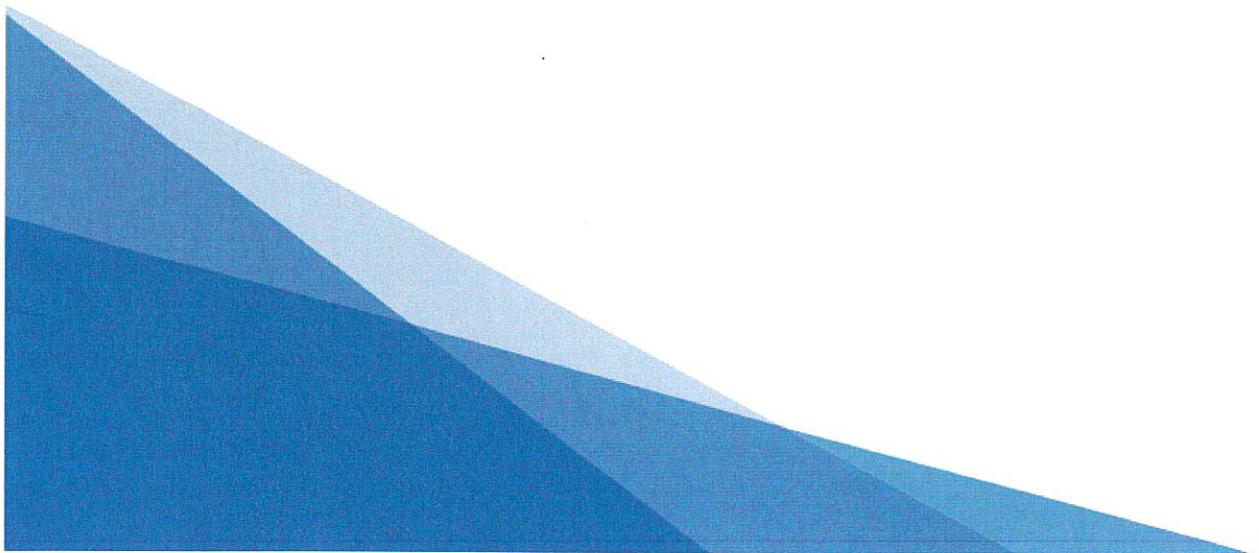




Town of Clayton

Audited Financial Statements
2019 – 2018 – 2017

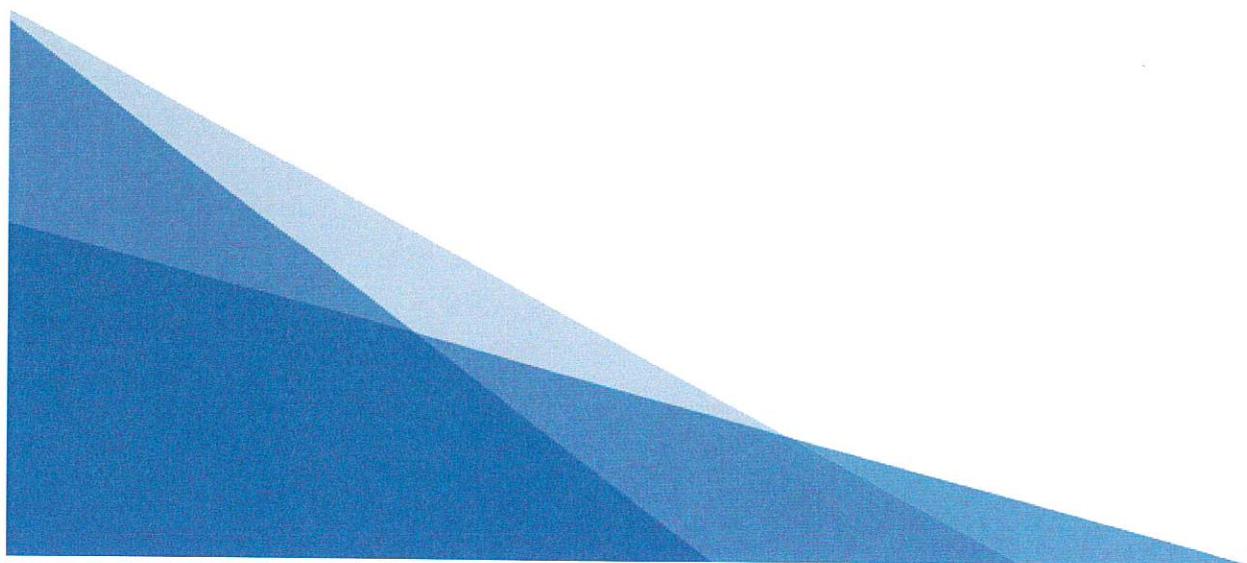




Town of Clayton

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Town of Clayton

Management Communications
2019



Town of Clayton
Winnebago County, Wisconsin

MANAGEMENT COMMUNICATIONS

December 31, 2019

Town of Clayton Winnebago County, Wisconsin

DECEMBER 31, 2019

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To the Town Board
Town of Clayton
Winnebago County, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Clayton as of and for the year ended December 31, 2019, and have issued our report thereon dated March 19, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Clayton are described in Note 1 to the financial statements.

As described in Note 1.B., the Town changed accounting policies related to property taxes and special collections, by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities*, in 2019. Accordingly, property taxes and specials collected on behalf of other governments is now recorded in a custodial fund.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability (asset) and related deferred outflows/inflows of resources is based on information received from the Wisconsin Retirement System. We evaluated the key factors and assumptions used to develop the net pension liability (asset) and related deferred outflows/inflows of resources in determining that they are reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the accumulated compensated absences liability is based upon analysis of the employees compensated absence leave balance. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the accumulated compensated absence liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Corrected misstatements

The following material misstatements detected as a result of audit procedures were corrected by management:

- To record deferred special assessments of \$29,951.
- To adjust \$133,385 to stormwater operating expenses that were originally recorded in construction in progress.
- To record \$9,023 of stormwater capital assets that were originally recorded in expense.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated March 19, 2020.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other audit findings or issues

We have provided a separate letter to you dated March 19, 2020 communicating internal control related matters identified during the audit.

Other information in documents containing audited financial statements

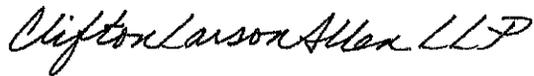
With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the detailed comparisons of budgeted and actual revenues and expenditures and the combining balance sheet and statement of revenues, expenditures, and changes in fund balance for nonmajor funds (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated March 19, 2020.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the Town Board and management of Town of Clayton and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
March 19, 2020

Summary Financial Information

GOVERNMENTAL FUND BALANCES

Presented below is a summary of Town governmental fund balances on December 31, 2019 and 2018. Information is provided for assessing financial results for 2019 and for indicating financial resources available for 2020 and subsequent years.

	<u>12/31/19</u>	<u>12/31/18</u>
General Fund		
Nonspendable for		
Prepaid items	\$ 21,051	\$ 2,771
Advance to stormwater fund	66,799	130,743
Restricted for		
Park improvements	7,965	4,434
Fire department improvements	23,763	15,943
Committed for		
Cemetery expenditures	32,267	26,367
Capital equipment replacement	-	59,044
Sick leave and vacation payout	56,268	36,268
Assigned for subsequent year's budget	57,380	-
Unassigned	404,587	(99,368)
Total general fund balance	<u>670,080</u>	<u>176,202</u>
Debt Service Fund		
Restricted for debt service	136,087	-
Unassigned	-	(136,008)
Total debt service fund balance	<u>136,087</u>	<u>(136,008)</u>
Special Revenue Funds		
Restricted for		
Fire department capital expenditures	2,349	6,903
Committed for		
Solid waste and recycling expenditures	63,944	108,572
Unassigned	-	(14,125)
Total special revenue funds	<u>66,293</u>	<u>101,350</u>
Capital Projects Funds		
Restricted for		
Capital outlay	-	13,185
Total governmental fund balances	<u>\$ 872,460</u>	<u>\$ 154,729</u>

The unassigned general fund balance increased \$503,955 from \$(99,368) in 2018 to \$404,587 in 2019. The increase was mostly due to the sale of Town land in March of 2019. The Town has a minimum fund balance policy of 16% of actual current year general fund expenditures, not including debt service. The Town's minimum fund balance calculated to \$465,451. The Town's unassigned fund balance at December 31, 2019 is below the minimum fund balance policy.

CREATION OF TAX INCREMENTAL DISTRICT

During 2019, the Town created a Tax Incremental District (TID). The Town incurred some expenditures in 2018, before the adoption of the resolution to create the TID. Per the Wisconsin Department of Revenue TID manual, expenditures incurred prior to the adoption of the municipal resolution that are directly related to planning for the TID are considered eligible TID expenditures. Presented below is the annual activity for the Town's Tax Incremental District No. 1. The District currently has no annual tax increments. The Town currently presents the TID transactions in the Town's general fund.

	<u>Current Year</u>	<u>Project to date as of 12/31/18</u>	<u>Cumulative through 12/31/19</u>
Expenditures			
TID organizational costs	\$ 204,808	\$ 699,403	\$ 904,211
Administration	1,845	-	1,845
Professional services	462,782	-	462,782
Total expenditures	<u>669,435</u>	<u>699,403</u>	<u>1,368,838</u>
Net unreimbursed project costs	<u>\$ (669,435)</u>	<u>\$ (699,403)</u>	<u>\$ (1,368,838)</u>

APPENDIX



8348 County Road T -- Larsen, WI 54947
Phone -- 920-836-2007
Fax -- 920-836-2026
Email -- clerk@townofclayton.net
Web Page -- <http://www.townofclayton.net>

March 19, 2020

CliftonLarsonAllen LLP
2200 Riverside Drive
Green Bay, WI 54305

This representation letter is provided in connection with your audit of the financial statements of the Town of Clayton, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of March 19, 2020 the following representations made to you during your audit of the financial statements as of and for the year ended December 31, 2019.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 3, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We acknowledge and have fulfilled our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.
5. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. We have not identified or been notified of any uncorrected financial statement misstatements. In addition, you have proposed adjusting journal entries that have been posted to the entity's accounts. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.
8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
10. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
11. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
12. We are unable to determine the possibility of a withdrawal liability in a multiple-employer benefit plan.
13. We do not plan to make frequent amendments to our pension benefits.

Information Provided

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. All communications from regulatory agencies, lenders, and other funding sources concerning noncompliance with, or deficiencies in, financial reporting practices.
 - f. All communications from regulatory agencies, lenders, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or abuse whose effects should be considered when preparing financial statements.
7. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
10. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
11. We have a process to track the status of audit findings and recommendations.
12. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
13. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
14. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Town of Clayton, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

15. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
16. The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
17. We are responsible for determining whether we have received, expended, or otherwise been the beneficiary of any federal awards during the period of this audit. No federal award, received directly from federal agencies or indirectly as a subrecipient, was expended in an amount that cumulatively totals from all sources \$750,000 or more. For this representation, "award" means financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, user grants, or contracts used to buy goods or services from vendors.
18. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
19. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.
20. The financial statements properly classify all funds and activities.
21. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
22. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
23. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
24. Provisions for uncollectible receivables have been properly identified and recorded.
25. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
26. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
27. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
28. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.

29. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
30. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
31. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
32. We acknowledge our responsibility for presenting the detailed comparisons of budgeted and actual revenues and expenditures and the combining balance sheet and statement of revenues, expenditures and changes in fund balances for nonmajor funds (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
33. As part of your audit, you prepared the draft financial statements and related notes, and state financial report. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and state financial report. We have also ensured that the entity's data are complete and received sufficient information to oversee the service.
34. We have evaluated the adequacy and results of the depreciation services performed and accept responsibility for the results. We acknowledge our responsibility for our depreciation schedules and have determined the methods and rates of depreciation and the salvage values used in the calculations. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your depreciation services; have made all significant management judgments and decisions; and have assumed all management responsibilities. We have also ensured that the entity's data and records are complete and received sufficient information to oversee the service.
35. In regards to the depreciation and report preparation services performed by you, we have:
 - a. Made all management judgments and decisions and assumed all management responsibilities.
 - b. Designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee the services.
 - c. Evaluated the adequacy and results of the services performed.

- d. Accepted responsibility for the results of the services.
- e. We have also ensured that the entity's data and records are complete and received sufficient information to oversee the service.

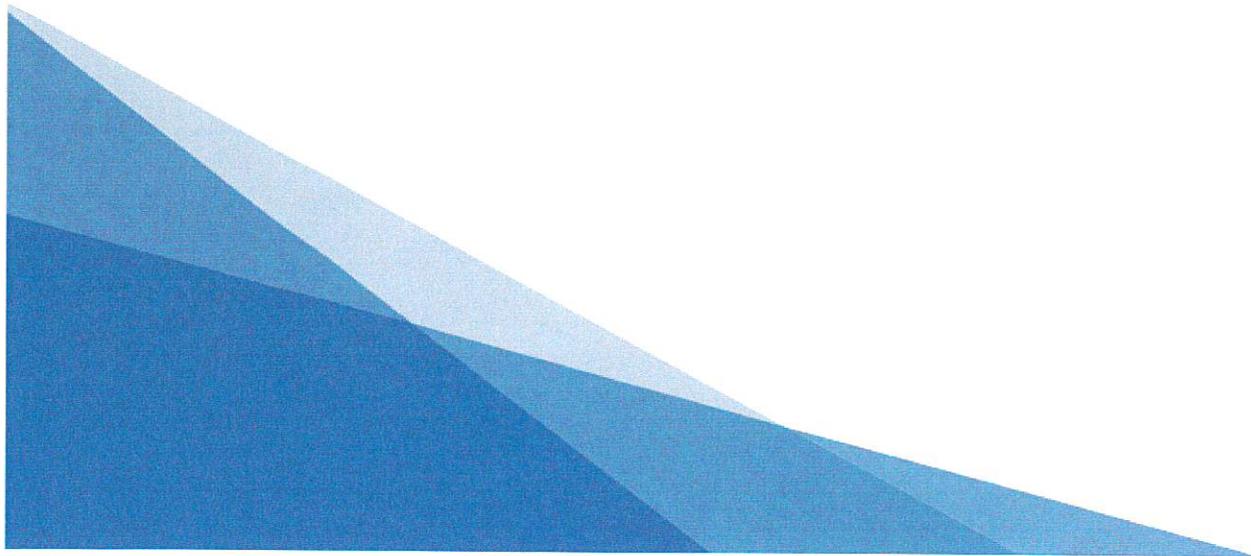
Signature: Tori Straw Title: Administrator
Tori Straw

Signature: Sabina Schiessl Title: Treasurer
Sabina Schiessl



Town of Clayton

Annual Financial Report 2019



Town of Clayton
Winnebago County, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2019



CLAconnect.com

WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING

Town of Clayton Winnebago County, Wisconsin

DECEMBER 31, 2019

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Town of Clayton

Winnebago County, Wisconsin

DECEMBER 31, 2019

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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, 2019, 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, 2019, 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.

EMPHASIS OF MATTER

As described in Note 1.B., during 2019, the Town adopted new accounting guidance, Statement No. 84, *Fiduciary Activities*. As a result, the Town established a custodial fund for taxes and specials collected for other governments. In prior years, these amounts were reported in the general fund. Our opinions are not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules relating to pension on page 41 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2020, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Green Bay, Wisconsin
March 19, 2020

BASIC FINANCIAL STATEMENTS

Town of Clayton

Winnebago County, Wisconsin

STATEMENT OF NET POSITION DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 1,259,729	\$ 151,362	\$ 1,411,091
Receivables			
Taxes and special charges	923,140	168,260	1,091,400
Delinquent taxes	1,455	-	1,455
Special assessments	239,000	-	239,000
Other	7,196	-	7,196
Internal balances	130,743	(130,743)	-
Prepaid items	21,051	-	21,051
Restricted assets			
Cash and investments	529,723	-	529,723
Capital assets, nondepreciable	6,138,856	19,381	6,158,237
Capital assets, depreciable, net	8,730,806	1,523,079	10,253,885
Total assets	<u>17,981,699</u>	<u>1,731,339</u>	<u>19,713,038</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	<u>260,738</u>	<u>35,691</u>	<u>296,429</u>
LIABILITIES			
Accounts payable	71,186	1,132	72,318
Accrued and other current liabilities	59,316	-	59,316
Accrued interest payable	146,609	-	146,609
Special deposits	33,763	-	33,763
Long-term obligations			
Due within one year	592,151	-	592,151
Due in more than one year	8,515,860	-	8,515,860
Net pension liability	93,096	12,926	106,022
Total liabilities	<u>9,511,981</u>	<u>14,058</u>	<u>9,526,039</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	1,526,312	-	1,526,312
Special charges	310,000	309,166	619,166
Pension related amounts	134,176	18,629	152,805
Total deferred inflows of resources	<u>1,970,488</u>	<u>327,795</u>	<u>2,298,283</u>
NET POSITION			
Net investment in capital assets	5,849,049	1,542,460	7,391,509
Restricted	232,604	-	232,604
Unrestricted	678,315	(117,283)	561,032
Total net position	<u>\$ 6,759,968</u>	<u>\$ 1,425,177</u>	<u>\$ 8,185,145</u>

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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 791,285	\$ 68,695	\$ -	\$ -
Public safety	446,342	94,337	23,901	-
Public works	1,151,137	335,548	183,454	46,663
Health and human services	7,411	11,213	-	-
Culture and recreation	37,794	5,171	-	-
Conservation and development	248,052	-	-	-
Interest and fiscal charges	279,492	-	-	-
Total governmental activities	<u>2,961,513</u>	<u>514,964</u>	<u>207,355</u>	<u>46,663</u>
BUSINESS-TYPE ACTIVITIES				
Stormwater management utility	<u>260,047</u>	<u>231,087</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,221,560</u>	<u>\$ 746,051</u>	<u>\$ 207,355</u>	<u>\$ 46,663</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**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (722,590)	\$ -	\$ (722,590)
(328,104)	-	(328,104)
(585,472)	-	(585,472)
3,802	-	3,802
(32,623)	-	(32,623)
(248,052)	-	(248,052)
(279,492)	-	(279,492)
<u>(2,192,531)</u>	<u>-</u>	<u>(2,192,531)</u>
<u>-</u>	<u>(28,960)</u>	<u>(28,960)</u>
<u>(2,192,531)</u>	<u>(28,960)</u>	<u>(2,221,491)</u>
1,473,136	-	1,473,136
2,992	-	2,992
49,336	-	49,336
37,611	-	37,611
57,143	-	57,143
917,739	-	917,739
<u>2,537,957</u>	<u>-</u>	<u>2,537,957</u>
345,426	(28,960)	316,466
<u>6,414,542</u>	<u>1,454,137</u>	<u>7,868,679</u>
<u>\$ 6,759,968</u>	<u>\$ 1,425,177</u>	<u>\$ 8,185,145</u>

Town of Clayton

Winnebago County, Wisconsin

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Solid Waste/ Recycling	Debt Service	Other Governmental Funds	Totals
ASSETS					
Cash and investments	\$ 1,041,079	\$ 218,536	\$ -	\$ 114	\$ 1,259,729
Restricted cash and investments	31,728	-	495,646	2,349	529,723
Receivables					
Taxes and special charges	324,479	116,600	482,061	-	923,140
Delinquent taxes	1,455	-	-	-	1,455
Accounts	7,196	-	-	-	7,196
Special assessments	29,951	-	209,049	-	239,000
Advance to other funds	66,799	63,944	-	-	130,743
Prepaid items	21,051	-	-	-	21,051
Total assets	<u>\$ 1,523,738</u>	<u>\$ 399,080</u>	<u>\$ 1,186,756</u>	<u>\$ 2,463</u>	<u>\$ 3,112,037</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 46,128	\$ 24,944	\$ -	\$ 114	\$ 71,186
Accrued and other current liabilities	59,124	192	-	-	59,316
Special deposits	33,763	-	-	-	33,763
Total liabilities	<u>139,015</u>	<u>25,136</u>	<u>-</u>	<u>114</u>	<u>164,265</u>
Deferred inflows of resources					
Property taxes levied for subsequent year	684,692	-	841,620	-	1,526,312
Special charges assessed	-	310,000	-	-	310,000
Special assessments	29,951	-	209,049	-	239,000
Total deferred inflows of resources	<u>714,643</u>	<u>310,000</u>	<u>1,050,669</u>	<u>-</u>	<u>2,075,312</u>
Fund balances					
Nonspendable	87,850	-	-	-	87,850
Restricted	31,728	-	136,087	2,349	170,164
Committed	88,535	63,944	-	-	152,479
Assigned	57,380	-	-	-	57,380
Unassigned	404,587	-	-	-	404,587
Total fund balances	<u>670,080</u>	<u>63,944</u>	<u>136,087</u>	<u>2,349</u>	<u>872,460</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,523,738</u>	<u>\$ 399,080</u>	<u>\$ 1,186,756</u>	<u>\$ 2,463</u>	<u>\$ 3,112,037</u>

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

Town of Clayton

Winnebago County, Wisconsin

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balances as shown on previous page	\$ 872,460
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.	14,869,662
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	239,000
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	260,738
Deferred inflows related to pensions	(134,176)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(8,663,197)
Premium on debt	(96,891)
Capital lease payable	(250,000)
Compensated absences	(97,923)
Net pension liability	(93,096)
Accrued interest on long-term obligations	<u>(146,609)</u>
Net position of governmental activities as reported on the statement of net position (see page 4)	<u>\$ 6,759,968</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, 2019

	General	Solid Waste/ Recycling	Debt Service	Other Governmental Funds	Totals
REVENUES					
Taxes	\$ 677,890	\$ -	\$ 798,238	\$ -	\$ 1,476,128
Intergovernmental	250,180	11,833	-	-	262,013
Licenses and permits	143,605	-	-	-	143,605
Public charges for services	79,644	319,147	59,728	-	458,519
Intergovernmental charges for services	12,852	-	-	-	12,852
Miscellaneous	55,263	271	15,062	25,215	95,811
Total revenues	<u>1,219,434</u>	<u>331,251</u>	<u>873,028</u>	<u>25,215</u>	<u>2,448,928</u>
EXPENDITURES					
Current					
General government	685,647	-	-	-	685,647
Public safety	359,302	-	-	4,554	363,856
Public works	410,798	344,798	-	-	755,596
Health and human services	7,411	-	-	-	7,411
Culture and recreation	32,202	-	-	-	32,202
Conservation and development	246,898	-	-	1,154	248,052
Debt service					
Principal	-	-	2,006,803	-	2,006,803
Interest and fiscal charges	-	-	307,852	-	307,852
Capital outlay	1,166,807	31,081	-	49,446	1,247,334
Total expenditures	<u>2,909,065</u>	<u>375,879</u>	<u>2,314,655</u>	<u>55,154</u>	<u>5,654,753</u>
Excess of revenues under expenditures	<u>(1,689,631)</u>	<u>(44,628)</u>	<u>(1,441,627)</u>	<u>(29,939)</u>	<u>(3,205,825)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	1,500,000	-	1,500,000
Capital lease proceeds	250,000	-	-	-	250,000
Proceeds from sale of capital assets	1,959,834	-	213,722	-	2,173,556
Transfers in	-	-	-	26,325	26,325
Transfers out	(26,325)	-	-	-	(26,325)
Total other financing sources (uses)	<u>2,183,509</u>	<u>-</u>	<u>1,713,722</u>	<u>26,325</u>	<u>3,923,556</u>
Net change in fund balances	493,878	(44,628)	272,095	(3,614)	717,731
Fund balances - January 1	176,202	108,572	(136,008)	5,963	154,729
Fund balances - December 31	<u>\$ 670,080</u>	<u>\$ 63,944</u>	<u>\$ 136,087</u>	<u>\$ 2,349</u>	<u>\$ 872,460</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, 2019

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net change in fund balances as shown on previous page	\$ 717,731
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	1,247,334
Items reported as capital outlay, but not capitalized	(77,128)
Depreciation expense reported in the statement of activities	(472,535)
Net book value of disposals	(1,255,817)
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.	
	(59,728)
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	(1,500,000)
Principal repaid	2,006,803
Capital lease issued	(250,000)
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	7,163
Amortization of premiums	21,197
Compensated absences	(15,389)
Net pension asset	(65,062)
Net pension liability	(93,096)
Deferred outflows of resources related to pensions	134,443
Deferred inflows of resources related to pensions	(490)
Change in net position of governmental activities as reported in the statement of activities (see pages 5 - 6)	<u>\$ 345,426</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, 2019

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 677,413	\$ 677,413	\$ 677,890	\$ 477
Intergovernmental	235,684	235,684	250,180	14,496
Licenses and permits	153,700	153,700	143,605	(10,095)
Public charges for services	7,500	7,500	79,644	72,144
Intergovernmental charges for services	8,000	8,000	12,852	4,852
Miscellaneous	18,082	18,082	55,263	37,181
Total revenues	1,100,379	1,100,379	1,219,434	119,055
EXPENDITURES				
Current				
General government	593,152	713,152	685,647	27,505
Public safety	392,449	392,449	359,302	33,147
Public works	348,326	349,407	410,798	(61,391)
Health and human services	7,395	7,395	7,411	(16)
Culture and recreation	29,800	29,800	32,202	(2,402)
Conservation and development	31,621	211,621	246,898	(35,277)
Capital outlay	677,500	1,098,325	1,166,807	(68,482)
Total expenditures	2,080,243	2,802,149	2,909,065	(106,916)
Excess of revenues over (under) expenditures	(979,864)	(1,701,770)	(1,689,631)	12,139
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	250,000	250,000	250,000	-
Proceeds from sale of capital assets	500,000	1,978,368	1,959,834	(18,534)
Transfers out	-	-	(26,325)	(26,325)
Total other financing sources (uses)	750,000	2,228,368	2,183,509	(44,859)
Net change in fund balance	(229,864)	526,598	493,878	(32,720)
Fund balance - January 1	176,202	176,202	176,202	-
Fund balance - December 31	\$ (53,662)	\$ 702,800	\$ 670,080	\$ (32,720)

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, 2019

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 10,500	\$ 10,500	\$ 11,833	\$ 1,333
Public charges for services	322,000	322,000	319,147	(2,853)
Miscellaneous	-	-	271	271
Total revenues	332,500	332,500	331,251	(1,249)
EXPENDITURES				
Current				
Public works	332,500	332,500	344,798	(12,298)
Capital outlay	-	-	31,081	(31,081)
Total expenditures	332,500	332,500	375,879	(43,379)
Net change in fund balance	-	-	(44,628)	(44,628)
Fund balance - January 1	108,572	108,572	108,572	-
Fund balance - December 31	<u>\$ 108,572</u>	<u>\$ 108,572</u>	<u>\$ 63,944</u>	<u>\$ (44,628)</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, 2019

	Stormwater Management Utility
ASSETS	
Current assets	
Cash and investments	\$ 151,362
Receivables	
Special charges	<u>168,260</u>
Total current assets	<u>319,622</u>
Capital assets	
Nondepreciable	19,381
Depreciable, net	<u>1,523,079</u>
Total capital assets	<u>1,542,460</u>
Total assets	<u>1,862,082</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related amounts	<u>35,691</u>
LIABILITIES	
Current liabilities	
Accounts payable	1,132
Advance from other funds	<u>130,743</u>
Total current liabilities	<u>131,875</u>
Long-term obligations	
Net pension liability	<u>12,926</u>
Total liabilities	<u>144,801</u>
DEFERRED INFLOWS OF RESOURCES	
Special charges on subsequent year tax roll	309,166
Pension related amounts	<u>18,629</u>
Total deferred inflows of resources	<u>327,795</u>
NET POSITION	
Net investment in capital assets	1,542,460
Unrestricted	<u>(117,283)</u>
Total net position	<u><u>\$ 1,425,177</u></u>

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

Town of Clayton
 Winnebago County, Wisconsin

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Stormwater Management Utility
OPERATING REVENUES	
Charges for services	\$ 231,087
OPERATING EXPENSES	
Operation and maintenance	211,460
Depreciation	48,587
Total operating expenses	260,047
Operating loss	(28,960)
Net position - January 1	<u>1,454,137</u>
Net position - December 31	<u>\$ 1,425,177</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, 2019

	<u>Stormwater Management Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 371,993
Cash paid for employee wages and benefits	(82,837)
Cash paid to suppliers	(128,771)
Net cash provided by operating activities	<u>160,385</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(9,023)</u>
Change in cash and investments	151,362
Cash and investments - January 1	<u>-</u>
Cash and investments - December 31	<u>\$ 151,362</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (28,960)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	48,587
Change in liability (asset) and deferred outflows and inflows of resources	
Net pension asset	10,804
Deferred outflows - pension related	(15,663)
Deferred inflows - pension related	(3,570)
Net pension liability	12,926
Change in operating assets and liabilities	
Special charges receivable	(168,260)
Due from other funds	309,166
Accounts payable	<u>(4,645)</u>
Net cash provided by operating activities	<u>\$ 160,385</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

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 DECEMBER 31, 2019

	<u>Custodial Fund</u>
ASSETS	
Cash and investments	\$ 3,533,639
LIABILITIES	
Due to other governments	<u>3,533,639</u>
NET POSITION	
Fiduciary net position - held for others	<u>\$ -</u>

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

Town of Clayton
 Winnebago County, Wisconsin

STATEMENT OF CHANGES IN NET POSITION
 FIDUCIARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Custodial Fund</u>
ADDITIONS	
Taxes and special charges collected	<u>\$ 5,436,323</u>
DEDUCTIONS	
Payments to other districts	<u>5,436,323</u>
Net Position - January 1	<u>-</u>
Net Position - December 31	<u><u>\$ -</u></u>

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

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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, 2019. 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.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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.

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.

The Town also reports the following fiduciary fund:

Custodial Fund

The custodial fund accounts for property taxes and specials collected on behalf of other governments. These amounts were recorded in the general fund in prior years. Due to the implementation of GASB 84, *Fiduciary Activities*, they are now recorded in a custodial fund.

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.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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.

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.

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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.

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 classified as 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.

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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.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS

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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.

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.

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- ▶ **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.

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.
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, 2019.

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NOTES TO BASIC FINANCIAL STATEMENTS

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B. 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 2019 and 2020 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 2019 budget was 1.54%. The actual limit for the Town for the 2020 budget was 0.99%. 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 \$5,474,453 on December 31, 2019 as summarized below:

Petty cash and cash on hand	\$ 1,287
Deposits with financial institutions	5,473,166
	<u>\$ 5,474,453</u>

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	
Cash and investments	\$ 1,411,091
Restricted cash and investments	529,723
Fiduciary Fund Statement of Net Position	
Cash and investments	3,533,639
	<u>\$ 5,474,453</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.

Town of Clayton

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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, 2019, none of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits.

B. RESTRICTED ASSETS

Restricted assets on December 31, 2019 totaled \$529,723 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
General		
Park impact fees	\$ 7,965	To account for impact fees collected and held by the Town to finance park improvements.
Fire impact fees	23,763	To account for impact fees collected and held by the Town to finance fire department improvements.
Debt Service	495,646	To account for funds held for debt service expenditures
Fire Donations	2,349	Donations to the fire department to be used for the purchase of fire department equipment.
	<hr/>	
Total	<u>\$ 529,723</u>	

Town of Clayton

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NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 6,314,317	\$ 31,081	\$ 872,797	\$ 5,472,601
Construction in progress	232,938	462,782	29,465	666,255
Total capital assets, nondepreciable	<u>6,547,255</u>	<u>493,863</u>	<u>902,262</u>	<u>6,138,856</u>
Capital assets, depreciable:				
Land improvements	294,211	-	27,283	266,928
Buildings and improvements	1,709,027	36,261	370,288	1,375,000
Machinery and equipment	1,807,079	483,147	39,500	2,250,726
Infrastructure	8,200,543	186,400	-	8,386,943
Subtotals	<u>12,010,860</u>	<u>705,808</u>	<u>437,071</u>	<u>12,279,597</u>
Less accumulated depreciation	<u>3,130,307</u>	<u>472,535</u>	<u>54,051</u>	<u>3,548,791</u>
Total capital assets, depreciable, net	<u>8,880,553</u>	<u>233,273</u>	<u>383,020</u>	<u>8,730,806</u>
Governmental activities capital assets, net	<u>\$ 15,427,808</u>	<u>\$ 727,136</u>	<u>\$ 1,285,282</u>	14,869,662
Less: Capital related debt				8,913,197
Less: Debt premium				96,891
Less: Accounts payable related to capital				<u>10,525</u>
Net investment in capital assets				<u>\$ 5,849,049</u>
Business-type activities:				
Capital assets, nondepreciable:				
Land	\$ 981	\$ -	\$ -	\$ 981
Construction in progress	142,762	9,023	133,385	18,400
Total capital assets, nondepreciable	<u>143,743</u>	<u>9,023</u>	<u>133,385</u>	<u>19,381</u>
Capital assets, depreciable:				
Machinery and equipment	123,500	-	-	123,500
Infrastructure	1,534,774	133,385	-	1,668,159
Subtotals	<u>1,658,274</u>	<u>133,385</u>	<u>-</u>	<u>1,791,659</u>
Less accumulated depreciation	<u>219,993</u>	<u>48,587</u>	<u>-</u>	<u>268,580</u>
Total capital assets, depreciable, net	<u>1,438,281</u>	<u>84,798</u>	<u>-</u>	<u>1,523,079</u>
Business-type activities capital assets, net	<u>\$ 1,582,024</u>	<u>\$ 93,821</u>	<u>\$ 133,385</u>	<u>\$ 1,542,460</u>

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

Governmental activities	
General government	\$ 43,702
Public safety	55,447
Public works	367,794
Culture and recreation	5,592
Total depreciation expense - governmental activities	<u>\$ 472,535</u>
Business-type activities	
Stormwater management utility	<u>\$ 48,587</u>

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, 2019 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Long-term cash advances to finance operating cash deficits		
Governmental Fund		
General	\$ 66,799	\$ -
Solid Waste/Recycling	63,944	-
Proprietary Fund		
Stormwater management utility	-	130,743
Totals	<u>\$ 130,743</u>	<u>\$ 130,743</u>

The Town Board currently has no plan for repayment of the advance from the general fund and solid waste/recycling fund to the stormwater management utility fund.

Interfund transfers for the year ended December 31, 2019 were as follows:

Fund	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ -	\$ 26,325
Rental Fund	26,325	-
Total	<u>\$ 26,325</u>	<u>\$ 26,325</u>

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

Town of Clayton

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NOTES TO BASIC FINANCIAL STATEMENTS
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E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the Town for the year ended December 31, 2019:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
Direct borrowings					
General obligation notes	\$ 7,470,000	\$ -	\$ 350,000	\$ 7,120,000	\$ 365,000
State trust fund loans	1,700,000	1,500,000	1,656,803	1,543,197	170,370
Total Direct Borrowings	9,170,000	1,500,000	2,006,803	8,663,197	535,370
Debt premium	118,088	-	21,197	96,891	-
Capital leases	-	250,000	-	250,000	56,781
Compensated absences	82,534	15,389	-	97,923	-
Governmental activities Long-term obligations	<u>\$ 9,370,622</u>	<u>\$ 1,765,389</u>	<u>\$ 2,028,000</u>	<u>\$ 9,108,011</u>	<u>\$ 592,151</u>

The Town's outstanding general obligation notes from direct borrowings of \$7,120,000 contain a provision that in an event of default, outstanding amounts shall at the option of the lender, without notice, mature and become immediately payable.

The Town's outstanding state trust fund loans from direct borrowings of \$1,543,197 are subject to a statutory provision that in an event of late or non-payment, a one percent per month penalty will be charged and the payment will be collected through a reduction in payments from the State of Wisconsin.

Total interest paid during the year on long-term debt totaled \$307,852.

General Obligation Debt

General obligation direct borrowings outstanding on December 31, 2019 totaled \$8,663,197 and were comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/19
General obligation notes	5/16/12	3/1/22	2.125% - 2.80%	\$ 1,200,000	\$ 395,000
General obligation notes	9/8/14	3/1/24	2.00% - 2.60%	2,300,000	1,225,000
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	993,892
State trust fund loan	10/23/17	3/15/27	3.50%	600,000	549,305
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>\$ 8,663,197</u>

Town of Clayton

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NOTES TO BASIC FINANCIAL STATEMENTS

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Annual principal and interest maturities of the outstanding general obligation debt of \$8,663,197 on December 31, 2019 are detailed below:

Year Ended December 31,	Governmental Activities		
	Direct borrowings - general obligation notes		
	Principal	Interest	Totals
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	725,588	85,463	811,051
2025-2027	2,149,050	117,989	2,267,039
	<u>\$ 8,663,197</u>	<u>\$ 1,068,440</u>	<u>\$ 9,731,637</u>

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

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2019 was \$19,270,960 as follows:

Equalized valuation of the Town		\$ 555,961,400
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		<u>27,798,070</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 8,663,197	
Less: Amounts available for financing general obligation debt		
Debt service fund	<u>136,087</u>	
Outstanding general obligation debt applicable to debt limitation		<u>8,527,110</u>
Legal margin for new debt		<u>\$ 19,270,960</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	\$ 27,798,070
Town's debt limit %	(x) 20%
Town's debt limit amount	<u>\$ 5,559,614</u>

The Town's general obligation debt outstanding at December 31, 2019 is \$8,663,197, which exceeds the Town's debt limit policy amount.

In March, 2020, the Town revised their debt limit policy to equal the statutory legal margin for new debt.

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NOTES TO BASIC FINANCIAL STATEMENTS

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Capital Lease

The Town is obligated under a lease accounted for as capital lease that was used to finance the acquisition of capital assets. The cost of the capital asset under the capital lease is \$230,944 and the related accumulated depreciation is \$25,660 as of December 31, 2019.

The following is a schedule of the minimum lease payments under the lease agreement and the present values of the minimum lease payments at December 31, 2019:

Year Ending	Governmental Activities
2020	\$ 56,781
2021	56,781
2022	56,781
2023	56,781
2024	56,781
Subtotal	<u>283,905</u>
Less: Amount representing interest	33,905
Present value of future minimum lease payments	<u>\$ 250,000</u>

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.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2019

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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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
2018	2.4	17

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, 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 remained of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

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NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

During the year ending December 31, 2019, the WRS recognized \$40,902 in contributions from the Town.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

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

At December 31, 2019, the Town reported a liability of \$106,022 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the Town's proportion was 0.00298010%, which was an increase of 0.00042491% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Town recognized pension expense of \$69,562.

At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 82,574	\$ 145,963
Net differences between projected and actual earnings on pension plan investments	154,838	-
Changes in assumptions	17,871	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	244	6,842
Employer contributions subsequent to the measurement date	40,902	-
Total	<u>\$ 296,429</u>	<u>\$ 152,805</u>

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

\$40,902 reported as deferred outflows related to pension resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. 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
2020	\$ 37,123
2021	7,725
2022	16,017
2023	41,857
Total	<u>\$ 102,722</u>

5. Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	December 31, 2017
Measurement date of net pension liability (asset):	December 31, 2018
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Value
Long-term expected rate of return:	7.0%
Discount rate:	7.0%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement adjustments*	1.9%

* *No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% 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 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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:

	<u>Current Asset Allocation %</u>	<u>Long-term Expected Nominal Rate of Return %</u>	<u>Long-term Expected Real Rate of Return %</u>
<u>Core Fund Asset Class</u>			
Global equities	49%	8.1%	5.5%
Fixed income	24.5%	4.0%	1.5%
Inflation sensitive assets	15.5%	3.8%	1.3%
Real estate	9%	6.5%	3.9%
Private equity/debt	8%	9.4%	6.7%
Multi-asset	4%	6.7%	4.1%
Total Core Fund	110%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
U.S. equities	70%	7.6%	5.0%
International equities	30%	8.5%	5.9%
Total Variable Fund	100%	8.0%	5.4%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

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

Single Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% 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 municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 421,344	\$ 106,022	\$ (128,444)

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, 2019, the Town reported a payable of \$7,834 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2019.

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, 2019, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Prepaid items	\$ 21,051
Advance to stormwater fund	66,799
Total general fund nonspendable fund balance	<u>\$ 87,850</u>

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2019

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, 2019, restricted fund balance was as follows:

General Fund	
Restricted for	
Park improvements	\$ 7,965
Fire department improvements	<u>23,763</u>
Total general fund restricted fund balance	<u>31,728</u>
Special Revenue Fund	
Restricted for	
Fire department expenditures	<u>2,349</u>
Total special revenue fund restricted fund balance	<u>2,349</u>
Debt Service Fund	
Restricted for	
Debt service expenditures	<u>136,087</u>
Total debt service fund restricted fund balance	<u>136,087</u>
Total restricted fund balance	<u>\$ 170,164</u>

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by Town Board action. At December 31, 2019, General Fund balance was committed as follows:

General Fund	
Committed for	
Cemetery expenditures	\$ 32,267
Sick leave and vacation payout	<u>56,268</u>
Total general fund committed fund balance	<u>88,535</u>
Special Revenue Fund	
Committed for	
Solid waste and recycling expenditures	<u>63,944</u>
Total committed fund balance	<u>\$ 152,479</u>

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2019, \$57,380 was assigned for subsequent year's expenditures.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 2019 General Fund Expenditures	\$ 2,909,065
Minimum Fund Balance %	(x) 16%
Minimum fund balance amount	<u>\$ 465,450</u>

The Town's unassigned general fund balance of \$404,587 is below the minimum fund balance amount.

Net Position

The Town reports restricted net position at December 31, 2019 as follows:

Governmental Activities	
Restricted for	
Park improvements	\$ 7,965
Fire department expenditures	23,763
Debt service	198,527
Fire donations	<u>2,349</u>
Total restricted net position	<u>\$ 232,604</u>

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. Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years.

B. CONTINGENCIES

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

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

C. SUBSEQUENT EVENTS

Agreement with Village of Fox Crossing

In January, 2020, the Town signed an agreement with the Village of Fox Crossing regarding the settlement of litigation and negotiations related to provision of utility services by the Village of Fox Crossing to the Town of Clayton. The parties agreed that they shall execute and submit a stipulated settlement to the court for resolution of the outstanding issues related to annexation and incorporation disputes. The Town of Clayton agreed to pay the Village of Fox Crossing the sum of \$11,500,000 for the payment of sanitary sewer and water utility capacity (the "Comprehensive reimbursement"). The Comprehensive reimbursement shall be paid in two installments. The first installment of \$6,500,000 shall be paid within 95 days of the date of execution of the agreement. The second installment of \$5,000,000 plus interest accruing at a rate of 3% per year shall be paid within two years of the date of execution of the agreement. The Town plans to fund the Comprehensive reimbursement with the issuance of long-term debt.

As part of the agreement, the Town of Clayton agreed to pay the Village of Fox Crossing the Village's actual attorney fees for the litigation issues relating to the incorporation and annexation issues, totaling \$215,858. The Town also agreed to pay any additional attorney fees relating to the noted issues up to a maximum of \$220,000 total legal fees reimbursed.

Regarding the consideration for the Town to dismiss action challenging the Village of Fox Crossing's annexation of lands, the Village shall purchase the Town owned lands located within the annexed territory free and clear of encumbrances for \$716,000. The purchase shall be made within 95 days of the date of the agreement.

Joinder Agreement with Fox West Regional Commission

In February, 2020, the Town signed a joinder agreement with the Fox West Sewerage Commission to join the existing Ordinance-Contract for sewage treatment services. The present "contracting parties" of the Ordinance-Contract are the Town of Grand Chute, The Town of Grand Chute Sanitary District No. 2, the Village of Fox Crossing, the Town of Greenville, and the Town of Greenville Sanitary District. The Town of Clayton agreed that its original annual charges (operating and maintenance charges, capital charges and depreciation charges) shall be 2%. They agreed that their 2% charge shall be in full force and effect from the date of inception, and shall be paid in full within 25 days of invoice. The Town of Clayton agreed that their percentage will be reallocated when they become an on-line user in the system. In addition to the annual charges, the Town agreed to pay a one-time buy-in charge of \$1,225,251. The Town plans to fund the 2% share in capacity of the Fox West Wastewater Treatment Facility with the issuance of long-term debt.

D. RELATED PARTY TRANSACTIONS

In April, 2019, the Town sold a house and land to the Town's Assistant Administrator for \$245,000. The property was appraised by an independent appraisal company for \$246,000.

During 2019, the Town purchased land for a yard waste site from one of the Town Supervisors for \$31,000. The town did not obtain an appraisal of the property before the purchase.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

E. TAX INCREMENTAL FINANCING DISTRICT

The Town has created Tax Incremental District (TID) No. 1 on August 7, 2019, in accordance with Section 66.1105 of the Wisconsin Statutes and has a statutory creation date for valuation purposes of January 1, 2019. At the time the TID was created, the property tax base within the TID was "frozen" and increment taxes resulting from increases to the property tax base are used to finance TID improvements, including principal and interest on long-term debt issued by the Town to finance such improvements. The Statutes allow eligible project costs to be incurred until 2037.

Since creation of the above TID, the Town has provided various financing sources to the TID. The foregoing amounts are not recorded as liabilities of the Town, but can be recovered from future tax increment revenues. As of December 31, 2019, the Town's TID No. 1 has incurred unreimbursed project costs of \$1,368,838.

The intent of the Town is to recover the net unreimbursed project costs with future tax increments and other TID surplus funds, if any, prior to termination of the District. Unless terminated by the Town prior thereto, TID No. 1 has a statutory termination year of 2039.

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%
12/31/18	0.00298010%	106,022	470,520	22.53%	96.45%

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	33,961	33,961	-	470,520	7.22%
12/31/19	40,902	40,902	-	558,826	7.32%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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, 2019

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
Taxes				
General property	\$ 662,413	\$ 662,413	\$ 662,538	\$ 125
Mobile home fees	14,000	14,000	11,139	(2,861)
Managed forest land tax	1,000	1,000	1,163	163
Interest and taxes	-	-	58	58
Other taxes	-	-	2,992	2,992
Total taxes	677,413	677,413	677,890	477
Intergovernmental				
State				
State shared taxes	33,000	33,000	41,868	8,868
DNR - in lieu of taxes	500	500	685	185
Transportation	176,284	176,284	176,284	-
Exempt computer aid	4,300	4,300	4,419	119
Fire insurance dues	21,000	21,000	23,801	2,801
Other public safety	-	-	2,000	2,000
Other	600	600	1,123	523
Total intergovernmental	235,684	235,684	250,180	14,496
Licenses and permits				
Licenses				
Liquor and malt beverage	5,000	5,000	5,935	935
Operators, cigarette and other licenses	4,200	4,200	5,309	1,109
Cable television fees	36,000	36,000	37,098	1,098
Dog	2,000	2,000	1,859	(141)
Permits				
Building	95,000	95,000	81,854	(13,146)
Culvert and other permits	5,000	5,000	6,450	1,450
Zoning	6,500	6,500	5,100	(1,400)
Total licenses and permits	153,700	153,700	143,605	(10,095)
Public charges for services				
General government	3,500	3,500	4,324	824
Cemetery	-	-	10,140	10,140
House numbers	1,500	1,500	1,680	180
Fire and first responders	-	-	10,593	10,593
Parks	2,500	2,500	5,171	2,671
Highway	-	-	46,663	46,663
Weed and nuisance control	-	-	1,073	1,073
Total public charges for services	7,500	7,500	79,644	72,144

Town of Clayton
 Winnebago County, Wisconsin

GENERAL FUND
 DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
Intergovernmental charges for services				
General government	8,000	8,000	8,000	-
Highway	-	-	4,852	4,852
Total intergovernmental charges for services	8,000	8,000	12,852	4,852
Miscellaneous				
Interest on investments	15,832	15,832	37,611	21,779
Land rental	750	750	1,280	530
Donations	-	-	1,100	1,100
Insurance recoveries	-	-	165	165
Other	1,500	1,500	15,107	13,607
Total miscellaneous	18,082	18,082	55,263	37,181
Total revenues	\$ 1,100,379	\$ 1,100,379	\$ 1,219,434	\$ 119,055

Town of Clayton

Winnebago County, Wisconsin

GENERAL FUND
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
General government				
Town board	\$ 33,772	\$ 33,772	\$ 33,202	\$ 570
Committees	6,774	6,774	4,252	2,522
Elections	7,159	7,159	3,188	3,971
Legal	75,000	195,000	157,736	37,264
Administrator/clerk	108,512	108,512	122,443	(13,931)
Treasurer/assistant administrator	115,966	115,966	114,537	1,429
Deputy clerk	65,783	65,783	65,620	163
Assessor	21,600	21,600	21,315	285
General office operation	44,300	44,300	48,404	(4,104)
Financial administration	10,000	10,000	15,376	(5,376)
Town hall	35,250	35,250	41,748	(6,498)
Insurance	41,750	41,750	45,836	(4,086)
Contingency	27,286	27,286	11,990	15,296
Total general government	<u>593,152</u>	<u>713,152</u>	<u>685,647</u>	<u>27,505</u>
Public safety				
Police department	74,585	74,585	59,970	14,615
Fire department	221,827	221,827	206,728	15,099
Building inspection	96,037	96,037	92,604	3,433
Total public safety	<u>392,449</u>	<u>392,449</u>	<u>359,302</u>	<u>33,147</u>
Public works				
Wages	135,476	135,476	138,756	(3,280)
Operations	27,000	27,000	23,495	3,505
Engineering	30,000	30,000	23,585	6,415
Contracted services and other	155,850	156,931	224,962	(68,031)
Total public works	<u>348,326</u>	<u>349,407</u>	<u>410,798</u>	<u>(61,391)</u>
Health and human services				
Animal and weed control	1,895	1,895	773	1,122
Cemetery	5,500	5,500	6,638	(1,138)
Total health and human services	<u>7,395</u>	<u>7,395</u>	<u>7,411</u>	<u>(16)</u>
Culture and recreation				
Clayton town park	9,750	9,750	18,459	(8,709)
Trail head park	10,050	10,050	13,743	(3,693)
Friendship trail	10,000	10,000	-	10,000
Total culture and recreation	<u>29,800</u>	<u>29,800</u>	<u>32,202</u>	<u>(2,402)</u>

Town of Clayton Winnebago County, Wisconsin

**GENERAL FUND
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
Conservation and development				
Planning and zoning	27,000	27,000	38,038	(11,038)
Greenspace committee	4,621	4,621	2,207	2,414
Economic development	-	180,000	206,653	(26,653)
Total conservation and development	<u>31,621</u>	<u>211,621</u>	<u>246,898</u>	<u>(35,277)</u>
Capital outlay				
General government	50,000	50,000	56,426	(6,426)
Public safety	227,500	237,000	195,212	41,788
Public works	400,000	467,325	452,387	14,938
Economic development outlay	-	344,000	462,782	(118,782)
Total capital outlay	<u>677,500</u>	<u>1,098,325</u>	<u>1,166,807</u>	<u>(68,482)</u>
Total expenditures	<u>\$ 2,080,243</u>	<u>\$ 2,802,149</u>	<u>\$ 2,909,065</u>	<u>\$ (106,916)</u>

Town of Clayton
 Winnebago County, Wisconsin

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2019

	Special Revenue			Totals
	Rental	Fire Donations	Capital Projects	
ASSETS				
Cash and investments	\$ 114	\$ -	\$ -	\$ 114
Restricted cash and investments	-	2,349	-	2,349
Total assets	<u>\$ 114</u>	<u>\$ 2,349</u>	<u>\$ -</u>	<u>\$ 2,463</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 114	\$ -	\$ -	\$ 114
Fund balances				
Restricted	-	2,349	-	2,349
Total liabilities and fund balances	<u>\$ 114</u>	<u>\$ 2,349</u>	<u>\$ -</u>	<u>\$ 2,463</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, 2019

	Special Revenue			Totals
	Rental	Fire Donations	Capital Projects	
REVENUES				
Miscellaneous	\$ 25,215	\$ -	\$ -	\$ 25,215
EXPENDITURES				
Current				
Public safety	-	4,554	-	4,554
Conservation and development	1,154	-	-	1,154
Capital outlay	36,261	-	13,185	49,446
Total expenditures	37,415	4,554	13,185	55,154
Excess of revenues under expenditures	(12,200)	(4,554)	(13,185)	(29,939)
OTHER FINANCING SOURCES				
Transfers in	26,325	-	-	26,325
Net change in fund balances	14,125	(4,554)	(13,185)	(3,614)
Fund balances - January 1	(14,125)	6,903	13,185	5,963
Fund balances - December 31	\$ -	\$ 2,349	\$ -	\$ 2,349

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 March 19, 2020.

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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

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

March 19, 2020

Town of Clayton

Winnebago County, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

FINDING NO.	CONTROL DEFICIENCIES
2019-001	<p>Adjustments to the Town's Financial Records Repeat of 2018-001</p>
Condition:	As part of our audit we proposed several journal entries that were material to the Town's financial statements.
Context:	While performing audit procedures, it was noted that management does not have sufficient controls in place related to year end closing procedures.
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, 2019.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP





Town of Clayton

Management Communications 2018



Town of Clayton
Winnebago County, Wisconsin

MANAGEMENT COMMUNICATIONS

December 31, 2018

Town of Clayton Winnebago County, Wisconsin

DECEMBER 31, 2018

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To the Town Board
Town of Clayton
Winnebago County, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information the Town of Clayton, Winnebago County, Wisconsin (the "Town") as of and for the year ended December 31, 2018. The Town's financial statements, including our report thereon dated May 3, 2019, are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit

OUR RESPONSIBILITIES UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS AND GOVERNMENT AUDITING STANDARDS

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters.

SIGNIFICANT AUDIT FINDINGS

Consideration of Internal Control

FINANCIAL STATEMENTS

In planning and performing our audit of the financial statements of the Town as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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. Our report on internal control over financial reporting and on compliance and other matters is presented on pages 46 - 47 of the annual report.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Town's internal control to be a significant deficiency:

Finding 2018-001 Adjustments to the Town's Financial Records

This finding is described in detail in the schedule of findings and responses on page 48 of the annual report.

The Town's written response to the significant deficiency identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. To the best of our knowledge, all significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates included in the financial statements were:

- ▶ Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.
- ▶ Management's estimate of the net pension liability (asset) and related deferred outflows/inflows of resources is based on information received from the Wisconsin Retirement System. We evaluated the key factors and assumptions used to develop the net pension liability (asset) and related deferred outflows/inflows of resources in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements. The following material misstatements detected as a result of the audit procedures were corrected by management:

- Recorded \$308,800 taxes receivable and deferred inflows for solid waste/recycling specials on 2018 tax roll.
- Recorded \$228,367 taxes receivable and deferred inflows for stormwater specials on 2018 tax roll.
- Recorded \$97,725 of stormwater capital assets that were originally recorded in expense accounts.
- Recorded \$54,365 stormwater depreciation expense.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 3, 2019. The management representation letter follows this communication.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and, to the best of our knowledge, our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the schedules relating to pensions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated May 3, 2019.

Restriction on Use

This information is intended solely for the information and use of the Town Board and management of the Town and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Green Bay, Wisconsin
May 3, 2019

Summary Financial Information

GOVERNMENTAL FUND BALANCES

Presented below is a summary of Town governmental fund balances on December 31, 2018 and 2017. Information is provided for assessing financial results for 2018 and for indicating financial resources available for 2019 and subsequent years.

	<u>12/31/18</u>	<u>12/31/17</u>
General Fund		
Nonspendable for		
Prepaid items	\$ 2,771	\$ 2,100
Advance to stormwater fund	130,743	72,074
Restricted for		
Park improvements	4,434	1,545
Fire department improvements	15,943	7,797
Committed for		
Cemetery expenditures	26,367	31,771
Capital equipment replacement	59,044	48,509
Sick leave and vacation payout	36,268	31,268
Assigned for subsequent year's budget	-	24,500
Unassigned	(99,368)	408,835
Total General Fund Balance	<u>176,202</u>	<u>628,399</u>
Debt Service Fund		
Restricted for debt service	-	7,870
Unassigned	(136,008)	-
Total Debt Service Fund Balance	<u>(136,008)</u>	<u>7,870</u>
Special Revenue Funds		
Restricted for		
Fire department capital expenditures	6,903	7,328
Committed for		
Solid waste and recycling expenditures	108,572	93,886
Rental fund expenditures	-	19,047
Unassigned	(14,125)	-
Total Special Revenue Funds	<u>101,350</u>	<u>120,261</u>
Capital Projects Funds		
Restricted for		
Capital outlay	13,185	10,251
Total Governmental Fund Balances	<u>\$ 154,729</u>	<u>\$ 766,781</u>

The unassigned general fund balance decreased \$508,203 from 2017 to 2018. The decrease was the result of capital expenditures in excess of original budget, increases in the advance to the stormwater fund and the application of fund balance in the 2019 budget.

The Town sold land on March 1, 2019, which increased its unassigned fund balance.

STORMWATER MANAGEMENT UTILITY – BUDGET TO ACTUAL

A budget to actual summary of the stormwater management utility's cash receipts and cash disbursements for the year ending December 31, 2018 with comparative actual amount for the year ending December 31, 2017, is as follows:

	<u>Budget</u>	<u>2018</u>	<u>Variance</u>	<u>2017</u>
Cash receipts				
Stormwater management fees	\$ 226,100	\$ 229,247	\$ 3,147	\$ 169,365
Capital contributions	25,000	26,840	1,840	22,103
Total operating revenues	<u>251,100</u>	<u>256,087</u>	<u>4,987</u>	<u>191,468</u>
Cash disbursements				
Employee wages and benefits	85,916	86,696	(780)	68,151
Vendors and contractors	66,900	72,111	(5,211)	93,316
Capital assets	98,284	129,109	(30,825)	66,193
Total operating expenses	<u>251,100</u>	<u>287,916</u>	<u>(36,816)</u>	<u>227,660</u>
Excess of cash receipts over (under) cash disbursements	<u>\$ -</u>	<u>\$ (31,829)</u>	<u>\$ (31,829)</u>	<u>\$ (36,192)</u>

New Accounting Standard

ACCOUNTING AND REPORTING FOR FIDUCIARY ACTIVITIES

In January 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities and revises reporting requirements. The standard is effective for fiscal years ending on or after December 31, 2019. In addition, the GASB expects to issue an implementation guide in 2019.

Identifying Fiduciary Activities

Activities other than pension and postemployment arrangements are considered fiduciary activities if all of the following criteria are met:

- ▶ The government controls the assets or can direct their use.
- ▶ The activity must not be solely based on the government's own-source revenue. Own-source revenue includes exchange transactions such as user charges, sales taxes and property taxes.
- ▶ The government does not have administrative involvement such as determining eligibility, monitoring compliance or approval of expenditures.
- ▶ The government does not have direct financial involvement such as matching requirements or liability for disallowed costs.

Activities meeting these criteria would be required to be reported as fiduciary funds. An exception is made for funds held in enterprise funds which are expected to be held for three months or less. These funds can continue to be reported in the enterprise fund. Activities not meeting these criteria would be reported as part of the governmental or proprietary funds.

The administrative involvement criteria is likely to have the most impact on reclassification of fiduciary activities. Policies on the expenditures of funds and approval of expenditures by an employee of the government may be considered administrative involvement and preclude the classification as a fiduciary activity.

Financial Reporting

An activity meeting the above criteria should be reported in one of the following four fiduciary funds:

- ▶ Pension and other employee benefit trust funds
- ▶ Investment trust funds
- ▶ Private-purpose trust funds
- ▶ Custodial funds

Fiduciary assets administered through a trust agreement are recorded in a pension and other employee benefit trust, investment or private-purpose trust fund. Custodial funds are used to report all other fiduciary activities not held in a trust or equivalent arrangement. Agency funds have been eliminated with GASB No. 84 and replaced with custodial funds.

Fiduciary funds will present a statement of fiduciary net position, including assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Liabilities to beneficiaries should be recognized when an event occurs that compels the government to disburse fiduciary resources, when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. A statement of changes in fiduciary net position should present additions by source and deductions by type.

Implementation

As mentioned previously, this new standard is effective for fiscal years ending on or after December 31, 2019. However, due to the potential reclassification of funds, the impact may need to be considered during budget preparation. We recommend the Town begin to determine the impact of the Statement by:

1. Identifying potential fiduciary activities. Some activities to consider include:
 - a. Tax collection funds
 - b. Cemetery trust funds
2. Gathering facts regarding each activity, including the government's administrative involvement.
3. Evaluating whether each activity meets the fiduciary activity criteria and determine how it should be reported. An appendix to the Statement includes flowcharts for the evaluation process.

These changes will affect your 2019 financial statements. This comment is for informational purposes.

APPENDIX



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Email – tocadmin@new.rr.com
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May 3, 2019

CliftonLarsonAllen LLP
2200 Riverside Drive
Green Bay, WI 54305

This representation letter is provided in connection with your audit of the financial statements of the Town of Clayton, Winnebago County, Wisconsin which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of May 3, 2019 the following representations made to you during your audit of the financial statements as of and for the year ended December 31, 2018.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 6, 2018, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We acknowledge and have fulfilled our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.

5. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. We have not identified or been notified of any uncorrected financial statement misstatements. In addition, you have proposed adjusting journal entries that have been posted to the entity's accounts. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.
8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the entity's name" during the period significantly exceeded the amounts in those categories as of the financial statement date was properly disclosed in the financial statements.
10. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
11. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
12. Participation in a public entity risk pool has been properly reported and disclosed in the financial statements.
13. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
14. We are unable to determine the possibility of a withdrawal liability in a multiple-employer benefit plan.
15. We do not plan to make frequent amendments to our pension benefit plans.

Information Provided

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. All communications from regulatory agencies, lenders, and other funding sources concerning noncompliance with, or deficiencies in, financial reporting practices.
 - f. All communications from regulatory agencies lenders, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or abuse whose effects should be considered when preparing financial statements.
7. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
10. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
11. We have a process to track the status of audit findings and recommendations.
12. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

13. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
14. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Town of Clayton, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
15. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
16. The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
17. We are responsible for determining whether we have received, expended, or otherwise been the beneficiary of any federal awards during the period of this audit. No federal award, received directly from federal agencies or indirectly as a subrecipient, was expended in an amount that cumulatively totals from all sources \$750,000 or more. For this representation, "award" means financial assistance and federal cost-reimbursement contracts that non-Federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, user grants, or contracts used to buy goods or services from vendors.
18. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
19. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.
20. The financial statements properly classify all funds and activities.
21. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
22. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
23. Provisions for uncollectible receivables have been properly identified and recorded.
24. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
25. Revenues are appropriately classified in the statement of activities within program revenues or general revenues.

26. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
27. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.
28. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
29. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
30. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
31. We acknowledge our responsibility for presenting the detailed comparisons of budgeted and actual revenues and expenditures and the combining balance sheet and statement of revenues, expenditures and changes in fund balances for nonmajor funds (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
32. As part of your audit, you prepared the draft financial statements and related notes, and state financial report. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and state financial report.
33. We have evaluated the adequacy and results of the depreciation services performed and accept responsibility for the results. We acknowledge our responsibility for our depreciation schedules and have determined the methods and rates of depreciation and the salvage values used in the calculations. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your depreciation services; have made all significant management judgments and decisions; and have assumed all management responsibilities.

34. In regards to the preparation of Town reports and depreciation services performed by you, we have:
- a. Made all management judgments and decisions and assumed all management responsibilities.
 - b. Designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee the services.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.
35. We agree with the findings of specialists in evaluating the pension benefits and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialist.

Signature:  Title: Administrator/Clerk
Richard Johnston

Signature:  Title: Treasurer/Assistant Administrator
Tori Straw



Town of Clayton

Annual Financial Report
2018



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

	General	Solid Waste/ Recycling	Debt Service	Other Governmental Funds
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	-	-	-
	<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	-	-	-	-
	<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	-
	<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)
	<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**

	2018	2017
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)	\$ 6,414,542	\$ 6,368,906

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	<u>628,399</u>	<u>93,886</u>	<u>7,870</u>	<u>36,626</u>
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
<u>658,013</u>	<u>5,368,101</u>
<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

	2018	2017
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)	\$ 45,636	\$ 319,832

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	1,301,683	1,301,683	1,464,789	163,106	1,452,165
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	1,384,268	1,563,424	1,921,486	(358,062)	1,496,207
Excess of revenues under expenditures	(82,585)	(261,741)	(456,697)	(194,956)	(44,042)
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)	-	-	4,500	4,500	(8,849)
Net change in fund balance	(82,585)	(261,741)	(452,197)	(190,456)	(52,891)
Fund balance - January 1	628,399	628,399	628,399	-	681,290
Fund balance - December 31	\$ 545,814	\$ 366,658	\$ 176,202	\$ (190,456)	\$ 628,399

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	-	-	14,686	14,686	(11,631)
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	<u>228,367</u>	<u>253,447</u>
Other assets		
Net pension asset	<u>10,804</u>	<u>-</u>
Capital assets		
Nondepreciable	143,743	136,435
Depreciable, net	<u>1,438,281</u>	<u>1,402,229</u>
Total capital assets	<u>1,582,024</u>	<u>1,538,664</u>
Total assets	<u>1,821,195</u>	<u>1,792,111</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts	<u>20,028</u>	<u>21,949</u>
LIABILITIES		
Current liabilities		
Accounts payable	5,777	38,052
Advance from other funds	<u>130,743</u>	<u>98,914</u>
Total current liabilities	<u>136,520</u>	<u>136,966</u>
Long-term obligations		
Net pension liability	<u>-</u>	<u>2,857</u>
Total liabilities	<u>136,520</u>	<u>139,823</u>
DEFERRED INFLOWS OF RESOURCES		
Special charges on subsequent year tax roll	228,367	226,607
Pension related amounts	<u>22,199</u>	<u>9,821</u>
Total deferred inflows of resources	<u>250,566</u>	<u>236,428</u>
NET POSITION		
Net investment in capital assets	1,582,024	1,538,664
Restricted	10,804	-
Unrestricted	<u>(138,691)</u>	<u>(100,855)</u>
Total net position	<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 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	\$ 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 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	<u>2,694,323</u>	<u>443,869</u>	<u>7,885</u>	<u>3,130,307</u>
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>	<u>15,427,808</u>
Less: Capital related debt				9,170,000
Less: Debt premium				<u>118,088</u>
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 remained 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	\$ 146,323	\$ 155,885

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%
<u>Variable Fund Asset Class</u>			
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

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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	<u>8,000</u>	<u>8,000</u>	<u>39,961</u>	<u>31,961</u>	<u>56,706</u>
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	<u>7,250</u>	<u>7,250</u>	<u>24,539</u>	<u>17,289</u>	<u>22,277</u>
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>

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	<u>7,000</u>	<u>11,129</u>	<u>34,407</u>	<u>(23,278)</u>	<u>34,432</u>
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	<u>209,900</u>	<u>366,726</u>	<u>657,788</u>	<u>(291,062)</u>	<u>292,298</u>
Total Expenditures	<u><u>\$ 1,384,268</u></u>	<u><u>\$ 1,563,424</u></u>	<u><u>\$ 1,921,486</u></u>	<u><u>\$ (358,062)</u></u>	<u><u>\$ 1,496,207</u></u>

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

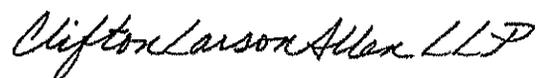
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

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

FINDING NO.	CONTROL DEFICIENCIES
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.

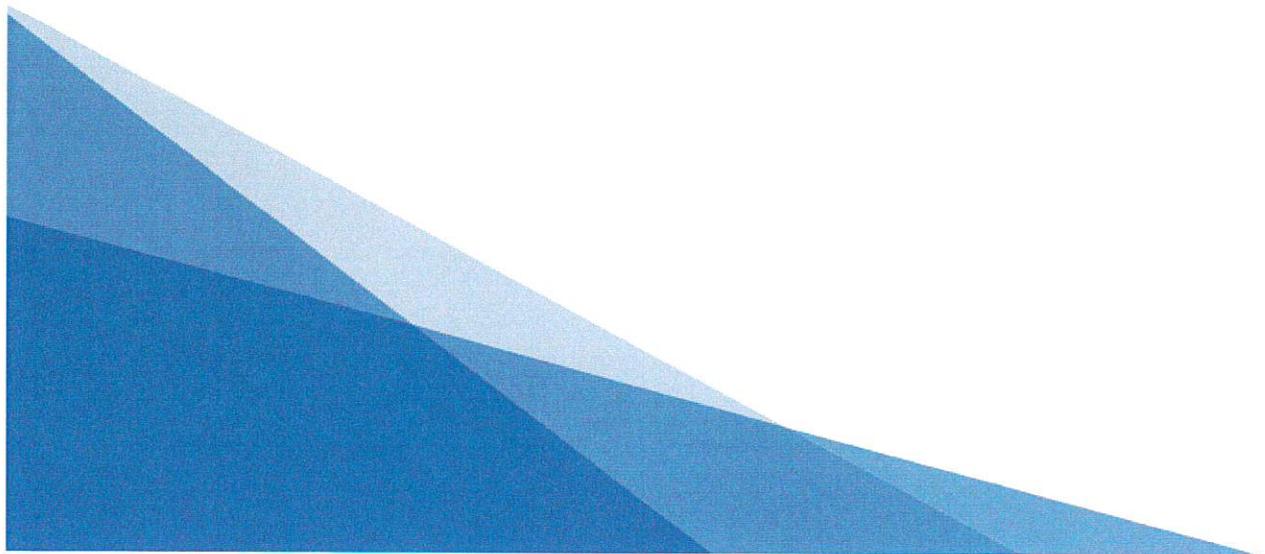
SECTION II. COMPLIANCE AND OTHER MATTERS

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.



Town of Clayton

Continuing Disclosure – Annual Report
2018



MEMORANDUM FOR FILING

TOWN OF CLAYTON, WISCONSIN

CONTINUING DISCLOSURE ANNUAL REPORT

(Pursuant to Securities and Exchange Commission Rule 15c2-12)

TO: MSRB through the Electronic Municipal Market Access ("EMMA") System ✓

FROM: Wisconsin Public Finance Professionals, LLC – Dissemination Agent
Carol Ann Wirth, President Email: cawirth@wipublicfinance.com
414-434-9644 ✓

DATE: July __, 2019

RE: Town of Clayton, WI
Base CUSIP 184423
Continuing Disclosure Annual Report
Fiscal Period Covered: 01/01/2018 – 12/31/2018 ✓

ISSUER CONTACT: Richard Johnston, Administrator Tori Straw, Assistant Administrator
Town of Clayton Town of Clayton
8348 County Road T 8348 County Road T
Larsen, WI 54947 Larsen, WI 54947
920-836-2007 920-836-2007
Email: townadministrator@townofclayton.net ✓
assistantadmin@townofclayton.net

AUDITED FINANCIAL STATEMENTS

The Town of Clayton's Audited Financial Statements for the year ended December 31, 2018, as prepared in accordance with generally accepted auditing standards, was filed May 23, 2019 on the MSRB's EMMA System, and are incorporated herein by reference. ✓

The Financial Statements for year ended December 31, 2018 reflect a negative change in fund balance for the General Fund (\$452,197) ✓ and the Debt Service Fund (\$143,878). ✓ As of year-end 2018, the General Fund balance is \$176,202, of which the unassigned portion is (\$99,368); ✓ and, the Debt Service balance is ✓ (-\$136,008). ✓

The decrease in the General Fund balance was due to additional expenditures incurred for planning and engineering costs associated with future development and infrastructure projects in the Town. The Town anticipated receiving proceeds from the sale of land in 2018 to reimburse these expenditures. The land sale occurred on February 28, 2019 and a portion of the proceeds was used to restore the General Fund balance to previous levels. ✓

The decrease in the Debt Service Fund balance was due to the Town retiring \$557,375 of principal on a promissory note that was not budgeted. The Town anticipated receiving proceeds from the land sale to pay off the note in 2018. The land sale occurred on February 28, 2019 and proceeds were deposited into the Debt Service Fund. ✓

On February 28, 2019, the Town received land sale proceeds in the amount of \$1,692,000, a portion of which was deposited into the General Fund and Debt Service Fund. As of March 1, 2019, the General Fund balance was \$775,570, of which \$500,000 was the unassigned portion; and, the Debt Service Fund balance was \$77,714. ✓

FINANCIAL AND OPERATING DATA

In accordance with the requirements of the Continuing Disclosure Certificates executed by the Town of Clayton, included herein is the 2019 Adopted Budget.

The Financial and Operating Data filed this date, together with the Audited Financial Statements for the year ended December 31, 2018, previously filed on EMMA and incorporated by reference, fulfill the requirements of the Annual Report for the year ended December 31, 2018.

Town of Clayton, Winnebago County, Wisconsin

Voluntary Notice in Regard to "Status of Fund Balances on 12/31/18"

The 2018 Financial Statements for the Town of Clayton indicate that the total governmental fund balances decreased from \$766,781 on January 1, 2018 to \$154,729 on December 31, 2018. Specifically, the General Fund balance decreased by \$452,197 to an end of year balance of \$176,202. In addition, the Debt Service Fund retired more principal on debt than was budgeted and ended the year with a deficit fund balance of \$136,008. Both the General Fund and the Debt Service Fund were restored to prior year levels on March 1, 2019 from the receipt of unbudgeted revenues of \$1,692,000 from land sale proceeds. Additional information on the 2018 decrease in fund balances and the subsequent 2019 change in fund balances is presented below:

2018 Decrease in General Fund

The 2018 decrease in General Fund of approximately \$600 thousand was due to additional expenditures incurred for planning and engineering costs on future development and infrastructure projects in the Town. The development will also include providing of water and sewer services to a portion of the Town and will significantly increase the value of recently purchased Town-owned land. The intent was to fund the additional expenditures with the land sales. As noted previously, the land sale did not close until February 28, 2019 and the proceeds were used to restore the General Fund balances to their previous levels.

Deficit Balance in the Debt Service Fund on December 31, 2018

The year end deficit in the Debt Service Fund was due to the Town retiring \$557,375 of principal on a promissory note. The original plan was to retire the note with land sales and refinance any remaining principal should land sale proceeds not be sufficient. With the future anticipated land sale scheduled in 2019, the entire note was retired in 2018 and none of the principal was needed to be refinanced.

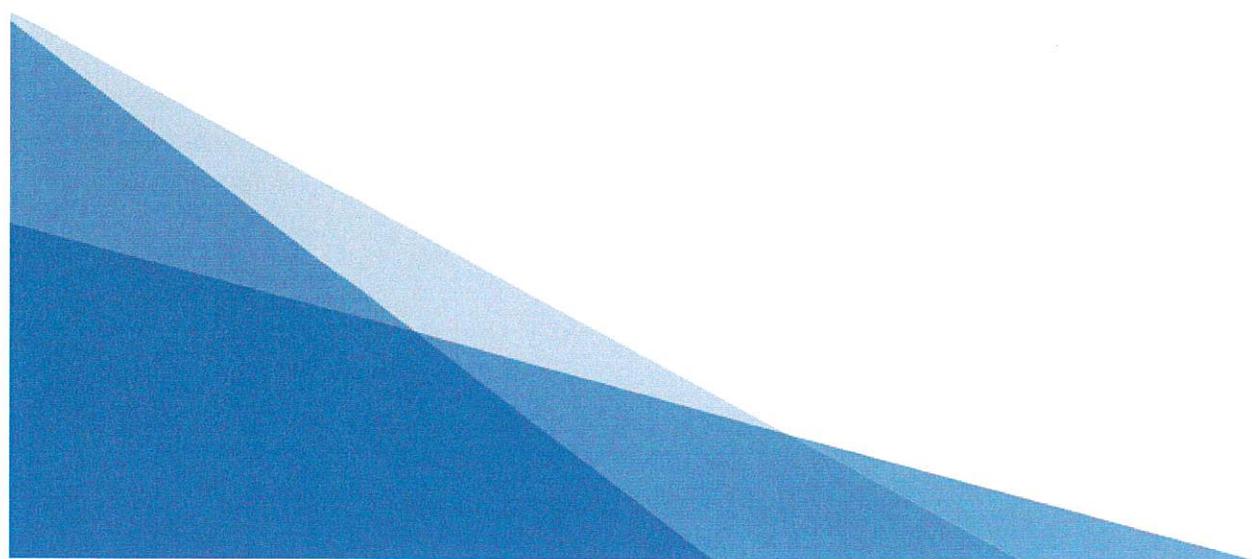
March 1, 2019 Fund Balances

With the receipt of the land sale proceeds of \$1,692,000 on February 28, 2019, the fund balances of the General Fund and Debt Service were increased to \$775,570 and \$77,714, respectively on March 1, 2019. Specifically, the Unassigned General Fund balance was increased to \$500,000. This is the level recommended by financial consultants to maintain the current bond rating of the Town.



Town of Clayton

Management Communications
2017



Town of Clayton
Winnebago County, Wisconsin
MANAGEMENT COMMUNICATIONS

December 31, 2017

Town of Clayton Winnebago County, Wisconsin

DECEMBER 31, 2017

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To the Town Board
Town of Clayton
Winnebago County, Wisconsin

We have audited 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") for the year ended December 31, 2017. The Town's financial statements, including our report thereon dated April 10, 2018, are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITIES UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS AND GOVERNMENT AUDITING STANDARDS

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters.

SIGNIFICANT AUDIT FINDINGS

Consideration of Internal Control

FINANCIAL STATEMENTS

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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. Our report on internal control over financial reporting and on compliance and other matters is presented on pages 44 - 45 of the annual report.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. To the best of our knowledge, all significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates included in the financial statements were:

- ▶ Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.
- ▶ Management's estimate of the net pension liability (asset) and related deferred outflows/inflows of resources is based on information received from the Wisconsin Retirement System. We evaluated the key factors and assumptions used to develop the net pension liability (asset) and related deferred outflows/inflows of resources in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Copies of the audit adjustments are available from management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 10, 2018. The management representation letter follows this communication.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and, to the best of our knowledge, our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the schedules relating to pensions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Town Board and management of the Town of Clayton, Winnebago County, Wisconsin, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Certified Public Accountants
Green Bay, Wisconsin
April 10, 2018

Summary Financial Information

GOVERNMENTAL FUND BALANCES

Presented below is a summary of Town governmental fund balances on December 31, 2017 and 2016. Information is provided for assessing financial results for 2017 and for indicating financial resources available for 2018 and subsequent years.

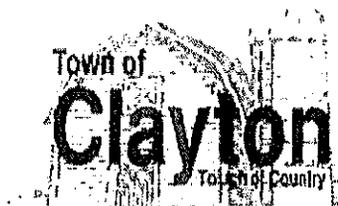
	<u>12/31/17</u>	<u>12/31/16</u>
General Fund		
Nonspendable for		
Prepaid items	\$ 2,100	\$ 198
Due from stormwater fund	72,074	-
Restricted for		
Park improvements	1,545	-
Fire department improvements	7,797	8,849
Committed for		
Cemetery expenditures	31,771	45,501
Capital equipment replacement	48,509	169,806
Sick leave and vacation payout	31,268	40,000
Assigned for subsequent year's budget	24,500	-
Unassigned	<u>408,835</u>	<u>416,936</u>
Total General Fund Balance	<u>628,399</u>	<u>681,290</u>
Debt Service Fund		
Restricted for debt service	<u>7,870</u>	<u>-</u>
Special Revenue Funds		
Restricted for		
Fire department capital expenditures	7,328	-
Committed for		
Solid waste and recycling expenditures	93,886	105,517
Rental fund expenditures	<u>19,047</u>	<u>-</u>
Total Special Revenue Funds	<u>120,261</u>	<u>105,517</u>
Capital Projects Funds		
Restricted for		
Capital outlay	10,251	808,413
Debt service	-	114,909
Total Capital Projects Funds	<u>10,251</u>	<u>923,322</u>
Total Governmental Fund Balances	<u>\$ 766,781</u>	<u>\$ 1,710,129</u>

STORMWATER MANAGEMENT UTILITY – BUDGET TO ACTUAL

A budget to actual summary of the stormwater management utility's cash receipts and cash disbursements for the year ending December 31, 2017 with comparative actual amount for the year ending December 31, 2016, is as follows:

	<u>Budget</u>	<u>2017</u>	<u>Variance</u>	<u>2016</u>
Cash receipts				
Stormwater management fees	\$ 170,000	\$ 169,365	\$ (635)	\$ 166,659
Capital contributions	-	22,103	22,103	-
Total operating revenues	<u>170,000</u>	<u>191,468</u>	<u>21,468</u>	<u>166,659</u>
Cash disbursements				
Employee wages and benefits	74,531	68,151	6,380	69,704
Vendors and contractors	59,250	93,316	(34,066)	43,286
Capital assets	35,000	66,193	(31,193)	-
Debt service				
Principal	-	-	-	36,952
Interest	-	-	-	1,016
Total operating expenses	<u>168,781</u>	<u>227,660</u>	<u>(58,879)</u>	<u>150,958</u>
Excess of cash receipts over (under) cash disbursements	<u>\$ 1,219</u>	<u>\$ (36,192)</u>	<u>\$ (37,411)</u>	<u>\$ 15,701</u>

APPENDIX



8348 County Road T -- Larsen, WI 54947
Phone -- 920-836-2007
Fax -- 920-836-2026
Email -- tocadmin@new.rr.com
Web Page -- <http://www.claytonwi.govoffice3.com>

April 10, 2018

Schenck SC
2200 Riverside Drive
P.O. Box 23819
Green Bay, WI 54305-3819

This representation letter is provided in connection with your audit of the financial statements of the Town of Clayton, Winnebago County, Wisconsin (the "Town"), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information as of December 31, 2017, and the respective changes in the financial position and where applicable, cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of April 10, 2018, the following representations made to you during your audit.

FINANCIAL STATEMENTS

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 31, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U. S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. In regards to accounting estimates:
 - ▶ The measurement processes used by management in determining accounting estimates is appropriate and consistent.
 - ▶ The assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
 - ▶ The disclosures related to accounting estimates are complete and appropriate.
 - ▶ No subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
7. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
8. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
9. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Town's accounts.
10. We are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
11. Guarantees, whether written or oral, under which the Town is contingently liable, if any, have been properly recorded or disclosed.

INFORMATION PROVIDED

12. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Town from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of meetings of the Town Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We made an assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed the results of our assessment as follows:
 - a. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - i. Management,
 - ii. Employees who have significant roles in internal control, or
 - iii. Others where the fraud could have a material effect on the financial statements.

- b. We have no knowledge of any allegations of fraud or suspected fraud affecting the Town's financial statements communicated by employees, former employees, regulators, or others.
- 15. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 17. We have disclosed to you the identity of the Town's related parties and all the related party relationships and transactions of which we are aware.

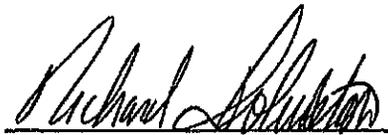
GOVERNMENT - SPECIFIC

- 18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19. We have a process to track the status of audit findings and recommendations.
- 20. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 22. The Town has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflows/outflows of resources, or equity.
- 23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 24. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 25. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 26. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 27. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

28. As part of your audit, you assisted with proposing routine adjusting and correcting entries, preparation of capital asset depreciation schedules, financial statements and related notes, and state financial report. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for the adjusting and correcting entries, capital asset depreciation schedules, financial statements and related notes, and state financial report.
29. In regard to the capital asset depreciation services performed by you, we have -
 - a. Assumed all management responsibilities.
 - b. Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.
30. The Town has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. The Town has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
33. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
34. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
35. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
36. Components of net position (net investment in capital assets, restricted, and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
37. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
38. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
39. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
40. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.
41. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
42. Joint ventures, jointly governed organizations, and other related organizations have been properly disclosed in the financial statements.

43. We have appropriately disclosed the Town's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
44. We are following GASB Statement No. 54, paragraph 18, to determine the fund balance classifications for financial reporting purposes.
45. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
46. We acknowledge our responsibility for presenting the individual fund statements and supporting schedules (the supplementary information) in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
47. We agree with the findings of specialists in evaluating the pension benefits and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialist.
48. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the Town's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.
49. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
50. Capital assets, including intangible assets, have been evaluated for impairment as a result of significant and unexpected decline in service utility.
51. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and though the date of this letter that would require adjustment to or disclose in the aforementioned financial statements.

Signed:



Richard Johnston
Town Administrator/Clerk

Signed:

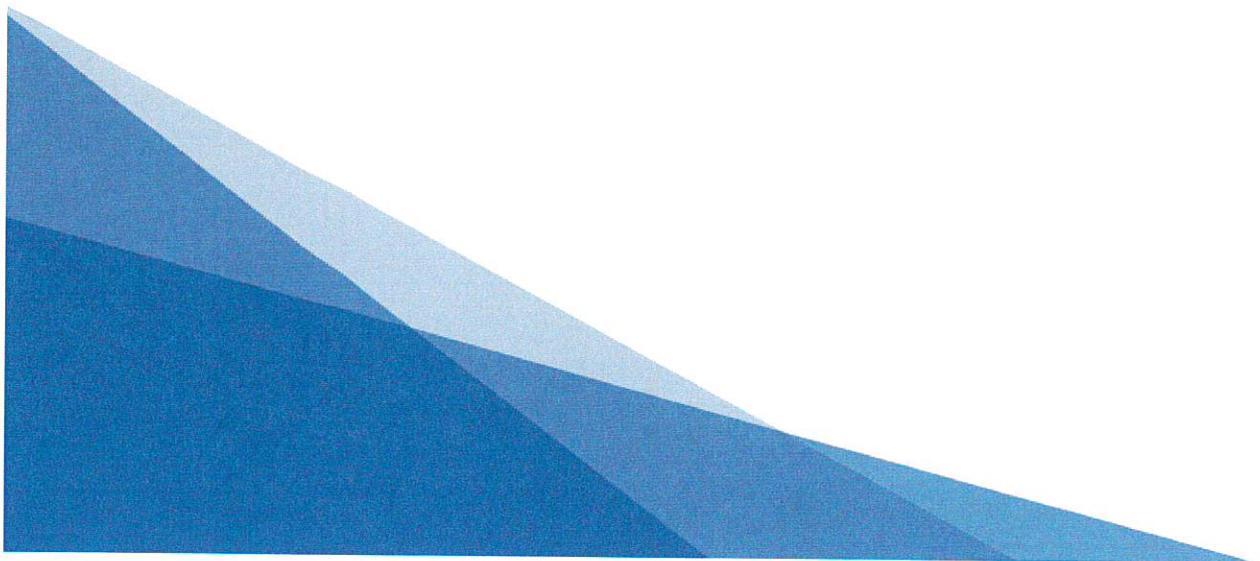


Tori Straw
Treasurer/ Assistant Administrator



Town of Clayton

Annual Financial Report
2017



Town of Clayton
Winnebago County, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2017

Town of Clayton Winnebago County, Wisconsin

DECEMBER 31, 2017

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Town of Clayton Winnebago County, Wisconsin

DECEMBER 31, 2017

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*

44

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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Solid Waste/Recycling Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions on page 38 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.

REPORT ON SUMMARIZED FINANCIAL INFORMATION

We have previously audited the Town's 2016 financial statements, and our report dated March 24, 2017, 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. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Certified Public Accountants

Green Bay, Wisconsin

April 10, 2018

BASIC FINANCIAL STATEMENTS

Town of Clayton Winnebago County, Wisconsin

**STATEMENT OF NET POSITION
DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016**

	Governmental Activities	Business-type Activities	Totals	
			2017	2016
ASSETS				
Cash and investments	\$ 5,622,424	\$ -	\$ 5,622,424	\$ 5,368,871
Receivables				
Taxes and special charges	4,477,341	-	4,477,341	4,568,446
Delinquent taxes	965	-	965	1,160
Accounts	2,823	26,840	29,663	2,005
Special assessments	343,524	-	343,524	29,951
Other	1,119	-	1,119	-
Internal balances	(127,693)	127,693	-	-
Prepaid items	2,100	-	2,100	198
Restricted assets				
Cash and investments	34,791	-	34,791	1,000,495
Capital assets, nondepreciable	6,830,989	136,435	6,967,424	2,708,065
Capital assets, depreciable, net	8,745,866	1,402,229	10,148,095	9,491,017
Total assets	25,934,249	1,693,197	27,627,446	23,170,208
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	120,329	21,949	142,278	172,893
LIABILITIES				
Accounts payable	95,085	38,052	133,137	151,508
Accrued and other current liabilities	49,462	-	49,462	51,063
Due to other governments	7,332,046	-	7,332,046	7,278,441
Accrued interest payable	101,351	-	101,351	43,056
Special deposits	24,664	-	24,664	2,675
Long-term obligations				
Due within one year	897,375	-	897,375	447,261
Due in more than one year	9,375,481	-	9,375,481	5,968,925
Net pension liability	14,509	2,857	17,366	29,468
Total liabilities	17,889,973	40,909	17,930,882	13,972,397
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	1,430,006	-	1,430,006	1,345,717
Special charges	315,826	226,607	542,433	470,577
Pension related amounts	49,867	9,821	59,688	63,978
Total deferred inflows of resources	1,795,699	236,428	2,032,127	1,880,272
NET POSITION				
Net investment in capital assets	5,370,195	1,538,664	6,908,859	5,854,601
Restricted	348,364	-	348,364	932,171
Unrestricted	650,347	(100,855)	549,492	703,660
Total net position	\$ 6,368,906	\$ 1,437,809	\$ 7,806,715	\$ 7,490,432

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

Town of Clayton Winnebago County, Wisconsin

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 596,848	\$ 73,352	\$ -	\$ -
Public safety	306,084	120,029	23,012	-
Public works	1,058,557	335,610	169,228	426,700
Health and human services	17,076	11,378	-	-
Culture and recreation	24,698	6,494	-	-
Conservation and development	45,946	-	-	-
Interest and fiscal charges	258,931	-	-	-
Total governmental activities	<u>2,308,140</u>	<u>546,863</u>	<u>192,240</u>	<u>426,700</u>
BUSINESS-TYPE ACTIVITIES				
Stormwater management utility	<u>221,857</u>	<u>169,365</u>	<u>26,840</u>	<u>22,103</u>
Total	<u>\$ 2,529,997</u>	<u>\$ 716,228</u>	<u>\$ 219,080</u>	<u>\$ 448,803</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				
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	
		2017	2016
\$ (523,496)	\$ -	\$ (523,496)	\$ (744,929)
(163,043)	-	(163,043)	421,087
(127,019)	-	(127,019)	(436,517)
(5,698)	-	(5,698)	96
(18,204)	-	(18,204)	(16,376)
(45,946)	-	(45,946)	(74,740)
(258,931)	-	(258,931)	(169,844)
<u>(1,142,337)</u>	<u>-</u>	<u>(1,142,337)</u>	<u>(1,021,223)</u>
-	(3,549)	(3,549)	53,932
<u>(1,142,337)</u>	<u>(3,549)</u>	<u>(1,145,886)</u>	<u>(967,291)</u>
1,358,098	-	1,358,098	1,353,831
112	-	112	494
40,732	-	40,732	41,034
6,106	-	6,106	1,007
57,121	-	57,121	32,919
<u>1,462,169</u>	<u>-</u>	<u>1,462,169</u>	<u>1,429,285</u>
319,832	(3,549)	316,283	461,994
<u>6,049,074</u>	<u>1,441,358</u>	<u>7,490,432</u>	<u>7,028,438</u>
<u>\$ 6,368,906</u>	<u>\$ 1,437,809</u>	<u>\$ 7,806,715</u>	<u>\$ 7,490,432</u>

Town of Clayton

Winnebago County, Wisconsin

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Solid Waste/ Recycling</u>	<u>Debt Service</u>
ASSETS				
Cash and investments	\$ 5,485,697	\$ -	\$ 117,096	\$ -
Restricted cash and investments	9,342	10,251	-	7,870
Receivables				
Taxes and special charges	3,941,224	-	-	536,117
Delinquent taxes	965	-	-	-
Accounts	1,119	-	-	-
Special assessments	29,951	-	-	313,573
Due from other funds	98,914	-	306,800	-
Prepaid items	2,100	-	-	-
Total assets	<u>\$ 9,569,312</u>	<u>\$ 10,251</u>	<u>\$ 423,896</u>	<u>\$ 857,560</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 71,118	\$ -	\$ 23,210	\$ -
Accrued and other current liabilities	49,462	-	-	-
Due to other funds	533,407	-	-	-
Due to other governments	7,332,046	-	-	-
Special deposits	22,014	-	-	-
Total liabilities	<u>8,008,047</u>	<u>-</u>	<u>23,210</u>	<u>-</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	893,889	-	-	536,117
Special charges assessed	9,026	-	306,800	-
Special assessments	29,951	-	-	313,573
Total deferred inflows of resources	<u>932,866</u>	<u>-</u>	<u>306,800</u>	<u>849,690</u>
Fund balances				
Nonspendable	74,174	-	-	-
Restricted	9,342	10,251	-	7,870
Committed	111,548	-	93,886	-
Assigned	24,500	-	-	-
Unassigned	408,835	-	-	-
Total fund balances	<u>628,399</u>	<u>10,251</u>	<u>93,886</u>	<u>7,870</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,569,312</u>	<u>\$ 10,251</u>	<u>\$ 423,896</u>	<u>\$ 857,560</u>

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

Other Governmental Funds	Totals	
	2017	2016
\$ 19,631	\$ 5,622,424	\$ 5,382,303
7,328	34,791	987,063
-	4,477,341	4,568,446
-	965	1,160
2,823	3,942	2,005
-	343,524	29,951
-	405,714	366,922
-	2,100	198
<u>\$ 29,782</u>	<u>\$ 10,890,801</u>	<u>\$ 11,338,048</u>
\$ 757	\$ 95,085	\$ 145,295
-	49,462	51,063
-	533,407	470,450
-	7,332,046	7,278,441
2,650	24,664	2,675
<u>3,407</u>	<u>8,034,664</u>	<u>7,947,924</u>
-	1,430,006	1,345,717
-	315,826	304,327
-	343,524	29,951
<u>-</u>	<u>2,089,356</u>	<u>1,679,995</u>
-	74,174	198
7,328	34,791	932,171
19,047	224,481	360,824
-	24,500	-
-	408,835	416,936
<u>26,375</u>	<u>766,781</u>	<u>1,710,129</u>
<u>\$ 29,782</u>	<u>\$ 10,890,801</u>	<u>\$ 11,338,048</u>

Town of Clayton Winnebago County, Wisconsin

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016**

	2017	2016
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balances as shown on previous page	\$ 766,781	\$ 1,710,129
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	15,576,855	10,704,871
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	343,524	29,951
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	120,329	135,074
Deferred inflows related to pensions	(49,867)	(49,096)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(10,067,375)	(6,257,261)
Premium on debt	(139,285)	(87,220)
Compensated absences	(66,196)	(71,705)
Net pension liability	(14,509)	(22,613)
Accrued interest on long-term obligations	(101,351)	(43,056)
Net position of governmental activities as reported on the Statement of Net Position (see page 4)	\$ 6,368,906	\$ 6,049,074

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

Town of Clayton Winnebago County, Wisconsin

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Solid Waste/ Recycling</u>	<u>Debt Service</u>
REVENUES				
Taxes	\$ 873,165	\$ -	\$ -	\$ 485,045
Special assessments	-	-	-	-
Intergovernmental	224,108	-	16,287	-
Licenses and permits	112,411	-	-	-
Public charges for services	164,134	-	313,152	-
Intergovernmental charges for services	56,706	-	-	-
Miscellaneous	21,641	-	819	-
Total revenues	<u>1,452,165</u>	<u>-</u>	<u>330,258</u>	<u>485,045</u>
EXPENDITURES				
Current				
General government	510,945	-	-	-
Public safety	261,803	-	-	-
Public works	364,344	-	333,739	-
Health and human services	23,076	-	-	-
Culture and recreation	9,309	-	-	-
Conservation and development	34,432	-	-	-
Debt service				
Principal	-	112,261	-	335,000
Interest and fiscal charges	-	72,998	-	142,175
Capital outlay	292,298	5,067,653	8,150	-
Total expenditures	<u>1,496,207</u>	<u>5,252,912</u>	<u>341,889</u>	<u>477,175</u>
Excess of revenues over (under) expenditures	<u>(44,042)</u>	<u>(5,252,912)</u>	<u>(11,631)</u>	<u>7,870</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	4,257,375	-	-
Premium on debt issued	-	66,602	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	15,864	-	-
Transfers out	(8,849)	-	-	-
Total other financing sources (uses)	<u>(8,849)</u>	<u>4,339,841</u>	<u>-</u>	<u>-</u>
Net change in Fund balances	<u>(52,891)</u>	<u>(913,071)</u>	<u>(11,631)</u>	<u>7,870</u>
Fund balances - January 1	<u>681,290</u>	<u>923,322</u>	<u>105,517</u>	<u>-</u>
Fund balances - December 31	<u>\$ 628,399</u>	<u>\$ 10,251</u>	<u>\$ 93,886</u>	<u>\$ 7,870</u>

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

Other Governmental Funds	Totals	
	2017	2016
\$ -	\$ 1,358,210	\$ 1,354,325
-	-	5,036
-	240,395	234,747
-	112,411	144,422
-	477,286	354,433
-	56,706	8,000
<u>47,750</u>	<u>70,210</u>	<u>45,921</u>
<u>47,750</u>	<u>2,315,218</u>	<u>2,146,884</u>
-	510,945	482,957
2,846	264,649	295,462
-	698,083	681,665
-	23,076	6,249
-	9,309	4,471
11,514	45,946	74,740
-	447,261	1,882,739
-	215,173	172,347
-	<u>5,368,101</u>	<u>3,251,425</u>
<u>14,360</u>	<u>7,582,543</u>	<u>6,852,055</u>
<u>33,390</u>	<u>(5,267,325)</u>	<u>(4,705,171)</u>
-	4,257,375	5,000,000
-	66,602	87,220
-	-	48,900
8,849	24,713	217,088
<u>(15,864)</u>	<u>(24,713)</u>	<u>(217,088)</u>
<u>(7,015)</u>	<u>4,323,977</u>	<u>5,136,120</u>
26,375	(943,348)	430,949
-	<u>1,710,129</u>	<u>1,279,180</u>
<u>\$ 26,375</u>	<u>\$ 766,781</u>	<u>\$ 1,710,129</u>

Town of Clayton Winnebago County, Wisconsin

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ (943,348)	\$ 430,949
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay in governmental fund statements	5,368,101	3,251,425
Items reported as capital outlay, but not capitalized	(67,861)	(254,044)
Contributed capital assets	-	628,150
Depreciation expense reported in the statement of activities	(420,624)	(370,214)
Net book value of disposals	(7,632)	(49,893)
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.	313,573	(5,036)
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)	(5,000,000)
Premium on debt issued	(66,602)	(87,220)
Principal repaid	447,261	1,882,739
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	(58,295)	2,503
Amortization of premiums, discounts and loss on advance refunding	14,537	-
Compensated absences	5,509	(10,489)
Net pension liability	8,104	(57,244)
Deferred outflows of resources related to pensions	(14,745)	95,532
Deferred inflows of resources related to pensions	(771)	(49,096)
Change in net position of governmental activities as reported in the statement of activities (see pages 5 - 6)	<u>\$ 319,832</u>	<u>\$ 408,062</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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget		Actual	Variance	2016 Actual
	Original	Final		Final Budget - Positive (Negative)	
REVENUES					
Taxes	\$ 873,672	\$ 873,672	\$ 873,165	\$ (507)	\$ 900,875
Special assessments	-	-	-	-	5,036
Intergovernmental	245,167	245,167	224,108	(21,059)	223,245
Licenses and permits	145,700	145,700	112,411	(33,289)	144,422
Public charges for services	18,250	18,250	164,134	145,884	43,324
Intergovernmental charges For services	8,000	8,000	56,706	48,706	8,000
Miscellaneous	2,500	2,500	21,641	19,141	21,297
Total revenues	1,293,289	1,293,289	1,452,165	158,876	1,346,199
EXPENDITURES					
Current					
General government	478,652	487,385	510,945	(23,560)	482,957
Public safety	312,039	312,039	261,803	50,236	295,462
Public works	425,252	425,252	364,344	60,908	366,205
Health and human services	4,296	18,025	23,076	(5,051)	6,249
Culture and recreation	8,850	8,850	9,309	(459)	4,471
Conservation and development	77,200	77,200	34,432	42,768	38,391
Capital outlay	47,000	47,000	292,298	(245,298)	14,234
Total expenditures	1,353,289	1,375,751	1,496,207	(120,456)	1,207,969
Excess of revenues over (under) expenditures	(60,000)	(82,462)	(44,042)	38,420	138,230
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	-	-	-	48,900
Transfers in	60,000	25,000	-	(25,000)	20,000
Transfers out	-	-	(8,849)	(8,849)	(197,088)
Total other financing sources (uses)	60,000	25,000	(8,849)	(33,849)	(128,188)
Net change in fund balance	-	(57,462)	(52,891)	4,571	10,042
Fund balance - January 1	681,290	681,290	681,290	-	671,248
Fund balance - December 31	\$ 681,290	\$ 623,828	\$ 628,399	\$ 4,571	\$ 681,290

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget		Actual	Variance Final Budget - Positive (Negative)	2016 Actual
	Original	Final			
REVENUES					
Intergovernmental	\$ 10,000	\$ 10,000	\$ 16,287	\$ 6,287	\$ 11,502
Public charges for services	319,200	319,200	313,152	(6,048)	311,109
Miscellaneous	-	-	819	819	57
Total revenues	329,200	329,200	330,258	1,058	322,668
EXPENDITURES					
Current					
Public works	322,960	322,960	333,739	(10,779)	317,966
Capital outlay	7,500	7,500	8,150	(650)	-
Total expenditures	330,460	330,460	341,889	(11,429)	317,966
Excess of revenues over (under) expenditures	(1,260)	(1,260)	(11,631)	(10,371)	4,702
OTHER FINANCING USES					
Transfers out	-	-	-	-	(20,000)
Net change in fund balance	(1,260)	(1,260)	(11,631)	(10,371)	(15,298)
Fund balance - January 1	105,517	105,517	105,517	-	120,815
Fund balance - December 31	\$ 104,257	\$ 104,257	\$ 93,886	\$ (10,371)	\$ 105,517

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, 2017
WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016**

	Stormwater Management Utility	
	2017	2016
ASSETS		
Current assets		
Due from other funds	\$ 226,607	\$ 166,250
Due from other governments	26,840	-
Total current assets	<u>253,447</u>	<u>166,250</u>
Capital assets		
Nondepreciable	136,435	85,670
Depreciable, net	1,402,229	1,408,541
Total capital assets	<u>1,538,664</u>	<u>1,494,211</u>
Total assets	<u>1,792,111</u>	<u>1,660,461</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts	<u>21,949</u>	<u>37,819</u>
LIABILITIES		
Current liabilities		
Accounts payable	38,052	6,213
Due to other funds	98,914	62,722
Total current liabilities	<u>136,966</u>	<u>68,935</u>
Long-term obligations		
Net pension liability	<u>2,857</u>	<u>6,855</u>
Total liabilities	<u>139,823</u>	<u>75,790</u>
DEFERRED INFLOWS OF RESOURCES		
Special charges on subsequent year tax roll	226,607	166,250
Pension related amounts	9,821	14,882
Total deferred inflows of resources	<u>236,428</u>	<u>181,132</u>
NET POSITION		
Net investment in capital assets	1,538,664	1,494,211
Unrestricted	(100,855)	(52,853)
Total net position	<u>\$ 1,437,809</u>	<u>\$ 1,441,358</u>

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

Town of Clayton Winnebago County, Wisconsin

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	Stormwater Management Utility	
	2017	2016
OPERATING REVENUES		
Charges for services	\$ 169,365	\$ 166,659
OPERATING EXPENSES		
Operation and maintenance	168,733	65,146
Depreciation	53,124	47,369
Total operating expenses	221,857	112,515
Operating income (loss)	(52,492)	54,144
NONOPERATING REVENUES (EXPENSES)		
Nonoperating grants	26,840	-
Interest and fiscal charges	-	(212)
Total nonoperating revenues (expenses)	26,840	(212)
Income (loss) before contributions	(25,652)	53,932
Capital contributions	22,103	-
Change in net position	(3,549)	53,932
Net position - January 1	1,441,358	1,387,426
Net position - December 31	\$ 1,437,809	\$ 1,441,358

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, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	Stormwater Management Utility	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 169,365	\$ 166,659
Cash paid for employee wages and benefits	(68,151)	(33,438)
Cash paid to suppliers	(93,316)	(31,562)
Net cash provided by operating activities	<u>7,898</u>	<u>101,659</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due to/from other funds	<u>36,192</u>	<u>(15,701)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(66,193)	(47,990)
Capital contributions	22,103	-
Principal paid on long-term debt	-	(36,953)
Interest paid on long-term debt	-	(1,015)
Net cash flows used by capital and related financing activities	<u>(44,090)</u>	<u>(85,958)</u>
Change in cash and investments	-	-
Cash and investments - January 1	<u>-</u>	<u>-</u>
Cash and investments - December 31	<u>\$ -</u>	<u>\$ -</u>

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

Town of Clayton Winnebago County, Wisconsin

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	Stormwater Management Utility	
	2017	2016
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (loss)	\$ (52,492)	\$ 54,144
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	53,124	47,369
Change in liability (asset) and deferred outflows and inflows of resources		
Pension	6,811	190
Change in operating assets and liabilities		
Accounts payable	455	1,208
Accrued liabilities	-	(1,252)
Net cash provided by operating activities	<u>\$ 7,898</u>	<u>\$ 101,659</u>
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and cash equivalents in current assets	\$ -	\$ -
Cash and cash equivalents in restricted assets	-	-
Total cash and investments	<u>\$ -</u>	<u>\$ -</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, 2017

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 not identified any component units that are required to be included in the basic financial statements in accordance with standards established in GASB Statement No. 61.

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.

Capital Projects Fund

This fund accounts for the acquisition or construction of major capital facilities other than those financed by proprietary fund types.

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.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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 and fiduciary 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, 2017

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, the County of Winnebago, and the State of Wisconsin.

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 2017 tax roll are recognized as revenue in 2018.) 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.

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.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

- ▶ **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, 2016, 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.
3. During the year, formal budgetary integration is employed as a management control device for the governmental funds.
4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department 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, 2017.

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NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

B. 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 2017 and 2018 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 2017 budget was 1.66%. The actual limit for the Town for the 2018 budget was 0.96%. 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 \$5,657,215 on December 31, 2017 as summarized below:

Petty cash and cash on hand	\$ 400
Deposits with financial institutions	5,656,815
	<u>\$ 5,657,215</u>

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	
Cash and investments	\$ 5,622,424
Restricted cash and investments	34,791
	<u>\$ 5,657,215</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.

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NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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, 2017, \$69,437 of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

B. RESTRICTED ASSETS

Restricted assets on December 31, 2017 totaled \$34,791 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Governmental Activities		
Park impact fees	\$ 1,545	To account for impact fees collected and held by the Town to finance park improvements.
Fire impact fees	7,797	To account for impact fees collected and held by the Town to finance fire department improvements.
Capital improvements	10,251	To account for funds set aside to be used for the purchase of capital assets
Debt service	7,870	To account for funds held for debt service expenditures
Fire donations	7,328	Donations to the fire department to be used for the purchase of fire department equipment.
Total	\$ 34,791	

Town of Clayton Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,922,918	\$ 4,597,537	\$ -	\$ 6,520,455
Construction in progress	<u>699,477</u>	<u>426,622</u>	<u>815,565</u>	<u>310,534</u>
Total capital assets, not being depreciated	<u>2,622,395</u>	<u>5,024,159</u>	<u>815,565</u>	<u>6,830,989</u>
Capital assets, being depreciated:				
Land improvements	157,796	136,415	-	294,211
Buildings and improvements	1,854,600	-	-	1,854,600
Machinery and equipment	1,495,532	37,554	22,550	1,510,536
Infrastructure	<u>6,863,165</u>	<u>917,677</u>	<u>-</u>	<u>7,780,842</u>
Subtotals	<u>10,371,093</u>	<u>1,091,646</u>	<u>22,550</u>	<u>11,440,189</u>
Less accumulated depreciation	<u>2,288,617</u>	<u>420,624</u>	<u>14,918</u>	<u>2,694,323</u>
Total capital assets, being depreciated, net	<u>8,082,476</u>	<u>671,022</u>	<u>7,632</u>	<u>8,745,866</u>
Governmental activities capital assets, net	<u>\$ 10,704,871</u>	<u>\$ 5,695,181</u>	<u>\$ 823,197</u>	15,576,855
Less: Capital related debt				10,067,375
Less: Debt premium				<u>139,285</u>
Net investment in capital assets				<u>\$ 5,370,195</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 981	\$ -	\$ -	\$ 981
Construction in progress	<u>84,689</u>	<u>50,765</u>	<u>-</u>	<u>135,454</u>
Total capital assets, not being depreciated	<u>85,670</u>	<u>50,765</u>	<u>-</u>	<u>136,435</u>
Capital assets, being depreciated:				
Machinery and equipment	85,500	-	-	85,500
Infrastructure	<u>1,435,545</u>	<u>46,812</u>	<u>-</u>	<u>1,482,357</u>
Subtotals	<u>1,521,045</u>	<u>46,812</u>	<u>-</u>	<u>1,567,857</u>
Less accumulated depreciation	<u>112,504</u>	<u>53,124</u>	<u>-</u>	<u>165,628</u>
Total capital assets, being depreciated, net	<u>1,408,541</u>	<u>(6,312)</u>	<u>-</u>	<u>1,402,229</u>
Business-type activities capital assets, net	<u>\$ 1,494,211</u>	<u>\$ 44,453</u>	<u>\$ -</u>	<u>\$ 1,538,664</u>

Town of Clayton Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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

Governmental activities	
General government	\$ 49,076
Public safety	38,884
Public works	327,072
Culture and recreation	5,592
Total depreciation expense - governmental activities	<u>\$ 420,624</u>
Business-type activities	
Stormwater management utility	<u>\$ 53,124</u>

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, 2017 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Temporary cash advances to finance operating cash deficits		
Governmental Fund		
General	\$ 98,914	\$ -
Proprietary Fund		
Stormwater management utility	-	98,914
Subtotal	<u>98,914</u>	<u>98,914</u>
Special charges placed on tax roll		
Governmental Funds		
General Fund	-	533,407
Solid Waste/Recycling	306,800	-
Proprietary Fund		
Stormwater management utility	226,607	-
Subtotal	<u>533,407</u>	<u>533,407</u>
Totals	<u>\$ 632,321</u>	<u>\$ 632,321</u>

Interfund transfers for the year ended December 31, 2017 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ -	\$ 8,849
Capital projects	15,864	-
Rental	-	15,864
Fire donations	8,849	-
Total	<u>\$ 24,713</u>	<u>\$ 24,713</u>

Interfund transfers were made for the following purposes:

Transfer from general fund to fire donations for creation of new fund	\$ 8,849
Transfer from rental fund to capital projects fund for the creation of new fund	15,864
	<u>\$ 24,713</u>

Town of Clayton Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the Town for the year ended December 31, 2017:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt					
Notes	\$ 6,257,261	\$ 4,257,375	\$ 447,261	\$ 10,067,375	\$ 897,375
Debt premium	87,220	66,602	14,537	139,285	-
Compensated absences	71,705	-	5,509	66,196	-
Governmental activities Long-term obligations	<u>\$ 6,416,186</u>	<u>\$ 4,323,977</u>	<u>\$ 467,307</u>	<u>\$ 10,272,856</u>	<u>\$ 897,375</u>

Total interest paid during the year on long-term debt totaled \$144,823.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/17
General obligation notes	5/16/12	3/1/22	2.40% - 3.30%	\$ 1,200,000	\$ 640,000
General obligation notes	9/8/14	3/1/24	2.00% - 2.60%	2,300,000	1,670,000
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
Promissory notes	8/23/17	9/28/18	4.00%	557,375	557,375
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>\$ 10,067,375</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$10,067,375 on December 31, 2017 are detailed below:

Year Ended December 31,	Governmental Activities		
	Principal	Interest	Totals
2018	\$ 897,375	\$ 267,636	\$ 1,165,011
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 - 2027	3,518,689	308,399	3,827,088
	<u>\$10,067,375</u>	<u>\$ 1,627,511</u>	<u>\$11,694,886</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2017 was \$14,738,350 as follows:

Equalized valuation of the Town		\$ 495,957,100
Statutory limitation percentage		<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		24,797,855
Total outstanding general obligation debt applicable to debt limitation	\$ 10,067,375	
Less: Amounts available for financing general obligation debt		
Debt service fund	<u>7,870</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>10,059,505</u>
Legal margin for new debt		<u>\$ 14,738,350</u>

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.

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

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

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

The WRS also provides death and disability benefits for employees.

Town of Clayton

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NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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)

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.

During the reporting period, the WRS recognized \$24,498 in contributions from the Town.

Contribution rates as of December 31, 2017 are:

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

Town of Clayton Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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

At December 31, 2017, the Town reported a liability (asset) of \$17,366 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension liability (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, 2016, the Town's proportion was .00210694%, which was an increase of .00029351% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Town recognized pension expense of \$43,958.

At December 31, 2017, 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	\$ 6,622	\$ 54,615
Net differences between projected and actual earnings on pension plan investments	86,443	-
Changes in assumptions	18,157	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,510	5,073
Employer contributions subsequent to the measurement date	29,546	-
Total	<u>\$ 142,278</u>	<u>\$ 59,688</u>

\$29,546 reported as deferred outflows related to pension resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2018. 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,		
2017	\$	22,301
2018		22,301
2019		14,595
2020		(6,140)
2021		(13)
Total	<u>\$</u>	<u>53,044</u>

Town of Clayton Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

5. Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 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

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NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-term Expected Nominal Rate of Return %</u>	<u>Long-term Expected Real Rate of Return %</u>
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5%	37%	4.2%	1.4%
Inflation Sensitive Assets	15.5%	20%	4.3%	1.5%
Real Estate	8%	7%	6.5%	3.6%
Private Equity/Debt	8%	7%	9.4%	6.5%
Multi-asset	4%	4%	6.6%	3.7%
Total Core Fund	110%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5%

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 3.78%. 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:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase to Discount Rate (8.20%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 228,464	\$ 17,366	\$ (145,188)

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>.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

6. Payables to the Pension Plan

At December 31, 2017, the Town reported a payable of \$6,333 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2017.

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, 2017, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Prepaid items	\$ 2,100
Due from stormwater fund	<u>72,074</u>
Total General Fund Nonspendable Fund Balance	<u>\$ 74,174</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, 2017, restricted fund balance was as follows:

General Fund	
Restricted for	
Park improvements	\$ 1,545
Fire department improvements	<u>7,797</u>
Total General Fund Restricted Fund Balance	<u>9,342</u>
Special Revenue Funds	
Restricted for	
Fire department expenditures	<u>7,328</u>
Debt Service Fund	
Restricted for	
Debt service expenditures	<u>7,870</u>
Capital Projects Fund	
Restricted for	
Capital outlay	<u>10,251</u>
Total Restricted Fund Balance	<u>\$ 34,791</u>

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by Town Board action. At December 31, 2017, General Fund balance was committed as follows:

General Fund	
Committed for	
Cemetery expenditures	\$ 31,771
Capital equipment replacement	48,509
Sick leave and vacation payout	31,268
Total General Fund Committed Fund Balance	<u>111,548</u>
Special Revenue Funds	
Committed for	
Solid waste and recycling expenditures	93,886
Rental fund expenditures	19,047
	<u>112,933</u>
Total Committed Fund Balance	<u>\$ 224,481</u>

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2017, fund balance was assigned as follows:

General Fund	
Assigned for subsequent year's budget	<u>\$ 24,500</u>

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 2017 General Fund Expenditures	\$ 1,496,207
Minimum Fund Balance %	(x) 16%
Minimum Fund Balance Amount	<u>\$ 239,393</u>

The Town's unassigned general fund balance of \$408,835 is above the minimum fund balance amount.

Net Position

The Town reports restricted net position at December 31, 2017 as follows:

Governmental Activities	
Restricted for	
Park improvements	\$ 1,545
Fire department expenditures	15,125
Debt service	321,443
Capital expenditures	10,251
Total Governmental Activities Restricted Net Position	<u>\$ 348,364</u>

Town of Clayton Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Town of Clayton Winnebago County, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee 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)
12/31/15	0.00170112%	\$ (41,784)	\$ 242,794	17.21%	102.74%
12/31/16	0.00181343%	29,468	288,315	10.22%	98.20%
12/31/17	0.00210694%	17,366	360,414	4.82%	99.12%

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-Employee Payroll (Fiscal Year)	Contributions as a Percentage of Covered-Employee 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	29,546	29,546	-	400,993	7.37%

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget		Actual	Variance	2016 Actual
	Original	Final		Final Budget - Positive (Negative)	
Taxes					
General property	\$ 860,672	\$ 860,672	\$ 859,812	\$ (860)	\$ 888,025
Mobile home fees	13,000	13,000	12,767	(233)	12,093
Managed forest land tax	-	-	268	268	263
Interest and taxes	-	-	206	206	-
Other taxes	-	-	112	112	494
Total taxes	873,672	873,672	873,165	(507)	900,875
Special assessments	-	-	-	-	5,036
Intergovernmental					
State					
State shared taxes	33,728	33,728	33,728	-	33,728
DNR - In lieu of taxes	680	680	685	5	685
Transportation	162,089	162,089	162,089	-	162,089
Exempt computer aid	3,750	3,750	4,252	502	3,759
Fire insurance dues	20,000	20,000	21,287	1,287	20,122
Other	2,420	2,420	2,067	(353)	2,862
County					
Bridge aid	22,500	22,500	-	(22,500)	-
Total intergovernmental	245,167	245,167	224,108	(21,059)	223,245
Licenses and permits					
Licenses					
Liquor and malt beverage Operators, cigarette and other licenses	5,000	5,000	5,467	467	4,960
Cable television fees	4,700	4,700	5,211	511	5,335
Dog	36,000	36,000	34,292	(1,708)	26,289
Permits	2,000	2,000	2,240	240	2,326
Building	87,000	87,000	56,051	(30,949)	95,962
Culvert and other permits	6,000	6,000	8,150	2,150	8,550
Zoning	5,000	5,000	1,000	(4,000)	1,000
Total licenses and permits	145,700	145,700	112,411	(33,289)	144,422

Town of Clayton Winnebago County, Wisconsin

**GENERAL FUND
DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget		Actual	Variance Final Budget - Positive (Negative)	2016 Actual
	Original	Final			
Public charges for services					
General government	4,500	4,500	6,978	2,478	4,080
Cemetery	-	-	10,850	10,850	6,095
House numbers	1,500	1,500	1,800	300	1,560
Fire and first responders	10,000	10,000	19,197	9,197	23,668
Claytonfest	-	-	-	-	1,828
Parks	2,250	2,250	6,494	4,244	6,093
Highway	-	-	118,537	118,537	-
Weed and nuisance control	-	-	278	278	-
Total public charges for services	<u>18,250</u>	<u>18,250</u>	<u>164,134</u>	<u>145,884</u>	<u>43,324</u>
Intergovernmental charges for services					
General government	8,000	8,000	8,000	-	8,000
Building inspection	-	-	48,706	48,706	-
Total intergovernmental charges for services	<u>8,000</u>	<u>8,000</u>	<u>56,706</u>	<u>48,706</u>	<u>8,000</u>
Miscellaneous					
Interest on investments	2,000	2,000	6,106	4,106	1,003
Hall rental	-	-	250	250	533
Land rental	500	500	4,189	3,689	-
Donations	-	-	2,848	2,848	11,403
Other	-	-	8,248	8,248	8,358
Total miscellaneous	<u>2,500</u>	<u>2,500</u>	<u>21,641</u>	<u>19,141</u>	<u>21,297</u>
Total Revenues	<u>\$ 1,293,289</u>	<u>\$ 1,293,289</u>	<u>\$ 1,452,165</u>	<u>\$ 158,876</u>	<u>\$ 1,346,199</u>

Town of Clayton

Winnebago County, Wisconsin

GENERAL FUND
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance Final Budget - Positive (Negative)	2016 Actual
	Original	Final			
General Government					
Town board	\$ 35,048	\$ 35,048	\$ 32,978	\$ 2,070	\$ 32,423
Committees	4,237	4,237	3,598	639	3,705
Elections	3,491	3,491	2,728	763	10,316
Legal	25,000	25,000	59,072	(34,072)	19,563
Administrator/clerk	110,717	110,717	122,003	(11,286)	118,430
Treasurer/assistant administrator	74,294	74,295	72,020	2,275	71,335
Deputy clerk	54,219	54,219	50,878	3,341	48,872
Assessor	21,100	21,100	20,807	293	19,488
General office operation	48,600	48,600	43,140	5,460	50,493
Financial administration	19,000	19,000	15,156	3,844	16,309
Town hall	23,750	23,750	32,792	(9,042)	22,326
Insurance	49,000	49,000	37,041	11,959	65,884
Contingency	10,196	18,928	18,732	196	3,813
Total general government	478,652	487,385	510,945	(23,560)	482,957
Public Safety					
Fire department	183,412	183,412	162,683	20,729	187,845
First responders	41,504	41,504	12,008	29,496	26,792
Building inspection	87,123	87,123	87,112	11	80,825
Total public safety	312,039	312,039	261,803	50,236	295,462
Public Works					
Wages	91,907	91,907	93,882	(1,975)	95,595
Operations	17,500	17,500	12,624	4,876	9,294
Contracted services and other	315,845	315,845	257,838	58,007	261,316
Total public works	425,252	425,252	364,344	60,908	366,205
Health and Human Services					
Animal and weed control	2,296	2,296	994	1,302	1,019
Cemetery	2,000	15,729	22,082	(6,353)	5,230
Total health and human services	4,296	18,025	23,076	(5,051)	6,249
Culture and Recreation					
Clayton town park	2,300	2,300	2,795	(495)	1,626
Trail head park	1,550	1,550	1,830	(280)	2,845
Friendship trail	5,000	5,000	4,684	316	-
Total culture and recreation	8,850	8,850	9,309	(459)	4,471
Conservation and Development					
Planning and zoning	77,200	77,200	34,432	42,768	38,391
Capital Outlay					
General government	45,000	45,000	16,523	28,477	-
Public safety	-	-	94,700	(94,700)	-
Public works	-	-	171,278	(171,278)	-
Parks	2,000	2,000	9,797	(7,797)	14,234
Total capital outlay	47,000	47,000	292,298	(245,298)	14,234
Total Expenditures	\$ 1,353,289	\$ 1,375,751	\$ 1,496,207	\$ (120,456)	\$ 1,207,969

Town of Clayton Winnebago County, Wisconsin

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	<u>Rental</u>	<u>Fire Donations</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 19,631	\$ -	\$ 19,631
Restricted cash and investments	-	7,328	7,328
Receivables			
Accounts	<u>2,823</u>	<u>-</u>	<u>2,823</u>
 Total assets	 <u>\$ 22,454</u>	 <u>\$ 7,328</u>	 <u>\$ 29,782</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 757	\$ -	\$ 757
Special deposits	<u>2,650</u>	<u>-</u>	<u>2,650</u>
 Total liabilities	 <u>3,407</u>	 <u>-</u>	 <u>3,407</u>
Fund balances			
Restricted	-	7,328	7,328
Committed	<u>19,047</u>	<u>-</u>	<u>19,047</u>
 Total fund balances	 <u>19,047</u>	 <u>7,328</u>	 <u>26,375</u>
 Total liabilities and fund balances	 <u>\$ 22,454</u>	 <u>\$ 7,328</u>	 <u>\$ 29,782</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, 2017**

	<u>Rental</u>	<u>Fire Donations</u>	<u>Totals</u>
REVENUES			
Miscellaneous	\$ 46,425	\$ 1,325	\$ 47,750
EXPENDITURES			
Current			
Public safety	-	2,846	2,846
Conservation and development	11,514	-	11,514
Total expenditures	11,514	2,846	14,360
Excess of revenues over (under) expenditures	34,911	(1,521)	33,390
OTHER FINANCING SOURCES (USES)			
Transfers in	-	8,849	8,849
Transfers out	(15,864)	-	(15,864)
Total other financing sources (uses)	(15,864)	8,849	(7,015)
Net change in fund balances	19,047	7,328	26,375
Fund balances - January 1	-	-	-
Fund balances - December 31	<u>\$ 19,047</u>	<u>\$ 7,328</u>	<u>\$ 26,375</u>

**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 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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 10, 2018.

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Winnebago County, Wisconsin

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 on compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Green Bay, Wisconsin
April 10, 2018