

TOWN OF COTTAGE GROVE
Cottage Grove, Wisconsin

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Year Ended December 31, 2009

TOWN OF COTTAGE GROVE

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INDEPENDENT AUDITORS' REPORT

To the Town Board
Town of Cottage Grove
Cottage Grove, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cottage Grove, Wisconsin, as of and for the year ended December 31, 2009, which collectively comprise the town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Cottage Grove's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cottage Grove, Wisconsin, as of December 31, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cottage Grove's basic financial statements. The general fund detailed schedules of revenues and expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements. The general fund information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
March 15, 2010

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2009

The management of the Town of Cottage Grove offers all persons interested in the financial position of the town this narrative overview and analysis of the town's financial performance during the fiscal years ending December 31, 2008 and 2009. You are invited to read this narrative in conjunction with the town's financial statements.

FINANCIAL HIGHLIGHTS

- > The general fund is the primary fund used by the town. Within this fund, the normal day-to-day activity is recorded. The fund balance decreased during 2009 by \$47,193, reducing the fund balance from \$601,787 to \$554,594. The following revenues exceeded budget expectations: fines and forfeitures income by \$6,733 and cable television fee income by \$6,460. Due to the decrease in interest rates, interest income was \$22,546 under budget. The following expenditures were under budget: town planner expenditures were \$7,510 under budget and emergency building expenditures were \$9,237 under budget.
- > The public works highway maintenance department's expenditures exceeded their budget by \$36,984. The majority of this was due to the Laudon Road reconstruction project and repairs on the town's roads. The contractor expense account exceeded the budget \$52,167. The Town of Cottage Grove did receive payments from developers in the amount of \$22,531 for their share of the expense for the Laudon Road project.
- > The Town of Cottage Grove received two shared grants with the Village of Cottage Grove. The town's portion of the build grant was \$6,900, which was used for ETZ expense. A police department grant was received in the amount of \$13,012. The majority of the police department grant was used on the State Tracs project.
- > The town and the village entered in a 5-year contract with the Town of Pleasant Springs to expand the area the Cottage Grove Fire Department serves. In 2009, revenue payments in the amount of \$65,500 were received from the Town of Pleasant Springs. This revenue was used for fire department maintenance expense and also towards principal and interest payments for the village and town's shared fire truck.
- > The Town of Cottage Grove completed their real estate property revaluation project in 2009. Total cost in 2009 for this project was \$54,325.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2009

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts: Management's Discussion and Analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the town:

- > The first two statements are government-wide financial statements that provide both long-term and short-term information about the town's overall financial status.
- > The remaining statements are fund financial statements that focus on individual accounts of the town's government, reporting the town's operations in more detail than the government-wide statements.
- > The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

These financial statements also include notes that explain some of the information in the financial statements and provide more detail data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the town as a whole using accounting methods similar to those used by private-sector companies. They include all funds with the exception of the fiduciary funds.

The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues

The two government-wide statements report the town's net assets and how they have changed. Net Assets – the difference between the town's assets and liabilities – is one way to measure the town's financial health, or position. Over time, increases or decreases in the town's net assets are an indicator of whether its financial health is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2009

OVERVIEW OF FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS

In this section of the audit report, individual funds are identified and reported in greater detail. Individual funds provide for an accounting mechanism that allows the town to keep track of revenues and expenditures by a specific purpose or type. Each of these funds is considered a separate accounting entity. Each has its own account structure including assets, liabilities, equity, revenue and expenditure accounts.

In the most recent updates to accounting and audit practices the audit report recognizes major and non-major governmental funds.

Major Governmental Funds

- > *General Fund* – This fund accounts for the town's primary operating activities. It is comprised of all the day-to-day operational revenue and expenditure accounts of the town. The town maintains and adopts budgets for each of the funds listed in the financial statements.

Non-Major Governmental Funds

Special Revenue Funds

- > *Cemetery Trust Fund* – This fund is used to account for specific revenue sources that are restricted to expenditures for Liberty Cemetery.

Fiduciary Funds

- > *Fiduciary Funds* – These funds are held as an obligation to another municipal body, taxing jurisdiction or entity. In the Town of Cottage Grove financial statements the tax collection fund is considered a fiduciary fund.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

An analysis of the town's financial position begins with a review of the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets. These two statements report the town's net assets and changes therein. It should be noted that the financial position could also be affected by non-financial factors, including economic conditions, population growth and new regulations.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2009

NET ASSETS

A summary of the town's Statement of Net Assets for fiscal years 2008 and 2009 are presented below in Table 1.

Table 1
Condensed Statements of Net Assets

	<u>2008</u>	<u>2009</u>	<u>Dollar Change</u>
Current and Other Assets	\$ 2,501,425	\$ 2,493,237	\$ (8,188)
Capital Assets	<u>8,544,651</u>	<u>8,309,059</u>	<u>(235,592)</u>
Total Assets	<u>11,046,076</u>	<u>10,802,296</u>	<u>(243,780)</u>
Long-term Debt Outstanding	1,409,292	1,153,135	(256,157)
Other Liabilities	<u>1,644,058</u>	<u>1,626,404</u>	<u>(17,654)</u>
Total Liabilities	<u>3,053,350</u>	<u>2,779,539</u>	<u>(273,811)</u>
Invested in Capital Assets, Net of Related Debt	7,282,173	7,234,550	(47,623)
Restricted	11,866	12,154	288
Unrestricted	<u>698,687</u>	<u>776,053</u>	<u>77,366</u>
Total Net Assets	<u>\$ 7,992,726</u>	<u>\$ 8,022,757</u>	<u>\$ 30,031</u>

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2009

NET ASSETS (cont.)

Table 2
Condensed Statement of Revenues,
Expenses and Changes in Net Assets

	2008	2009	Dollar Change
Revenues			
Program Revenues			
Charges for services	\$ 397,428	\$ 469,779	\$ 72,351
Operating grants	207,342	188,332	(19,010)
Capital grants	-	1,790	1,790
General Revenues			
Property taxes	1,423,365	1,437,829	14,464
Other taxes	13,575	13,843	268
Intergovernmental	89,014	88,624	(390)
Investment income	39,493	15,610	(23,883)
Gain on sale of assets	15	-	(15)
Miscellaneous	3,468	4,456	988
Total Revenues	2,173,700	2,220,263	46,563
Expenses			
General government	311,424	354,353	42,929
Public safety	790,236	804,380	14,144
Public works	1,020,322	962,178	(58,144)
Health and human services	5,568	5,570	2
Culture, education and recreation	17,905	18,872	967
Interest and fiscal charges	39,325	44,879	5,554
Total Expenses	2,184,780	2,190,232	5,452
Change in Net Assets	(11,080)	30,031	41,111
NET ASSETS – Beginning of Year (as restated)	8,003,806	7,992,726	(11,080)
NET ASSETS – END OF YEAR	\$ 7,992,726	\$ 8,022,757	\$ 30,031

TOWN OF COTTAGE GROVE

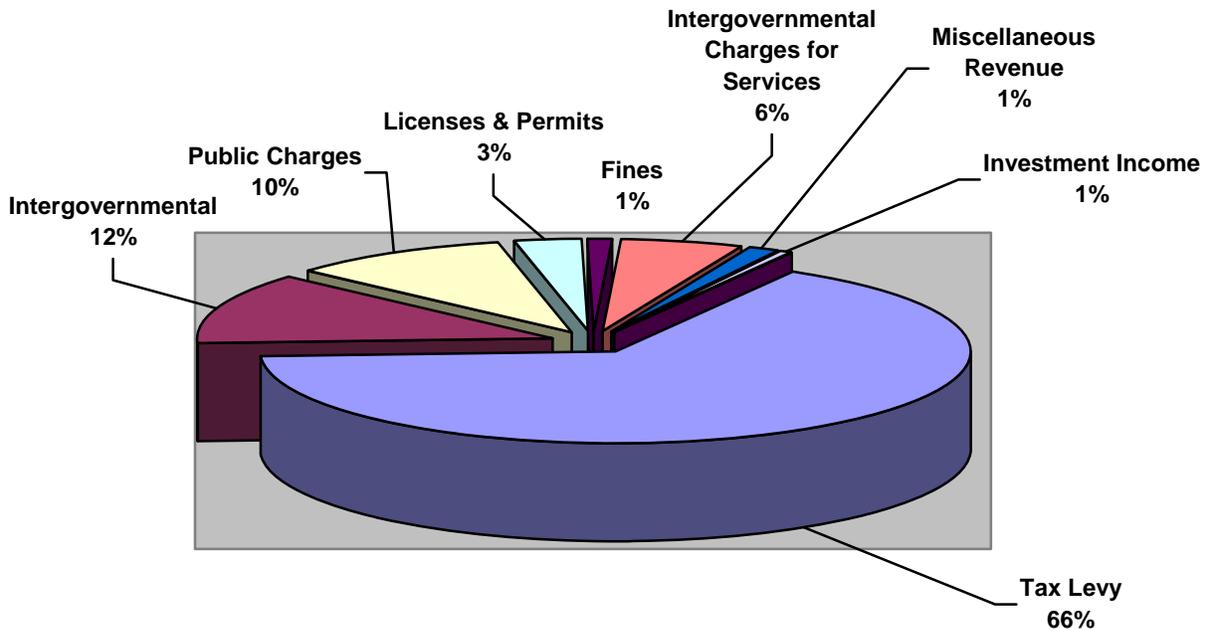
MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2009

GENERAL FUND

The General fund is the primary fund used by the town. Within this fund, the normal day-to-day activity is recorded. The fund balance decreased in 2009 by \$47,193, decreasing the fund balance from \$601,787 to \$554,594.

GENERAL FUND BUDGETARY HIGHLIGHTS

2009 Revenue

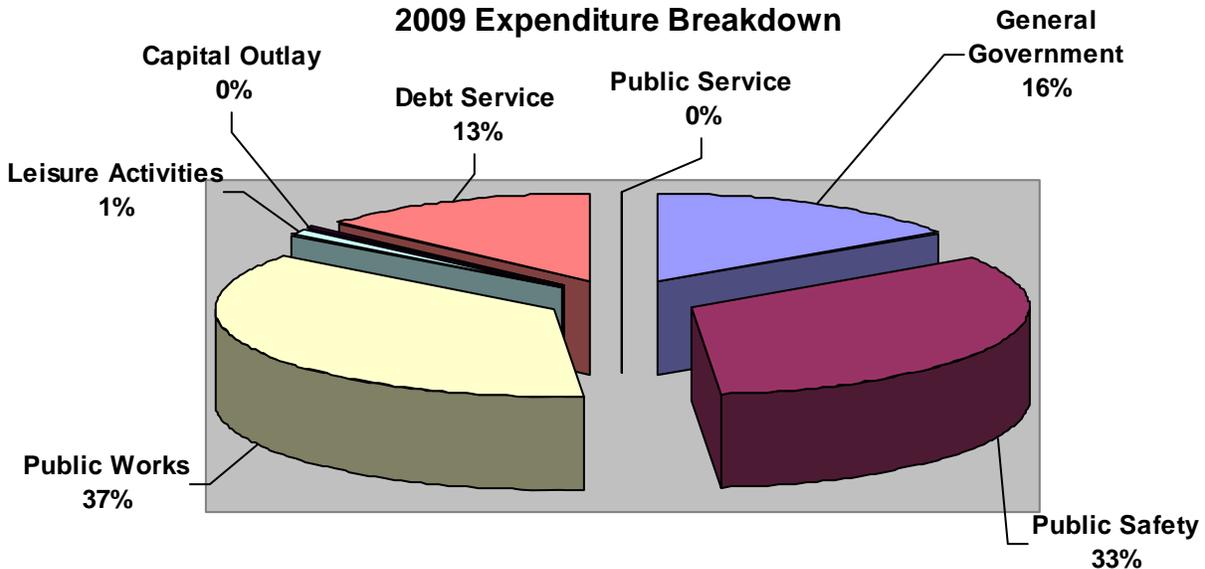


TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008 and 2009

GENERAL FUND (cont.)

GENERAL FUND BUDGETARY HIGHLIGHTS (cont.)



General Government

This section of the General fund budget relates to administration costs associated with management of the town, such as the town board, clerk/treasurer and staff, elections, legal, insurances and town and emergency building maintenance. At year-end, the general government budget reflected a variance of \$31,372. The majority of this was due to town planner costs being under budget by \$7,510, emergency building costs being under budget by \$9,237, and also judicial costs being under budget by \$4,422.

Public Safety

This section of the budget pertains to law enforcement, fire department, EMS, building and fire inspections. The Town of Cottage Grove has a joint agreement with the Village of Cottage Grove to provide services to residents. The costs of the fire department and police department are split proportionately based upon equalized value and population. The town and village also share a capital lease for the fire department ladder truck. During 2009, the cost was split with the village at 50.16%, and the town at 49.84%. At year-end, this section of the general fund budget shows a variance of \$14,341 over budget. This is due to the police department expenses being over budget by \$12,791 and the police commission expenses being over budget by \$4,395. The police department did receive unbudgeted grant revenue and other earnings in the amount of \$14,169.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2009

GENERAL FUND (cont.)

GENERAL FUND BUDGETARY HIGHLIGHTS (cont.)

Public Works

This section or department pertains to the administration of the department, maintenance of roads and other municipally owned infrastructure, street lighting, refuse collection, and landfill. At year-end, this department reflected a variance being over budget \$14,086. The majority of this was due to the Laudon Road reconstruction project and repairs on some of the town roads. The contractor expense account exceeded the budget \$52,167. The town received payments from developers in the amount of \$22,531 for their share of the expense for the project. Highway construction expenditures were \$27,925 under budget.

Leisure Activities

This section of the budget pertains to parks, playgrounds, and senior outreach program. At year-end this section reflected a variance being under budget \$569 for the year. This is due to below budget expense for the parks department.

Public Services Enterprises

This section of the budget pertains to soldier's graves. At year-end, this section reflected a variance of being over budget by \$2.

Capital Outlay

This section of the budget pertains to payments for purchases of capital assets for the town. In 2009, the town purchased a joint owned police car for the Police Department. The town's share of cost for the Police Car was \$9,020.

General Debt Service

The town's debt service accounts for payments of both principal and interest of our general obligation debt, promissory notes and capital lease. Reimbursements from the village for the ladder truck offset the capital lease principal and interest payments.

Overall, the departments responsible for the operational budget for the Town of Cottage Grove did an excellent job in maintaining and operating within the budget approved by the town Board.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2009

CAPITAL ASSETS

At the end of 2009, the town had invested a total of \$8,309,059 in capital assets. This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure.

**Table 3
Capital Assets**

	2008	2009	Dollar Change
Land	\$ 3,701,036	\$ 3,700,102	\$ (934)
Buildings	2,571,805	2,571,805	-
Machinery and equipment	1,780,236	1,789,256	9,020
Infrastructure	<u>3,678,005</u>	<u>3,711,210</u>	<u>33,205</u>
Total Capital Assets	11,731,082	11,772,373	41,291
Less: Accumulated Depreciation	<u>(3,186,431)</u>	<u>(3,463,314)</u>	<u>276,883</u>
Net Capital Assets	<u>\$ 8,544,651</u>	<u>\$ 8,309,059</u>	<u>\$ (235,592)</u>

LONG-TERM DEBT

At December 31, 2009, the town had \$912,286 of long-term bonds and notes outstanding, \$775,000 of which is general obligation debt. This is a decrease of \$222,328 from the prior year.

In accordance with the Wisconsin statutes, total general obligation debt of the town may not exceed five percent of the equalized value of taxable property within the town's jurisdiction. The debt limit as of December 31, 2009 was \$20,091,915. Total general obligation debt outstanding at year-end was \$775,000.

INFRASTRUCTURE ASSETS

The Town of Cottage Grove uses the Pavement Surface Evaluation and Rating (PASER) system to evaluate the surface condition of concrete and asphalt streets.

REQUESTS FOR INFORMATION

If you have questions about this report, or need additional financial information, contact Deborah Simonson, Treasurer, and Town of Cottage Grove.

TOWN OF COTTAGE GROVE

STATEMENT OF NET ASSETS December 31, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 625,023
Receivables	
Taxes	1,649,991
Accounts	32,605
Delinquent personal property taxes	4,246
Delinquent special assessments	3,501
Prepaid items	73,093
Investment in EMS joint venture	104,778
Capital assets (net of accumulated depreciation)	
Land	3,700,102
Other capital assets, net of depreciation	<u>4,608,957</u>
Total Assets	<u>10,802,296</u>
LIABILITIES	
Accounts payable	162,289
Accrued liabilities and deposits	24,318
Unearned revenue	1,439,797
Noncurrent liabilities	
Due within one year	284,365
Due in more than one year	<u>868,770</u>
Total Liabilities	<u>2,779,539</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,234,550
Restricted for	
Cemetery	12,154
Unrestricted	<u>776,053</u>
TOTAL NET ASSETS	<u>\$ 8,022,757</u>

See accompanying notes to financial statements.

TOWN OF COTTAGE GROVE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 354,353	\$ 49,863	\$ -	\$ -
Public safety	804,380	160,259	24,682	-
Public works	962,178	254,767	156,489	1,790
Health and human services	5,570	-	164	-
Culture, education and recreation	18,872	-	-	-
Conservation and development	-	4,890	6,997	-
Interest and fiscal charges	<u>44,879</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Governmental Activities	 <u>\$ 2,190,232</u>	 <u>\$ 469,779</u>	 <u>\$ 188,332</u>	 <u>\$ 1,790</u>

General Revenues

 Taxes

 Property taxes, levied for general purposes

 Other taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Miscellaneous

Total General Revenues

Change in net assets

NET ASSETS - Beginning of Year

NET ASSETS - END OF YEAR

Net (Expenses)
Revenues and
Changes in Net
Assets

Governmental
Activities

\$ (304,490)
(619,439)
(549,132)
(5,406)
(18,872)
11,887
(44,879)

\$ (1,530,331)

\$ 1,437,829
13,843
88,624
15,610
4,456

1,560,362

30,031

7,992,726

\$ 8,022,757

See accompanying notes to financial statements.

TOWN OF COTTAGE GROVE

BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2009

	General	Nonmajor Governmental Fund Cemetery Fund	Totals
ASSETS			
Cash and investments	\$ 612,869	\$ 12,154	\$ 625,023
Receivables			
Taxes	1,649,991	-	1,649,991
Delinquent personal property tax	4,246	-	4,246
Accounts	32,605	-	32,605
Delinquent special assessments	3,501	-	3,501
Prepaid items	73,093	-	73,093
	<u>2,376,305</u>	<u>12,154</u>	<u>2,388,459</u>
TOTAL ASSETS	\$ 2,376,305	\$ 12,154	\$ 2,388,459
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 162,289	\$ -	\$ 162,289
Other accrued liabilities	9,431	-	9,431
Deferred revenues	1,649,991	-	1,649,991
Total Liabilities	<u>1,821,711</u>	<u>-</u>	<u>1,821,711</u>
Fund Balances			
Reserved			
Delinquent personal property taxes	4,246	-	4,246
Reserved for prepaid items	73,093	-	73,093
Cemetery	-	12,154	12,154
Unreserved, reported in:			
General fund designated	86,568	-	86,568
General fund undesignated	390,687	-	390,687
Total Fund Balances	<u>554,594</u>	<u>12,154</u>	<u>566,748</u>
	<u>2,376,305</u>	<u>12,154</u>	<u>2,388,459</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,376,305	\$ 12,154	\$ 2,388,459

See accompanying notes to financial statements.

TOWN OF COTTAGE GROVE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS December 31, 2009

Total Fund Balances - Governmental Funds	\$	566,748
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.		
Land		3,700,102
Other capital assets		8,072,271
Less: Accumulated depreciation		(3,463,314)
Some receivables that are not currently available are reported as deferred revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.		
		210,194
The town's investment in the EMS joint venture is not a financial resource and, therefore, is not reported in the funds.		
		104,778
Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.		
Bonds and notes payable		(912,286)
Capital leases payable		(162,223)
Compensated absences		(78,626)
Accrued interest		<u>(14,887)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>8,022,757</u>

See accompanying notes to financial statements.

TOWN OF COTTAGE GROVE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2009

	General	Nonmajor Governmental Fund Cemetery Fund	Totals
REVENUES			
Taxes	\$ 1,451,672	\$ -	\$ 1,451,672
Intergovernmental	274,447	-	274,447
Licenses and permits	63,023	-	63,023
Fines, forfeitures and penalties	26,733	-	26,733
Public charges for services	222,393	-	222,393
Intergovernmental charges for services	124,534	-	124,534
Investment income	12,968	288	13,256
Miscellaneous	27,976	-	27,976
Total Revenues	2,203,746	288	2,204,034
EXPENDITURES			
Current			
General government	351,814	-	351,814
Public safety	743,903	-	743,903
Public works	826,837	-	826,837
Leisure activities	19,837	-	19,837
Public service enterprises	164	-	164
Capital Outlay	9,020	-	9,020
Debt Service			
Principal	251,135	-	251,135
Interest and fiscal charges	48,287	-	48,287
Total Expenditures	2,250,997	-	2,250,997
Excess (deficiency) of revenues over expenditures	(47,251)	288	(46,963)
OTHER FINANCING SOURCES			
Property sales	58	-	58
Total Other Financing Sources	58	-	58
Net Change in Fund Balances	(47,193)	288	(46,905)
FUND BALANCES - Beginning of Year	601,787	11,866	613,653
FUND BALANCES - END OF YEAR	\$ 554,594	\$ 12,154	\$ 566,748

See accompanying notes to financial statements.

TOWN OF COTTAGE GROVE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2009

Net change in fund balances - total governmental funds	\$ (46,905)
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of net assets the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	9,020
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements	37,183
Depreciation is reported in the government-wide financial statements	(278,172)
Net book value of assets retired	(5,413)
Contributed capital assets are reported as revenues in the government-wide financial statements.	1,790
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	
Garbage/recycling fees	14,381
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Principal repaid	251,135
Some expenses 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.	
Compensated absences	5,022
Accrued interest on debt	3,408
The proportionate share of the change in net assets related to joint ventures reported in the statement of activities neither provides nor uses current financial resources and is not reported in the fund financial statements.	<u>38,582</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 30,031</u></u>

TOWN OF COTTAGE GROVE

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
December 31, 2009

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 3,959,789
Taxes	<u>2,480,242</u>
TOTAL ASSETS	<u>\$ 6,440,031</u>
LIABILITIES	
Due to other taxing units	<u>\$ 6,440,031</u>
TOTAL LIABILITIES	<u>\$ 6,440,031</u>

See accompanying notes to financial statements.

TOWN OF COTTAGE GROVE

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TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Cottage Grove, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the Town of Cottage Grove. The reporting entity for the town consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable for the organization. The primary government 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 burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the primary government. This report does not contain any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Government-Wide Financial Statements (cont.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund that met the 10% test is at least 5% of the corresponding total for all governmental funds combined.
- c. In addition, any other governmental fund that the town believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The town reports the following major governmental fund:

General Fund - accounts for the town's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The town reports the following non-major governmental fund:

Special Revenue Fund - used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Cemetery Trust Fund

In addition, the town reports the following fund type:

Agency funds are used to account for assets held by the town in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Tax Collection Fund

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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 are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the town is entitled the resources and the amounts are available. Amounts owed to the town which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. Delinquent special assessments being held for collection by the county are reported as receivables and reserved fund balance in the general fund.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The town reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the town has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

Investment of town funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

Investment of most trust funds including cemetery perpetual care funds, is regulated by Chapter 881 of the Wisconsin Statutes.

The town has adopted an investment policy. That policy contains the following guidelines for allowable deposits and investments:

Custodial Credit Risk - all financial institutions acting as a depository for the town must enter into a depository agreement requiring the depository to pledge collateral to secure amounts over and above the guaranteed amounts in the cases of certificates of deposit. Collateral shall be held by an independent third party.

Credit Risk - the town will minimize credit risk by diversifying the investment portfolio so that the impact of potential losses from one individual issuer will be minimized.

Interest Rate Risk - the town will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, therefore, avoiding the need to sell securities on the open market prior to maturity. The town will also invest operating funds primarily in shorter-term securities, money markets, mutual funds or similar investment pools and limiting the average maturity of the portfolio.

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

See Note III. A. for further information.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the town, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund statement of fiduciary net assets.

Property tax calendar - 2009 tax roll:

Lien date and levy date	December 2009
Tax bills mailed	December 2009
Payment in full, or	January 31, 2010
First installment due	January 31, 2010
Second installment due	July 31, 2010
Personal property taxes in full	January 31, 2010
Tax sale - 2009 delinquent real estate taxes	October 2012

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant.

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

3. Inventories and Prepaid Items (cont.)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$25,000 for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair 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 assets. 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 is as follows:

Buildings	40 Years
Machinery and Equipment	4-25 Years
Infrastructure	25 Years

Fund Financial Statements

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

5. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2009, are determined on the basis of current salary rates and include salary related payments.

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

6. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

The town may approve the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the town. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. There were no IRB's outstanding at year end.

7. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. The liability for claims and judgments is only reported in governmental funds if it has matured. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

8. Equity Classifications

Government-Wide Statements

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on their use either 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.
- c. Unrestricted net assets - All other net assets that do not meet the definitions of "restricted" or "invested in capital assets, net of related debt."

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

8. Equity Classifications (cont.)

Government-Wide Statements (cont.)

When both restricted and unrestricted resources are available for use, it is the town's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balance is that portion of fund balance that is not available for the subsequent year's budget due to legal restrictions or resources which are not available for current spending.

Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated". The balance of unreserved fund balance is labeled "undesignated", which indicates it is available for appropriation.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

A budget has been adopted for the General fund. Budgets have not been formally adopted for the Cemetery trust fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented include any amendments made. The town may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds board action.

Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$36,478. Budgets are adopted at the department level of expenditure.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The town controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the town's year-end budget to actual report.

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2009, no individual funds held a deficit balance.

D. LIMITATIONS ON THE TOWN'S TAX LEVY

As part of Wisconsin's Act 28 (2009), legislation was passed that limits the town's future tax levies. Generally the town is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the town's equalized value due to new construction or 3% for the 2009 levy collected in 2010 and 3% for the 2010 levy collected in 2011. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit is set to expire after the 2010 levy.

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The town's deposits and investments at year end were comprised of the following:

	Carrying Value	Bank and Investment Balances	Associated Risks
Deposits	<u>\$ 4,584,812</u>	<u>\$ 4,472,205</u>	Custodial credit risk
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 625,023		
Per statement of net assets - fiduciary funds			
Agency Fund	<u>3,959,789</u>		
Total Deposits and Investments	<u>\$ 4,584,812</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited amounts for noninterest bearing accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

The town maintains collateral agreements with its banks. At December 31, 2009, the banks had pledged various government securities in the amount of \$4,347,325 to secure the town's deposits.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the town's deposits may not be returned to the town.

The town does not have any deposits exposed to custodial credit risk.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The town does not have any investments exposed to custodial credit risk.

See Note I.D.1. for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Totals</u>
Property taxes receivable for subsequent year	\$ -	\$ 1,439,797	\$ 1,439,797
Garbage/recycling fees	<u>210,194</u>	<u>-</u>	<u>210,194</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 210,194</u>	<u>\$ 1,439,797</u>	<u>\$ 1,649,991</u>

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 3,701,036	\$ 1,790	\$ 2,724	\$ 3,700,102
Total Capital Assets Not Being Depreciated	3,701,036	1,790	2,724	3,700,102
Capital assets being depreciated				
Buildings	2,571,805	-	-	2,571,805
Machinery and equipment	1,780,236	9,020	-	1,789,256
Streets	3,678,005	37,183	3,978	3,711,210
Total Capital Assets Being Depreciated	8,030,046	46,203	3,978	8,072,271
Total Capital Assets	11,731,082	47,993	6,702	11,772,373
Less: Accumulated depreciation for				
Buildings	(721,647)	(51,412)	-	(773,059)
Machinery and equipment	(744,846)	(103,383)	-	(848,229)
Streets	(1,719,938)	(123,377)	1,289	(1,842,026)
Total Accumulated Depreciation	(3,186,431)	(278,172)	1,289	(3,463,314)
Net Capital Assets Being Depreciated	4,843,615	(231,969)	2,689	4,608,957
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 8,544,651	\$ (230,179)	\$ 5,413	\$ 8,309,059

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 4,616
Public safety	99,059
Public works, which includes the depreciation of infrastructure	170,056
Culture, recreation, and education	4,441
Total Governmental Activities Depreciation Expense	\$ 278,172

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 960,000	\$ -	\$ 185,000	\$ 775,000	\$ 190,000
Promissory notes	174,614	-	37,328	137,286	44,751
Sub-totals	<u>1,134,614</u>	<u>-</u>	<u>222,328</u>	<u>912,286</u>	<u>234,751</u>
Other Liabilities					
Vested compensated absences	83,648	15,890	20,912	78,626	19,657
Capital leases	191,030	-	28,807	162,223	29,957
Total Other Liabilities	<u>274,678</u>	<u>15,890</u>	<u>49,719</u>	<u>240,849</u>	<u>49,614</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,409,292</u>	<u>\$ 15,890</u>	<u>\$ 272,047</u>	<u>\$ 1,153,135</u>	<u>\$ 284,365</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the town may not exceed 5% of the equalized value of taxable property within the town's jurisdiction. The debt limit as of December 31, 2009, was \$20,091,915. Total general obligation debt outstanding at year end was \$775,000.

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the town. Notes and bonds in the governmental funds will be retired by future property tax levies.

Governmental Activities General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/09
2006 General Obligation Promissory Note	11/15/06	04/01/13	3.60-3.875%	\$ 1,325,000	\$ <u>775,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 775,000</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt	
	Principal	Interest
2010	\$ 190,000	\$ 33,026
2011	190,000	26,041
2012	190,000	11,601
2013	<u>205,000</u>	<u>3,972</u>
Totals	<u>\$ 775,000</u>	<u>\$ 74,640</u>

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. LONG-TERM OBLIGATIONS (cont.)

Promissory Notes

Promissory notes are payable from future property tax levies.

Promissory notes at December 31, 2009 consist of the following:

<u>Governmental Activities Promissory Notes</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2009</u>
2005 Promissory note	04/29/05	04/26/10	4.00%	\$ 109,033	\$ 34,144
2008 Promissory note	12/15/08	12/15/18	4.50%	120,640	<u>103,142</u>
Total Governmental Activities Promissory Notes					<u>\$ 137,286</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities Promissory Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 44,751	\$ 6,005
2011	11,133	4,162
2012	11,634	3,661
2013	12,157	3,137
2014	12,705	2,590
2015-2018	<u>44,906</u>	<u>4,381</u>
Totals	<u>\$ 137,286</u>	<u>\$ 23,936</u>

Capital Leases

Refer to Note III. E.

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. LONG-TERM OBLIGATIONS (cont.)

Prior-Year Defeasance of Debt

In prior years, the town defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the town's financial statements. At December 31, 2009, \$815,000 of bonds outstanding are considered defeased.

<u>Call Date</u>	<u>Amount</u>
2010	\$ 160,000
2011	160,000
2012	160,000
2013	160,000
2014	175,000

E. LEASE DISCLOSURES

Lessee - Capital Leases

In 2004 the town acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$295,622, which are included in capital assets in the governmental activities. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2009, are as follows:

<u>Years</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ 29,957	\$ 6,473	\$ 36,430
2011	31,152	5,277	36,429
2012	32,395	4,034	36,429
2013	33,687	2,742	36,429
2014	<u>35,032</u>	<u>1,398</u>	<u>36,430</u>
 Totals	 <u>\$ 162,223</u>	 <u>\$ 19,924</u>	 <u>\$ 182,147</u>

Lessee - Operating Leases

During 2006, the Town of Cottage Grove entered into an operating lease agreement for the use of a storage building to house police vehicles and other items related to the operation of the Cottage Grove Police Department. The town made payments of \$6,711 in 2009 and expects to make payments at similar rates in the future.

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. NET ASSETS/FUND BALANCES

Net assets reported on the government wide statement of net assets at December 31, 2009, includes the following:

Governmental Activities

Invested in Capital Assets, Net of Related Debt	
Land	\$ 3,700,102
Other capital assets, net of accumulated depreciation	4,608,957
Less: Long-term debt outstanding	<u>(1,074,509)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>7,234,550</u>
Restricted	
Cemetery trust funds	<u>12,154</u>
Total Restricted	<u>12,154</u>
Unrestricted	<u>776,053</u>
Total Governmental Activities Net Assets	<u>\$ 8,022,757</u>

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. NET ASSETS/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2009, include the following:

Reserved	
Major Fund	
General Fund	
Delinquent personal property taxes	\$ 4,246
Prepaid items	<u>73,093</u>
Total	<u>\$ 77,339</u>
Non-Major Fund	
Special Revenue Fund	
Cemetery Trust Fund	\$ <u>12,154</u>
Total Non-Major Funds	<u>\$ 12,154</u>
Unreserved (designated)	
Major Fund	
General Fund	
Subsequent year's expenditures	\$ 36,478
Sick leave liability	33,701
Hydrite	11,305
Pleasant Springs Fire Expenses	<u>5,084</u>
Total	<u>\$ 86,568</u>
Unreserved (undesignated)	
Major Fund	
General fund	\$ <u>390,687</u>
Total	<u>\$ 390,687</u>

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE IV - OTHER INFORMATION

A. RISK MANAGEMENT

The town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

B. COMMITMENTS AND CONTINGENCIES

From time to time, the town is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the town attorney 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 has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Funding for the operating budget of the town comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the town. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the town.

C. JOINT VENTURES

The Town of Cottage Grove operates the following services: police, emergency building maintenance, fire protection, and emergency government with the Village of Cottage Grove.

The police department is governed by the Law Enforcement Committee, which consists of three appointed board members from each municipality as well as a police commission that consists of three appointed citizens from each municipality.

The fire department and emergency building maintenance are governed by the Joint Fire Protection Committee, which consists of three board members from each municipality. The governing bodies have authority to adopt its own budget and control the financial affairs of the departments. The municipal boards also approve the department budgets. The town made payments totaling \$505,285 for the police department, \$469 for emergency government, \$20,345 for emergency building maintenance, and \$46,375 for fire protection to the districts for 2009. The town believes that the district will continue to provide services in the future at similar rates.

TOWN OF COTTAGE GROVE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE IV - OTHER INFORMATION (cont.)

C. JOINT VENTURES (cont.)

Financial information for the police department as of December 31, 2009 is available at the village hall.

Financial information for the emergency services building and fire department as of December 31, 2009 is available at the town hall.

A capital lease and promissory note are being repaid with resources of the fire district and is secured by the taxing power of the participants. The transactions of the district are not reflected in these financial statements.

Deer-Grove EMS District

The Town of Cottage Grove, Villages of Cottage Grove and Deerfield, and the Town of Deerfield jointly operate the local EMS District, which is called the Deer-Grove EMS District. The district adopts its own budget. The three municipalities do approve the district's budget as well. Net operating costs including debt service are shared by the four communities based on the ratio of equalized values. The department is governed by the Deer-Grove EMS Commission. The commission consists of one board member from each community as well as a medical director. Town of Cottage Grove representatives are appointed by the Town Chair, subject to approval by the town board. The town made a payment to the district in 2009 of \$102,828. The town believes that the district will continue to provide services in the future at similar rates.

Financial information of this district as of December 31, 2009 is available directly from the district's office.

The town's equity interest in the EMS District is equal to its percentage share of participation. The equity interest is reported in the governmental activities column of the government-wide statement of net assets. Changes in the equity interest are reported on the statement of activities.

D. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF COTTAGE GROVE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,451,591	\$ 1,451,591	\$ 1,451,672	\$ 81
Intergovernmental	250,791	250,791	274,447	23,656
Licenses and permits	50,850	50,850	63,023	12,173
Fines, forfeitures and penalties	20,000	20,000	26,733	6,733
Public charges for services	197,179	197,179	222,393	25,214
Intergovernmental charges for services	163,005	130,797	124,534	(6,263)
Investment income	35,000	35,000	12,968	(22,032)
Miscellaneous	22,800	22,800	27,976	5,176
Total Revenues	2,191,216	2,159,008	2,203,746	44,738
EXPENDITURES				
Current				
General government	383,186	383,186	351,814	31,372
Public safety	784,712	729,562	743,903	(14,341)
Public works	812,751	812,751	826,837	(14,086)
Leisure activities	20,406	20,406	19,837	569
Public service enterprises	162	162	164	(2)
Capital Outlay	11,302	11,302	9,020	2,282
Debt Service				
Principal	233,642	251,141	251,135	6
Interest and fiscal charges	42,839	48,282	48,287	(5)
Total Expenditures	2,289,000	2,256,792	2,250,997	5,795
Excess (deficiency) of revenues over (under) expenditures	(97,784)	(97,784)	(47,251)	50,533
OTHER FINANCING SOURCES				
Property sales	300	300	58	(242)
Total Other Financing Sources	300	300	58	(242)
Net Change in Fund Balance	(97,484)	(97,484)	(47,193)	50,291
FUND BALANCE - Beginning of Year	601,787	601,787	601,787	-
FUND BALANCE - END OF YEAR	\$ 504,303	\$ 504,303	\$ 554,594	\$ 50,291

See independent auditors' report and accompanying notes to required supplementary information.

TOWN OF COTTAGE GROVE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2009

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

Excess expenditures over appropriations are as follows:

	<u>Amended Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Public safety	\$ 729,562	\$ 743,903	\$ 14,341
Public works	812,751	826,837	14,086
Public service enterprises	162	164	2

SUPPLEMENTARY INFORMATION

TOWN OF COTTAGE GROVE

DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
TAXES				
Local taxes	\$ 1,437,829	\$ 1,437,829	\$ 1,437,829	\$ -
Occupational taxes	1,500	1,500	1,581	81
Other taxes	<u>12,262</u>	<u>12,262</u>	<u>12,262</u>	<u>-</u>
Total Taxes	<u>1,451,591</u>	<u>1,451,591</u>	<u>1,451,672</u>	<u>81</u>
INTERGOVERNMENTAL				
State shared revenues	85,240	85,240	85,673	433
State aid - police	-	-	14,051	14,051
State aid - fire insurance	10,000	10,000	10,631	631
State aid - transportation	142,093	142,093	142,125	32
State aid - in lieu of forest lands	96	96	97	1
Other state payments	-	-	100	100
Urban stormwater grant	-	-	795	795
State aid - croplands/forest	1,200	1,200	342	(858)
State aid - recycling	12,000	12,000	10,944	(1,056)
County aid - highway and bridges	-	-	2,625	2,625
County aid - build grant	-	-	6,900	6,900
County aid - soldiers' graves	162	162	164	2
Total Intergovernmental	<u>250,791</u>	<u>250,791</u>	<u>274,447</u>	<u>23,656</u>
LICENSES AND PERMITS				
Business and occupational licenses	7,000	7,000	4,840	(2,160)
Dog licenses	1,150	1,150	1,315	165
Building permits and inspections	15,000	15,000	21,693	6,693
Zoning permits and fees	1,500	1,500	2,500	1,000
Cable television franchise fees	25,000	25,000	31,460	6,460
Other permits and fees	<u>1,200</u>	<u>1,200</u>	<u>1,215</u>	<u>15</u>
Total Licenses and Permits	<u>50,850</u>	<u>50,850</u>	<u>63,023</u>	<u>12,173</u>
FINES, FORFEITURES AND PENALTIES				
Law and ordinance violations	<u>20,000</u>	<u>20,000</u>	<u>26,733</u>	<u>6,733</u>
Total Fines, Forfeitures and Penalties	<u>20,000</u>	<u>20,000</u>	<u>26,733</u>	<u>6,733</u>
PUBLIC CHARGES FOR SERVICES				
Refuse collection/curbside	134,784	134,784	134,830	46
Recycling charges	59,810	59,810	59,949	139
Title search	2,000	2,000	4,275	2,275
CPR classes	-	-	172	172
Highway maintenance	-	-	22,531	22,531
Street lighting fees	585	585	586	1
Other miscellaneous charges	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
Total Public Charges for Services	<u>197,179</u>	<u>197,179</u>	<u>222,393</u>	<u>25,214</u>

TOWN OF COTTAGE GROVE

DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
INTERGOVERNMENTAL CHARGES FOR SERVICES				
Local - fire services	\$ 123,518	\$ 91,310	\$ 91,198	\$ (112)
Local - emergency building maintenance	24,744	24,744	20,345	(4,399)
Local - landfill charges	8,100	8,100	6,492	(1,608)
Other charges	6,393	6,393	6,381	(12)
Local - law enforcement services	250	250	118	(132)
Total Intergovernmental Charges for Services	<u>163,005</u>	<u>130,797</u>	<u>124,534</u>	<u>(6,263)</u>
INVESTMENT INCOME				
Interest income	35,000	35,000	12,454	(22,546)
Interest on special assessments/charges	-	-	514	514
Total Investment Income	<u>35,000</u>	<u>35,000</u>	<u>12,968</u>	<u>(22,032)</u>
MISCELLANEOUS				
Rent	20,800	20,800	21,166	366
Dividends	2,000	2,000	2,354	354
Landfill settlement	-	-	(175)	(175)
Other miscellaneous revenues	-	-	4,631	4,631
Total Miscellaneous	<u>22,800</u>	<u>22,800</u>	<u>27,976</u>	<u>5,176</u>
OTHER FINANCING SOURCES				
Property sales	300	300	58	(242)
Total Other Financing Sources	<u>300</u>	<u>300</u>	<u>58</u>	<u>(242)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 2,191,516</u>	<u>\$ 2,159,308</u>	<u>\$ 2,203,804</u>	<u>\$ 44,496</u>

TOWN OF COTTAGE GROVE

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
GENERAL GOVERNMENT				
Town board	\$ 30,330	\$ 30,330	\$ 30,060	\$ 270
Planning committee	2,099	2,099	1,642	457
Town planner	15,000	15,000	7,490	7,510
Emergency government	2,093	2,093	1,211	882
Town revaluation	54,322	54,322	54,325	(3)
Clerk/secretarial	39,046	39,046	38,780	266
Treasurer	19,368	19,368	18,628	740
Assessor	1,890	1,890	2,400	(510)
Ordinance commission	431	431	54	377
Judicial	24,168	24,168	19,746	4,422
Legal	74,000	74,000	71,947	2,053
Elections	2,000	2,000	2,878	(878)
Accounting	14,730	14,730	13,494	1,236
Property and liability insurance	32,287	32,287	29,062	3,225
Town hall	14,495	14,495	12,814	1,681
Flynn hall	7,000	7,000	6,355	645
Emergency building	49,927	49,927	40,690	9,237
Other general government	-	-	238	(238)
Total General Government	<u>383,186</u>	<u>383,186</u>	<u>351,814</u>	<u>31,372</u>
PUBLIC SAFETY				
Law enforcement	495,658	495,658	512,844	(17,186)
Fire protection	170,595	115,445	109,546	5,899
Ambulance	102,828	102,828	102,828	-
Fire inspection	1,131	1,131	1,557	(426)
Building inspection	14,500	14,500	17,128	(2,628)
Total Public Safety	<u>784,712</u>	<u>729,562</u>	<u>743,903</u>	<u>(14,341)</u>
PUBLIC WORKS				
Highway maintenance	423,357	423,357	460,341	(36,984)
Highway construction	176,700	176,700	148,775	27,925
Garbage and refuse collection	134,784	134,784	142,107	(7,323)
Recycling	59,810	59,810	59,896	(86)
Landfill	18,100	18,100	15,718	2,382
Total Public Works	<u>812,751</u>	<u>812,751</u>	<u>826,837</u>	<u>(14,086)</u>
LEISURE ACTIVITIES				
Parks	15,000	15,000	14,431	569
Outreach	5,406	5,406	5,406	-
Total Leisure Activities	<u>20,406</u>	<u>20,406</u>	<u>19,837</u>	<u>569</u>
PUBLIC SERVICE ENTERPRISES				
Soldiers graves	162	162	164	(2)
Total Public Service Enterprises	<u>162</u>	<u>162</u>	<u>164</u>	<u>(2)</u>

TOWN OF COTTAGE GROVE

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
CAPITAL OUTLAY				
Law enforcement	\$ 11,302	\$ 11,302	\$ 9,020	\$ 2,282
Total Capital Outlay	11,302	11,302	9,020	2,282
DEBT SERVICE				
Principal	233,642	251,141	251,135	6
Interest and fiscal charges	42,839	48,282	48,287	(5)
Total Debt Service	276,481	299,423	299,422	1
 TOTAL EXPENDITURES	 \$ 2,289,000	 \$ 2,256,792	 \$ 2,250,997	 \$ 5,795