



Johnson ▲ Block
AND COMPANY, INC.

Certified Public Accountants

TOWN OF COTTAGE GROVE
FINANCIAL STATEMENTS WITH
AUDITOR'S REPORT
For the Year Ended December 31, 2010

Johnson Block & Co., Inc.
Certified Public Accountants
49 Kessel Court, Suite 210
Madison, WI 53711
(608) 274-2002
Fax: (608) 274-4320

Quality service through our commitment to clients and staff.

www.johnsonblock.com

Town of Cottage Grove

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Millard W. Johnson ▲ James L. Block ▲ Alan L. Brey ▲ Joseph G. Mohlmann ▲ Kevin P. Kryzinski ▲ Janice L. Froelich

INDEPENDENT AUDITOR'S REPORT

March 28, 2011

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

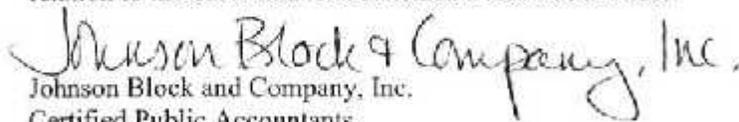
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cottage Grove, Wisconsin, as of and for the year ended December 31, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town'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, 2010, 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 schedule as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by 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.


Johnson Block and Company, Inc.
Certified Public Accountants
Madison, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2009 and 2010

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, 2009 and 2010. 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 increased in 2010 by \$25,847, increasing the fund balance from \$554,594 to \$580,441. The following revenues exceeded budget expectations: Zoning Permits income by \$3,600 and Cable Television Fees \$3,893. Due to the decrease in interest rates, interest income was \$3,014 under budget. The following expenditures were under budget: Public Works fuel expense was \$14,186 under budget and Emergency Building expenditures were \$6,451 under budget.
- The Town of Cottage Grove Fire Department equipment expense account is over budget by \$44,265. This cost is offset by a grant, which was received by the Fire Department in the amount of \$45,797, which was applied towards turnout equipment. The Fire Department also received an additional grant in the amount of \$14,168, which was put towards radios. The Town's share on the two grants was \$28,135. The Police Department also received federal grants, which was put towards radios. The Town portion of the Police Dept. grant was \$7,696.
- Deer – Grove EMS purchased a new Ambulance. The town's share of the Ambulance expense was \$22,533.
- In 2010, revenue payments in the amount of \$66,810 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 shared Fire Truck.
- In June 2010, The Town took out a promissory note for \$142,650 for the purchase of the 2010 International Truck for the Public Works Department. The Town also made the final loan payment towards the John Deere Loader for the Public Works department.
- 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, 2009 and 2010

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 detailed 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, 2009 and 2010

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 Activities. 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, 2009 and 2010

NET ASSETS

A summary of the town's Statement of Net Assets for fiscal years 2009 and 2010 are presented below in Table 1.

Table 1
Condensed Statements of Net Assets

| | <u>2009</u> | <u>2010</u> | <u>Dollar Change</u> |
|--|--------------------|--------------------|--------------------------|
| Current and Other Assets | \$2,493,237 | \$ 2,595,387 | \$ 102,150 |
| Capital Assets | 8,309,059 | 8,152,511 | (156,548) |
| Total Assets | <u>10,802,296</u> | <u>10,747,898</u> | <u>(54,398)</u> |
| Long-term Debt Outstanding | 1,153,135 | 1,022,990 | (130,145) |
| Other Liabilities | 1,626,404 | 1,660,746 | 34,342 |
| Total Liabilities | <u>2,779,539</u> | <u>2,683,736</u> | <u>(95,803)</u> |
| Invested in Capital Assets, Net of Related Debt | 7,234,550 | 7,212,484 | (22,066) |
| Restricted | 12,154 | 10,903 | (1,251) |
| Unrestricted | <u>776,053</u> | <u>840,775</u> | <u>64,722</u> |
| Total Net Assets | <u>\$8,022,757</u> | <u>\$8,064,162</u> | <u>\$ 41,405</u> |

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009 and 2010

NET ASSETS (cont.)

Table 2
Condensed Statement of Activities

| | <u>2009</u> | <u>2010</u> | <u>Dollar Change</u> |
|---|-------------------------|----------------------|--------------------------|
| Revenues | | | |
| Program Revenues | | | |
| Charges for services | \$469,779 | \$ 482,710 | \$ 12,931 |
| Operating grants | 188,332 | 167,345 | (20,987) |
| Capital grants | 1,790 | 34,121 | 32,331 |
| General Revenues | | | |
| Property taxes | 1,437,829 | 1,437,829 | - |
| Other taxes | 13,843 | 13,458 | (385) |
| Intergovernmental | 88,624 | 76,004 | (12,620) |
| Investment income | 15,610 | 11,810 | (3,800) |
| Gain on sale of assets | - | - | - |
| Miscellaneous | 4,456 | 11,729 | 7,273 |
| Total Revenues | <u>2,220,263</u> | <u>2,235,006</u> | <u>14,743</u> |
| Expenses | | | |
| General government | 354,353 | 314,969 | (39,384) |
| Public safety | 804,380 | 859,998 | 55,618 |
| Public works | 962,178 | 959,159 | (3,019) |
| Health and human services | 5,570 | 6,976 | 1,406 |
| Culture, education and recreation | 18,872 | 16,098 | (2,774) |
| Interest and fiscal charges | 44,879 | 36,401 | (8,478) |
| Total Expenses | <u>2,190,232</u> | <u>2,193,601</u> | <u>3,369</u> |
| Change in Net Assets | 30,031 | 41,405 | 11,374 |
| NET ASSETS – Beginning of Year | <u>7,992,726</u> | <u>8,022,757</u> | <u>30,031</u> |
| NET ASSETS – End of Year | <u>\$ 8,022,757</u> | <u>8,064,162</u> | <u>\$ 41,405</u> |

TOWN OF COTTAGE GROVE

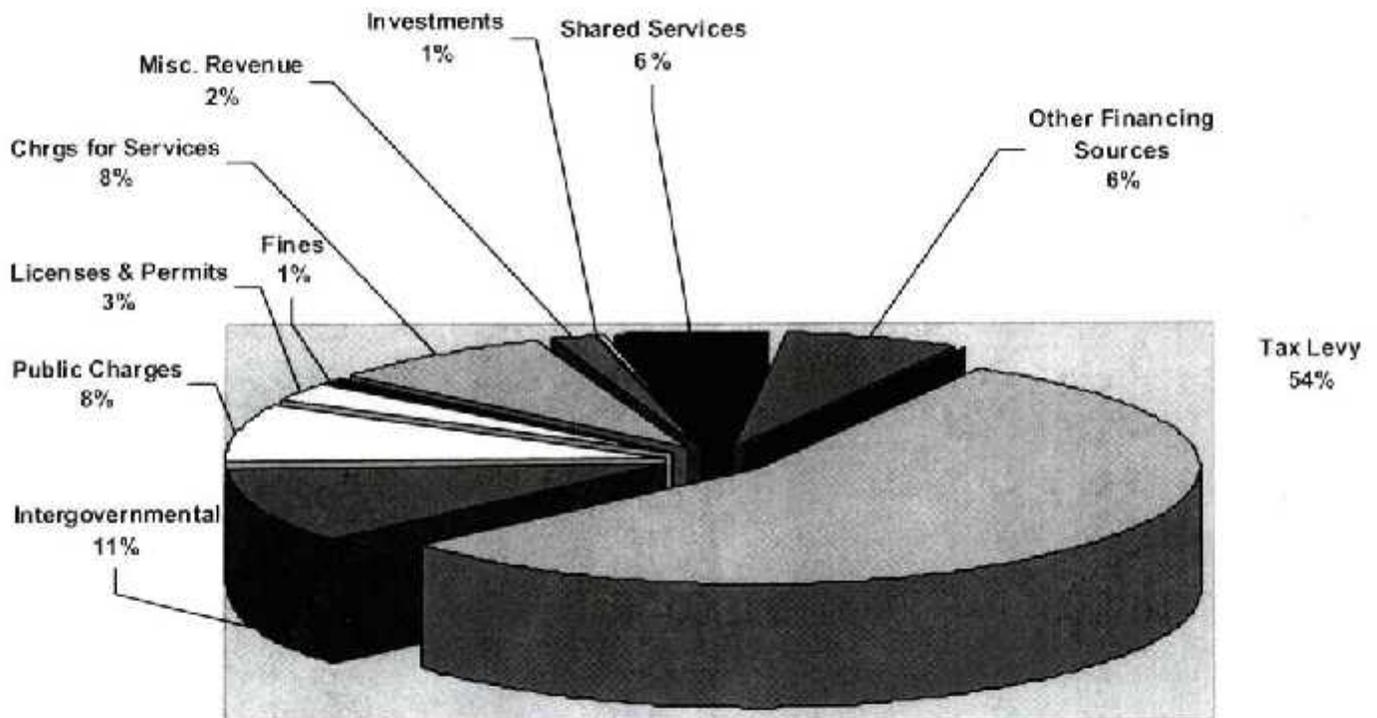
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009 and 2010

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 increased in 2010 by \$25,847 increasing the fund balance from \$554,594 to \$580,441.

GENERAL FUND BUDGETARY HIGHLIGHTS

2010 Revenue



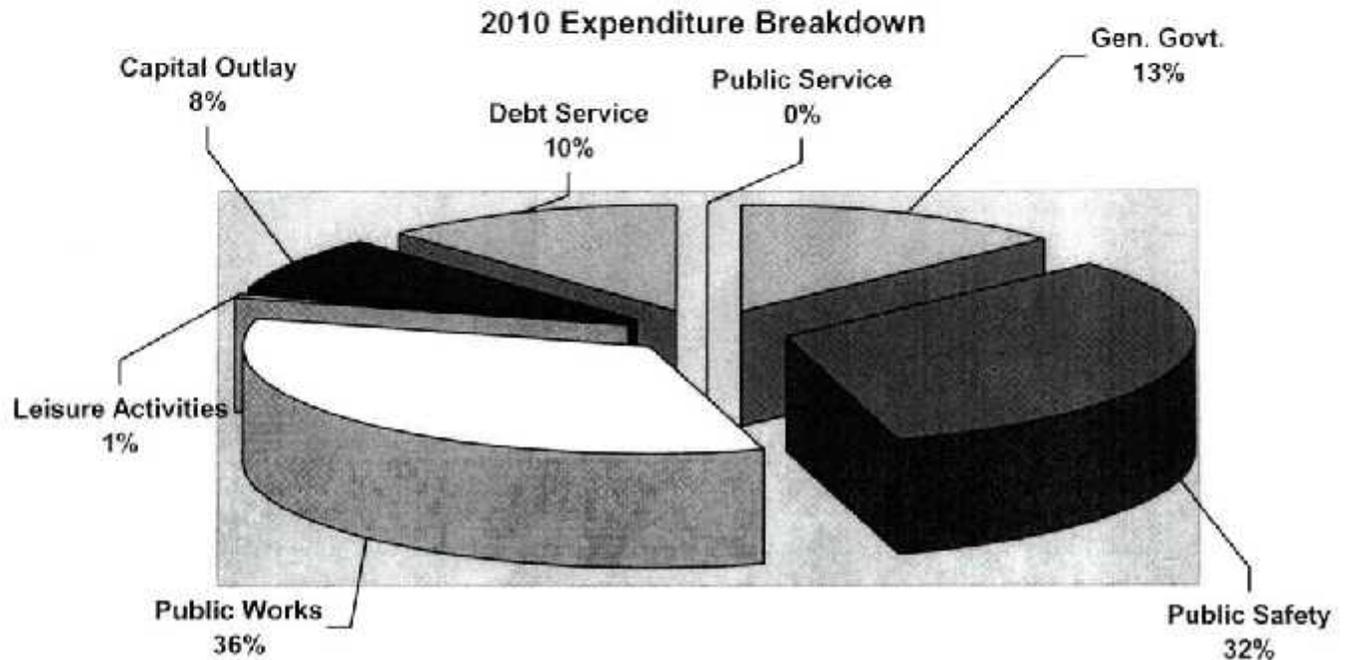
TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2009 and 2010

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 being under budget \$1,061. The majority of departments were under budget with the exception of Judicial and Legal, which were over budget due to Court Legal and Town Board litigation expenses. Court Legal exceeded the budget by \$3,019 and Town Board Litigation expenses exceeded their expenses by \$20,275.

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 resident's. The costs of the Fire Department and Police department are split proportionately based upon equalized values and population. At year-end, this section of the general fund budget shows a variance of \$52,605 over budget. The majority of this is due to the Fire Department equipment expense, which was over budget by \$44,264. The Fire Department received a grant in the amount of \$45,797, which offset the expenses for this account.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2010

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 under budget \$45,155. The majority of this was due to due to lower fuel and salt expense. The fuel account was \$14,473 under budget and also salt expense account was under budget by \$9,111. We also had seen an increase in cost in the patch & cold mix account, which exceeded their budget by \$3,954.

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 \$3,343 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 \$8.

Capital Outlay

This section of the budget pertains to payments for purchases of capital assets for the town. In 2010, the town shared in purchases of a joint owned police car for the Police Department and Ambulance for Deer – Grove EMS. We also purchased a Truck for the Public Works Department.

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. In June 2010, the Town took out a promissory note for \$142,650 for the purchase of the 2010 International Truck for the Public Works Department. The Town also made the final loan payment towards the John Deere Loader for the Public Works department.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2010

CAPITAL ASSETS

At the end of 2010, the town had invested a total of \$8,152,511 in capital assets. This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure.

**Table 3
Capital Assets**

| | <u>2009</u> | <u>2010</u> | <u>Dollar Change</u> |
|--------------------------------|---------------------|---------------------|--------------------------|
| Land | \$ 3,700,102 | \$ 3,700,102 | \$ - |
| Buildings | 2,571,805 | 2,571,805 | - |
| Machinery and equipment | 1,789,256 | 1,818,207 | (28,951) |
| Infrastructure | 3,711,210 | 3,711,210 | - |
| Total Capital Assets | <u>11,772,373</u> | <u>11,801,324</u> | <u>(28,951)</u> |
| Less: Accumulated Depreciation | <u>3,463,314</u> | <u>3,648,813</u> | <u>185,499</u> |
| Net Capital Assets | <u>\$ 8,309,059</u> | <u>\$ 8,152,511</u> | <u>\$ (156,548)</u> |

LONG-TERM DEBT

At December 31, 2010, the town had \$807,761 of long-term bonds and notes outstanding, \$585,000 of which is general obligation debt. This is a decrease of \$104,525 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, 2010 was \$19,130,750. Total general obligation debt outstanding at year-end was \$585,000.

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, 2010**

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 775,884 |
| Receivables | |
| Taxes | 1,660,706 |
| Accounts | 17,446 |
| Delinquent personal property taxes | 65 |
| Delinquent special assessments | 2,306 |
| Investment in EMS joint venture | 138,980 |
| Capital Assets (net of accumulated depreciation) | |
| Land | 3,700,102 |
| Other capital assets, net of depreciation | 4,452,409 |
| Total capital assets | 8,152,511 |
| Total Assets | \$ 10,747,898 |
| LIABILITIES | |
| Accounts payable | \$ 195,844 |
| Accrued liabilities and deposits | 21,317 |
| Unearned revenue | 1,443,585 |
| Long-term liabilities | |
| Due within one year | |
| Bonds, notes, and capital leases | 259,694 |
| Compensated absences | 20,741 |
| Due in more than one year | |
| Bonds, notes, and capital leases | 680,333 |
| Compensated absences | 62,222 |
| Total liabilities | 2,683,736 |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 7,212,484 |
| Restricted for: | |
| Cemetery | 10,903 |
| Unrestricted | 840,775 |
| Total net assets | 8,064,162 |
| Total Liabilities and Net Assets | \$ 10,747,898 |

See accompanying notes to the basic financial statements.

Town of Cottage Grove

Statement of Activities

For the Year Ended December 31, 2010

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Assets |
|--|--------------|----------------------|------------------------------------|----------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary government | | | | | |
| Governmental Activities | | | | | |
| General Government | \$ 314,969 | \$ 47,027 | \$ - | \$ - | \$ (267,942) |
| Public Safety | 859,998 | 188,438 | 12,927 | 34,121 | (624,512) |
| Public Works | 959,159 | 241,595 | 154,125 | - | (563,439) |
| Health and Human Services | 6,976 | - | 196 | - | (6,780) |
| Culture, Education and Recreation | 16,098 | - | - | - | (16,098) |
| Conservation and Development | - | 5,650 | 97 | - | 5,747 |
| Interest and Fiscal Charges | 36,401 | - | - | - | (36,401) |
| Total primary government | \$ 2,193,601 | \$ 482,710 | \$ 167,345 | \$ 34,121 | \$ (1,509,425) |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes, levied for general purposes | | | | | 1,437,829 |
| Other taxes | | | | | 13,458 |
| Intergovernmental revenues not restricted to specific programs | | | | | 76,004 |
| Investment income | | | | | 11,810 |
| Miscellaneous | | | | | 11,729 |
| Total general revenues | | | | | 1,550,830 |
| Change in net assets | | | | | 41,405 |
| Net assets - beginning | | | | | 8,022,757 |
| Net assets - ending | | | | | \$ 8,064,162 |

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Balance Sheet
Governmental Funds
December 31, 2010**

| | <u>General Fund</u> | <u>Nonmajor Governmental Fund Cemetery Fund</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|---------------------|--|---|
| ASSETS | | | |
| Cash and investments | \$ 764,983 | \$ 10,903 | \$ 775,886 |
| Receivables: | | | |
| Taxes | 1,660,706 | - | 1,660,706 |
| Delinquent Personal Property Taxes | 65 | - | 65 |
| Delinquent Special Assessments | 2,306 | - | 2,306 |
| Accounts | 17,446 | - | 17,446 |
| Total Assets | <u>\$ 2,445,506</u> | <u>\$ 10,903</u> | <u>\$ 2,456,409</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 198,149 | \$ - | \$ 198,149 |
| Other Accrued Liabilities | 6,292 | - | 6,292 |
| Deferred Revenue | 1,660,624 | - | 1,660,624 |
| Total Liabilities | <u>1,865,065</u> | <u>-</u> | <u>1,865,065</u> |
| Fund Balances: | | | |
| Reserved | | | |
| Noncurrent receivables | 2,371 | - | 2,371 |
| Cemetery | - | 10,903 | 10,903 |
| Unreserved | | | |
| Designated | 58,963 | - | 58,963 |
| Unreserved/Undesignated | 519,107 | - | 519,107 |
| Total Fund Balances | <u>580,441</u> | <u>10,903</u> | <u>591,344</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,445,506</u> | <u>\$ 10,903</u> | <u>\$ 2,456,409</u> |

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2010**

| | |
|---|---------------------|
| Total fund balance, governmental funds | \$ 591,344 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| 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. | 217,036 |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net assets. | 8,152,511 |
| The town's investment in the EMS joint venture is not a financial resource and, therefore, is not reported in the funds. | 138,980 |
| Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net assets. | |
| Compensated absences | (82,963) |
| Accrued interest | (12,719) |
| Capital lease | (132,266) |
| Bonds and notes payable | (807,761) |
| Net assets of governmental activities in the statement of net assets | <u>\$ 8,064,162</u> |

See accompanying notes to the basic financial statements.

Town of Cottage Grove

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

For the Year Ended December 31, 2010

| | <u>General Fund</u> | <u>Nonmajor Governmental Fund Cemetery Fund</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---|---|
| REVENUES | | | |
| Taxes | \$ 1,451,287 | \$ - | \$ 1,451,287 |
| Intergovernmental | 275,434 | - | 275,434 |
| License and Permits | 71,110 | - | 71,110 |
| Fines, Forfeitures and Penalties | 23,331 | - | 23,331 |
| Public Charges for Services | 212,188 | 26 | 212,214 |
| Intergovernmental Charges for Services | 149,267 | - | 149,267 |
| Investment Income | 10,012 | 123 | 10,135 |
| Miscellaneous Income | 42,826 | - | 42,826 |
| Total Revenues | <u>2,235,455</u> | <u>149</u> | <u>2,235,604</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General Government | 310,353 | - | 310,353 |
| Public Safety | 752,605 | - | 752,605 |
| Public Works | 782,371 | - | 782,371 |
| Leisure Activities | 17,063 | - | 17,063 |
| Public Service Enterprises | 170 | 1,400 | 1,570 |
| Capital Outlay | 194,697 | - | 194,697 |
| Debt Service | | | |
| Principal Repayment | 277,131 | - | 277,131 |
| Interest and fiscal charges | 38,568 | - | 38,568 |
| Total Expenditures | <u>2,372,958</u> | <u>1,400</u> | <u>2,374,358</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(137,503)</u> | <u>(1,251)</u> | <u>(138,754)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Property Sales | 20,700 | - | 20,700 |
| Proceeds from Long-Term Debt | 142,650 | - | 142,650 |
| Total Other Financing Sources and Uses | <u>163,350</u> | <u>-</u> | <u>163,350</u> |
| Net Change in Fund Balances | 25,847 | (1,251) | 24,596 |
| Fund Balances - Beginning | 554,594 | 12,154 | 566,748 |
| Fund Balances - Ending | <u>\$ 580,441</u> | <u>\$ 10,903</u> | <u>\$ 591,344</u> |

See accompanying notes to the basic 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, 2010

| | | |
|---|-----------|---------------|
| Net change in fund balances - total governmental funds: | \$ | 24,596 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>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</p> | | |
| Garbage/recycling fees | | 6,845 |
| <p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p> | | |
| <p>This is the amount by which capital outlays (\$147,980) were less than depreciation (\$276,387) in the current period.</p> | | |
| Net book value of assets retired | | (128,407) |
| | | (28,141) |
| <p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term liabilities on the statement of net assets.</p> | | |
| Principal payments on long-term debt | | 277,131 |
| Proceeds of debt issuance | | (142,650) |
| <p>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.</p> | | |
| Accrued interest on debt | | 2,166 |
| Compensated absences | | (4,337) |
| <p>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.</p> | | |
| | | 34,202 |
| Change in net assets of governmental activities | <u>\$</u> | <u>41,405</u> |

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2010**

| | <u>Tax Agency</u> |
|--------------------------|---------------------|
| ASSETS | |
| Cash and Investments | \$ 4,109,222 |
| Taxes Receivable | 2,517,395 |
| Total Assets | <u>\$ 6,626,617</u> |
| LIABILITIES | |
| Due to Other Governments | \$ 6,626,617 |
| Total Liabilities | <u>\$ 6,626,617</u> |

See accompanying notes to the basic financial statements.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Cottage Grove, Wisconsin conform to generally accepted accounting principles 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. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. 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. This report does not contain any component units.

B. Government-Wide and Fund 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.

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 instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into individual 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, fund equity, revenues and expenditures.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

- I. Summary of Significant Accounting Policies (Continued)**
- B. Government-Wide and Fund Financial Statements (Continued)**

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental and proprietary categories. 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 or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the Town believes is particularly important to financial statement users may be reported as a major fund.

The Town reports the following major governmental fund:

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.

The Town reports the following non-major fund:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that is legally restricted to expenditures for specific purposes.

Cemetery Fund

In addition, the Town reports the following fund type:

Fiduciary funds - 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. The Town reports its Tax Agency activity in the Fiduciary Funds.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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 deferred revenue. Grants and similar items are recognized as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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. "Measurable" means the amount of the transaction can be determined. 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 sixty 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.

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 to 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 recognized 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.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as described previously in this note.

All Financial Statements

The preparation of financial statements in conformity with U.S. 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.

D. Assets, Liabilities, and Net Assets or Equity

1) Cash and Cash Equivalents/Investments

All deposits of the Town are made in board designated official depositories and are secured as required by State Statute. The Town may designate, as an official depository, any bank or savings association. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. Investments with a maturity of more than one year at acquisition and non money market investments are carried at fair value as determined by quoted market prices.

See Footnote 2 for additional information.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Assets or Equity (Continued)

2) Taxes Receivable

Property taxes are levied prior to the end of the calendar year and are due and collectible in the following year. Property taxes attach as an enforceable lien as of January 1. The Town's portion of taxes is recorded as a receivable in the general fund. Since Town property taxes are not considered available until January 1 of the year following the levy, they are recorded as deferred revenues in the funds budgeted therefore. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar – 2010 tax roll

| | |
|---|------------------|
| Lien date and levy date | December, 2010 |
| Tax Bills mailed | December, 2010 |
| Payment in full, or | January 31, 2011 |
| First installment due | January 31, 2011 |
| Second installment due | July 31, 2011 |
| Personal property taxes in full | January 31, 2011 |
| Tax sale – 2010 delinquent real estate taxes | October, 2013 |

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

3) Inventories and Prepaid Items

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

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.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

- 1. **Summary of Significant Accounting Policies (Continued)**
- D. **Assets, Liabilities, and Net Assets or Equity (Continued)**

- 4) **Capital Assets**

Government-Wide Statements

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 \$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 fixed 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) **Deferred Debt Issuance Costs**

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

- 6) **Compensated Absences**

Under terms of employment, Town employees are granted vacations and sick leave 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 the governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources. The total sick leave considered a long-term liability at December 31, 2010 is \$79,748 and the total vacation pay is \$3,215.

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, 2010 are determined on the basis of current salary rates and include salary related payments.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Assets or Equity (Continued)

7) Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bond 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) is reported as other financing sources and payments of principal and interest are reported as expenditures.

8) 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. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

9) 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 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 definition of “restricted” or “invested in capital assets, net of related debt”.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

- 1. Summary of Significant Accounting Policies (Continued)**
- D. Assets, Liabilities, and Net Assets or Equity (Continued)**
- 9) Equity Classifications (Continued)**

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

Government fund equity is classified as fund balance. Fund balances are segregated into three separate classifications.

Reservations represent the portion of fund balances which may not be appropriated for expenditure or have been segregated for the specific future uses by legal mandate.

Designations of fund balances represent tentative plans of the Town for financial resource utilization in a future period as documented in the minutes or budgeting process for a succeeding year. Such plans are subject to change from original authorizations and may never result in expenditures.

Undesignated fund balance represents the amount available for appropriation after reservations and designations. It also is a measurement of current working capital position.

E. Budgetary Information

Budgets

The Town's budget is adopted in accordance with Chapter 65 of the Wisconsin Statutes. Changes to appropriations authorized in the adopted budget generally require a vote of two-thirds of the entire membership of the governing body.

Budget amounts include appropriations authorized in the original budget, any board approved amendments, appropriations of restricted resources received for funding specific expenditures and designated portions of the beginning balance of the general fund's equity expected to finance expenditures of the current fiscal year. Unused appropriations lapse at year-end unless specifically carried over for financing subsequent year expenditures.

Excess Expenditures over Appropriations

Budgetary expenditure control is exercised 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, 2010

2. Cash and Investments

At December 31, 2010, the Town's cash and investments consist of the following:

| | |
|--------------------------------------|---------------------|
| Deposits with Financial Institutions | <u>\$ 4,885,106</u> |
| Total Cash and Investments | <u>\$ 4,885,106</u> |

Cash and investments as of December 31, 2010 are classified in the accompanying financial statements as follows:

| | |
|----------------------------|--------------------|
| Statement of Net Assets: | |
| Cash and Investments | \$ 775,884 |
| Fiduciary Funds: | |
| Cash and Investments | <u>4,109,222</u> |
| Total Cash and Investments | <u>\$4,885,106</u> |

Investments Authorized by Wisconsin Statutes

Investment of Town funds is restricted by State statutes. Available investments are limited to:

- (1) Deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this State if the time deposits mature in not more than three years;
- (2) Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government;
- (3) Bonds or securities of any county, drainage district, VTAE district, village, city, town, district or school district of this State;
- (4) Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's investor service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating;
- (5) Bonds or securities issued under the authority of the municipality;
- (6) The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes;
- (7) Agreements in which a public depository agrees to repay funds advanced to it by the Town plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government;
- (8) Securities of an open-end management investment company or investment trust, subject to various conditions and investment options;
- (9) Repurchase agreements with public depositories, with certain conditions;
- (10) Bonds issued by the University of Wisconsin Hospital and Clinics Authority.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

2. Cash and Investments (Continued)

Also, funds held in a deferred compensation plan, cemetery perpetual care funds or endowment funds, including gifts, where the principal is to be kept intact may be invested under provisions of Section 881.01 of the Wisconsin Statutes (prudent person rule).

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 deposits. Collateral shall be held by a 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.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the Town would not be able to recover the value of its investment of collateral securities that are in the possession of another party.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and \$250,000 for non-interest bearing accounts. At December 31, 2010, accounts earning interest at .25% or less are also insured in full by the FDIC under the Transaction Account Guarantee Program. In addition, the banks used by the Town participate in the Dodd-Frank Act. Under this program, the FDIC provides unlimited protection to all noninterest-bearing accounts through December 31, 2012. Bank accounts and the local government investment pool 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 be significant to individual organizations.

Fluctuating cash flows during the year due to tax collections, receipt of state aids and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts.

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

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

3. 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:

| | Unavailable | Unearned | Totals |
|--|-------------------|---------------------|---------------------|
| Property taxes receivable for subsequent year | \$ - | \$ 1,443,585 | \$ 1,443,585 |
| Garbage/recycling fees | 217,039 | - | 217,039 |
| Total Deferred/Unearned Revenue for Governmental Funds | <u>\$ 217,039</u> | <u>\$ 1,443,585</u> | <u>\$ 1,660,624</u> |

4. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2010 was as follows:

| | Balance 1/1/10 | Additions | Retirements | Balance 12/31/10 |
|--|---------------------|---------------------|--------------------|---------------------|
| Governmental Activities | | | | |
| Non-Depreciable Capital Assets: | | | | |
| Land | \$ 3,700,102 | \$ - | \$ - | \$ 3,700,102 |
| Total Non-Depreciable Capital Assets | <u>3,700,102</u> | <u>-</u> | <u>-</u> | <u>3,700,102</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 2,571,805 | - | - | 2,571,805 |
| Machinery and equipment | 1,789,256 | 147,980 | (119,029) | 1,818,207 |
| Streets | 3,711,210 | - | - | 3,711,210 |
| Total Capital Assets Being Depreciated | <u>8,072,271</u> | <u>147,980</u> | <u>(119,029)</u> | <u>8,101,222</u> |
| Total Capital Assets | <u>11,772,373</u> | <u>147,980</u> | <u>(119,029)</u> | <u>11,801,324</u> |
| Less: Accumulated Depreciation for | | | | |
| Buildings | 773,059 | 51,412 | - | 824,471 |
| Machinery and equipment | 848,229 | 102,777 | (90,888) | 860,118 |
| Streets | 1,842,026 | 122,198 | - | 1,964,224 |
| Total Accumulated Depreciation | <u>3,463,314</u> | <u>276,387</u> | <u>(90,888)</u> | <u>3,648,813</u> |
| Net Capital Assets Being Depreciated | <u>4,608,957</u> | <u>(128,407)</u> | <u>(28,141)</u> | <u>4,452,409</u> |
| Total Capital Assets, Net of Accumulated Depreciation | <u>\$ 8,309,059</u> | <u>\$ (128,407)</u> | <u>\$ (28,141)</u> | <u>\$ 8,152,511</u> |

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

4. Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

| Governmental Activities | |
|---|------------------|
| General Government | \$ 4,616 |
| Public Safety | 94,879 |
| Public Works, including infrastructure | 172,451 |
| Culture, Recreation and Education | 4,441 |
| Total Governmental Activities Depreciation Expense | <u>\$276,387</u> |

5. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2010 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts due within 1 year |
|---|----------------------|-----------|-----------|-------------------|------------------------------|
| Governmental activities: | | | | | |
| Bonds and Notes Payable | | | | | |
| General obligation debt | \$ 775,000 | \$ - | \$190,000 | \$ 585,000 | \$ 190,000 |
| Promissory notes | 137,286 | 142,650 | 57,175 | 222,761 | 38,542 |
| Total Bonds and Notes Payable | 912,286 | 142,650 | 247,175 | 807,761 | 228,542 |
| Other Liabilities | | | | | |
| Vested compensated absences | 78,626 | 23,994 | 19,657 | 82,963 | 20,741 |
| Capital leases | 162,223 | - | 29,957 | 132,266 | 31,152 |
| Total Other Liabilities | 240,849 | 23,994 | 49,614 | 215,229 | 51,893 |
| Total Governmental Long-term Liabilities | \$1,153,135 | \$166,644 | \$296,789 | \$1,022,990 | \$ 280,435 |

In accordance with Wisconsin Statutes, total general obligation indebtedness 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, 2010 was \$19,130,750. Total general obligation debt outstanding at year end was \$585,000.

General Obligation Debt

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

| | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance 12/31/10 |
|-------------------------------|------------------|-------------------|-------------------|--------------------------|---------------------|
| 2006 G.O. Promissory Note | 11/15/06 | 4/1/13 | 3.60-3.875% | \$ 1,325,000 | \$ 585,000 |
| Total General Obligation Debt | | | | | \$ 585,000 |

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

5. Long-Term Obligations (Continued)

Debt service requirements to maturity are as follows:

| Years | Governmental Activities General Obligation Debt | |
|--------------|--|------------------|
| | Principal | Interest |
| 2011 | \$ 190,000 | \$ 18,869 |
| 2012 | 190,000 | 11,601 |
| 2013 | 205,000 | 3,972 |
| Total | \$ 585,000 | \$ 34,442 |

Promissory Notes

Promissory notes are payable from future property tax levies.

Promissory notes at December 31, 2010 consist of the following:

| Promissory Notes | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance 12/31/10 |
|-------------------------------|------------------|-------------------|-------------------|--------------------------|---------------------|
| 2008 Promissory Note | 12/15/08 | 12/15/18 | 4.50% | \$ 120,640 | \$ 80,111 |
| 2010 Promissory Note | 6/3/10 | 2/3/15 | 4.00% | 142,650 | 142,650 |
| Total Promissory Notes | | | | | \$ 222,761 |

Debt service requirements to maturity are as follows:

| Years | Governmental Activities Promissory Notes | |
|--------------|---|------------------|
| | Principal | Interest |
| 2011 | \$ 38,542 | \$ 7,454 |
| 2012 | 38,191 | 7,801 |
| 2013 | 39,812 | 6,197 |
| 2014 | 41,491 | 4,525 |
| 2015 | 43,251 | 2,775 |
| 2016-2018 | 21,474 | 1,331 |
| Total | \$ 222,761 | \$ 30,083 |

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, 2010 are as follows:

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

5. Long-Term Obligations (Continued)
Capital Leases (Continued)

| Years | Governmental Activities Capital Leases | |
|-------|---|-----------|
| | Principal | Interest |
| 2011 | \$ 31,152 | \$ 5,277 |
| 2012 | 32,395 | 4,034 |
| 2013 | 33,687 | 2,742 |
| 2014 | 35,032 | 1,398 |
| Total | \$ 132,266 | \$ 13,451 |

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.

6. Operating Lease

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 \$6,732 in 2010 and expects to make payments at similar rates in the future.

7. Net Assets/Fund Balances

Net assets reported on the government wide statement of net assets at December 31, 2010 includes the following:

Governmental Activities Net Assets

| | |
|---|---------------------|
| Investment in Capital Assets, Net of Related Debt | |
| Land | \$ 3,700,102 |
| Other Capital Assets, net of accumulated depreciation | 4,452,409 |
| Less: Long-term debt outstanding | (940,027) |
| Total Investment in Capital Assets, Net of Related Debt | <u>7,212,484</u> |
| Restricted | |
| Cemetery trust funds | 10,903 |
| Total Restricted | <u>10,903</u> |
| Unrestricted | <u>840,775</u> |
| Total Governmental Activities Net Assets | <u>\$ 8,064,162</u> |

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

7. Net Assets/Fund Balances (Continued)

Governmental fund balances as of December 31, 2010 include the following items:

Reserved:

Major Fund

General Fund

Noncurrent receivables \$ 2,371

Total \$ 2,371

Non-Major Fund

Special Revenue Fund

Cemetery Trust Fund \$ 10,903

Total \$ 10,903

Unreserved (designated):

Major Fund

General Fund

Flynn Hall \$ 219

Sick leave liability 46,159

Hydrite 10,299

Pleasant Springs Fire expenses 2,286

Total \$ 58,963

Unreserved (undesignated):

Major Fund

General Fund \$ 519,107

Total \$ 519,107

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

8. 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 \$478,009 for the police department, \$432 for emergency government, \$16,721 for emergency building maintenance, and \$70,586 for fire protection to the districts for 2010. These payments include grant funded equipment costs, which totaled \$26,425 and \$7,696 for fire equipment and police equipment, respectively. The town believes that the districts will continue to provide services in the future at similar rates.

Financial information for the police department as of December 31, 2010 is available at the village hall.

Financial information for the emergency services building and fire department as of December 31, 2010 is available at the town hall.

A capital lease and promissory note are being repaid with resources of the fire district and are 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 four municipalities 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 payments to the district in 2010 of \$97,452 for operations and \$22,533 for capital additions. 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, 2010 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.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2010

9. 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.

10. 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. In addition, the State is considering imposing additional restrictions on the Town's property tax levy limit.

11. New Reporting Requirements

The Governmental Accounting Standards Board (GASB) has approved Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" effective for periods beginning after June 15, 2010. Application of this standard 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, 2010**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Taxes | \$1,451,146 | \$ 1,451,146 | \$ 1,451,287 | \$ 141 |
| Intergovernmental | 267,621 | 269,331 | 275,434 | 6,103 |
| License and Permits | 49,160 | 49,160 | 71,110 | 21,950 |
| Fines, Forfeitures and Penalties | 24,000 | 24,000 | 23,331 | (669) |
| Public Charges for Services | 214,242 | 214,242 | 212,188 | (2,054) |
| Intergovernmental Charges for Services | 161,648 | 166,732 | 149,267 | (17,465) |
| Investment Income | 12,000 | 12,000 | 10,012 | (1,988) |
| Miscellaneous Income | 23,828 | 23,828 | 42,826 | 18,998 |
| Total Revenues | <u>2,203,645</u> | <u>2,210,439</u> | <u>2,235,455</u> | <u>25,016</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 311,414 | 311,414 | 310,353 | 1,061 |
| Public Safety | 702,292 | 700,000 | 752,605 | (52,605) |
| Public Works | 827,526 | 827,526 | 782,371 | 45,155 |
| Leisure Activities | 20,406 | 20,406 | 17,063 | 3,343 |
| Public Service Enterprises | 162 | 162 | 170 | (8) |
| Capital Outlay | 194,354 | 194,354 | 194,697 | (343) |
| Debt Service | | | | |
| Principal Repayment | 305,788 | 309,498 | 277,131 | 32,367 |
| Interest Expense | 45,057 | 45,057 | 38,568 | 6,489 |
| Total Expenditures | <u>2,406,999</u> | <u>2,408,417</u> | <u>2,372,958</u> | <u>35,459</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(203,354)</u> | <u>(197,978)</u> | <u>(137,503)</u> | <u>60,475</u> |
| OTHER FINANCING SOURCES | | | | |
| Liberty Prairie Cemetery funds | 800 | 1,400 | - | (1,400) |
| Property sales | 13,588 | 18,050 | 20,700 | 2,650 |
| Proceeds from Long-Term Debt | 152,488 | 142,650 | 142,650 | - |
| Total Other Financing Sources | <u>166,876</u> | <u>162,100</u> | <u>163,350</u> | <u>1,250</u> |
| Net Change in Fund Balances | (36,478) | (35,878) | 25,847 | 61,725 |
| Fund Balances - Beginning | 554,594 | 554,594 | 554,594 | - |
| Fund Balances - Ending | <u>\$ 518,116</u> | <u>\$ 518,716</u> | <u>\$ 580,441</u> | <u>\$ 61,725</u> |

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

TOWN OF COTTAGE GROVE
Notes to Required Supplementary Information
December 31, 2010

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 | \$ 700,000 | \$ 752,605 | \$ 52,605 |
| Public service enterprises | 162 | 170 | 8 |
| Capital outlay | 194,354 | 194,697 | 343 |

The Town received public safety grants totaling \$34,121 to offset the amount of public safety expenditures in excess of budget.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

Town of Cottage Grove

**Detailed Schedule of Revenues
Budget and Actual - General Fund
For the Year Ended December 31, 2010**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</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 | 1,641 | 141 |
| Other taxes | 11,817 | 11,817 | 11,817 | - |
| Total Taxes | <u>1,451,146</u> | <u>1,451,146</u> | <u>1,451,287</u> | <u>141</u> |
| INTERGOVERNMENTAL | | | | |
| State shared revenues | 72,848 | 72,848 | 73,880 | 1,032 |
| State aid- Police | 7,393 | 7,393 | 7,696 | 303 |
| State aid- Fire insurance | 10,000 | 10,000 | 11,217 | 1,217 |
| State aid- Transportation | 142,262 | 142,262 | 142,309 | 47 |
| State aid - Fire department grant | 21,338 | 23,048 | 28,135 | 5,087 |
| State aid- In lieu of forest lands | 96 | 96 | 97 | 1 |
| Urban stormwater grant | 3,172 | 3,172 | 302 | (2,870) |
| State aid- Croplands/forest | 350 | 350 | 114 | (236) |
| State aid- Recycling | 10,000 | 10,000 | 11,514 | 1,514 |
| County aid- Soldiers' graves | 162 | 162 | 170 | 8 |
| Total Intergovernmental | <u>267,621</u> | <u>269,331</u> | <u>275,434</u> | <u>6,103</u> |
| LICENSES AND PERMITS | | | | |
| Business and occupational licenses | 5,000 | 5,000 | 5,530 | 530 |
| Dog licenses | 1,250 | 1,250 | 1,398 | 148 |
| Building permits and inspections | 15,000 | 15,000 | 28,754 | 13,754 |
| Zoning permits and fees | 1,750 | 1,750 | 5,350 | 3,600 |
| Cable television franchise fees | 25,000 | 25,000 | 28,893 | 3,893 |
| Other permits and fees | 1,160 | 1,160 | 1,185 | 25 |
| Total Licenses and Permits | <u>49,160</u> | <u>49,160</u> | <u>71,110</u> | <u>21,950</u> |
| FINES, FORFEITURES AND PENALTIES | | | | |
| Law and ordinance violations | 24,000 | 24,000 | 23,331 | (669) |
| Total Fines, Forfeitures and Penalties | <u>24,000</u> | <u>24,000</u> | <u>23,331</u> | <u>(669)</u> |

Town of Cottage Grove

**Detailed Schedule of Revenues
Budget and Actual - General Fund
For the Year Ended December 31, 2010**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|---------------------|---------------------|---|
| | Original | Final | | |
| PUBLIC CHARGES FOR SERVICES | | | | |
| Refuse collection/curbside | 140,038 | 140,038 | 139,589 | (449) |
| Recycling charges | 70,019 | 70,019 | 70,019 | - |
| Title search | 3,600 | 3,600 | 1,800 | (1,800) |
| CPR classes | - | - | 29 | 29 |
| Highway maintenance | - | - | 45 | 45 |
| Street lighting fees | 585 | 585 | 586 | 1 |
| Other miscellaneous charges | - | - | 120 | 120 |
| Total Public Charges for Services | 214,242 | 214,242 | 212,188 | (2,054) |
| INTERGOVERNMENTAL CHARGES FOR SERVICES | | | | |
| Local- Fire services | 125,527 | 130,611 | 117,831 | (12,780) |
| Local- emergency building maintenance | 19,946 | 19,946 | 16,721 | (3,225) |
| Local- Landfill charges | 8,100 | 8,100 | 7,501 | (599) |
| Other charges | 7,950 | 7,950 | 5,442 | (2,508) |
| Local- Law enforcement services | 125 | 125 | 1,772 | 1,647 |
| Total Intergovernmental Charges for Services | 161,648 | 166,732 | 149,267 | (17,465) |
| INVESTMENT INCOME | | | | |
| Interest income | 12,000 | 12,000 | 8,986 | (3,014) |
| Interest on special assessments/charges | - | - | 1,026 | 1,026 |
| Total Investment Income | 12,000 | 12,000 | 10,012 | (1,988) |
| MISCELLANEOUS | | | | |
| Rent | 21,478 | 21,478 | 21,548 | 70 |
| Dividends | 2,350 | 2,350 | 1,676 | (674) |
| Insurance recoveries | - | - | 14,497 | 14,497 |
| Other miscellaneous revenues | - | - | 5,105 | 5,105 |
| Total Miscellaneous | 23,828 | 23,828 | 42,826 | 18,998 |
| OTHER FINANCING SOURCES | | | | |
| Liberty Prairie Cemetery funds | 800 | 1,400 | - | (1,400) |
| Proceeds from long term debt | 152,488 | 142,650 | 142,650 | - |
| Property sales | 13,588 | 18,050 | 20,700 | 2,650 |
| Total Other Financing Sources | 166,876 | 162,100 | 163,350 | 1,250 |
| Total Revenues and Other Financing Sources | \$ 2,370,521 | \$ 2,372,539 | \$ 2,398,805 | \$ 26,266 |

Town of Cottage Grove

**Detailed Schedule of Expenditures
Budget and Actual - General Fund
For the Year Ended December 31, 2010**

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|----------------------------------|------------------|----------------|--|---|
| | Original | Final | | |
| GENERAL GOVERNMENT | | | | |
| Town board | \$ 29,836 | \$ 29,836 | \$ 29,185 | \$ 651 |
| Planning committee | 2,099 | 2,099 | 1,615 | 484 |
| Town planner | 6,500 | 6,500 | 8,082 | (1,582) |
| Emergency government | 2,093 | 2,093 | 1,160 | 933 |
| Clerk/secretarial | 39,242 | 39,242 | 39,072 | 170 |
| Treasurer | 18,768 | 18,768 | 18,866 | (98) |
| Assessor | 8,700 | 8,700 | 8,650 | 50 |
| Ordinance commission | 431 | 431 | - | 431 |
| Judicial | 23,748 | 23,748 | 17,425 | 6,323 |
| Legal | 71,000 | 71,000 | 87,714 | (16,714) |
| Elections | 4,400 | 4,400 | 3,814 | 586 |
| Accounting | 15,090 | 15,090 | 13,922 | 1,168 |
| Property and liability insurance | 30,815 | 30,815 | 29,759 | 1,056 |
| Town hall | 10,300 | 10,300 | 9,718 | 582 |
| Flynn hall | 7,000 | 7,000 | 4,565 | 2,435 |
| Emergency building | 39,892 | 39,892 | 33,441 | 6,451 |
| Other general government | 1,500 | 1,500 | 3,365 | (1,865) |
| Total General Government | <u>311,414</u> | <u>311,414</u> | <u>310,353</u> | <u>1,061</u> |
| PUBLIC SAFETY | | | | |
| Law enforcement | 473,415 | 473,415 | 485,172 | (11,757) |
| Fire protection | 109,740 | 112,824 | 143,061 | (30,237) |
| Ambulance | 102,828 | 97,452 | 97,452 | - |
| Fire inspection | 1,809 | 1,809 | 1,600 | 209 |
| Building inspection | 14,500 | 14,500 | 25,320 | (10,820) |
| Total Public Safety | <u>702,292</u> | <u>700,000</u> | <u>752,605</u> | <u>(52,605)</u> |
| PUBLIC WORKS | | | | |
| Highway maintenance | 429,669 | 429,669 | 395,614 | 34,055 |
| Highway construction | 169,700 | 169,700 | 158,434 | 11,266 |
| Garbage and refuse collection | 140,038 | 140,038 | 140,038 | - |
| Recycling | 70,019 | 70,019 | 70,019 | - |
| Landfill | 18,100 | 18,100 | 18,266 | (166) |
| Total Public Works | <u>827,526</u> | <u>827,526</u> | <u>782,371</u> | <u>45,155</u> |

Town of Cottage Grove

**Detailed Schedule of Expenditures
Budget and Actual - General Fund
For the Year Ended December 31, 2010**

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|-----------------------------------|--------------------|--------------------|--|---|
| | Original | Final | | |
| LEISURE ACTIVITIES | | | | |
| Parks | 15,000 | 15,000 | 11,657 | 3,343 |
| Outreach | 5,406 | 5,406 | 5,406 | - |
| Total Leisure Activities | <u>20,406</u> | <u>20,406</u> | <u>17,063</u> | <u>3,343</u> |
| PUBLIC SERVICE ENTERPRISES | | | | |
| Soldiers graves | 162 | 162 | 170 | (8) |
| Total Public Service Enterprises | <u>162</u> | <u>162</u> | <u>170</u> | <u>(8)</u> |
| CAPITAL OUTLAY | | | | |
| Law enforcement | 13,032 | 13,032 | 21,073 | (8,041) |
| Fire protection | 28,834 | 28,834 | 20,882 | 7,952 |
| Highway equipment | 129,955 | 129,955 | 130,209 | (254) |
| EMS | 22,533 | 22,533 | 22,533 | - |
| Total Capital Outlay | <u>194,354</u> | <u>194,354</u> | <u>194,697</u> | <u>(343)</u> |
| DEBT SERVICE | | | | |
| Principal | 305,788 | 309,498 | 277,131 | 32,367 |
| Interest and fiscal charges | 45,057 | 45,057 | 38,568 | 6,489 |
| Total Debt Service | <u>350,845</u> | <u>354,555</u> | <u>315,699</u> | <u>38,856</u> |
| Total Expenditures | <u>\$2,406,999</u> | <u>\$2,408,417</u> | <u>\$2,372,958</u> | <u>\$ 35,459</u> |