

Town of Wilson
Sheboygan County, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2018

Town of Wilson Sheboygan County, Wisconsin

DECEMBER 31, 2018

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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 modified cash basis financial statements of the governmental activities and each major fund of the Town of Wilson, Sheboygan County, Wisconsin (the "Town") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.C.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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.

SUMMARY OF OPINIONS

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Unmodified

BASIS FOR ADVERSE OPINION ON THE AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS

The financial statements do not include financial data for the Town's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported within the financial data of the Town's primary government unless the Town also issues financial statements for the financial reporting entity that included the financial data for its component units. The Town has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units would have been presented as \$8,650,995, \$117,788, \$8,533,207, \$545,644 and \$602,083, respectively.

ADVERSE OPINION

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of the Town of Wilson, Wisconsin, as of December 31, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the Town as of December 31, 2018, and the respective changes in modified cash basis financial position and the budgetary comparison for the General Fund for the year then ended in accordance with the modified cash basis of accounting described in Note 1.C.

BASIS OF ACCOUNTING

We draw attention to Note 1.C of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified 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.

CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 3.E. to the financial statements, in 2018 the Town adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 on the basis of accounting described in Note 1.C.

The schedules relating to pension and other postemployment benefits on pages 26 - 27, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior Year Summarized Financial Information

The 2017 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated April 12, 2018, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information from which the prior year summarized financial information was derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Sheboygan, Wisconsin
April 12, 2019

BASIC FINANCIAL STATEMENTS

Town of Wilson

Sheboygan County, Wisconsin

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Governmental Activities	
	2018	2017
ASSETS		
Cash and investments	\$ 3,187,742	\$ 2,537,060
Receivables		
Accounts	28	-
Due from other governments	360	2,229
Total assets	<u>3,188,130</u>	<u>2,539,289</u>
LIABILITIES		
Due to other governments	2,625,745	2,049,120
Special deposits	-	10,000
Property taxes collected for subsequent year	267,080	213,804
Total liabilities	<u>2,892,825</u>	<u>2,272,924</u>
NET POSITION		
Restricted	50,956	50,956
Unrestricted	<u>244,349</u>	<u>215,409</u>
Total net position	<u>\$ 295,305</u>	<u>\$ 266,365</u>

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

Town of Wilson

Sheboygan County, Wisconsin

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2018	2017
PRIMARY GOVERNMENT						
GOVERNMENTAL ACTIVITIES						
General government	\$ 531,941	\$ 89,042	\$ -	\$ -	\$ (442,899)	\$ (404,223)
Public safety	193,615	34,921	15,015	-	(143,679)	(120,979)
Public works	561,370	119,027	172,503	-	(269,840)	(286,749)
Health and human services	302	-	-	-	(302)	(940)
Culture and recreation	6,679	1,005	-	9,480	3,806	(51,546)
Conservation and development	37,129	75	-	-	(37,054)	(27,660)
Principal and interest on long-term debt	132,587	-	-	-	(132,587)	(81,908)
TOTAL	\$ 1,463,623	\$ 244,070	\$ 187,518	\$ 9,480	(1,022,555)	(974,005)
General revenues						
Taxes						
Property taxes						
Other taxes						
Federal and state grants and other contributions not restricted to specific functions						
Interest and investment earnings						
Proceeds of long term debt						
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.

Town of Wilson

Sheboygan County, Wisconsin

BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUND
DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	General	
	2018	2017
ASSETS		
Cash and investments	\$ 3,187,742	\$ 2,537,060
Due from other governments	360	2,229
Total assets	<u>\$ 3,188,130</u>	<u>\$ 2,539,289</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other governments	\$ 2,625,745	\$ 2,049,120
Property taxes collected for subsequent year	267,080	213,804
Special deposits	-	10,000
Total liabilities	<u>2,892,825</u>	<u>2,272,924</u>
Fund balance		
Restricted	50,956	50,956
Committed	27,126	27,544
Unassigned	<u>217,223</u>	<u>187,865</u>
Total fund balance	<u>295,305</u>	<u>266,365</u>
Total liabilities and fund balance	<u>\$ 3,188,130</u>	<u>\$ 2,539,289</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 - MODIFIED CASH BASIS
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget			Variance Final Budget - Positive (Negative)	2017 Actual
	Original	Final	Actual		
REVENUES					
Taxes	\$ 804,100	\$ 804,100	\$ 777,058	\$ (27,042)	\$ 687,542
Intergovernmental	292,304	292,304	304,659	12,355	316,264
Licenses and permits	77,120	77,120	80,838	3,718	98,406
Fines and forfeits	1,700	1,700	1,774	74	2,313
Public charges for services	6,232	6,232	65,441	59,209	7,381
Intergovernmental charges for services	32,029	32,029	78,774	46,745	34,442
Miscellaneous	8,050	8,050	34,019	25,969	27,191
Total revenues	1,221,535	1,221,535	1,342,563	121,028	1,173,539
EXPENDITURES					
Current					
General government	509,628	509,628	531,941	(22,313)	485,441
Public safety	199,332	199,332	189,985	9,347	182,518
Public works	389,722	389,722	353,680	36,042	338,267
Health and human services	1,823	1,823	302	1,521	940
Culture and recreation	3,450	3,450	1,744	1,706	569
Conservation and development	48,940	48,940	31,624	17,316	27,735
Debt service					
Principal	116,500	116,500	126,338	(9,838)	72,579
Interest and fiscal charges	20,300	20,300	6,249	14,051	9,329
Capital outlay	151,000	116,650	221,760	(105,110)	184,456
Total expenditures	1,440,695	1,406,345	1,463,623	(57,278)	1,301,834
Excess of revenues under expenditures	(219,160)	(184,810)	(121,060)	63,750	(128,295)
OTHER FINANCING SOURCES					
Long-term debt issued	-	150,000	150,000	-	-
Net change in fund balance	(219,160)	(34,810)	28,940	63,750	(128,295)
Fund balance - January 1	266,365	266,365	266,365	-	394,660
Fund balance - December 31	\$ 47,205	\$ 231,555	\$ 295,305	\$ 63,750	\$ 266,365

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, 2018

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 modified 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. As stated in the adverse opinion, the Town has omitted the component units from the basic financial statements.

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, 2018

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 government-wide and governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified cash basis of accounting*. The modified cash basis recognizes assets, liabilities, net position/fund balance, revenues, and expenditures when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Under the modified cash basis of accounting, the Town recognizes revenues when received. As a result, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) *are not recorded* in the Town's basic financial statements. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues when received if all eligibility requirements imposed by the provider have been met. Property taxes and grants received in advance of being earned or meeting eligibility requirements are reported as liabilities. Debt proceeds are recognized as other financing sources and general revenue when received. Additionally, capital assets such as property, equipment, and infrastructure are not capitalized or reported in the government-wide financial statements.

Under the modified cash basis of accounting, the Town generally records expenditures when paid, except for certain payroll withholdings. As a result, 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 the Town's basic financial statements. Additionally, long-term liabilities such as debt payable and compensated absences are not reported. Additional information on outstanding long-term debt is shown in Note 3.C.

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.

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

Town of Wilson

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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

1. Cash and Investments

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

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 modified 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. Other Postemployment Benefits Other Than Pensions (OPEB)

Local Retiree Life Insurance Fund

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Town of Wilson

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

6. 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.

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, 2017, from which the summarized information was derived.

F. RECLASSIFICATIONS

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

Town of Wilson Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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 modified 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 at the summarized function level of the Town. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Town Board.
5. Encumbrance accounting is not used by the Town to record commitments related to unperformed contracts for goods or services.

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

B. 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 2018 and 2019 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2018 budget was 1.24%. The actual limit for the Town for the 2019 budget was 1.84%. 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.

Town of Wilson

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

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 \$3,187,742 on December 31, 2018 as summarized below:

Petty cash and cash on hand	\$ 625
Deposits with financial institutions	3,147,433
Investments	
Wisconsin local government investment pool	<u>39,684</u>
	<u>\$ 3,187,742</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	<u>\$ 3,187,742</u>

Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The Town currently has no investments that are subject to fair value measurement.

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

Custodial Credit Risk

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

Town of Wilson

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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

As of December 31, 2018, \$1,997,234 of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

Investments

The Town has investments in the Wisconsin Local Government Investment Pool of \$39,684 at year-end. The 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, 2018, the fair value of the Town's LGIP's assets were 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 does 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.

B. 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, and Lakeshore Technical College.

Town of Wilson

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

C. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
General obligation debt					
Note payable	\$ 50,000	\$ 150,000	\$ 75,000	\$ 125,000	\$ 75,000
Capital leases	51,338	-	51,338	-	-
Long-term obligations	<u>\$ 101,338</u>	<u>\$ 150,000</u>	<u>\$ 126,338</u>	<u>\$ 125,000</u>	<u>\$ 75,000</u>

Total interest paid during the year on long-term debt totaled \$6,249.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/18
General obligation note	11/30/15	11/30/19	2.75%	\$ 100,000	\$ 25,000
General obligation note	11/1/17	11/1/20	3.30%	150,000	100,000
Total outstanding general obligation debt					<u>\$ 125,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$125,000 on December 31, 2018 are detailed below:

Year Ended December 31,	Principal	Interest	Totals
2019	\$ 75,000	\$ 3,793	\$ 78,793
2020	50,000	1,513	51,513
	<u>\$ 125,000</u>	<u>\$ 5,306</u>	<u>\$ 130,306</u>

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2018 was \$21,219,955 as follows:

Equalized valuation	\$ 426,899,100
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	21,344,955
Less outstanding general obligation debt applicable to debt limitation	125,000
Legal margin for new debt	<u>\$ 21,219,955</u>

Town of Wilson Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

D. 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 receive a retirement benefit, based on a formula factor, their final average earnings, and creditable service.

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

The WRS also provides death and disability benefits for employees.

Town of Wilson

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. Post-Retirement Adjustments

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4

3. Contributions

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

During the year ending December 31, 2018, the WRS recognized \$10,280 in contributions from the Town.

Contribution rates for the reporting period are:

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

Town of Wilson

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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

At December 31, 2018, the Town reported an asset of \$30,283 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability (asset) used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension asset was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the Town's proportion was 0.00101996%, which was an increase of 0.00000715% from its proportion measured as of December 31, 2016. Because the Town's basic financial statements are prepared on the modified cash basis of accounting, the net pension asset is not reported as an asset in the statement of net position.

For the year ended December 31, 2018, the Town recognized pension expense of \$13,508.

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,476	\$ 17,997
Net differences between projected and actual earnings on pension plan investments	-	41,622
Changes in assumptions	5,983	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	879	481
Employer contributions subsequent to the measurement date	10,411	-
Total	<u>\$ 55,749</u>	<u>\$ 60,100</u>

\$10,411 reported as deferred outflows related to pension resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	Expense
2019	\$ 3,650
2020	(79)
2021	(10,502)
2022	(7,903)
2023	72
Total	<u>\$ (14,762)</u>

Town of Wilson

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

5. Actuarial Assumptions

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

Actuarial valuation date:	December 31, 2016
Measurement date of net pension liability (asset):	December 31, 2017
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Market Value
Long-term expected rate of return:	7.2%
Discount rate:	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

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

Town of Wilson

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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

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

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

Single Discount Rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Town's proportionate share of the net pension liability (asset)	\$ 78,354	\$ (30,283)	\$ (112,852)

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

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

6. Payables to the Pension Plan

At December 31, 2018, the Town did not report a payable for the outstanding amount of contributions to the pension plan for the year ended December 31, 2017.

E. OTHER POSTEMPLOYMENT BENEFITS

The Town has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended December 31, 2018. This statement revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits. Financial statements for the year ended December 31, 2017 have not been restated.

Local Retiree Life Insurance Fund

Plan Description

The LRLIF is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible employees.

OPEB Plan Fiduciary Net Position

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

Benefits Provided

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of December 31, 2018 are:

Coverage Type	Employer Contribution
50% Post-retirement coverage	40% of employee contribution
25% Post-retirement coverage	20% of employee contribution

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NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2017 are listed below:

Life Insurance Employee Contribution Rates For the Year Ended December 31, 2017	
Attained Age	Basic
Under 30	\$0.05
30 - 34	0.06
35 - 39	0.07
40 - 44	0.08
45 - 49	0.12
50 - 54	0.22
55 - 59	0.39
60 - 64	0.49
65 - 69	0.57

During the reporting period, the LRLIF recognized \$114 in contributions from the employer.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the Town reported a liability (asset) of \$18,139 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net OPEB liability (asset) was based on the Town's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the Town's proportion was 0.00602900%, which was an increase of 0.000252% from its proportion measured as of December 31, 2016. Because the Town's basic financial statements are prepared on the modified cash basis of accounting, the net pension liability (asset) is not reported as a liability (asset) in the statement of net position.

For the year ended December 31, 2018, the Town recognized OPEB expense of \$2,000.

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 256
Net differences between projected and actual earnings on OPEB plan investments	209	-
Changes in assumptions	1,753	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	531	-
Total	<u>\$ 2,493</u>	<u>\$ 256</u>

Town of Wilson

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NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Expense
2019	\$ 362
2020	362
2021	362
2022	363
2023	310
Thereafter	478
Total	<u>\$ 2,237</u>

Actuarial assumptions. The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date:	January 1, 2017
Measurement date of net OPEB liability (asset):	December 31, 2017
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	3.44%
Long-term expected rate of return:	5.00%
Discount rate:	3.63%
Salary increases:	
Inflation	3.20%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table

Long-term expected return on plan assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Asset Class	Index	Target Allocation	Long-term Expected Geometric Real Rate of Return %
U.S. Government Bonds	Barclays Government	1%	1.13%
U.S. Credit Bonds	Barclays Credit	65%	2.61%
U.S. Long Credit Bonds	Barclays Long Credit	3%	3.08%
U.S. Mortgages	Barclays MBS	31%	2.19%
Inflation			2.30%
Long-term expected rate of return			5.00%

Town of Wilson

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

Single discount rate. A single discount rate of 3.63% was used to measure the total OPEB liability. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

Sensitivity of the Town's proportionate share of net OPEB liability (asset) to changes in the discount rate. The following presents the Town's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 3.63%, as well as what the Town's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.63%) or 1-percentage-point higher (4.63%) than the current rate:

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
Town's proportionate share of the net OPEB liability (asset)	\$ 25,637	\$ 18,139	\$ 12,385

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

Payable to the OPEB Plan

At December 31, 2018, the Town reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2018.

F. FUND EQUITY

Committed Fund Balance

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

General Fund	
Committed for	
Fire protection	<u>\$ 27,126</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, 2018, restricted fund balance was as follows:

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

Town of Wilson

Sheboygan County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Minimum General Fund Balance Policy

The Town has also adopted a minimum fund balance policy of 20% of 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 2018 general fund expenditures, excluding capital outlay	\$ 1,241,863
Minimum Fund Balance %	(x) 20%
Minimum Fund Balance Amount	<u>\$ 248,373</u>

The Town's unassigned general fund balance of \$217,223 is below the minimum fund balance amount.

Net Position

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

Governmental activities	
Restricted for	
Parks	\$ 46,187
Rammer pond utility district	<u>4,769</u>
Total governmental activities restricted net position	<u>\$ 50,956</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.

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.

D. SUBSEQUENT EVENT

On March 11, 2019, the Town approved the issuance of a \$195,000 general obligation note. The proceeds were used to finance the acquisition of a fire truck. The interest rate is 4% and the note requires annual principal payments of \$27,857 each beginning in March of 2020 with a final payment due March 11, 2026.

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

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	0.00101305%	\$ (24,883)	\$ 137,691	18.07%	102.74%
12/31/15	0.00099074%	16,099	143,286	11.24%	98.20%
12/31/16	0.00101281%	8,348	148,540	5.62%	99.12%
12/31/17	0.00101996%	(30,283)	151,182	20.03%	102.93%

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (fiscal year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 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	-	151,182	6.80%
12/31/18	10,411	10,411	-	153,101	6.80%

See notes to supplementary information.

Town of Wilson

Sheboygan County, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) LOCAL RETIREE LIFE INSURANCE FUND LAST 10 FISCAL YEARS

Plan Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	0.00602900%	\$ 18,139	\$ 253,537	7.15%	44.81%

SCHEDULE OF CONTRIBUTIONS LOCAL RETIREE LIFE INSURANCE FUND LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/18	\$ 147	\$ 147	\$ -	\$ 153,101	0.10%

See notes to supplementary information.

Town of Wilson Sheboygan County, Wisconsin

NOTES TO SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

A. GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 75.

The Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, for the fiscal year ended December 31, 2018. Information for prior years is not available.

B. WISCONSIN RETIREMENT SYSTEM

There were no changes of the 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 years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

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**GENERAL FUND
DETAILED SCHEDULE OF REVENUES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	2018	2017
Taxes		
General property	\$ 717,017	\$ 662,275
Room tax	59,701	24,927
Forest cropland taxes	340	340
Total taxes	<u>777,058</u>	<u>687,542</u>
Intergovernmental		
State		
State shared taxes	86,940	94,379
Fire insurance dues	15,015	15,014
Tax exempt computer aid	1,467	1,446
Transportation aid	94,509	87,111
Recycling grant	10,976	10,980
Aids in lieu of taxes	2,187	2,114
Forest croplands	60	4,928
County stewardship grant	9,480	-
Other state payments	17,007	467
County aid		
Shared sales tax	67,018	66,511
Bridge aid	-	33,314
Total intergovernmental	<u>304,659</u>	<u>316,264</u>
Licenses and permits		
Licenses		
Business and occupational licenses	45,720	47,778
Dog licenses	246	1,654
Permits		
Building permits & fees	29,592	41,926
Zoning permits & fees	1,505	1,655
Other permits and fees	3,775	5,393
Total licenses and permits	<u>80,838</u>	<u>98,406</u>
Fines and forfeits		
Law and ordinance violations	<u>1,774</u>	<u>2,313</u>

Town of Wilson

Sheboygan County, Wisconsin

GENERAL FUND
DETAILED SCHEDULE OF REVENUES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
Public charges for services		
General government	1,544	1,814
Fire	2,378	-
Road construction & maintenance	-	1,488
Garbage	57,878	393
Culture and recreation	1,005	940
Conservation and development	75	75
Street lighting	2,561	2,671
Total public charges for services	<u>65,441</u>	<u>7,381</u>
Intergovernmental charges for services		
General government	76,934	32,602
Sanitary tech fee revenue	1,840	1,840
Total intergovernmental charges for services	<u>78,774</u>	<u>34,442</u>
Miscellaneous		
Interest on investments	8,940	3,008
Rent	3,514	3,514
Sale of property	9,626	2,927
Insurance recoveries	7,978	-
Donations	-	9,868
Refund of expenditures	136	4,686
Miscellaneous	3,825	3,188
Total miscellaneous	<u>34,019</u>	<u>27,191</u>
Total Revenues	<u><u>\$ 1,342,563</u></u>	<u><u>\$ 1,173,539</u></u>

Town of Wilson

Sheboygan County, Wisconsin

GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
General Government		
Board	\$ 43,530	\$ 40,821
Legal	237,866	206,172
Clerk	75,252	62,382
Treasurer	64,446	65,285
Elections	6,926	4,454
Assessor	27,069	26,962
Accounting and audit	15,868	14,485
Technical items	11,632	19,900
Town hall	4,555	8,518
Insurance	34,389	26,455
Other general government	10,408	10,007
Total general government	<u>531,941</u>	<u>485,441</u>
Public Safety		
Constables	9,303	3,069
Fire protection	127,889	112,859
First responders	37,532	37,359
Building inspections	13,079	22,356
Electric inspection	2,182	6,875
Total public safety	<u>189,985</u>	<u>182,518</u>
Public Works		
Highway maintenance	149,919	127,727
Contracted services	87,450	87,173
Street lighting	491	773
Street light - Rammer Pond	2,692	1,871
Municipal building	20,051	23,075
Solid waste disposal	54,705	51,091
Recycling	38,372	46,557
Total public works	<u>353,680</u>	<u>338,267</u>
Health and Human Services		
Cemetery	<u>302</u>	<u>940</u>

Town of Wilson

Sheboygan County, Wisconsin

**GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
Culture and Recreation		
Parks	<u>1,744</u>	<u>569</u>
Conservation and Development		
Planning and zoning	282	9,255
Board of Appeals	-	120
Other	<u>31,342</u>	<u>18,360</u>
Total conservation and development	<u>31,624</u>	<u>27,735</u>
Debt Service		
Principal	126,338	72,579
Interest	<u>6,249</u>	<u>9,329</u>
Total debt service	<u>132,587</u>	<u>81,908</u>
Capital Outlay		
Fire protection	3,630	3,132
Street improvements	207,690	123,834
Storm water management	5,505	5,573
Parks	<u>4,935</u>	<u>51,917</u>
Total capital outlay	<u>221,760</u>	<u>184,456</u>
Total Expenditures	<u><u>\$ 1,463,623</u></u>	<u><u>\$ 1,301,834</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 and the major fund, of the Town of Wilson, Sheboygan 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 April 12, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph in 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 that we consider 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.

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

CliftonLarsonAllen LLP

Sheboygan, Wisconsin
April 12, 2019

Town of Wilson

Sheboygan County, Wisconsin

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

SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

FINDING NO.	CONTROL DEFICIENCIES
2018-001	Segregation of Duties Repeat of Finding 2017-001
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, 2018

FINDING NO.	CONTROL DEFICIENCIES
2018-002	Preparation of Annual Financial Report Repeat of Finding 2017-002
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, 2018.