

TOWN OF COTTAGE GROVE

FINANCIAL STATEMENTS WITH
AUDITOR'S REPORT

For the Year Ended December 31, 2013

Town of Cottage Grove

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December 31, 2013

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Johnson & Block

AND COMPANY, INC.

Certified Public Accountants

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INDEPENDENT AUDITOR'S 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, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

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, as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through ix and page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cottage Grove, Wisconsin's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The Detailed Schedule of Revenues and Expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Johnson Block & Company, Inc.
Certified Public Accountants
Mineral Point, Wisconsin

April 11, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013

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, 2013. 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 2013 by \$18,907, increasing the fund balance from \$655,051 to \$673,958. The following revenues exceeded budget expectations: Building Permits revenue by \$14,174. Franchise Fee revenue by \$8,565 and Court Law and Ordinance Violations revenue by \$2,826. The following expenditures were under budget: Court Legal Expense by \$6,852 Culvert expense by \$4,838 and Hwy Maintenance Contracts by \$8,176.
- In March 2013, Town Of Cottage Grove paid \$68,466 towards the purchase of a new Ambulance for EMS. A Promissory Note was taken out in May, 2013 and will be paid in full March 2014.
- In April 2013, Town of Cottage completed the final payment on the General Obligation Promissory Note. The promissory note in the amount of \$1,325,000 was approved by the Town Board November 2006. Payments were made over a seven year period beginning in April 2007 and ending April 2013.
- In August 2013, Town of Cottage Grove completed the Nora Road construction project. A promissory note in the amount of \$135,000 was taken out in August 2013 and will be paid in full May 2014.
- In November 2013, Public Works purchased a 2013 Woods Mower at a cost of \$9005. This will replace the 2003 Woods Mower, which was traded in for \$3005. The total cost for the new mower was \$6000.
- In December 2013, Town and Village purchased a joint 2014 Ford SUV for the Cottage Grove Police Department. The Town portion was \$11,378.
- In 2013, Revenue payments in the amount of \$68,772 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. Renewed contracts were approved to provide Fire and EMS protection services to Pleasant Springs for 2014-2018

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013

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 position 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 position and how they have changed. Net Position – 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 position are an indicator of whether its financial health is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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, 2013

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 Position and the Statement of Revenues, Expenses and Changes in Net Position. 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, 2013

NET POSITION

2012 and 2013 are presented below in Table 1.

Table 1
Condensed Statements of Net Position

	<u>2012</u>	<u>2013</u>	<u>Dollar Change</u>
Current and Other Assets	\$2,673,959	\$2,740,825	\$66,866
Capital Assets	<u>7,744,433</u>	<u>7,663,139</u>	<u>(81,294)</u>
Total Assets	<u>10,418,392</u>	<u>10,403,964</u>	<u>(14,428)</u>
Long-term Debt Outstanding	395,097	307,007	(88,090)
Other Liabilities	277,445	282,330	4,885
Total Liabilities	<u>672,542</u>	<u>589,337</u>	<u>(83,205)</u>
Deferred Inflows of Resources	1,466,727	1,477,165	10,438
Net Investment in			
Capital Assets	7,349,336	7,459,630	110,294
Restricted	16,629	13,123	(3,506)
Unrestricted	<u>913,158</u>	<u>864,709</u>	<u>(48,449)</u>
Total Net Position	<u>\$8,279,123</u>	<u>\$8,337,462</u>	<u>\$58,339</u>

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2013

NET POSITION (cont.)

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

	2012	2013	Dollar Change
Revenues			
Program Revenues			
Charges for services	\$467,563	481,018	13,455
Operating grants	160,621	189,176	28,555
Capital grants	3,940	2,491	(1,449)
General Revenues			
Property taxes	1,447,619	1,463,550	15,931
Other taxes	16,461	5,987	(10,474)
Intergovernmental	58,719	61,310	2,591
Investment income	8,162	7,654	(508)
Gain on sale of assets	-	-	-
Miscellaneous	20,904	6,074	(14,830)
Total Revenues	2,183,989	2,217,260	33,271
Expenses			
General government	245,348	283,042	37,694
Public safety	786,305	801,779	15,474
Public works	1,093,084	1,042,094	(50,990)
Health and human services	8,276	6,476	(1,800)
Culture, education and recreation	19,022	11,003	(8,019)
Conservation Development	-	5,300	5,300
Interest and fiscal charges	16,862	9,227	(7,635)
Total Expenses	2,168,897	2,158,921	(9,976)
Change in Net Position	15,092	58,339	43,247
NET POSITION – Beginning of Year (as restated)	8,264,031	8,279,123	15,092
NET POSITION – END OF YEAR	\$ 8,279,123	8,337,462	\$ 58,339

TOWN OF COTTAGE GROVE

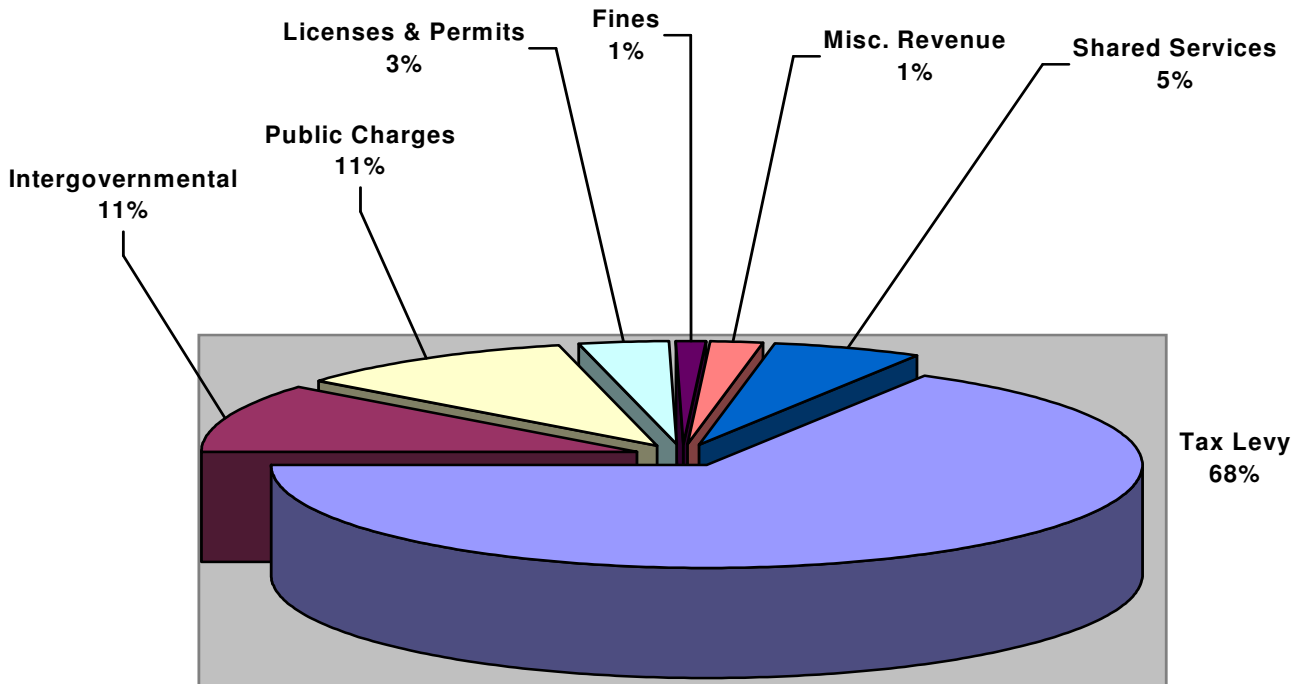
MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2013

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 2013 by \$18,907 increased the fund balance from \$655,051 to \$673,958.

GENERAL FUND BUDGETARY HIGHLIGHTS

2013 Revenue



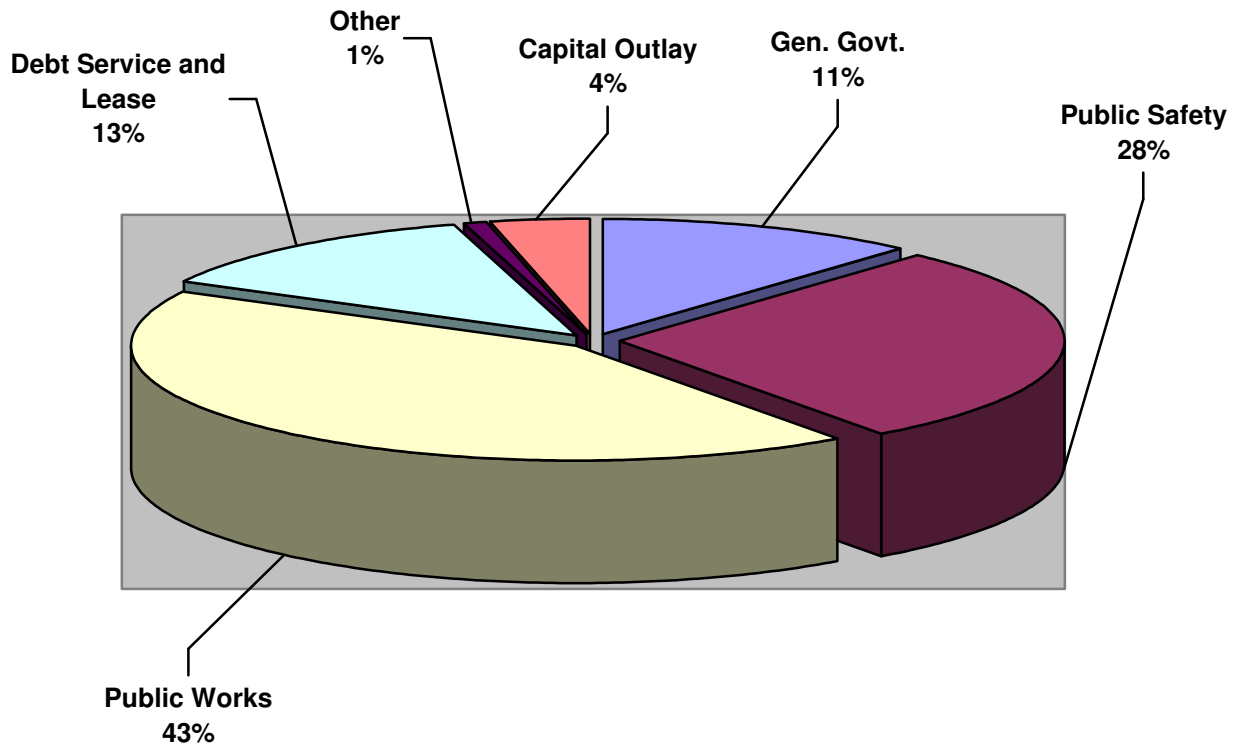
TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2013

GENERAL FUND (cont.)

GENERAL FUND BUDGETARY HIGHLIGHTS (cont.)

2013 Expenditure Breakdown



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 fund budget reflected an overall variance of being under budget by \$3,456. The majority of the departments were within budget with the exception of Town Board legal expenses which did exceed the budget by \$24,521. The Emergency Building Maintenance was under budget by \$12,970 along with various other general government spending to offset the legal expenses increase.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2013

GENERAL FUND (cont.)

Public Safety

This section of the budget pertains to law enforcement, fire department, EMS, building and fire inspections. Town of Cottage Grove has a joint agreement with the Village of Cottage Grove for Fire and Police Services. The costs for the Fire Department are split proportionately based upon equalized value. The costs for the Police Department are split based on equalized value and population. Town of Cottage Grove also has a joint agreement with the Village of Cottage Grove, Village of Deerfield and ~~Town of Deerfield~~ for EMS. The costs are split based on equalized value only. At year-end, this section of the general fund budget shows a variance of \$13,830 over budget. This was primarily due to building inspections being \$10,683 over budget. Police department expenses did exceed the budget by \$7,466.

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 by \$16,083. The majority of this was due to increase in salt and sand costs due to increase in snowfalls, and contractor expenses. The sand and salt account was \$20,515 over budget; Contractor expenses were \$14,810 over budget. Culvert expense and highway maintenance contracts were 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 \$1,193 for the year. This is due to below budget expense for the parks department.

Health and Human Services

This section of the budget pertains to soldier's graves. At year-end, this section reflected a variance of being on budget.

Capital Outlay

This section of the budget pertains to payments for purchases of capital assets for the town. In 2013, the town purchased a 2013 Woods Mower for the Public Works Department and 2014 Ford SUV for the Police Department. At year- end this section reflected a variance of being under budget by \$1,062.

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.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2013

CAPITAL ASSETS

At the end of 2013, the town had invested a total of \$7,663,139 in capital assets. This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure.

**Table 3
Capital Assets**

	<u>2012</u>	<u>2013</u>	<u>Dollar Change</u>
Land	\$ 3,700,102	\$ 3,700,102	\$ -
Construction In Progress	-	18,844	18,844
Buildings	2,594,795	2,594,795	-
Machinery and equipment	1,822,967	1,843,350	20,383
Infrastructure	<u>3,711,210</u>	<u>3,829,196</u>	<u>117,986</u>
Total Capital Assets	11,829,074	11,986,287	157,213
Less: Accumulated Depreciation	<u>4,084,641</u>	<u>4,323,148</u>	<u>238,507</u>
Net Capital Assets	<u><u>\$7,744,433</u></u>	<u><u>\$7,663,139</u></u>	<u><u>(81,294)</u></u>

LONG-TERM DEBT

At December 31, 2013, the town had \$326,378 of long-term bonds and notes outstanding. This is a decrease of \$54,403 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, 2013 was \$18,333,640. Total general obligation debt outstanding at year end was \$271,975.

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 Position
December 31, 2013

	Governmental Activities
ASSETS	
Cash and investments	\$ 820,070
Receivables	
Taxes	1,715,157
Accounts	36,341
Delinquent personal property taxes	1,474
Delinquent special assessments	2,036
Investment in EMS joint venture	165,747
Capital assets	
Land	3,700,102
Construction work-in-progress	18,844
Other capital assets, net of accumulated depreciation	3,944,193
Net capital assets	<u>7,663,139</u>
 Total Assets	 <u>\$ 10,403,964</u>
 LIABILITIES	
Accounts payable	\$ 165,424
Accrued liabilities and deposits	13,721
Accrued interest payable	5,426
Long-term liabilities	
Due within one year	
Bonds, notes, and capital leases	276,487
Compensated absences	24,440
Due in more than one year	
Bonds, notes, and capital leases	30,520
Compensated absences	73,319
Total liabilities	<u>589,337</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred Tax Levy	<u>1,477,165</u>
Total deferred inflows of resources	<u>1,477,165</u>
 NET POSITION	
Net investment in capital assets	7,459,630
Restricted for:	
Road maintenance	6,305
Cemetery	6,818
Unrestricted	864,709
Total net position	<u>8,337,462</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 10,403,964</u>

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Statement of Activities
For the Year Ended December 31, 2013**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government					
Governmental Activities					
General Government	\$ 283,042	\$ 49,018	\$ 12,161	\$ -	\$ (221,863)
Public Safety	801,779	159,118	12,028	2,491	(628,142)
Public Works	1,042,094	264,389	163,947	-	(613,758)
Health and Human Services	6,476	4,565	225	-	(1,686)
Culture, Education and Recreation	11,003	75	-	-	(10,928)
Conservation and Development	5,300	3,853	815	-	(632)
Interest and Fiscal Charges	9,227	-	-	-	(9,227)
Total primary government	<u>\$ 2,158,921</u>	<u>\$ 481,018</u>	<u>\$ 189,176</u>	<u>\$ 2,491</u>	<u>(1,486,236)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					1,463,550
Other taxes					5,987
Intergovernmental revenues not restricted to specific programs					61,310
Investment income					7,654
Miscellaneous					6,074
Total general revenues					<u>1,544,575</u>
Change in net position					58,339
Net position - beginning					8,279,123
Net position - ending					<u>\$ 8,337,462</u>

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Balance Sheet
Governmental Funds
December 31, 2013**

	General Fund	Nonmajor Governmental Fund Cemetery Fund	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 813,252	\$ 6,818	\$ 820,070
Receivables:			
Taxes	1,715,157	-	1,715,157
Delinquent Personal Property Taxes	1,474	-	1,474
Delinquent Special Assessments	2,036	-	2,036
Accounts	36,341	-	36,341
Total Assets	\$ 2,568,260	\$ 6,818	\$ 2,575,078
LIABILITIES			
Accounts Payable	\$ 165,424	\$ -	\$ 165,424
Other Accrued Liabilities	13,721	-	13,721
Total Liabilities	179,145	-	179,145
DEFERRED INFLOWS OF RESOURCES			
Tax Revenue and Special Charges	1,715,157	-	1,715,157
FUND BALANCES			
Nonspendable	3,511	-	3,511
Restricted	12,809	6,818	19,627
Committed	85,492	-	85,492
Assigned	16,585	-	16,585
Unassigned	555,561	-	555,561
Total Fund Balances	673,958	6,818	680,776
Total Liabilities and Fund Balances	\$ 2,568,260	\$ 6,818	\$ 2,575,078

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2013**

Total fund balance, governmental funds	\$	680,776
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Amounts reported for governmental activities in the statement of net position are different because:

Some receivables that are not currently available are reported as deferred inflows in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	237,992
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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 position.	7,663,139
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The Town's investment in the EMS joint venture is not a financial resource and, therefore, is not reported in the funds.	165,747
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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 position.

Compensated absences	(97,759)
Accrued interest	(5,426)
Capital lease	(35,032)
Bonds and notes payable	(271,975)
	<hr/>

Net position of governmental activities in the statement of net position	\$	<u><u>8,337,462</u></u>
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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, 2013**

	General Fund	Nonmajor Governmental Fund Cemetery Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,469,536	\$ -	\$ 1,469,536
Intergovernmental	238,080	-	238,080
Licenses and Permits	72,182	-	72,182
Fines, Forfeitures and Penalties	20,826	-	20,826
Public Charges for Services	238,833	49	238,882
Intergovernmental Charges for Services	120,121	-	120,121
Investment Income	5,546	-	5,546
Miscellaneous Income	42,112	-	42,112
Total Revenues	<u>2,207,236</u>	<u>49</u>	<u>2,207,285</u>
EXPENDITURES			
Current:			
General Government	277,276	-	277,276
Public Safety	683,417	-	683,417
Public Works	1,024,236	-	1,024,236
Culture, Recreation, and Education	6,563	-	6,563
Health and Human Services	5,676	800	6,476
Conservation and Development	5,300	-	5,300
Capital Outlay	88,926	-	88,926
Debt Service			
Principal Repayment	291,556	-	291,556
Interest and Fiscal Charges	11,850	-	11,850
Total Expenditures	<u>2,394,800</u>	<u>800</u>	<u>2,395,600</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(187,564)</u>	<u>(751)</u>	<u>(188,315)</u>
OTHER FINANCING SOURCES (USES)			
Property Sales	3,005	-	3,005
Proceeds from Long-Term Debt	203,466	-	203,466
Total Other Financing Sources and Uses	<u>206,471</u>	<u>-</u>	<u>206,471</u>
Net Change in Fund Balances	18,907	(751)	18,156
Fund Balances - Beginning	655,051	7,569	662,620
Fund Balances - Ending	<u>\$ 673,958</u>	<u>\$ 6,818</u>	<u>\$ 680,776</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, 2013**

Net change in fund balances - total governmental funds: \$ 18,156

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

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 6,970

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.

This is the amount by which capital outlays \$157,213 were less than depreciation (\$238,507) in the current period. (81,294)

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 position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term liabilities on the statement of net position.

Principal payments on long-term debt 291,556
Proceeds of debt issuance (203,466)

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.

Accrued interest on debt 2,623
Compensated absences (5,645)

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. 29,439

Change in net assets of governmental activities \$ 58,339

See accompanying notes to the basic financial statements.

Town of Cottage Grove

Statement of Fiduciary Net Position

Fiduciary Fund

December 31, 2013

	<u>Tax Agency</u>
ASSETS	
Cash and Investments	\$ 4,146,400
Taxes Receivable	2,844,346
Total Assets	<u>\$ 6,990,746</u>
LIABILITIES	
Due to Other Governments	\$ 6,990,746
Total Liabilities	<u>\$ 6,990,746</u>

See accompanying notes to the basic financial statements.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2013

1. 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 position 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, 2013

1. 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 – used to account for specific revenue and expenditures that are restricted for Liberty Cemetery.

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, 2013

1. 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 position 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 deferred outflows of resources, and liabilities and deferred inflows of resources 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 inflows. 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 inflows of resources. 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 inflows of resources. Amounts received prior to the entitlement period are also recorded as deferred inflows of resources.

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 inflows of resources.

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, 2013

1. Summary of Significant Accounting Policies (Continued)
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Town reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise from taxes levied in the current year, which are for subsequent year's operations. For governmental fund financial statements, deferred inflows of resources arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows of resources 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 deferred inflows of resources 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.

E. Assets, Liabilities, and Net Position 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, 2013

1. Summary of Significant Accounting Policies (Continued)
E. Assets, Liabilities, and Net Position 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 inflows in the funds budgeted therefore. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar – 2013 tax roll

Lien date and levy date	December, 2013
Tax Bills mailed	December, 2013
Payment in full, or	January 31, 2014
First installment due	January 31, 2014
Second installment due	July 31, 2014
Personal property taxes in full	January 31, 2014
Tax sale – 2013 delinquent real estate taxes	October, 2016

Delinquent special charges on special assessments are not settled in full by the County. No provision for uncollectible accounts receivable has been made for the Town.

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.

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.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2013

- 1. Summary of Significant Accounting Policies (Continued)**
- E. Assets, Liabilities, and Net Position or Equity (Continued)**
- 4) Capital Assets (Continued)**

Government-Wide Statements (Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset 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, 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, 2013 is \$94,150 and the total vacation pay is \$3,609.

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, 2013 are determined on the basis of current salary rates and include salary related payments.

6) Deferred Outflows and Inflows of Resources

Deferred outflow of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2013

1. Summary of Significant Accounting Policies (Continued)
E. Assets, Liabilities, and Net Position 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 payable, capital leases, 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.

8) Equity Classifications

Government-Wide Statements

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

- a. Net Investment in capital assets – 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 position – Consists of net positions 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 position – All other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

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.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2013

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

Fund Statements

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the government imposes upon itself through formal action of the Town Board, and that remain binding unless removed in the same manner.

Assigned – resources neither restricted nor committed for which a government has stated intended use for a specific purpose. This intent can be expressed through the Town Board or through the Town Board delegating this responsibility to the Town Treasurer through the budgetary process.

Unassigned – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

The Town would typically use Restricted fund balances first, followed by Committed resources and then Assigned resources, but reserves the right to selectively spend Unassigned resources first and to defer the use of these other classified funds.

Currently, the Town does not have a minimum fund balance policy.

F. 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.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2013

1. Summary of Significant Accounting Policies (Continued)
F. Budgetary Information (Continued)

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.

2. Cash and Investments

At December 31, 2013, the Town's cash and investments consist of the following:

Deposits with Financial Institutions	<u>\$4,966,471</u>
Total Cash and Investments	<u><u>\$4,966,471</u></u>

Cash and investments as of December 31, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 820,071
Fiduciary Funds:	
Cash and Investments	<u>4,146,400</u>
Total Cash and Investments	<u><u>\$4,966,471</u></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;

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2013

2. Cash and Investments (Continued)

Investments Authorized by Wisconsin Statutes (Continued)

- (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;
- (11) Bonds issued by a local professional baseball park district;
- (12) Bonds issued by a local football stadium district;
- (13) Bonds issued by a local arts district;
- (14) Bonds issued by the Wisconsin Aerospace Authority.

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.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2013

2. Cash and Investments (Continued)

Custodial Credit Risk (Continued)

FDIC Insurance

The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposited owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. For the purpose of these rules, the term "time and savings deposits" includes NOW accounts and money market deposit accounts but does not include interest bearing demand deposit accounts (which were permitted after July 21, 2011). The term "demand deposits" means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal. The insurance coverage of accounts held by government depositors is different if the depository institution is located outside of the State in which the public unit is located. In that case, all deposits, both time and savings deposits and demand deposits, owned by the public unit and held by the public unit's official custodian are added together and insured up to \$250,000. Time and savings deposits are not insured separately from demand deposits.

Collateralization of Public Unit Deposits

Depending on applicable state or federal law, public unit deposits may be secured by collateral or assets of the bank. In the event of the failure of the bank, the FDIC will honor the collateralization agreement if the agreement is valid and enforceable under applicable law. The FDIC does not guarantee, however, that the collateral will be sufficient to cover the amount of the uninsured funds. As such, although it does not increase the insurance coverage of the public unit deposits, collateralization provides an avenue of recovery in the unlikely event of the failure of an insured bank.

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.

As of December 31, 2013, \$4,221,613 of the Town's deposits with financial institutions in excess of federal depository insurance limits were exposed to custodial credit risk as follows:

Uninsured/Uncollateralized	\$ 57,790
Collateralized by securities held by the pledging financial institution	4,163,823
	<u>\$4,221,613</u>

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2013

3. Deferred Inflows of Resources

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

Governmental funds report deferred inflows of resources 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 inflows of resources 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	\$ -	\$ 1,470,539	\$ 1,470,539
Omitted Property taxes	-	6,046	6,046
Managed forest land taxes	-	580	580
Garbage/recycling fees	<u>237,992</u>	<u>-</u>	<u>237,992</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 237,992</u>	<u>\$ 1,477,165</u>	<u>\$ 1,715,157</u>

4. Defined Contribution Plan

In lieu of any formal retirement plan, permanent full-time employees receive a payment at each payroll based on a percent of gross pay during the pay period. Employees are encouraged to participate in the tax-deferred compensation plan offered by the Town. The Town participates in the Wisconsin Deferred Compensation Plan. Total contributions to the plan were \$32,785 for 2013.

5. Tax Levy Limit

Wisconsin Act 25 imposes a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. Under 2013 Wisconsin Act 25, in 2013 and all future years, a municipality is allowed to increase its levy over the amount levied in the prior year by the percentage increase in equalized value from the net new construction or zero percent. All of the exceptions and modifications to the levy limits that existed under previous law continue to apply.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2013

6. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2013 was as follows:

	Balance 1/1/13	Additions	Retirements	Balance 12/31/13
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 3,700,102	\$ -	\$ -	\$ 3,700,102
Construction Work-in-Progress	-	18,844	-	18,844
Total Non-Depreciable Capital Assets	3,700,102	18,844	-	3,718,946
Capital Assets Being Depreciated:				
Buildings	2,594,795	-	-	2,594,795
Machinery and equipment	1,822,967	20,383	-	1,843,350
Streets	3,711,210	117,986	-	3,829,196
Total Capital Assets Being Depreciated	8,128,972	138,369	-	8,267,341
Total Capital Assets	11,829,074	157,213	-	11,986,287
Less: Accumulated Depreciation for				
Buildings	919,106	49,776	-	968,882
Machinery and equipment	969,355	77,158	-	1,046,513
Streets	2,196,180	111,573	-	2,307,753
Total Accumulated Depreciation	4,084,641	238,507	-	4,323,148
Net Capital Assets Being Depreciated	4,044,331	(100,138)	-	3,944,193
Total Capital Assets, Net of Accumulated Depreciation	\$ 7,744,433	\$ (81,294)	\$ -	\$ 7,663,139

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 5,766
Public Safety	79,335
Public Works, including infrastructure	148,966
Culture, Recreation and Education	4,440
Total Governmental Activities Depreciation Expense	\$ 238,507

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2013

7. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts due within 1 year</u>
Governmental activities:					
Bonds and Notes Payable					
General obligation debt	\$ 205,000	\$ -	\$ 205,000	\$ -	\$ -
Promissory notes	121,378	203,466	52,869	271,975	241,455
Total Bonds and Notes Payable	<u>326,378</u>	<u>203,466</u>	<u>257,869</u>	<u>271,975</u>	<u>241,455</u>
Other Liabilities					
Vested compensated absences	92,114	5,645	-	97,759	24,440
Capital leases	68,719	-	33,687	35,032	35,032
Total Other Liabilities	<u>160,833</u>	<u>5,645</u>	<u>33,687</u>	<u>132,791</u>	<u>59,472</u>
Total Governmental Long-term Liabilities	<u>\$ 487,211</u>	<u>\$ 209,111</u>	<u>\$ 291,556</u>	<u>\$ 404,766</u>	<u>\$ 300,927</u>

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, 2013 was \$18,333,640. Total general obligation debt outstanding at year end was \$271,975.

Promissory Notes

Promissory notes are payable from future property tax levies.

Promissory notes at December 31, 2013 consist of the following:

<u>Promissory Notes</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/2013</u>
2008 Promissory Note	12/15/2008	12/15/2018	4.50% \$	120,640	\$ 8,738
2010 Promissory Note	6/3/2010	2/3/2015	4.00%	142,650	59,771
2013 Promissory Note	3/6/2013	3/15/2014	2.15%	68,466	68,466
2013 Promissory Note	8/21/2013	5/22/2014	1.23%	135,000	135,000
Total Promissory Notes					<u>\$ 271,975</u>

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2013

7. Long-Term Obligations (Continued)

Promissory Notes (Continued)

Debt service requirements to maturity are as follows:

Years	Governmental Activities	
	Promissory Notes	
	Principal	Interest
2014	241,455	5,540
2015	30,520	1,235
Total	\$ 271,975	\$ 6,775

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, 2013 are as follows:

Years	Governmental Activities	
	Capital Leases	
	Principal	Interest
2014	35,032	1,398
Total	\$ 35,032	\$ 1,398

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.

8. Operating Lease

During 2006, the Town of Cottage Grove entered into an operating lease agreement for the use of the police station and storage building to house police vehicles and other items related to the operation of the Cottage Grove Police Department. The Town made payments of \$6,705 in 2013.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2013

9. Net Position/Fund Balances

Net position reported on the government-wide statement of net position at December 31, 2013 includes the following:

Net Investment in Capital Assets	
Land	\$ 3,700,102
Construction work-in-progress	18,844
Other Capital Assets, net of accumulated depreciation	3,944,193
Less: Long-term debt outstanding	<u>(203,509)</u>
Total Net Investment in Capital Assets	<u>7,459,630</u>
Restricted	
Cemetery trust funds	6,818
Restricted for road maintenance	<u>6,305</u>
Total Restricted	<u>13,123</u>
Unrestricted	<u>864,709</u>
Total Governmental Activities Net Position	<u><u>\$ 8,337,462</u></u>

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2013

9. Net Position/Fund Balances (Continued)

Governmental fund balances as of December 31, 2013 include the following items:

Nonspendable	
Major Fund	
General Fund	
Noncurrent receivables	\$ 3,511
	<u>3,511</u>
Total	<u>\$ 3,511</u>
Restricted	
Major Fund	
General Fund	
Hydrite	\$ 6,503
ATC	6,305
Non-Major Fund	
Special Revenue Fund	
Cemetery Trust Fund	6,818
	<u>6,818</u>
Total	<u>\$ 19,627</u>
Committed	
Major Fund	
General Fund	
Sick leave liability	\$ 85,492
	<u>85,492</u>
Total	<u>\$ 85,492</u>
Assigned	
Major Fund	
General Fund	
Welcome sign	\$ 13,589
Pleasant Springs Fire expenses	2,996
	<u>16,585</u>
Total	<u>\$ 16,585</u>
Unassigned	
Major Fund	
General Fund	
	\$ 555,561
Total	<u>\$ 555,561</u>

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2013

10. 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 \$468,081 for the police department and \$104,587 for fire protection to the districts for 2013. These payments include grant funded equipment costs, which totaled \$2,491 for police equipment. 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, 2013 is available at the village hall.

Financial information for the emergency services building and fire department as of December 31, 2013 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 2013 of \$81,303 for operations. 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, 2013 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 position. Changes in the equity interest are reported on the statement of activities.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2013

11. 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.

12. 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 of 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. 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.

The Town has approved the Valley Drive drainage improvement project to be completed in 2014. Total estimated costs are \$182,000.

13. Subsequent Events

The Town has approved a landfill expansion agreement with Dane County commencing July 1, 2014 providing annual payments of \$50,000 adjusted by the CPI after the first full year.

The joint police department with the Village of Cottage Grove will be dissolving as of December 31, 2014. Currently, the Town is exploring various options for police coverage for 2015.

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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,482,264	\$ 1,482,264	\$ 1,469,536	\$ (12,728)
Intergovernmental	229,176	229,176	238,080	8,904
License and Permits	48,700	48,700	72,182	23,482
Fines, Forfeitures and Penalties	18,000	18,000	20,826	2,826
Public Charges for Services	229,748	229,748	238,833	9,085
Intergovernmental Charges for Services	166,465	167,888	120,121	(47,767)
Investment Income	5,000	5,000	5,546	546
Miscellaneous Income	21,414	36,033	42,112	6,079
Total Revenues	<u>2,200,767</u>	<u>2,216,809</u>	<u>2,207,236</u>	<u>(9,573)</u>
EXPENDITURES				
Current:				
General Government	279,970	280,732	277,276	3,456
Public Safety	683,686	669,587	683,417	(13,830)
Public Works	873,351	1,008,153	1,024,236	(16,083)
Culture, Recreation, and Education	5,000	7,755	6,563	1,192
Health and Human Services	5,676	5,676	5,676	-
Conservation and Development	12,728	18,028	5,300	12,728
Capital Outlay	-	89,988	88,926	1,062
Debt Service				
Principal Repayment	326,331	326,331	291,556	34,775
Interest Expense	14,025	14,025	11,850	2,175
Total Expenditures	<u>2,200,767</u>	<u>2,420,275</u>	<u>2,394,800</u>	<u>25,475</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(203,466)</u>	<u>(187,564)</u>	<u>15,902</u>
OTHER FINANCING SOURCES				
Property sales	-	-	3,005	3,005
Proceeds from Long-Term Debt	-	203,466	203,466	-
Total Other Financing Sources	<u>-</u>	<u>203,466</u>	<u>206,471</u>	<u>3,005</u>
Net Change in Fund Balances	-	-	18,907	18,907
Fund Balances - Beginning	655,051	655,051	655,051	-
Fund Balances - Ending	<u>\$ 655,051</u>	<u>\$ 655,051</u>	<u>\$ 673,958</u>	<u>\$ 18,907</u>

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

TOWN OF COTTAGE GROVE
Notes to Required Supplementary Information
December 31, 2013

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>General Fund</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Public Safety	\$ 669,587	\$ 683,417	\$ 13,830
Public Works	1,008,153	1,024,236	16,083

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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
TAXES				
Local taxes	\$ 1,463,550	\$ 1,463,550	\$ 1,463,550	\$ -
Occupational taxes	2,557	2,557	2,557	-
Other taxes	3,429	3,429	3,429	-
Special assessments	12,728	12,728	-	(12,728)
Total Taxes	1,482,264	1,482,264	1,469,536	(12,728)
INTERGOVERNMENTAL				
State shared revenues	55,006	55,006	57,356	2,350
State aid- Police	-	-	2,491	2,491
State aid- Fire insurance	12,500	12,500	12,028	(472)
State aid- Transportation	140,188	140,188	140,188	-
State aid- In lieu of forest lands	96	96	815	719
Other state payments	319	319	319	-
State aid- Croplands/forest	199	199	3,954	3,755
State aid- Recycling	7,400	7,400	7,462	62
County aid- Highway and bridges	13,292	13,292	13,292	-
County aid- Soldiers' graves	176	176	175	(1)
Total Intergovernmental	229,176	229,176	238,080	8,904
LICENSES AND PERMITS				
Business and occupational licenses	4,900	4,900	3,700	(1,200)
Dog licenses	1,200	1,200	1,418	218
Building permits and inspections	15,000	15,000	29,174	14,174
Zoning permits and fees	1,500	1,500	2,500	1,000
Cable television franchise fees	25,000	25,000	33,565	8,565
Other permits and fees	1,100	1,100	1,825	725
Total Licenses and Permits	48,700	48,700	72,182	23,482
FINES, FORFEITURES AND PENALTIES				
Law and ordinance violations	18,000	18,000	20,826	2,826
Total Fines, Forfeitures and Penalties	18,000	18,000	20,826	2,826
PUBLIC CHARGES FOR SERVICES				
Refuse collection/curbside	151,819	151,819	153,819	2,000
Recycling charges	76,344	76,344	76,619	275
Title search	1,000	1,000	1,450	450
Highway maintenance	-	-	960	960
Street lighting fees	585	585	586	1
Cemetery	-	-	4,565	4,565
Parks	-	-	75	75
Election expense reimbursement	-	-	605	605
Other miscellaneous charges	-	-	154	154
Total Public Charges for Services	229,748	229,748	238,833	9,085

Town of Cottage Grove

**Detailed Schedule of Revenues
Budget and Actual - General Fund
For the Year Ended December 31, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
INTERGOVERNMENTAL CHARGES				
FOR SERVICES				
Local- Fire services	127,415	128,838	89,607	(39,231)
Local- Emergency building maintenance	25,700	25,700	19,192	(6,508)
Local- Landfill charges	8,100	8,100	6,848	(1,252)
Other charges	4,750	4,750	4,154	(596)
Local- Law enforcement services	500	500	320	(180)
Total Intergovernmental Charges for Services	<u>166,465</u>	<u>167,888</u>	<u>120,121</u>	<u>(47,767)</u>
INVESTMENT INCOME				
Interest income	4,500	4,500	4,747	247
Interest on special assessments/charges	500	500	799	299
Total Investment Income	<u>5,000</u>	<u>5,000</u>	<u>5,546</u>	<u>546</u>
MISCELLANEOUS				
Rent	20,764	20,764	21,564	800
Dividends	300	300	2,108	1,808
Insurance recoveries	-	-	3,561	3,561
Restricted funds	-	2,755	12,160	9,405
Committed funds	-	5,802	-	(5,802)
Undesignated funds	-	6,062	-	(6,062)
Other miscellaneous revenues	350	350	2,719	2,369
Total Miscellaneous	<u>21,414</u>	<u>36,033</u>	<u>42,112</u>	<u>6,079</u>
OTHER FINANCING SOURCES				
Proceeds from long term debt	-	203,466	203,466	-
Property sales	-	-	3,005	3,005
Total Other Financing Sources	<u>-</u>	<u>203,466</u>	<u>206,471</u>	<u>3,005</u>
Total Revenues and Other Financing Sources	<u><u>\$2,200,767</u></u>	<u><u>\$2,420,275</u></u>	<u><u>\$2,413,707</u></u>	<u><u>\$ (6,568)</u></u>

Town of Cottage Grove

**Detailed Schedule of Expenditures
Budget and Actual - General Fund
For the Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT				
Town board	\$ 29,680	\$ 29,680	\$ 28,569	\$ 1,111
Planning committee	1,615	1,615	780	835
Town planner	4,800	4,800	-	4,800
Emergency government	1,823	1,823	740	1,083
Clerk/secretarial	40,984	40,984	37,219	3,765
Treasurer	19,419	19,419	19,019	400
Assessor	7,900	7,900	8,449	(549)
Ordinance commission	431	431	-	431
Judicial	21,553	21,553	16,734	4,819
Legal	33,000	33,000	50,669	(17,669)
Elections	2,600	2,600	2,570	30
Accounting	11,500	11,500	11,626	(126)
Property and liability insurance	28,665	28,665	28,572	93
Town hall	16,500	16,500	12,427	4,073
Flynn hall	6,500	7,262	6,844	418
Emergency building	51,400	51,400	38,430	12,970
Other general government	1,600	1,600	14,628	(13,028)
Total General Government	<u>279,970</u>	<u>280,732</u>	<u>277,276</u>	<u>3,456</u>
PUBLIC SAFETY				
Law enforcement	479,349	463,827	471,293	(7,466)
Fire protection	107,720	109,143	104,587	4,556
Ambulance	81,308	81,308	81,303	5
Fire inspection	1,809	1,809	2,051	(242)
Building inspection	13,500	13,500	24,183	(10,683)
Total Public Safety	<u>683,686</u>	<u>669,587</u>	<u>683,417</u>	<u>(13,830)</u>
PUBLIC WORKS				
Highway maintenance	434,624	440,426	464,953	(24,527)
Highway construction	192,464	321,464	313,222	8,242
Garbage and refuse collection	151,819	151,819	151,850	(31)
Recycling	76,344	76,344	76,347	(3)
Landfill	18,100	18,100	17,864	236
Total Public Works	<u>873,351</u>	<u>1,008,153</u>	<u>1,024,236</u>	<u>(16,083)</u>

Town of Cottage Grove

**Detailed Schedule of Expenditures
Budget and Actual - General Fund
For the Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
CULTURE, RECREATION, AND EDUCATION				
Parks	5,000	7,755	6,563	1,192
Total Culture, Recreation, and Education	<u>5,000</u>	<u>7,755</u>	<u>6,563</u>	<u>1,192</u>
HEALTH AND HUMAN SERVICES				
Outreach	5,500	5,500	5,500	-
Soldiers graves	176	176	176	-
Total Health and Human Services	<u>5,676</u>	<u>5,676</u>	<u>5,676</u>	<u>-</u>
CONSERVATION AND DEVELOPMENT				
Septic maintenance	12,728	12,728	-	12,728
Yahara wins pilot program	-	5,300	5,300	-
Total Conservaton and Development	<u>12,728</u>	<u>18,028</u>	<u>5,300</u>	<u>12,728</u>
CAPITAL OUTLAY				
Law enforcement	-	15,522	11,378	4,144
Highway equipment	-	6,000	9,082	(3,082)
EMS	-	68,466	68,466	-
Total Capital Outlay	<u>-</u>	<u>89,988</u>	<u>88,926</u>	<u>1,062</u>
DEBT SERVICE				
Principal	326,331	326,331	291,556	34,775
Interest and fiscal charges	14,025	14,025	11,850	2,175
Total Debt Service	<u>340,356</u>	<u>340,356</u>	<u>303,406</u>	<u>36,950</u>
Total Expenditures	<u>\$ 2,200,767</u>	<u>\$ 2,420,275</u>	<u>\$ 2,394,800</u>	<u>\$ 25,475</u>