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Certified Public Accountants

WISCONSIN
Town of Cottage Grove

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**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended December 31, 2016

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Town of Cottage Grove

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December 31, 2016

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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, 2016, 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, 2016, 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 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.

A handwritten signature in black ink that reads "Johnson Block & Company, Inc." in a cursive script.

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

March 24, 2017

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016

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, 2016. 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 was \$305,468 higher as a result of this year's operations. Unrestricted net position was \$1,290,684 at December 31, 2016, a decrease of \$71,709 or 5.26 percent less from last year.
- Unassigned general fund reported a deficit this year of \$207,610, decreasing the fund balance to \$560,496. As of December 31, 2016 the fund was 21.03% of budgeted 2017 general fund expenditures.
- The Town's net cost of all governmental activities this year was \$1,279,696, a 7.9 percent decrease from last year.
- Net Capital Assets were \$7,723,299 at December 31, 2016, an increase of \$123,309 from prior year.
- The Town had \$357,788 in bonds and notes outstanding resulting mainly from road maintenance projects, John Deere Utility Tractor, and two John Deere Terrain Cut Front Mowers.

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.

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.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016

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.

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.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's net position was higher, increasing from \$8,632,387 to \$8,937,855. In contrast, last year net position increased \$317,515. 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**

	2016	2015	Dollar Change
Current and Other Assets	\$3,401,519	\$3,130,610	\$270,909
Capital Assets	7,723,299	7,599,990	123,309
Total Assets	<u>11,124,818</u>	<u>10,730,600</u>	<u>394,218</u>
Short-term Debt Outstanding	270,440	232,500	37,940
Long-term Debt Outstanding	87,348	109,195	(21,847)
Other Liabilities	271,047	245,859	25,188
Total Liabilities	<u>628,835</u>	<u>587,554</u>	<u>41,281</u>
Deferred Inflows of Resources	1,558,128	1,510,659	47,469
Net Investment in			
Capital Assets	7,635,951	7,258,295	377,656
Restricted	11,220	11,699	(479)
Unrestricted	<u>1,290,684</u>	<u>1,362,393</u>	<u>(71,709)</u>
Total Net Position	<u><u>\$8,937,855</u></u>	<u><u>\$8,632,387</u></u>	<u><u>\$305,468</u></u>

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 \$1,362,393 surplus to a \$1,290,684 surplus at the end of this year.

This decrease in unrestricted net position arose primarily because of the \$73,955 decrease in the vested compensated absences due to the retirement of two Public Works employees.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016

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

	2016	2015	Dollar Change
Revenues			
Program Revenues			
Charges for services	\$583,015	\$626,822	(\$43,807)
Operating grants	238,415	218,539	19,876
Capital grants	202,599	-	202,599
General Revenues			
Property taxes	1,510,270	1,549,884	(39,614)
Other taxes	-	2,615	(2,615)
Intergovernmental	56,742	57,048	(306)
Investment income	11,639	5,228	6,411
Gain (Loss) on disposal of assets	(36,240)	85,459	(121,699)
Miscellaneous	42,753	6,467	36,286
Total Revenues	<u>2,609,193</u>	<u>2,552,062</u>	<u>57,131</u>
Expenses			
General government	292,213	321,864	(29,651)
Public safety	748,949	765,101	(16,152)
Public works	1,239,510	1,095,902	143,608
Health and human services	6,992	6,490	502
Culture, education and recreation	6,976	36,913	(29,937)
Conservation Development	5,300	5,300	-
Interest and fiscal charges	3,784	2,977	807
Total Expenses	<u>2,303,725</u>	<u>2,234,547</u>	<u>69,178</u>
Change in Net Position	305,468	317,515	(12,047)
NET POSITION – Beginning of Year	<u>8,632,387</u>	<u>8,314,872</u>	<u>317,515</u>
NET POSITION – END OF YEAR	<u><u>\$8,937,855</u></u>	<u><u>\$8,632,387</u></u>	<u><u>\$305,468</u></u>

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016

The Town's total revenue was virtually unchanged (increasing by 2.24 percent, \$57,131). The total cost of all programs and services was virtually unchanged (increasing by 3.10 percent, \$69,178). Even with this low growth, the Town covered 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 \$2,303,725 compared to \$2,234,547 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 \$1,279,696 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	
	2016	2015	2016	2015
General Government	\$292,213	\$321,864	\$237,562	\$270,053
Public Safety	748,949	765,101	510,285	437,174
Public Works	1,239,510	1,095,902	541,740	637,420
Health and Human Services	6,992	6,490	5,910	3,558
Culture, Education and Recreation	6,976	36,913	6,976	36,913
Conservation and Development	5,300	5,300	(26,561)	1,091
Interest and Fiscal Charges	3,784	2,977	3,784	2,977
	<u>\$2,303,725</u>	<u>\$2,234,547</u>	<u>\$1,279,696</u>	<u>\$1,389,186</u>

GENERAL FUND

The Town's general fund (as presented in the balance sheet on page 3) reported a combined fund balance of \$905,214, which is below last year's total of \$1,026,723.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Town Board revised the Town budget to include the following using unassigned, assigned, and committed funds.

- \$95,775 unassigned funds for Towns portion of the Gaston Road Watermain Extension Project.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016

- \$817 from Hydrite Chemical Fund for replacement well testing.
- \$71,353 from Sick Leave Liability Fund for payout due to retirement of two Public Works employees.

Even with these adjustments, actual revenues were under budgeted revenues by \$185,163 and actual expenses were under budgeted expenses by \$464,098. The most significant variances were:

- Cable television franchise fee revenue was \$9,038 more than budgeted revenue.
- Law enforcement violation actual revenue was \$19,321 more than budgeted revenue.
- State of Wisconsin funded \$15,388 for local roads improvement program.
- Viney's Addition to Sky High revenue was \$27,762 for fee in lieu of land dedication for park.
- Short-term debt proceeds for \$270,440 were reclassified to the balance sheet along with the 2015 short-term debt principal payment for \$232,500.
- Fire protection actual expenses were \$68,880 less than budget. \$57,430 of remaining Pleasant Spring expenses were applied towards future capital expenses.
- Emergency building maintenance expenses were \$23,658 less than budget. \$14,000 is to be used for the property repair fund.
- Law Enforcement expenses were \$34,419 less than anticipated expenses.
- Highway maintenance contracts were \$22,208 less than budget.
- General highway maintenance expenses were \$64,458 less than budget.

CAPITAL ASSETS

At the end of 2016, the Town had \$7,723,299 invested in capital assets, including land, buildings, machinery and equipment, and infrastructure. (See Table 4 below.) This amount represents a net increase (including additions and deductions) of \$123,309, or 1.62 percent, over last year.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016

**TABLE 4
CAPITAL ASSETS**

	2016	2015	Dollar Change
Land	\$3,700,102	\$3,700,102	\$-
Buildings	2,663,806	2,635,161	28,645
Machinery and equipment	1,940,657	2,022,698	(82,041)
Infrastructure	4,235,520	3,949,728	285,792
Total Capital Assets	<u>\$12,540,085</u>	<u>\$12,307,689</u>	<u>\$232,396</u>
Less: Accumulated Depreciation	<u>\$4,816,786</u>	<u>\$4,707,699</u>	<u>\$109,087</u>
Net Capital Assets	<u><u>\$7,723,299</u></u>	<u><u>\$7,599,990</u></u>	<u><u>\$123,309</u></u>

This year's additions included:

John Deere Utility Tractor	\$ 61,085
John Deere 4WD Terrain Cut Front Mower	\$ 20,147
John Deere Terrain Cut Front Mower	\$ 17,934
Town Garage Installation of New Roofing System	\$ 28,645
Gaston Road Watermain Project	\$285,792

The Town's fiscal-year 2017 capital budget calls for it to spend another \$55,000 for Highway Capital Outlay, principally for a one-ton truck and trailer. 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.

GENERAL OBLIGATION DEBT

At year-end, the Town had \$357,788 in bonds and notes outstanding versus \$341,695 last year – an increase of 4.7 percent. New debt resulted mainly from road maintenance projects, John Deere Utility Tractor, and two John Deere Terrain Cut Front Mowers. Outstanding debt consists

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016

of two promissory notes, one is to be paid off in one year and the second is to be paid off in four years.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements.

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, 2016 was \$20,731,690.

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, 2016**

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,330,640
Receivables	
Taxes	1,786,934
Accounts	14,993
Delinquent special assessments	2,030
Prepaid items	43,203
Investment in EMS joint venture	223,719
Capital assets	
Land	3,700,102
Other capital assets, net of accumulated depreciation	4,023,197
Net capital assets	<u>7,723,299</u>
 Total Assets	 <u><u>\$ 11,124,818</u></u>
LIABILITIES	
Accounts payable	\$ 192,863
Accrued liabilities and deposits	16,305
Accrued interest payable	2,670
Short-term notes payable	270,440
Long-term liabilities	
Due within one year	
Bonds and notes payable	21,275
Compensated absences	14,802
Due in more than one year	
Bonds and notes payable	66,073
Compensated absences	44,407
Total liabilities	<u>628,835</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Tax Levy	<u>1,558,128</u>
Total deferred inflows of resources	<u>1,558,128</u>
NET POSITION	
Net investment in capital assets	7,635,951
Restricted for:	
Cemetery	4,587
Road maintenance	6,000
ATC Impact fees	633
Unrestricted	<u>1,290,684</u>
Total net position	<u>8,937,855</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u><u>\$ 11,124,818</u></u>

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Statement of Activities
For the Year Ended December 31, 2016**

<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>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government					
Governmental Activities					
General Government	\$ 292,214	\$ 54,652	\$ -	\$ -	\$ (237,562)
Public Safety	748,949	223,322	15,342	-	(510,285)
Public Works	1,239,510	272,514	222,657	202,599	(541,740)
Health and Human Services	6,992	890	192	-	(5,910)
Culture, Education and Recreation	6,976	-	-	-	(6,976)
Conservation and Development	5,300	31,637	224	-	26,561
Interest and Fiscal Charges	3,784	-	-	-	(3,784)
Total primary government	<u>\$ 2,303,725</u>	<u>\$ 583,015</u>	<u>\$ 238,415</u>	<u>\$ 202,599</u>	<u>(1,279,696)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					1,510,270
Intergovernmental revenues not restricted to specific programs					56,742
Investment income					11,639
Miscellaneous					6,513
Total general revenues					<u>1,585,164</u>
Change in net position					305,468
Net position - beginning					8,632,387
Net position - ending					<u>\$ 8,937,855</u>

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Balance Sheet
Governmental Funds
December 31, 2016**

		Nonmajor Governmental Fund	
	General Fund	Cemetery Fund	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 1,326,053	\$ 4,587	\$ 1,330,640
Receivables:			
Taxes	1,786,934	-	1,786,934
Accounts	14,993	-	14,993
Delinquent Special Assessments	2,030	-	2,030
Prepaid Expenses	43,203	-	43,203
Total Assets	<u>\$ 3,173,213</u>	<u>\$ 4,587</u>	<u>\$ 3,177,800</u>
LIABILITIES			
Accounts Payable	\$ 192,863	\$ -	\$ 192,863
Other Accrued Liabilities	17,762	-	17,762
Short-Term Notes Payable	270,440	-	270,440
Total Liabilities	<u>481,065</u>	<u>-</u>	<u>481,065</u>
DEFERRED INFLOWS OF RESOURCES			
Tax Revenue and Special Charges	1,786,934	-	1,786,934
FUND BALANCES			
Nonspendable	45,311	-	45,311
Restricted	-	4,587	4,587
Committed	49,439	-	49,439
Assigned	249,968	-	249,968
Unassigned	560,496	-	560,496
Total Fund Balances	<u>905,214</u>	<u>4,587</u>	<u>909,801</u>
Total Liabilities and Fund Balances	<u>\$ 3,173,213</u>	<u>\$ 4,587</u>	<u>\$ 3,177,800</u>

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2016**

Total fund balance, governmental funds	\$ 909,801
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.	228,806
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.	7,723,299
The Town's investment in the EMS joint venture is not a financial resource and, therefore, is not reported in the funds.	223,719
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	(59,209)
Accrued interest	(1,215)
Bonds and notes payable	(87,348)
Rounding	2
	<hr/>
Net position of governmental activities in the statement of net position	<u><u>\$ 8,937,855</u></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, 2016**

	General Fund	Nonmajor Governmental Fund Cemetery Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,510,270	\$ -	\$ 1,510,270
Intergovernmental	295,389	-	295,389
Licenses and Permits	84,232	-	84,232
Fines, Forfeitures and Penalties	44,321	-	44,321
Public Charges for Services	273,016	-	273,016
Intergovernmental Charges for Services	155,472	-	155,472
Investment Income	11,058	89	11,147
Miscellaneous Income	29,286	-	29,286
Total Revenues	<u>2,403,044</u>	<u>89</u>	<u>2,403,133</u>
EXPENDITURES			
Current:			
General Government	283,184	-	283,184
Public Safety	653,493	-	653,493
Public Works	1,248,791	-	1,248,791
Culture, Recreation, and Education	3,144	-	3,144
Health and Human Services	6,192	800	6,992
Conservation and Development	5,300	-	5,300
Capital Outlay	102,962	-	102,962
Debt Service			
Principal Repayment	21,847	-	21,847
Interest and Fiscal Charges	4,490	-	4,490
Total Expenditures	<u>2,329,403</u>	<u>800</u>	<u>2,330,203</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>73,641</u>	<u>(711)</u>	<u>72,930</u>
OTHER FINANCING SOURCES (USES)			
Property Sales	37,350	-	37,350
Total Other Financing Sources and Uses	<u>37,350</u>	<u>-</u>	<u>37,350</u>
Net Change in Fund Balances	110,991	(711)	110,280
Fund Balances - Beginning, Restated	794,223	5,298	799,521
Fund Balances - Ending	<u>\$ 905,214</u>	<u>\$ 4,587</u>	<u>\$ 909,801</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, 2016**

Net change in fund balances - total governmental funds:	\$	110,280
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements</p>		
Garbage/recycling fees		2,350
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p>		
<p>This is the amount by which capital outlays (\$211,005) were less than depreciation (\$254,054) in the current period.</p>		
		(43,049)
<p>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.</p>		
		(36,240)
<p>The statement of activities reports contributed capital assets at their donated cost. This is not recorded in the fund financial statements.</p>		
		202,599
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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.</p>		
Principal payments on long-term debt		21,847
<p>Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Accrued interest on debt		708
Compensated absences		73,954
<p>The proportionate share of the change in net assets related to joint ventures reported in the statement of activities neither provides nor uses current financial resources and is not reported in the fund financial statements.</p>		
		(26,981)
Change in net assets of governmental activities	\$	305,468

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2016**

	<u>Tax Agency</u>
ASSETS	
Cash and Investments	\$ 4,341,228
Taxes Receivable	3,172,316
Total Assets	<u>\$ 7,513,544</u>
LIABILITIES	
Due to Other Governments	\$ 7,513,544
Total Liabilities	<u>\$ 7,513,544</u>

See accompanying notes to the basic financial statements.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2016

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, 2016

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:

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, 2016

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, 2016

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, 2016

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 – 2016 tax roll

Lien date and levy date	December, 2016
Tax Bills mailed	December, 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	July 31, 2017
Personal property taxes in full	January 31, 2017
Tax sale – 2016 delinquent real estate taxes	October, 2019

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, 2016

- 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 to be a long-term liability at December 31, 2016 is \$49,439 and the total vacation pay is \$9,770.

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, 2016 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, 2016

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.

9) 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, 2016

- 1. Summary of Significant Accounting Policies (Continued)**
- D. Assets, Liabilities, and Net Position or Equity (Continued)**
- 9) Equity Classifications (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 Town 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 Town 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, 2016, the general fund unassigned fund balance was 21.03% of budgeted 2017 general fund expenditures.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2016

2. Cash and Investments

At December 31, 2016, the Town's cash and investments consist of the following:

Deposits with Financial Institutions	\$ 5,671,868
Total Cash and Investments	<u>\$ 5,671,868</u>

Cash and investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 1,330,640
Fiduciary Funds:	
Cash and Investments	<u>4,341,228</u>
Total Cash and Investments	<u>\$ 5,671,868</u>

Investments Authorized by Wisconsin Statutes

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

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

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2016

2. Cash and Investments (Continued)

Investments Authorized by Wisconsin Statutes (Continued)

- (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, 2016

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 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.

Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

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

The Town maintained insured and collateralized deposits with local banking institutions. As of December 31, 2016, if necessary, the institutions place funds, which exceed the FDIC insurance and State Deposit Insurance, into demand deposit accounts, Money Market deposit accounts, or both, at other FDIC-insured member institutions. Also, the institutions have purchased guarantee bonds to provide coverage for balances which exceed the FDIC insurance and the State Deposit Guarantee Fund coverage.

The Town's deposits were exposed to custodial credit risk as follows:

Insured by Federal and State Deposit Insurance	\$ 5,673,929
Uninsured/Uncollateralized	-
Total Deposits with Financial Institutions	<u><u>\$ 5,673,929</u></u>

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2016

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	\$ -	\$ 1,557,765	\$ 1,557,765
Managed forest land taxes	-	363	363
Garbage/recycling fees	227,452	-	227,452
Street light fees	582	-	582
Other charges	<u>772</u>	<u>-</u>	<u>772</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 228,806</u>	<u>\$ 1,558,128</u>	<u>\$ 1,786,934</u>

4. Defined Contribution Plan

In lieu of any formal retirement plan, permanent full-time employees and permanent part-time employees who work a minimum of 1,040 hours per year 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 employee contributions to the plan were \$84,180 for 2016.

5. Tax Levy Limit

Wisconsin Act 25 imposes a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. Under Wisconsin Act 25 enacted in 2013, 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, 2016

6. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2016 was as follows:

	Balance 1/1/16	Additions	Retirements	Balance 12/31/16
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 3,700,102	\$ -	\$ -	\$ 3,700,102
Total Non-Depreciable Capital Assets	<u>3,700,102</u>	<u>-</u>	<u>-</u>	<u>3,700,102</u>
Capital Assets Being Depreciated:				
Buildings	2,635,161	28,645	-	2,663,806
Machinery and Equipment	2,022,699	99,165	181,207	1,940,657
Streets	3,949,727	285,793	-	4,235,520
Total Capital Assets Being Depreciated	<u>8,607,587</u>	<u>413,603</u>	<u>181,207</u>	<u>8,839,983</u>
Total Capital Assets	<u>12,307,689</u>	<u>413,603</u>	<u>181,207</u>	<u>12,540,085</u>
Less: Accumulated Depreciation for				
Buildings	1,072,295	53,040	-	1,125,335
Machinery and Equipment	1,085,109	78,206	144,967	1,018,348
Streets	2,550,295	122,808	-	2,673,103
Total Accumulated Depreciation	<u>4,707,699</u>	<u>254,054</u>	<u>144,967</u>	<u>4,816,786</u>
Net Capital Assets Being Depreciated	<u>3,899,888</u>	<u>159,549</u>	<u>36,240</u>	<u>4,023,197</u>
Total Capital Assets				
Net of Accumulated Depreciation	<u>\$ 7,599,990</u>	<u>\$ 159,549</u>	<u>\$ 36,240</u>	<u>\$ 7,723,299</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 9,030
Public Safety	68,476
Public Works, including infrastructure	172,716
Culture, Recreation and Education	3,832
Total Governmental Activities Depreciation Expense	<u>\$ 254,054</u>

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2016

7. Short-Term Obligations

	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
Short-Term Note dated September 1, 2016, lump sum payment on March 15, 2017, 1.610 interest	\$ -	\$ 270,440	\$ -	\$ 270,440
	\$ -	\$ 270,440	\$ -	\$ 270,440

Interest expense on the short-term obligation was \$1,455 in 2016.

The purposes of the short-term note is to help finance road construction projects.

8. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts due within 1 year
Governmental activities:					
Bonds and Notes Payable					
Promissory notes	\$ 341,695	\$ -	\$ 254,347	\$ 87,348	\$ 21,275
Total Bonds and Notes Payable	341,695	-	254,347	87,348	21,275
Other Liabilities					
Vested compensated absences	133,163	4,590	78,544	59,209	14,802
Total Other Liabilities	133,163	4,590	78,544	59,209	14,802
Total Governmental Long-term Liabilities	\$ 474,858	\$ 4,590	\$ 332,891	\$ 146,557	\$ 36,077

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, 2016 was \$20,731,690. Total general obligation debt outstanding at year end was \$87,348.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2016

8. Long-Term Obligations (Continued)

Promissory Notes

Promissory notes are payable from future property tax levies.

Promissory notes at December 31, 2016 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 12/31/2016</u>
2015 Promissory Note	9/15/2015	3/15/2020	1.75%	109,195	\$ 87,348
Total Promissory Notes					<u>\$ 87,348</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities Promissory Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 21,275	\$ 1,524
2018	21,644	1,156
2019	22,022	778
2020	22,407	393
Total	<u>\$ 87,348</u>	<u>\$ 3,851</u>

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.

9. Operating Lease

Operating Lease as Lessee

In January 2015, the Town of Cottage Grove entered into a three-year operating lease agreement for the use of a facility and additional storage building in order to provide a headquarters for the Dane County Sheriff's Deputies under contract. The Town made payments of \$10,150 in 2016. Future lease payments under the lease agreement are as follows:

2017	\$ 10,302
Total	<u>\$ 10,302</u>

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2016

9. Operating Lease (Continued)

Operating Lease as Lessor

In July 2015, the Town of Cottage Grove entered into a new three-year operating lease agreement as Lessor leasing the Town Garage to a third party. The rent revenue for 2016 was \$18,703. Future rent revenue under the lease agreement are as follows:

2017	\$	18,984
2018		9,563
Total	\$	<u>28,547</u>

10. Net Position/Fund Balances

Net position reported on the government-wide statement of net position at December 31, 2016 includes the following:

Net Investment in Capital Assets	
Land	\$ 3,700,102
Other Capital Assets, net of accumulated depreciation	4,023,197
Less: Long-term debt outstanding	<u>(87,348)</u>
Total Net Investment in Capital Assets	<u>7,635,951</u>
Restricted	
Cemetery trust funds	4,587
Restricted for road maintenance	6,000
ATC Impact Fees	<u>633</u>
Total Restricted	<u>11,220</u>
Unrestricted	<u>1,290,684</u>
Total Governmental Activities Net Position	<u><u>\$ 8,937,855</u></u>

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2016

10. Net Position/Fund Balances (Continued)

Governmental fund balances as of December 31, 2016 include the following items:

Nonspendable	
Major Fund	
General Fund	
Noncurrent receivables	\$ 2,108
Prepaid items	43,203
	<u>43,203</u>
Total	<u>\$ 45,311</u>
Restricted	
Non-Major Fund	
Special Revenue Fund	
Cemetery Trust Fund	\$ 4,587
	<u>4,587</u>
Total	<u>\$ 4,587</u>
Committed	
Major Fund	
General Fund	
Sick leave liability	\$ 49,439
	<u>49,439</u>
Total	<u>\$ 49,439</u>
Assigned	
Major Fund	
General Fund	
EMS Building Repair	\$ 42,000
Hydrite	4,076
ATC	633
Hwy	6,000
Welcome sign	13,589
Pleasant Springs Fire expenses	156,083
Future park equipment	27,586
	<u>27,586</u>
Total	<u>\$ 249,968</u>
Unassigned	
Major Fund	
General Fund	
	\$ 560,496
	<u>560,496</u>
Total	<u>\$ 560,496</u>

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2016

11. Joint Ventures

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

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 \$94,211 for fire protection and \$37,147 for emergency building maintenance and emergency government in 2016. The Town's portions of fire protection and emergency building maintenance and emergency government payments were 39.61% and 50%, respectively. The Town believes that the districts will continue to provide services in the future at similar rates.

Financial information for the emergency services building and fire department as of December 31, 2016 is available at the town hall.

Deer-Grove EMS District

The Town of Cottage Grove and Villages of Cottage Grove and Deerfield jointly operate the local EMS district, which is called the Deer-Grove EMS District. The district adopts its own budget. The three municipalities approve the district's budget as well. Net operating costs including debt service are shared by the three 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 2016 of \$137,932 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, 2016 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.

12. 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.

TOWN OF COTTAGE GROVE
Notes to Financial Statements
December 31, 2016

13. 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.

14. Prior Period Adjustment

The Town's General Fund beginning fund balance as of January 1, 2016 was adjusted as follows:

	<u>2016</u>
Total Fund Balance as Previously Reported	\$ 1,026,723
Reclassify 2015 short-term debt obligation activity to the balance sheet	<u>(232,500)</u>
Total Fund Balance, Restated	<u><u>\$ 794,223</u></u>

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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,510,270	\$ 1,510,270	\$ 1,510,270	\$ -
Intergovernmental	276,874	276,874	295,389	18,515
License and Permits	68,765	68,765	84,232	15,467
Fines, Forfeitures and Penalties	25,000	25,000	44,321	19,321
Public Charges for Services	227,143	247,507	273,016	25,509
Intergovernmental Charges for Services	166,238	166,238	155,472	(10,766)
Investment Income	4,850	4,850	11,058	6,208
Miscellaneous Income	23,503	23,503	29,286	5,783
Total Revenues	<u>2,302,643</u>	<u>2,323,007</u>	<u>2,403,044</u>	<u>80,037</u>
EXPENDITURES				
Current:				
General Government	309,642	331,509	283,184	48,325
Public Safety	751,758	751,758	653,493	98,265
Public Works	1,168,567	1,335,008	1,248,791	86,217
Culture, Recreation, and Education	7,000	7,000	3,144	3,856
Health and Human Services	6,190	6,190	6,192	(2)
Conservation and Development	6,000	6,000	5,300	700
Capital Outlay	98,581	98,581	102,962	(4,381)
Debt Service				
Principal Repayment	254,400	254,400	21,847	232,553
Interest Expense	3,055	3,055	4,490	(1,435)
Total Expenditures	<u>2,605,193</u>	<u>2,793,501</u>	<u>2,329,403</u>	<u>464,098</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(302,550)</u>	<u>(470,494)</u>	<u>73,641</u>	<u>544,135</u>
OTHER FINANCING SOURCES				
Property sales	28,800	32,110	37,350	5,240
Proceeds from Long-Term Debt	273,750	270,440	-	(270,440)
Total Other Financing Sources	<u>302,550</u>	<u>302,550</u>	<u>37,350</u>	<u>(265,200)</u>
Net Change in Fund Balances	-	(167,944)	110,991	278,935
Fund Balances - Beginning, Restated	794,223	794,223	794,223	-
Fund Balances - Ending	<u>\$ 794,223</u>	<u>\$ 626,279</u>	<u>\$ 905,214</u>	<u>\$ 278,935</u>

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

TOWN OF COTTAGE GROVE
Notes to the Required Supplementary Information
December 31, 2016

1. 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.

SUPPLEMENTARY INFORMATION

Town of Cottage Grove

**Detailed Schedule of Revenues
Budget and Actual - General Fund
For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
TAXES				
Local taxes	\$ 1,510,270	\$ 1,510,270	\$ 1,510,270	\$ -
Total Taxes	<u>1,510,270</u>	<u>1,510,270</u>	<u>1,510,270</u>	<u>-</u>
INTERGOVERNMENTAL				
State shared revenues	56,663	56,663	56,627	(36)
State aid- Fire insurance	13,000	13,000	14,842	1,842
State aid- Transportation	149,949	149,949	149,875	(74)
State aid - Fire department grant	-	-	500	500
State aid- In lieu of forest lands	220	220	224	4
Other state payments	319	319	233	(86)
State aid- Croplands/forest	120	120	115	(5)
State aid- Recycling	5,800	5,800	7,051	1,251
County aid- Highway and bridges	-	-	15,388	15,388
County aid- Soldiers' graves	190	190	192	2
Landfill Compensation Fee	50,613	50,613	50,342	(271)
Total Intergovernmental	<u>276,874</u>	<u>276,874</u>	<u>295,389</u>	<u>18,515</u>
LICENSES AND PERMITS				
Business and occupational licenses	3,975	3,975	3,875	(100)
Dog licenses	1,390	1,390	1,460	70
Building permits and inspections	30,000	30,000	35,369	5,369
Zoning permits and fees	2,000	2,000	3,000	1,000
Cable television franchise fees	30,000	30,000	39,038	9,038
Other permits and fees	1,400	1,400	1,490	90
Total Licenses and Permits	<u>68,765</u>	<u>68,765</u>	<u>84,232</u>	<u>15,467</u>
FINES, FORFEITURES AND PENALTIES				
Law and ordinance violations	25,000	25,000	44,321	19,321
Total Fines, Forfeitures and Penalties	<u>25,000</u>	<u>25,000</u>	<u>44,321</u>	<u>19,321</u>
PUBLIC CHARGES FOR SERVICES				
Refuse collection/curbside	150,025	150,025	150,232	207
Recycling charges	75,533	75,533	75,638	105
Title search	1,000	1,000	1,475	475
Highway maintenance	-	-	90	90
Street lighting fees	585	585	586	1
Viney Development	-	20,364	44,995	24,631
Total Public Charges for Services	<u>227,143</u>	<u>247,507</u>	<u>273,016</u>	<u>25,509</u>
INTERGOVERNMENTAL CHARGES				

Town of Cottage Grove

**Detailed Schedule of Revenues
Budget and Actual - General Fund
For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
FOR SERVICES				
Local- Fire services	123,337	123,337	118,476	(4,861)
Local- Emergency building maintenance	29,985	29,985	25,156	(4,829)
Local- Landfill charges	8,000	8,000	7,151	(849)
Other charges	4,916	4,916	4,689	(227)
Total Intergovernmental Charges for Services	<u>166,238</u>	<u>166,238</u>	<u>155,472</u>	<u>(10,766)</u>
INVESTMENT INCOME				
Interest income	4,500	4,500	10,705	6,205
Interest on special assessments/charges	350	350	353	3
Total Investment Income	<u>4,850</u>	<u>4,850</u>	<u>11,058</u>	<u>6,208</u>
MISCELLANEOUS				
Rent	21,403	21,403	22,203	800
Dividends	900	900	581	(319)
Library Prairie Cemetery funds	800	800	800	-
Insurance recoveries	-	-	5,009	5,009
Other miscellaneous revenues	400	400	693	293
Total Miscellaneous	<u>23,503</u>	<u>23,503</u>	<u>29,286</u>	<u>5,783</u>
OTHER FINANCING SOURCES				
Property sales	28,800	32,110	37,350	5,240
Proceeds from Long-Term Debt	273,750	270,440	-	(270,440)
Total Other Financing Sources	<u>302,550</u>	<u>302,550</u>	<u>37,350</u>	<u>(265,200)</u>
Total Revenues and Other Financing Sources	<u>\$ 2,605,193</u>	<u>\$ 2,625,557</u>	<u>\$ 2,440,394</u>	<u>\$ (185,163)</u>

Town of Cottage Grove

**Detailed Schedule of Expenditures
Budget and Actual - General Fund
For the Year Ended December 31, 2016**

	<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	\$ 28,477	\$ 29,185	\$ 27,117	\$ 2,068
Planning committee	2,153	2,153	1,265	888
Town planner	-	2,159	3,968	(1,809)
Emergency government	1,823	1,823	1,024	799
Clerk/secretarial	49,649	49,649	47,282	2,367
Treasurer	30,650	30,650	28,000	2,650
Assessor	8,680	8,680	8,496	184
Ordinance commission	216	216	-	216
Judicial	20,767	20,767	18,732	2,035
Legal	25,000	43,185	38,200	4,985
Elections	5,900	5,900	9,757	(3,857)
Accounting	12,500	12,500	12,504	(4)
Property and liability insurance	30,607	30,607	28,297	2,310
Town hall	20,000	20,000	14,000	6,000
Flynn hall	10,750	10,750	7,373	3,377
Emergency building	59,969	59,969	36,311	23,658
Other general government	2,501	3,316	858	2,458
Total General Government	<u>309,642</u>	<u>331,509</u>	<u>283,184</u>	<u>48,325</u>
PUBLIC SAFETY				
Law enforcement	414,570	414,570	380,151	34,419
Fire protection	169,416	169,416	100,537	68,879
Ambulance	137,915	137,915	137,932	(17)
Fire inspection	1,857	1,857	1,870	(13)
Building inspection	28,000	28,000	33,003	(5,003)
Total Public Safety	<u>751,758</u>	<u>751,758</u>	<u>653,493</u>	<u>98,265</u>
PUBLIC WORKS				
Highway maintenance	473,545	556,873	492,415	64,458
Highway construction	425,448	508,561	486,353	22,208
Non-Highway expenses	25,366	25,366	25,547	(181)
Garbage and refuse collection	150,025	150,025	150,336	(311)
Recycling	75,533	75,533	75,690	(157)
Landfill	18,650	18,650	18,450	200
Total Public Works	<u>1,168,567</u>	<u>1,335,008</u>	<u>1,248,791</u>	<u>86,217</u>

Town of Cottage Grove

**Detailed Schedule of Expenditures
Budget and Actual - General Fund
For the Year Ended December 31, 2016**

	<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	7,000	7,000	3,144	3,856
Total Culture, Recreation, and Education	<u>7,000</u>	<u>7,000</u>	<u>3,144</u>	<u>3,856</u>
HEALTH AND HUMAN SERVICES				
Outreach	6,000	6,000	6,000	-
Soldiers graves	190	190	192	(2)
Total Health and Human Services	<u>6,190</u>	<u>6,190</u>	<u>6,192</u>	<u>(2)</u>
CONSERVATION AND DEVELOPMENT				
Yahara wins pilot program	6,000	6,000	5,300	700
Total Conservaton and Development	<u>6,000</u>	<u>6,000</u>	<u>5,300</u>	<u>700</u>
CAPITAL OUTLAY				
Highway equipment	98,581	98,581	102,962	(4,381)
Total Capital Outlay	<u>98,581</u>	<u>98,581</u>	<u>102,962</u>	<u>(4,381)</u>
DEBT SERVICE				
Principal	254,400	254,400	21,847	232,553
Interest and fiscal charges	3,055	3,055	4,490	(1,435)
Total Debt Service	<u>257,455</u>	<u>257,455</u>	<u>26,337</u>	<u>231,118</u>
Total Expenditures	<u>\$ 2,605,193</u>	<u>\$ 2,793,501</u>	<u>\$ 2,329,403</u>	<u>\$ 464,098</u>