

TOWN OF COTTAGE GROVE

FINANCIAL STATEMENTS WITH
AUDITOR'S REPORT

For the Year Ended December 31, 2014

Town of Cottage Grove

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December 31, 2014

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Johnson & Block
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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, 2014, 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, 2014, 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 viii and page 28 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.

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

March 20, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014

The Town of Cottage Grove's discussion and analysis provides an overview of the Town's financial activities for the fiscal year ended December 31, 2014. Since the information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- The Town's net position remained virtually unchanged as a result of this year's operations.
- The Town's revenue was \$22,590 less than expenses for governmental programs. This compares to last year when revenues exceeded expense by \$58,339.
- The General fund reported a surplus this year of \$144,383. The Town and Village agreed to assign \$41,907 to the Pleasant Springs Fund for future capital expenses and \$14,000 to Emergency Service Building Fund for property repair.
- The Town had \$304,378 in bonds and notes outstanding resulting mainly from road maintenance projects, Valley Street storm water system improvements, repairs to former town garage, and the EMS turnout gear. The debt is scheduled to be paid off in one year.
- The Treasurer retired from her position effective December 5, 2014. The Town hired a new Treasurer October 6, 2014. During the transition the Town had wages for two employees until training was complete.
- The joint Police Department between the Town and the Village of Cottage Grove will be dissolving as of December 31, 2014. The Town will contract with Dane County to provide police services for 2015.

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 a series of financial statements. The Statement of Net Position and the Statement of Activities (pages 1 and 2) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 3. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant fund.

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.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the town using accrual basis of accounting, which is similar to the accounting used by most 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 changes in them. Net Position – the difference between assets and liabilities – is one way to measure the town's financial health, or financial 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.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the individual funds – not the Town as a whole. The funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the Town's programs.

Major Governmental Funds

General Fund – The Town's ordinary operations are reported in the general fund, which focuses on how money flows into and out of the funds and the balances left at year-end that are available for spending. The general fund statement provides a detailed short-term view of the Town's general government operations and the basic services it provides.

Non-Major Governmental Funds

Special Revenue Funds:

Cemetery Trust Fund – Specific revenue the Town receives that is restricted to finance Liberty Cemetery.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014

Fiduciary Funds

The Town is a trustee, or fiduciary, over assets which can only be used for the trust beneficiaries based on the trust arrangement. All of the Town's fiduciary activities are reported in separate Statement of Fiduciary Net Position on page 7. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's net position was virtually unchanged, decreasing from \$8,337,462 to \$8,314,872. In contrast, last year net position increased \$58,339. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

**TABLE 1
STATEMENT OF NET POSITION**

	2014	2013	Dollar Change
Current and Other Assets	\$2,942,077	\$2,740,825	\$201,252
Capital Assets	7,514,649	7,663,139	(148,490)
Total Assets	10,456,726	10,403,964	52,762
Long-term Debt Outstanding	304,378	307,007	(2,629)
Other Liabilities	287,182	282,330	4,852
Total Liabilities	591,560	589,337	2,223
Deferred Inflows of Resources	1,550,294	1,477,165	73,129
Net Investment in			
Capital Assets	7,210,271	7,459,630	(249,359)
Restricted	13,076	13,123	(47)
Unrestricted	1,091,525	864,709	226,818
Total Net Position	\$8,314,872	\$8,337,462	(\$22,589)

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from \$864,709 surplus to a \$1,091,525 surplus at the end of this year.

This surplus in unrestricted net position arose primarily because of the following factors. First, \$41,907 of the proceeds from the Pleasant Springs agreement was applied to a fund for future capital expenses incurred by the Fire Department. Second, there was an \$18,060 increase in the EMS joint venture. Third, \$14,000 was used to create an Emergency Services Building Property Repair Fund. Fourth, \$9,000 was committed to the Sick Leave Liability Fund.

TABLE 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2014	2013	Dollar Change
Revenues			
Program Revenues			
Charges for services	\$503,748	\$481,018	\$22,730
Operating grants	216,217	189,176	27,041
Capital grants		2,491	(2,491)
General Revenues			0
Property taxes	1,470,539	1,463,550	6,989
Other taxes	2,582	5,987	(3,405)
Intergovernmental	57,257	61,310	(4,053)
Investment income	6,975	7,654	(679)
Miscellaneous	5,654	6,074	(420)
Total Revenues	<u>\$2,262,972</u>	<u>\$2,217,260</u>	<u>\$45,712</u>
Expenses			
General government	\$280,955	\$283,042	(\$2,087)
Public safety	789,617	801,779	(12,162)
Public works	1,190,711	1,042,094	148,617
Health and human services	6,456	6,476	(20)
Culture, education and recreation	8,834	11,003	(2,169)
Conservation Development	5,300	5,300	0
Interest and fiscal charges	3,689	9,227	(5,538)
Total Expenses	<u>\$2,285,562</u>	<u>\$2,158,921</u>	<u>\$126,641</u>

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014

Change in Net Position	(\$22,590)	\$58,339	(\$80,929)
NET POSITION – Beginning of Year (as restated)	<u>\$8,337,462</u>	<u>\$8,279,123</u>	<u>\$58,339</u>
NET POSITION – END OF YEAR	<u>\$8,314,872</u>	<u>\$8,337,462</u>	<u>(\$22,590)</u>

The Town's total revenue increased by 2.07 percent (\$45,712). The total cost of all programs and services (increased by \$126,641, or less than 6 percent). Even with this low growth in expenses, the Town still was unable to cover this year's costs with revenues. The analysis below separately considers the operations of governmental activities.

GOVERNMENTAL ACTIVITIES

The cost of all governmental activities this year was \$2,285,562 compared to \$2,158,921 last year. However, as shown in the Statement of Activities on page 2, the amount that taxpayers ultimately financed for these activities through taxes was \$1,565,597 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

Table 3 presents the cost of each of the Town's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**TABLE 3
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
General Government	\$280,955	\$283,042	\$230,145	\$221,863
Public Safety	789,617	801,779	573,457	628,142
Public Works	1,190,711	1,042,094	742,935	613,758
Health and Human Services	6,456	6,476	5,460	1,686
Culture, Education and Recreation	8,834	11,003	8,834	10,928
Conservation and Development	5,300	5,300	1,077	632
Interest and Fiscal Charges	3,689	9,227	3,689	9,227
	<u>\$2,285,562</u>	<u>\$2,158,921</u>	<u>\$1,565,597</u>	<u>\$1,486,236</u>

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014

GENERAL FUND

The Town's general fund (as presented in the balance sheet on page 3) reported a combined fund balance of \$818,341, which is above last year's total of \$673,958.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Town Board revised the Town budget to include the following.

- Pleasant Springs 2013 carryover increased \$2,996.
- Funding for replacement well testing \$930 from Hydrite Chemical Fund.
- ATC Impact Fees for tree replacement in Town parks \$244.
- \$38,750 additional borrowing for EMS turnout gear, Valley Street project, repairs to town garage, and replacement of door at Flynn Hall.

Even with these adjustments, actual revenues were above budgeted revenues by \$23,500 and actual expenses were under budgeted expenses by \$121,258. The most significant variances were:

- Cable television franchise fee revenue was \$6,395 more than budgeted revenue.
- The Town's share of the Police Department grants totaling \$5,433 was not included in budgeted revenues.
- Law enforcement actual expenses were \$21,113 less than budgeted expenses.
- Fire protection actual expenses were \$43,255 less than budget. \$41,907 of remaining Pleasant Spring expenses were applied towards future capital expenses.
- Emergency building maintenance expenses were \$16,383 less than budget. \$14,000 is to be used for the property repair fund.
- Legal expenses were \$9,250 less than anticipated expenses.
- Highway maintenance contracts were \$16,780 less than budget.
- Debt services were \$16,550 less than budgeted debt repayment.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014

CAPITAL ASSETS

At the end of 2014, the Town had \$7,514,649 invested in capital assets, including land, buildings, machinery and equipment, and infrastructure. (See Table 4 below.) This amount represents a net decrease (including additions and deductions) of \$148,490, or 2 percent, under last year.

**TABLE 4
CAPITAL ASSETS**

	2014	2013	Dollar Change
Land	\$3,700,102	\$3,700,102	\$0
Construction In Progress	0	18,844	(18,844)
Buildings	2,594,795	2,594,795	0
Machinery and equipment	1,840,825	1,843,350	(2,525)
Infrastructure	3,949,728	3,829,196	120,532
Total Capital Assets	<u>\$12,085,450</u>	<u>\$11,986,287</u>	<u>\$99,163</u>
Less: Accumulated Depreciation	<u>\$4,570,801</u>	<u>\$4,323,148</u>	<u>\$247,653</u>
Net Capital Assets	<u><u>\$7,514,649</u></u>	<u><u>\$7,663,139</u></u>	<u><u>(\$148,490)</u></u>

This year's additions included:

Valley Street / Bonnie Avenue drainage project	\$ 120,531
MSA Evolution 6000	\$ 8,414
2014 Ford Explorer	\$ 10,155

The Town's fiscal-year 2015 capital budget calls for it to spend another \$315,000 for Highway Capital Outlay. The Town has plans to issue additional debt to finance these projects.

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.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014

LONG-TERM DEBT

At year-end, the Town had \$304,378 in bonds and notes outstanding versus \$271,975 last year – an increase of 12 percent. New debt resulted mainly from road maintenance projects, Valley Street storm water system improvements, repairs to former town garage, and the EMS turnout gear. Outstanding debt is to be paid off in one 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, 2014 was \$19,212,935.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town's Treasurer, 4058 County Road N, Cottage Grove, WI 53527.

BASIC FINANCIAL STATEMENTS

Town of Cottage Grove

**Statement of Net Position
December 31, 2014**

	Governmental Activities
ASSETS	
Cash and investments	\$ 953,868
Receivables	
Taxes	1,775,814
Accounts	26,313
Delinquent personal property taxes	169
Delinquent special assessments	2,106
Investment in EMS joint venture	183,807
Capital assets	
Land	3,700,102
Other capital assets, net of accumulated depreciation	3,814,547
Net capital assets	<u>7,514,649</u>
 Total Assets	 <u>\$ 10,456,726</u>
LIABILITIES	
Accounts payable	\$ 148,905
Accrued liabilities and deposits	9,151
Accrued interest payable	2,400
Long-term liabilities	
Due within one year	
Bonds, notes, and capital leases	304,378
Compensated absences	31,682
Due in more than one year	
Compensated absences	95,044
Total liabilities	<u>591,560</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Tax Levy	<u>1,550,294</u>
Total deferred inflows of resources	<u>1,550,294</u>
NET POSITION	
Net investment in capital assets	7,210,271
Restricted for:	
Road maintenance	6,000
Cemetery	6,058
ATC Impact fees	1,018
Unrestricted	<u>1,091,525</u>
Total net position	<u>8,314,872</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 10,456,726</u>

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Statement of Activities
For the Year Ended December 31, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government				
Governmental Activities				
General Government	\$ 280,956	\$ 50,811	\$ -	\$ (230,145)
Public Safety	789,617	197,304	18,856	(573,457)
Public Works	1,190,710	250,832	196,943	(742,935)
Health and Human Services	6,456	800	196	(5,460)
Culture, Education and Recreation	8,834	-	-	(8,834)
Conservation and Development	5,300	4,000	223	(1,077)
Interest and Fiscal Charges	3,689	-	-	(3,689)
Total primary government	<u>\$ 2,285,562</u>	<u>\$ 503,747</u>	<u>\$ 216,218</u>	<u>(1,565,597)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,470,539
Other taxes				2,582
Intergovernmental revenues not restricted to specific programs				57,257
Investment income				6,975
Miscellaneous				5,651
Total general revenues				<u>1,543,007</u>
Change in net position				(22,590)
Net position - beginning				8,337,462
Net position - ending				<u>\$ 8,314,872</u>

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Balance Sheet
Governmental Funds
December 31, 2014**

	General Fund	Nonmajor Governmental Fund Cemetery Fund	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 947,810	\$ 6,058	\$ 953,868
Receivables:			
Taxes	1,775,814	-	1,775,814
Delinquent Personal Property Taxes	169	-	169
Delinquent Special Assessments	2,106	-	2,106
Accounts	26,312	-	26,312
Total Assets	\$ 2,752,211	\$ 6,058	\$ 2,758,269
LIABILITIES			
Accounts Payable	\$ 148,905	\$ -	\$ 148,905
Other Accrued Liabilities	9,151	-	9,151
Total Liabilities	158,056	-	158,056
DEFERRED INFLOWS OF RESOURCES			
Tax Revenue and Special Charges	1,775,814	-	1,775,814
FUND BALANCES			
Nonspendable	2,276	-	2,276
Restricted	-	6,058	6,058
Committed	94,820	-	94,820
Assigned	82,088	-	82,088
Unassigned	639,157	-	639,157
Total Fund Balances	818,341	6,058	824,399
Total Liabilities and Fund Balances	\$ 2,752,211	\$ 6,058	\$ 2,758,269

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, 2014**

Total fund balance, governmental funds	\$ 824,399
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.	225,521
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.	7,514,649
The Town's investment in the EMS joint venture is not a financial resource and, therefore, is not reported in the funds.	183,807
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	(126,726)
Accrued interest	(2,400)
Bonds and notes payable	(304,378)
	<hr/>
Net position of governmental activities in the statement of net position	<u>\$ 8,314,872</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, 2014**

	General Fund	Nonmajor Governmental Fund Cemetery Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,473,121	\$ -	\$ 1,473,121
Intergovernmental	273,754	-	273,754
Licenses and Permits	86,425	-	86,425
Fines, Forfeitures and Penalties	23,855	-	23,855
Public Charges for Services	240,165	-	240,165
Intergovernmental Charges for Services	144,403	-	144,403
Investment Income	4,717	40	4,757
Miscellaneous Income	38,999	-	38,999
Total Revenues	<u>2,285,439</u>	<u>40</u>	<u>2,285,479</u>
EXPENDITURES			
Current:			
General Government	274,018	-	274,018
Public Safety	740,293	-	740,293
Public Works	1,088,824	-	1,088,824
Culture, Recreation, and Education	4,939	-	4,939
Health and Human Services	5,656	800	6,456
Conservation and Development	5,300	-	5,300
Capital Outlay	13,688	-	13,688
Debt Service			
Principal Repayment	276,379	-	276,379
Interest and Fiscal Charges	6,715	-	6,715
Total Expenditures	<u>2,415,812</u>	<u>800</u>	<u>2,416,612</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(130,373)</u>	<u>(760)</u>	<u>(131,133)</u>
OTHER FINANCING SOURCES (USES)			
Property Sales	1,006	-	1,006
Proceeds from Long-Term Debt	273,750	-	273,750
Total Other Financing Sources and Uses	<u>274,756</u>	<u>-</u>	<u>274,756</u>
Net Change in Fund Balances	144,383	(760)	143,623
Fund Balances - Beginning	673,958	6,818	680,776
Fund Balances - Ending	<u>\$ 818,341</u>	<u>\$ 6,058</u>	<u>\$ 824,399</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, 2014**

Net change in fund balances - total governmental funds: \$ 143,623

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 (12,471)

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 \$120,257 were less than depreciation (\$257,705) in the current period. (137,448)

The statement of activities reports the gain or loss on the sale of capital assets as an increase or decrease of net assets. This is not reported in the fund financial statements. This amount represents the gain (loss) on the sale/disposal of equipment. (11,042)

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 276,379
Proceeds of debt issuance (273,750)

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 3,026
Compensated absences (28,967)

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. 18,060

Change in net assets of governmental activities \$ (22,590)

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2014**

	<u>Tax Agency</u>
ASSETS	
Cash and Investments	\$ 4,431,689
Taxes Receivable	2,445,427
Total Assets	<u>\$ 6,877,116</u>
LIABILITIES	
Due to Other Governments	\$ 6,877,116
Total Liabilities	<u>\$ 6,877,116</u>

See accompanying notes to the basic financial statements.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2014

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, 2014

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, 2014

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, 2014

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.

D. 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, 2014

1. Summary of Significant Accounting Policies (Continued)
D. 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 – 2014 tax roll

Lien date and levy date	December, 2014
Tax Bills mailed	December, 2014
Payment in full, or	January 31, 2015
First installment due	January 31, 2015
Second installment due	July 31, 2015
Personal property taxes in full	January 31, 2015
Tax sale – 2014 delinquent real estate taxes	October, 2017

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, 2014

- 1. Summary of Significant Accounting Policies (Continued)**
- D. 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, 2014 is \$103,448 and the total vacation pay is \$23,278.

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, 2014 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, 2014

- 1. Summary of Significant Accounting Policies (Continued)**
- D. 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, 2014

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

Fund Statements

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-Spendable – includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed – includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – includes amounts that are available for any purpose; positive amounts are reported only in the general fund.

Authority to Commit – commitments will only be used for specific purposes pursuant to a formal action of the Town Board. A majority vote is required to approve a commitment and must take place within the fiscal reporting period, no later than December 31st; however, the amount can be determined subsequent to the release of the financial statements. A majority vote will be required to remove or change the specific use of a commitment.

Authority to Assign – the Town Board delegates the Town Clerk and Treasurer to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Village to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Village that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum unassigned fund balance – the Town will maintain a minimum unassigned fund balance in its General Fund ranging from 20% to 25% of the subsequent year's budgeted expenditures (including other financing uses). This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment. As of December 31, 2014 the general fund unassigned fund balance was 27.4% of budgeted 2014 general fund expenditures.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2014

1. Summary of Significant Accounting Policies (Continued)
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.

2. Cash and Investments

At December 31, 2014, the Town's cash and investments consist of the following:

Deposits with Financial Institutions	<u>\$5,385,557</u>
Total Cash and Investments	<u><u>\$5,385,557</u></u>

Cash and investments as of December 31, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 953,868
Fiduciary Funds:	
Cash and Investments	<u>4,431,689</u>
Total Cash and Investments	<u><u>\$5,385,557</u></u>

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2014

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

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;
- (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.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2014

2. Cash and Investments (Continued)

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.

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 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. 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.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2014

2. Cash and Investments (Continued)

Custodial Credit Risk (Continued)

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, 2014, \$4,170,423 of the Town's deposits with financial institutions in excess of federal depository insurance limits were exposed to custodial credit risk as follows:

Collateralized by securities held by the pledging financial institution	\$4,170,423
	\$4,170,423

The uninsured/uncollateralized balance could be covered the State Deposit Guarantee Fund to cover any potential loss.

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:

	Unavailable	Unearned	Totals
Property taxes receivable for subsequent year	\$ -	\$ 1,549,884	\$ 1,549,884
Managed forest land taxes	-	410	410
Garbage/recycling fees	225,520	-	225,520
Total Deferred/Unearned Revenue for Governmental Funds	\$ 225,520	\$ 1,550,294	\$ 1,775,814

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2014

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 \$28,860 for 2014.

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.

In addition, as part of Wisconsin's Act 20 (2013), legislation was passed that further limits future tax levies. If the Town adopts a new fee or a fee increase for covered services such as garbage collection, fire protection, snow plowing, street sweeping, and storm water management (which were partly or wholly funded by property tax levy), the Town must reduce its levy limit in the current year by the amount of the new fee or fee increase, less any previous reductions.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2014

6. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2014 was as follows:

	Balance 1/1/14	Additions	Retirements	Balance 12/31/14
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	<u>3,718,946</u>	<u>-</u>	<u>(18,844)</u>	<u>3,700,102</u>
Capital Assets Being Depreciated:				
Buildings	2,594,795	-	-	2,594,795
Machinery and equipment	1,843,350	18,569	(21,094)	1,840,825
Streets	3,829,196	120,532	-	3,949,728
Total Capital Assets Being Depreciated	<u>8,267,341</u>	<u>139,101</u>	<u>(21,094)</u>	<u>8,385,348</u>
Total Capital Assets	<u>11,986,287</u>	<u>139,101</u>	<u>(39,938)</u>	<u>12,085,450</u>
Less: Accumulated Depreciation for				
Buildings	968,882	50,948	-	1,019,830
Machinery and equipment	1,046,513	79,249	(10,052)	1,115,710
Streets	2,307,753	127,508	-	2,435,261
Total Accumulated Depreciation	<u>4,323,148</u>	<u>257,705</u>	<u>(10,052)</u>	<u>4,570,801</u>
Net Capital Assets Being Depreciated	<u>3,944,193</u>	<u>(118,604)</u>	<u>(11,042)</u>	<u>3,814,547</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 7,663,139</u>	<u>\$ (118,604)</u>	<u>\$ (29,886)</u>	<u>\$ 7,514,649</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 6,938
Public Safety	72,265
Public Works, including infrastructure	174,607
Culture, Recreation and Education	3,895
Total Governmental Activities Depreciation Expense	<u>\$ 257,705</u>

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2014

7. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2014 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					
Promissory notes	\$ 271,975	\$ 273,750	\$ 241,347	\$ 304,378	\$ 304,378
Total Bonds and Notes Payable	<u>271,975</u>	<u>273,750</u>	<u>241,347</u>	<u>304,378</u>	<u>304,378</u>
Other Liabilities					
Vested compensated absences	97,759	28,967	-	126,726	31,682
Capital leases	<u>35,032</u>	<u>-</u>	<u>35,032</u>	<u>-</u>	<u>-</u>
Total Other Liabilities	<u>132,791</u>	<u>28,967</u>	<u>35,032</u>	<u>126,726</u>	<u>31,682</u>
Total Governmental Long-term Liabilities	<u>\$ 404,766</u>	<u>\$ 302,717</u>	<u>\$ 276,379</u>	<u>\$ 431,104</u>	<u>\$ 336,060</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, 2014 was \$19,212,935. Total general obligation debt outstanding at year end was \$304,270.

Promissory Notes

Promissory notes are payable from future property tax levies.

Promissory notes at December 31, 2014 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 12/31/2014</u>
2010 Promissory Note	6/3/2010	2/3/2015	4.00%	\$ 142,650	\$ 30,628
2014 Promissory Note	9/3/2014	3/15/2015	1.55%	273,750	<u>273,750</u>
Total Promissory Notes					<u>\$ 304,378</u>

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2014

7. Long-Term Obligations (Continued)

Promissory Notes (Continued)

Debt service requirements to maturity are as follows:

Years	Governmental Activities Promissory Notes	
	Principal	Interest
2015	304,378	3,477
Total	\$ 304,378	\$ 3,477

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 lease obligations were fully paid off in 2014.

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 \$10,021 in 2014.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2014

9. Net Position/Fund Balances

Net position reported on the government-wide statement of net position at December 31, 2014 includes the following:

Net Investment in Capital Assets	
Land	\$ 3,700,102
Other Capital Assets, net of accumulated depreciation	3,814,547
Less: Long-term debt outstanding	<u>(304,378)</u>
Total Net Investment in Capital Assets	<u>7,210,271</u>
 Restricted	
Cemetery trust funds	6,058
Restricted for road maintenance	6,000
ATC Impact Fees	<u>1,018</u>
Total Restricted	<u>13,076</u>
 Unrestricted	<u>1,091,525</u>
 Total Governmental Activities Net Position	<u><u>\$ 8,314,872</u></u>

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2014

9. Net Position/Fund Balances (Continued)

Governmental fund balances as of December 31, 2014 include the following items:

Nonspendable

Major Fund

General Fund

Noncurrent receivables \$ 2,276

Total \$ 2,276

Restricted

Non-Major Fund

Special Revenue Fund

Cemetery Trust Fund \$ 6,058

Total \$ 6,058

Committed

Major Fund

General Fund

Sick leave liability \$ 94,820

Total \$ 94,820

Assigned

Major Fund

General Fund

Fire - Capital Purchases \$ 41,907

EMS Building Repair 14,000

Hydrite 5,574

ATC 1,018

Hwy 6,000

Welcome sign 13,589

Total \$ 82,088

Unassigned

Major Fund

General Fund

\$ 639,157

Total \$ 639,157

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2014

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 \$474,958 for the police department and \$99,093 for fire protection to the districts for 2014. These payments include grant funded equipment costs, which totaled \$5,433 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, 2014 is available at the village hall.

Financial information for the emergency services building and fire department as of December 31, 2014 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 2014 of \$125,026 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, 2014 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, 2014

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 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. 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 2015, the Town approved and committed funds for the purchase a new truck for approximately \$90,500.

13. Subsequent Events

The joint police department with the Village of Cottage Grove will be dissolving as of December 31, 2014. The Town will contract with Dane County to provide police services 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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,473,121	\$ 1,473,121	\$ 1,473,121	\$ -
Intergovernmental	267,102	267,102	273,754	6,652
License and Permits	58,125	58,125	86,425	28,300
Fines, Forfeitures and Penalties	20,000	20,000	23,855	3,855
Public Charges for Services	254,332	255,132	240,165	(14,967)
Intergovernmental Charges for Services	159,807	162,803	144,403	(18,400)
Investment Income	5,200	5,200	4,717	(483)
Miscellaneous Income	21,463	21,463	38,999	17,537
Total Revenues	<u>2,259,150</u>	<u>2,262,946</u>	<u>2,285,439</u>	<u>22,494</u>
EXPENDITURES				
Current:				
General Government	289,308	313,162	274,018	39,144
Public Safety	769,921	786,773	740,293	46,480
Public Works	1,119,301	1,121,271	1,088,824	32,447
Culture, Recreation, and Education	5,000	5,244	4,939	305
Health and Human Services	5,676	5,676	5,656	20
Conservation and Development	5,300	5,300	5,300	-
Capital Outlay	-	-	13,688	(13,688)
Debt Service				
Principal Repayment	292,150	292,150	276,379	15,771
Interest Expense	7,494	7,494	6,715	779
Total Expenditures	<u>2,494,150</u>	<u>2,537,070</u>	<u>2,415,812</u>	<u>121,258</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(235,000)</u>	<u>(274,124)</u>	<u>(130,373)</u>	<u>143,752</u>
OTHER FINANCING SOURCES				
Property sales	-	-	1,006	1,006
Proceeds from Long-Term Debt	235,000	273,750	273,750	-
Total Other Financing Sources	<u>235,000</u>	<u>273,750</u>	<u>274,756</u>	<u>1,006</u>
Net Change in Fund Balances	-	(374)	144,383	144,758
Fund Balances - Beginning	673,958	673,958	673,958	-
Fund Balances - Ending	<u>\$ 673,958</u>	<u>\$ 673,584</u>	<u>\$ 818,341</u>	<u>\$ 144,758</u>

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

TOWN OF COTTAGE GROVE
Notes to Required Supplementary Information
December 31, 2014

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 is as follows:

	<u>Final Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Capital Outlay	\$ -	\$ 13,688	\$ 13,688

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
TAXES				
Local taxes	\$ 1,470,539	\$ 1,470,539	\$ 1,470,539	\$ -
Other taxes	2,582	2,582	2,582	-
Total Taxes	<u>1,473,121</u>	<u>1,473,121</u>	<u>1,473,121</u>	<u>-</u>
INTERGOVERNMENTAL				
State shared revenues	57,101	57,101	57,128	27
State aid- Police	-	-	5,433	5,433
State aid- Fire insurance	12,027	12,027	13,423	1,396
State aid- Transportation	139,489	139,489	139,489	-
State aid- In lieu of forest lands	125	125	223	98
Other state payments	319	319	320	1
State aid- Croplands/forest	465	465	129	(336)
State aid- Recycling	7,400	7,400	7,453	53
County aid- Soldiers' graves	176	176	156	(20)
Landfill Compensation Fee	50,000	50,000	50,000	-
Total Intergovernmental	<u>267,102</u>	<u>267,102</u>	<u>273,754</u>	<u>6,652</u>
LICENSES AND PERMITS				
Business and occupational licenses	3,700	3,700	4,000	300
Dog licenses	1,400	1,400	1,358	(42)
Building permits and inspections	20,000	20,000	41,099	21,099
Zoning permits and fees	1,750	1,750	2,500	750
Cable television franchise fees	30,000	30,000	36,394	6,394
Other permits and fees	1,275	1,275	1,074	(201)
Total Licenses and Permits	<u>58,125</u>	<u>58,125</u>	<u>86,425</u>	<u>28,300</u>
FINES, FORFEITURES AND PENALTIES				
Law and ordinance violations	20,000	20,000	23,855	3,855
Total Fines, Forfeitures and Penalties	<u>20,000</u>	<u>20,000</u>	<u>23,855</u>	<u>3,855</u>
PUBLIC CHARGES FOR SERVICES				
Refuse collection/curbside	159,152	159,152	148,884	(10,268)
Recycling charges	80,032	80,032	74,959	(5,073)
Title search	1,000	1,000	1,475	475
Highway maintenance	-	-	45	45
Street lighting fees	585	585	439	(146)
Cemetery	-	800	800	-
Special Charges	13,563	13,563	13,563	-
Total Public Charges for Services	<u>254,332</u>	<u>255,132</u>	<u>240,165</u>	<u>(14,967)</u>

Town of Cottage Grove

**Detailed Schedule of Revenues
Budget and Actual - General Fund
For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
INTERGOVERNMENTAL CHARGES				
FOR SERVICES				
Local- Fire services	121,807	124,803	108,028	(16,775)
Local- Emergency building maintenance	25,000	25,000	23,809	(1,191)
Local- Landfill charges	8,000	8,000	7,609	(391)
Other charges	4,750	4,750	4,444	(306)
Local- Law enforcement services	250	250	513	263
Total Intergovernmental Charges for Services	<u>159,807</u>	<u>162,803</u>	<u>144,403</u>	<u>(18,400)</u>
INVESTMENT INCOME				
Interest income	4,500	4,500	4,222	(278)
Interest on special assessments/charges	700	700	495	(205)
Total Investment Income	<u>5,200</u>	<u>5,200</u>	<u>4,717</u>	<u>(483)</u>
MISCELLANEOUS				
Rent	21,162	21,162	20,744	(418)
Dividends	300	300	2,258	1,958
Insurance recoveries	-	-	13,635	13,635
Other miscellaneous revenues	-	-	2,362	2,362
Total Miscellaneous	<u>21,462</u>	<u>21,462</u>	<u>38,999</u>	<u>17,537</u>
OTHER FINANCING SOURCES				
Proceeds from long term debt	235,000	273,750	273,750	-
Property sales	-	-	1,006	1,006
Total Other Financing Sources	<u>235,000</u>	<u>273,750</u>	<u>274,756</u>	<u>1,006</u>
Total Revenues and Other Financing Sources	<u>\$ 2,494,149</u>	<u>\$ 2,536,695</u>	<u>\$ 2,560,195</u>	<u>\$ 23,500</u>

Town of Cottage Grove

**Detailed Schedule of Expenditures
Budget and Actual - General Fund
For the Year Ended December 31, 2014**

	<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	\$ 29,880	\$ 29,880	\$ 26,103	\$ 3,777
Planning committee	1,615	1,615	1,417	198
Town planner	1,500	1,500	1,494	6
Emergency government	1,823	1,823	1,051	772
Clerk/secretarial	41,721	41,721	39,021	2,700
Treasurer	19,600	19,600	23,174	(3,574)
Assessor	7,900	7,900	8,527	(627)
Ordinance commission	431	431	54	377
Judicial	20,398	20,398	15,816	4,582
Legal	36,000	36,000	26,750	9,250
Elections	10,800	10,800	7,890	2,910
Accounting	11,500	11,500	12,359	(859)
Property and liability insurance	31,540	31,540	28,157	3,383
Town hall	14,300	14,300	12,605	1,695
Flynn hall	7,300	8,305	8,938	(633)
Emergency building	50,000	50,000	33,617	16,383
Other general government	3,000	25,849	27,045	(1,196)
Total General Government	<u>289,308</u>	<u>313,162</u>	<u>274,018</u>	<u>39,144</u>
PUBLIC SAFETY				
Law enforcement	499,542	499,542	478,429	21,113
Fire protection	139,352	142,348	99,093	43,255
Ambulance	111,170	125,026	125,026	-
Fire inspection	1,857	1,857	2,014	(157)
Building inspection	18,000	18,000	35,731	(17,731)
Total Public Safety	<u>769,921</u>	<u>786,773</u>	<u>740,293</u>	<u>46,480</u>
PUBLIC WORKS				
Highway maintenance	401,474	403,444	411,405	(7,961)
Highway construction	435,397	435,397	418,617	16,780
Non-Highway expenses	24,596	24,596	20,829	3,767
Garbage and refuse collection	159,152	159,152	145,878	13,274
Recycling	80,032	80,032	73,445	6,587
Landfill	18,650	18,650	18,650	-
Total Public Works	<u>1,119,301</u>	<u>1,121,271</u>	<u>1,088,824</u>	<u>32,447</u>

Town of Cottage Grove

**Detailed Schedule of Expenditures
Budget and Actual - General Fund
For the Year Ended December 31, 2014**

	<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	5,244	4,939	305
Total Culture, Recreation, and Education	<u>5,000</u>	<u>5,244</u>	<u>4,939</u>	<u>305</u>
HEALTH AND HUMAN SERVICES				
Outreach	5,500	5,500	5,500	-
Soldiers graves	176	176	156	20
Total Health and Human Services	<u>5,676</u>	<u>5,676</u>	<u>5,656</u>	<u>20</u>
CONSERVATION AND DEVELOPMENT				
Yahara wins pilot program	5,300	5,300	5,300	-
Total Conservaton and Development	<u>5,300</u>	<u>5,300</u>	<u>5,300</u>	<u>-</u>
CAPITAL OUTLAY				
Law enforcement	-	-	13,688	(13,688)
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>13,688</u>	<u>(13,688)</u>
DEBT SERVICE				
Principal	292,150	292,150	276,379	15,771
Interest and fiscal charges	7,494	7,494	6,715	779
Total Debt Service	<u>299,644</u>	<u>299,644</u>	<u>283,094</u>	<u>16,550</u>
Total Expenditures	<u>\$ 2,494,150</u>	<u>\$ 2,537,070</u>	<u>\$ 2,415,812</u>	<u>\$ 121,258</u>