

Town of Clayton
Winnebago County, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2018

Town of Clayton Winnebago County, Wisconsin

DECEMBER 31, 2018

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Town of Clayton Winnebago County, Wisconsin

DECEMBER 31, 2018

ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS

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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 activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, Winnebago County, Wisconsin (the "Town") as of and for the year ended December 31, 2018, 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 activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and Solid Waste/Recycling Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION

The 2017 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated April 10, 2018, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information from which the prior year summarized financial information was derived.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions on page 37 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.

Schenck SC previously audited, in accordance with auditing standards generally accepted in the United States of America, the Town of Clayton, Wisconsin's basic financial statements for the year ended December 31, 2017, which are not presented with the accompanying financial statements and expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Clayton, Wisconsin's basic financial statements as a whole. The 2017 actual amounts in the general fund budgetary comparison information for the year ended December 31, 2017, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare used to prepare the 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2017 actual amounts in the general fund budgetary comparison is fairly stated in all material respects in relation to the basic financial statements from with it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2019, 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 solely 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 effectiveness of the Town's 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.



CliftonLarsonAllen LLP

Green Bay, Wisconsin

May 3, 2019

BASIC FINANCIAL STATEMENTS

Town of Clayton

Winnebago County, Wisconsin

STATEMENT OF NET POSITION
 DECEMBER 31, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Totals	
			2018	2017
ASSETS				
Cash and investments	\$ 3,835,690	\$ -	\$ 3,835,690	\$ 5,630,294
Receivables				
Taxes and special charges	5,821,359	-	5,821,359	4,477,341
Delinquent taxes	1,542	-	1,542	965
Accounts	1,548	-	1,548	29,663
Special assessments	298,728	-	298,728	343,524
Other	7,724	-	7,724	1,119
Internal balances	(97,624)	97,624	-	-
Prepaid items	2,771	-	2,771	2,100
Restricted assets				
Cash and investments	40,465	-	40,465	26,921
Net pension asset	65,062	10,804	75,866	-
Capital assets, nondepreciable	6,547,255	143,743	6,690,998	6,967,424
Capital assets, depreciable, net	8,880,553	1,438,281	10,318,834	10,148,095
Total assets	25,405,073	1,690,452	27,095,525	27,627,446
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	126,295	20,028	146,323	142,278
LIABILITIES				
Accounts payable	118,199	5,777	123,976	133,137
Accrued and other current liabilities	55,847	-	55,847	49,462
Due to other governments	7,515,049	-	7,515,049	7,332,046
Accrued interest payable	153,772	-	153,772	101,351
Special deposits	-	-	-	24,664
Long-term obligations				
Due within one year	506,803	-	506,803	897,375
Due in more than one year	8,863,819	-	8,863,819	9,375,481
Net pension liability	-	-	-	17,366
Total liabilities	17,213,489	5,777	17,219,266	17,930,882
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	1,460,651	-	1,460,651	1,430,006
Special charges	309,000	228,367	537,367	542,433
Pension related amounts	133,686	22,199	155,885	59,688
Total deferred inflows of resources	1,903,337	250,566	2,153,903	2,032,127
NET POSITION				
Net investment in capital assets	6,139,720	1,582,024	7,721,744	6,908,859
Restricted	404,255	10,804	415,059	348,364
Unrestricted	(129,433)	(138,691)	(268,124)	549,492
Total net position	\$ 6,414,542	\$ 1,454,137	\$ 7,868,679	\$ 7,806,715

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, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 620,068	\$ 76,700	\$ -	\$ -
Public safety	336,310	85,832	22,473	-
Public works	1,045,002	380,902	184,602	74,044
Health and human services	11,726	6,685	-	-
Culture and recreation	14,456	5,202	-	-
Conservation and development	95,372	-	-	-
Interest and fiscal charges	292,898	-	-	-
Total governmental activities	<u>2,415,832</u>	<u>555,321</u>	<u>207,075</u>	<u>74,044</u>
BUSINESS-TYPE ACTIVITIES				
Stormwater management utility	<u>212,919</u>	<u>229,247</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>212,919</u>	<u>229,247</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,628,751</u>	<u>\$ 784,568</u>	<u>\$ 207,075</u>	<u>\$ 74,044</u>

General revenues
 Taxes
 Property taxes
 Other taxes
 Federal and state grants and other contributions
 not restricted to specific functions
 Interest and investment earnings
 Miscellaneous
 Gain on sale of asset

Total general revenues

Change in net position

Net position - January 1

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	Totals	
		2018	2017
\$ (543,368)	\$ -	\$ (543,368)	\$ (523,496)
(228,005)	-	(228,005)	(163,043)
(405,454)	-	(405,454)	(127,019)
(5,041)	-	(5,041)	(5,698)
(9,254)	-	(9,254)	(18,204)
(95,372)	-	(95,372)	(45,946)
(292,898)	-	(292,898)	(258,931)
<u>(1,579,392)</u>	<u>-</u>	<u>(1,579,392)</u>	<u>(1,142,337)</u>
-	16,328	16,328	(3,549)
-	16,328	16,328	(3,549)
<u>(1,579,392)</u>	<u>16,328</u>	<u>(1,563,064)</u>	<u>(1,145,886)</u>
1,442,399	-	1,442,399	1,358,098
1,021	-	1,021	112
40,387	-	40,387	40,732
10,196	-	10,196	6,106
48,808	-	48,808	57,121
82,217	-	82,217	-
<u>1,625,028</u>	<u>-</u>	<u>1,625,028</u>	<u>1,462,169</u>
45,636	16,328	61,964	316,283
<u>6,368,906</u>	<u>1,437,809</u>	<u>7,806,715</u>	<u>7,490,432</u>
<u>\$ 6,414,542</u>	<u>\$ 1,454,137</u>	<u>\$ 7,868,679</u>	<u>\$ 7,806,715</u>

Town of Clayton

Winnebago County, Wisconsin

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	<u>General</u>	<u>Solid Waste/ Recycling</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>
ASSETS				
Cash and investments	\$ 3,702,080	\$ 133,610	\$ -	\$ -
Restricted cash and investments	20,377	-	-	20,088
Receivables				
Taxes and special charges	5,023,121	-	798,238	-
Delinquent taxes	1,542	-	-	-
Accounts	7,724	-	-	1,548
Special assessments	29,951	-	268,777	-
Due from other funds	151,627	308,800	-	-
Advance to other funds	130,743	-	-	-
Prepaid items	2,771	-	-	-
Total assets	<u>\$ 9,069,936</u>	<u>\$ 442,410</u>	<u>\$ 1,067,015</u>	<u>\$ 21,636</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 93,307	\$ 24,838	\$ -	\$ 54
Accrued and other current liabilities	55,847	-	-	-
Due to other funds	537,167	-	136,008	15,619
Due to other governments	7,515,049	-	-	-
Special deposits	-	-	-	-
Total liabilities	<u>8,201,370</u>	<u>24,838</u>	<u>136,008</u>	<u>15,673</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	662,413	-	798,238	-
Special charges assessed	-	309,000	-	-
Special assessments	29,951	-	268,777	-
Total deferred inflows of resources	<u>692,364</u>	<u>309,000</u>	<u>1,067,015</u>	<u>-</u>
Fund balances				
Nonspendable	133,514	-	-	-
Restricted	20,377	-	-	20,088
Committed	121,679	108,572	-	-
Assigned	-	-	-	-
Unassigned	(99,368)	-	(136,008)	(14,125)
Total fund balances	<u>176,202</u>	<u>108,572</u>	<u>(136,008)</u>	<u>5,963</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,069,936</u>	<u>\$ 442,410</u>	<u>\$ 1,067,015</u>	<u>\$ 21,636</u>

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

Totals	
2018	2017
\$ 3,835,690	\$ 5,622,424
40,465	34,791
5,821,359	4,477,341
1,542	965
9,272	3,942
298,728	343,524
460,427	306,800
130,743	98,914
2,771	2,100
<u>\$ 10,600,997</u>	<u>\$ 10,890,801</u>

\$ 118,199	\$ 95,085
55,847	49,462
688,794	533,407
7,515,049	7,332,046
-	24,664
<u>8,377,889</u>	<u>8,034,664</u>

1,460,651	1,430,006
309,000	315,826
298,728	343,524
<u>2,068,379</u>	<u>2,089,356</u>

133,514	74,174
40,465	34,791
230,251	224,481
-	24,500
<u>(249,501)</u>	<u>408,835</u>
<u>154,729</u>	<u>766,781</u>

<u>\$ 10,600,997</u>	<u>\$ 10,890,801</u>
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Town of Clayton Winnebago County, Wisconsin

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balances as shown on previous page	\$ 154,729	\$ 766,781
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	15,427,808	15,576,855
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	298,728	343,524
Long-term assets are not considered available; therefore, are not reported in the funds:		
Net pension asset	65,062	-
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Deferred outflows related to pensions	126,295	120,329
Deferred inflows related to pensions	(133,686)	(49,867)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(9,170,000)	(10,067,375)
Premium on debt	(118,088)	(139,285)
Compensated absences	(82,534)	(66,196)
Net pension liability	-	(14,509)
Accrued interest on long-term obligations	(153,772)	(101,351)
Net position of governmental activities as reported on the Statement of Net Position (see page 3)	<u>\$ 6,414,542</u>	<u>\$ 6,368,906</u>

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, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Solid Waste/ Recycling	Debt Service	Other Governmental Funds
REVENUES				
Taxes	\$ 907,303	\$ -	\$ 536,117	\$ -
Intergovernmental	238,371	10,725	-	-
Licenses and permits	108,028	-	-	-
Public charges for services	146,587	327,178	44,796	-
Intergovernmental charges for services	39,961	-	-	-
Miscellaneous	24,539	645	9,715	30,727
Total revenues	<u>1,464,789</u>	<u>338,548</u>	<u>590,628</u>	<u>30,727</u>
EXPENDITURES				
Current				
General government	552,881	-	-	-
Public safety	283,882	-	-	425
Public works	371,938	320,637	-	-
Health and human services	11,726	-	-	-
Culture and recreation	8,864	-	-	-
Conservation and development	34,407	-	-	60,965
Debt service				
Principal	-	-	897,375	-
Interest and fiscal charges	-	-	261,674	-
Capital outlay	657,788	225	-	-
Total expenditures	<u>1,921,486</u>	<u>320,862</u>	<u>1,159,049</u>	<u>61,390</u>
Excess of revenues over (under) expenditures	<u>(456,697)</u>	<u>17,686</u>	<u>(568,421)</u>	<u>(30,663)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Premium on debt issued	-	-	-	-
Proceeds from sale of capital assets	1,500	-	424,543	-
Transfers in	3,000	-	-	-
Transfers out	-	(3,000)	-	-
Total other financing sources (uses)	<u>4,500</u>	<u>(3,000)</u>	<u>424,543</u>	<u>-</u>
Net change in fund balances	(452,197)	14,686	(143,878)	(30,663)
Fund balances - January 1	628,399	93,886	7,870	36,626
Fund balances - December 31	<u>\$ 176,202</u>	<u>\$ 108,572</u>	<u>\$ (136,008)</u>	<u>\$ 5,963</u>

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

Totals	
2018	2017
\$ 1,443,420	\$ 1,358,210
249,096	240,395
108,028	112,411
518,561	477,286
39,961	56,706
65,626	70,210
<u>2,424,692</u>	<u>2,315,218</u>
552,881	510,945
284,307	264,649
692,575	698,083
11,726	23,076
8,864	9,309
95,372	45,946
897,375	447,261
261,674	215,173
658,013	5,368,101
<u>3,462,787</u>	<u>7,582,543</u>
<u>(1,038,095)</u>	<u>(5,267,325)</u>
-	4,257,375
-	66,602
426,043	-
3,000	24,713
(3,000)	(24,713)
<u>426,043</u>	<u>4,323,977</u>
(612,052)	(943,348)
<u>766,781</u>	<u>1,710,129</u>
<u>\$ 154,729</u>	<u>\$ 766,781</u>

Town of Clayton

Winnebago County, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ (612,052)	\$ (943,348)
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	658,013	5,368,101
Items reported as capital outlay, but not capitalized	(19,365)	(67,861)
Depreciation expense reported in the statement of activities	(443,869)	(420,624)
Net book value of disposals	(343,826)	(7,632)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.		
	(44,796)	313,573
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Long-term debt issued	-	(4,257,375)
Premium on debt issued	-	(66,602)
Principal repaid	897,375	447,261
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued interest on long-term debt	(52,421)	(58,295)
Amortization of premiums	21,197	14,537
Compensated absences	(16,338)	5,509
Net pension asset/liability	79,571	8,104
Deferred outflows of resources related to pensions	5,966	(14,745)
Deferred inflows of resources related to pensions	(83,819)	(771)
Change in net position of governmental activities as reported in the statement of activities (see pages 4 - 5)	<u>\$ 45,636</u>	<u>\$ 319,832</u>

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, 2018
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance Final Budget - Positive (Negative)	2017 Actual
	Original	Final			
REVENUES					
Taxes	\$ 908,140	\$ 908,140	\$ 907,303	\$ (837)	\$ 873,165
Intergovernmental	227,093	227,093	238,371	11,278	223,472
Licenses and permits	143,700	143,700	108,028	(35,672)	112,411
Public charges for services	7,500	7,500	146,587	139,087	164,134
Intergovernmental charges for services	8,000	8,000	39,961	31,961	56,706
Miscellaneous	7,250	7,250	24,539	17,289	22,277
Total revenues	<u>1,301,683</u>	<u>1,301,683</u>	<u>1,464,789</u>	<u>163,106</u>	<u>1,452,165</u>
EXPENDITURES					
Current					
General government	523,238	523,238	552,881	(29,643)	510,945
Public safety	303,511	303,511	283,882	19,629	261,803
Public works	328,224	338,424	371,938	(33,514)	364,344
Health and human services	7,295	15,296	11,726	3,570	23,076
Culture and recreation	5,100	5,100	8,864	(3,764)	9,309
Conservation and development	7,000	11,129	34,407	(23,278)	34,432
Capital outlay	209,900	366,726	657,788	(291,062)	292,298
Total expenditures	<u>1,384,268</u>	<u>1,563,424</u>	<u>1,921,486</u>	<u>(358,062)</u>	<u>1,496,207</u>
Excess of revenues under expenditures	<u>(82,585)</u>	<u>(261,741)</u>	<u>(456,697)</u>	<u>(194,956)</u>	<u>(44,042)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	-	1,500	1,500	-
Transfers in	-	-	3,000	3,000	-
Transfers out	-	-	-	-	(8,849)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>4,500</u>	<u>(8,849)</u>
Net change in fund balance	<u>(82,585)</u>	<u>(261,741)</u>	<u>(452,197)</u>	<u>(190,456)</u>	<u>(52,891)</u>
Fund balance - January 1	<u>628,399</u>	<u>628,399</u>	<u>628,399</u>	<u>-</u>	<u>681,290</u>
Fund balance - December 31	<u>\$ 545,814</u>	<u>\$ 366,658</u>	<u>\$ 176,202</u>	<u>\$ (190,456)</u>	<u>\$ 628,399</u>

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance Final Budget - Positive (Negative)	2017 Actual
	Original	Final			
REVENUES					
Intergovernmental	\$ 14,000	\$ 14,000	\$ 10,725	\$ (3,275)	\$ 16,287
Public charges for services	322,400	322,400	327,178	4,778	313,152
Miscellaneous	-	-	645	645	819
Total revenues	<u>336,400</u>	<u>336,400</u>	<u>338,548</u>	<u>2,148</u>	<u>330,258</u>
EXPENDITURES					
Current					
Public works	336,400	336,400	320,637	15,763	333,739
Capital outlay	-	-	225	(225)	8,150
Total expenditures	<u>336,400</u>	<u>336,400</u>	<u>320,862</u>	<u>15,538</u>	<u>341,889</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>17,686</u>	<u>17,686</u>	<u>(11,631)</u>
OTHER FINANCING USES					
Transfers out	-	-	(3,000)	(3,000)	-
Net change in fund balance	<u>-</u>	<u>-</u>	<u>14,686</u>	<u>14,686</u>	<u>(11,631)</u>
Fund balance - January 1	<u>93,886</u>	<u>93,886</u>	<u>93,886</u>	<u>-</u>	<u>105,517</u>
Fund balance - December 31	<u>\$ 93,886</u>	<u>\$ 93,886</u>	<u>\$ 108,572</u>	<u>\$ 14,686</u>	<u>\$ 93,886</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
 PROPRIETARY FUND
 DECEMBER 31, 2018
 WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	Stormwater Management Utility	
	2018	2017
ASSETS		
Due from other funds	\$ 228,367	\$ 226,607
Due from other governments	-	26,840
Total current assets	228,367	253,447
Other assets		
Net pension asset	10,804	-
Capital assets		
Nondepreciable	143,743	136,435
Depreciable, net	1,438,281	1,402,229
Total capital assets	1,582,024	1,538,664
Total assets	1,821,195	1,792,111
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts	20,028	21,949
LIABILITIES		
Current liabilities		
Accounts payable	5,777	38,052
Advance from other funds	130,743	98,914
Total current liabilities	136,520	136,966
Long-term obligations		
Net pension liability	-	2,857
Total liabilities	136,520	139,823
DEFERRED INFLOWS OF RESOURCES		
Special charges on subsequent year tax roll	228,367	226,607
Pension related amounts	22,199	9,821
Total deferred inflows of resources	250,566	236,428
NET POSITION		
Net investment in capital assets	1,582,024	1,538,664
Restricted	10,804	-
Unrestricted	(138,691)	(100,855)
Total net position	\$ 1,454,137	\$ 1,437,809

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
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Stormwater Management Utility	
	2018	2017
OPERATING REVENUES		
Charges for services	\$ 229,247	\$ 169,365
OPERATING EXPENSES		
Operation and maintenance	158,554	168,733
Depreciation	54,365	53,124
Total operating expenses	212,919	221,857
Operating income (loss)	16,328	(52,492)
NONOPERATING REVENUES		
Nonoperating grants	-	26,840
Income (loss) before contributions	16,328	(25,652)
Capital contributions	-	22,103
Change in net position	16,328	(3,549)
Net position - January 1	1,437,809	1,441,358
Net position - December 31	<u>\$ 1,454,137</u>	<u>\$ 1,437,809</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
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Stormwater Management Utility	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 229,247	\$ 169,365
Cash paid for employee wages and benefits	(86,696)	(68,151)
Cash paid to suppliers	(72,111)	(93,316)
Net cash provided by operating activities	<u>70,440</u>	<u>7,898</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental revenues	26,840	-
Advance from other funds	31,829	36,192
Net cash provided by noncapital financing activities	<u>58,669</u>	<u>36,192</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(129,109)	(66,193)
Capital contributions	-	22,103
Net cash flows used by capital and related financing activities	<u>(129,109)</u>	<u>(44,090)</u>
Change in cash and investments	-	-
Cash and investments - January 1	-	-
Cash and investments - December 31	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 16,328	\$ (52,492)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	54,365	53,124
Change in liability (asset) and deferred outflows and inflows of resources		
Pension	638	6,811
Change in operating assets and liabilities		
Accounts payable	(891)	455
Net cash provided by operating activities	<u>\$ 70,440</u>	<u>\$ 7,898</u>
Noncash capital and related financing activities		
None		

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, 2018

NOTE 1: 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:

A. REPORTING ENTITY

The Town 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 identified the following component unit that is required to be included in the basic financial statements in accordance with standards established in GASB Statement No. 61.

In 1972, the Town Board formed the Town of Clayton Sanitary District No. 1 to provide water and sewer services to a portion of the Town. Subsequently in 2014, the Town Board amended the boundaries of the sanitary district and appointed the Town Board as the governing body of the sanitary district. At this time, construction of water and sewer infrastructure has not been completed and no customers are being provided water and sewer services. The sanitary district had no activity for the year ended December 31, 2018. All legal, planning and engineering costs of the sanitary district and future water and sewer infrastructure incurred to-date have been financed directly by the Town's General Fund and Capital Projects Fund.

B. 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 the major individual enterprise fund 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 primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Solid Waste/Recycling Fund

This 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

This 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 Fund

This fund accounts for the Town's stormwater utility.

C. 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, 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 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.

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 proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the costs 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.

Town of Clayton Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

1. 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.

2. Property Taxes and Special Charges/Receivable

Property taxes and special charges consist of taxes on real estate and personal property and user charges assessed against Town properties. 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 and special charges 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. Special charges not paid by January 31 are held in trust by the County and remitted to the Town, including interest, when collected by the County.

In addition to its levy, the Town bills, levies and collects taxes for the School Districts of Neenah and Winneconne, Fox Valley Technical College, Larson Winchester Sanitary District and the County of Winnebago.

3. Accounts Receivable

Accounts receivable are recorded at gross amounts 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.

4. Special Assessments

Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Special assessments are placed on tax rolls on an installment basis. Revenue from special assessments recorded in governmental funds is recognized as collections are made or as current installments are placed on tax rolls. (Installments placed on the 2018 tax roll are recognized as revenue in 2019.) Special assessments are subject to collection procedures.

5. 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 and business-type activities.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

6. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

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.

7. 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. 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 a 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.

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:

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

8. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or 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.

9. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

Governmental funds may report deferred inflows of resources for unavailable revenues. The Town reports unavailable revenues for special assessments. These inflows are recognized as revenues in the government-wide financial statements.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

10. 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 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 are expensed as incurred.

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.

11. 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.

12. 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. The Town Board has not authorized a specific employee to assign fund balance. 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.

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.

Town of Clayton Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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, construction, or improvement of those assets and any capital related deferred inflows of resources.
- ▶ **Restricted net position.** Amount of net position that is 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.

E. 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.

F. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the Town's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

G. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

NOTE 2: STEWARDSHIP AND COMPLIANCE

A. BUDGETS AND BUDGETARY ACCOUNTING

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

1. 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.
2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. 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.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

3. During the year, formal budgetary integration is employed as a management control device for the governmental funds.
4. Expenditures may not exceed appropriations at the functional expenditure level of the Town. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Town Board.
5. Encumbrance accounting is not used by the Town to record commitments related to unperformed contracts for goods or services.

The Town did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2018.

B. DEFICIT FUND EQUITY

The following funds had deficit fund balance or net position as of December 31, 2018:

Funds	Deficit Fund Balance
Debt service	\$ 136,008
Rental	14,125

The Town anticipates funding the above deficits from the sale of capital assets in 2019.

C. 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 2018 and 2019 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2018 budget was 0.96%. The actual limit for the Town for the 2019 budget was 1.54%. 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.

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

The Town maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed on the financial statements as "Cash and investments".

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 \$3,876,155 on December 31, 2018 as summarized below:

Petty cash and cash on hand	\$ 425
Deposits with financial institutions	3,875,730
	<u>\$ 3,876,155</u>

Town of Clayton Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	
Cash and investments	\$ 3,835,690
Restricted cash and investments	40,465
	<u>\$ 3,876,155</u>

Fair Value Measurements

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 that are subject to fair value measurement.

Deposits and investments of the Town are subject to various risks. Presented below is a discussion of the Town's deposits and investments and the related risks.

Custodial Credit Risk

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 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. This coverage has been considered in determining custodial credit risk.

As of December 31, 2018, none of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

B. RESTRICTED ASSETS

Restricted assets on December 31, 2018 totaled \$40,465 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Governmental Activities		
Park impact fees	\$ 4,434	To account for impact fees collected and held by the Town to finance park improvements.
Fire impact fees	15,943	To account for impact fees collected and held by the Town to finance fire department improvements.
Capital improvements	13,185	To account for funds set aside to be used for the purchase of capital assets
Fire donations	6,903	Donations to the fire department to be used for the purchase of fire department equipment.
Total	<u>\$ 40,465</u>	

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 6,520,455	\$ -	\$ 206,138	\$ 6,314,317
Construction in progress	310,534	399,691	477,287	232,938
Total capital assets, nondepreciable	<u>6,830,989</u>	<u>399,691</u>	<u>683,425</u>	<u>6,547,255</u>
Capital assets, depreciable:				
Land improvements	294,211	-	-	294,211
Buildings and improvements	1,854,600	-	145,573	1,709,027
Machinery and equipment	1,510,536	296,543	-	1,807,079
Infrastructure	7,780,842	419,701	-	8,200,543
Subtotals	<u>11,440,189</u>	<u>716,244</u>	<u>145,573</u>	<u>12,010,860</u>
Less accumulated depreciation	2,694,323	443,869	7,885	3,130,307
Total capital assets, depreciable, net	<u>8,745,866</u>	<u>272,375</u>	<u>137,688</u>	<u>8,880,553</u>
Governmental activities capital assets, net	<u>\$ 15,576,855</u>	<u>\$ 672,066</u>	<u>\$ 821,113</u>	15,427,808
Less: Capital related debt				9,170,000
Less: Debt premium				118,088
Net investment in capital assets				<u>\$ 6,139,720</u>

Town of Clayton Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, nondepreciable:				
Land	\$ 981	\$ -	\$ -	\$ 981
Construction in progress	135,454	59,725	52,417	142,762
Total capital assets, nondepreciable	<u>136,435</u>	<u>59,725</u>	<u>52,417</u>	<u>143,743</u>
Capital assets, depreciable:				
Machinery and equipment	85,500	38,000	-	123,500
Infrastructure	1,482,357	52,417	-	1,534,774
Subtotals	<u>1,567,857</u>	<u>90,417</u>	<u>-</u>	<u>1,658,274</u>
Less accumulated depreciation	<u>165,628</u>	<u>54,365</u>	<u>-</u>	<u>219,993</u>
Total capital assets, depreciable, net	<u>1,402,229</u>	<u>36,052</u>	<u>-</u>	<u>1,438,281</u>
Business-type activities capital assets, net	<u>\$ 1,538,664</u>	<u>\$ 95,777</u>	<u>\$ 52,417</u>	<u>\$ 1,582,024</u>

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

Governmental activities	
General government	\$ 46,043
Public safety	46,082
Public works	346,152
Culture and recreation	5,592
Total depreciation expense - governmental activities	<u>\$ 443,869</u>
Business-type activities	
Stormwater management utility	<u>\$ 54,365</u>

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

D. INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

Interfund receivables and payables between individual funds of the Town, as reported in the fund financial statements, as of December 31, 2018 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary cash advances to finance operating cash deficits		
Governmental Funds		
General	\$ 151,627	\$ -
Debt service	-	136,008
Rental	-	15,619
Subtotal	<u>151,627</u>	<u>151,627</u>
Special charges placed on tax roll		
Governmental Funds		
General Fund	-	537,167
Solid Waste/Recycling	308,800	-
Proprietary Fund		
Stormwater management utility	228,367	-
Subtotal	<u>537,167</u>	<u>537,167</u>
Long-term cash advances to finance operating cash deficits		
Governmental Fund		
General	130,743	-
Proprietary Fund		
Stormwater management utility	-	130,743
Subtotal	<u>130,743</u>	<u>130,743</u>
Totals	<u>\$ 819,537</u>	<u>\$ 819,537</u>

The Town Board plans to approve a repayment plan for the advance from the general fund to the stormwater fund in 2019.

Interfund transfers for the year ended December 31, 2018 were as follows:

Fund	Transfer In	Transfer Out
General	\$ 3,000	\$ -
Solid Waste/Recycling	-	3,000
Total	<u>\$ 3,000</u>	<u>\$ 3,000</u>

Interfund transfers were made for capital purchases made by the general fund.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the Town for the year ended December 31, 2018:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt					
Notes	\$ 10,067,375	\$ -	\$ 897,375	\$ 9,170,000	\$ 506,803
Debt premium	139,285	-	21,197	118,088	-
Compensated absences	66,196	16,338	-	82,534	-
Governmental activities Long-term obligations	<u>\$ 10,272,856</u>	<u>\$ 16,338</u>	<u>\$ 918,572</u>	<u>\$ 9,370,622</u>	<u>\$ 506,803</u>

Total interest paid during the year on long-term debt totaled \$261,674.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/18
General obligation notes	5/16/12	3/1/22	2.125% - 2.80%	\$ 1,200,000	\$ 520,000
General obligation notes	9/8/14	3/1/24	2.00% - 2.60%	2,300,000	1,450,000
General obligation taxable notes	12/19/16	9/1/22	3.35%	3,500,000	3,500,000
State trust fund loan	6/26/17	3/15/27	3.50%	1,100,000	1,100,000
State trust fund loan	10/23/17	3/15/27	3.50%	600,000	600,000
General obligation taxable notes	12/6/17	3/1/27	3.00% - 3.25%	2,000,000	2,000,000
Total outstanding general obligation debt					<u>\$ 9,170,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$9,170,000 on December 31, 2018 are detailed below:

Year Ended December 31,	Governmental Activities		
	Principal	Interest	Totals
2019	\$ 506,803	\$ 291,435	\$ 798,238
2020	535,370	268,525	803,895
2021	546,481	253,098	799,579
2022	4,062,657	238,418	4,301,075
2023	644,051	104,947	748,998
2024-2027	2,874,638	203,452	3,078,090
	<u>\$ 9,170,000</u>	<u>\$ 1,359,875</u>	<u>\$ 10,529,875</u>

For governmental activities, the other long-term liabilities are generally funded by the general fund.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2018 was \$17,526,165 as follows:

Equalized valuation of the Town	\$ 533,923,300
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>26,696,165</u>
Outstanding general obligation debt applicable to debt limitation	9,170,000
Legal margin for new debt	<u>\$ 17,526,165</u>

General Obligation Debt Limit Policy

The Town adopted a comprehensive debt management policy on June 4, 2014. The policy imposed a more restrictive direct debt burden limitation on the Town. The Town's policy states that the total principal amount outstanding of any debt obligation carrying the general obligation pledge of the Town may not exceed an amount equal to 20% of the Town's debt capacity as determined by the Wisconsin Department of Revenue. The Town's debt limit policy is calculated as follows:

General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	\$ 26,696,165
Town's debt limit %	(x) 20%
Town's debt limit amount	<u>\$ 5,339,233</u>

The Town's general obligation debt outstanding at December 31, 2018 is \$9,170,000, which exceeds the Town's debt limit policy amount.

F. PENSION PLAN

1. 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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

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.

Town of Clayton Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

WRS also provides death and disability benefits for employees.

2. 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
2007	3%	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
2016	0.5	(5)
2017	2.0	4

3. 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. Starting on January 1, 2016, the executives and elected officials category was merged into the general employee category. 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.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

During the year ending December 31, 2018, the WRS recognized \$34,067 in contributions from the Town.

Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At December 31, 2018, the Town reported an asset of \$75,866 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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 asset was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the Town's proportion was 0.00255519%, which was an increase of 0.00044825% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Town recognized pension expense of \$31,477.

At December 31, 2018, 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	\$ 96,390	\$ 45,088
Net differences between projected and actual earnings on pension plan investments	-	104,272
Changes in assumptions	14,989	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	877	6,525
Employer contributions subsequent to the measurement date	34,067	-
Total	<u>\$ 146,323</u>	<u>\$ 155,885</u>

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

\$34,067 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 asset in the year ended December 31, 2019. 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,	Expense
2019	\$ 6,778
2020	(2,486)
2021	(27,668)
2022	(20,430)
2023	177
Total	<u>\$ (43,629)</u>

5. Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	December 31, 2016
Measurement date of net pension liability (asset):	December 31, 2017
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Market 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 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 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:

Town of Clayton Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Core Fund Asset Class	Current Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
Global equities	50%	8.2%	5.3%
Fixed income	24.5%	4.2%	1.4%
Inflation sensitive assets	15.5%	3.8%	1.0%
Real estate	8%	6.5%	3.6%
Private equity/debt	8%	9.4%	6.5%
Multi-asset	4%	6.5%	3.6%
Total Core Fund	110%	7.3%	4.4%
Variable Fund Asset Class			
U.S. equities	70%	7.5%	4.6%
International equities	30%	7.8%	4.9%
Total Variable Fund	100%	7.9%	5.0%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

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 3.31%. 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 members 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 7.2 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 (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Town's proportionate share of the net pension liability (asset)	\$ 196,292	\$ (75,866)	\$ (282,716)

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>.

6. Payables to the Pension Plan

At December 31, 2018, the Town reported a payable of \$9,125 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2018.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

G. FUND EQUITY

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2018, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Prepaid items	\$ 2,771
Advance to stormwater fund	130,743
Total General Fund Nonspendable Fund Balance	<u>\$ 133,514</u>

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or legally restricted for use for a specific purpose. At December 31, 2018, restricted fund balance was as follows:

General Fund	
Restricted for	
Park improvements	\$ 4,434
Fire department improvements	15,943
Total General Fund Restricted Fund Balance	<u>20,377</u>
Special Revenue Fund	
Restricted for	
Fire department expenditures	<u>6,903</u>
Capital Projects Fund	
Restricted for	
Capital outlay	<u>13,185</u>
Total Restricted Fund Balance	<u>\$ 40,465</u>

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by Town Board action. At December 31, 2018, General Fund balance was committed as follows:

General Fund	
Committed for	
Cemetery expenditures	\$ 26,367
Capital equipment replacement	59,044
Sick leave and vacation payout	36,268
Total General Fund Committed Fund Balance	<u>121,679</u>
Special Revenue Fund	
Committed for	
Solid waste and recycling expenditures	<u>108,572</u>
Total Committed Fund Balance	<u>\$ 230,251</u>

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

Minimum General Fund Balance Policy

The Town Board has also adopted a minimum fund balance policy of 16% of actual current year general fund expenditures, not including debt service. The minimum fund balance is maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Actual 2018 General Fund Expenditures	\$ 1,921,486
Minimum Fund Balance %	(x) 16%
Minimum Fund Balance Amount	<u>\$ 307,438</u>

The Town's unassigned general fund balance of \$(99,368) is below the minimum fund balance amount. This is mostly due to capital expenditures for water and sewer infrastructure, advances to other funds and the assigning of fund balance for the subsequent year's budget. The Town sold land on March 1, 2019, which increased its unassigned fund balance in excess of the minimum fund balance amount.

Net Position

The Town reports restricted net position at December 31, 2018 as follows:

Governmental Activities

Restricted for	
Park improvements	\$ 4,434
Fire department expenditures	15,943
Capital expenditures	13,185
Fire donations	6,903
Special assessments	298,728
Net pension asset	65,062
Total Governmental Activities Restricted Net Position	<u>404,255</u>

Business-type Activities

Restricted for	
Net pension asset	<u>10,804</u>
Total Restricted Net Position	<u>\$ 415,059</u>

Town of Clayton Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 4: OTHER INFORMATION

A. 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.

B. CONTINGENCIES

The Town and the Village of Fox Crossing are currently involved in the following three legal proceedings.

1. The Town has brought a lawsuit against the Village of Fox Crossing challenging the annexation of a portion of land located in the Town's Sanitary District. The Town alleges that Fox Crossing did not have the authority to divide a parcel of land owned by the Town to accomplish the annexation. Fox Crossing requested a summary judgement which was denied on March 28, 2019. A hearing on the motion is currently scheduled for June 6, 2019.
2. In 2017, the Town of Clayton Sanitary District No. 1 submitted an application to the Wisconsin Department of Natural Resources (DNR) to construct a wastewater collection system and short-term storage system. The plans and specifications were subsequently revised and were approved by the DNR on February 11, 2019.

On March 8, 2019, the Village of Fox Crossing filed a petition for a judicial review of the DNR's decision of February 11, 2019. Fox Crossing also filed a request for a contested case hearing on the DNR's approval. On March 20, 2019, the DNR granted Fox Crossing's request for a contested case hearing. The Town of Clayton Sanitary District No. 1's response to these actions by Fox Crossing has not yet been determined.

3. The Town of Clayton has begun the process of incorporation of a portion of the Town as a Village. In order to incorporate, property owners must submit a signed petition to the court stating that they wish to incorporate an area of a municipality. The petition is then submitted to the Wisconsin Department of Administration for review and if approved, the petition is sent back to the court which orders a referendum where the Town citizens vote on whether or not to incorporate. The Town has submitted a petition for incorporation to the court and a hearing is scheduled for May 9, 2019 to determine if the standards have been met for forwarding the petition to the state for review.

The Village of Fox Crossing is currently alleging that the petition submitted to the court by the Town does not meet the standards for incorporation established by the state statutes. The Village of Fox Crossing has filed a petition for a court review of the matter and the Town is contesting the allegations made by the Village.

Town of Clayton Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

C. SUBSEQUENT EVENTS

1. The Town issued a \$1,500,000 state trust fund loan, dated February 1, 2019, to be repaid over four years with interest at 4.25%. The Town intended to use the debt proceeds to finance new water and sewer infrastructure. The Town determined that the debt proceeds received were not required to fund the proposed public infrastructure project, and approved Resolution 2019-005 on April 3, 2019 to repay to full amount due with interest in April, 2019.
2. The Town sold 26.5 acres of land on March 1, 2019 for \$1,692,090. The land was originally purchased in January, 2016 for \$838,190, resulting in a gain of \$853,900. The Town plans to use the proceeds to replenish the general and debt service funds unassigned fund balance and for future projects within the Town's Sanitary District #1.
3. On January 16, 2019, the Town approved Resolution 2019-001 authorizing the creation of Tax Increment Finance District #1 (TID #1) for the development of Sanitary District #1 in the Town of Clayton. Proceeds from the Town's Tax Incremental District #1 will be used to fund and/or refund projects, such as but not limited to, economic development projects, business incentives projects, municipal sanitary sewer and municipal water projects within the District.

D. UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after June 15, 2018. The Town is currently evaluating the impact this standard will have on the financial statements when adopted.

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

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (Plan Year)	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)
12/31/14	0.00170112%	\$ (41,784)	\$ 242,794	17.21%	102.74%
12/31/15	0.00181343%	29,468	288,315	10.22%	98.20%
12/31/16	0.00210694%	17,366	360,414	4.82%	99.12%
12/31/17	0.00255519%	(75,866)	420,575	18.04%	102.93%

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 (Fiscal Year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 19,605	\$ 19,605	\$ -	\$ 288,315	6.80%
12/31/16	24,498	24,498	-	360,414	6.80%
12/31/17	30,763	30,763	-	420,575	7.31%
12/31/18	34,067	34,067	-	451,010	7.55%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

There were no changes of benefit terms or assumptions 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

**GENERAL FUND
 DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget		Actual	Variance Final Budget - Positive (Negative)	2017 Actual
	Original	Final			
Taxes					
General property	\$ 893,890	\$ 893,890	\$ 893,757	\$ (133)	\$ 859,812
Mobile home fees	14,000	14,000	11,342	(2,658)	12,767
Managed forest land tax	250	250	1,141	891	268
Interest and taxes	-	-	42	42	206
Other taxes	-	-	1,021	1,021	112
Total taxes	908,140	908,140	907,303	(837)	873,165
Intergovernmental					
State					
State shared taxes	33,728	33,728	33,728	-	33,728
DNR - in lieu of taxes	600	600	685	85	685
Transportation	165,000	165,000	177,455	12,455	162,089
Exempt computer aid	4,315	4,315	4,315	-	4,252
Fire insurance dues	22,000	22,000	21,073	(927)	21,287
Other	1,450	1,450	1,115	(335)	1,431
Total intergovernmental	227,093	227,093	238,371	11,278	223,472
Licenses and permits					
Licenses					
Liquor and malt beverage Operators, cigarette and other licenses	5,000	5,000	4,960	(40)	5,467
Cable television fees	4,200	4,200	7,062	2,862	5,211
Dog	36,000	36,000	36,665	665	34,292
Permits	2,000	2,000	2,095	95	2,240
Building	85,000	85,000	44,741	(40,259)	49,826
Culvert and other permits	6,000	6,000	5,350	(650)	8,150
Zoning	5,500	5,500	7,155	1,655	7,225
Total licenses and permits	143,700	143,700	108,028	(35,672)	112,411
Public charges for services					
General government	3,500	3,500	6,114	2,614	6,978
Cemetery	-	-	6,435	6,435	10,850
House numbers	1,500	1,500	1,200	(300)	1,800
Fire and first responders	-	-	8,546	8,546	19,197
Claytonfest	-	-	273	273	-
Parks	2,500	2,500	4,929	2,429	6,494
Highway	-	-	118,840	118,840	118,537
Weed and nuisance control	-	-	250	250	278
Total public charges for services	7,500	7,500	146,587	139,087	164,134

Town of Clayton

Winnebago County, Wisconsin

**GENERAL FUND
 DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget		Actual	Variance Final Budget - Positive (Negative)	2017 Actual
	Original	Final			
Intergovernmental charges for services					
General government	8,000	8,000	8,000	-	8,000
Building inspection	-	-	31,961	31,961	48,706
Total intergovernmental charges for services	8,000	8,000	39,961	31,961	56,706
Miscellaneous					
Interest on investments	5,000	5,000	9,536	4,536	6,106
Hall rental	-	-	-	-	250
Land rental	750	750	4,033	3,283	4,189
Donations	-	-	2,400	2,400	2,848
Other	1,500	1,500	8,570	7,070	8,884
Total miscellaneous	7,250	7,250	24,539	17,289	22,277
Total Revenues	\$ 1,301,683	\$ 1,301,683	\$ 1,464,789	\$ 163,106	\$ 1,452,165

Town of Clayton

Winnebago County, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance Final Budget - Positive (Negative)	2017 Actual
	Original	Final			
General Government					
Town board	\$ 33,697	\$ 33,697	\$ 33,204	\$ 493	\$ 32,978
Committees	4,398	4,398	3,690	708	3,598
Elections	9,312	9,312	5,432	3,880	2,728
Legal	60,000	60,000	97,888	(37,888)	59,072
Administrator/clerk	113,952	113,952	122,922	(8,970)	122,003
Treasurer/assistant administrator	78,390	78,390	77,074	1,316	72,020
Deputy clerk	56,047	56,047	54,343	1,704	50,878
Assessor	21,000	21,000	21,033	(33)	20,807
General office operation	43,949	43,949	51,263	(7,314)	43,140
Financial administration	12,700	12,700	15,570	(2,870)	15,156
Town hall	20,850	20,850	22,744	(1,894)	32,792
Insurance	38,341	38,341	47,718	(9,377)	37,041
Contingency	30,602	30,602	-	30,602	18,732
Total general government	<u>523,238</u>	<u>523,238</u>	<u>552,881</u>	<u>(29,643)</u>	<u>510,945</u>
Public Safety					
Fire department	221,262	221,262	194,307	26,955	162,683
First responders	-	-	-	-	12,008
Building inspection	82,249	82,249	89,575	(7,326)	87,112
Total public safety	<u>303,511</u>	<u>303,511</u>	<u>283,882</u>	<u>19,629</u>	<u>261,803</u>
Public Works					
Wages	138,325	138,325	149,585	(11,260)	93,882
Operations	20,500	20,500	18,395	2,105	12,624
Contracted services and other	169,399	179,599	178,958	641	257,838
Sewage services	-	-	25,000	(25,000)	-
Total public works	<u>328,224</u>	<u>338,424</u>	<u>371,938</u>	<u>(33,514)</u>	<u>364,344</u>
Health and Human Services					
Animal and weed control	2,296	2,296	337	1,959	994
Cemetery	4,999	13,000	11,389	1,611	22,082
Total health and human services	<u>7,295</u>	<u>15,296</u>	<u>11,726</u>	<u>3,570</u>	<u>23,076</u>
Culture and Recreation					
Clayton town park	2,600	2,600	3,410	(810)	2,795
Trail head park	2,500	2,500	5,454	(2,954)	1,830
Friendship trail	-	-	-	-	4,684
Total culture and recreation	<u>5,100</u>	<u>5,100</u>	<u>8,864</u>	<u>(3,764)</u>	<u>9,309</u>

Town of Clayton Winnebago County, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance Final Budget - Positive (Negative)	2017 Actual
	Original	Final			
Conservation and Development					
Planning and zoning	2,871	7,000	31,847	(24,847)	34,432
Greenspace committee	4,129	4,129	2,560	1,569	-
Total conservation and development	7,000	11,129	34,407	(23,278)	34,432
Capital Outlay					
General government	32,000	48,271	44,240	4,031	16,523
Public safety	52,900	50,000	44,041	5,959	94,700
Public works	100,000	213,455	362,718	(149,263)	171,278
Water and sewer project	-	30,000	205,389	(175,389)	-
Parks	25,000	25,000	1,400	23,600	9,797
Total capital outlay	209,900	366,726	657,788	(291,062)	292,298
Total Expenditures	\$ 1,384,268	\$ 1,563,424	\$ 1,921,486	\$ (358,062)	\$ 1,496,207

Town of Clayton Winnebago County, Wisconsin

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Special Revenue			Totals
	Rental	Fire Donations	Capital Projects	
ASSETS				
Restricted cash and investments	\$ -	\$ 6,903	\$ 13,185	\$ 20,088
Receivables				
Accounts	1,548	-	-	1,548
Total assets	<u>\$ 1,548</u>	<u>\$ 6,903</u>	<u>\$ 13,185</u>	<u>\$ 21,636</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 54	\$ -	\$ -	\$ 54
Due to other funds	15,619	-	-	15,619
Total liabilities	<u>15,673</u>	<u>-</u>	<u>-</u>	<u>15,673</u>
Fund balances				
Restricted	-	6,903	13,185	20,088
Unassigned	(14,125)	-	-	(14,125)
Total fund balances	<u>(14,125)</u>	<u>6,903</u>	<u>13,185</u>	<u>5,963</u>
Total liabilities and fund balances	<u>\$ 1,548</u>	<u>\$ 6,903</u>	<u>\$ 13,185</u>	<u>\$ 21,636</u>

Town of Clayton

Winnebago County, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Revenue		Capital Projects	Totals
	Rental	Fire Donations		
REVENUES				
Miscellaneous	\$ 27,793	\$ -	\$ 2,934	\$ 30,727
EXPENDITURES				
Current				
Public safety	-	425	-	425
Conservation and development	60,965	-	-	60,965
Total expenditures	60,965	425	-	61,390
Net change in fund balances	(33,172)	(425)	2,934	(30,663)
Fund balances - January 1	19,047	7,328	10,251	36,626
Fund balances - December 31	\$ (14,125)	\$ 6,903	\$ 13,185	\$ 5,963

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
Winnebago County, Wisconsin

We have audited, in accordance with the 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 activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, Winnebago County, Wisconsin (the "Town") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 3, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

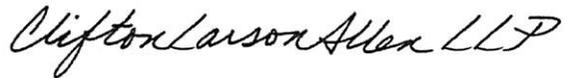
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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'S RESPONSE TO FINDING

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Town'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 the Town'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
May 3, 2019

Town of Clayton Winnebago County, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

<u>FINDING NO.</u>	<u>CONTROL DEFICIENCIES</u>
2018-001	Adjustments to the Town's Financial Records
Condition:	As part of our audit we proposed several journal entries that were material to the Town's financial statements
Criteria:	Material adjusting journal entries proposed by auditors are considered to be an internal control deficiency.
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.
Effect:	Year-end financial records prepared by the Town may contain material misstatements.
Recommendation:	We are aware that the Town contracted for additional accounting assistance in December of 2016, which eliminated many of the adjustments 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.
Management Response:	The Town Board continues to budget for additional professional accounting assistance to review and analyze the Town's financial information in order to decrease the adjustments needed and to improve the accuracy of the Town's financial records.

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, 2018.