

Town of Farmington
Waupaca County, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2019



CLAConnect.com

WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING

Town of Farmington

Waupaca County, Wisconsin

DECEMBER 31, 2019

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Independent auditors' report

To the Town Board
Town of Farmington
Waupaca County, Wisconsin

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Farmington, Waupaca County, Wisconsin ("the Town") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Town as of December 31, 2019, 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.

EMPHASIS OF MATTER

As described in Note 1.B., during 2019, the Town adopted new accounting guidance, Statement No. 84, *Fiduciary Activities*. As a result, the Town established a custodial fund for taxes and specials collected for other governments. In prior years, these amounts were reported in the general fund. Our opinions are not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

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

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

Other Information

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

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

Prior-Year Comparative Information

We have previously audited the Town's 2018 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and the major fund in our report dated March 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Town's financial statements for the year ended December 31, 2018, which are not presented with the accompanying financial statements and expressed unmodified opinions on the respective financial statements of the governmental activities and the major fund. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements as a whole. The 2018 actual amounts in the supplementary information is presented for purposes of additional analysis and is 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 used to prepare the 2018 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2018 actual amounts in the supplementary information are fairly stated in all material respects in relation to the financial statements from which they have been derived.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2020, 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.

The logo consists of the company name "CliftonLarsonAllen LLP" written in a stylized, cursive font.

CliftonLarsonAllen LLP

Wausau, Wisconsin

March 19, 2020

BASIC FINANCIAL STATEMENTS

Town of Farmington

Waupaca County, Wisconsin

STATEMENT OF NET POSITION
DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	Governmental Activities	
	2019	2018
ASSETS		
Cash and investments	\$ 496,761	\$ 552,437
Receivables		
Taxes and special charges	672,903	862,162
Accounts	-	1,395
Due from other governments	15,245	-
Net pension asset	-	5,654
Capital assets, nondepreciable	226,196	412,523
Capital assets, depreciable	5,801,888	6,167,605
Total assets	<u>7,212,993</u>	<u>8,001,776</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts	<u>25,970</u>	<u>13,650</u>
LIABILITIES		
Accounts payable	22,386	33,277
Accrued and other current liabilities	8	-
Due to other governments	4,387	174,701
Unearned revenues	34,676	37,349
Long-term obligations		
Net pension liability	8,997	-
Total liabilities	<u>70,454</u>	<u>245,327</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for subsequent year	672,903	687,823
Pension related amounts	<u>13,548</u>	<u>11,131</u>
Total deferred inflows of resources	<u>686,451</u>	<u>698,954</u>
NET POSITION		
Net investment in capital assets	6,028,084	6,580,128
Restricted	-	5,654
Unrestricted	453,974	485,363
Total net position	<u>\$ 6,482,058</u>	<u>\$ 7,071,145</u>

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

Town of Farmington

Waupaca County, Wisconsin

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 399,294	\$ 45,464	\$ 12,874	\$ -
Public safety	194,388	29,629	59,775	-
Public works	1,077,309	575	232,932	15,075
Health and human services	9,527	3,200	-	-
Culture and recreation	65,700	-	-	-
Conservation and development	2,004	-	-	-
Total	\$ 1,748,222	\$ 78,868	\$ 305,581	\$ 15,075
General revenues				
Taxes				
Property taxes				
Other taxes				
Federal and state grants and other contributions not restricted to specific functions				
Interest and investment earnings				
Miscellaneous				
Total general revenues				
Change in net position				
Net position - January 1				
Net position - December 31				

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

**Net (Expense) Revenue
and Changes in Net Position**

Totals		
	2019	2018
\$	(340,956)	\$ (104,175)
	(104,984)	(114,148)
	(828,727)	(719,897)
	(6,327)	(6,018)
	(65,700)	(65,064)
	(2,004)	(1,222)
	<u>(1,348,698)</u>	<u>(1,010,524)</u>
	669,523	668,871
	17,904	22,473
	58,827	57,230
	13,057	4,367
	300	1,225
	<u>759,611</u>	<u>754,166</u>
	(589,087)	(256,358)
	<u>7,071,145</u>	<u>7,327,503</u>
	<u>\$ 6,482,058</u>	<u>\$ 7,071,145</u>

Town of Farmington

Waupaca County, Wisconsin

BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	General Fund	
	2019	2018
ASSETS		
Cash and investments	\$ 496,761	\$ 552,437
Receivables		
Taxes and special charges	672,903	862,162
Accounts	-	1,395
Due from other governments	15,245	-
Total assets	<u>\$ 1,184,909</u>	<u>\$ 1,415,994</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 22,386	\$ 33,277
Accrued and other current liabilities	8	-
Due to other governments	4,387	174,701
Unearned revenues	34,676	37,349
Total liabilities	<u>61,457</u>	<u>245,327</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	<u>672,903</u>	<u>687,823</u>
Fund balance		
Committed	312,000	312,000
Unassigned	<u>138,549</u>	<u>170,844</u>
Total fund balance	<u>450,549</u>	<u>482,844</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 1,184,909</u></u>	<u><u>\$ 1,415,994</u></u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance as shown above	\$ 450,549	\$ 482,844
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.	6,028,084	6,580,128
Long-term assets are not considered available; therefore, are not reported in the funds	-	5,654
Net pension asset		
Some deferred outflows and inflows of resources reflect changes in long-term assets and liabilities and are not reported in the funds.	25,970	13,650
Deferred outflows related to pensions	(13,548)	(11,131)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	(8,997)	-
Net position of governmental activities as reported on the statement of net position (see page 4)	<u>\$ 6,482,058</u>	<u>\$ 7,071,145</u>

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

**Town of Farmington
Waupaca County, Wisconsin**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund	
	2019	2018
REVENUES		
Taxes	\$ 687,427	\$ 687,165
Intergovernmental	331,483	328,891
Licenses and permits	70,741	62,842
Fines and forfeits	907	255
Public charges for services	5,067	3,713
Intergovernmental charges for services	2,153	2,748
Miscellaneous	<u>61,357</u>	<u>53,592</u>
Total revenues	<u>1,159,135</u>	<u>1,139,206</u>
EXPENDITURES		
Current		
General government	166,294	154,733
Public safety	184,575	180,217
Public works	757,927	684,224
Health and human services	8,934	6,625
Culture and recreation	65,700	64,861
Conservation and development	2,004	1,222
Capital outlay	<u>5,996</u>	<u>587,107</u>
Total expenditures	<u>1,191,430</u>	<u>1,678,989</u>
Net change in fund balance	(32,295)	(539,783)
Fund balance - January 1	<u>482,844</u>	<u>1,022,627</u>
Fund balance - December 31	<u>\$ 450,549</u>	<u>\$ 482,844</u>

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

**Town of Farmington
Waupaca County, Wisconsin**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	2019	2018
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balance as shown on previous page	\$ (32,295)	\$ (539,783)
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	5,996	586,137
Depreciation expense reported in the statement of activities	(290,421)	(300,853)
Net book value of disposals	(267,619)	-
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)	(14,651)	7,498
Deferred outflows of resources related to pensions	12,320	(4,025)
Deferred inflows of resources related to pensions	<u>(2,417)</u>	<u>(5,332)</u>
Change in net position of governmental activities as reported in the statement of activities (see pages 5 - 6)	<u>\$ (589,087)</u>	<u>\$ (256,358)</u>

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

Town of Farmington

Waupaca County, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget			Variance		2018 Actual
	Original		Final	Actual	Final Budget - Positive (Negative)	
	Taxes	\$ 673,719	\$ 673,719	\$ 687,427	\$ 13,708	
REVENUES	Intergovernmental	322,585	322,585	331,483	8,898	328,891
	Licenses and permits	61,250	61,250	70,741	9,491	62,842
	Fines and forfeits	100	100	907	807	255
	Public charges for services	3,420	3,420	5,067	1,647	3,713
	Intergovernmental charges for services	3,536	3,536	2,153	(1,383)	2,748
	Miscellaneous	53,300	53,300	61,357	8,057	53,592
	Total revenues	1,117,910	1,117,910	1,159,135	41,225	1,139,206
EXPENDITURES	Current					
	General government	189,727	189,727	166,294	23,433	154,733
	Public safety	185,333	185,333	184,575	758	180,217
	Public works	468,101	468,101	757,927	(289,826)	684,224
	Health and human services	14,074	14,074	8,934	5,140	6,625
	Culture and recreation	67,675	67,675	65,700	1,975	64,861
	Conservation and development	3,000	3,000	2,004	996	1,222
	Capital outlay	190,000	190,000	5,996	184,004	587,107
	Total expenditures	1,117,910	1,117,910	1,191,430	(73,520)	1,678,989
	Net change in fund balance	-	-	(32,295)	(32,295)	(539,783)
	Fund balance - January 1	482,844	482,844	482,844	-	1,022,627
	Fund balance - December 31	\$ 482,844	\$ 482,844	\$ 450,549	\$ (32,295)	\$ 482,844

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

Town of Farmington
Waupaca County, Wisconsin

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	Custodial Funds
ASSETS	
Cash and investments	<u>\$</u> <u> </u> <u> </u> <u>-</u>
LIABILITIES	
Due to other governments	<u>\$</u> <u> </u> <u> </u> <u>-</u>

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

Town of Farmington
Waupaca County, Wisconsin

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Custodial Funds</u>
ADDITIONS	
Taxes and special charges collected for other taxing jurisdictions	\$ 16,860
DEDUCTIONS	
Payments to other taxing jurisdictions	<u>16,860</u>
Change in net position	-
Net position - January 1	<u>-</u>
Net position - December 31	<u>\$ -</u>

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

Town of Farmington

Waupaca County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 (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 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 the general fund. The Town has no proprietary funds. The major individual governmental fund is reported as a separate column in the fund financial statements.

The Town reports the following major governmental fund:

General Fund

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

The Town also reports the following fiduciary fund:

Custodial Fund

The custodial fund accounts for property taxes and specials collected on behalf of other governments. These amounts were recorded in the general fund in prior years. Due to the implementation of GASB 84, *Fiduciary Activities*, they are now recorded in a custodial fund.

Town of Farmington

Waupaca County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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.

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.

Town of Farmington

Waupaca County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 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.

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 - 20
Infrastructure	10 - 50

Town of Farmington

Waupaca County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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. 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, 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.

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, 2019

Government-Wide Fund Statements

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

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

E. 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, 2018, 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, 2019

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.
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, 2019.

B. EXCESS OF EXPENDITURES OVER BUDGET APPROPRIATIONS

The following expenditure accounts of the governmental funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2019 as follows:

Funds	Excess Expenditures
General Fund	
Public Works	\$ 289,826

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

C. PROPERTY TAX LEVY LIMIT

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2019 and 2020 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2019 budget was 0.32%. The actual limit for the Town for the 2020 budget was 0.45%. 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.

Town of Farmington

Waupaca County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 \$496,761 on December 31, 2019 as summarized below:

Petty cash and cash on hand	\$ 75
Deposits with financial institutions	<u>496,686</u>
	<u>\$ 496,761</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	<u>\$ 496,761</u>

Fair Value Measurements

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

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have an additional custodial credit policy.

Town of Farmington

Waupaca County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

As of December 31, 2019, none of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits.

B. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 412,523	\$ -	\$ 186,327	\$ 226,196
Capital assets, depreciable:				
Land improvements	83,117	5,996	18,316	70,797
Buildings and improvements	822,537	-	-	822,537
Machinery and equipment	129,332	-	53,779	75,553
Infrastructure	13,526,651	-	66,361	13,460,290
Subtotals	14,561,637	5,996	138,456	14,429,177
Less accumulated depreciation for:				
Land improvements	27,444	3,285	11,896	18,833
Buildings and improvements	72,588	16,451	-	89,039
Machinery and equipment	69,333	5,944	25,982	49,295
Infrastructure	8,224,667	264,741	19,286	8,470,122
Subtotals	8,394,032	290,421	57,164	8,627,289
Total capital assets, depreciable, net	6,167,605	(284,425)	81,292	5,801,888
Governmental activities capital assets, net	\$ 6,580,128	\$ (284,425)	\$ 267,619	\$ 6,028,084

Town of Farmington

Waupaca County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

Governmental activities	
General government	\$ 18,295
Public safety	5,351
Public works	266,182
Health and human services	593
Total depreciation expense - governmental activities	<u>\$ 290,421</u>

C. LONG-TERM OBLIGATIONS

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2019 was \$26,537,875 as follows:

Equalized valuation of the Town	\$ 530,757,500
Statutory limitation percentage	(x) 5%
Legal margin for new debt	<u>\$ 26,537,875</u>

D. PENSION PLAN

1. Plan Description

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

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

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

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

Town of Farmington

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NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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.

2. Post-Retirement Adjustments

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

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

Town of Farmington

Waupaca County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

3. Contributions

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

During the reporting period ending December 31, 2019, the WRS recognized \$2,345 in contributions from the Town.

Contribution rates for the reporting period are:

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

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

At December 31, 2019, the Town reported a liability of \$8,997 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the Town's proportion was 0.00025289%, which was an increase of 0.00006245% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Town recognized pension expense of \$7,099.

Town of Farmington

Waupaca County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

At December 31, 2019, 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	\$ 7,006	\$ 12,385
Net differences between projected and actual earnings on pension plan investments	13,140	-
Changes in assumptions	1,515	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,964	1,163
Employer contributions subsequent to the measurement date	2,345	-
Total	<u>\$ 25,970</u>	<u>\$ 13,548</u>

The \$2,345 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	Expense
2020	\$ 4,217
2021	1,099
2022	1,437
2023	3,324
Total	<u>\$ 10,077</u>

5. Actuarial Assumptions

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

Actuarial valuation date:	December 31, 2017
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Value
Long-term expected rate of return:	7.0%
Discount rate:	7.0%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement adjustments*	1.9%

Town of Farmington

Waupaca County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

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

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

	<u>Current Asset Allocation %</u>	<u>Long-term Expected Nominal Rate of Return %</u>	<u>Long-term Expected Real Rate of Return %</u>
<u>Core Fund Asset Class</u>			
Global equities	49%	8.1%	5.5%
Fixed income	24.5%	4.0%	1.5%
Inflation sensitive assets	15.5%	3.8%	1.3%
Real estate	9%	6.5%	3.9%
Private equity/debt	8%	9.4%	6.7%
Multi-asset	4%	6.7%	4.1%
Total Core Fund	110%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
U.S. equities	70%	7.6%	5.0%
International equities	30%	8.5%	5.9%
Total Variable Fund	100%	8.0%	5.0%

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

Town of Farmington

Waupaca County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

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

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 35,755	\$ 8,997	\$ (10,899)

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

6. Payables to the Pension Plan

At December 31, 2019, the Town reported no outstanding contributions to the pension plan for the year ended December 31, 2019.

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, 2019, General Fund balance was committed as follows:

General Fund	
Committed for	
Landfill costs	<u>\$ 312,000</u>

Town of Farmington

Waupaca County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 4: OTHER INFORMATION

A. RISK MANAGEMENT

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

B. CONTINGENCIES

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

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 twenty 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 2019 testing.

C. UPCOMING ACCOUNTING PRONOUNCEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

Town of Farmington

Waupaca County, Wisconsin

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

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (plan year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.00036346%	\$ (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%

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (fiscal year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 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%

See notes to required supplementary information

Town of Farmington

Waupaca County, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

A. WISCONSIN RETIREMENT SYSTEM

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

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

The 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

FOR THE YEAR ENDED DECEMBER 31, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget			Variance		2018 Actual
	Original		Final	Actual	Final Budget - Positive (Negative)	
Taxes						
General property	\$ 669,919	\$ 669,919	\$ 669,523	\$ (396)	\$ 668,871	
Forest crop/MFL taxes	3,800	3,800	17,904	14,104	18,294	
Total taxes	<u>673,719</u>	<u>673,719</u>	<u>687,427</u>	<u>13,708</u>	<u>687,165</u>	
Intergovernmental						
State						
State shared taxes	57,180	57,180	57,017	(163)	57,050	
Personal property aid	598	598	598	-	-	
Fire insurance dues	17,806	17,806	18,163	357	17,806	
Tax exempt computer aid	180	180	184	4	180	
Water patrol	4,800	4,800	4,263	(537)	4,882	
Transportation	184,932	184,932	184,932	-	184,909	
Severance	4,500	4,500	420	(4,080)	-	
MFL	-	-	-	-	718	
Municipal service aid	15,000	15,000	12,874	(2,126)	15,197	
Veterans	37,000	37,000	37,349	349	44,688	
PILT State Conservation Aid	289	289	289	-	289	
PILT - Equiv. to property tax	300	300	319	19	3,172	
County bridge aid	-	-	15,075	15,075	-	
Total intergovernmental	<u>322,585</u>	<u>322,585</u>	<u>331,483</u>	<u>8,898</u>	<u>328,891</u>	
Licenses and permits						
Licenses						
Liquor and malt beverage	5,000	5,000	5,060	60	4,410	
Operators, cigarette and other licenses	1,000	1,000	1,250	250	1,160	
Cable television fees	34,000	34,000	35,631	1,631	34,735	
Dog	1,250	1,250	1,569	319	1,367	
Permits						
Building	20,000	20,000	26,201	6,201	20,695	
Land use and zoning	-	-	1,030	1,030	475	
Total licenses and permits	<u>61,250</u>	<u>61,250</u>	<u>70,741</u>	<u>9,491</u>	<u>62,842</u>	
Fines and forfeits						
Court fines and penalties	<u>100</u>	<u>100</u>	<u>907</u>	<u>807</u>	<u>255</u>	

Town of Farmington

Waupaca County, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES

FOR THE YEAR ENDED DECEMBER 31, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget		Actual	Variance Final Budget - Positive (Negative)		2018 Actual
	Original	Final				
Public charges for services						
Clerk's fees	850	850	924	74	370	
Liquor license advertising fees	-	-	-	-	90	
Culverts and snowplowing	700	700	350	(350)	825	
Cemetery lot and maintenance fees	1,200	1,200	3,200	2,000	1,200	
Fire sign fees	400	400	368	(32)	500	
Recycling tag fee	270	270	225	(45)	228	
Fireworks application fees	-	-	-	-	500	
Total public charges for services	<u>3,420</u>	<u>3,420</u>	<u>5,067</u>	<u>1,647</u>	<u>3,713</u>	
Intergovernmental charges for services						
Water patrol reimbursement	3,000	3,000	2,153	(847)	2,748	
WVH street light reimbursement	536	536	-	(536)	-	
Total intergovernmental charges for services	<u>3,536</u>	<u>3,536</u>	<u>2,153</u>	<u>(1,383)</u>	<u>2,748</u>	
Miscellaneous						
Interest on investments	5,000	5,000	13,057	8,057	4,367	
Rent of Town property	300	300	300	-	900	
Insurance refund - landfill	48,000	48,000	48,000	-	48,000	
Other	-	-	-	-	325	
Total miscellaneous	<u>53,300</u>	<u>53,300</u>	<u>61,357</u>	<u>8,057</u>	<u>53,592</u>	
Total revenues	\$ 1,117,910	\$ 1,117,910	\$ 1,159,135	\$ 41,225	\$ 1,139,206	

Town of Farmington

Waupaca County, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget			Variance		2018 Actual
	Original	Final	Actual	Final Budget -	Positive (Negative)	
General government						
Legislative	\$ 37,629	\$ 37,629	\$ 42,598	\$ (4,969)	\$ 31,202	
Elections	15,500	15,500	5,399	10,101	15,727	
Legal	1,000	1,000	168	832	-	
General administration	-	-	-	-	17,735	
Clerk/treasurer	49,480	49,480	47,448	2,032	35,115	
Accounting and auditing	8,500	8,500	9,001	(501)	6,940	
Assessment of property	22,020	22,020	23,836	(1,816)	18,556	
Town hall maintenance	20,383	20,383	28,170	(7,787)	21,265	
Employee life and disability insurance	-	-	-	-	1,439	
Insurance and bonds	6,800	6,800	7,651	(851)	6,754	
Other general government	3,415	3,415	2,023	1,392	-	
Miscellaneous	25,000	25,000	-	25,000	-	
Total general government	<u>189,727</u>	<u>189,727</u>	<u>166,294</u>	<u>23,433</u>	<u>154,733</u>	
Public safety						
Law enforcement	7,000	7,000	8,298	(1,298)	6,777	
Fire protection	113,860	113,860	113,143	717	112,514	
Ambulance	41,307	41,307	40,414	893	41,307	
Emergency medical responders	3,250	3,250	1,741	1,509	3,254	
Inspection	19,916	19,916	20,979	(1,063)	16,365	
Total public safety	<u>185,333</u>	<u>185,333</u>	<u>184,575</u>	<u>758</u>	<u>180,217</u>	
Public works						
Highway and street maintenance	417,864	417,864	679,276	(261,412)	620,237	
Highway marking and signing	-	-	-	-	7,062	
Street lighting	20,000	20,000	24,701	(4,701)	28,625	
Sanitary landfill	21,700	21,700	37,056	(15,356)	21,620	
Recycling	8,537	8,537	16,894	(8,357)	6,680	
Total public works	<u>468,101</u>	<u>468,101</u>	<u>757,927</u>	<u>(289,826)</u>	<u>684,224</u>	
Health and human services						
Animal and insect control	4,500	4,500	1,254	3,246	200	
Cemetery	9,574	9,574	7,680	1,894	6,425	
Total health and human services	<u>14,074</u>	<u>14,074</u>	<u>8,934</u>	<u>5,140</u>	<u>6,625</u>	

Town of Farmington

Waupaca County, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget		Actual	Variance Final Budget - Positive (Negative)	2018 Actual
	Original	Final			
Culture and recreation					
Fireworks display	1,675	1,675	1,675	-	1,675
Senior center	1,000	1,000	-	1,000	415
Other culture and recreation	65,000	65,000	64,025	975	62,771
Total culture and recreation	67,675	67,675	65,700	1,975	64,861
Conservation and development					
Comprehensive planning	3,000	3,000	2,004	996	1,222
Capital outlay					
Town hall	45,000	45,000	5,996	39,004	970
Street improvements	145,000	145,000	-	145,000	586,137
Total capital outlay	190,000	190,000	5,996	184,004	587,107
Total expenditures	\$ 1,117,910	\$ 1,117,910	\$ 1,191,430	\$ (73,520)	\$ 1,678,989

ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS



CliftonLarsonAllen LLP
CLAConnect.com

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

To the Town Board
Town of Farmington
Waupaca County, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Farmington, Waupaca County, Wisconsin, (the "Town") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 19, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001, 2019-002, and 2019-003 that we consider to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

TOWN OF FARMINGTON'S RESPONSE TO FINDINGS

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Wausau, Wisconsin

March 19, 2020

Town of Farmington

Waupaca County, Wisconsin

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

SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

FINDING NO.	CONTROL DEFICIENCIES
2019-001	Segregation of Duties - Clerk/Treasurer Repeat of Finding 2018-001
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.
Context:	While performing audit procedures, it was noted that the Town does not have proper segregation of duties related to financial and recordkeeping duties.
Criteria:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.
Cause:	The lack of segregation of duties is due to the limited number of employees and the size of the Town's operations.
Effect:	Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Recommendation:	We recommend the Town Board continue to monitor the transactions and the financial records of the Town.
Management Response:	The Town feels the cost outweighs the benefits to further segregate the duties performed by the clerk. At the annual meeting a motion was made to split the clerk/treasurer and was put to a vote. The outcome of the vote was 5 yes and 19 no to split the clerk/treasurer position

Town of Farmington

Waupaca County, Wisconsin

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

FINDING NO.	CONTROL DEFICIENCIES
2019-002	Preparation of Annual Financial Report Repeat of Finding 2018-002
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 report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The Town contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. For the same reasons, the Town contracts with us to compile the Wisconsin Municipal Report Form CT.
Context:	While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.
Criteria:	The preparation and review of the annual financial report and Municipal Financial Report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required State Financial reports.
Cause:	Town management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	The Town may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend the Town continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the Town is necessary to obtain a complete and adequate understanding of the Town's annual financial report and Municipal Financial Report.
Management Response:	We are in the process of correcting this recommendation.

Town of Farmington

Waupaca County, Wisconsin

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

FINDING NO.	CONTROL DEFICIENCIES
2019-003	Adjustments to the Town's Financial Records Repeat of Finding 2018-003
Type of Finding:	Significant deficiency in internal control over financial reporting.
Condition:	As part of our audit, we proposed adjusting journal entries that were material to the Town's financial statements.
Context:	While performing audit procedures, it was noted that management does not have sufficient controls in place related to year end closing procedures.
Criteria:	Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.
Cause:	While Town personnel maintain financial records which accurately report revenues and expenditures throughout the year, preparing year end adjusting and closing entries requires additional expertise that would entail additional training and staff time to develop.
Effect:	Year-end financial records prepared by the Town may contain material misstatements.
Recommendation:	We recommend the Town designate an individual to obtain additional training in order to prepare the adjusting and closing entries. We are available to assist the individual in obtaining the understanding to prepare these entries.
Management Response:	We are in the process of correcting this recommendation.

SECTION II. COMPLIANCE AND OTHER MATTERS

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2019.

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