	55,627
Machinery and equipment	85,500	-	-	85,500
Infrastructure	-	36,185	-	36,185
Subtotals	1,107,456	413,589	-	1,521,045
Less accumulated depreciation	65,135	47,369	-	112,504
Total capital assets, being depreciated, net	1,042,321	366,220	-	1,408,541
Business-type activities capital assets, net	\$ 1,493,590	\$ 378,025	\$ 377,404	\$ 1,494,211

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation expense was charged to functions of the Town as follows:

Governmental activities	
General government	\$ 45,608
Public safety	31,741
Public works	287,273
Culture and recreation	5,592
Total depreciation expense - governmental activities	<u>\$ 370,214</u>
Business-type activities	
Stormwater management utility	<u>\$ 47,369</u>

5. Interfund, Receivables, Payables, and Transfers

Interfund receivables and payables between individual funds of the Town, as reported in the fund financial statements, as of December 31, 2016 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash		
Deficits of Other Funds		
General Fund	\$ 62,722	\$ -
Stormwater Management Utility	-	62,722
Totals	<u>\$ 62,722</u>	<u>\$ 62,722</u>

Interfund transfers for the year ended December 31, 2016 were as follows:

	Transfer to:		
	General Fund	Capital Projects	Debt Service
Transfers from:			
General fund	\$ -	\$ 194,963	\$ 2,125
Solid waste/recycling	20,000	-	-
Totals	<u>\$ 20,000</u>	<u>\$ 194,963</u>	<u>\$ 2,125</u>

The general fund transferred \$194,963 of restricted capital improvement funds to the capital projects fund and \$2,125 cash to the debt service fund to cover the debt service fund's deficit fund balance. Solid waste/recycling transferred \$20,000 to the general fund for to repay the general fund for land purchased by the general fund for solid waste/recycling purposes.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the Town for the year ended December 31, 2016:

	Outstanding 1/1/16	Issued	Retired	Outstanding 12/31/16	Due Within One Year
Governmental activities:					
General Obligation Debt					
Notes payable	\$ 3,140,000	\$ 5,000,000	\$ 1,882,739	\$ 6,257,261	\$ 447,261
Debt premium	-	87,220	-	87,220	-
Compensated absences	61,216	10,489	-	71,705	-
Governmental activities					
Long-term obligations	<u>\$ 3,201,216</u>	<u>\$ 5,097,709</u>	<u>\$ 1,882,739</u>	<u>\$ 6,416,186</u>	<u>\$ 447,261</u>
Business-type activities:					
General Obligation Debt					
Notes payable	<u>\$ 36,953</u>	<u>\$ -</u>	<u>\$ 36,953</u>	<u>\$ -</u>	<u>\$ -</u>

Total interest paid during the year on long-term debt totaled \$82,365.

At the end of the current fiscal year, the Town had total debt outstanding of \$6,257,261. The balance at December 31, 2016, consists of the following:

Notes Payable:

\$1,200,000 issued 5/16/2012; \$120,000 to \$135,000, due annually through 2022; interest 2.4% to 3.3%	\$ 760,000
\$2,300,000 issued 12/8/2014; \$215,000 to \$255,000, due annually through 2024; interest 2.0% to 2.6%	1,885,000
\$170,000 issued 10/13/15; \$112,261 due in 2017; interest 3.0%	112,261
\$3,500,000 issued 12/19/16; \$3,500,000 due in 2022; interest 3.35%	<u>3,500,000</u>

Total Outstanding General Obligation Debt \$ 6,257,261

Future maturities of principal and interest follows:

Year Ended December 31	Governmental Activities	
	Principal	Interest
2017	\$ 447,261	\$ 144,823
2018	340,000	168,798
2019	350,000	159,908
2020	365,000	150,566
2021	370,000	141,249
2022-2026	4,385,000	144,484
	<u>\$ 6,257,261</u>	<u>\$ 909,828</u>

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2016 was \$17,511,374 as follows:

Equalized valuation of the Town	\$ 475,372,700
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	23,768,635
Outstanding general obligation debt applicable to debt limitation	6,257,261
Legal Margin for New Debt	\$ 17,511,374

7. Pension Plan

a. Plan Description

The WRS is a cost-sharing, multiple-employer, defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

b. Post-Retirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1)%	(42)%
2010	(1.3)%	22%
2011	(1.2)%	11%
2012	(7.0)%	(7)%
2013	(9.6)%	9%
2014	4.7%	25%
2015	2.9%	2%

c. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$19,605 in contributions from the Town.

Contribution rates as of December 31, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

d. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At December 31, 2016, the Town reported a liability of \$29,468 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the Town's proportion was 0.00181343%, which was an increase of 0.00011231% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Town recognized pension expense of \$35,686.

At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,985	\$ 62,015
Net differences between projected and actual earnings on pension plan investments	120,650	-
Changes in assumptions	20,617	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,143	1,963
Employer contributions subsequent to the measurement date	24,498	-
Total	\$ 172,893	\$ 63,978

\$24,498 reported as deferred outflows related to pension resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 38,606	\$ 15,483
2017	38,606	15,483
2018	38,605	15,483
2019	31,919	15,483
2020	659	2,046
	\$ 148,395	\$ 63,978

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

e. Actuarial Assumption

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability:	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

* *No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

Long-term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class				
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5%	22%	8.5%	5.6%
Fixed Income	27.5%	37%	4.4%	1.6%
Inflation Sensitive Assets	10%	20%	4.2%	1.4%
Real Estate	7%	7%	6.5%	3.6%
Private Equity/Debt	7%	7%	9.4%	6.5%
Multi-Asset	4%	4%	6.7%	3.8%
Total Core Fund	107%	120%	7.4%	4.5%
Variable Fund Asset Class				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5.0%

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Single Discount Rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.57%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
Town's proportionate share of the net pension liability (asset)	\$ 206,688	\$ 29,468	\$ (108,944)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

f. Payable to the WRS

At December 31, 2016 the Town reported a payable of \$5,541 for outstanding contributions to the pension plan for the year ended December 31, 2016.

8. Minimum Fund Balance Policy

The Town Board has adopted a minimum fund balance policy that the Town will maintain unassigned fund balance of 16% of actual current year general fund expenditures, not including debt service. The minimum fund balance amount is calculated as follows:

Actual 2016 General Fund Expenditures	\$ 1,207,969
Minimum Fund Balance %	16%
Minimum Fund Balance Amount	<u>\$ 193,275</u>

The Town's total unassigned general fund balance of \$416,936 exceeds the above minimum fund balance amount.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2016

NOTE D - OTHER INFORMATION

1. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Town completes an annual review of its insurance coverage to ensure adequate coverage.

2. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2016 and 2017 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2016 budget was 1.34%. The actual limit for the Town for the 2017 budget was 1.66%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

3. Contingencies

From time to time, the Town is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Town's financial position or results of operations.

4. Dissolution of Clayton-Winchester Joint Fire Board and Fire Department

On June 17, 2015 the Town adopted a resolution to dissolve the Clayton-Winchester Fire Board and Fire Department. The Town of Winchester adopted a resolution on July 20, 2015 to also dissolve the Fire Board and Fire Department.

As required by the bylaws of the Joint Fire Board, a distribution of assets was completed and approved by a resolution of the Joint Fire Board on February 22, 2016. The Town of Clayton's share of the assets totaled \$628,150 and include 50% of operating cash and 50% of the total value of vehicles, equipment and other capital asset items.

5. Change in Accounting Basis

In 2016, the Town changed its basis of accounting from modified accrual to accrual for the governmental activities. As a result, the beginning net position for the governmental activities increased by \$4,361,832, as follows:

Item	Balance as of January 1, 2016
Deferred special assessments	\$ 34,987
Net pension asset and related deferred outflows and inflows of resources	74,173
Capital assets	7,499,447
Accrued interest	(45,559)
Long-term obligations	(3,140,000)
Compensated absences	(61,216)
Cumulative effect of change in accounting basis	<u>\$ 4,361,832</u>

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System
Last 10 Fiscal Years

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/15	0.00170112%	\$ (41,784)	\$ 242,794	17.21%	102.74%
12/31/16	0.00181343%	29,468	288,315	10.22%	98.20%

**Schedule of Contributions
Wisconsin Retirement System
Last 10 Fiscal Years**

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 16,996	\$ 16,996	\$ -	\$ 242,794	7.00%
12/31/16	19,605	19,605	-	288,315	6.80%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

There were no changes of benefit terms for any participating employer in the WRS.

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the prior fiscal year. The Town is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

SUPPLEMENTARY INFORMATION

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Detailed Comparison of Budgeted and Actual Revenues -
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Taxes				
General property taxes	\$ 886,267	\$ 886,267	\$ 888,025	\$ 1,758
Managed forest land tax	700	-	263	263
Mobile home parking fee	11,000	11,000	12,093	1,093
Other taxes	-	-	494	494
Total Taxes	897,967	897,267	900,875	3,608
Special Assessments				
Special assessments	-	-	5,036	5,036
Intergovernmental				
Shared revenues	33,728	33,728	33,728	-
State aid in lieu of taxes - DNR	950	950	685	(265)
Exempt computer aid	800	800	3,759	2,959
Fire insurance	18,000	18,000	20,122	2,122
State transportation aid	162,000	162,000	162,089	89
Other state payments	1,450	2,150	2,862	712
Charges for services - Sanitary District	8,000	8,000	8,000	-
Total Intergovernmental	224,928	225,628	231,245	5,617
Licenses and Permits				
Building permits and inspection	85,000	85,000	95,962	10,962
Franchise fees	36,000	36,000	26,289	(9,711)
Liquor and malt beverage license	6,000	6,000	4,960	(1,040)
Culvert and access permits	7,000	7,000	8,550	1,550
Other business license and permits	5,700	5,700	5,335	(365)
Dog license	-	-	2,326	2,326
Zoning permits and fees	6,000	6,000	1,000	(5,000)
Total Licenses and Permits	145,700	145,700	144,422	(1,278)
Public Charges for Services				
Real estate inquiries	3,500	3,500	4,080	580
Cemetery	-	-	6,095	6,095
Fire and first responders	9,418	9,418	9,975	557
House numbers	2,250	2,250	1,560	(690)
Claytonfest	3,000	3,000	1,828	(1,172)
Impact fees	-	-	17,866	17,866
Total Public Charges for Services	18,168	18,168	41,404	23,236
Miscellaneous				
Interest income	2,750	2,750	1,003	(1,747)
Hall rental	500	500	533	33
Park rental	2,000	2,000	1,920	(80)
Other	-	-	8,358	8,358
Donations	-	-	11,403	11,403
Total Miscellaneous	5,250	5,250	23,217	17,967
TOTAL REVENUES	\$ 1,292,013	\$ 1,292,013	\$ 1,346,199	\$ 54,186

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Detailed Comparison of Budgeted and Actual Expenditures -
General Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Government				
Town board	\$ 34,848	\$ 34,848	\$ 32,423	\$ 2,425
Committees	4,437	4,437	3,705	732
Elections	8,335	8,335	10,316	(1,981)
Legislative support	20,000	20,000	19,563	437
Administrator/Clerk	108,079	108,079	118,430	(10,351)
Treasurer/Assistant Administrator	127,366	127,366	120,207	7,159
Assessor	20,100	20,100	19,488	612
General office operations	43,200	43,200	50,493	(7,293)
Financial administration	8,750	8,750	16,309	(7,559)
Town hall	20,900	20,900	22,326	(1,426)
Insurance	49,100	49,100	65,884	(16,784)
General contingency	25,794	25,794	3,813	21,981
Total General Government	470,909	470,909	482,957	(12,048)
Public Safety				
Fire department	190,141	190,141	187,845	2,296
First responders	57,216	57,216	41,813	15,403
Building inspection	68,765	68,765	65,804	2,961
Total Public Safety	316,122	316,122	295,462	20,660
Public Works				
Wages	79,149	79,149	84,427	(5,278)
Operations	30,037	30,037	20,462	9,575
Contracted services and other	288,100	288,100	258,810	29,290
Total Public Works	397,286	397,286	363,699	33,587
Health and Human Services				
Animal and weed control	2,746	2,746	1,019	1,727
Cemetery	2,000	2,000	5,230	(3,230)
Total Health and Human Services	4,746	4,746	6,249	(1,503)
Culture and Recreation				
Clayton town park	1,300	1,300	1,626	(326)
Trail head park	2,950	2,950	2,845	105
Friendship trail	5,000	5,000	-	5,000
Total Culture and Recreation	9,250	9,250	4,471	4,779
Conservation and Development				
Planning and zoning	81,200	81,200	38,391	42,809
Capital Outlay				
Public works	7,500	7,500	2,506	4,994
Culture and recreation	30,000	30,000	14,234	15,766
Total Capital Outlay	37,500	37,500	16,740	20,760
TOTAL EXPENDITURES	\$ 1,317,013	\$ 1,317,013	\$ 1,207,969	\$ 109,044

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Town Board
Town of Clayton, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining information of the Town of Clayton, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Clayton, Wisconsin's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated March 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Clayton, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Clayton, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Clayton, Wisconsin's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weaknesses and other deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-002 to be a significant deficiency.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Clayton, Wisconsin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Clayton, Wisconsin's Response to Findings

Town of Clayton, Wisconsin's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Clayton, Wisconsin's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Clayton, Wisconsin's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Clayton, Wisconsin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
March 24, 2017

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Schedule of Findings and Responses
For the Year Ended December 31, 2016**

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
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2016-001 Segregation of Duties – Treasurer/Assistant Administrator

Repeat of Finding 2014-001

Condition: The Town has a Town Treasurer/Assistant Administrator position to essentially complete all financial and recordkeeping duties of the general Town's operations. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.

Criteria: Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.

Cause: The lack of segregation of duties is due to the limited number of employees and the size of Town's operations. In addition, the Town has not conducted a risk assessment and analysis of its internal controls to identify compensating controls and other potential opportunities to enhance its control structure.

Effect: Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.

Recommendation: We recommend the Town Board continue to monitor the transactions and the financial records of the Town. We further recommend the Town complete a risk assessment and analysis of its internal controls to identify opportunities to strengthen and enhance controls over financial reporting.

Management Response: In December of 2016, the Town contracted for additional accounting assistance to review current financial procedures and to implement changes to provide additional efficiencies and to increase internal controls. It is anticipated that increased internal controls will be implemented in 2017 to eliminate this control deficiency.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2016

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
2016-002	<p>Adjustments to the Town's Financial Records</p> <p>Repeat of Finding 2014-002</p> <p>Condition: As part of our 2016 audit, we proposed adjusting journal entries that were material to the Town's financial statement.</p> <p>Criteria: Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.</p> <p>Cause: While Town staff maintains financial records which accurately report revenues and expenditures throughout the year, preparing year end adjusting and closing entries requires additional expertise that would entail additional training and staff time to develop.</p> <p>Effect: Year-end financial records prepared by the Town may contain material misstatements.</p> <p>Recommendation: We are aware that the Town contracted for additional accounting assistance in December of 2016, which eliminated many of the adjustment proposed in prior year audits. We continue to recommend that the Town review and analyze financial information to decrease the adjustments to accounting records that will be necessary at the time of the audit.</p> <p>Management Response: Additional reviews and completion of analyzes of financial information are currently scheduled for 2017. It is anticipated that any material adjustments noted will be completed prior to the audit next year.</p>

Section II - Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2016.