

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021



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WAUPACA COUNTY, WISCONSIN
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WAUPACA COUNTY, WISCONSIN
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INDEPENDENT AUDITORS' REPORT

Town Board
Town of Farmington
Waupaca County, Wisconsin

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Town of Farmington, Waupaca County, Wisconsin (the Town) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Town as of December 31, 2021, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Prior-Year Comparative Information

We have previously audited the Town's 2020 financial statements, and we expressed unmodified opinions on the financial statements in our report dated March 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

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

Supplementary 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 detailed comparison of general fund budgeted and actual revenues and detailed comparison of general fund budgeted and actual expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the detailed comparison of general fund budgeted and actual revenues and detailed comparison of general fund budgeted and actual expenditures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Town Board
Town of Farmington

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2022, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Stevens Point, Wisconsin
March 23, 2022

BASIC FINANCIAL STATEMENTS

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)**

	Governmental Activities	
	2021	2020
ASSETS		
Cash and Investments	\$ 1,232,251	\$ 702,136
Receivables		
Taxes and Special Charges	704,959	696,732
Accounts	10,353	244
Due From Other Governments	1,120	1,120
Net Pension Asset	13,551	7,275
Capital Assets, Nondepreciable	226,196	263,502
Capital Assets, Depreciable	5,379,398	5,605,518
Total Assets	7,567,828	7,276,527
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	22,895	17,743
LIABILITIES		
Accounts Payable	100,950	20,688
Accrued and Other Current Liabilities	5,329	-
Due to Other Governments	27,628	2,380
Special Deposits	3,000	-
Unearned revenue	202,063	-
Total Liabilities	338,970	23,068
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	704,959	696,732
Advanced State Aids	32,632	33,120
Pension Related Amounts	30,237	22,650
Total Deferred Inflows of Resources	767,828	752,502
NET POSITION		
Net Investment in Capital Assets	5,605,594	5,869,020
Restricted for:		
Net Pension Asset	13,551	7,275
Unrestricted	864,780	642,405
Total Net Position	\$ 6,483,925	\$ 6,518,700

See accompanying Notes to Basic Financial Statements.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals	
					2021	2020
GOVERNMENTAL ACTIVITIES						
General Government	\$ 198,817	\$ 34,889	\$ 13,442	\$ -	\$ (150,486)	\$ (162,884)
Public Safety	220,448	27,683	61,516	-	(131,249)	(125,581)
Public Works	731,445	925	251,985	-	(478,535)	(429,800)
Health and Human Services	8,771	3,225	-	-	(5,546)	(4,515)
Culture and Recreation	56,981	-	-	-	(56,981)	(66,440)
Conservation and Development	45,670	-	-	-	(45,670)	(1,249)
Total Governmental Activities	<u>\$ 1,262,132</u>	<u>\$ 66,722</u>	<u>\$ 326,943</u>	<u>\$ -</u>	(868,467)	(790,469)
General Revenues						
Taxes						
Property Taxes						
					677,928	672,902
Other Taxes						
					81,058	18,803
Federal and State Grants and Other Contributions						
Not Restricted to Specific Functions						
					72,610	130,191
Interest and Investment Earnings						
					1,888	5,071
Miscellaneous						
					208	144
Total General Revenues						
					<u>833,692</u>	<u>827,111</u>
CHANGE IN NET POSITION					(34,775)	36,642
Net Position - Beginning of Year					<u>6,518,700</u>	<u>6,482,058</u>
NET POSITION - END OF YEAR					<u>\$ 6,483,925</u>	<u>\$ 6,518,700</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)**

	General Fund	ARPA Fund	Total	
			2021	2020
ASSETS				
Cash and Investments	\$ 1,030,188	\$ 202,063	\$ 1,232,251	\$ 702,136
Receivables				
Taxes and Special Charges	704,959	-	704,959	696,732
Accounts	10,353	-	10,353	244
Due from Other Governments	1,120	-	1,120	1,120
	<u>1,746,620</u>	<u>202,063</u>	<u>1,948,683</u>	<u>1,400,232</u>
Total Assets	<u>\$ 1,746,620</u>	<u>\$ 202,063</u>	<u>\$ 1,948,683</u>	<u>\$ 1,400,232</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 100,950	\$ -	\$ 100,950	\$ 20,688
Accrued And Other Current Liabilities	5,329	-	5,329	-
Due to Other Governments	27,628	-	27,628	2,380
Special Deposits	3,000	-	3,000	-
Unearned Revenues	-	202,063	202,063	-
Total Liabilities	<u>136,907</u>	<u>202,063</u>	<u>338,970</u>	<u>23,068</u>
Deferred Inflows of Resources				
Property Taxes Levied for Subsequent Year	704,959	-	704,959	696,732
Advanced State Aids	32,632	-	32,632	33,120
Total Deferred Inflows of Resources	<u>737,591</u>	<u>-</u>	<u>737,591</u>	<u>729,852</u>
Fund Balance				
Committed	329,702	-	329,702	312,000
Unassigned	542,420	-	542,420	335,312
Total Fund Balance	<u>872,122</u>	<u>-</u>	<u>872,122</u>	<u>647,312</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,746,620</u>	<u>\$ 202,063</u>	<u>\$ 1,948,683</u>	<u>\$ 1,400,232</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)**

RECONCILIATION TO THE STATEMENT OF NET POSITION	<u>2021</u>	<u>2020</u>
Total fund balance as shown on previous page	\$ 872,122	\$ 647,312
Amounts reported for governmental activities in the statement of net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	5,605,594	5,869,020
Long-term assets are not current financial resources; therefore, are not reported in the funds:		
Net Pension Asset	13,551	7,275
Some deferred outflows and inflows of resources reflect changes in long-term assets and liabilities and are not reported in the funds.		
Deferred Outflows Related to Pensions	22,895	17,743
Deferred Inflows Related to Pensions	<u>(30,237)</u>	<u>(22,650)</u>
Net Position of Governmental Activities as Reported on the Statement of Net Position (See page 6)	<u>\$ 6,483,925</u>	<u>\$ 6,518,700</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	General Fund	ARPA Fund	Total	
			2021	2020
REVENUES				
Taxes	\$ 758,986	\$ -	\$ 758,986	\$ 691,705
Intergovernmental	351,553	-	351,553	476,621
Licenses and Permits	56,480	-	56,480	69,165
Fines and Forfeits	558	-	558	678
Public Charges for Services	5,759	-	5,759	6,293
Intergovernmental Charges for Services	3,925	-	3,925	8,764
Miscellaneous	50,096	-	50,096	53,215
Total Revenues	<u>1,227,357</u>	<u>-</u>	<u>1,227,357</u>	<u>1,306,441</u>
EXPENDITURES				
Current				
General Government	181,576	-	181,576	194,613
Public Safety	215,097	-	215,097	208,138
Public Works	486,855	-	486,855	584,390
Health and Human Services	8,178	-	8,178	7,597
Culture and Recreation	56,981	-	56,981	66,440
Conservation and Development	45,670	-	45,670	1,249
Capital Outlay	8,190	-	8,190	47,251
Total Expenditures	<u>1,002,547</u>	<u>-</u>	<u>1,002,547</u>	<u>1,109,678</u>
CHANGE IN FUND BALANCE	224,810	-	224,810	196,763
Fund Balance - Beginning of Year	<u>647,312</u>	<u>-</u>	<u>647,312</u>	<u>450,549</u>
FUND BALANCE - END OF YEAR	<u>\$ 872,122</u>	<u>\$ -</u>	<u>\$ 872,122</u>	<u>\$ 647,312</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	General Fund	
	2021	2020
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balance as shown on previous page	\$ 224,810	\$ 196,763
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay in governmental fund statements	8,190	101,181
Depreciation expense reported in the statement of activities	(271,616)	(260,245)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Net Pension Asset (Liability)	6,276	16,272
Deferred Outflows of Resources Related to Pensions	5,152	(8,227)
Deferred Inflows of Resources Related to Pensions	(7,587)	(9,102)
Change in Net Position of Governmental Activities as reported in the Statement of Activities (See page 7)	\$ (34,775)	\$ 36,642

See accompanying Notes to Basic Financial Statements.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 696,450	\$ 696,450	\$ 758,986	\$ 62,536
Intergovernmental	345,462	345,462	351,553	6,091
Licenses and Permits	50,529	50,529	56,480	5,951
Fines and Forfeits	500	500	558	58
Public Charges for Services	3,320	3,320	5,759	2,439
Intergovernmental Charges for Services	3,536	3,536	3,925	389
Miscellaneous	51,800	51,800	50,096	(1,704)
Total Revenues	<u>1,151,597</u>	<u>1,151,597</u>	<u>1,227,357</u>	<u>75,760</u>
EXPENDITURES				
Current				
General Government	204,414	204,414	181,576	22,838
Public Safety	194,507	194,507	215,097	(20,590)
Public Works	510,728	510,728	486,855	23,873
Health and Human Services	11,575	11,575	8,178	3,397
Culture and Recreation	67,675	67,675	56,981	10,694
Conservation and Development	3,000	3,000	45,670	(42,670)
Debt service				
Capital Outlay	159,698	159,698	8,190	151,508
Total Expenditures	<u>1,151,597</u>	<u>1,151,597</u>	<u>1,002,547</u>	<u>149,050</u>
CHANGE IN FUND BALANCE	-	-	224,810	224,810
Fund Balance - Beginning of Year	<u>647,312</u>	<u>647,312</u>	<u>647,312</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 647,312</u></u>	<u><u>\$ 647,312</u></u>	<u><u>\$ 872,122</u></u>	<u><u>\$ 224,810</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF FARMINGTON
 WAUPACA COUNTY, WISCONSIN
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 DECEMBER 31, 2021
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)**

	Custodial Fund	
	2021	2020
ASSETS		
Cash and Investments	\$ 4,424	\$ -
Receivables		
Taxes and Special Charges	15,344	16,810
Total Assets	19,768	16,810
LIABILITIES		
Due to Other Governments	\$ 4,424	\$ -
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	15,344	16,810
NET POSITION		
Total Net Position	\$ -	\$ -

See accompanying Notes to Basic Financial Statements.

**TOWN OF FARMINGTON
 WAUPACA COUNTY, WISCONSIN
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED DECEMBER 31, 2021
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	Custodial Fund	
	2021	2020
ADDITIONS		
Taxes and Special Charges Collected for Other Taxing Jurisdictions	\$ 16,810	\$ 17,165
DEDUCTIONS		
Payments to Other Taxing Jurisdictions	16,810	17,165
CHANGE IN NET POSITION	-	-
Net Position - Beginning of Year	-	-
NET POSITION - END OF YEAR	\$ -	\$ -

See accompanying Notes to Basic Financial Statements.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Farmington, Waupaca County, Wisconsin (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. 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 three member board. In accordance with U.S. 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. 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. *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 are excluded from the Town's government-wide financial statements. Governmental funds include general and a special revenue fund. The Town has no proprietary funds. Major individual governmental funds are reported as a separate column in the fund financial statements.

The Town reports the following major governmental funds:

General Fund

This is the Town's primary operating fund. It accounts for all financial resources of the general government, except for those accounted for in another fund.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

American Rescue Plan Act (ARPA) Special Revenue Fund

This is the Town's only special revenue fund. It accounts for all financial resources related to pass-through federal grant revenue received from the state of Wisconsin related to ARPA.

The Town also reports the following fiduciary fund:

Custodial Fund

The custodial fund accounts for property taxes and special charges and assessments collected on behalf of other governments.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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 unrestricted resources first, then restricted resources, as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

1. Cash and Investments

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

2. Property Taxes and Special Charges/Receivable

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

In addition to its levy, the Town also levies and collects taxes for the School District of Waupaca, Waupaca County, Waupaca Chain O'Lakes Sanitary District, Waupaca Chain O'Lakes Lake District, and the Fox Valley Technical College. The Town has contracted with Waupaca County for billing and collection services of property taxes.

3. Accounts Receivable

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental Activities Years
Land Improvements	20
Buildings and Improvements	50
Machinery and Equipment	5 to 20
Infrastructure	10 to 50

5. 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. Resources received before time requirements are met, but after all other eligibility requirements have been met, are reported as a deferred inflow of resources by the Town. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

6. 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 (revenue), 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.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

7. 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 an 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 committed funds to be spent first, followed by assigned funds, and then unassigned funds. Restricted 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.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

7. Fund Equity (Continued)

Government-Wide Fund Statements (Continued)

- **Restricted Net Position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

- **Unrestricted Net Position.** Net position that is neither classified as restricted nor as net investment in capital assets.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

F. Prior Year Information

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the Town's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

G. Reclassifications

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

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 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 a basis consistent with accounting principles generally accepted in the United States of America for the general fund. Budget is defined as the originally approved budget plus or minus approved amendments. The budget was amended to acquire infrastructure assets during the year. 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. The Town did not adopt a budget for the ARPA Special Revenue Fund.
3. During the year, formal budgetary integration is employed as a management control device for the general fund.
4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each function. 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, 2021.

The following expenditure accounts of the general fund had actual expenditures in excess of budget appropriations for the year ended December 31, 2021 as follows:

Funds	Excess Expenditures
General Fund	
Public Safety	\$ 20,590
Conservation and Development	42,670

The Town used positive revenue variances as well as positive variances in other appropriations to fund the above.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 STEWARDSHIP AND COMPLIANCE (CONTINUED)

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 2021 and 2022 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 2021 budget was 0.75%. The actual limit for the Town for the 2022 budget was 0.76%. 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, 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 \$1,236,675 on December 31, 2021 as summarized below:

Petty Cash and Cash on Hand	\$ 75
Deposits With Financial Institutions	1,236,600
	\$ 1,236,675

Reconciliation to the Basic Financial Statements:

Government-Wide Statement of Net Position	
Cash and Investments	\$ 1,232,251
Fiduciary Fund Statement of Net Position	
Custodial Fund	4,424
	\$ 1,236,675

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.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

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 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, 2021, \$222,728 of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Nondepreciable:				
Land	\$ 226,196	\$ -	\$ -	\$ 226,196
Construction in Progress	37,306	-	37,306	-
Total Capital Assets, Nondepreciable	<u>263,502</u>	<u>-</u>	<u>37,306</u>	<u>226,196</u>
Capital Assets, Depreciable:				
Land Improvements	65,697	-	-	65,697
Buildings and Improvements	822,537	-	-	822,537
Machinery and Equipment	75,553	45,496	-	121,049
Infrastructure	12,269,465	-	-	12,269,465
Subtotals	<u>13,233,252</u>	<u>45,496</u>	<u>-</u>	<u>13,278,748</u>
Less Accumulated Depreciation for:				
Land Improvements	17,318	3,585	-	20,903
Buildings and Improvements	105,490	16,451	-	121,941
Machinery and Equipment	55,239	8,704	-	63,943
Infrastructure	7,449,687	242,876	-	7,692,563
Subtotals	<u>7,627,734</u>	<u>271,616</u>	<u>-</u>	<u>7,899,350</u>
Total Capital Assets, Depreciable, Net	<u>5,605,518</u>	<u>(226,120)</u>	<u>-</u>	<u>5,379,398</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,869,020</u>	<u>\$ (226,120)</u>	<u>\$ 37,306</u>	<u>\$ 5,605,594</u>

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

Governmental Activities	
General Government	\$ 21,082
Public Safety	5,351
Public Works	244,590
Health and Human Services	593
Total Depreciation Expense - Governmental Activities	<u>\$ 271,616</u>

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Long-Term Obligations

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2021 was \$29,076,750 as follows:

Equalized Valuation of the Town	\$ 581,535,000
Statutory Limitation Percentage	(x) 5%
Legal Margin for New Debt	\$ 29,076,750

D. Pension Plan

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, expected to work at least 1200 hours a year 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 Annual Comprehensive Financial Report (ACFR), which can be found at <http://eft.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 occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016), 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.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Pension Plan (Continued)

Plan Description (Continued)

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.

Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment (%)</u>	<u>Variable Fund Adjustment (%)</u>
2011	-1.2%	11.0%
2012	-7.0%	-7.0%
2013	-9.6%	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%
2016	0.5%	-5.0%
2017	2.0%	4.0%
2018	2.4%	17.0%
2019	0.0%	-10.0%
2020	1.7%	21.0%

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Pension Plan (Continued)

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

During the reporting period ending December 31, 2021, the WRS recognized \$2,640 in contributions from the Town.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teachers, Executives, and Elected Officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.75%
Protective without Social Security	6.75%	16.35%

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2021, the Town reported an asset of \$13,551 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. 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, 2020, the Town's proportion was 0.00021707%, which was a decrease of 0.00000858% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the Town recognized pension revenue of \$1,198.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Pension Plan (Continued)

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At December 31, 2021, 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	\$ 19,612	\$ 4,224
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	25,442
Changes in Assumptions	307	-
Changes In Proportion And Differences Between Employer Contributions and Proportionate Share of Contributions	336	571
Employer Contributions Subsequent to the Measurement Date	2,640	-
Total	<u>\$ 22,895</u>	<u>\$ 30,237</u>

The \$2,640 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ (2,521)
2023	(932)
2024	(4,588)
2025	(1,941)
Total	<u>\$ (9,982)</u>

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Pension Plan (Continued)

Actuarial Assumptions

The total pension liability (asset) in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
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
Postretirement Adjustments*	1.9%

* *No postretirement 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 postretirement 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. The Total Pension Liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 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 geometric real rates of return for each major asset class are summarized in the following table:

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Pension Plan (Continued)

Long-Term Expected Return on Plan Assets (Continued)

	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Core Fund Asset Class:			
Global Equities	51.0%	7.2%	4.7%
Fixed Income	25.0%	3.2%	0.8%
Inflation Sensitive Assets	16.0%	2.0%	-0.4%
Real Estate	8.0%	5.6%	3.1%
Private Equity/Debt	11.0%	10.2%	7.6%
Multi-Asset	4.0%	5.8%	3.3%
Cash	-15.0%	0.9%	N/A
Total Core Fund	100.0%	6.6%	4.1%
Variable Fund Asset Class:			
U.S. Equities	70.0%	6.6%	4.1%
International Equities	30.0	7.4%	4.9%
Total Variable Fund	100.0%	7.1%	4.6%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.4%

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 for the current year and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.00% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2020. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). 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.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Pension Plan (Continued)

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%, 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%) or 1-percentage-point higher (8% 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)	\$ 12,899	\$ (13,551)	\$ (32,980)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Payables to the Pension Plan

At December 31, 2021, the Town reported no outstanding contributions to the pension plan for the year ended December 31, 2021.

E. Fund Equity

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by Town Board action. At December 31, 2021, General Fund balance was committed as follows:

General Fund	
Committed for	
Landfill Costs	\$ 312,000
Water Patrol	17,702
Total Committed Funds	\$ 329,702

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Fund Equity (Continued)

Minimum General Fund Balance Policy

The Town has also adopted a fund balance policy requiring a minimum of two months and a maximum of four months of the subsequent year's budgeted general fund expenditures for the current year's unassigned general fund balance. The minimum fund balance is maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Budgeted 2022 General		
Fund Expenditures	\$	1,145,906
Minimum Fund Balance Range		<u>2 months - 4 months</u>
Minimum Fund Balance Amount		<u>\$190,984 to \$381,969</u>

The Town's unassigned general fund balance of \$542,420 is above the minimum fund balance amount.

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. Settlements have not exceeded coverage in any of the last three years.

B. Contingencies

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

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Contingencies (Continued)

The Town (together with the Towns of Dayton and Lind) has been directed by the Wisconsin Department of Natural Resources to investigate the nature and extent of contamination that has migrated from a closed solid waste landfill. Pursuant to an existing agreement among the three towns, the Town of Farmington's share of the financial responsibility for the landfill is 64%. In 2011, studies performed by engineering consultants determined cleanup will occur naturally over time and therefore, the Town's long-term financial responsibility net of insurance recovery could not be determined. However, the Town has committed \$312,000 for future costs, if any are required. In 2011, the Town settled a lawsuit related to the landfill and was awarded a \$320,000 lump sum payment and annual payments of \$48,000 for the following 20 years to fund future costs, if any. The Town uses the annual payments to fund soil tests to monitor for any changes. No changes were noted as a result of 2021 testing.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST TEN MEASUREMENT PERIODS**

<u>Measurement Period Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/14	0.00036346%	\$ (8,927)	\$ 44,702	19.97%	102.74%
12/31/15	0.00023399%	3,802	44,522	8.54%	98.20%
12/31/16	0.00022371%	1,844	44,657	4.13%	99.12%
12/31/17	0.00019044%	(5,654)	37,603	15.04%	102.93%
12/31/18	0.00025289%	8,997	30,849	29.16%	96.45%
12/31/19	0.00022565%	(7,275)	35,806	20.32%	102.96%
12/31/20	0.00021707%	(13,551)	37,725	35.92%	105.26%

**SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll (fiscal year)</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 75	\$ 75	\$ -	\$ 44,522	0.17%
12/31/16	2,949	2,949	-	44,657	6.60%
12/31/17	2,557	2,557	-	37,603	6.80%
12/31/18	2,067	2,067	-	30,849	6.70%
12/31/19	2,345	2,345	-	35,806	6.55%
12/31/20	2,546	2,546	-	37,725	6.75%
12/31/21	2,640	2,640	-	39,111	6.75%

See accompanying Note to Required Supplementary Information.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

NOTE 1 WISCONSIN RETIREMENT SYSTEM

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

Changes of Assumptions. No significant change in assumptions were noted from the prior year.

The Town is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

SUPPLEMENTARY INFORMATION

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
GENERAL FUND
DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
Taxes				
General Property	\$ 677,950	\$ 677,950	\$ 677,928	\$ (22)
Forest Crop/MFL Taxes	18,500	18,500	18,804	304
Room tax	-	-	62,249	62,249
Interest on taxes	-	-	5	5
Total Taxes	<u>696,450</u>	<u>696,450</u>	<u>758,986</u>	<u>62,536</u>
Intergovernmental				
State				
State Shared Taxes	56,765	56,765	56,835	70
Personal Property Aid	12,319	12,319	12,319	-
Fire Insurance Dues	19,000	19,000	19,452	452
Tax Exempt Computer Aid	184	184	184	-
Water Patrol	3,000	3,000	8,944	5,944
Transportation	203,985	203,985	203,985	-
Severance	4,500	4,500	2,679	(1,821)
Municipal Service Aid	12,000	12,000	13,442	1,442
Veterans	33,120	33,120	33,120	-
PILT State Conservation Aid	289	289	289	-
PILT - Equiv. to Property Tax	300	300	304	4
Total Intergovernmental	<u>345,462</u>	<u>345,462</u>	<u>351,553</u>	<u>6,091</u>
Licenses and Permits				
Licenses				
Liquor and Malt Beverage Operators, Cigarette and Other Licenses	5,000	5,000	6,036	1,036
Cable Television Fees	1,000	1,000	1,260	260
Dog	22,279	22,279	22,076	(203)
Permits	1,250	1,250	1,653	403
Building	20,000	20,000	22,600	2,600
Land Use and Zoning	1,000	1,000	2,855	1,855
Total Licenses and Permits	<u>50,529</u>	<u>50,529</u>	<u>56,480</u>	<u>5,951</u>
Fines and Forfeits				
Court Fines and Penalties	500	500	558	58

See accompanying Notes to Supplementary Information

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
GENERAL FUND
DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
Public Charges for Services				
Clerk's Fees	\$ 750	\$ 750	\$ 1,009	\$ 259
Culverts and Snowplowing	700	700	700	-
Cemetery Lot and Maintenance				
Fees	1,200	1,200	3,225	2,025
Fire Sign Fees	400	400	600	200
Recycling Tag Fee	270	270	225	(45)
Total Public Charges for Services	<u>3,320</u>	<u>3,320</u>	<u>5,759</u>	<u>2,439</u>
Intergovernmental Charges for Services				
Water Patrol Reimbursement	3,000	3,000	3,925	925
WVH Street Light Reimbursement	536	536	-	(536)
Total Intergovernmental Charges for Services	<u>3,536</u>	<u>3,536</u>	<u>3,925</u>	<u>389</u>
Miscellaneous				
Interest on Investments	3,500	3,500	1,888	(1,612)
Rent of Town Property	300	300	122	(178)
Insurance Refund - Landfill	48,000	48,000	48,000	-
Other	-	-	86	86
Total Miscellaneous	<u>51,800</u>	<u>51,800</u>	<u>50,096</u>	<u>(1,704)</u>
 Total Revenues	 <u>\$ 1,151,597</u>	 <u>\$ 1,151,597</u>	 <u>\$ 1,227,357</u>	 <u>\$ 75,760</u>

See accompanying Notes to Supplementary Information

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
GENERAL FUND
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
General Government				
Legislative	\$ 38,090	\$ 38,090	\$ 36,521	\$ 1,569
Elections	17,500	17,500	10,328	7,172
Legal	1,000	1,000	840	160
Clerk/treasurer	56,199	56,199	56,477	(278)
Accounting and Auditing	9,700	9,700	9,347	353
Assessment of Property	23,050	23,050	24,921	(1,871)
Town Hall Maintenance	23,075	23,075	30,969	(7,894)
Insurance and Bonds	6,800	6,800	7,329	(529)
Other General Government	4,000	4,000	4,844	(844)
Miscellaneous	25,000	25,000	-	25,000
Total General Government	204,414	204,414	181,576	22,838
Public Safety				
Law Enforcement	8,000	8,000	12,755	(4,755)
Fire Protection	107,090	107,090	126,579	(19,489)
Ambulance	57,917	57,917	57,917	-
Emergency Medical Responders	1,500	1,500	-	1,500
Inspection	20,000	20,000	17,846	2,154
Total Public Safety	194,507	194,507	215,097	(20,590)
Public Works				
Highway and Street Maintenance	452,000	452,000	439,083	12,917
Street Lighting	25,030	25,030	25,447	(417)
Sanitary Landfill	22,050	22,050	17,267	4,783
Recycling	11,648	11,648	5,058	6,590
Total Public Works	510,728	510,728	486,855	23,873
Health and Human Services				
Animal and Insect Control	2,000	2,000	2,065	(65)
Cemetery	9,575	9,575	6,113	3,462
Total Health and Human Services	11,575	11,575	8,178	3,397

See accompanying Notes to Supplementary Information

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
GENERAL FUND
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
Culture and Recreation				
Fireworks Display	\$ 1,675	\$ 1,675	\$ 1,675	\$ -
Senior Center	1,000	1,000	790	210
Other Culture and Recreation	<u>65,000</u>	<u>65,000</u>	<u>54,516</u>	<u>10,484</u>
Total Culture and Recreation	67,675	67,675	56,981	10,694
Conservation and Development				
Comprehensive Planning	3,000	3,000	1,259	1,741
Tourism	<u>-</u>	<u>-</u>	<u>44,411</u>	<u>(44,411)</u>
Total Conservation and Development	3,000	3,000	45,670	(42,670)
Capital Outlay				
Election Outlay	7,000	7,000	-	7,000
Water Patrol Outlay	20,000	20,000	-	20,000
Street Improvements	<u>132,698</u>	<u>132,698</u>	<u>8,190</u>	<u>124,508</u>
Total Capital Outlay	159,698	159,698	8,190	151,508
 Total Expenditures	 <u>\$ 1,151,597</u>	 <u>\$ 1,151,597</u>	 <u>\$ 1,002,547</u>	 <u>\$ 149,050</u>

See accompanying Notes to Supplementary Information

**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***

Town Board
Town of Farmington
Waupaca County, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of the Town of Farmington, Waupaca County, Wisconsin, (the Town) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 23, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Report on 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 financial statements. 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 Farmington's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response .

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Stevens Point, Wisconsin
March 23, 2022

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021**

Section I – Internal Control Over Financial Reporting

2021-001

**Segregation of Duties - Clerk/Treasurer
Repeat of Finding 2020-001**

Type of Finding

Significant deficiency in internal control over financial reporting.

Condition

The Town has a combined clerk/treasurer position to essentially complete all financial and recordkeeping duties of the general Town's operations. 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 because 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

The Town will continue to monitor transactions and financial reports on a monthly basis.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

Section I – Internal Control Over Financial Reporting (Continued)

2021-002

**Preparation of Annual Financial Statements
Repeat of Finding 2020-002**

Type of Finding

Significant deficiency in internal control over financial reporting.

Condition

Current Town staff maintains accounting records which reflect the Town's financial transactions; however, preparing the Town's annual financial statements, 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. However, as independent auditors, CLA cannot be considered part of the Town's internal control system. As part of its internal control over preparation of its financial statements, including disclosures, the Town had implemented a comprehensive review procedure to ensure that the financial statements, including note disclosures are complete and accurate.

Criteria

The preparation and review of the annual financial statements 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.

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

The Town may not be able to completely prepare an annual financial statements in accordance with accounting principles generally accepted in the United States of America.

Recommendation

We recommend the Town continue reviewing the annual financial statements. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the Town's activities and operations. 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 statements.

Management Response

Town Board and staff will continue to review annual financial statements. Current staff does possess the knowledge to perform review.

**TOWN OF FARMINGTON
WAUPACA COUNTY, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

Section II – Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under *Government Auditing Standards* generally accepted in the United States of America for the year ended December 31, 2021.