

TOWN OF TWO CREEKS, WISCONSIN
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2025

TOWN OF TWO CREEKS, WISCONSIN
TABLE OF CONTENTS
DECEMBER 31, 2025

Page

3-5 Independent Auditors' Report

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

6 Statement of Net Position

7 Statement of Activities

Fund Financial Statements

8 Balance Sheet - Governmental Funds

9 Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds

10 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities

11-17 Notes to the Basic Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION

18 Budgetary Comparison Schedule for the General Fund - Budget and Actual

19 Notes to Required Supplementary Information on Budgetary Accounting and
Control

OTHER INFORMATION

20 Detailed Statement of Revenues and Other Financing Sources - Budget and Actual -
General Fund

21 Detailed Statement of Expenditures - Budget and Actual - General Fund

22 Detail of Investments

TOWN OF TWO CREEKS, WISCONSIN

TABLE OF CONTENTS - Continued

DECEMBER 31, 2025

OTHER REPORT

- 23-25 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*

MEMBERS OF THE TOWN BOARD

Chairman
Supervisor
Supervisor

Thomas Sprang
William Schwerma
Roger Sinkula

Clerk
Treasurer

Jasmine Schwerma
Debbie LeClair

INDEPENDENT AUDITORS' REPORT

To the Town Board
Town of Two Creeks, Wisconsin

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Two Creeks, Wisconsin, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town of Two Creeks' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Two Creeks as of December 31, 2025, and the respective changes in financial position, 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 Standards (GAS), 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 Town of Two Creeks 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 Town of Two Creeks' ability to continue as a going concern for twelve months beyond the financial statement issuance 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 GAS 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, 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 Town of Two Creeks' 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 Town of Two Creeks' 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.

Required Supplementary Information

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

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

Other Information

Management is responsible for the other information. The other information comprises the detailed statement of revenues and other financing sources - budget and actual general fund, detailed statement of expenditures - budget and actual general fund, and detail of investments but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is

to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2026, on our consideration of the Town of Two Creeks' 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 of Two Creeks' internal control over financial reporting and compliance.

HAWKINS ASH CPAS, LLP



Manitowoc, Wisconsin
March 6, 2026

TOWN OF TWO CREEKS, WISCONSIN

**BASIC
FINANCIAL STATEMENTS**

TOWN OF TWO CREEKS, WISCONSIN

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

TOWN OF TWO CREEKS, WISCONSIN

STATEMENT OF NET POSITION

DECEMBER 31, 2025

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and investments	\$ 3,522,857
Receivables	
Taxes	563,399
Capital assets (net of accumulated depreciation)	
Capital assets not being depreciated	717,256
Capital assets being depreciated	<u>2,791,717</u>
TOTAL ASSETS	<u>7,595,229</u>
LIABILITIES	
Accrued liabilities	
Payroll	471
Due to other governments	928,936
Unearned revenue - other	<u>3,219</u>
TOTAL LIABILITIES	<u>932,626</u>
NET POSITION	
Net investment in capital assets	3,508,973
Unrestricted	<u>3,153,630</u>
TOTAL NET POSITION	<u>6,662,603</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 7,595,229</u>

The accompanying notes are an integral part of these statements.

TOWN OF TWO CREEKS, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General government	\$ 137,921	\$ 16,860	\$ -	\$ (121,061)
Public safety	86,157	-	2,427	(83,730)
Public works	361,657	20,666	70,290	(270,701)
Culture, recreation and education	20,139	-	-	(20,139)
TOTAL PRIMARY GOVERNMENT	\$ 605,874	\$ 37,526	\$ 72,717	(495,631)
General revenues				
Taxes				
Other taxes				235
Intergovernmental revenues not restricted to specific programs				764,904
Interest and investment income				60,565
Miscellaneous				89,456
Total general revenues				915,160
CHANGE IN NET POSITION				419,529
NET POSITION - BEGINNING OF YEAR				6,243,074
NET POSITION - END OF YEAR				\$ 6,662,603

The accompanying notes are an integral part of these statements.

TOWN OF TWO CREEKS, WISCONSIN

FUND

FINANCIAL STATEMENTS

TOWN OF TWO CREEKS, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

		<u>GENERAL FUND</u>
ASSETS		
Cash and investments	\$	3,522,857
Receivables		
Taxes		563,399
TOTAL ASSETS		<u>4,086,256</u>
LIABILITIES		
Accrued expenses		
Payroll		471
Due to other governments		928,936
Unearned revenue - other		3,219
TOTAL LIABILITIES		<u>932,626</u>
FUND BALANCES		
Unassigned		3,153,630

Total net position reported for governmental activities in the statement of net position is different from the amount reported above as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are:

Governmental capital asset	\$ 6,468,197	
Governmental accumulated depreciation	<u>(2,959,224)</u>	<u>3,508,973</u>
Total net position - governmental activities		<u>\$ 6,662,603</u>

The accompanying notes are an integral part of these statements.

TOWN OF TWO CREEKS, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	GENERAL FUND
REVENUES	
Taxes	\$ 235
Intergovernmental	837,621
Licenses and permits	766
Public charges for services	16,094
Intergovernmental charges for services	20,666
Miscellaneous	72,945
Change in fair value of investments	63,541
TOTAL REVENUES	1,011,868
 EXPENDITURES	
Current	
General government	125,433
Public safety	63,061
Public works	247,439
Culture, recreation and education	5,326
Capital outlay	84,754
TOTAL EXPENDITURES	526,013
 OTHER FINANCING SOURCES (USES)	
Sale of capital assets	19,500
 NET CHANGE IN FUND BALANCE	505,355
FUND BALANCE - BEGINNING OF YEAR	2,648,275
FUND BALANCE - END OF YEAR	\$ 3,153,630

The accompanying notes are an integral part of these statements.

TOWN OF TWO CREEKS, WISCONSIN
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

Net change in fund balances - total governmental funds \$ 505,355

Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital outlay reported in governmental fund statements	\$	84,754	
Capital outlay reported as other expenses in governmental fund statements		53,276	
Depreciation expense reported in the statement of activities		(217,891)	
Less cost of capital assets disposed		<u>(5,965)</u>	
Amount by which capital outlays are less than depreciation in the current period:			<u>(85,826)</u>

Change in net position - governmental activities **\$ 419,529**

TOWN OF TWO CREEKS, WISCONSIN

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

TOWN OF TWO CREEKS, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Two Creeks, Wisconsin (the "Town") have been prepared in conformity with generally accepted accounting principles (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.

Reporting Entity - The Town of Two Creeks, Wisconsin was incorporated under the provisions of Chapter 280, Laws of Wisconsin. The Town operates under a Town Administrator form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The Town's basic financial statements do not include any component units, as defined in GASB 14 and amended by GASB 39 and GASB 61, as there are no organizations which meet the criterion. The criterion for including a legally separate organization as a component unit is the degree of financial accountability the Town has with the organization. A financial benefit or burden relationship needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit.

The following circumstances set forth the Town's financial accountability for a legally separate organization: the Town is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town. The Town may be financially accountable if an organization is fiscally dependent on the Town regardless of whether the organization has (1) a separately-elected governing body, (2) a governing body appointed by a higher level of government, or (3) a jointly-appointed governing body. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

Basis of Presentation

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town does not allocate indirect expenses to functions in the statement of activities. 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 or segment. Taxes and other items not included among program revenues are reported as general revenues.

Fund Financial Statements

TOWN OF TWO CREEKS, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2025

NOTE 1 - Summary of Significant Accounting Policies - Continued

The fund financial statement provides information about the government's fund. The emphasis of fund financial statements is on major governmental funds.

The Town reports the following major governmental fund:

General Fund - is used for all financial activity that is not required to be accounted for in another fund. This is the Town's primary operating fund.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 government 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes are recorded in the year levied as receivables and unavailable revenue. They are recognized as revenue in the succeeding year when services financed by the levy are being provided. Special assessments are recorded as revenue when they become measurable and available as current assets. Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Cash and Cash Equivalents - Cash and cash equivalents, as classified in the statement of cash flows, consist of all highly liquid investments with an initial maturity of three months or less.

TOWN OF TWO CREEKS, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2025

NOTE 1 - Summary of Significant Accounting Policies - Continued

Accounts Receivable - Accounts receivable have been adjusted for all uncollectible accounts. No allowance for uncollectible accounts has been recorded since management believes all accounts are collectible. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof.

Capital Assets - In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$2,000 for general capital assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated assets are reported at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset for governmental activities is as follows:

Land improvements and buildings	30 - 50 years
Equipment	3 - 30 years
Infrastructure	40 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

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

Net Position Classifications - Net position represents the difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance Classifications - The Town classifies its fund equity as follows: 1) non-spendable fund balance consists of equity that is not in a spendable form or is legally or contractually required to be maintained intact, 2) restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation, 3) committed fund balance consists of equity constrained to specific purposes by the Town itself, using its highest level of decision making authority - resolutions, 4) assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body, the Town Board has not delegated the authority to assign fund balance and 5) unassigned fund balance consists of equity available for any purpose.

When net losses occur, it is the Town's policy to record the net loss against committed fund balance, then assigned fund balance, and lastly to unassigned fund balance (GASB 54 default for no policy).

TOWN OF TWO CREEKS, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2025

NOTE 1 - Summary of Significant Accounting Policies - Continued

The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

NOTE 2 - Cash and Investments

State statutes permit the Town to invest available cash balances in time deposits of authorized depositories, state obligations, U.S. Treasury obligations, U.S. agency issues, repurchase agreements and other investments secured by federal securities, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. No significant violations of these restrictions occurred during the year.

As of December 31, 2025, the Town had the following investments:

<u>Investment</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>
Nicolet Wealth Management		
Money market	Less than one year	\$ 91,670
Mutual fund	More than one year	518,794
Federal agencies securities	More than one year	741,259
Certificates of deposit	More than one year	<u>1,203,665</u>
		<u>\$ 2,555,388</u>

Determining Fair Value - 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; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The Town has the following fair value measurements as of December 31, 2025:

- 1) Mutual fund values are determined based on published market quotations (level 1 inputs).
- 2) Government National Mortgage value is determined based on published market quotations (level 2 inputs).
- 3) Federal National Mortgage value is determined based on published market quotations (level 2 inputs).
- 4) Federal Home Loan Mortgage value is determined based on published market quotations (level 2 inputs).

Custom Credit Risk - Custodial credit risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy in place for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$1,000,000 subject to the total amount of the Guarantee Fund available. As of December 31, 2025, \$671,129 of the Town's bank balance of \$2,171,134 was uninsured and uncollateralized.

Credit Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Town has no investment policy that would further limit its investment choices. The Nicolet Wealth Management treasury money market and mutual funds are not rated, the Government National

TOWN OF TWO CREEKS, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2025

NOTE 2 - Cash and Investments - Continued

Mortgage is exempt from disclosure, and the Federal National Mortgage and Federal Home Loan Mortgage are rated AAA.

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

Issuer	Investment Type	Reported Amount	Percent of Total Investments
Federal Home Loan Mortgage Corporation	Mortgage backed securities	\$ 600,876	44%
Federal National Mortgage Association	Mortgage backed securities	102,706	8%
		<u>\$ 703,582</u>	

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Investment Type	Amount	Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Treasury money market	\$ 91,670	\$ 91,670	\$ -	\$ -	\$ -
Mutual funds	518,794	\$ 518,794			
Government National Mortgage	37,677	-	-	184	37,493
Federal National Mortgage	102,706	-	-	-	102,706
Federal Home Loan Mortgage	600,876	-	783	285,431	314,662
Totals	<u>\$ 1,351,723</u>	<u>\$ 610,464</u>	<u>\$ 783</u>	<u>\$ 285,615</u>	<u>\$ 454,861</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations - The Town's investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

NOTE 3 - Property Taxes

Property taxes attach as an enforceable lien on property in December when the tax roll is certified. Taxes are levied in December and payable in two installments on January 31 and July 31 or payable in full on January 31. Personal property taxes are payable in full on January 31. The Town bills and collects its own property taxes and also taxes for the State, County, Technical College, and Public Schools until February 1, at which time all uncollected real estate taxes are turned over to the county for collection. Delinquent personal property tax remains the collection responsibility of the Town. Town property tax revenue is recognized in the year they are levied for and available for use. The 2025 tax

TOWN OF TWO CREEKS, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2025

NOTE 3 - Property Taxes - Continued

roll has been set up as a receivable and is offset by the amounts due to other governmental units. Advance tax collections are offset against the receivable.

NOTE 4 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2025 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 717,256	\$ -	\$ -	\$ 717,256
Total capital assets not being depreciated	<u>717,256</u>	<u>-</u>	<u>-</u>	<u>717,256</u>
Capital assets being depreciated:				
Buildings and improvements	301,171	31,598	-	332,769
Equipment	1,117,762	73,753	(26,510)	1,165,005
Infrastructure	4,220,488	32,679	-	4,253,167
Total capital assets being depreciated	<u>5,639,421</u>	<u>138,030</u>	<u>(26,510)</u>	<u>5,750,941</u>
Less accumulated depreciation for:				
Buildings and improvements	(216,070)	(7,986)	-	(224,056)
Equipment	(893,465)	(36,946)	20,545	(909,866)
Infrastructure	(1,652,343)	(172,959)	-	(1,825,302)
Total accumulated depreciation	<u>(2,761,878)</u>	<u>(217,891)</u>	<u>20,545</u>	<u>(2,959,224)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>2,877,543</u>	<u>(79,861)</u>	<u>(5,965)</u>	<u>2,791,717</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 3,594,799</u>	<u>\$ (79,861)</u>	<u>\$ (5,965)</u>	<u>\$ 3,508,973</u>

Infrastructure information prior to January 1, 1971 is not included in the above amount.

Depreciation expense was charged to governmental functions as follows:

General government	\$ 4,616
Public safety	23,096
Public works	185,494
Culture, recreation and education	4,685
Total	<u>\$ 217,891</u>

NOTE 5 - Long-Term Obligations

General Obligation Debt Limit Calculation - The 2025 equalized valuation of the Town as certified by the Wisconsin Department of Revenue is \$80,634,200. The legal debt limit and margin of indebtedness as of December 31, 2025, in accordance with Section 67.03(1) (a) of the Wisconsin Statutes follows:

TOWN OF TWO CREEKS, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2025

NOTE 5 - Long-Term Obligations - Continued

Debt limit (5% of \$80,634,200)	\$ 4,031,710
Applicable long-term debt	(-)
Amount available in debt service	-
Margin of indebtedness	<u>\$ 4,031,710</u>

NOTE 6 - Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. For all risks of loss, the Town's policy is to purchase commercial insurance. Settled claims have not exceeded commercial insurance coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior year.

NOTE 7 - Supplemental Pension Plan

The Town has a non-contributory entitlement program covering substantially all volunteer fire fighters. The Town makes an annual contribution to this plan which provides retirement income for volunteer firefighters based on years of service. Each individual has their own account which is funded through a proportionate share of the annual contribution from the Town and earnings on their account balance. There are no unfunded prior service liabilities associated with this plan. Benefits begin to vest after 10 years of service and a participant is fully vested after 15 years of service. Benefits are paid in a lump sum after a participant attains age 60 with at least 15 years of service.

TOWN OF TWO CREEKS, WISCONSIN

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF TWO CREEKS, WISCONSIN
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Taxes	\$ 250	\$ 250	\$ 235	\$ (15)
Intergovernmental	834,262	834,262	837,621	3,359
Licenses and permits	120	120	766	646
Public charges for services	7,500	7,500	16,094	8,594
Intergovernmental charges for services	23,000	23,000	20,666	(2,334)
Miscellaneous	52,492	52,492	72,945	20,453
Change in fair value of investments	-	-	63,541	63,541
TOTAL REVENUES	<u>917,624</u>	<u>917,624</u>	<u>1,011,868</u>	<u>94,244</u>
EXPENDITURES				
Current				
General government	132,350	132,350	125,433	6,917
Public safety	40,750	40,750	63,061	(22,311)
Public works	1,117,000	1,117,000	247,439	869,561
Culture, recreation and education	7,000	7,000	5,326	1,674
Conservation and development	400	400	-	400
Capital outlay	64,000	64,000	84,754	(20,754)
TOTAL EXPENDITURES	<u>1,361,500</u>	<u>1,361,500</u>	<u>526,013</u>	<u>835,487</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	19,500	19,500
NET CHANGE IN FUND BALANCE	(443,876)	(443,876)	505,355	949,231
FUND BALANCE - BEGINNING OF YEAR	<u>2,648,275</u>	<u>2,648,275</u>	<u>2,648,275</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,204,399</u>	<u>\$ 2,204,399</u>	<u>\$ 3,153,630</u>	<u>\$ 949,231</u>

The accompanying notes are an integral part of these statements.

TOWN OF TWO CREEKS, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
DECEMBER 31, 2025

NOTE 1 - Budgetary Information - Budgets are adopted each fiscal year for the general fund in accordance with Section 65.90 of the Wisconsin Statutes. The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. In August of each year, all department heads of the Town submit requests for appropriations to the Town Administrator so that a budget may be prepared. Prior to October 15, the Town Administrator submits to the Town Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted for taxpayers to approve the budget. This includes all required public notifications and publications prior to the public hearing.
3. In December, the budget is legally enacted through passage of a Resolution.
4. The department heads are authorized to transfer budget amounts within departmental operating expenses; however, any other revisions that alter the total expenditures of any fund or department must be approved by the Town Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles in the United States of America.
7. Budgetary expenditure control is exercised at the department level within the fund.
8. Budgeted amounts are as authorized in the original budget resolution and subsequent revisions authorized by the Town Board.
9. Appropriations lapse at year-end, except those specifically carried forward by the board's action.
10. Encumbrance accounting is not used.

NOTE 2 - Excess of Actual Expenditure Over Budget - The following expenditure classifications were in excess of \$1,000 over budget.

Public safety	\$	22,311
Capital outlay		20,754

TOWN OF TWO CREEKS, WISCONSIN
OTHER INFORMATION

TOWN OF TWO CREEKS, WISCONSIN
DETAILED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

	FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Taxes			
Managed forest taxes	\$ 250	\$ 235	\$ (15)
TOTAL	<u>250</u>	<u>235</u>	<u>(15)</u>
Intergovernmental			
State			
State shared taxes	762,264	764,813	2,549
Fire insurance dues	2,004	2,427	423
Transporation	69,116	69,116	-
MFL	5	91	86
County and other local grants	873	825	(48)
TOTAL	<u>834,262</u>	<u>837,621</u>	<u>3,359</u>
Licenses and Permits			
Licenses			
Liquor and malt beverage	120	120	-
Business and occupational licenses	-	300	300
Nonbusiness licenses	-	346	346
TOTAL	<u>120</u>	<u>766</u>	<u>646</u>
Public Charges for Services			
General government	-	15	15
Custom work	7,500	16,079	8,579
TOTAL	<u>7,500</u>	<u>16,094</u>	<u>8,594</u>
Intergovernmental Charges for Service			
Recycling	23,000	20,666	(2,334)
TOTAL	<u>23,000</u>	<u>20,666</u>	<u>(2,334)</u>
Miscellaneous			
Interest on investments	40,000	60,565	20,565
Tower lease	1,294	1,293	(1)
Donations	10,000	10,390	390
Other miscellaneous	1,198	697	(501)
Increase (decrease) in fair value of investments	-	63,541	63,541
TOTAL	<u>52,492</u>	<u>136,486</u>	<u>83,994</u>
TOTAL REVENUES	<u>\$ 917,624</u>	<u>\$ 1,011,868</u>	<u>\$ 94,244</u>
OTHER FINANCING SOURCES			
Sale of capital assets	-	19,500	19,500
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>19,500</u>	<u>19,500</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 917,624</u>	<u>\$ 1,031,368</u>	<u>\$ 113,744</u>

TOWN OF TWO CREEKS, WISCONSIN
DETAILED STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

	FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES			
General Government			
Town board	\$ 12,000	\$ 14,934	\$ (2,934)
Legal	2,500	1,275	1,225
Clerk	21,000	19,186	1,814
Assessor	33,000	5,233	27,767
Treasurer	8,500	10,240	(1,740)
Independent audit	8,300	9,180	(880)
Elections	3,000	3,769	(769)
Town hall	15,000	30,583	(15,583)
Property and liability insurance	19,500	4,398	15,102
Highway insurance	-	16,060	(16,060)
Utility tax association dues	2,750	2,750	-
Employee benefits	5,800	2,516	3,284
Miscellaneous	1,000	5,309	(4,309)
TOTAL	132,350	125,433	6,917
Public Safety			
Constable	1,500	1,055	445
Fire protection	33,250	54,201	(20,951)
Ambulance	6,000	4,644	1,356
Emergency warning system	-	3,161	(3,161)
TOTAL	40,750	63,061	(22,311)
Public Works			
Highway and street maintenance	975,000	136,939	838,061
Road machinery	10,000	12,621	(2,621)
Bridges	-	998	(998)
Town shop and garage	30,000	8,615	21,385
Weed control	35,000	30,118	4,882
Snow and ice control	20,000	7,345	12,655
Traffic control	1,000	-	1,000
Street lighting	1,000	877	123
Sanitation			
Transfer station	25,000	32,357	(7,357)
Recycling center	20,000	17,569	2,431
TOTAL	1,117,000	247,439	869,561
Culture, Recreation and Education			
Celebrations	2,000	841	1,159
Recreation programs and events	5,000	4,485	515
TOTAL	7,000	5,326	1,674
Conservation and Development			
Zoning	400	-	400
TOTAL	400	-	400
Capital Outlay			
General government	10,000	9,000	1,000
Public works	45,000	66,754	(21,754)
Culture, recreation and education	9,000	9,000	-
TOTAL	64,000	84,754	(20,754)
TOTAL EXPENDITURES	\$ 1,361,500	\$ 526,013	\$ 835,487

TOWN OF TWO CREEKS, WISCONSIN
DETAIL OF INVESTMENTS
DECEMBER 31, 2025

	<u>Yield at</u> <u>Market</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Cost</u>
Nicolet Wealth Management Investment Portfolio				
Nicolet Treasury Money Market	3.71%	Demand	\$ 48,225	\$ 48,225
Nicolet Treasury Money Market	3.71%	Demand	43,445	43,445
Total Nicolet Treasury Money Market			<u>91,670</u>	<u>91,670</u>
Nicolet Treasury Mutual Fund	5.03%	Demand	267,606	259,494
Nicolet Treasury Mutual Fund	4.00%	Demand	251,188	250,140
Total Nicolet Treasury Mutual Fund			<u>518,794</u>	<u>509,634</u>
U.S. Government Agencies - Government National Mortgage Association Pools				
TRUST 2015-87	3.07%	5/20/2043	19,202	23,558
X SINGLE FAMILY	7.43%	6/15/2027	59	503
M SINGLE FAMILY	7.65%	12/20/2030	125	5,345
X SINGLE FAMILY	5.00%	7/15/2033	1,303	6,072
M SINGLE FAMILY	6.23%	3/20/2034	4,950	34,423
M SINGLE FAMILY	4.96%	7/20/2034	670	1,725
M SINGLE FAMILY	5.30%	8/20/2034	3,610	16,795
M SINGLE FAMILY	5.30%	9/20/2034	3,023	14,187
M SINGLE FAMILY	5.31%	6/20/2035	4,735	17,137
Total U.S. Government Agencies - Government National Mortgage Association Pools			<u>37,677</u>	<u>119,745</u>
Other U.S. Government Agencies				
FHLMC SER 3996	1.51%	2/15/2027	783	1,687
FHLMC SER 4665	3.51%	6/15/2028	33,303	44,751
FHLMC SER 2543	5.75%	12/15/2032	9,796	17,673
FHLMC SER 3572	4.46%	9/15/2039	18,504	21,652
FHLMC SER 4165	1.84%	12/15/2042	29,197	35,872
FHLMC SER 4633	3.05%	3/15/2045	9,073	12,496
FHLMC MBS 55 DAY MULT	4.46%	4/1/2030	252,128	249,355
FHLMC MBS 55 DAY MULT	2.77%	4/1/2032	248,092	241,108
Total Federal Home Loan Mortgage Corporation			<u>600,876</u>	<u>624,594</u>
FNMA TRUST 2002-85	5.33%	12/25/2032	3,112	3,794
FNMA TRUST 2012-38	2.09%	9/25/2041	1,523	1,593
FNMA TRUST 2012-56	3.61%	5/25/2042	47,151	48,677
FNMA TRUST 2013-41	2.62%	11/25/2042	34,604	50,503
FNMA TRUST 2013-60	1.55%	5/25/2043	1,588	73,525
FNMA TRUST 2014-49	3.07%	8/25/2044	8,660	13,934
FNMA UMBS LNG 30 YEAR	5.35%	6/1/2033	223	1,587
FNMA UMBS LNG 30 YEAR	5.35%	6/1/2033	1,721	7,182
FNMA UMBS LNG 30 YEAR	5.70%	11/1/2035	1,064	4,520
FNMA UMBS LNG 30 YEAR	5.67%	5/1/2036	3,060	21,260
Total Federal National Mortgage Association			<u>102,706</u>	<u>226,575</u>
Total Other U.S Government Agencies			<u>703,582</u>	<u>851,169</u>
Total Nicolet Wealth Management Investment Portfolio			<u>\$ 1,351,723</u>	<u>\$ 1,572,218</u>

TOWN OF TWO CREEKS, WISCONSIN
OTHER REPORT

**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 Two Creeks, 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 and each major fund of the Town of Two Creeks, Wisconsin, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town of Two Creeks, Wisconsin's basic financial statements and have issued our report thereon dated March 6, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Two Creeks, Wisconsin'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 of Two Creeks, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Two Creeks, Wisconsin's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described below, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below as items 2025-01 and 2025-03 to be material weaknesses.

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. We consider the deficiency described below as item 2025-02 to be a significant deficiency.

2025-001 - Management's Responsibility for Preparation of Financial Statements

Program: Government-Wide.

Criteria: Adequate internal controls necessitate personnel (management or others) of the Town have adequate training and knowledge that would enable you to prepare financial statements (and footnotes) in accordance with generally accepted accounting principles (GAAP).

Condition: The training and knowledge of your personnel limits your ability to prepare GAAP basis financial statements.

Questioned Costs: Not applicable.

Context: Personnel have adequate knowledge and experience in governmental accounting and interim reporting requirements; however, their limited knowledge and lack of training limits their ability to prepare GAAP basis financial statements.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Information: Isolated instance.

Prior Year Finding: This was a prior year audit finding numbered 2024-001.

Recommendation: Obtain adequate training or continue to hire a certified public accounting (CPA) firm to prepare GAAP basis financial statements.

Management's Response: Due to the complexities involved with preparing GAAP basis financial statements, management has weighed the cost-benefit of training personnel or hiring a CPA firm. Management has concluded to hire a CPA firm.

2025-002 - Segregation of Duties

Program: Government-Wide.

Criteria: Separation of accounting duties is necessary for adequate internal control.

Condition: Separation of accounting duties for adjusting journal entries, cash disbursements and payroll is currently limited to obtain an adequate internal control system.

Questioned Costs: Not applicable.

Context: The number of personnel limits the separation of accounting duties.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Information: Systemic problem.

Prior Year Finding: This was a prior year audit finding numbered 2024-002 .

Recommendation: Management should monitor the accounting internal controls or hire additional personnel to be able to properly separate accounting duties.

Management's Response: This weakness is impractical to entirely correct due to the limited resources and personnel available to our Town. We will continue to use other controls, where practical, to compensate for this limitation.

2025-003 - Material Audit Adjustments

Program: Government-Wide.

Criteria: Generally accepted accounting principles.

Condition: Material audit adjustments were required to prevent the Town's financial statements from being materially misstated.

Questioned Costs: Not applicable.

Context: Internal controls did not identify that an adjustment should be recorded.

Effect: This weakness could result in undetected errors and irregularities and misstated interim financial reports.

Information: Isolated instances.

Prior Year Finding: This was a prior year audit finding numbered 2024-003.

Recommendation: Improve the Town's financial reporting internal controls to prevent these types of adjustments from occurring in the future. Document which accounting procedures are needed to be completed on a recurring basis to detect material adjustments.

Management's Response: The Town will incorporate financial reporting internal controls to detect material adjustments, prevent materially misstated financial statements and increase the accuracy of the interim financial reports used by management.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Two Creeks' 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 Two Creeks, Wisconsin's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Two Creeks response to the findings identified in our audit and described above. The Town of Two Creeks response was not subjected to the 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 of Two Creeks' 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 of Two Creeks' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HAWKINS ASH CPAS, LLP

Hawkins Ash CPAs, LLP

Manitowoc, Wisconsin
March 6, 2026