

Town of Clayton
Winnebago County, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2019



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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 black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

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	17,981,699	1,731,339	19,713,038
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	260,738	35,691	296,429
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	9,511,981	14,058	9,526,039
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	1,970,488	327,795	2,298,283
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	\$ 6,759,968	\$ 1,425,177	\$ 8,185,145

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	2,961,513	514,964	207,355	46,663
BUSINESS-TYPE ACTIVITIES				
Stormwater management utility	260,047	231,087	-	-
Total	\$ 3,221,560	\$ 746,051	\$ 207,355	\$ 46,663

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)
<u>(279,492)</u>	<u>-</u>	<u>(279,492)</u>
<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
<u>917,739</u>	<u>-</u>	<u>917,739</u>
<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
	<u>\$ 1,523,738</u>	<u>\$ 399,080</u>	<u>\$ 1,186,756</u>	<u>\$ 2,463</u>	<u>\$ 3,112,037</u>
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
	<u>139,015</u>	<u>25,136</u>	<u>-</u>	<u>114</u>	<u>164,265</u>
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
	<u>714,643</u>	<u>310,000</u>	<u>1,050,669</u>	<u>-</u>	<u>2,075,312</u>
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
	<u>670,080</u>	<u>63,944</u>	<u>136,087</u>	<u>2,349</u>	<u>872,460</u>
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	(146,609)
	<hr/>
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	<u>176,202</u>	<u>108,572</u>	<u>(136,008)</u>	<u>5,963</u>	<u>154,729</u>
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) \$ 345,426

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	<u>\$ (53,662)</u>	<u>\$ 702,800</u>	<u>\$ 670,080</u>	<u>\$ (32,720)</u>

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

Town of Clayton

Winnebago County, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - SOLID WASTE/RECYCLING FUND
 FOR THE YEAR ENDED DECEMBER 31, 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	<u>332,500</u>	<u>332,500</u>	<u>331,251</u>	<u>(1,249)</u>
EXPENDITURES				
Current				
Public works	332,500	332,500	344,798	(12,298)
Capital outlay	-	-	31,081	(31,081)
Total expenditures	<u>332,500</u>	<u>332,500</u>	<u>375,879</u>	<u>(43,379)</u>
Net change in fund balance	-	-	(44,628)	(44,628)
Fund balance - January 1	<u>108,572</u>	<u>108,572</u>	<u>108,572</u>	-
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

	<u>Stormwater Management Utility</u>
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>\$ 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 REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

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

	Stormwater Management Utility
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	<u>\$ 3,533,639</u>
LIABILITIES	
Due to other governments	<u>3,533,639</u>
NET POSITION	
Fiduciary net position - held for others	<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 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.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

- ▶ **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.

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Winnebago County, Wisconsin

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>

Town of Clayton

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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:

<u>Fund</u>	<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

Winnebago County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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>

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NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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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Winnebago County, Wisconsin

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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	<u>33,905</u>
Present value of future minimum lease payments	<u><u>\$ 250,000</u></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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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>

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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.

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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.

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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

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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 with 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	<u>677,413</u>	<u>677,413</u>	<u>677,890</u>	<u>477</u>
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	<u>235,684</u>	<u>235,684</u>	<u>250,180</u>	<u>14,496</u>
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	<u>153,700</u>	<u>153,700</u>	<u>143,605</u>	<u>(10,095)</u>
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	<u>7,500</u>	<u>7,500</u>	<u>79,644</u>	<u>72,144</u>

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	<u>8,000</u>	<u>8,000</u>	<u>12,852</u>	<u>4,852</u>
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	<u>18,082</u>	<u>18,082</u>	<u>55,263</u>	<u>37,181</u>
Total revenues	<u>\$ 1,100,379</u>	<u>\$ 1,100,379</u>	<u>\$ 1,219,434</u>	<u>\$ 119,055</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		
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		Capital Projects	Totals
	Rental	Fire Donations		
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	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114</u>
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

