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

For the Year Ended December 31, 2019

Town of Cottage Grove

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December 31, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, Wisconsin, as of December 31, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective January 1, 2019, the Town of Cottage Grove adopted the provisions of GASB Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Wisconsin Retirement System schedules on pages iv through xi and pages 32 through 34 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.

Other 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 basic financial statements. 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 basic financial statements.

The detailed schedules 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
March 16, 2020

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019

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, 2019. 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 \$118,263 higher as a result of this year's operations. Unrestricted net position was \$1,786,845 at December 31, 2019, an increase of \$200,721 or 12.65 percent more from last year.
- Unassigned general fund reported a surplus this year of \$141,831, increasing the fund balance to \$1,091,495. As of December 31, 2019, the fund was 33.18 percent of budgeted 2020 general fund expenditures.
- The Town's net cost of all governmental activities this year was \$1,583,430, a .73 percent decrease from last year.
- For the second year the Town was awarded a \$2,000 donation from Hydrite Chemical Co. for the use of Emergency Government. The committee used \$1,204 to purchase a workstation laptop and power pole for the emergency government room located in the Emergency Service Building.
- In 2019, a purchase of a new 2020 rapid response vehicle was approved for \$145,290 to replace the 1997 brush truck at the Fire Department. Proceeds from the Town of Pleasant Springs Capital Expenses Fund will be used to pay \$120,290 with the remaining \$25,000 to be split by the Village and the Town. The purchase of the new vehicle will be made in 2020.
- The Town approved using \$3,718 of the ESB Property Repair Fund to update the telephone system at the Emergency Service Building. The first half of the installment was paid December 2019 and the second was paid January 2020.
- The Town approved using \$4,445 of the ESB Property Repair Fund to replace 18 light fixtures in the bay at the emergency service building with LED light fixtures.
- In 2019, the Town was awarded a \$500 grant from the elections commission for computer security upgrades for the 2020 elections.
- Net Capital Assets were \$8,195,925 at December 31, 2019, an increase of \$506,690 from prior year.
- In 2018, the Town approved a road improvement contract for \$556,241 for improvements to North Star Road. In 2019 the project was completed with a total expenditure of \$678,572. The Town borrowed \$612,000 in a ten year note from McFarland State Bank to cover the cost of the improvements.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019

- The Town had a total \$917,049 in notes outstanding resulting mainly from road maintenance projects and the purchase of a New Holland Tractor/Mower.

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.

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

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019

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 agent for individuals, private organizations, and/or other governmental units for assets held by the Town. The Town reports tax collections payable to overlying taxing jurisdictions in a custodial fund. All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 7 and Statement of Changes in Fiduciary Net Position on Page 8. 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 higher, increasing from \$9,241,840 to \$9,360,103. In contrast, last year net position increased \$66,387. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019

**TABLE 1
STATEMENT OF NET POSITION**

	2019	2018	Dollar Change
Current and Other Assets	\$3,873,262	\$3,572,354	\$300,908
Capital Assets	8,195,925	7,689,235	506,690
Restricted Assets	0	43,446	(43,446)
Total Assets	12,069,187	11,305,035	764,152
Deferred Outflows of Resources	145,573	79,108	66,465
Short-term Debt Outstanding	282,632	282,362	270
Long-term Debt Outstanding	634,417	44,440	589,977
Other Liabilities	164,474	160,251	4,223
Total Liabilities	1,081,523	487,053	594,470
Deferred Inflows of Resources	1,773,134	1,655,250	117,884
Net Investment in			
Capital Assets	7,561,508	7,644,795	(83,287)
Restricted	11,750	10,921	829
Unrestricted	1,786,845	1,586,124	200,721
Total Net Position	\$9,360,103	\$9,241,840	\$118,263

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 \$1,586,124 surplus to a \$1,786,845 surplus at the end of this year.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019

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

	2019	2018	Dollar Change
Revenues			
Program Revenues			
Charges for services	\$581,581	\$550,373	\$31,208
Operating grants	254,398	265,643	(11,245)
General Revenues			
Property taxes	1,546,774	1,553,276	(6,502)
Other taxes	8,665	6,512	2,153
Intergovernmental	91,404	55,676	35,728
Investment income	57,953	38,663	19,290
Gain (Loss) on disposal of assets	(12,503)	(11,990)	(513)
Miscellaneous	9,400	19,371	(9,971)
Total Revenues	<u>\$2,537,672</u>	<u>\$2,477,524</u>	<u>\$60,148</u>
Expenses			
General government	\$281,355	\$248,565	\$32,790
Public safety	830,273	909,223	(78,950)
Public works	1,266,407	1,228,242	38,165
Health and human services	7,006	7,006	0
Culture, education and recreation	12,573	9,012	3,561
Conservation Development	5,320	5,320	0
Interest and fiscal charges	16,475	3,769	12,706
Total Expenses	<u>\$2,419,409</u>	<u>\$2,411,137</u>	<u>\$8,272</u>
Change in Net Position	\$118,263	\$66,387	\$51,876
NET POSITION – Beginning of Year	<u>\$9,241,840</u>	<u>\$9,175,453</u>	<u>\$66,387</u>
NET POSITION – END OF YEAR	<u><u>\$9,360,103</u></u>	<u><u>\$9,241,840</u></u>	<u><u>\$118,263</u></u>

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019

The Town's total revenue increased by 2.43 percent, \$60,148. The total cost of all programs and services was virtually unchanged (increasing by .34 percent, \$8,272). With this low growth in expenses, 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 \$2,419,409 compared to \$2,411,137 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 \$1,583,430 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	
	2019	2018	2019	2018
General Government	\$281,355	\$248,565	\$215,830	\$191,561
Public Safety	830,273	909,223	590,475	684,314
Public Works	1,266,407	1,228,242	741,896	700,460
Health and Human Services	7,006	7,006	6,000	6,000
Culture, Education and Recreation	12,573	9,012	12,573	9,012
Conservation and Development	5,320	5,320	181	5
Interest and Fiscal Charges	16,475	3,769	16,475	3,769
	<u>\$2,419,409</u>	<u>\$2,411,137</u>	<u>\$1,583,430</u>	<u>\$1,595,121</u>

GENERAL FUND

The Town's general fund (as presented in the balance sheet on page 3) reported a combined fund balance of \$1,320,830, which is above last year's total of \$1,101,633.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town Board revised the Town budget to include the following:

- Allocate \$3,273 of revenue received in Public Charges for Services to the expenses acquired in the Public Works department.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019

- Allocate \$286,000 Promissory Note Proceeds to Debt Service Principal Expense due to short term note recorded on the Balance Sheet.
- The Town had expense of \$7,435 to install a new telephone system at the Emergency Service Building and Town Hall, using \$3,718 of the ESB Property Repair Funds and \$3,718 of the Town's previous years Unassigned Funds. Payment was made in two installments, the first December 2019 and second January 2020.
- Distribute \$1,204 of the donation received from Hydrite Chemical Co. to purchase a workstation and power pole for the Emergency Government Committee.
- Apply \$7,723 of Development Funds received from Kennedy Hills to reimburse the Town for expenses related to the subdivision development.
- Allocate \$5,409 of insurance recoveries for damage to overhead door at the Emergency Service Building and damage to the Hope Road guardrail.
- Allocate \$25,000 trade-in value for the 2012 New Holland Tractor.
- The Town used \$1,348 of the Welcome Sign Funds for expenses acquired in the easement review off the signs.
- The Town allocated \$33,696 of previous years Unassigned Funds to repave Burve Road, purchase equipment for new court clerk that replaced court clerk shared with the Village, and install hardware and a generator panel at the Town Hall.

Even with these adjustments, actual revenues were over budgeted revenues by \$94,466 and actual expenses were under budgeted expenses by \$169,141. The most significant variances were:

- Personal property aid revenue was \$35,023 more than budgeted revenue.
- Investment interest income actual revenue was \$37,576 more than budgeted revenue.
- Fire protection actual expenses were \$67,809 less than budget. \$60,740 of remaining Pleasant Spring expenses were applied towards future capital expenses.
- Emergency building maintenance expenses were \$13,696 less than budget. \$14,000 is to be used for the property repair fund.
- Law Enforcement expenses were \$44,827 less than anticipated expenses.
- Highway maintenance expenses were \$34,086 less than budgeted expenses.

CAPITAL ASSETS

At the end of 2019, the Town had \$8,195,925 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 \$506,690, or 6.59 percent, over last year.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019

**TABLE 4
CAPITAL ASSETS**

	2019	2018	Dollar Change
Land	\$3,707,102	\$3,700,102	\$7,000
Construction Work-In-Progress	\$0	\$42,435	(\$42,435)
Buildings	2,728,857	2,728,857	0
Machinery and equipment	2,170,415	2,086,020	84,395
Infrastructure	5,104,487	4,397,669	706,818
Total Capital Assets	<u>\$13,710,861</u>	<u>\$12,955,083</u>	<u>\$755,778</u>
Less: Accumulated Depreciation	<u>\$5,514,936</u>	<u>\$5,265,848</u>	<u>\$249,088</u>
Net Capital Assets	<u><u>\$8,195,925</u></u>	<u><u>\$7,689,235</u></u>	<u><u>\$506,690</u></u>

This year's additions included:

New Holland Tractor/Mower	\$ 119,900
North Star Road Road-Right-of-Way Dedication	\$ 7,000
Burve Road Repaving	\$ 28,246
North Star Road Improvements	\$ 678,572

The Town's fiscal-year 2020 capital budget calls for it to spend another \$393,120 for Capital Outlay, principally for a dump truck with plow on a Ford F-550 Chassis, International dump truck with plow, flatbed brush truck on a Ford F550 Chassis, and repave Flynn Hall parking lot. 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 \$917,049 in notes outstanding versus \$326,802 last year – an increase of 180.61 percent. New debt resulted mainly from road maintenance projects, North

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019

Star Road improvements, and the purchase of a New Holland Tractor/Mower. Outstanding debt consists of three promissory notes, one is a short term note to be paid off in one year, the second a long term five year note to be paid off in one year, and the third is to be paid off in ten years.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 7 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, 2019 was \$23,015,540.

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, 2019**

	Governmental Activities
ASSETS	
Cash and investments	\$ 2,707,037
Receivables	
Taxes	845,557
Delinquent special charges	495
Accounts	41,860
Prepaid items	14,600
Investment in EMS joint venture	263,713
Capital assets	
Land	3,707,102
Other capital assets, net of accumulated depreciation	4,488,823
Net capital assets	8,195,925
Total assets	12,069,187
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflows	145,573
Total Assets and Deferred Outflows of Resources	\$ 12,214,760
 LIABILITIES	
Accounts payable	\$ 99,379
Accrued liabilities and deposits	24,456
Accrued interest payable	14,688
Short-term notes payable	282,632
Long-term liabilities	
Due within one year	
Notes payable	78,314
Compensated absences	6,488
Due in more than one year	
Notes payable	556,103
Compensated absences	19,463
Total liabilities	1,081,523
 DEFERRED INFLOWS OF RESOURCES	
2019 tax levy	1,630,773
Deferred pension inflows	89,571
Net pension liability	52,790
Total deferred inflows of resources	1,773,134
 NET POSITION	
Net investment in capital assets	7,561,508
Restricted for:	
Cemetery trust funds	2,454
Road maintenance	6,000
Emergency government	1,431
ATC impact fees	1,329
Trees program	36
Elections commission grant	500
Unrestricted	1,786,845
Total net position	9,360,103
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 12,214,760

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Statement of Activities
For the Year Ended December 31, 2019**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$ 281,355	\$ 65,025	\$ 500	\$ (215,830)
Public Safety	830,273	223,100	16,698	(590,475)
Public Works	1,266,407	288,022	236,489	(741,896)
Health and Human Services	7,006	800	206	(6,000)
Culture, Education and Recreation	12,573	-	-	(12,573)
Conservation and Development	5,320	4,634	505	(181)
Interest and Fiscal Charges	16,475	-	-	(16,475)
Total Governmental Activities	<u>\$ 2,419,409</u>	<u>\$ 581,581</u>	<u>\$ 254,398</u>	<u>(1,583,430)</u>

General revenues:

Taxes:	
Property taxes, levied for general purposes	1,546,774
Other taxes	8,665
Intergovernmental revenues not restricted to specific programs	91,404
Investment income	57,953
Miscellaneous	9,400
<i>Special item</i> - gain (loss) on sale of assets	(12,503)
Total general revenues	<u>1,701,693</u>
Change in net position	118,263
Net position - beginning	<u>9,241,840</u>
Net position - ending	<u>\$ 9,360,103</u>

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Balance Sheet
Governmental Funds
December 31, 2019**

	<u>General Fund</u>	<u>Nonmajor Governmental Fund Cemetery Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 2,704,583	\$ 2,454	\$ 2,707,037
Receivables:			
Taxes	845,557	-	845,557
Delinquent Special Charges	495	-	495
Accounts	41,859	-	41,859
Prepaid Expenses	14,600	-	14,600
Total Assets	<u>\$ 3,607,094</u>	<u>\$ 2,454</u>	<u>\$ 3,609,548</u>
LIABILITIES			
Accounts Payable	\$ 99,379	\$ -	\$ 99,379
Other Accrued Liabilities	20,445	-	20,445
Driveway Permit Deposits	6,000	-	6,000
Short-Term Notes Payable	282,632	-	282,632
Total Liabilities	<u>408,456</u>	<u>-</u>	<u>408,456</u>
DEFERRED INFLOWS OF RESOURCES			
2019 Tax Revenue and Special Charges	<u>1,877,808</u>	<u>-</u>	<u>1,877,808</u>
FUND BALANCES			
Nonspendable	15,095	-	15,095
Restricted	9,296	2,454	11,750
Committed	17,413	-	17,413
Assigned	187,531	-	187,531
Unassigned	1,091,495	-	1,091,495
Total Fund Balances	<u>1,320,830</u>	<u>2,454</u>	<u>1,323,284</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,607,094</u>	<u>\$ 2,454</u>	<u>\$ 3,609,548</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, 2019**

Total fund balance, governmental funds	\$ 1,323,284
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.	247,035
The Town's investment in the EMS joint venture is not a financial resource and, therefore, is not reported in the funds financial statements.	263,713
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.	8,195,925
The net pension liability is not a current financial use, and is therefore not reported in the fund financial statements.	(52,790)
Pension deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined benefit pension plan. These items are reflected in the statement of net position and are being amortized with pension expense in the statement of activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.	
Deferred outflows of resources	145,573
Deferred inflows of resources	(89,571)
Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.	
Compensated absences	(25,951)
Accrued interest	(12,699)
Notes payable	(634,417)
Rounding	1
	<hr/>
Net position of governmental activities in the statement of net position	<u><u>\$ 9,360,103</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, 2019**

	<u>General Fund</u>	<u>Nonmajor Governmental Fund Cemetery Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,546,774	\$ -	\$ 1,546,774
Other Taxes	8,665	-	8,665
Intergovernmental	346,035	-	346,035
Licenses and Permits	102,806	-	102,806
Fines, Forfeitures and Penalties	28,497	-	28,497
Public Charges for Services	255,655	-	255,655
Intergovernmental Charges for Services	164,620	-	164,620
Investment Income	57,670	101	57,771
Miscellaneous Income	34,194	-	34,194
Total Revenues	<u>2,544,916</u>	<u>101</u>	<u>2,545,017</u>
EXPENDITURES			
Current:			
General Government	270,487	-	270,487
Public Safety	780,943	-	780,943
Public Works	1,110,850	-	1,110,850
Culture, Recreation, and Education	9,202	-	9,202
Health and Human Services	6,206	800	7,006
Conservation and Development	5,329	-	5,329
Capital Outlay	731,037	-	731,037
Debt Service:			
Principal Repayment	22,023	-	22,023
Interest Expense	4,398	-	4,398
Total Expenditures	<u>2,940,475</u>	<u>800</u>	<u>2,941,275</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(395,559)</u>	<u>(699)</u>	<u>(396,258)</u>
OTHER FINANCING SOURCES (USES)			
Property Sales	2,756	-	2,756
Proceeds from Long-Term Debt	612,000	-	612,000
Total Other Financing Sources and Uses	<u>614,756</u>	<u>-</u>	<u>614,756</u>
Net Change in Fund Balances	219,197	(699)	218,498
Fund Balances - Beginning	1,101,633	3,153	1,104,786
Fund Balances - Ending	<u>\$ 1,320,830</u>	<u>\$ 2,454</u>	<u>\$ 1,323,284</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, 2019**

Net change in fund balances - total governmental funds:	\$	218,498
<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 and street light fees		5,159
<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 (\$791,283) were greater than depreciation (\$269,334) in the current period.</p>		
		521,949
<p>The statement of activities reports the gain or loss on the sale of capital assets as an increase or decrease of net position. This is not reported in the fund financial statements. This amount represents the gain (loss) on the sale/disposal of equipment.</p>		
		(15,259)
<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		22,023
Proceeds of debt issuance		(612,000)
<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		(12,078)
Net compensated absences		(6,541)
<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>		
		8,063
<p>Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the statement of activities is actuarially determined by the defined benefit pension plan as the difference between the net pension asset from the prior year to the current year, with some adjustments.</p>		
Amount of current year required contributions into the defined benefit pension plan		(30,016)
Actuarially determined change in net pension asset between years, with adjustments		18,465
		118,263
Change in net position of governmental activities	\$	118,263

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2019**

	<u>Custodial Fund</u>
ASSETS	
Cash and Investments	\$ 4,113,978
Taxes Receivable	3,638,307
Total Assets	<u>\$ 7,752,285</u>
LIABILITIES	
Due to Other Governments	\$ 7,752,285
Total Liabilities	<u>\$ 7,752,285</u>

See accompanying notes to the basic financial statements.

Town of Cottage Grove

Statement of Changes in Fiduciary Net Position

Fiduciary Fund

December 31, 2019

	<u>Custodial Fund</u>
ADDITIONS	
Property tax collections for other governments	\$ 5,309,333
Total Additions	<u>5,309,333</u>
DEDUCTIONS	
Payments of taxes to other governments	<u>5,309,333</u>
Total Deductions	<u>5,309,333</u>
Net increase (decrease) in fiduciary net position	-
Net position - Beginning	<u>-</u>
Net position - Ending	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

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 “Town”). 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

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

Funds are organized as major funds or nonmajor 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 nonmajor 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 – Fiduciary funds consist of pension (and other employee benefit) trust funds, private-purpose trust funds, investment trust funds, and custodial funds. Fiduciary funds should be used only to report resources held for individuals, private organizations, or other governments. A fund is presented as a fiduciary fund when all of the following criteria are met: a) The government controls the assets that finance the activity, b) Assets are not generated from the government's own-source revenues or from government-mandated or voluntary nonexchange transactions, c) Assets are administered through a qualifying trust or the government does not have administrative involvement and the assets are not generated from the government's delivery of goods or services to the beneficiaries, or the assets are for the benefit of entities that are not part of the government's reporting entity.

The Town reports the following fiduciary fund:

Custodial 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 accounts for tax collections payable to overlying taxing jurisdictions in a custodial fund.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

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, and 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 the Financial Statements
December 31, 2019

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.

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.

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.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

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

Property tax calendar – 2019 tax roll

Lien date and levy date	December, 2019
Tax bills mailed	December, 2019
Payment in full, or	January 31, 2020
First installment due	January 31, 2020
Second installment due	July 31, 2020
Personal property taxes in full	January 31, 2020
Tax sale – 2019 delinquent real estate taxes	October 2022

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.

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.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

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

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, 2019 is \$17,413 and the total vacation pay is \$8,538.

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, 2019 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.

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 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.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

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

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.

Fund Statements

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

- a. Nonspendable – includes amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact.
- b. 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.
- c. 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.
- d. 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.
- e. 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.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

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

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, 2019, the General Fund unassigned fund balance was 33.18% of budgeted 2020 General Fund expenditures.

10) Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS), and additions to/deductions from WRS’s fiduciary net position have been determined on the same basis as they are reported for WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11) Change in Accounting Principle

Effective January 1, 2019, the Town adopted provisions of GASB Statement No. 84, Fiduciary Activities (“GASB No.84”). GASB No. 84 establishes general criteria for determining what activities should be reported in the fiduciary funds and requires the recognition of a liability when an event has occurred that requires the disbursement of fiduciary resources. Implementation of GASB No. 84 replaces Agency Fund types with Custodial Funds for the accumulation of assets for entities outside the government’s reporting entity. Unlike Agency Funds, Custodial Funds present a statement of net position and a statement of changes in net position. The statement of changes in fiduciary net position report additions and deductions for taxes collected and distributed on behalf of or to other governments.

2. Cash and Investments

At December 31, 2019, the Town’s cash and investments consist of the following:

Deposits with Financial Institutions	\$ 6,821,015
Total Cash and Investments	<u>\$ 6,821,015</u>

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

2. Cash and Investments (Continued)

Cash and investments as of December 31, 2019, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 2,707,037
Fiduciary Funds:	
Cash and Investments	4,113,978
Total Cash and Investments	<u>\$ 6,821,015</u>

Investments Authorized by Wisconsin Statutes

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

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

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

2. Cash and Investments (Continued)

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.

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, 2019, the institutions placed funds which exceeded 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. However, as of December 31, 2019, the Town had deposit balances that were uninsured and uncollateralized.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

2. Cash and Investments (Continued)

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

Insured by Federal and State Deposit Insurance	\$ 1,128,590
Insured by ICS Repurchase Agreement	5,448,502
Uninsured/Uncollateralized	2,549
Total Deposits with Financial Institutions	<u><u>\$ 6,579,641</u></u>

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	\$ -	\$ 1,630,428	\$ 1,630,428
Managed forest land taxes	-	345	345
Garbage/recycling fees	244,696	-	244,696
Street light fees	803	-	803
Dog licenses	1,536	-	1,536
Total Deferred/Unearned Revenue for Governmental Funds	<u><u>\$ 247,035</u></u>	<u><u>\$ 1,630,773</u></u>	<u><u>\$ 1,877,808</u></u>

4. 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 the Financial Statements
December 31, 2019

5. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2019, was as follows:

	Balance 1/1/19	Additions	Retirements	Balance 12/31/19
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 3,700,102	\$ 7,000	\$ -	\$ 3,707,102
Construction Work-in-Progress	42,435	-	42,435	-
Total Non-Depreciable Capital Assets	<u>3,742,537</u>	<u>7,000</u>	<u>42,435</u>	<u>3,707,102</u>
Capital Assets Being Depreciated:				
Buildings	2,728,857	-	-	2,728,857
Machinery and Equipment	2,086,020	119,900	35,505	2,170,415
Streets	4,397,669	706,818	-	5,104,487
Total Capital Assets Being Depreciated	<u>9,212,546</u>	<u>826,718</u>	<u>35,505</u>	<u>10,003,759</u>
Total Capital Assets	<u>12,955,083</u>	<u>833,718</u>	<u>77,940</u>	<u>13,710,861</u>
Less: Accumulated Depreciation for				
Buildings	1,234,375	51,864	-	1,286,239
Machinery and Equipment	1,113,720	80,081	20,246	1,173,555
Streets	2,917,753	137,389	-	3,055,142
Total Accumulated Depreciation	<u>5,265,848</u>	<u>269,334</u>	<u>20,246</u>	<u>5,514,936</u>
Net Capital Assets Being Depreciated	<u>3,946,698</u>	<u>557,384</u>	<u>15,259</u>	<u>4,488,823</u>
Total Capital Assets				
Net of Accumulated Depreciation	<u>\$ 7,689,235</u>	<u>\$ 564,384</u>	<u>\$ 57,694</u>	<u>\$ 8,195,925</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 4,321
Public Safety	57,393
Public Works, including infrastructure	204,249
Culture, Recreation and Education	3,371
Total Governmental Activities Depreciation Expense	<u>\$ 269,334</u>

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

6. Short-Term Obligations

	<u>Balance</u> <u>1/1/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/19</u>
Short-Term Note dated September 1, 2018, lump sum payment on March 15, 2019, 2.85% interest	\$ 282,362	\$ -	\$ 282,362	\$ -
Short-Term Note dated September 17, 2019, lump sum payment on March 15, 2020, 2.43% interest	<u>-</u>	<u>282,632</u>	<u>-</u>	<u>282,632</u>
	<u>\$ 282,362</u>	<u>\$ 282,632</u>	<u>\$ 282,362</u>	<u>\$ 282,632</u>

Interest expense on the short-term obligation was \$1,989 in 2019.

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

7. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2019, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts due</u> <u>within 1 year</u>
Governmental activities:					
Notes Payable					
Notes from Direct Borrowings	\$ 44,440	\$ 612,000	\$ 22,023	\$ 634,417	\$ 78,314
Total Notes Payable	<u>44,440</u>	<u>612,000</u>	<u>22,023</u>	<u>634,417</u>	<u>78,314</u>
Other Liabilities					
Vested Compensated Absences	<u>19,410</u>	<u>7,021</u>	<u>480</u>	<u>25,951</u>	<u>6,488</u>
Total Other Liabilities	<u>19,410</u>	<u>7,021</u>	<u>480</u>	<u>25,951</u>	<u>6,488</u>
Total Governmental Long-term Liabilities	<u>\$ 63,850</u>	<u>\$ 619,021</u>	<u>\$ 22,503</u>	<u>\$ 660,368</u>	<u>\$ 84,802</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, 2019, was \$23,015,540. Total general obligation debt outstanding at year end was \$634,417.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

7. Long-Term Obligations (Continued)

Promissory Notes

Promissory notes are payable from future property tax levies.

Promissory notes at December 31, 2019, consist of the following:

Notes from Direct Borrowings	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/2019
2015 Promissory Note	9/15/2015	3/15/2020	1.75%	\$ 109,195	\$ 22,417
2019 Promissory Note	5/21/2019	3/15/2029	3.294%	\$ 612,000	612,000
Total Notes from Direct Borrowings					<u>\$ 634,417</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities Notes from Direct Borrowings	
	Principal	Interest
2020	\$ 78,314	\$ 16,907
2021	54,092	18,318
2022	55,874	16,536
2023	57,715	14,696
2024	59,581	12,830
2025-2029	328,841	33,210
Total	<u>\$ 634,417</u>	<u>\$ 112,497</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.

8. Operating Lease

Operating Lease as Lessee

In January 2018, the Town of Cottage Grove renewed 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 \$10,614 in 2019. Future lease payments under the lease agreement are as follows:

2020	\$ <u>10,773</u>
Total	<u>\$ 10,773</u>

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

8. Operating Lease (Continued)

Operating Lease as Lessor

In July 2018, the Town of Cottage Grove renewed a three-year operating lease agreement as Lessor leasing the Town Garage to a third party. The rent revenue for 2019 was \$19,558. Future rent revenue under the lease agreement is as follows:

2020	\$	19,851
2021		<u>10,000</u>
Total	\$	<u><u>29,851</u></u>

9. Net Position/Fund Balances

Net position reported on the government-wide statement of net position at December 31, 2019 includes the following:

Net Investment in Capital Assets		
Land	\$	3,707,102
Other Capital Assets, net of accumulated depreciation		4,488,823
Less: Long-term debt outstanding		<u>(634,417)</u>
Total Net Investment in Capital Assets	\$	<u><u>7,561,508</u></u>

Governmental fund balances as of December 31, 2019, include the following items:

Nonspendable

Major Fund

General Fund

Delinquent special charges	\$	495
Prepaid items		<u>14,600</u>
Total	\$	<u><u>15,095</u></u>

Restricted

Major Fund

General Fund

Highway maintenance	\$	6,000
Emergency government		1,431
ATC impact fees		1,329
Trees program		36
Elections commission grant		<u>500</u>
Total General Fund		<u><u>9,296</u></u>

Nonmajor Fund

Special Revenue Fund

Cemetery Trust Fund		<u>2,454</u>
Total Special Revenue Fund		<u><u>2,454</u></u>
Total	\$	<u><u>11,750</u></u>

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

9. Net Position/Fund Balances (Continued)

Committed	
Major Fund	
General Fund	
Sick leave liability	\$ 17,413
Total	<u>\$ 17,413</u>
Assigned	
Major Fund	
General Fund	
EMS Building repair	\$ 14,083
Hydrite	4,076
Welcome sign	12,241
Pleasant Springs Fire expenses	146,296
Future park equipment	10,834
Total	<u>\$ 187,531</u>
Unassigned	
Major Fund	
General Fund	\$ 1,091,495
Total	<u>\$ 1,091,495</u>

10. 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 \$103,490 for fire protection and \$47,514 for emergency building maintenance and emergency government in 2019. The Town's portions of fire protection and emergency building maintenance and emergency government payments were 36.82% and 50.00%, respectively. The Town believes that the departments 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, 2019, is available at the town hall.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

10. Joint Ventures (Continued)

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 2019 of \$160,017 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, 2019, 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.

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.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

12. Commitments and Contingencies (Continued)

In 2018, the Town approved State/Municipal agreements with the State of Wisconsin for the construction of two new bridges. The Town's portion of the total estimated construction costs for both projects is \$222,407. As of December 31, 2019, the Town has approved design contracts totaling \$110,634.

Additionally, in 2019, the Town approved the following purchase commitments:

- a. Playground equipment – \$34,889
- b. Public works trucks – \$90,234 and \$46,415, respectively
- c. Fire department rapid response truck – \$145,290

The fire department truck costs will be allocated between the Town and the Village of Cottage Grove.

13. Defined Benefit Pension Plan

Plan Description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits Provided. Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

13. Defined Benefit Pension Plan (Continued)

Post-Retirement Adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2009	(2.1%)	(42%)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$15,325 in contributions from the employer.

Contribution rates as of December 31, 2019, are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.55%	6.55%
Protective with Social Security	6.55%	10.55%
Protective without Social Security	6.55%	14.95%

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

13. Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the Town reported a liability (asset) of \$52,790 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017, rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension liability (asset) was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the Town's proportion was 0.00148383%, which was an increase of 0.00002055% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Town recognized pension expense of \$30,047.

At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 41,115	\$ (72,676)
Changes of assumptions	8,898	-
Net difference between projected and actual earnings on pension plan investments	77,096	-
Changes in proportion and difference between Employer contributions and proportionate share of contributions	-	(16,895)
Employer contributions subsequent to the measurement date	18,464	-
Total	<u>\$ 145,573</u>	<u>\$ (89,571)</u>

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

13. Defined Benefit Pension Plan (Continued)

\$18,464 reported as deferred outflows of resources related to pension resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended</u> <u>December 31:</u>	<u>Net Deferred Outflows</u> <u>(Inflows) of Resources</u>
2020	\$ 14,088
2021	\$ (632)
2022	\$ 3,045
2023	\$ 21,037
2024	\$ -

Actuarial Assumptions. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset):	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-Retirement Adjustments*	1.9%

**No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

Long-term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

13. Defined Benefit Pension Plan (Continued)

Asset Allocation Targets and Expected Returns
As of December 31, 2018

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49	8.1	5.5
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
Variable Fund Asset Class			
U.S. Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations

Single Discount Rate. A single discount rate of 7.00% was used to measure the Total Pension Liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town of Cottage Grove's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2019

13. Defined Benefit Pension Plan (Continued)

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 209,793	\$ 52,790	\$ (63,953)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

14. Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has adopted GASB Statement No. 87, *Leases*. When this standard become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Cottage Grove

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,553,627	\$ 1,553,627	\$ 1,555,439	\$ 1,812
Intergovernmental	308,016	308,016	346,035	38,019
License and Permits	84,400	84,400	102,806	18,406
Fines, Forfeitures and Penalties	30,000	30,000	28,497	(1,503)
Public Charges for Services	243,799	254,796	255,655	859
Intergovernmental Charges for Services	168,250	168,250	164,620	(3,630)
Investment Income	20,300	20,300	57,670	37,370
Miscellaneous Income	24,408	29,817	34,194	4,377
Total Revenues	<u>2,432,800</u>	<u>2,449,206</u>	<u>2,544,916</u>	<u>95,710</u>
EXPENDITURES				
Current:				
General Government	277,192	291,222	270,487	20,735
Public Safety	890,791	899,037	780,943	118,094
Public Works	1,742,596	1,144,936	1,110,850	34,086
Culture, Recreation, and Education	9,000	9,000	9,202	(202)
Health and Human Services	6,206	6,206	6,206	-
Conservation and Development	5,320	5,320	5,329	(9)
Capital Outlay	119,900	731,100	731,037	63
Debt Service:				
Principal Repayment	304,385	18,385	22,023	(3,638)
Interest Expense	4,410	4,410	4,398	12
Total Expenditures	<u>3,359,800</u>	<u>3,109,616</u>	<u>2,940,475</u>	<u>169,141</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(927,000)</u>	<u>(660,410)</u>	<u>(395,559)</u>	<u>264,851</u>
OTHER FINANCING SOURCES				
Property Sales	29,000	4,000	2,756	(1,244)
Proceeds from Long-Term Debt	898,000	612,000	612,000	-
Total Other Financing Sources	<u>927,000</u>	<u>616,000</u>	<u>614,756</u>	<u>(1,244)</u>
Net Change in Fund Balances	-	(44,410)	219,197	263,607
Fund Balances - Beginning	<u>1,101,633</u>	<u>1,101,633</u>	<u>1,101,633</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,101,633</u>	<u>\$ 1,057,223</u>	<u>\$ 1,320,830</u>	<u>\$ 263,607</u>

See accompanying notes to the required supplementary information.

**TOWN OF COTTAGE GROVE
WISCONSIN RETIREMENT SYSTEM
December 31, 2019**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
AS OF THE MEASUREMENT DATE**

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2018	0.00148383%	\$ 52,790	\$ 228,741	23.08%	96.45%
2017	(0.00146328%)	(43,446)	210,172	(20.67%)	102.93%
2016*	0.00000000%	-	-	0.00%	0.00%

*The Town enrolled into the Wisconsin Retirement System pension plan on January 1, 2017. Therefore, as of the December 31, 2016 measurement date, the Town did not have a proportionate share of the plan's net pension liability (asset).

**SCHEDULE OF TOWN'S CONTRIBUTIONS
FOR THE YEAR ENDED**

Year ended December 31,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2019	\$ 18,464	18,464	\$ -	\$ 281,897	6.55%
2018	15,326	15,326	-	228,741	6.70%
2017	14,292	14,292	-	210,172	6.80%

See accompanying notes to the required supplementary information.

TOWN OF COTTAGE GROVE
Notes to the Required Supplementary Information
December 31, 2019

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.

2. Wisconsin Retirement System Schedules

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 7 preceding years.

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

SUPPLEMENTARY INFORMATION

Town of Cottage Grove

**Detailed Schedule of Revenues
Budget and Actual - General Fund
For the Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
TAXES				
Local taxes	\$ 1,547,115	\$ 1,547,115	\$ 1,546,775	\$ (340)
Use value penalty tax	-	-	2,152	2,152
Other taxes	6,512	6,512	6,512	-
Total Taxes	<u>1,553,627</u>	<u>1,553,627</u>	<u>1,555,439</u>	<u>1,812</u>
INTERGOVERNMENTAL				
State shared revenues	55,573	55,573	56,381	808
State aid- Fire insurance	15,330	15,330	16,698	1,368
State aid- Transportation	177,101	177,101	177,019	(82)
State aid- In lieu of forest lands	225	225	218	(7)
Other state payments	232	232	232	-
State aid- Croplands/forest	300	300	287	(13)
State aid- Recycling	7,400	7,400	7,437	37
County aid- Soldiers' graves	205	205	207	2
Personal property aid	-	-	35,023	35,023
Elections commission grant	-	-	500	500
Landfill compensation fee	51,650	51,650	52,033	383
Total Intergovernmental	<u>308,016</u>	<u>308,016</u>	<u>346,035</u>	<u>38,019</u>
LICENSES AND PERMITS				
Business and occupational licenses	3,800	3,800	4,350	550
Dog licenses	1,500	1,500	1,503	3
Building permits and inspections	35,000	35,000	43,546	8,546
Zoning permits and fees	3,500	3,500	3,970	470
Cable television franchise fees	37,000	37,000	38,576	1,576
Other permits and fees	3,600	3,600	10,861	7,261
Total Licenses and Permits	<u>84,400</u>	<u>84,400</u>	<u>102,806</u>	<u>18,406</u>
FINES, FORFEITURES AND PENALTIES				
Law and ordinance violations	30,000	30,000	28,497	(1,503)
Total Fines, Forfeitures and Penalties	<u>30,000</u>	<u>30,000</u>	<u>28,497</u>	<u>(1,503)</u>

Town of Cottage Grove

**Detailed Schedule of Revenues
Budget and Actual - General Fund
For the Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC CHARGES FOR SERVICES				
Refuse collection/curbside	160,833	160,833	160,449	(384)
Recycling charges	80,884	80,884	80,751	(133)
Title search	1,500	1,500	1,975	475
Highway maintenance	-	3,274	3,651	377
Street lighting fees	582	582	822	240
Viney development	-	7,723	7,723	-
Other charges	-	-	285	285
Total Public Charges for Services	<u>243,799</u>	<u>254,796</u>	<u>255,655</u>	<u>859</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES				
Local- Fire services	129,691	129,691	125,741	(3,950)
Local- Emergency building maintenance	25,475	25,475	25,316	(159)
Local- Landfill charges	8,000	8,000	9,505	1,505
Other charges	5,084	5,084	4,058	(1,026)
Total Intergovernmental Charges for Services	<u>168,250</u>	<u>168,250</u>	<u>164,620</u>	<u>(3,630)</u>
INVESTMENT INCOME				
Interest income	20,000	20,000	57,576	37,576
Interest on special assessments/charges	300	300	94	(206)
Total Investment Income	<u>20,300</u>	<u>20,300</u>	<u>57,670</u>	<u>37,370</u>
MISCELLANEOUS				
Rent	22,858	22,858	23,639	781
Dividends	250	250	181	(69)
Library Prairie Cemetery funds	800	800	800	-
Insurance recoveries	-	5,409	7,118	1,709
Other miscellaneous revenues	500	500	2,456	1,956
Total Miscellaneous	<u>24,408</u>	<u>29,817</u>	<u>34,194</u>	<u>4,377</u>
OTHER FINANCING SOURCES				
Property sales	29,000	4,000	2,756	(1,244)
Proceeds from Long-Term Debt	898,000	612,000	612,000	-
Total Other Financing Sources	<u>927,000</u>	<u>616,000</u>	<u>614,756</u>	<u>(1,244)</u>
Total Revenues and Other Financing Sources	<u><u>\$ 3,359,800</u></u>	<u><u>\$ 3,065,206</u></u>	<u><u>\$ 3,159,672</u></u>	<u><u>\$ 94,466</u></u>

Town of Cottage Grove

**Detailed Schedule of Expenditures
Budget and Actual - General Fund
For the Year Ended December 31, 2019**

	<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	\$ 29,907	\$ 29,907	\$ 29,769	\$ 138
Planning committee	1,615	1,665	1,578	87
Town planner	6,600	6,600	2,758	3,842
Emergency government	1,822	3,026	2,149	877
Clerk/secretarial	76,271	78,130	76,215	1,915
Treasurer	33,848	33,848	33,365	483
Assessor	10,216	10,216	9,985	231
Judicial	24,588	26,485	25,092	1,393
Legal	21,500	26,967	23,551	3,416
Elections	7,375	7,375	6,215	1,160
Accounting	13,750	13,750	13,854	(104)
Property and liability insurance	26,200	26,200	25,888	312
Town hall	13,500	17,053	12,905	4,148
Flynn hall	10,000	10,000	7,163	2,837
Other general government	-	-	-	-
Total General Government	<u>277,192</u>	<u>291,222</u>	<u>270,487</u>	<u>20,735</u>
PUBLIC SAFETY				
Law enforcement	474,201	474,201	429,374	44,827
Fire protection	173,685	173,685	105,876	67,809
Ambulance	160,017	160,017	160,017	-
Fire inspection	1,938	1,938	2,261	(323)
Building inspection	30,000	30,000	37,915	(7,915)
Emergency building	50,950	59,196	45,500	13,696
Total Public Safety	<u>890,791</u>	<u>899,037</u>	<u>780,943</u>	<u>118,094</u>
PUBLIC WORKS				
Highway maintenance	551,966	588,206	558,283	29,923
Highway construction	909,295	275,395	264,458	10,937
Non-Highway expenses	20,418	20,418	23,727	(3,309)
Garbage and refuse collection	160,833	160,833	159,975	858
Recycling	80,884	80,884	80,436	448
Landfill	19,200	19,200	23,971	(4,771)
Total Public Works	<u>1,742,596</u>	<u>1,144,936</u>	<u>1,110,850</u>	<u>34,086</u>

Town of Cottage Grove

**Detailed Schedule of Expenditures
Budget and Actual - General Fund
For the Year Ended December 31, 2019**

	<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	9,000	9,000	9,202	(202)
Total Culture, Recreation, and Education	<u>9,000</u>	<u>9,000</u>	<u>9,202</u>	<u>(202)</u>
HEALTH AND HUMAN SERVICES				
Outreach	6,000	6,000	6,000	-
Soldiers graves	206	206	206	-
Total Health and Human Services	<u>6,206</u>	<u>6,206</u>	<u>6,206</u>	<u>-</u>
CONSERVATION AND DEVELOPMENT				
Yahara WINS pilot program	5,320	5,320	5,320	-
Total Conservaton and Development	<u>5,320</u>	<u>5,320</u>	<u>5,329</u>	<u>(9)</u>
CAPITAL OUTLAY				
Highway equipment	119,900	94,900	94,900	-
Local highway outlay	-	636,200	636,137	63
Total Capital Outlay	<u>119,900</u>	<u>731,100</u>	<u>731,037</u>	<u>63</u>
DEBT SERVICE				
Principal	304,385	18,385	22,023	(3,638)
Interest and fiscal charges	4,410	4,410	4,398	12
Total Debt Service	<u>308,795</u>	<u>22,795</u>	<u>26,421</u>	<u>(3,626)</u>
Total Expenditures	<u>\$ 3,359,800</u>	<u>\$ 3,109,616</u>	<u>\$ 2,940,475</u>	<u>\$ 169,141</u>