



Town of  
**Cottage Grove**

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

**For the Year Ended December 31, 2020**

**Town of Cottage Grove**

**Table of Contents**

**December 31, 2020**

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INDEPENDENT AUDITOR'S REPORT .....	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	iii-xi
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position.....	1
Statement of Activities.....	2
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	6
Statement of Fiduciary Net Position – Fiduciary Fund .....	7
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	8
Notes to the Financial Statements.....	9-32
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund .....	33
Wisconsin Retirement System Schedules .....	34
Notes to the Required Supplementary Information.....	35
SUPPLEMENTARY INFORMATION	
Detailed Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund .....	36-37
Detailed Schedule of Expenditures – Budget and Actual – General Fund.....	38-39



## **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, 2020, 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, 2020, 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.

### *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 xii and pages 33 through 35 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 supplementary 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 9, 2021

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

# TOWN OF COTTAGE GROVE

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020

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, 2020. 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.

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### FINANCIAL HIGHLIGHTS

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- The Town's net position was \$58,739 higher as a result of this year's operations. Unrestricted net position was \$1,810,980 at December 31, 2020, an increase of \$24,135 or 1.35 percent more from last year.
- Unassigned general fund reported a surplus this year of \$56,583, increasing the fund balance to \$1,148,078. As of December 31, 2020, the fund was 37.05 percent of budgeted 2021 general fund expenditures.
- The Town's net cost of all governmental activities this year was \$1,752,427, a 10.67 percent increase from last year.
- In 2020, the Town was awarded a \$70,638 Routes to Recovery: Local Government Aid Grant for additional expenses related to the Covid-19 pandemic. The Town used the funds to purchase audio-video equipment for the Town Hall meeting room to provide virtual meetings for the Town residents. The funds were also used for purchasing sanitizing supplies and additional equipment for the Town Hall office for day-to-day operations and for elections. The remaining funds were used to help support the Deer-Grove EMS.
- In addition to the Routes to Recovery Grant, the Town was awarded a \$3,139 CARES Act Grant. The funds were used to purchase additional resources to protect against Covid-19 at the 2020 elections.
- In 2020, the Town Board approved to undergo a full revaluation of all taxable property in 2021. The estimated cost of the revaluation is \$79,000, with the first installment of \$15,000 paid in 2020 and the second installment of \$64,000 paid in 2021.
- Net Capital Assets were \$8,315,808 at December 31, 2020, an increase of \$119,883 from prior year.
- The Town had a total \$1,009,753 in notes outstanding resulting mainly from road maintenance projects and the purchase of a 2020 International truck.

# TOWN OF COTTAGE GROVE

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020

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### **OVERVIEW OF FINANCIAL STATEMENTS**

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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 funds.

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 the 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.

# TOWN OF COTTAGE GROVE

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020

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### OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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#### ***FUND FINANCIAL STATEMENTS***

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

#### ***Major Governmental Funds***

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

#### ***Non-Major Governmental Funds***

##### *Special Revenue Funds:*

Cemetery 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 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.

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### FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

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The Town's net position was higher, increasing from \$9,360,103 to \$9,418,842. In contrast, last year net position increased \$118,263. 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, 2020

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#### FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

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**TABLE 1  
STATEMENT OF NET POSITION**

	2020	2019	Dollar Change
	<u>          </u>	<u>          </u>	<u>          </u>
Current and Other Assets	\$4,055,291	\$3,873,262	\$182,029
Capital Assets	8,315,808	8,195,925	119,883
Restricted Assets	50,197	0	50,197
Total Assets	<u>12,421,296</u>	<u>12,069,187</u>	<u>352,109</u>
 Deferred Outflows of Resources	 120,395	 145,573	 <span style="color: red;">(25,178)</span>
Short-term Debt Outstanding	297,293	282,632	14,661
Long-term Debt Outstanding	712,460	634,417	78,043
Capital Lease	5,501	0	5,501
Other Liabilities	272,498	164,474	108,024
Total Liabilities	<u>1,287,752</u>	<u>1,081,523</u>	<u>206,229</u>
 Deferred Inflows of Resources	 1,835,097	 1,773,134	 61,963
 Net Investment in			
Capital Assets	7,597,847	7,561,508	36,339
Restricted	10,015	11,750	<span style="color: red;">(1,735)</span>
Unrestricted	<u>1,810,980</u>	<u>1,786,845</u>	<u>24,135</u>
 Total Net Position	 <u><u>\$9,418,842</u></u>	 <u><u>\$9,360,103</u></u>	 <u><u>\$58,739</u></u>

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – changed from \$1,786,845 surplus to a \$1,810,980 surplus at the end of this year.

## TOWN OF COTTAGE GROVE

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020

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#### FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

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

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	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>
Revenues			
Program Revenues			
Charges for services	\$638,568	\$581,581	\$56,987
Operating grants	358,066	254,398	103,668
General Revenues			
Property taxes	1,630,428	1,546,774	83,654
Other taxes	54,061	8,665	45,396
Intergovernmental	91,331	91,404	(73)
Investment income	25,657	57,953	(32,296)
Gain (Loss) on disposal of assets	6,969	(12,503)	19,472
Miscellaneous	2,720	9,400	(6,680)
<b>Total Revenues</b>	<u>\$2,807,800</u>	<u>\$2,537,672</u>	<u>\$270,128</u>
Expenses			
General government	\$360,277	\$281,355	\$78,922
Public safety	945,703	830,273	115,430
Public works	1,390,654	1,266,407	124,247
Health and human services	7,008	7,006	2
Culture, education and recreation	17,136	12,573	4,563
Conservation Development	5,320	5,320	0
Interest and fiscal charges	22,963	16,475	6,488
<b>Total Expenses</b>	<u>\$2,749,061</u>	<u>\$2,419,409</u>	<u>\$329,652</u>
 Change in Net Position	 \$58,739	 \$118,263	 (59,524)
 <b>NET POSITION</b> – Beginning of Year	 <u>\$9,360,103</u>	 <u>\$9,241,840</u>	 <u>\$118,263</u>
 <b>NET POSITION – END OF YEAR</b>	 <u><u>\$9,418,842</u></u>	 <u><u>\$9,360,103</u></u>	 <u><u>\$58,739</u></u>

# TOWN OF COTTAGE GROVE

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020

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### FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

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The Town's total revenue increased by 10.64 percent, \$270,128. The total cost of all programs and services increased by 13.63 percent, \$329,652. With the increased 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 \$2,749,061 compared to \$2,419,409 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 \$1,752,427 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**

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	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
General Government	\$360,277	\$281,355	\$228,624	\$215,830
Public Safety	945,703	830,273	651,961	590,475
Public Works	1,390,654	1,266,407	823,383	741,896
Health and Human Services	7,008	7,006	6,000	6,000
Culture, Education and Recreation	17,136	12,573	17,136	12,573
Conservation and Development	5,320	5,320	2,360	181
Interest and Fiscal Charges	22,963	16,475	22,963	16,475
	<u>\$2,749,061</u>	<u>\$2,419,409</u>	<u>\$1,752,427</u>	<u>\$1,583,430</u>

# TOWN OF COTTAGE GROVE

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020

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### GENERAL FUND

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The Town's general fund (as presented in the balance sheet on page 3) reported a combined fund balance of \$1,267,686, which is below last year's total of \$1,320,830.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

- Allocate \$297,293 Promissory Note Proceeds to Debt Service Principal Expense due to short term note recorded on the Balance Sheet.
- The Town allocated \$70,638 from the Routes to Recovery grant to help cover additional expenses incurred by the Town caused by the Covid-19 pandemic.
- The Town allocated \$3,139 from the CARES Act grant for additional supplies for the 2020 elections.
- Applied \$25,312 of Development Funds received from Kennedy Hills to reimburse the Town for expenses related to the subdivision development.
- The Town allocated \$71,525 of previous years Unassigned Funds to cover unexpected expenses. These expenses included first installment for 2021 revaluation, additional bridge repairs, install a new Daikin air conditioning unit at Flynn Hall, roof repairs to the Emergency Service Building, repairs to 1992 Peterbilt firetruck, removal of PFAS foam used by the fire department, tree removal, and gas probe for the Natvig Landfill.
- The Town allocated \$34,083 of ESB Property Repair funds to cover the following expenses: Exhaust venting matched with an AFG Grant, installation of new furnace and air conditioning units, repairs to the heat exchanger unit, and installing light fixtures.
- Applied \$20,290 from the Pleasant Springs Fire Fund to cover additional cost for new rapid response vehicle.

Even with these adjustments, actual revenues and other financing sources were over budgeted revenues and other financing sources by \$32,295 and actual expenses were under budgeted expenses by \$155,107. The most significant variances were:

- Fire protection actual expenses were \$41,564 less than budget. \$40,002 of remaining Pleasant Spring expenses were applied towards future capital expenses.
- Emergency building maintenance expenses were \$28,686 less than budget. \$20,000 is to be used for the property repair fund.
- Law Enforcement expenses were \$46,293 less than anticipated expenses.
- Highway maintenance and construction expenses were \$117,536 less than budgeted expenses.

# TOWN OF COTTAGE GROVE

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020

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### CAPITAL ASSETS

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At the end of 2020, the Town had \$8,315,808 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 \$119,883, or 1.46 percent, over last year.

**TABLE 4  
CAPITAL ASSETS**

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	2020	2019	Dollar Change
Land	\$3,707,102	\$3,707,102	\$0
Buildings	2,757,583	2,728,857	28,726
Machinery and equipment	2,374,260	2,170,415	203,845
Infrastructure	5,104,487	5,104,487	0
Total Capital Assets	\$13,943,432	\$13,710,861	\$232,571
Less: Accumulated Depreciation	\$5,627,624	\$5,514,936	\$112,688
Net Capital Assets	\$8,315,808	\$8,195,925	\$119,883

This year's additions included:

Fire Department Ford F550 Brush Truck	\$ 145,460
Public Works 2020 International	\$ 163,007
Public Works Ford F-550 Chassis	\$ 88,166
Capitol View Park Play Structure and Zip Venture	\$ 36,163
Emergency Service Building Daikin Furnace and AC Unit	\$ 7,400
Town Hall Audio-Video Equipment	\$ 16,302
Pave Flynn Hall Parking Lot	\$ 13,451
DS200 Election Tabulator	\$ 6,280
Emergency Service Building Trane Rooftop Unit	\$ 7,875
Canon Copier Office Equipment Lease	\$ 5,501

The Town's fiscal-year 2021 capital budget calls for it to spend \$66,500 for Capital Outlay, principally for two Stander 72" mowers and to add a deck to Flynn Hall.

# TOWN OF COTTAGE GROVE

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020

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### **INFRASTRUCTURE ASSETS**

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The Town of Cottage Grove uses the Pavement Surface Evaluation and Rating (PASER) system to evaluate the surface condition of concrete and asphalt streets.

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### **GENERAL OBLIGATION DEBT**

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At year-end, the Town had \$1,009,753 in notes outstanding versus \$917,049 last year – an increase of 10.11 percent. New debt resulted mainly from road maintenance projects and the purchase of a 2020 International. 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, and the third is a ten year note to be paid off in nine 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, 2020 was \$24,970,285.

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### **REQUESTS FOR INFORMATION**

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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, 2020**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 2,798,130
Receivables	
Taxes	847,265
Delinquent special charges	1,166
Accounts	57,185
Other	34,573
Prepaid items	9,383
Investment in EMS joint venture	307,589
Capital assets	
Land	3,707,102
Other capital assets, net of accumulated depreciation	4,608,706
Net capital assets	8,315,808
Restricted Assets	
Net pension asset	50,197
Total restricted assets	50,197
Total assets	12,421,296
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension outflows	120,395
Total Assets and Deferred Outflows of Resources	\$ 12,541,691
<b>LIABILITIES</b>	
Accounts payable	\$ 197,391
Accrued liabilities and deposits	24,401
Accrued interest payable	17,400
Short-term notes payable	297,293
Long-term liabilities	
Due within one year	
Notes payable	85,528
Compensated absences	8,326
Capital lease	955
Due in more than one year	
Notes payable	626,932
Compensated absences	24,980
Capital lease	4,546
Total liabilities	1,287,752
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2020 tax levy	1,673,502
Deferred pension inflows	161,595
Total deferred inflows of resources	1,835,097
<b>NET POSITION</b>	
Net investment in capital assets	7,597,847
Restricted for:	
Cemetery trust funds	1,702
Road maintenance	6,000
Emergency government	716
ATC impact fees	1,561
Trees program	36
Unrestricted	1,810,980
Total net position	9,418,842
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 12,541,691

See accompanying notes to the basic financial statements.



**Town of Cottage Grove**

**Statement of Activities  
For the Year Ended December 31, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
General Government	\$ 360,277	\$ 54,102	\$ 77,551	\$ (228,624)
Public Safety	945,703	273,497	20,245	(651,961)
Public Works	1,390,654	307,719	259,552	(823,383)
Health and Human Services	7,008	800	208	(6,000)
Culture, Recreation, and Education	17,136	-	-	(17,136)
Conservation and Development	5,320	2,450	510	(2,360)
Interest and Fiscal Charges	22,963	-	-	(22,963)
Total Governmental Activities	<u>\$ 2,749,061</u>	<u>\$ 638,568</u>	<u>\$ 358,066</u>	<u>(1,752,427)</u>

**General revenues:**

Taxes:	
Property taxes, levied for general purposes	1,630,428
Other taxes	54,061
Intergovernmental revenues not restricted to specific programs	91,331
Investment income	25,657
Miscellaneous	2,720
<i>Special item</i> - gain (loss) on sale of assets	6,969
Total general revenues	<u>1,811,166</u>
Change in net position	58,739
Net position - beginning	<u>9,360,103</u>
Net position - ending	<u>\$ 9,418,842</u>

See accompanying notes to the basic financial statements.

**Town of Cottage Grove**

**Balance Sheet  
Governmental Funds  
December 31, 2020**

		<u>Nonmajor Governmental Fund</u>	
	<u>General Fund</u>	<u>Cemetery Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Investments	\$ 2,796,428	\$ 1,702	\$ 2,798,130
Receivables:			
Taxes	847,265	-	847,265
Delinquent Special Charges	1,166	-	1,166
Accounts	57,185	-	57,185
Other	34,573	-	34,573
Prepaid Expenses	9,383	-	9,383
Total Assets	<u>\$ 3,746,000</u>	<u>\$ 1,702</u>	<u>\$ 3,747,702</u>
 <b>LIABILITIES</b>			
Accounts Payable	\$ 197,391	\$ -	\$ 197,391
Other Accrued Liabilities	19,209	-	19,209
Driveway Permit Deposits	7,000	-	7,000
Short-Term Notes Payable	297,293	-	297,293
Total Liabilities	<u>520,893</u>	<u>-</u>	<u>520,893</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
2020 Tax Revenue and Special Charges	<u>1,957,421</u>	<u>-</u>	<u>1,957,421</u>
 <b>FUND BALANCES</b>			
Nonspendable	9,383	-	9,383
Restricted	8,313	1,702	10,015
Committed	20,301	-	20,301
Assigned	81,611	-	81,611
Unassigned	1,148,078	-	1,148,078
Total Fund Balances	<u>1,267,686</u>	<u>1,702</u>	<u>1,269,388</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,746,000</u>	<u>\$ 1,702</u>	<u>\$ 3,747,702</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, 2020**

Total fund balance, governmental funds	\$	1,269,388
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>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.</p>		283,919
<p>The Town's investment in the EMS joint venture is not a financial resource and, therefore, is not reported in the funds financial statements.</p>		307,589
<p>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.</p>		8,315,808
<p>The net pension asset is not a current financial use, and is therefore not reported in the fund financial statements.</p>		50,197
<p>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.</p>		
Deferred outflows of resources		120,395
Deferred inflows of resources		(161,595)
<p>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.</p>		
Compensated absences		(33,306)
Accrued interest		(15,592)
Capital lease		(5,501)
Notes payable		(712,460)
		(712,460)
Net position of governmental activities in the statement of net position	\$	9,418,842

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, 2020**

	<u>General Fund</u>	<u>Nonmajor Governmental Fund Cemetery Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property Taxes	\$ 1,630,428	\$ -	\$ 1,630,428
Other Taxes	19,489	-	19,489
Intergovernmental	449,629	-	449,629
Licenses and Permits	107,796	-	107,796
Fines, Forfeitures and Penalties	18,873	-	18,873
Public Charges for Services	272,243	-	272,243
Intergovernmental Charges for Services	215,089	-	215,089
Investment Income	25,363	48	25,411
Miscellaneous Income	24,990	-	24,990
Total Revenues	<u>2,763,900</u>	<u>48</u>	<u>2,763,948</u>
<b>EXPENDITURES</b>			
Current:			
General Government	378,054	-	378,054
Public Safety	924,763	-	924,763
Public Works	1,194,966	-	1,194,966
Culture, Recreation, and Education	11,836	-	11,836
Health and Human Services	6,208	800	7,008
Conservation and Development	5,320	-	5,320
Capital Outlay	460,371	-	460,371
Debt Service:			
Principal Repayment	78,313	-	78,313
Interest Expense	20,070	-	20,070
Total Expenditures	<u>3,079,901</u>	<u>800</u>	<u>3,080,701</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(316,001)</u>	<u>(752)</u>	<u>(316,753)</u>
<b>OTHER FINANCING SOURCES</b>			
Property Sales	101,000	-	101,000
Proceeds from Long-Term Debt	156,356	-	156,356
Proceeds from Capital Lease	5,501	-	5,501
Total Other Financing Sources	<u>262,857</u>	<u>-</u>	<u>262,857</u>
Net Change in Fund Balances	(53,144)	(752)	(53,896)
Fund Balances - Beginning	1,320,830	2,454	1,323,284
Fund Balances - Ending	<u>\$ 1,267,686</u>	<u>\$ 1,702</u>	<u>\$ 1,269,388</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, 2020**

Net change in fund balances - total governmental funds:	\$	(53,896)
<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		2,311
Annexation payments		34,573
<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 (\$489,604) were greater than depreciation (\$275,690) in the current period.</p>		
		213,914
<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>		
		(94,031)
<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		78,313
Proceeds of debt issuance		(156,356)
Proceeds of capital lease		(5,501)
<p>Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Accrued interest on debt		(2,893)
Net compensated absences		(7,355)
<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>		
		43,876
<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		(12,681)
Actuarially determined change in net pension asset between years, with adjustments		18,465
		45,784
Change in net position of governmental activities	\$	58,739

See accompanying notes to the basic financial statements.

**Town of Cottage Grove**

**Statement of Fiduciary Net Position  
Fiduciary Fund  
December 31, 2020**

	<u><b>Custodial Fund</b></u>
<b>ASSETS</b>	
Cash and Investments	\$ 4,378,403
Taxes Receivable	3,703,325
Total Assets	<u>\$ 8,081,728</u>
<b>LIABILITIES</b>	
Due to Other Governments	\$ 8,081,728
Total Liabilities	<u>\$ 8,081,728</u>

See accompanying notes to the basic financial statements.

**Town of Cottage Grove**

**Statement of Changes in Fiduciary Net Position**

**Fiduciary Fund**

**December 31, 2020**

	<u><b>Custodial Fund</b></u>
<b>ADDITIONS</b>	
Property tax collections for other governments	\$ 5,714,578
Total Additions	<u>5,714,578</u>
<b>DEDUCTIONS</b>	
Payments of taxes to other governments	<u>5,714,578</u>
Total Deductions	<u>5,714,578</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, 2020**

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**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, 2020**

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**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 Fund – 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, 2020**

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**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, 2020**

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**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, 2020**

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

Property tax calendar – 2020 tax roll

Lien date and levy date	December, 2020
Tax bills mailed	December, 2020
Payment in full, or	January 31, 2021
First installment due	January 31, 2021
Second installment due	July 31, 2021
Personal property taxes in full	January 31, 2021
Tax sale – 2020 delinquent real estate taxes	October 2023

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, 2020**

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**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, 2020 is \$20,301 and the total vacation pay is \$13,005.

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, 2020 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, capital leases, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) is reported as other financing sources and payments of principal and interest are reported as expenditures.

**8) Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

**TOWN OF COTTAGE GROVE**  
**Notes to the Financial Statements**  
**December 31, 2020**

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**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, 2020**

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**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, 2020, the General Fund unassigned fund balance was 37.05% of budgeted 2021 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.

**2. Cash and Investments**

At December 31, 2020, the Town’s cash and investments consist of the following:

Deposits with Financial Institutions	\$ 7,176,533
Total Cash and Investments	<u>\$ 7,176,533</u>

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 2,798,130
Fiduciary Funds:	
Cash and Investments	4,378,403
Total Cash and Investments	<u>\$ 7,176,533</u>

**TOWN OF COTTAGE GROVE**  
**Notes to the Financial Statements**  
**December 31, 2020**

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**2. Cash and Investments (Continued)**

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.

Custodial Credit Risk

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



**TOWN OF COTTAGE GROVE**  
**Notes to the Financial Statements**  
**December 31, 2020**

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**2. Cash and Investments (Continued)**

*FDIC Insurance*

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

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

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

The Town maintained insured and collateralized deposits with local banking institutions. As of December 31, 2020, 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, 2020, the Town had deposit balances that were uninsured and uncollateralized.

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

Insured by Federal and State Deposit Insurance	\$ 1,130,092
Insured by ICS Repurchase Agreement	6,015,721
Uninsured/Uncollateralized	7,353
Total Deposits with Financial Institutions	<u>\$ 7,153,166</u>

The difference between the balance of deposits with financial institutions and the balance of cash and investments reported on the financial statements is due to outstanding checks and/or deposits in transit.

**TOWN OF COTTAGE GROVE**  
**Notes to the Financial Statements**  
**December 31, 2020**

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**3. Receivables and Deferred Inflows of Resources**

All of the receivables on the balance sheet, except for those associated with annexation payments, are expected to be collected within one year. Of the outstanding annexation receivable balance of \$34,573, \$22,673 is expected to be received in greater than 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	\$ -	\$ 1,673,157	\$ 1,673,157
Managed forest land taxes	-	345	345
Annexation payments	34,573	-	34,573
Garbage/recycling fees	248,555	-	248,555
Street light fees	791	-	791
Total Deferred Inflow of Resources for Governmental Funds	\$ 283,919	\$ 1,673,502	\$ 1,957,421

**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, 2020**

**5. Capital Assets**

Capital asset activity in the governmental activities for the year ended December 31, 2020, was as follows:

	Balance 1/1/20	Additions	Retirements	Balance 12/31/20
<b>Governmental Activities</b>				
Non-Depreciable Capital Assets:				
Land	\$ 3,707,102	\$ -	\$ -	\$ 3,707,102
Total Non-Depreciable Capital Assets	<u>3,707,102</u>	<u>-</u>	<u>-</u>	<u>3,707,102</u>
Capital Assets Being Depreciated:				
Buildings	2,728,857	28,726	-	2,757,583
Machinery and Equipment	2,170,415	460,878	257,033	2,374,260
Streets	5,104,487	-	-	5,104,487
Total Capital Assets Being Depreciated	<u>10,003,759</u>	<u>489,604</u>	<u>257,033</u>	<u>10,236,330</u>
Total Capital Assets	<u>13,710,861</u>	<u>489,604</u>	<u>257,033</u>	<u>13,943,432</u>
Less: Accumulated Depreciation for				
Buildings	1,286,239	53,576	-	1,339,815
Machinery and Equipment	1,173,555	96,770	163,002	1,107,323
Streets	3,055,142	125,344	-	3,180,486
Total Accumulated Depreciation	<u>5,514,936</u>	<u>275,690</u>	<u>163,002</u>	<u>5,627,624</u>
Net Capital Assets Being Depreciated	<u>4,488,823</u>	<u>213,914</u>	<u>94,031</u>	<u>4,608,706</u>
Total Capital Assets				
Net of Accumulated Depreciation	<u>\$ 8,195,925</u>	<u>\$ 213,914</u>	<u>\$ 94,031</u>	<u>\$ 8,315,808</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General Government	\$ 7,024
Public Safety	65,966
Public Works, including infrastructure	197,400
Culture, Recreation and Education	5,300
Total Governmental Activities Depreciation Expense	<u>\$ 275,690</u>

**TOWN OF COTTAGE GROVE**  
**Notes to the Financial Statements**  
**December 31, 2020**

**6. Short-Term Obligations**

	Balance 1/1/20	Increases	Decreases	Balance 12/31/20
Short-Term Note dated September 17, 2019, lump sum payment on March 15, 2020, 2.43% interest	\$ 282,362	\$ -	\$ 282,362	\$ -
Short-Term Note dated August 4, 2020, lump sum payment on March 15, 2021, 1.49% interest	-	297,293	-	297,293
	\$ 282,362	\$ 297,293	\$ 282,362	\$ 297,293

Interest expense on the short-term obligations was \$3,168 in 2020.

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, 2020, was as follows:

	Balance 1/1/20	Increases	Decreases	Balance 12/31/20	Amounts due within 1 year
<b>Governmental activities:</b>					
Notes Payable					
Notes from Direct Borrowings	\$ 634,417	\$ 156,356	\$ 78,313	\$ 712,460	\$ 85,528
Total Notes Payable	634,417	156,356	78,313	712,460	85,528
Other Liabilities					
Vested Compensated Absences	25,951	8,793	1,438	33,306	8,326
Capital Leases	-	5,501	-	5,501	955
Total Other Liabilities	25,951	14,294	1,438	38,807	9,281
Total Governmental Long-term Liabilities	\$ 660,368	\$ 170,650	\$ 79,751	\$ 751,267	\$ 94,809

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, 2020, was \$24,970,285. Total general obligation debt outstanding at year end was \$712,460.

**TOWN OF COTTAGE GROVE**  
**Notes to the Financial Statements**  
**December 31, 2020**

**7. Long-Term Obligations (Continued)**

**Promissory Notes**

Promissory notes are payable from future property tax levies.

Promissory notes at December 31, 2020, consist of the following:

<u>Notes from Direct Borrowings</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/2020</u>
2019 Promissory Note	5/21/2019	3/15/2029	3.294%	\$ 612,000	\$ 556,104
2020 Promissory Note	10/6/2020	3/14/2025	1.990%	\$ 156,356	<u>156,356</u>
Total Notes from Direct Borrowings					<u><u>\$ 712,460</u></u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities</u> <u>Notes from Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 85,528	\$ 19,682
2022	86,188	19,022
2023	88,632	16,578
2024	91,110	14,101
2025	93,738	11,470
2026-2029	267,264	22,378
Total	<u><u>\$ 712,460</u></u>	<u><u>\$ 103,231</u></u>

**Capital Leases**

As of December 31, 2020, the Town had leased property under a capital lease with an original cost, net of accumulated depreciation, of \$5,501.

The following schedule is a schedule by years of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2020.

<u>Years Ended</u> <u>December 31,</u>	
2021	\$ 1,344
2022	1,344
2023	1,344
2024	1,344
2025	<u>1,344</u>
Total payments	6,720
Less: interest	<u>(1,219)</u>
Minimum lease payments	<u><u>\$ 5,501</u></u>

**TOWN OF COTTAGE GROVE**  
**Notes to the Financial Statements**  
**December 31, 2020**

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**7. Long-Term Obligations (Continued)**

**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 April 2020, the Town of Cottage Grove renewed a four-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 \$10,773 in 2020. Future lease payments under the lease agreement are as follows:

2021	\$ 10,934
2022	11,098
2023	<u>11,265</u>
Total	<u><u>\$ 33,297</u></u>

**Operating Lease as Lessor**

In April 2020, the Town of Cottage Grove renewed a four-year operating lease agreement as Lessor leasing the Town Garage to a third party. The rent revenue for 2020 was \$17,373. Future rent revenue under the lease agreement is as follows:

2021	\$ 17,633
2022	17,898
2023	<u>18,166</u>
Total	<u><u>\$ 53,697</u></u>

**9. Net Position/Fund Balances**

Net position reported on the government-wide statement of net position at December 31, 2020 includes the following:

Net Investment in Capital Assets	
Land	\$ 3,707,102
Other Capital Assets, net of accumulated depreciation	4,608,706
Less: Capital lease	(5,501)
Less: Long-term debt outstanding	<u>(712,460)</u>
Total Net Investment in Capital Assets	<u><u>\$ 7,597,847</u></u>

**TOWN OF COTTAGE GROVE**  
**Notes to the Financial Statements**  
**December 31, 2020**

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**9. Net Position/Fund Balances (Continued)**

Governmental fund balances as of December 31, 2020, include the following items:

<b>Nonspendable</b>	
Major Fund	
General Fund	
Prepaid items	\$ 9,383
Total	<u>\$ 9,383</u>
<b>Restricted</b>	
Major Fund	
General Fund	
Highway maintenance	\$ 6,000
Emergency government	716
ATC impact fees	1,561
Trees program	36
Total General Fund	<u>8,313</u>
Nonmajor Fund	
Special Revenue Fund	
Cemetery Trust Fund	1,702
Total Special Revenue Fund	<u>1,702</u>
Total	<u>\$ 10,015</u>

**TOWN OF COTTAGE GROVE**  
**Notes to the Financial Statements**  
**December 31, 2020**

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**9. Net Position/Fund Balances (Continued)**

<b>Committed</b>	
Major Fund	
General Fund	
Sick leave liability	\$ 20,301
Total	<u>\$ 20,301</u>
<b>Assigned</b>	
Major Fund	
General Fund	
Hydrite	\$ 4,076
Welcome sign	12,241
Pleasant Springs Fire expenses	<u>65,294</u>
Total	<u>\$ 81,611</u>
<b>Unassigned</b>	
Major Fund	
General Fund	<u>\$ 1,148,078</u>
Total	<u>\$ 1,148,078</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 \$278,834 for fire protection and \$70,559 for emergency building maintenance and emergency government in 2020. The Town's portions of fire protection and emergency building maintenance and emergency government payments were 36.56% 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, 2020, is available at the town hall.



**TOWN OF COTTAGE GROVE**  
**Notes to the Financial Statements**  
**December 31, 2020**

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**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 2020 of \$192,082 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, 2020, 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, 2020**

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**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, 2020, the Town has approved design contracts totaling \$110,634.

The recent spread of the COVID-19 coronavirus has created economic uncertainty internationally. The potential of COVID-19 having a financial and economic impact on the Town is a possibility, although no such impact can be determined at this time.

**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 issued a standalone WRS Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

*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, 2020**

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**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>
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
2019	0.0	(10)

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 \$18,464 in contributions from the employer.

Contribution rates as of December 31, 2020, are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

**TOWN OF COTTAGE GROVE**  
**Notes to the Financial Statements**  
**December 31, 2020**

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**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, 2020, the Town reported a liability (asset) of (\$50,197) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2018, rolled forward to December 31, 2019. 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, 2019, the Town's proportion was 0.00155676%, which was an increase of 0.00007293% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the Town recognized pension expense of \$13,783.

At December 31, 2020, 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	\$ 95,284	\$ (47,683)
Changes of assumptions	3,911	-
Net difference between projected and actual earnings on pension plan investments	-	(102,620)
Changes in proportion and difference between Employer contributions and proportionate share of contributions	1,663	(11,292)
Employer contributions subsequent to the measurement date	<u>19,537</u>	<u>-</u>
Total	<u>\$ 120,395</u>	<u>\$ (161,595)</u>

**TOWN OF COTTAGE GROVE**  
**Notes to the Financial Statements**  
**December 31, 2020**

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**13. Defined Benefit Pension Plan (Continued)**

\$19,537 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, 2021. 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>
2021	\$ (20,322)
2022	\$ (16,463)
2023	\$ 2,140
2024	\$ (26,092)
2025	\$ -

Actuarial Assumptions. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2018
Measurement Date of Net Pension Liability (Asset):	December 31, 2019
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. The Total Pension Liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 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, 2020**

**13. Defined Benefit Pension Plan (Continued)**

**Asset Allocation Targets and Expected Returns**  
**As of December 31, 2019**

<u>Core Fund Asset Class</u>	<u>Asset Allocation</u> %	<u>Long-Term</u> <u>Expected Nominal</u> <u>Rate of Return %</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return %</u>
Global Equities	49	8.0	5.1
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9	6.3	3.5
Private Equity/Debt	8	10.6	7.6
Multi-Asset	4	6.9	4.0
Total Core Fund	110	7.5	4.6
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.5	4.6
International Equities	30	8.2	5.3
Total Variable Fund	100	7.8	4.9

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

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 for the current and 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 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). 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, 2020**

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**13. Defined Benefit Pension Plan (Continued)**

	<b>1% Decrease to Discount Rate (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase to Discount Rate (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 129,266	\$ (50,197)	\$ (184,366)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

**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 becomes effective, application of these standards may restate portions of these financial statements.

**15. Subsequent Event**

In January 2021, the Joint Fire Protection Committee agreed to purchase a new fire truck at a cost of \$694,934. The Town's portion of the total cost is \$258,384 and will be financed with long-term debt.

**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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 1,642,327	\$ 1,642,327	\$ 1,649,917	\$ 7,590
Intergovernmental	368,681	445,697	449,629	3,932
License and Permits	90,900	90,900	107,796	16,896
Fines, Forfeitures and Penalties	30,000	30,000	18,873	(11,127)
Public Charges for Services	247,324	272,636	272,243	(393)
Intergovernmental Charges for Services	185,537	198,519	215,089	16,570
Investment Income	30,300	30,300	25,363	(4,937)
Miscellaneous Income	24,701	25,601	24,990	(611)
Total Revenues	<u>2,619,770</u>	<u>2,735,980</u>	<u>2,763,900</u>	<u>27,920</u>
<b>EXPENDITURES</b>				
Current:				
General Government	284,108	357,570	378,054	(20,484)
Public Safety	943,598	1,025,725	924,763	100,962
Public Works	1,232,867	1,285,771	1,194,966	90,805
Culture, Recreation, and Education	45,000	8,837	11,836	(2,999)
Health and Human Services	6,206	6,206	6,208	(2)
Conservation and Development	5,320	5,320	5,320	-
Capital Outlay	393,120	463,611	460,371	3,240
Debt Service:				
Principal Repayment	360,889	63,596	78,313	(14,717)
Interest Expense	18,372	18,372	20,070	(1,698)
Total Expenditures	<u>3,289,480</u>	<u>3,235,008</u>	<u>3,079,901</u>	<u>155,107</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(669,710)</u>	<u>(499,028)</u>	<u>(316,001)</u>	<u>183,027</u>
<b>OTHER FINANCING SOURCES</b>				
Property Sales	49,775	101,000	101,000	-
Proceeds from Long-Term Debt	506,000	157,482	156,356	(1,126)
Proceeds from Capital Lease	-	-	5,501	5,501
Total Other Financing Sources	<u>555,775</u>	<u>258,482</u>	<u>262,857</u>	<u>4,375</u>
Net Change in Fund Balances	(113,935)	(240,546)	(53,144)	187,402
Fund Balances - Beginning	<u>1,320,830</u>	<u>1,320,830</u>	<u>1,320,830</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,206,895</u>	<u>\$ 1,080,284</u>	<u>\$ 1,267,686</u>	<u>\$ 187,402</u>

See accompanying notes to the required supplementary information.

**TOWN OF COTTAGE GROVE  
WISCONSIN RETIREMENT SYSTEM  
December 31, 2020**

**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 collective 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)
2019	0.00155676%	\$ (50,197)	\$ 281,896	(17.81%)	102.96%
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
2020	\$ 19,537	\$ 19,537	\$ -	\$ 289,437	6.75%
2019	18,464	18,464	-	281,896	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, 2020**

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**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 6 preceding years.

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

*Changes of assumptions.* No significant changes in assumptions were noted from the prior year.

**SUPPLEMENTARY INFORMATION**

**Town of Cottage Grove**

**Detailed Schedule of Revenues and Other Financing Sources  
Budget and Actual - General Fund  
For the Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>TAXES</b>				
Local taxes	\$ 1,630,428	\$ 1,630,428	\$ 1,630,428	\$ -
Use value penalty tax	-	-	7,590	7,590
Other taxes	11,899	11,899	11,899	-
Total Taxes	<u>1,642,327</u>	<u>1,642,327</u>	<u>1,649,917</u>	<u>7,590</u>
<b>INTERGOVERNMENTAL</b>				
State shared revenues	56,241	56,241	56,308	67
State aid- Fire insurance	16,700	16,700	17,006	306
State aid- Transportation	200,354	200,354	200,082	(272)
State aid- Fire department grant	-	3,239	3,239	-
State aid- In lieu of forest lands	225	225	223	(2)
Other state payments	232	232	232	-
Video service provider aid	-	-	3,774	3,774
State aid- Croplands/forest	300	300	287	(13)
State aid- Recycling	7,400	7,400	7,436	36
Routes2Recovery grant	-	70,638	70,638	-
County aid- Soldiers' graves	206	206	208	2
Personal property aid	35,023	35,023	35,023	-
WEC CARES grant	-	3,139	3,139	-
Landfill compensation fee	52,000	52,000	52,034	34
Total Intergovernmental	<u>368,681</u>	<u>445,697</u>	<u>449,629</u>	<u>3,932</u>
<b>LICENSES AND PERMITS</b>				
Business and occupational licenses	4,000	4,000	2,408	(1,592)
Dog licenses	1,500	1,500	1,425	(75)
Building permits and inspections	40,000	40,000	60,286	20,286
Zoning permits and fees	3,500	3,500	2,875	(625)
Cable television franchise fees	38,000	38,000	36,314	(1,686)
Other permits and fees	3,900	3,900	4,488	588
Total Licenses and Permits	<u>90,900</u>	<u>90,900</u>	<u>107,796</u>	<u>16,896</u>
<b>FINES, FORFEITURES AND PENALTIES</b>				
Law and ordinance violations	30,000	30,000	18,873	(11,127)
Total Fines, Forfeitures and Penalties	<u>30,000</u>	<u>30,000</u>	<u>18,873</u>	<u>(11,127)</u>

**Town of Cottage Grove**

**Detailed Schedule of Revenues and Other Financing Sources  
Budget and Actual - General Fund  
For the Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>PUBLIC CHARGES FOR SERVICES</b>				
Refuse collection/curbside	163,049	163,049	162,615	(434)
Recycling charges	81,972	81,972	81,847	(125)
Title search	1,500	1,500	1,625	125
Street lighting fees	803	803	803	-
Viney development	-	25,312	25,312	-
Other charges	-	-	42	42
Total Public Charges for Services	<u>247,324</u>	<u>272,636</u>	<u>272,243</u>	<u>(393)</u>
<b>INTERGOVERNMENTAL CHARGES FOR SERVICES</b>				
Local- Fire services	143,604	153,461	162,744	9,283
Local- Emergency building maintenance	28,850	31,975	31,593	(382)
Local- Landfill charges	8,000	8,000	16,995	8,995
Other charges	5,083	5,083	3,757	(1,326)
Total Intergovernmental Charges for Services	<u>185,537</u>	<u>198,519</u>	<u>215,089</u>	<u>16,570</u>
<b>INVESTMENT INCOME</b>				
Interest income	30,000	30,000	25,217	(4,783)
Interest on special assessments/charges	300	300	146	(154)
Total Investment Income	<u>30,300</u>	<u>30,300</u>	<u>25,363</u>	<u>(4,937)</u>
<b>MISCELLANEOUS</b>				
Rent	23,151	23,151	20,992	(2,159)
Dividends	250	250	246	(4)
Library Prairie Cemetery funds	800	800	800	-
Insurance recoveries	-	-	1,392	1,392
Other miscellaneous revenues	500	1,400	1,560	160
Total Miscellaneous	<u>24,701</u>	<u>25,601</u>	<u>24,990</u>	<u>(611)</u>
<b>OTHER FINANCING SOURCES</b>				
Property sales	49,775	101,000	101,000	-
Proceeds from long-term debt	506,000	157,482	156,356	(1,126)
Proceeds from capital lease	-	-	5,501	5,501
Total Other Financing Sources	<u>555,775</u>	<u>258,482</u>	<u>262,857</u>	<u>4,375</u>
<b>Total Revenues and Other Financing Sources</b>	<u><u>\$ 3,175,545</u></u>	<u><u>\$ 2,994,462</u></u>	<u><u>\$ 3,026,757</u></u>	<u><u>\$ 32,295</u></u>

**Town of Cottage Grove**

**Detailed Schedule of Expenditures  
Budget and Actual - General Fund  
For the Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>GENERAL GOVERNMENT</b>				
Town board	\$ 29,977	\$ 30,188	\$ 24,022	\$ 6,166
Planning committee	1,615	1,615	1,480	135
Town planner	5,300	5,300	10,535	(5,235)
Emergency government	1,823	2,538	1,632	906
Town revaluation	-	15,000	15,000	-
Clerk/secretarial	74,411	75,107	88,443	(13,336)
Treasurer	34,574	34,836	34,771	65
Assessor	10,395	10,395	10,089	306
Judicial	26,513	26,513	24,863	1,650
Legal	21,500	36,918	57,077	(20,159)
Elections	14,500	31,743	27,614	4,129
Accounting	13,500	13,500	13,835	(335)
Property and liability insurance	26,200	26,200	26,346	(146)
Town hall	13,800	33,729	30,531	3,198
Flynn hall	10,000	13,805	11,633	2,172
Other general government	-	183	183	-
Total General Government	<u>284,108</u>	<u>357,570</u>	<u>378,054</u>	<u>(20,484)</u>
<b>PUBLIC SAFETY</b>				
Law enforcement	513,634	513,959	467,366	46,593
Fire protection	175,116	198,693	157,129	41,564
Ambulance	159,726	192,082	192,082	-
Fire inspection	2,422	2,422	2,212	210
Building inspection	35,000	35,000	51,091	(16,091)
Emergency building	57,700	83,569	54,883	28,686
Total Public Safety	<u>943,598</u>	<u>1,025,725</u>	<u>924,763</u>	<u>100,962</u>
<b>PUBLIC WORKS</b>				
Highway maintenance	647,549	698,043	626,392	71,651
Highway construction	300,000	300,000	254,115	45,885
Non-Highway expenses	21,097	21,097	23,465	(2,368)
Garbage and refuse collection	163,049	163,049	162,495	554
Recycling	81,972	81,972	81,787	185
Landfill	19,200	21,610	46,712	(25,102)
Total Public Works	<u>1,232,867</u>	<u>1,285,771</u>	<u>1,194,966</u>	<u>90,805</u>

**Town of Cottage Grove**

**Detailed Schedule of Expenditures  
Budget and Actual - General Fund  
For the Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>CULTURE, RECREATION, AND EDUCATION</b>				
Parks	45,000	8,837	11,836	(2,999)
Total Culture, Recreation, and Education	<u>45,000</u>	<u>8,837</u>	<u>11,836</u>	<u>(2,999)</u>
<b>HEALTH AND HUMAN SERVICES</b>				
Outreach	6,000	6,000	6,000	-
Soldiers' graves	206	206	208	(2)
Total Health and Human Services	<u>6,206</u>	<u>6,206</u>	<u>6,208</u>	<u>(2)</u>
<b>CONSERVATION AND DEVELOPMENT</b>				
Yahara WINS pilot program	5,320	5,320	5,320	-
Total Conservaton and Development	<u>5,320</u>	<u>5,320</u>	<u>5,320</u>	<u>-</u>
<b>CAPITAL OUTLAY</b>				
Fire protection	125,000	159,328	159,585	(257)
Highway equipment	253,120	253,120	251,173	1,947
Flynn Hall	15,000	15,000	13,450	1,550
Other capital outlay	-	36,163	36,163	-
Total Capital Outlay	<u>393,120</u>	<u>463,611</u>	<u>460,371</u>	<u>3,240</u>
<b>DEBT SERVICE</b>				
Principal	360,889	63,596	78,313	(14,717)
Interest and fiscal charges	18,372	18,372	20,070	(1,698)
Total Debt Service	<u>379,261</u>	<u>81,968</u>	<u>98,383</u>	<u>(16,415)</u>
<b>Total Expenditures</b>	<u><u>\$ 3,289,480</u></u>	<u><u>\$ 3,235,008</u></u>	<u><u>\$ 3,079,901</u></u>	<u><u>\$ 155,107</u></u>