

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**



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**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2022**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>6</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>7</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>8</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND         BALANCE – GOVERNMENTAL FUNDS</b>	<b>10</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND         BALANCE – BUDGET AND ACTUAL – GENERAL FUND</b>	<b>12</b>
<b>STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUND</b>	<b>13</b>
<b>STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY         FUND</b>	<b>14</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>15</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION     LIABILITY (ASSET) – WISCONSIN RETIREMENT SYSTEM</b>	<b>35</b>
<b>SCHEDULE OF CONTRIBUTIONS – WISCONSIN RETIREMENT SYSTEM</b>	<b>35</b>
<b>NOTE TO REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>36</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>GENERAL FUND</b>	
<b>DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES</b>	<b>38</b>
<b>DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES</b>	<b>40</b>

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2022**

**ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS**

<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>43</b>
<b>SCHEDULE OF FINDINGS AND RESPONSES</b>	<b>45</b>



## 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, 2022, 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, 2022, 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 Comparative Information***

We have previously audited the Town's 2021 financial statements, and we expressed unmodified audit opinions the respective financial statements of the governmental activities, each major fund, and the remaining fund information in our report dated March 23, 2022. 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 GAAS, 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 May 11, 2023, 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  
May 11, 2023

## **BASIC FINANCIAL STATEMENTS**



**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022  
(WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2021)**

	Governmental Activities	
	2022	2021
<b>ASSETS</b>		
Cash and Investments	\$ 1,384,237	\$ 1,232,251
Receivables:		
Taxes and Special Charges	709,858	704,959
Delinquent Taxes	48	-
Accounts	8,152	10,353
Due From Other Governments	-	1,120
Prepaid Items	10,534	-
Net Pension Asset	18,174	13,551
Capital Assets, Nondepreciable	226,196	226,196
Capital Assets, Depreciable	5,130,476	5,379,398
Total Assets	7,487,675	7,567,828
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related Amounts	36,462	22,895
 <b>LIABILITIES</b>		
Accounts Payable	64,235	100,950
Accrued and Other Current Liabilities	6,791	5,329
Due to Other Governments	25,989	27,628
Special Deposits	1,800	3,000
Unearned Revenue	202,063	202,063
Total Liabilities	300,878	338,970
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Levied for Subsequent Year	709,858	704,959
Advanced State Aids	-	32,632
Pension Related Amounts	43,148	30,237
Total Deferred Inflows of Resources	753,006	767,828
 <b>NET POSITION</b>		
Investment in Capital Assets	5,356,672	5,605,594
Restricted for:		
Net Pension Asset	18,174	13,551
Unrestricted	1,095,407	864,780
Total Net Position	\$ 6,470,253	\$ 6,483,925

See accompanying Notes to Basic Financial Statements.

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)**

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	
					2022	2021
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$ 271,911	\$ 32,245	\$ 13,743	\$ -	\$ (225,923)	\$ (150,486)
Public Safety	212,553	26,074	54,560	-	(131,919)	(131,249)
Public Works	654,251	924	260,291	-	(393,036)	(478,535)
Health and Human Services	10,983	800	-	-	(10,183)	(5,546)
Culture and Recreation	62,641	-	-	-	(62,641)	(56,981)
Conservation and Development	251,835	675	-	-	(251,160)	(45,670)
Total Governmental Activities	<u>\$ 1,464,174</u>	<u>\$ 60,718</u>	<u>\$ 328,594</u>	<u>\$ -</u>	(1,074,862)	(868,467)
<b>GENERAL REVENUES</b>						
Taxes:						
Property Taxes					683,171	677,928
Other Taxes					93,679	81,058
Federal and State Grants and Other Contributions						
Not Restricted to Specific Functions					273,919	72,610
Interest and Investment Earnings					4,795	1,888
Miscellaneous					606	208
Gain (Loss) on Sale of Asset					5,020	-
Total General Revenues					<u>1,061,190</u>	<u>833,692</u>
<b>CHANGE IN NET POSITION</b>					(13,672)	(34,775)
Net Position - Beginning of Year					<u>6,483,925</u>	<u>6,518,700</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ 6,470,253</u>	<u>\$ 6,483,925</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)**

	General Fund	ARPA Fund	Total	
			2022	2021
<b>ASSETS</b>				
Cash and Investments	\$ 1,182,174	\$ 202,063	\$ 1,384,237	\$ 1,232,251
Receivables:				
Taxes and Special Charges	709,858	-	709,858	704,959
Delinquent Taxes	48	-	48	-
Accounts	8,152	-	8,152	10,353
Due from Other Governments	-	-	-	1,120
Prepaid Items	10,534	-	10,534	-
	<u>1,910,766</u>	<u>202,063</u>	<u>2,112,829</u>	<u>1,948,683</u>
Total Assets	<u>\$ 1,910,766</u>	<u>\$ 202,063</u>	<u>\$ 2,112,829</u>	<u>\$ 1,948,683</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
Liabilities:				
Accounts Payable	\$ 64,235	\$ -	\$ 64,235	\$ 100,950
Accrued and Other Current Liabilities	6,791	-	6,791	5,329
Due to Other Governments	25,989	-	25,989	27,628
Special Deposits	1,800	-	1,800	3,000
Unearned Revenues	-	202,063	202,063	202,063
Total Liabilities	<u>98,815</u>	<u>202,063</u>	<u>300,878</u>	<u>338,970</u>
Deferred Inflows of Resources:				
Property Taxes Levied for Subsequent Year	709,858	-	709,858	704,959
Advanced State Aids	-	-	-	32,632
Total Deferred Inflows of Resources	<u>709,858</u>	<u>-</u>	<u>709,858</u>	<u>737,591</u>
Fund Balance:				
Nonspendable	10,534	-	10,534	-
Committed	356,642	-	356,642	329,702
Unassigned	734,917	-	734,917	542,420
Total Fund Balance	<u>1,102,093</u>	<u>-</u>	<u>1,102,093</u>	<u>872,122</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,910,766</u>	<u>\$ 202,063</u>	<u>\$ 2,112,829</u>	<u>\$ 1,948,683</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
BALANCE SHEET  
GOVERNMENTAL FUNDS (CONTINUED)  
DECEMBER 31, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)**

<b>RECONCILIATION TO THE STATEMENT OF NET POSITION</b>	<u>2022</u>	<u>2021</u>
Total fund balance as shown on previous page	\$ 1,102,093	\$ 872,122
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.	5,356,672	5,605,594
Long-term assets are not current financial resources; therefore, are not reported in the funds:		
Net Pension Asset	18,174	13,551
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	36,462	22,895
Deferred Inflows Related to Pensions	<u>(43,148)</u>	<u>(30,237)</u>
Net Position of Governmental Activities as Reported on the Statement of Net Position	<u>\$ 6,470,253</u>	<u>\$ 6,483,925</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, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)**

	General Fund	ARPA Fund	Total	
			2022	2021
<b>REVENUES</b>				
Taxes	\$ 776,850	\$ -	\$ 776,850	\$ 758,986
Intergovernmental	352,450	202,063	554,513	351,553
Licenses and Permits	55,401	-	55,401	56,480
Fines and Forfeits	344	-	344	558
Public Charges for Services	3,184	-	3,184	5,759
Intergovernmental Charges for Services	1,789	-	1,789	3,925
Miscellaneous	53,401	-	53,401	50,096
Total Revenues	<u>1,243,419</u>	<u>202,063</u>	<u>1,445,482</u>	<u>1,227,357</u>
<b>EXPENDITURES</b>				
Current:				
General Government	248,251	-	248,251	181,576
Public Safety	209,008	-	209,008	215,097
Public Works	430,549	-	430,549	486,855
Health and Human Services	10,390	-	10,390	8,178
Culture and Recreation	62,641	-	62,641	56,981
Conservation and Development	49,772	202,063	251,835	45,670
Capital Outlay	7,857	-	7,857	8,190
Total Expenditures	<u>1,018,468</u>	<u>202,063</u>	<u>1,220,531</u>	<u>1,002,547</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	224,951	-	224,951	224,810
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Sale of Capital Assets	<u>5,020</u>	<u>-</u>	<u>5,020</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	229,971	-	229,971	224,810
Fund Balance - Beginning of Year	<u>872,122</u>	<u>-</u>	<u>872,122</u>	<u>647,312</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,102,093</u>	<u>\$ -</u>	<u>\$ 1,102,093</u>	<u>\$ 872,122</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, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)**

	General Fund	
	2022	2021
<b>RECONCILIATION TO THE STATEMENT OF ACTIVITIES</b>		
Net change in fund balance as shown on previous page	\$ 229,971	\$ 224,810
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
Depreciation expense reported in the Statement of Activities	(248,922)	(271,616)
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)	4,623	6,276
Deferred Outflows of Resources Related to Pensions	13,567	5,152
Deferred Inflows of Resources Related to Pensions	(12,911)	(7,587)
Change in Net Position of Governmental Activities as Reported in the Statement of Activities	\$ (13,672)	\$ (34,775)

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, 2022**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 701,584	\$ 701,584	\$ 776,850	\$ 75,266
Intergovernmental	348,995	348,995	352,450	3,455
Licenses and Permits	39,821	39,821	55,401	15,580
Fines and Forfeits	100	100	344	244
Public Charges for Services	3,470	3,470	3,184	(286)
Intergovernmental Charges for Services	536	536	1,789	1,253
Miscellaneous	51,400	51,400	53,401	2,001
Total Revenues	<u>1,145,906</u>	<u>1,145,906</u>	<u>1,243,419</u>	<u>97,513</u>
<b>EXPENDITURES</b>				
Current:				
General Government	241,875	241,875	248,251	(6,376)
Public Safety	202,570	202,570	209,008	(6,438)
Public Works	508,194	508,194	430,549	77,645
Health and Human Services	11,000	11,000	10,390	610
Culture and Recreation	70,175	70,175	62,641	7,534
Conservation and Development	2,000	2,000	49,772	(47,772)
Capital Outlay	110,092	110,092	7,857	102,235
Total Expenditures	<u>1,145,906</u>	<u>1,145,906</u>	<u>1,018,468</u>	<u>127,438</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	224,951	224,951
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Sale of Capital Assets	-	-	5,020	5,020
<b>CHANGE IN FUND BALANCE</b>	-	-	229,971	229,971
Fund Balance - Beginning of Year	<u>872,122</u>	<u>872,122</u>	<u>872,122</u>	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 872,122</u>	<u>\$ 872,122</u>	<u>\$ 1,102,093</u>	<u>\$ 229,971</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF FARMINGTON  
 WAUPACA COUNTY, WISCONSIN  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 DECEMBER 31, 2022  
 (WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2021)**

	Custodial Fund	
	2022	2021
<b>ASSETS</b>		
Cash and Investments	\$ 2,217	\$ 4,424
Receivables:		
Taxes and Special Charges	-	15,344
Total Assets	2,217	19,768
 <b>LIABILITIES</b>		
Due to Other Governments	2,217	4,424
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Levied for Subsequent Year	-	15,344
 <b>NET POSITION</b>		
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, 2022  
 (WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021)**

	Custodial Fund	
	2022	2021
<b>ADDITIONS</b>		
Taxes and Special Charges Collected for Other Taxing Jurisdictions	\$ 15,344	\$ 16,810
<b>DEDUCTIONS</b>		
Payments to Other Taxing Jurisdictions	15,344	16,810
<b>CHANGE IN NET POSITION</b>	-	-
Net Position - Beginning of Year	-	-
<b>NET POSITION - END OF YEAR</b>	\$ -	\$ -

See accompanying Notes to Basic Financial Statements.

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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.

**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, 2022**

**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.

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.

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.

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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, 2022**

**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.

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**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 the 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.

**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.

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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*

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

- **Investment in Capital Assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- **Restricted Net Position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position.** Net position that is neither classified as restricted nor as 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, 2021, from which the summarized information was derived.

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022.

The following expenditure accounts of the general fund had actual expenditures in excess of budget appropriations for the year ended December 31, 2022 as follows:

Funds	Excess Expenditures
General Fund:	
General Government	\$ 6,376
Public Safety	6,438
Conservation and Development	47,772

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, 2022**

**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 2022 and 2023 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 2022 budget was 0.76%. The actual limit for the Town for the 2023 budget was 0.62%. 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 \$1,386,454 on December 31, 2022 as summarized below:

Petty Cash and Cash on Hand	\$ 100
Deposits With Financial Institutions	1,386,354
Total	\$ 1,386,454

Reconciliation to the Basic Financial Statements:

Government-Wide Statement of Net Position	
Cash and Investments	\$ 1,384,237
Fiduciary Fund Statement of Net Position	
Custodial Fund	2,217
Total	\$ 1,386,454

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

Fair Value Measurements

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

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The 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, 2022, \$572,082 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, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Nondepreciable:				
Land	\$ 226,196	\$ -	\$ -	\$ 226,196
Capital Assets, Depreciable:				
Land Improvements	65,697	-	-	65,697
Buildings and Improvements	822,537	-	-	822,537
Machinery and Equipment	121,049	-	-	121,049
Infrastructure	12,269,465	-	-	12,269,465
Subtotals	<u>13,278,748</u>	<u>-</u>	<u>-</u>	<u>13,278,748</u>
Less Accumulated Depreciation for:				
Land Improvements	20,903	3,585	-	24,488
Buildings and Improvements	121,941	16,450	-	138,391
Machinery and Equipment	63,943	7,170	-	71,113
Infrastructure	7,692,563	221,717	-	7,914,280
Subtotals	<u>7,899,350</u>	<u>248,922</u>	<u>-</u>	<u>8,148,272</u>
Total Capital Assets, Depreciable, Net	<u>5,379,398</u>	<u>(248,922)</u>	<u>-</u>	<u>5,130,476</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,605,594</u>	<u>\$ (248,922)</u>	<u>\$ -</u>	<u>\$ 5,356,672</u>

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

<b>Governmental Activities:</b>	
General Government	\$ 21,082
Public Safety	3,545
Public Works	223,702
Health and Human Services	593
Total Depreciation Expense - Governmental Activities	<u>\$ 248,922</u>

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022 was \$30,855,920 as follows:

Equalized Valuation of the Town	\$ 617,118,400
Statutory Limitation Percentage	<u>(x) 5%</u>
Legal Margin for New Debt	<u><u>\$ 30,855,920</u></u>

**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 <https://etf.wi.gov/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

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.

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Pension Plan (Continued)**

Plan Description (Continued)

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.

Postretirement 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>
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%
2021	5.1%	13.0%

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022, the WRS recognized \$3,658 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)	6.50%	6.50%
Protective with Social Security	6.50%	12.00%
Protective without Social Security	6.50%	16.40%

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

At December 31, 2022, the Town reported an asset of \$18,174 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. 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, 2021, the Town's proportion was 0.00022548%, which was an increase of 0.00000841% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the Town recognized pension revenue of \$1,613.

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022, 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	\$ 29,358	\$ 2,117
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	40,655
Changes in Assumptions	3,390	-
Changes In Proportion And Differences Between Employer Contributions and Proportionate Share of Contributions	56	376
Employer Contributions Subsequent to the Measurement Date	3,658	-
Total	\$ 36,462	\$ 43,148

The \$3,658 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, 2023. 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>
2023	\$ (1,128)
2024	(4,936)
2025	(2,184)
2026	(2,096)
Total	\$ (10,344)

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Pension Plan (Continued)**

Actuarial Assumptions

The total pension liability (asset) in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Liability (Asset):	December 31, 2021
Experience Study:	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate Of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	2020 WRS Experience Morality Table
Postretirement Adjustments*	1.7%

*\* No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% 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 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, postretirement adjustment, price inflation, mortality and separation rates. The Total Pension Liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 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, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Pension Plan (Continued)**

Long-Term Expected Return on Plan Assets (Continued)

	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class:			
Global Equities	52.0%	6.8%	4.2%
Fixed Income	25.0%	4.3%	1.8%
Inflation Sensitive Assets	19.0%	2.7%	0.2%
Real Estate	7.0%	5.6%	3.0%
Private Equity/Debt	12.0%	9.7%	7.0%
Cash	-15.0%	0.9%	N/A
Total Core Fund	100.0%	6.6%	4.0%
Variable Fund Asset Class:			
U.S. Equities	70.0%	6.3%	3.7%
International Equities	30.0	7.2%	4.6%
Total Variable Fund	100.0%	6.8%	4.2%

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

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

Single Discount Rate

A single discount rate of 6.80% was used to measure the total pension liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84% (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, 2021. 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 6.80% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid.

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Pension Plan (Continued)**

Single Discount Rate (Continued)

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.

**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 6.8%, 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 (5.80%) or 1-percentage-point higher (7.80% percent) than the current rate:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,895	\$ (18,174)	\$ (40,538)

**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, 2022, the Town reported no outstanding contributions to the pension plan for the year ended December 31, 2022.

**E. Fund Equity**

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2022, nonspendable fund balance was as follows:

General Fund:	
Nonspendable:	
Prepaid Items	<u>\$ 10,534</u>

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Fund Equity (Continued)**

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by Town Board action. At December 31, 2022, General Fund balance was committed as follows:

General Fund:	
Committed for:	
Landfill Costs	\$ 312,000
Water Patrol	44,642
Total Committed Funds	<u>\$ 356,642</u>

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 2023 General	
Fund Expenditures	\$ 1,375,736
Minimum Fund Balance Range	<u>2 months - 4 months</u>
Minimum Fund Balance Amount	<u>\$229,289 to \$458,579</u>

The Town's unassigned general fund balance of \$734,917 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.

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**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, management is not aware of any such claims or proceedings that would have a material adverse effect on the Town's financial position or results of operations.

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 2022 testing.

**C. Commitments**

The Town has active construction and other projects as of December 31, 2022. Work that has been completed but not paid for (including contract retainages) is reflected as accounts payable and expenditures. Estimated future costs related to the King Road project is approximately \$42,000. Estimated future costs related to the fiber project is approximately \$202,000.

In October 2022, the Town approved a multi-year contract with a garbage and recycling provider to provide services to town residents effective January 1, 2023.

**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**

Measurement Period Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	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	0.00036346%	\$ (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%
12/31/21	0.00022548%	(18,174)	39,110	46.47%	106.02%

**SCHEDULE OF CONTRIBUTIONS  
WISCONSIN RETIREMENT SYSTEM  
LAST TEN 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	\$ 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	-	39,110	6.75%
12/31/22	3,658	3,658	-	56,281	6.50%

See accompanying Note to Required Supplementary Information.

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

**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.* Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the postretirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the postretirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

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, 2022**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
<b>Taxes:</b>				
General Property	\$ 683,084	\$ 683,084	\$ 683,171	\$ 87
Forest Crop/MFL Taxes	18,500	18,500	21,875	3,375
Room Tax	-	-	71,804	71,804
Total Taxes	<u>701,584</u>	<u>701,584</u>	<u>776,850</u>	<u>75,266</u>
<b>Intergovernmental:</b>				
State Shared Taxes	56,672	56,672	57,661	989
Personal Property Aid	12,319	12,319	12,319	-
Fire Insurance Dues	19,000	19,000	20,331	1,331
Tax Exempt Computer Aid	184	184	184	-
Water Patrol	3,000	3,000	1,597	(1,403)
Transportation	208,099	208,099	208,099	-
Severance	4,500	4,500	596	(3,904)
Municipal Service Aid	12,000	12,000	13,743	1,743
Veterans	32,632	32,632	32,632	-
PILT State Conservation Aid	289	289	789	500
PILT - Equiv. to Property Tax	300	300	307	7
Disaster Relief	-	-	4,192	4,192
Total Intergovernmental	<u>348,995</u>	<u>348,995</u>	<u>352,450</u>	<u>3,455</u>
<b>Licenses and Permits:</b>				
<b>Licenses:</b>				
Liquor and Malt Beverage Operators, Cigarette, and Other Licenses	5,000	5,000	5,840	840
Cable Television Fees	1,000	1,000	1,160	160
Dog	11,721	11,721	21,111	9,390
Permits:	1,100	1,100	959	(141)
Building	20,000	20,000	23,441	3,441
Land Use and Zoning	1,000	1,000	2,890	1,890
Total Licenses and Permits	<u>39,821</u>	<u>39,821</u>	<u>55,401</u>	<u>15,580</u>
<b>Fines and Forfeits:</b>				
Court Fines and Penalties	100	100	344	244

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
GENERAL FUND  
DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
Public Charges for Services:				
Clerk's Fees	\$ 800	\$ 800	\$ 960	\$ 160
Culverts and Snowplowing	400	400	724	324
Cemetery Lot and Maintenance Fees	1,600	1,600	800	(800)
Fire Sign Fees	400	400	500	100
Recycling Tag Fee	270	270	200	(70)
Total Public Charges for Services	3,470	3,470	3,184	(286)
Intergovernmental Charges for Services:				
Water Patrol Reimbursement	-	-	1,789	1,789
WVH Street Light Reimbursement	536	536	-	(536)
Total Intergovernmental Charges for Services	536	536	1,789	1,253
Miscellaneous:				
Interest on Investments	3,000	3,000	4,795	1,795
Rent of Town Property	300	300	300	-
Insurance Refund - Landfill	48,000	48,000	48,000	-
Other	100	100	306	206
Total Miscellaneous	51,400	51,400	53,401	2,001
Total Revenues	<u>\$ 1,145,906</u>	<u>\$ 1,145,906</u>	<u>\$ 1,243,419</u>	<u>\$ 97,513</u>

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
GENERAL FUND  
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES  
YEAR ENDED DECEMBER 31, 2022**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
<b>General Government:</b>				
Legislative	\$ 41,500	\$ 41,500	\$ 37,562	\$ 3,938
Elections	10,500	10,500	15,680	(5,180)
Legal	1,000	1,000	3,318	(2,318)
Clerk/Treasurer	65,000	65,000	73,038	(8,038)
Accounting and Auditing	13,025	13,025	8,107	4,918
Assessment of Property	48,050	48,050	51,631	(3,581)
Town Hall Maintenance	29,000	29,000	40,995	(11,995)
Insurance and Bonds	6,800	6,800	9,786	(2,986)
Other General Government	2,000	2,000	8,134	(6,134)
Miscellaneous	25,000	25,000	-	25,000
Total General Government	<u>241,875</u>	<u>241,875</u>	<u>248,251</u>	<u>(6,376)</u>
<b>Public Safety:</b>				
Law Enforcement	15,000	15,000	10,194	4,806
Fire Protection	125,500	125,500	132,236	(6,736)
Ambulance	40,570	40,570	40,570	-
Emergency Medical Responders	1,500	1,500	-	1,500
Inspection	20,000	20,000	21,377	(1,377)
Emergency Management	-	-	4,631	(4,631)
Total Public Safety	<u>202,570</u>	<u>202,570</u>	<u>209,008</u>	<u>(6,438)</u>
<b>Public Works:</b>				
Highway and Street Maintenance	452,000	452,000	385,662	66,338
Street Lighting	25,030	25,030	22,471	2,559
Sanitary Landfill	22,050	22,050	18,621	3,429
Recycling	9,114	9,114	3,795	5,319
Total Public Works	<u>508,194</u>	<u>508,194</u>	<u>430,549</u>	<u>77,645</u>
<b>Health and Human Services:</b>				
Animal and Insect Control	2,500	2,500	2,500	-
Cemetery	8,500	8,500	7,890	610
Total Health and Human Services	<u>11,000</u>	<u>11,000</u>	<u>10,390</u>	<u>610</u>

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
GENERAL FUND  
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
Culture and Recreation:				
Fireworks Display	\$ 1,675	\$ 1,675	\$ 1,675	\$ -
Senior Center	3,500	3,500	-	3,500
Other Culture and Recreation	65,000	65,000	60,966	4,034
Total Culture and Recreation	<u>70,175</u>	<u>70,175</u>	<u>62,641</u>	<u>7,534</u>
Conservation and Development:				
Comprehensive Planning	2,000	2,000	3,252	(1,252)
Tourism	-	-	46,520	(46,520)
Total Conservation and Development	<u>2,000</u>	<u>2,000</u>	<u>49,772</u>	<u>(47,772)</u>
Capital Outlay:				
Office Equipment	-	-	4,082	(4,082)
Election Outlay	7,000	7,000	3,775	3,225
Street Improvements	103,092	103,092	-	103,092
Total Capital Outlay	<u>110,092</u>	<u>110,092</u>	<u>7,857</u>	<u>102,235</u>
Total Expenditures	<u>\$ 1,145,906</u>	<u>\$ 1,145,906</u>	<u>\$ 1,018,468</u>	<u>\$ 127,438</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 11, 2023.

***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 2022-001, 2022-002, and 2022-003 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  
May 11, 2023

**TOWN OF FARMINGTON  
WAUPACA COUNTY, WISCONSIN  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2022**

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***Internal Control Over Financial Reporting***

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**2022-001 Segregation of Duties - Clerk/Treasurer**

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 or Specific Requirement:** 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.

**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.

**Cause:** The lack of segregation of duties is due to the limited number of employees and the size of the Town's operations.

**Repeat Finding:** This finding is a repeat finding. The prior year finding number was 2021-001.

**Recommendation:** We recommend the Town Board continue to monitor the transactions and the financial records of the Town.

**Views of Responsible Officials and Planned Corrective Actions:** 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, 2022**

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***Internal Control Over Financial Reporting (Continued)***

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**2022-002 Preparation of Annual Financial Statements**

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 or Specific Requirement:** 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.

**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.

**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.

**Repeat Finding:** This finding is a repeat finding. The prior year finding number was 2021-002.

**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.

**Views of Responsible Officials and Planned Corrective Actions:** 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, 2022**

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***Internal Control Over Financial Reporting (Continued)***

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**2022-003 Adjustments to the Town's Financial Records**

Type of Finding:

- Significant Deficiency in Internal Control Over Financial Reporting

**Condition**

As part of our audit, we proposed adjusting journal entries that were significant to the Town's financial statements.

**Criteria or Specific Requirement:** Significant adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.

**Effect:** Year-end financial records prepared by the Town may contain material misstatements.

**Cause:** The Town missed recording two adjustments provided during the 2021 audit.

**Repeat Finding:** No.

**Recommendation:** We recommend the Town review that beginning fund balance matches the prior year audit. We also recommend the Town review its coding of various state aids and other transactions to ensure they are properly recorded.

**Views of Responsible Officials and Planned Corrective Action:** Town staff is aware of the two adjustments and the correction was made in 2022 to bring the town financial records in agreement with the financial statements. We will continue to review audit adjustments with the auditors at the end of each year to verify the financial records are correct.



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