

Town of Wilson
Sheboygan County, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2017

Town of Wilson

Sheboygan County, Wisconsin

DECEMBER 31, 2017

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Independent auditors' report

To the Town Board
Town of Wilson
Sheboygan County, Wisconsin

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and the major fund of the Town of Wilson, Sheboygan County, Wisconsin (the "Town") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements of the governmental activities and the major fund in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the preparation and fair presentation of the financial statements of the aggregate discretely presented component units in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 cash basis financial position of the governmental activities and the major fund of the Town as of December 31, 2017, and the respective changes in cash basis financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the cash basis of accounting as described in Note 1. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the Town as of December 31, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS OF ACCOUNTING

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements of the governmental activities and the major fund are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions on page 28 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

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

REPORT ON SUMMARIZED FINANCIAL INFORMATION

We have previously audited the Town's 2016 financial statements, and our report dated April 14, 2017, expressed unmodified opinions on those respective financial statements of the governmental activities, the aggregate discretely presented component units and the major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "S cheneck SC". The signature is written in a cursive, somewhat informal style.

Certified Public Accountants

Sheboygan, Wisconsin

April 12, 2018

BASIC FINANCIAL STATEMENTS

Town of Wilson

Sheboygan County, Wisconsin

STATEMENT OF NET POSITION

DECEMBER 31, 2017

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016

	Governmental Activities		Component
	2017	2016	Units
ASSETS			
Cash and investments	\$ 2,537,060	\$ 3,718,321	\$ 626,036
Receivables			
Accounts	-	-	98,412
Special assessments	-	-	17,815
Due from other governments	2,229	364	-
Restricted assets			
Cash and investments	-	-	315,123
Other cash and investments	-	-	611,851
Capital assets, nondepreciable	-	-	116,320
Capital assets, depreciable	-	-	6,985,950
Total assets	<u>2,539,289</u>	<u>3,718,685</u>	<u>8,771,507</u>
LIABILITIES			
Accounts payable	-	-	169,190
Accrued and other current liabilities	-	734	2,901
Due to other governments	2,049,120	3,022,539	1,316
Special deposits	10,000	-	-
Long-term obligations			
Due within one year	-	-	4,380
Due in more than one year	-	-	61,533
Total liabilities	<u>2,059,120</u>	<u>3,023,273</u>	<u>239,320</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes collected for subsequent year	<u>213,804</u>	<u>300,752</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	-	-	7,036,357
Restricted	50,956	50,156	315,123
Unrestricted	<u>215,409</u>	<u>344,504</u>	<u>1,180,707</u>
Total net position	<u>\$ 266,365</u>	<u>\$ 394,660</u>	<u>\$ 8,532,187</u>

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

Town of Wilson

Sheboygan County, Wisconsin

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General government	\$ 485,441	\$ 81,218	\$ -	\$ -
Public safety	185,650	49,139	15,014	518
Public works	467,674	7,132	164,602	-
Health and human services	940	-	-	-
Culture and recreation	52,486	940	-	-
Conservation and development	27,735	75	-	-
Principal and interest on long-term debt	81,908	-	-	-
Total governmental activities	1,301,834	138,504	179,616	518
Component Units	634,233	481,338	8,058	-
TOTAL	\$ 3,237,901	\$ 758,346	\$ 367,290	\$ 1,036
General revenues				
Taxes				
Property taxes				
Other taxes				
Federal and state grants and other contributions not restricted to specific functions				
Interest and investment earnings				
Miscellaneous				
Total general revenues				
Change in net position				
Net position - January 1				
Net position - December 31				

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities		Component
2017	2016	Units
\$ (404,223)	\$ (215,035)	\$ -
(120,979)	(130,929)	-
(295,940)	(214,044)	-
(940)	159	-
(51,546)	15,299	-
(27,660)	(4,953)	-
(81,908)	(82,612)	-
(983,196)	(632,115)	-
-	-	(144,837)
\$ (1,966,392)	\$ (1,264,230)	\$ (144,837)
662,275	650,125	-
25,267	7,740	-
		-
136,181	98,004	-
3,008	1,916	11,433
28,170	36,170	10,988
854,901	793,955	22,421
(128,295)	161,840	(122,416)
394,660	232,820	8,654,603
<u>\$ 266,365</u>	<u>\$ 394,660</u>	<u>\$ 8,532,187</u>

Town of Wilson

Sheboygan County, Wisconsin

STATEMENT OF ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE - CASH BASIS
GOVERNMENTAL FUND
DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	General	
	2017	2016
ASSETS		
Cash and investments	\$ 2,537,060	\$ 3,718,321
Due from other governments	2,229	364
Total assets	<u>\$ 2,539,289</u>	<u>\$ 3,718,685</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accrued and other current liabilities	\$ -	\$ 734
Due to other governments	2,049,120	3,022,539
Special deposits	10,000	-
Total liabilities	<u>2,059,120</u>	<u>3,023,273</u>
Deferred inflows of resources		
Property taxes collected for subsequent year	<u>213,804</u>	<u>300,752</u>
Fund balance		
Restricted	50,956	50,156
Committed	27,544	32,544
Unassigned	<u>187,865</u>	<u>311,960</u>
Total fund balance	<u>266,365</u>	<u>394,660</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,539,289</u>	<u>\$ 3,718,685</u>

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

Town of Wilson

Sheboygan County, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget			Variance	
	Original	Final	Actual	Final Budget - Positive (Negative)	2016 Actual
REVENUES					
Taxes	\$ 697,084	\$ 697,084	\$ 687,542	\$ (9,542)	\$ 657,865
Intergovernmental	338,105	338,105	316,264	(21,841)	375,867
Licenses and permits	77,120	77,120	98,406	21,286	82,369
Fines and forfeits	1,700	1,700	2,313	613	3,160
Public charges for services	5,233	5,233	7,381	2,148	6,927
Intergovernmental charges for services	27,829	27,829	34,442	6,613	23,411
Miscellaneous	75,150	75,150	27,191	(47,959)	44,043
Total revenues	<u>1,222,221</u>	<u>1,222,221</u>	<u>1,173,539</u>	<u>(48,682)</u>	<u>1,193,642</u>
EXPENDITURES					
Current					
General government	370,659	370,659	485,441	(114,782)	291,515
Public safety	202,425	202,425	182,518	19,907	167,409
Public works	391,014	391,014	338,267	52,747	297,291
Health and human services	1,823	1,823	940	883	141
Culture and recreation	3,450	3,450	569	2,881	4,763
Conservation and development	28,940	28,940	27,735	1,205	5,028
Debt service					
Principal	66,500	66,500	72,579	(6,079)	69,094
Interest and fiscal charges	15,920	15,920	9,329	6,591	13,518
Capital outlay	195,780	195,780	184,456	11,324	183,043
Total expenditures	<u>1,276,511</u>	<u>1,276,511</u>	<u>1,301,834</u>	<u>(25,323)</u>	<u>1,031,802</u>
Net change in fund balance	(54,290)	(54,290)	(128,295)	(74,005)	161,840
Fund balance - January 1	<u>394,660</u>	<u>394,660</u>	<u>394,660</u>	<u>-</u>	<u>232,820</u>
Fund balance - December 31	<u><u>\$ 340,370</u></u>	<u><u>\$ 340,370</u></u>	<u><u>\$ 266,365</u></u>	<u><u>\$ (74,005)</u></u>	<u><u>\$ 394,660</u></u>

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

Town of Wilson

Sheboygan County, Wisconsin

COMBINING STATEMENT OF NET POSITION COMPONENT UNITS DECEMBER 31, 2017

	Sanitary District No. 1	Sanitary District No. 2	Totals
ASSETS			
Cash and investments	\$ 506,052	\$ 119,984	\$ 626,036
Receivables			
Accounts	98,412	-	98,412
Special assessments	17,815	-	17,815
Restricted assets			
Cash and investments	315,123	-	315,123
Other cash and investments	458,008	153,843	611,851
Capital assets, nondepreciable	108,017	8,303	116,320
Capital assets, depreciable	6,437,609	548,341	6,985,950
Total assets	7,941,036	830,471	8,771,507
LIABILITIES			
Accounts payable	162,947	6,243	169,190
Accrued and other current liabilities	2,901	-	2,901
Due to other governments	1,316	-	1,316
Long-term obligations			
Due within one year	-	4,380	4,380
Due in more than one year	-	61,533	61,533
Total liabilities	167,164	72,156	239,320
NET POSITION			
Net investment in capital assets	6,545,626	490,731	7,036,357
Restricted	315,123	-	315,123
Unrestricted	913,123	267,584	1,180,707
Total net position	\$ 7,773,872	\$ 758,315	\$ 8,532,187

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

Town of Wilson

Sheboygan County, Wisconsin

COMBINING STATEMENT OF ACTIVITIES COMPONENT UNITS FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
	Expenses	Charges for Services	Operating Grants and Contributions	Sanitary District No. 1	Sanitary District No. 2	
Sanitary District No. 1	\$ 556,913	\$ 358,825	\$ 8,058	\$ (190,030)	\$ -	\$ (190,030)
Sanitary District No. 2	77,320	122,513	-	-	45,193	45,193
Total component units	<u>\$ 634,233</u>	<u>\$ 481,338</u>	<u>\$ 8,058</u>	<u>(190,030)</u>	<u>45,193</u>	<u>(144,837)</u>
General revenues						
Interest and investment earnings				11,250	183	11,433
Miscellaneous				10,988	-	10,988
Total general revenues				<u>22,238</u>	<u>183</u>	<u>22,421</u>
Change in net position				(167,792)	45,376	(122,416)
Net position - January 1				<u>7,941,664</u>	<u>712,939</u>	<u>8,654,603</u>
Net position - December 31				<u>\$ 7,773,872</u>	<u>\$ 758,315</u>	<u>\$ 8,532,187</u>

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

Town of Wilson Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the governmental activities and the major fund of the Town of Wilson, Sheboygan County, Wisconsin (the "Town"), have been prepared on a cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Under this basis of accounting, assets, liabilities, deferred outflows/inflows of resources, net position/fund equity, revenues, and expenditures are recognized when they result from cash transactions. A provision for depreciation is not included in the governmental activities in the government-wide statements. The financial statements of the aggregate discretely presented component units have been prepared in conformity with 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 units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

Town of Wilson Sanitary District No. 1

The Town of Wilson Sanitary District No. 1 is located within the Town of Wilson in Sheboygan County, Wisconsin. The District was created under Wisconsin Statute Chapter 60 in 1987. The District provides sewer service to properties within its boundaries and is managed by a commission which establishes rates and service rules for its sewer service. Wastewater is treated under contract by the City of Sheboygan.

Town of Wilson Sanitary District No. 2

The Town of Wilson Sanitary District No. 2 is located within the Town of Wilson in Sheboygan County, Wisconsin. The District was created under Wisconsin Statute Chapter 60 in 1988. The District provides sewer service to properties within its boundaries and is managed by a commission which establishes rates and service rules for its sewer service. Wastewater is treated under contract by the City of Sheboygan.

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* are primarily supported by taxes and intergovernmental revenues. The Town has no business-type activities.

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*.

Town of Wilson Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Separate financial statements are provided for governmental funds. The major individual governmental fund is reported as a separate column in the fund financial statements.

The Town reports the following major governmental fund:

General Fund

This is the Town's primary operating fund. It accounts for all financial resources of the general government.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by its measurement focus. The government-wide and fund financial statements of the Town are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the financial statements. Operating statements of this fund present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The cash basis of accounting is used by the governmental activities and the general fund. This basis recognizes assets, liabilities, deferred outflows/inflows of resources, net position/fund equity, revenues, and expenditures when they result from cash transactions with no provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. In addition, long-term debt payable in future years is not recorded. Additional information on outstanding long-term debt is shown in Note 3E.

Amounts reported as *program* cash receipts 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. Tax collections for 2018 received prior to year-end are reported as deferred inflows of resources.

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.

The Town of Wilson Sanitary District No. 1 and No. 2 discretely presented component units are reported on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/inflows of resources associated with the operation are included on the Statement of Net Position. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The accrual basis of accounting is utilized by Town of Wilson Sanitary District No. 1 and No. 2. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Unpaid enterprise fund service receivables are recorded at year-end. All capital assets are capitalized at historical cost and depreciated over their useful lives.

Town of Wilson

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

2. 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 expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

3. Long-term Obligations

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. Because the Town uses the cash basis of accounting, principal payments are reported as expenses in the statement of activities and no liability is reported on the statement of net position.

4. 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.

5. 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.
- ▶ **Unassigned fund balance.** Amounts that are available for any purpose.

Town of Wilson

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 Fund Statements

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

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

E. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the Town's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

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 the cash basis of accounting for the general fund. 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 general fund adopting a budget.
4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Town. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Town Board.

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NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

5. Encumbrance accounting is not used by the Town to record commitments related to unperformed contracts for goods or services.

The Town did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2017.

B. PROPERTY TAX LEVY LIMIT

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, towns, villages and counties. For the 2017 and 2018 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2017 budget was 1.03%. The actual limit for the Town for the 2018 budget was 1.25%. Debt service for debt authorized after July 2, 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, which are 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 \$2,537,060 on December 31, 2017 as summarized below:

Petty cash and cash on hand	\$ 625
Deposits with financial institutions	2,500,058
Investments	
Wisconsin local government investment pool	36,377
	<u>\$ 2,537,060</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	<u>\$ 2,537,060</u>

Town of Wilson Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

The carrying amount of the Town of Wilson Sanitary District No. 1's cash and investments totaled \$1,279,183 on December 31, 2017 as summarized below:

Petty cash and cash on hand	\$ 270
Deposits with financial institutions	259,245
Investments	
Wisconsin local government investment pool	1,019,668
	<u>\$ 1,279,183</u>

Reconciliation to the basic financial statements:

Component units combining statement of net position	
Cash and investments	\$ 506,052
Restricted cash and investments	315,123
Other cash and investments	458,008
	<u>\$ 1,279,183</u>

The carrying amount of the Town of Wilson Sanitary District No. 2's cash and investments totaled \$273,827 on December 31, 2017 as summarized below:

Deposits with financial institutions	<u>\$ 273,827</u>
--------------------------------------	-------------------

Reconciliation to the basic financial statements:

Component units combining statement of net position	
Cash and investments	\$ 119,984
Other cash and investments	153,843
	<u>\$ 273,827</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 and Sanitary District No. 1 and No. 2 currently have no investments that are subject to fair value measurement.

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

Custodial Credit Risk

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

Town of Wilson Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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.

The portion of deposits with financial institutions in excess of federal and state depository insurance limits on December 31, 2017 is summarized below:

<u>Town</u>	<u>Sanitary District No. 1</u>	<u>Sanitary District No. 2</u>
\$ 1,047,302	\$ -	\$ -

As of December 31, 2017, a financial institution of the Town has pledged collateral which covers \$10,833 of the uninsured balance noted above. The remaining \$1,036,469 remains uncollateralized.

Investments

The Town and Sanitary District No. 1 have investments in the Wisconsin local government investment pool of \$36,377 and \$1,019,668, respectively, at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2017, the fair value of the Town's and Sanitary District No. 1's share of the LGIP's assets was substantially equal to the carrying value.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The Town and Sanitary District No. 1 do not have an additional credit risk policy. The Town's investment in the Wisconsin local government investment pool is not rated.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investments held by the Wisconsin local government investment pool mature in 12 months or less.

Town of Wilson

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NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

B. RESTRICTED ASSETS

Sanitary District No. 1's restricted cash and investments of \$315,123 at December 31, 2017 consisted of cash and investments held for future capital replacement.

Sanitary District No. 1 and No. 2's other cash and investments of \$458,008 and \$153,843, respectively, at December 31, 2017 consisted of cash and investments designated by the District Commissioners to be used for future capital replacement or expansion.

C. PROPERTY TAXES

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

The Town bills its own property taxes and also levies taxes for the Sheboygan Area School District, Sheboygan Falls School District, Kohler School District, Oostburg School District, Sheboygan County, Lakeshore Technical College and the State of Wisconsin.

D. CAPITAL ASSETS

Capital asset activity for the Town of Wilson Sanitary District No. 1 for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, nondepreciable:				
Land	\$ 18,107	\$ -	\$ -	\$ 18,107
Construction in progress	-	89,910	-	89,910
Total capital assets, nondepreciable	<u>18,107</u>	<u>89,910</u>	<u>-</u>	<u>108,017</u>
Capital assets, depreciable:				
Buildings	10,438	-	-	10,438
Pump stations	1,258,575	36,758	-	1,295,333
Collecting sewers	8,300,590	160,453	-	8,461,043
Force mains	647,570	-	-	647,570
Meters	7,193	-	-	7,193
Generators	33,668	-	-	33,668
Miscellaneous equipment	24,191	912	-	25,103
Office equipment	13,487	1,024	-	14,511
Subtotals	<u>10,295,712</u>	<u>199,147</u>	<u>-</u>	<u>10,494,859</u>
Less accumulated depreciation:	<u>3,880,954</u>	<u>176,296</u>	<u>-</u>	<u>4,057,250</u>
Total capital assets, depreciable, net	<u>6,414,758</u>	<u>22,851</u>	<u>-</u>	<u>6,437,609</u>
Capital assets, net	<u>\$ 6,432,865</u>	<u>\$ 112,761</u>	<u>\$ -</u>	<u>\$ 6,545,626</u>

Town of Wilson Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Capital asset activity for the Town of Wilson Sanitary District No. 2 for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, nondepreciable:				
Land	\$ 8,303	\$ -	\$ -	\$ 8,303
Capital assets, depreciable:				
Equipment	28,861	913	-	29,774
Pump stations	151,217	-	-	151,217
Collecting sewers and mains	698,993	-	-	698,993
Subtotals	879,071	913	-	879,984
Less accumulated depreciation for:				
Equipment	16,330	1,731	-	18,061
Pump stations	93,121	4,983	-	98,104
Collecting sewers and mains	202,651	12,827	-	215,478
Subtotals	312,102	19,541	-	331,643
Total capital assets, depreciable, net	566,969	(18,628)	-	548,341
Capital assets, net	<u>\$ 575,272</u>	<u>\$ (18,628)</u>	<u>\$ -</u>	556,644
Less: Capital related debt				<u>65,913</u>
Net investment in capital assets				<u>\$ 490,731</u>

E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the Town and Sanitary District No. 2 for the year ended December 31, 2017:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary government					
General obligation debt					
Note payable	\$ 75,000	\$ -	\$ 25,000	\$ 50,000	\$ 25,000
Capital leases	98,917	-	47,579	51,338	51,338
Primary government					
Long-term obligations	<u>\$ 173,917</u>	<u>\$ -</u>	<u>\$ 72,579</u>	<u>\$ 101,338</u>	<u>\$ 76,338</u>
Sanitary District No. 2					
Advance from City of Sheboygan	<u>\$ 70,191</u>	<u>\$ -</u>	<u>\$ 4,278</u>	<u>\$ 65,913</u>	<u>\$ 4,380</u>

Town of Wilson

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NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

Total interest paid during the year on long-term debt totaled \$10,967 as summarized below:

<u>Town</u>	<u>Sanitary District No. 1</u>	<u>Sanitary District No. 2</u>
\$ 9,329	\$ -	\$ 1,638

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Available Credit</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/17</u>
Primary government						
General obligation notes	11/30/15	11/30/19	2.75%	\$ -	\$ 100,000	\$ 50,000
Sanitary District No. 1						
General obligation credit agreement	11/1/17	11/1/20	3.30%	\$ 150,000	\$ -	\$ -

Annual principal and interest maturities of the outstanding general obligation debt of \$50,000 on December 31, 2017 are detailed below:

<u>Year Ended December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 25,000	\$ 1,318	\$ 26,318
2019	25,000	-	25,000
	<u>\$ 50,000</u>	<u>\$ 1,318</u>	<u>\$ 51,318</u>

Legal Margin for New Debt

As separate legal entities under the Wisconsin Statutes, the Town and its sanitary districts each have separate legal margins for creation of additional general obligation debt. As of December 31, 2017, the legal margin for creation of additional general obligation debt for each entity was as follows:

	<u>Town</u>	<u>Sanitary District No. 1</u>	<u>Sanitary District No. 2</u>
Equalized valuation	\$ 397,611,500	\$ 279,672,850	\$ 14,644,948
Statutory limitation percentage	(x) 5%	(x) 5%	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	19,880,575	13,983,643	732,247
Less outstanding general obligation debt applicable to debt limitation	50,000	-	-
Legal margin for new debt	<u>\$ 19,830,575</u>	<u>\$ 13,983,643</u>	<u>\$ 732,247</u>

Town of Wilson Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Capital Lease

The Town is obligated under the terms of a capital lease agreement that was used to finance the acquisition of a fire truck.

The following is a schedule of the minimum lease payments under the lease agreement and the present value of the minimum lease payments at December 31, 2017:

Year Ending	Governmental Activities
2018	\$ 55,396
Less: Amount representing interest	4,058
Present value of future minimum lease payments	<u>\$ 51,338</u>

Advance from the City of Sheboygan

The Town of Wilson Sanitary District No.2 has the following advance outstanding from the City of Sheboygan:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/17
Advance from the City of Sheboygan	11/29/11	11/29/30	2.40%	\$ 90,122	<u>\$ 65,913</u>

Annual principal and interest maturities of the outstanding advance of \$65,913 on December 31, 2017 are detailed below:

Year Ended December 31,	Sanitary District No. 2		
	Principal	Interest	Totals
2018	\$ 4,380	\$ 1,529	\$ 5,909
2019	4,486	1,423	5,909
2020	4,593	1,314	5,907
2021	4,703	1,202	5,905
2022	4,816	1,088	5,904
2023 - 2027	25,872	3,629	29,501
2028-2030	17,063	621	17,684
	<u>\$ 65,913</u>	<u>\$ 10,806</u>	<u>\$ 76,719</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>.

Town of Wilson Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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

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

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

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

The WRS also provides death and disability benefits for employees.

2. Post-Retirement Adjustments

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

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3. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period ending December 31, 2016, the WRS recognized \$9,801 in contributions from the Town.

Contribution rates for the reporting period are:

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

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

At December 31, 2017, the Town reported a liability \$8,348 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the Town's proportion was 0.00101281%, which was an increase of 0.00002207% from its proportion measured as of December 31, 2015. Because the Town's basic financial statements are prepared on the cash basis of accounting, the net pension liability is not reported as a liability in the statement of net position.

For the year ended December 31, 2017, the Town recognized pension expense of \$21,894.

At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,183	\$ 26,254
Net differences between projected and actual earnings on pension plan investments	41,554	-
Changes in assumptions	8,728	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,397	422
Employer contributions subsequent to the measurement date	10,280	-
Total	<u>\$ 65,142</u>	<u>\$ 26,676</u>

Town of Wilson

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

\$10,280 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31,	Expense
2017	\$ 11,484
2018	11,484
2019	7,780
2020	(2,571)
2021	9
Total	<u>\$ 28,186</u>

5. Actuarial Assumptions

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

Actuarial valuation date:	December 31, 2015
Measurement date of net pension liability:	December 31, 2016
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Value
Long-term expected rate of return:	7.2%
Discount rate:	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

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

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

Town of Wilson Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

	Current Asset Allocation %	Destination Target Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
Core Fund Asset Class				
Global equities	50%	45%	8.3%	5.4%
Fixed income	24.5%	37%	4.2%	1.4%
Inflation sensitive assets	15.5%	20%	4.3%	1.5%
Real estate	8%	7%	6.5%	3.6%
Private equity/debt	8%	7%	9.4%	6.5%
Multi-asset	4%	4%	6.6%	3.7%
Total Core Fund	110%	120%	7.4%	4.5%
Variable Fund Asset Class				
U.S. equities	70%	70%	7.6%	4.7%
International equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5%

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

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

Single Discount Rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.2 percent, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Town's proportionate share of the net pension liability (asset)	\$ 109,823	\$ 8,348	\$ (69,792)

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

Town of Wilson

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NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

6. Payables to the Pension Plan

At December 31, 2017, the Town did not report a payable for the outstanding amount of contributions to the pension plan for the year ended December 31, 2017.

G. FUND EQUITY

Committed Fund Balance

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

General Fund	
Committed for	
Fire protection	\$ 27,126
First responders	418
	<hr/>
Total Committed Fund Balance	<u>\$ 27,544</u>

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2017, restricted fund balance was as follows:

General Fund	
Restricted for	
Parks	\$ 46,187
Rammer pond utility district	4,769
	<hr/>
Total Restricted Fund Balance	<u>\$ 50,956</u>

Minimum General Fund Balance Policy

The Town has also adopted a minimum fund balance policy of 20% current year expenditures for the general fund, excluding capital outlay. The minimum fund balance is maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Actual 2017 general fund expenditures,	
excluding capital outlay	\$ 1,117,378
Minimum Fund Balance %	(x) 20%
Minimum Fund Balance Amount	<u>\$ 223,476</u>

The Town's unassigned general fund balance of \$187,865 is below the minimum fund balance amount.

Net Position

The Town and Sanitary District No. 1 report restricted net position at December 31, 2017 as follows:

Governmental activities	
Restricted for	
Parks	\$ 46,187
Rammer pond utility district	4,769
Total governmental activities restricted net position	<u>\$ 50,956</u>
Sanitary District No. 1	
Restricted for	
Equipment replacement	<u>\$ 315,123</u>

Town of Wilson

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 4: OTHER INFORMATION

A. RISK MANAGEMENT

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

B. CONTINGENCIES

From time to time, the Town is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and the legal counsel 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.

C. UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The Town is currently evaluating the impact this standard will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Wilson

Sheboygan County, Wisconsin

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

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll (plan year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/15	0.00101305%	\$ (24,883)	\$ 137,691	18.07%	102.74%
12/31/16	0.00099074%	16,099	143,286	11.24%	98.20%
12/31/17	0.00101281%	8,348	148,540	5.62%	0.00%

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll (fiscal year)	Contributions as a Percentage of Covered-Employee Payroll
12/31/15	\$ 9,766	\$ 9,766	\$ -	\$ 143,286	6.82%
12/31/16	9,801	9,801	-	148,540	6.60%
12/31/17	10,280	10,280	-	151,183	6.80%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

SUPPLEMENTARY INFORMATION

Town of Wilson

Sheboygan County, Wisconsin

**GENERAL FUND
DETAILED SCHEDULE OF REVENUES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
Taxes		
General property	\$ 662,275	\$ 650,125
Room tax	24,927	7,400
Forest cropland taxes	340	340
Total taxes	<u>687,542</u>	<u>657,865</u>
Intergovernmental		
Federal		
Fire department	-	146,286
State		
State shared taxes	94,379	94,520
Fire insurance dues	15,014	14,063
Tax exempt computer aid	1,446	1,120
Transportation aid	87,111	87,111
Recycling grant	10,980	10,424
Aids in lieu of taxes	2,114	2,149
Forest croplands	4,928	215
County stewardship grant	-	19,380
Other state payments	467	599
County aid		
Shared sales tax	66,511	-
Bridge aid	33,314	-
Total intergovernmental	<u>316,264</u>	<u>375,867</u>
Licenses and permits		
Licenses		
Business and occupational licenses	47,778	49,384
Dog licenses	1,654	2,820
Permits		
Building permits & fees	41,926	24,837
Zoning permits & fees	1,655	800
Other permits and fees	5,393	4,528
Total licenses and permits	<u>98,406</u>	<u>82,369</u>
Fines and forfeits		
Law and ordinance violations	<u>2,313</u>	<u>3,160</u>

Town of Wilson

Sheboygan County, Wisconsin

GENERAL FUND

DETAILED SCHEDULE OF REVENUES - CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017	2016
Public charges for services		
General government	1,814	1,739
Fire	-	3,010
Road construction & maintenance	1,488	-
Garbage	393	153
Culture and recreation	940	965
Conservation and development	75	75
Street lighting	2,671	685
Cemetery	-	300
Total public charges for services	<u>7,381</u>	<u>6,927</u>
Intergovernmental charges for services		
General government	32,602	23,411
Sanitary tech fee revenue	<u>1,840</u>	<u>-</u>
Total intergovernmental charges for services	<u>34,442</u>	<u>23,411</u>
Miscellaneous		
Interest on investments	3,008	1,916
Rent	3,514	3,514
Sale of property	2,927	-
Insurance recoveries	-	11,190
Donations	9,868	18,450
Refund of expenditures	4,686	5,957
Miscellaneous	<u>3,188</u>	<u>3,016</u>
Total miscellaneous	<u>27,191</u>	<u>44,043</u>
Total Revenues	<u><u>\$ 1,173,539</u></u>	<u><u>\$ 1,193,642</u></u>

Town of Wilson

Sheboygan County, Wisconsin

**GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
General Government		
Board	\$ 40,821	\$ 40,104
Legal	206,172	23,281
Clerk	62,382	60,640
Treasurer	65,285	63,179
Elections	4,454	11,158
Assessor	26,962	26,970
Accounting and audit	14,485	20,070
Technical items	19,900	11,536
Town hall	8,518	4,497
Insurance	26,455	21,952
Other general government	10,007	8,128
Total general government	<u>485,441</u>	<u>291,515</u>
Public Safety		
Constables	3,069	2,239
Fire protection	112,859	112,441
First responders	37,359	37,031
Building inspections	22,356	13,604
Electric inspection	6,875	2,094
Total public safety	<u>182,518</u>	<u>167,409</u>
Public Works		
Highway maintenance	127,727	110,509
Contracted services	87,173	70,856
Street lighting	773	528
Street light - Rammer Pond	1,871	699
Municipal building	23,075	24,320
Solid waste disposal	51,091	52,749
Recycling	46,557	37,630
Total public works	<u>338,267</u>	<u>297,291</u>
Health and Human Services		
Cemetery	<u>940</u>	<u>141</u>

Town of Wilson

Sheboygan County, Wisconsin

**GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
Culture and Recreation		
Parks	<u>569</u>	<u>4,763</u>
Conservation and Development		
Planning and zoning	9,255	634
Board of Appeals	120	125
Other	<u>18,360</u>	<u>4,269</u>
Total conservation and development	<u>27,735</u>	<u>5,028</u>
Debt Service		
Principal	72,579	69,094
Interest	<u>9,329</u>	<u>13,518</u>
Total debt service	<u>81,908</u>	<u>82,612</u>
Capital Outlay		
General government	-	6,590
Fire protection	3,132	153,799
Street improvements	123,834	6,648
Storm water management	5,573	14,068
Parks	51,917	283
Constable	-	1,655
Total capital outlay	<u>184,456</u>	<u>183,043</u>
Total Expenditures	<u><u>\$ 1,301,834</u></u>	<u><u>\$ 1,031,802</u></u>

ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

To the Town Board
Town of Wilson
Sheboygan County, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, and the major fund of the Town of Wilson, Sheboygan County, Wisconsin, (the "Town") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 12, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 to be material weaknesses.

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 WILSON, WISCONSIN'S RESPONSE TO FINDINGS

The Town's response to the findings 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.



Certified Public Accountants

Sheboygan, Wisconsin

April 12, 2018

Town of Wilson

Sheboygan County, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

FINDING NO.	CONTROL DEFICIENCIES
2017-001	Segregation of Duties Repeat of Finding 2016-001
Condition:	The Town has a limited number of employees to essentially complete all financial and recordkeeping duties of the Town. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.
Criteria:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.
Cause:	The lack of segregation of duties is due to the limited number of employees and the size of the Town's operations.
Effect:	Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Recommendation:	We recommend the Town Board continue to monitor the transactions and the financial records of the Town.
Management Response:	Management and the Board are conscious of the condition and will continue to monitor the transactions and financial records of the Town. Management and the Board believe that the additional cost of further segregating cash receipts, disbursement and general ledger maintenance responsibilities outweigh the benefits to be received. The Town Board continues to be aware of this condition and monitor the financial reporting of the Town.

Town of Wilson

Sheboygan County, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2017

FINDING NO.	CONTROL DEFICIENCIES
2017-002	Preparation of Annual Financial Report Repeat of Finding 2016-002
Condition:	Current Town staff maintains accounting records which reflect the Town's financial transactions; however, preparing the Town's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The Town contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. For the same reasons, the Town contracts with us to compile the Wisconsin Municipal Report Form CT.
Criteria:	The preparation and review of the annual financial report and Municipal Financial Report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required State Financial reports.
Cause:	Town management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	Without our involvement, the Town may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend the Town continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the Town is necessary to obtain a complete and adequate understanding of the Town's annual financial report and Municipal Financial Report.
Management Response:	Management believes that the cost of hiring additional staff to prepare year-end adjusting and closing entries and to prepare financial reports outweighs the benefits to be received. Management will continue to review the financial statements prior to issuance.

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, 2017.