

Town of Grand Rapids  
Wood County, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2019

# Town of Grand Rapids Wood County, Wisconsin

DECEMBER 31, 2019

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## Table of Contents

<b>INDEPENDENT ACCOUNTANTS' REVIEW REPORT</b>	1
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Position - Modified Cash Basis	3
Statement of Activities - Modified Cash Basis	4
Fund Financial Statements	
Statement of Assets, Liabilities, Deferred Inflows of Resources and Fund Balances - Governmental Funds - Modified Cash Basis	5
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Modified Cash Basis	6
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund - Modified Cash Basis	7
Statement of Net Position - Fiduciary Fund - Modified Cash Basis	8
Statement of Changes in Net Position - Fiduciary Funds - Modified Cash Basis	9
Notes to Basic Financial Statements	10
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Proportionate Share of Net Pension Liability (Asset) - Wisconsin Retirement System	25
Schedule of Contributions - Wisconsin Retirement System	25
Notes to Supplementary Information	25



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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Town Board  
Town of Grand Rapids  
Wood County, Wisconsin

We have reviewed the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Town of Grand Rapids, Wisconsin (the "Town") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

### ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### ACCOUNTANTS' CONCLUSION

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

### BASIS OF ACCOUNTING

We draw attention to Note 1.D 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 conclusions are not modified with respect to this matter.

**OTHER MATTERS**

Other Information

Our review engagement was conducted for the purpose of expressing limited assurance on the financial statements as a whole that collectively comprise the Town's basic financial statements. The pension information on page 25, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the review procedures applied in the review of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP

Wausau, Wisconsin

March 16, 2020

# Town of Grand Rapids Wood County, Wisconsin

## STATEMENT OF NET POSITION - MODIFIED CASH BASIS DECEMBER 31, 2019

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	<u>\$ 1,529,285</u>
<b>LIABILITIES</b>	
Accrued and other current liabilities	54
Property taxes collected for subsequent year	<u>918,130</u>
Total liabilities	<u>918,184</u>
<b>NET POSITION</b>	
Unrestricted	<u><u>\$ 611,101</u></u>

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

# Town of Grand Rapids Wood County, Wisconsin

## STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenditures	Program Revenues		Net (Expenditures) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 495,166	\$ 34,604	\$ -	\$ (460,562)
Public safety	1,207,372	292,561	29,258	(885,553)
Public works	1,226,104	453,916	237,090	(535,098)
Health and human services	10,000	7,722	-	(2,278)
Culture and recreation	2,260	-	-	(2,260)
Conservation and development	10,777	6,151	-	(4,626)
Principal and interest on long-term debt	303,338	-	-	(303,338)
<b>Total governmental activities</b>	<b>\$ 3,255,017</b>	<b>\$ 794,954</b>	<b>\$ 266,348</b>	<b>(2,193,715)</b>
General revenues				
Taxes				
Property taxes				1,471,469
Other taxes				14,727
Federal and state grants and other contributions not restricted to specific functions				263,943
Interest and investment earnings				5,671
Miscellaneous				37,923
Proceeds from sale of asset				3,108
Proceeds from long-term debt				368,500
<b>Total general revenues</b>				<b>2,165,341</b>
<b>Change in net position</b>				<b>(28,374)</b>
<b>Net position - January 1</b>				<b>639,475</b>
<b>Net position - December 31</b>				<b>\$ 611,101</b>

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

# Town of Grand Rapids Wood County, Wisconsin

## STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES GOVERNMENTAL FUNDS - MODIFIED CASH BASIS DECEMBER 31, 2019

	<u>General</u>	<u>Non-major Fire Department Donations</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 1,436,505	\$ 92,780	\$ 1,529,285
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accrued and other current liabilities	\$ 54	\$ -	\$ 54
Property taxes collected for subsequent year	918,130	-	918,130
Total liabilities	918,184	-	918,184
Fund balances			
Assigned	96,201	92,780	188,981
Unassigned	422,120	-	422,120
Total fund balances	518,321	92,780	611,101
Total liabilities and fund balances	\$ 1,436,505	\$ 92,780	\$ 1,529,285

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

# Town of Grand Rapids Wood County, Wisconsin

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Non-major Fire Department Donations	Total
<b>REVENUES</b>			
Taxes	\$ 1,486,196	\$ -	\$ 1,486,196
Intergovernmental	507,127	25,781	532,908
Licenses and permits	77,079	-	77,079
Fines and forfeits	61,633	-	61,633
Public charges for services	459,803	-	459,803
Intergovernmental charges for services	184,156	9,666	193,822
Donations	-	34,521	34,521
Miscellaneous	11,934	247	12,181
<b>Total revenues</b>	<b>2,787,928</b>	<b>70,215</b>	<b>2,858,143</b>
<b>EXPENDITURES</b>			
Current			
General government	479,929	-	479,929
Public safety	1,000,241	75,945	1,076,186
Public works	1,195,692	-	1,195,692
Health and human services	10,000	-	10,000
Culture and recreation	2,260	-	2,260
Conservation and development	10,777	-	10,777
Debt service			
Principal	293,119	-	293,119
Interest and fiscal charges	10,219	-	10,219
Capital outlay	176,835	-	176,835
<b>Total expenditures</b>	<b>3,179,072</b>	<b>75,945</b>	<b>3,255,017</b>
Excess of revenues under expenditures	(391,144)	(5,730)	(396,874)
<b>OTHER FINANCING SOURCES</b>			
Long-term debt issued	368,500	-	368,500
<b>Net change in fund balances</b>	<b>(22,644)</b>	<b>(5,730)</b>	<b>(28,374)</b>
<b>Fund balances - January 1</b>	<b>540,965</b>	<b>98,510</b>	<b>639,475</b>
<b>Fund balances - December 31</b>	<b>\$ 518,321</b>	<b>\$ 92,780</b>	<b>\$ 611,101</b>

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

# Town of Grand Rapids

## Wood County, Wisconsin

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,480,629	\$ 1,480,629	\$ 1,486,196	\$ 5,567
Intergovernmental	507,572	507,572	507,127	(445)
Licenses and permits	63,945	63,945	77,079	13,134
Fines and forfeits	62,100	62,100	61,633	(467)
Public charges for services	453,990	453,990	459,803	5,813
Intergovernmental charges for services	193,577	193,577	184,156	(9,421)
Miscellaneous	3,000	3,000	11,934	8,934
<b>Total revenues</b>	<b>2,764,813</b>	<b>2,764,813</b>	<b>2,787,928</b>	<b>23,115</b>
<b>EXPENDITURES</b>				
Current				
General government	513,836	513,836	479,929	33,907
Public safety	1,053,856	1,053,856	1,000,241	53,615
Public works	1,219,620	1,219,620	1,195,692	23,928
Health and human services	10,000	10,000	10,000	-
Culture and recreation	3,000	3,000	2,260	740
Conservation and development	18,084	18,084	10,777	7,307
Debt service				
Principal	293,119	293,119	293,119	-
Interest and fiscal charges	8,881	8,881	10,219	(1,338)
Capital outlay	118,715	179,215	176,835	2,380
<b>Total expenditures</b>	<b>3,239,111</b>	<b>3,299,611</b>	<b>3,179,072</b>	<b>120,539</b>
Excess of revenues over (under) expenditures	(474,298)	(534,798)	(391,144)	143,654
<b>OTHER FINANCING SOURCES</b>				
Long-term debt issued	308,715	369,215	368,500	(715)
<b>Net change in fund balance</b>	<b>(165,583)</b>	<b>(165,583)</b>	<b>(22,644)</b>	<b>142,939</b>
<b>Fund balance - January 1</b>	<b>540,965</b>	<b>540,965</b>	<b>540,965</b>	<b>-</b>
<b>Fund balance - December 31</b>	<b>\$ 375,382</b>	<b>\$ 375,382</b>	<b>\$ 518,321</b>	<b>\$ 142,939</b>

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

# Town of Grand Rapids Wood County, Wisconsin

STATEMENT OF NET POSITION  
FIDUCIARY FUND - MODIFIED CASH BASIS  
DECEMBER 31, 2019

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	<u>Tax Collection Custodial Fund</u>
<b>ASSETS</b>	
Cash and investments	<u>\$ 4,166,906</u>
<b>LIABILITIES</b>	
Due to other governments	<u>\$ 4,166,906</u>

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

# Town of Grand Rapids Wood County, Wisconsin

## STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUND - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2019

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	<u>Tax Collection Custodial Fund</u>
<b>ADDITIONS</b>	
Property tax collections	\$ 6,632,674
<b>DEDUCTIONS</b>	
Payments to taxing jurisdictions	<u>6,632,674</u>
Change in net position	-
Net position - January 1,	<u>-</u>
Net position - December 31	<u>\$ -</u>

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

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# Town of Grand Rapids Wood County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Grand Rapids, Wood County, Wisconsin (the "Town"), have been prepared on the 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).

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 and any separate component units that have a significant operational or financial relationship with the Town. The Town has not identified any component units that are required to be included in the basic financial statements in accordance with standards.

### B. JOINT VENTURE

Alexander Field, South Wood County Airport, is a joint venture between the Town, City of Wisconsin Rapids, Village of Port Edwards and the City of Nekoosa. The Board consists of representatives of each municipality. Operating subsidies are based on the ratio of equalized value.

### C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. The 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*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from Government-wide financial statements. Governmental funds include general and special revenue funds. The Town has no proprietary funds. The major individual governmental fund is reported as a separate column in the fund financial statements.

# Town of Grand Rapids Wood County, Wisconsin

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

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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 Town.

Additionally, the Town reports the following fund type:

- The Town accounts for property taxes collected on behalf of other governments in a *custodial fund*.

### D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, governmental fund, and fiduciary 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.B.

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 Grand Rapids Wood County, Wisconsin

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

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### E. ASSETS, LIABILITIES, 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. Property Taxes and Special Charges/Receivable

Property taxes and special charges consist of taxes on real estate and personal property and user charges assessed against Town properties. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes and special charges are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the Town. Special charges not paid by January 31 are held in trust by the County and remitted to the Town, including interest, when collected by the County.

The Town bills and collects its own property taxes and also levies and collects taxes for the Wisconsin Rapids School District, Wood County and Mid-State Technical College. Property taxes and special charges collected on behalf of other taxing entities as of December 31, 2019 are reported in a custodial fund and paid in the subsequent year as part of the January tax settlement.

#### 3. 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.

#### 4. 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.

# Town of Grand Rapids Wood County, Wisconsin

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

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- ▶ **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 authorized the Town Clerk to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- ▶ **Unassigned fund balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The Town has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

### *Government-Wide Statements*

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

- ▶ **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 not classified as restricted.

## 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 October, Town management submits to the Town Board 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 principles for all governmental funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
3. During the year, formal budgetary integration is employed as a management control device for the governmental funds adopting a budget.

# Town of Grand Rapids Wood County, Wisconsin

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

4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity of the Town. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Town Board.
5. Encumbrance accounting is not used by the Town to record commitments related to unperformed contracts for goods or services.

The Town did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2019.

### B. PROPERTY TAX LEVY LIMIT

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2019 and 2020 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2019 budget was 1.33%. The actual limit for the Town for the 2020 budget was 1.52%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

### NOTE 3: DETAILED NOTES ON ALL FUNDS

#### A. CASH AND INVESTMENTS

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

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the Town's cash and investments totaled \$5,696,191 on December 31, 2019 as summarized below:

Petty cash and cash on hand	\$ 2,310
Deposits with financial institutions	1,415,954
Investments	
Repurchase Agreements	4,277,927
	<u>\$ 5,696,191</u>

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	
Cash and investments	\$ 1,529,285
Fiduciary Fund Statement of Net Position	
Custodial Fund	4,166,906
	<u>\$ 5,696,191</u>

# Town of Grand Rapids Wood County, Wisconsin

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

### 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 has the following fair value measurements as of December 31, 2019:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Repurchase Agreements	\$ 4,277,927	\$ -	\$ -

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

### Custodial Credit Risk

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

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

As of December 31, 2019, none of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

On December 31, 2019, the Town held repurchase agreement investments of \$4,277,927 of which the underlying securities are held by the investment's counterparty, not in the name of the Town.

# Town of Grand Rapids Wood County, Wisconsin

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

### Concentration of Credit Risk

The investment policy of the Town contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Town investments are as follows:

Issuer	Investment Type	Reported Amount	Percent of Total Investments
Wood Trust Bank	Repurchase agreements	\$ 4,277,927	100%

### Interest Rate Risk

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.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Repurchase agreements	\$ 4,277,927	\$ 4,277,927	\$ -	\$ -	\$ -

### B. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Notes from Direct Borrowings					
Notes	\$ 338,684	\$ 368,500	\$ 254,185	\$ 452,999	\$ 296,812
State trust fund loans	38,934	-	38,934	-	-
<b>Total General Obligation Debt</b>	<b>\$ 377,618</b>	<b>\$ 368,500</b>	<b>\$ 293,119</b>	<b>\$ 452,999</b>	<b>\$ 296,812</b>

Total interest paid during the year on long-term debt totaled \$10,219.

The Town has outstanding notes from direct borrowings related to governmental activities of \$401,413 which contain a provision that in an event of default, the unpaid balance shall, at the option of the lender, without notice, mature and become immediately payable.

# Town of Grand Rapids Wood County, Wisconsin

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

### General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/19
General obligation notes	2/1/16	2/1/20	2.78%	\$ 198,000	\$ 51,586
General obligation notes	11/8/17	11/8/20	2.78%	96,061	32,913
General obligation notes	1/18/19	1/18/21	2.85%	308,000	308,000
General obligation notes	11/22/19	11/22/20	2.85%	60,500	60,500
Total Outstanding General Obligation Debt					<u>\$ 452,999</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$452,999 on December 31, 2019 are detailed below:

Year Ended December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 296,812	\$ 13,037	\$ 309,849
2021	156,187	4,526	160,713
	<u>\$ 452,999</u>	<u>\$ 17,563</u>	<u>\$ 470,562</u>

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

### Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2019 was \$27,851,121 as follows:

Equalized valuation of the Village	\$ 566,082,400
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	28,304,120
Net outstanding general obligation debt applicable to debt limitation	<u>452,999</u>
Legal margin for new debt	<u>\$ 27,851,121</u>

# Town of Grand Rapids Wood County, Wisconsin

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

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### C. PENSION PLAN

#### 1. Plan Description

The WRS is a cost-sharing, multiple-employer, defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

# Town of Grand Rapids Wood County, Wisconsin

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

### 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
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17

### 3. Contributions

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

During the reporting period ending December 31, 2019, the WRS recognized \$70,414 in contributions from the Town.

Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.55%	6.55%
Protective with Social Security	6.55%	10.55%
Protective without Social Security	6.55%	14.95%

# Town of Grand Rapids Wood County, Wisconsin

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

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

At December 31, 2019, the Town reported a liability of \$226,133 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the Town's proportion was 0.00635620%, which was an increase of 0.0001181% from its proportion measured as of December 31, 2017. Because the Town's basic financial statements are prepared on the modified cash basis of accounting, the net pension liability is not reported as a liability in the Town's financial statements.

For the year ended December 31, 2019, the Town recognized 2019 employer contributions of \$70,414 as expenditures in its financial statements under the modified cash basis of accounting while the Town's proportionate share of pension expense was \$151,550. The 2019 employer contributions of \$70,414 represent the Town contributions subsequent to the measurement date and will be recognized in the determination of the Town's net pension liability for the year then ended December 31, 2019.

At December 31, 2019, the Town's 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	\$ 176,122	\$ 311,323
Net differences between projected and actual earnings on pension plan investments	330,252	-
Changes in assumptions	38,116	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	587	3,218
Total	<u>\$ 545,077</u>	<u>\$ 314,541</u>

# Town of Grand Rapids Wood County, Wisconsin

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

The deferred outflows and inflows listed above are not recorded on the Town's financial statements due to the Town's financial statements being prepared on a modified cash basis of accounting. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31,	Expense
2020	\$ 83,198
2021	20,315
2022	36,854
2023	90,169
Total	<u>\$ 230,536</u>

### 5. Actuarial Assumptions

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

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset):	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from the prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rate. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

# Town of Grand Rapids Wood County, Wisconsin

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

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

	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	49%	8.1%	5.5%
Fixed Income	24.5%	4.0%	1.5%
Inflation Sensitive Assets	15.5%	3.8%	1.3%
Real Estate	9%	6.5%	3.9%
Private Equity/Debt	8%	9.4%	6.7%
Multi-asset	4%	6.7%	4.1%
Total Core Fund	110%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70%	7.6%	5.0%
International Equities	30%	8.5%	5.9%
Total Variable Fund	100%	8.0%	5.4%

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

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

**Single Discount Rate.** A single discount rate of 7.00% was used to measure the total pension liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long-term bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# Town of Grand Rapids Wood County, Wisconsin

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

**Sensitivity of the Town's proportionate share of the net pension liability (asset) to changes in the discount rate.** The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 898,678	\$ 226,133	\$ (273,955)

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

### 6. Payables to the Pension Plan

At December 31, 2019 the Town reported a payable of \$0 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2019.

### D. FUND EQUITY

#### Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2019, fund balance was assigned as follows:

#### General Fund

##### Assigned for subsequent year's budget

Crime prevention	\$ 718
Capital purchases	82,349
Fire equipment	2,637
Contingencies	10,470
Subsequent year's budget	27
<b>Subtotal</b>	<b>96,201</b>

*6/16/2019 Reserves  
be assigned to subsequent year's budget*

#### Fire Department Donations Fund

##### Assigned for subsequent year's budget

Fire department	92,780
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#### Total

<b>\$ 188,981</b>
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# Town of Grand Rapids Wood County, Wisconsin

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

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### NOTE 4: OTHER INFORMATION

#### A. RISK MANAGEMENT

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

#### B. CONTINGENCIES

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

#### 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

The Town issued \$560,445 General Obligation Note on January 10, 2020. The loan will finance a fire truck for the Town. The notes are to be repaid from 2021 to 2028, with interest at 2.99%.

# Town of Grand Rapids

## Wood County, Wisconsin

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

Plan Fiscal 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	0.00603136%	\$ (148,147)	\$ 715,305	20.71%	102.74%
12/31/15	0.00604404%	98,214	699,139	14.05%	98.20%
12/31/16	0.00619801%	51,086	728,306	7.01%	99.12%
12/31/17	0.00624439%	(185,403)	720,480	25.73%	102.93%
12/31/18	0.00635620%	226,133	720,004	31.41%	96.45%

### SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (fiscal year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 61,991	\$ 61,991	\$ -	\$ 699,139	8.87%
12/31/16	57,982	57,982	-	728,306	7.96%
12/31/17	59,763	59,763	-	720,480	8.29%
12/31/18	66,305	66,305	-	720,004	9.21%
12/31/19	70,414	70,414	-	777,191	9.06%

### NOTES TO SUPPLEMENTARY INFORMATION

*Changes of benefit terms.* There were no changes of benefit terms for any participating employer in WRS.

*Changes of assumptions.* Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

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.