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Town of
Cottage Grove

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

For the Year Ended December 31, 2021

Town of Cottage Grove

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December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Town Board
Town of Cottage Grove
Cottage Grove, Wisconsin

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the Town of Cottage Grove, Wisconsin's basic financial statements as listed in the table of contents.

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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Cottage Grove, Wisconsin, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Cottage Grove, Wisconsin's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Cottage Grove, Wisconsin 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Cottage Grove, Wisconsin's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



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 is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cottage Grove, Wisconsin's 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. Such information is 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.
April 4, 2022

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021

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, 2021. Since the information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- The Town's net position was \$129,153 higher as a result of this year's operations. Unrestricted net position was \$1,814,359 at December 31, 2021, an increase of \$3,379 or 0.19 percent more from last year.
- Unassigned general fund reported a deficit this year of \$19,883, decreasing the fund balance to \$1,128,195. As of December 31, 2021, the fund was 20.36 percent of budgeted 2022 general fund expenditures.
- The Town's net cost of all governmental activities this year was \$1,667,299, a 4.86 percent decrease from last year.
- In 2021, the Town was funded \$207,453 from the American Rescue Plan Act to respond to the Covid-19 emergency. In 2022, the Town will receive an additional \$207,453. The Town is considering possible uses of the funds.
- The Cottage Grove Fire Department was awarded \$28,533 in FEMA Grants. The funds were used to purchase an electronic message center monument, annual firehouse inspector iPad and cloud fees, and a recruitment letter mailing.
- Net Capital Assets were \$8,234,116 at December 31, 2021, a decrease of \$81,692 from prior year.
- The Town had a total \$974,220 in notes outstanding resulting mainly from road maintenance projects and the purchase of a 2020 International truck.

OVERVIEW OF FINANCIAL STATEMENTS

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

These financial statements also include notes that explain some of the information in the financial statements and provide more detail data. The statements are followed by a section of

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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 deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

FUND FINANCIAL STATEMENTS

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

Major Governmental Funds

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

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Non-Major Governmental Funds

Special Revenue Funds:

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

Fiduciary Funds

The Town is a trustee or agent for individuals, private organizations, and/or other governmental units for assets held by the Town. The Town reports tax collections payable to overlying taxing jurisdictions in a custodial fund. All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 7 and Statement of Changes in Fiduciary Net Position on Page 8. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's net position was higher, increasing from \$9,418,842 to \$9,547,995. Last year's net position increased \$58,739. 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, 2021

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

**TABLE 1
STATEMENT OF NET POSITION**

	2021	2020	Dollar Change
	<u> </u>	<u> </u>	<u> </u>
Current and Other Assets	\$4,388,658	\$4,055,291	\$333,367
Capital Assets	8,234,116	8,315,808	(81,692)
Restricted Assets	103,853	50,197	53,656
Total Assets	<u>12,726,627</u>	<u>12,421,296</u>	<u>305,331</u>
 Deferred Outflows of Resources	 173,315	 120,395	 52,920
 Short-term Debt Outstanding	 347,192	 297,293	 49,899
Long-term Debt Outstanding	627,028	712,460	(85,432)
Capital Lease	4,546	5,501	(955)
Other Liabilities	400,830	272,498	128,332
Total Liabilities	<u>1,379,596</u>	<u>1,287,752</u>	<u>91,844</u>
 Deferred Inflows of Resources	 1,972,351	 1,835,097	 137,254
 Net Investment in			
Capital Assets	7,602,542	7,597,847	4,695
Restricted	131,094	10,015	121,079
Unrestricted	1,814,359	1,810,980	3,379
Total Net Position	<u><u>\$9,547,995</u></u>	<u><u>\$9,418,842</u></u>	<u><u>\$129,153</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 a \$1,810,980 surplus to a \$1,814,359 surplus at the end of this year.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

**TABLE 2
STATEMENT OF ACTIVITIES**

	2021	2020	Dollar Change
Revenues			
Program Revenues			
Charges for services	\$686,141	\$638,568	\$47,573
Operating grants	317,864	358,066	(40,202)
Capital grants	25,000	0	25,000
General Revenues			
Property taxes	1,673,157	1,630,428	42,729
Other taxes	0	54,061	(54,061)
Intergovernmental	91,261	91,331	(70)
Investment income	7,302	25,657	(18,355)
Gain (Loss) on disposal of assets	21,206	6,969	14,237
Miscellaneous	3,526	2,720	806
Total Revenues	\$2,825,457	\$2,807,800	\$17,657
Expenses			
General government	\$401,665	\$360,277	\$41,388
Public safety	957,830	945,703	12,127
Public works	1,282,370	1,390,654	(108,284)
Health and human services	8,014	7,008	1,006
Culture, education and recreation	20,717	17,136	3,581
Conservation and development	3,135	5,320	(2,185)
Interest and fiscal charges	22,573	22,963	(390)
Total Expenses	\$2,696,304	\$2,749,061	(\$52,757)
Change in Net Position	\$129,153	\$58,739	\$70,414
NET POSITION – BEGINNING OF YEAR	\$9,418,842	\$9,360,103	\$58,739
NET POSITION – END OF YEAR	\$9,547,995	\$9,418,842	\$129,153

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

The Town's total revenue was virtually unchanged, increasing by 0.63 percent or \$17,657. The total cost of all programs and services decreased by 1.92 percent, \$52,757. With the low growth in expenses, the Town covered this year's costs with revenues. The analysis below separately considers the operations of governmental activities.

GOVERNMENTAL ACTIVITIES

The cost of all governmental activities this year was \$2,696,304 compared to \$2,749,061 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 \$1,667,299 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

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

**TABLE 3
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
General Government	\$401,665	\$360,277	\$337,808	\$228,624
Public Safety	957,830	945,703	647,764	651,961
Public Works	1,282,370	1,390,654	663,965	823,383
Health and Human Services	8,014	7,008	5,800	6,000
Culture, Education and Recreation	20,717	17,136	(10,637)	17,136
Conservation and Development	3,135	5,320	26	2,360
Interest and Fiscal Charges	22,573	22,963	22,573	22,963
	<u>\$2,696,304</u>	<u>\$2,749,061</u>	<u>\$1,667,299</u>	<u>\$1,752,427</u>

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021

GENERAL FUND

The Town's general fund (as presented in the balance sheet on page 3) reported a combined fund balance of \$1,347,934, which is below last year's total of \$1,267,686.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Allocate \$350,000 promissory note proceeds to debt service principal expense due to short term note recorded on the Balance Sheet.
- Allocated \$28,533 from a FEMA grant received by the Cottage Grove Fire Department to purchase an electronic message center monument, annual firehouse inspector iPad and cloud fees, and a recruitment letter mailing.
- The Town allocated \$14,250 from TRIP funds for a highway project on Oakwood Drive.
- Apply \$1,875 of development funds received from Kennedy Hills to reimburse the Town for expenses related to the subdivision development.
- The Town allocated \$50,242 of previous years unassigned funds to cover unexpected expenses. These expenses included a television cabinet for the Town Hall meeting room, gas vents for the Natvig Road Landfill, park maintenance expenses, and emergency service building maintenance expenses.
- The Town allocated \$13,081 of ESB property repair funds to cover repairs and maintenance to the emergency service building. The expenses included generator repairs, parking lot lights, new furnace installation, installation of vacuum breaker valves, a photo smoke detector, landscaping rock, and sink repairs.
- Distribute the remaining \$716 of the donation received from Hydrite Chemical Co. to purchase a laptop, printer, and safety vests.
- Allocated \$24,593 of payments received from the Village of Cottage Grove to reimburse their portion of the Natvig Road Landfill gas vents and a hydraulic hose for the fire department.

Even with these adjustments, actual revenues were over budgeted revenues by \$94,173 and actual expenses were under budgeted expenses by \$123,215. The most significant variances were:

- The sale of highway and fire equipment was \$40,960 more than budgeted revenue.
- The Town received \$31,354 of park improvement fees from new development within the Town that will be applied to future park expenses.
- Fire protection actual expenses were \$51,306 less than budget. \$34,910 of remaining Pleasant Spring expenses and \$18,478 of the 2% fire dues were applied towards future capital expenses.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021

GENERAL FUND (CONTINUED)

- Emergency building maintenance expenses were \$16,134 less than budget. \$20,000 is to be used for the property repair fund.
- Law Enforcement expenses were \$79,152 less than anticipated expenses.

CAPITAL ASSETS

At the end of 2021, the Town had \$8,234,116 invested in capital assets, including land, buildings, machinery and equipment, and infrastructure. (See Table 4 below.) This amount represents a net decrease (including additions and deductions) of \$81,692, or 0.98 percent, over last year.

**TABLE 4
CAPITAL ASSETS**

	2021	2020	Dollar Change
Land	\$3,707,102	\$3,707,102	\$0
Construction Work-In-Progress	\$32,298	\$0	\$32,298
Buildings	2,818,007	2,757,583	60,424
Machinery and equipment	2,357,428	2,374,260	(16,832)
Infrastructure	5,164,974	5,104,487	60,487
Total Capital Assets	\$14,079,809	\$13,943,432	\$136,377
Less: Accumulated Depreciation	\$5,845,693	\$5,627,624	\$218,069
Net Capital Assets	\$8,234,116	\$8,315,808	(\$81,692)

This year's additions included:

Public Works (2) Stander 72" Mower	\$ 24,744
Public Works Line Lazer Paint Sprayer Cart	\$ 19,970
Flynn Hall Deck Addition	\$ 11,090
Emergency Service Building Electronic Monument	\$ 25,098
Natvig Road Landfill Gas Vents	\$ 34,234
Emergency Service Building Furnace and A/C System	\$ 7,600
Town Hall Furnace and A/C System	\$ 7,500
Janelle Lane Cul-De-Sac Improvements	\$ 60,487
Koshkonong Creek Bridge Repairs (Work-In-Progress)	\$ 17,002
Door Creek Bridge Repairs (Work-In-Progress)	\$ 15,296

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

CAPITAL ASSETS (CONTINUED)

The Town's fiscal-year 2022 capital budget calls for it to spend \$1,181,331 for capital outlay. The purchases include three fire trucks, two of the trucks purchased jointly with the Village of Cottage Grove, a pickup broom and ditch mower for the Public Works Department.

INFRASTRUCTURE ASSETS

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

GENERAL OBLIGATION DEBT

At year-end, the Town had \$974,220 in notes outstanding versus \$1,009,753 last year – a decrease of 3.52 percent. New debt resulted mainly from road maintenance projects. Outstanding debt consists of three promissory notes, one is a short term note to be paid off in one year, the second a long-term five-year note to be paid off in four years, and the third is a ten year note to be paid off in eight 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, 2021 was \$26,357,805.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

Town of Cottage Grove

**Statement of Net Position
December 31, 2021**

	Governmental Activities
ASSETS	
Cash and investments	\$ 3,100,137
Receivables	
Taxes	874,391
Delinquent special charges	1,177
Accounts	45,893
Other, net	36,523
Prepaid items	22,948
Investment in EMS joint venture	307,589
Capital assets	
Land	3,707,102
Construction work-in-progress	32,298
Other capital assets, net of accumulated depreciation	4,494,716
Net capital assets	8,234,116
Restricted Assets	
Net pension asset	103,853
Total restricted assets	103,853
Total assets	12,726,627
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflows	173,315
Total Assets and Deferred Outflows of Resources	\$ 12,899,942
LIABILITIES	
Accounts payable	\$ 99,638
Accrued liabilities and deposits	39,880
Accrued interest payable	17,100
Short-term notes payable	347,192
Grants advance payable	207,453
Long-term liabilities	
Due within one year	
Notes payable	86,188
Compensated absences	9,190
Capital lease	997
Due in more than one year	
Notes payable	540,840
Compensated absences	27,569
Capital lease	3,549
Total liabilities	1,379,596
DEFERRED INFLOWS OF RESOURCES	
2021 tax levy	1,739,307
Deferred pension inflows	233,044
Total deferred inflows of resources	1,972,351
NET POSITION	
Net investment in capital assets	7,602,542
Restricted for:	
Net pension asset	103,853
Cemetery trust funds	934
Road maintenance	6,000
2% fire dues	18,478
ATC impact fees	1,793
Trees program	36
Unrestricted	1,814,359
Total net position	9,547,995
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 12,899,942

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Statement of Activities
For the Year Ended December 31, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
General Government	\$ 401,665	\$ 56,215	\$ 7,642	\$ -	\$ (337,808)
Public Safety	957,830	263,055	22,011	25,000	(647,764)
Public Works	1,282,370	330,917	287,488	-	(663,965)
Health and Human Services	8,014	2,000	214	-	(5,800)
Culture, Recreation, and Education	20,717	31,354	-	-	10,637
Conservation and Development	3,135	2,600	509	-	(26)
Interest and Fiscal Charges	22,573	-	-	-	(22,573)
Total Governmental Activities	<u>\$ 2,696,304</u>	<u>\$ 686,141</u>	<u>\$ 317,864</u>	<u>\$ 25,000</u>	<u>(1,667,299)</u>

General revenues:

Taxes:	
Property taxes, levied for general purposes	1,673,157
Intergovernmental revenues not restricted to specific programs	91,261
Investment income	7,302
Miscellaneous	3,526
<i>Special item</i> - gain (loss) on sale of assets	21,206
Total general revenues	<u>1,796,452</u>
Change in net position	129,153
Net position - beginning	9,418,842
Net position - ending	<u>\$ 9,547,995</u>

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Balance Sheet
Governmental Funds
December 31, 2021**

		<u>Nonmajor Governmental Fund</u>	
	<u>General Fund</u>	<u>Cemetery Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 3,099,203	\$ 934	\$ 3,100,137
Receivables:			
Taxes	874,391	-	874,391
Delinquent Special Charges	1,177	-	1,177
Accounts	45,893	-	45,893
Other, net	36,523	-	36,523
Prepaid Expenses	22,948	-	22,948
Total Assets	<u>\$ 4,080,135</u>	<u>\$ 934</u>	<u>\$ 4,081,069</u>
 LIABILITIES			
Accounts Payable	\$ 99,638	\$ -	\$ 99,638
Other Accrued Liabilities	22,814	-	22,814
Deposit Liabilities	19,000	-	19,000
Short-Term Notes Payable	347,192	-	347,192
Grant Advances Payable	207,453	-	207,453
Total Liabilities	<u>696,097</u>	<u>-</u>	<u>696,097</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>2,036,104</u>	 <u>-</u>	 <u>2,036,104</u>
 FUND BALANCES			
Nonspendable	22,948	-	22,948
Restricted	26,307	934	27,241
Committed	24,360	-	24,360
Assigned	146,124	-	146,124
Unassigned	1,128,195	-	1,128,195
Total Fund Balances	<u>1,347,934</u>	<u>934</u>	<u>1,348,868</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,080,135</u>	<u>\$ 934</u>	<u>\$ 4,081,069</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, 2021**

Total fund balance, governmental funds	\$ 1,348,868
Amounts reported for governmental activities in the statement of net position are different because:	
Some receivables that are not currently available are reported as deferred inflows of resources in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	
	296,799
The Town's investment in the EMS joint venture is not a financial resource and, therefore, is not reported in the funds financial statements.	
	307,589
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.	
	8,234,116
The net pension asset is not a current financial use, and is therefore not reported in the fund financial statements.	
	103,853
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 (income) in the statement of activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.	
Deferred outflows of resources	173,315
Deferred inflows of resources	(233,044)
Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.	
Compensated absences	(36,759)
Accrued interest	(15,168)
Capital lease	(4,546)
Notes payable	(627,028)
	<hr/>
Net position of governmental activities in the statement of net position	<u><u>\$ 9,547,995</u></u>

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021**

	<u>General Fund</u>	<u>Nonmajor Governmental Fund Cemetery Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 1,673,157	\$ -	\$ 1,673,157
Other Taxes	11,899	-	11,899
Intergovernmental	434,357	-	434,357
Licenses and Permits	105,624	-	105,624
Fines, Forfeitures and Penalties	31,016	-	31,016
Public Charges for Services	295,105	-	295,105
Intergovernmental Charges for Services	206,392	-	206,392
Investment Income	7,271	32	7,303
Miscellaneous Income	26,520	-	26,520
Total Revenues	<u>2,791,341</u>	<u>32</u>	<u>2,791,373</u>
EXPENDITURES			
Current:			
General Government	408,270	-	408,270
Public Safety	897,720	-	897,720
Public Works	1,174,583	-	1,174,583
Culture, Recreation, and Education	15,417	-	15,417
Health and Human Services	7,214	800	8,014
Conservation and Development	3,135	-	3,135
Capital Outlay	145,327	-	145,327
Debt Service:			
Principal Repayment	86,387	-	86,387
Interest Expense	23,000	-	23,000
Total Expenditures	<u>2,761,053</u>	<u>800</u>	<u>2,761,853</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>30,288</u>	<u>(768)</u>	<u>29,520</u>
OTHER FINANCING SOURCES			
Property Sales	49,960	-	49,960
Total Other Financing Sources	<u>49,960</u>	<u>-</u>	<u>49,960</u>
Net Change in Fund Balances	80,248	(768)	79,480
Fund Balances - Beginning	1,267,686	1,702	1,269,388
Fund Balances - Ending	<u>\$ 1,347,934</u>	<u>\$ 934</u>	<u>\$ 1,348,868</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, 2021**

Net change in fund balances - total governmental funds: \$ 79,480

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

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.

Garbage/recycling and street light fees	10,928
Annexation payments	(11,979)
Municipal courts fines	13,930

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays (\$223,021) were less than depreciation (\$275,960) in the current period. (52,939)

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. (28,753)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term liabilities on the statement of net position.

Principal payments on long-term debt	86,387
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Accrued interest on debt	427
Net compensated absences	(3,453)

Pension expense (income) reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense (income) 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.

Amount of current year required contributions into the defined benefit pension plan	19,537
Actuarially determined change in net pension asset between years, with adjustments	15,588

Change in net position of governmental activities	\$ 129,153
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See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2021**

	<u>Custodial Fund</u>
ASSETS	
Cash and Investments	\$ 4,384,566
Taxes Receivable	3,674,479
Total Assets	<u>\$ 8,059,045</u>
LIABILITIES	
Due to Other Governments	\$ 8,059,045
Total Liabilities	<u>\$ 8,059,045</u>

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2021**

	<u>Custodial Fund</u>
ADDITIONS	
Property tax collections for other governments	\$ 5,870,280
Total Additions	<u>5,870,280</u>
DEDUCTIONS	
Payments of taxes to other governments	<u>5,870,280</u>
Total Deductions	<u>5,870,280</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, 2021

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, 2021

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 Fund – 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, 2021

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 of resources. 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, 2021

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 of resources 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, 2021

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

Property tax calendar – 2021 tax roll

Lien date and levy date	December, 2021
Tax bills mailed	December, 2021
Payment in full, or	January 31, 2022
First installment due	January 31, 2022
Second installment due	July 31, 2022
Personal property taxes in full	January 31, 2022
Tax sale – 2021 delinquent real estate taxes	October 2024

Delinquent special charges on special assessments are not settled in full by the County.

3) Allowance for Uncollectible Accounts

Accounts receivable related to municipal court fines have been shown net of an allowance for uncollectible accounts of \$10,000.

4) 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.

5) 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

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

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

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.

6) 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, 2021 is \$24,359 and the total vacation pay is \$12,400.

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, 2021 are determined on the basis of current salary rates and include salary related payments.

7) Deferred Outflows and Inflows of Resources

Deferred outflow of resources represents 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.

8) 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.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

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

9) Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of GASB 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.

10) 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.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

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

Fund Statements (Continued)

- 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.

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, 2021, the general fund unassigned fund balance was 20.36% of budgeted 2022 general fund expenditures.

11) Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense (revenue), 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, 2021, the Town’s cash and investments consist of the following:

Deposits with Financial Institutions	\$ 7,484,703
Total Cash and Investments	<u>\$ 7,484,703</u>

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

2. Cash and Investments (Continued)

Cash and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 3,100,137
Fiduciary Funds:	
Cash and Investments	4,384,566
Total Cash and Investments	<u>\$ 7,484,703</u>

Investments Authorized by Wisconsin Statutes

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

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

Also, funds held in a deferred compensation plan, cemetery perpetual care funds or endowment funds, including gifts, where the principal is to be kept intact may be invested under provisions of Section 881.01 of the Wisconsin Statutes (prudent person rule).

The Town has adopted an investment policy which contains the following guidelines for allowable deposits and investments:

Custodial Credit Risk – all financial institutions acting as a depository for the Town must enter into a depository agreement requiring the depository to pledge collateral to secure amounts over and above the guaranteed amounts in the cases of certificates of deposits. Collateral shall be held by a third party.

Credit Risk – the Town will minimize credit risk by diversifying the investment portfolio so that the impact of potential losses from one individual issuer will be minimized.

Interest Rate Risk – the Town will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, therefore avoiding the need to sell securities on the open market prior to maturity. The Town will also invest operating funds primarily in shorter-term securities, money markets, mutual funds or similar investment pools and limiting the average maturity of the portfolio.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

2. Cash and Investments (Continued)

Custodial Credit Risk

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

FDIC Insurance

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

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

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

The Town maintained insured and collateralized deposits with local banking institutions. As of December 31, 2021, 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, 2021, the Town had deposit balances that were uninsured and uncollateralized.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

2. Cash and Investments (Continued)

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

Insured by Federal and State Deposit Insurance	\$ 1,130,477
Insured by ICS Repurchase Agreement	4,963,589
Uninsured/Uncollateralized	<u>217,816</u>
Total Deposits with Financial Institutions	<u><u>\$ 6,311,882</u></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.

3. Receivables and Deferred Inflows of Resources

All of the receivables on the balance sheet, except for those associated with annexation payments and unpaid municipal court fines, are expected to be collected within one year. Of the outstanding annexation receivable balance of \$22,673, \$10,774 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	\$ -	\$ 1,738,962	\$ 1,738,962
Managed forest land taxes	-	345	345
Annexation payments	22,673	-	22,673
Garbage/recycling fees	259,483	-	259,483
Street light fees	791	-	791
Municipal court fines	<u>13,850</u>	<u>-</u>	<u>13,850</u>
Total Deferred Inflow of Resources for Governmental Funds	<u><u>\$ 296,797</u></u>	<u><u>\$ 1,739,307</u></u>	<u><u>\$ 2,036,104</u></u>

4. Tax Levy Limit

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

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

4. Tax Levy Limit (Continued)

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.

5. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2021, was as follows:

	Balance 1/1/21	Additions	Retirements	Balance 12/31/21
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 3,707,102	\$ -	\$ -	\$ 3,707,102
Construction Work-in-Progress	-	32,298	-	32,298
Total Non-Depreciable Capital Assets	<u>3,707,102</u>	<u>32,298</u>	<u>-</u>	<u>3,739,400</u>
Capital Assets Being Depreciated:				
Buildings	2,757,583	60,424	-	2,818,007
Machinery and Equipment	2,374,260	69,812	86,644	2,357,428
Streets	5,104,487	60,487	-	5,164,974
Total Capital Assets Being Depreciated	<u>10,236,330</u>	<u>190,723</u>	<u>86,644</u>	<u>10,340,409</u>
Total Capital Assets	<u>13,943,432</u>	<u>223,021</u>	<u>86,644</u>	<u>14,079,809</u>
Less: Accumulated Depreciation for				
Buildings	1,339,815	57,402	-	1,397,217
Machinery and Equipment	1,107,323	97,272	57,891	1,146,704
Streets	3,180,486	121,286	-	3,301,772
Total Accumulated Depreciation	<u>5,627,624</u>	<u>275,960</u>	<u>57,891</u>	<u>5,845,693</u>
Net Capital Assets Being Depreciated	<u>4,608,706</u>	<u>(85,237)</u>	<u>28,753</u>	<u>4,494,716</u>
Total Capital Assets				
Net of Accumulated Depreciation	<u>\$ 8,315,808</u>	<u>\$ (52,939)</u>	<u>\$ 28,753</u>	<u>\$ 8,234,116</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 9,118
Public Safety	67,710
Public Works, including Infrastructure	193,832
Culture, Recreation and Education	5,300
Total Governmental Activities Depreciation Expense	<u>\$ 275,960</u>

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

6. Short-Term Obligations

	<u>Balance</u> <u>1/1/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/21</u>
Short-Term Note dated August 4, 2020, lump sum payment on March 15, 2021, 1.49% interest	\$ 297,293	\$ -	\$ 297,293	\$ -
Short-Term Note dated July 20, 2021, lump sum payment on March 15, 2022, 1.24% interest	-	347,192	-	347,192
	<u>\$ 297,293</u>	<u>\$ 347,192</u>	<u>\$ 297,293</u>	<u>\$ 347,192</u>

Interest expense on the short-term obligations was \$2,832 in 2021.

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, 2021, was as follows:

	<u>Balance</u> <u>1/1/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/21</u>	<u>Amounts due</u> <u>within 1 year</u>
Governmental activities:					
Notes Payable					
Notes from Direct Borrowings	\$ 712,460	\$ -	\$ 85,432	\$ 627,028	\$ 86,188
Total Notes Payable	<u>712,460</u>	<u>-</u>	<u>85,432</u>	<u>627,028</u>	<u>86,188</u>
Other Liabilities					
Vested Compensated Absences	33,306	3,727	274	36,759	9,190
Capital Leases	5,501	-	955	4,546	997
Total Other Liabilities	<u>38,807</u>	<u>3,727</u>	<u>1,229</u>	<u>41,305</u>	<u>10,187</u>
Total Governmental Long-term Liabilities	<u>\$ 751,267</u>	<u>\$ 3,727</u>	<u>\$ 86,661</u>	<u>\$ 668,333</u>	<u>\$ 96,375</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Town may not exceed five percent of the equalized value of taxable property within the Town's jurisdiction. The debt limit as of December 31, 2021, was \$26,357,805. Total general obligation debt outstanding at year end was \$627,028.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

7. Long-Term Obligations (Continued)

Promissory Notes

Promissory notes are payable from future property tax levies.

Promissory notes at December 31, 2021, consist of the following:

Notes from Direct Borrowings	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/2021
2019 Promissory Note	5/21/2019	3/15/2029	3.294%	\$ 612,000	\$ 502,108
2020 Promissory Note	10/6/2020	3/14/2025	1.990%	\$ 156,356	124,920
Total Notes from Direct Borrowings					<u>\$ 627,028</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities Notes from Direct Borrowings	
	Principal	Interest
2022	\$ 86,188	\$ 19,022
2023	88,632	16,578
2024	91,110	14,101
2025	93,738	11,470
2026	63,607	8,804
2027-2029	203,754	13,574
Total	<u>\$ 627,028</u>	<u>\$ 83,549</u>

Capital Leases

As of December 31, 2021, the Town had leased property under a capital lease with an original cost, net of accumulated depreciation, of \$4,546.

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, 2021.

Years Ended December 31,	
2022	\$ 1,344
2023	1,344
2024	1,344
2025	1,344
Total payments	<u>5,376</u>
Less: interest	<u>(830)</u>
Minimum lease payments	<u>\$ 4,546</u>

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

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 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 \$10,934 in 2021. Future lease payments under the lease agreement are as follows:

2022	\$ 11,098
2023	<u>11,265</u>
Total	<u><u>\$ 22,363</u></u>

The lease has an option to extend at the end of the original term for an additional three years.

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 2021 was \$17,633. Future rent revenue under the lease agreement is as follows:

2022	\$ 17,898
2023	<u>18,166</u>
Total	<u><u>\$ 36,064</u></u>

9. Fund Balances

Governmental fund balances as of December 31, 2021, include the following items:

Nonspendable	
Major Fund	
General Fund	
Prepaid items	<u>\$ 22,948</u>
Total	<u><u>\$ 22,948</u></u>

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

9. Fund Balances (Continued)

Restricted

Major Fund

General Fund

Highway maintenance	\$ 6,000
2% fire dues	18,478
ATC impact fees	1,793
Trees program	36
Total General Fund	<u>26,307</u>

Nonmajor Fund

Special Revenue Fund

Cemetery Trust Fund	934
Total Special Revenue Fund	<u>934</u>

Total	<u>\$ 27,241</u>
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Committed

Major Fund

General Fund

Sick leave liability	\$ 24,360
Total	<u>\$ 24,360</u>

Assigned

Major Fund

General Fund

Future parkland improvements	\$ 31,070
EMS Building repair	187
Hydrite	4,076
Welcome sign	12,241
Pleasant Springs Fire expenses	98,549
Total	<u>\$ 146,124</u>

Unassigned

Major Fund

General Fund

Total	<u>\$ 1,128,195</u>
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TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

10. Joint Ventures

The Town of Cottage Grove operates emergency building maintenance and fire protection services 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 \$148,119 for fire protection and \$54,747 for emergency building maintenance in 2021, with reimbursements from the Village of Cottage Grove totaling \$74,182 for fire protection and \$23,573 for emergency building maintenance. The Town's portions of fire protection and emergency building maintenance payments were 37.21% 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, 2021, is available at the town hall.

Deer-Grove EMS District

The Town of Cottage Grove and Villages of Cottage Grove and Deerfield jointly operate the local EMS district, which is called the Deer-Grove EMS District. The district adopts its own budget. The three municipalities approve the district's budget as well. Net operating costs including debt service are shared by the three communities based on the ratio of equalized values. The department is governed by the Deer-Grove EMS Commission. The commission consists of one board member from each community as well as a medical director. Town of Cottage Grove representatives are appointed by the Town Chair, subject to approval by the Town Board. The Town made payments to the district in 2021 of \$218,980 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, 2021, 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.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

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.

The Town and the Village of Cottage Grove jointly operated a landfill in the Town. The landfill was capped at closure in 1984. State and federal laws and regulations require certain maintenance and monitoring functions at the landfill site. Annual post-closure monitoring costs range from \$14,000-\$42,000 in a given year. Based on the conditions of GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, a postclosure costs landfill liability is not required to be reported by the Town.

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 \$234,896. As of December 31, 2021, total work completed was \$32,298.

In January 2021, the Joint Fire Protection Committee agreed to purchase a new fire truck at a cost of \$694,934. The fire truck was purchased in February 2022. The Town's portion of the total cost is \$255,535 and will be financed with long-term debt.

In July 2021, the Town approved the purchase of another new fire truck. The truck will be purchased in 2022. It will be owned by the Town with a cost of \$461,397.

13. Defined Benefit Pension Plan

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

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

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

13. Defined Benefit Pension Plan (Continued)

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.

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>
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

13. Defined Benefit Pension Plan (Continued)

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 \$19,537 in contributions from the employer.

Contribution rates as of December 31, 2021, are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.75%
Protective without Social Security	6.75%	16.35%

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2021, the Town reported a liability (asset) of (\$103,853) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2019, rolled forward to December 31, 2020. 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, 2020, the Town's proportion was 0.00166348%, which was an increase of 0.00010672% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the Town recognized pension income of \$16,266.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

13. Defined Benefit Pension Plan (Continued)

At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 150,307	\$ (32,376)
Net differences between projected and actual earnings on pension plan investments	-	(194,977)
Changes in assumptions	2,355	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,820	(5,691)
Employer contributions subsequent to the measurement date	18,833	-
Total	\$ 173,315	\$ (233,044)

\$18,833 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense (revenue) as follows:

Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2022	\$ (24,185)
2023	(4,684)
2024	(34,848)
2025	(14,845)
2026	-
Total	\$ (78,562)

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2021

13. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2019
Measurement Date of Net Pension Liability (Asset):	December 31, 2020
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair 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, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 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, 2021

13. Defined Benefit Pension Plan (Continued)

Asset Allocation Targets and Expected Returns
As of December 31, 2020

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	51	7.2	4.7
Fixed Income	25	3.2	0.8
Inflation Sensitive Assets	16	2.0	(0.4)
Real Estate	8	5.6	3.1
Private Equity/Debt	11	10.2	7.6
Multi-Asset	4	5.8	3.3
Total Core Fund	<u>115</u>	6.6	4.1
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	6.6	4.1
International Equities	30	7.4	4.9
Total Variable Fund	<u>100</u>	7.1	4.6

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.4%
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 2.00% (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, 2020. 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, 2021

13. Defined Benefit Pension Plan (Continued)

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
District's proportionate share of the net pension liability (asset)	\$ 98,854	\$ (103,853)	\$ (252,740)

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 GASB has adopted GASB Statement No. 87, *Leases*, GASB Statement No. 91, *Conduit Debt Obligations*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangement*. When these standards become effective, application of these standards may restate portions of these financial statements.

15. Subsequent Event

In 2022, the Town approved the purchase of a new fire truck. It will be jointly-owned with the Village of Cottage Grove with a total cost of \$696,863. The Town's portion of the cost of the fire truck will be \$256,237.

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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,685,056	\$ 1,685,056	\$ 1,685,056	\$ -
Intergovernmental	387,889	430,672	434,357	3,685
License and Permits	98,100	98,100	105,624	7,524
Fines, Forfeitures and Penalties	30,000	30,000	31,016	1,016
Public Charges for Services	250,912	254,803	295,105	40,302
Intergovernmental Charges for Services	173,321	197,914	206,392	8,478
Investment Income	20,100	20,100	7,271	(12,829)
Miscellaneous Income	21,483	21,483	26,520	5,037
Total Revenues	<u>2,666,861</u>	<u>2,738,128</u>	<u>2,791,341</u>	<u>53,213</u>
EXPENDITURES				
Current:				
General Government	391,907	404,681	408,270	(3,589)
Public Safety	1,015,348	1,037,836	897,720	140,116
Public Works	1,199,663	1,156,915	1,174,583	(17,668)
Culture, Recreation, and Education	9,800	17,105	15,417	1,688
Health and Human Services	7,208	7,208	7,214	(6)
Conservation and Development	3,135	3,135	3,135	-
Capital Outlay	66,500	151,987	145,327	6,660
Debt Service:				
Principal Repayment	382,869	82,869	86,387	(3,518)
Interest Expense	22,532	22,532	23,000	(468)
Total Expenditures	<u>3,098,962</u>	<u>2,884,268</u>	<u>2,761,053</u>	<u>123,215</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(432,101)</u>	<u>(146,140)</u>	<u>30,288</u>	<u>176,428</u>
OTHER FINANCING SOURCES				
Property Sales	9,000	9,000	49,960	40,960
Proceeds from Long-Term Debt	350,000	-	-	-
Total Other Financing Sources	<u>359,000</u>	<u>9,000</u>	<u>49,960</u>	<u>40,960</u>
Net Change in Fund Balance	(73,101)	(137,140)	80,248	217,388
Fund Balance - Beginning	1,267,686	1,267,686	1,267,686	-
Fund Balance - Ending	<u>\$ 1,194,585</u>	<u>\$ 1,130,546</u>	<u>\$ 1,347,934</u>	<u>\$ 217,388</u>

See accompanying notes to the required supplementary information.

TOWN OF COTTAGE GROVE
WISCONSIN RETIREMENT SYSTEM SCHEDULES
December 31, 2021

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	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)
2020	(0.00166348%)	\$ (103,853)	\$ 289,436	(35.88%)	105.26%
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
2021	\$ 18,833	\$ 18,833	\$ -	\$ 279,010	6.75%
2020	19,537	19,537	-	289,436	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, 2021

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 5 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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
TAXES				
Local taxes	\$ 1,673,157	\$ 1,673,157	\$ 1,673,157	\$ -
Other taxes	11,899	11,899	11,899	-
Total Taxes	<u>1,685,056</u>	<u>1,685,056</u>	<u>1,685,056</u>	<u>-</u>
INTERGOVERNMENTAL				
Federal disaster aid	-	28,533	28,533	-
State shared revenues	56,168	56,168	56,238	70
State aid- Fire insurance	17,000	17,000	18,478	1,478
State aid- Transportation	211,691	211,691	211,691	-
State aid- In lieu of forest lands	225	225	222	(3)
Other state payments	35,255	35,255	232	(35,023)
Video service provider aid	7,642	7,642	7,642	-
State aid- Croplands/forest	300	300	287	(13)
State aid- Recycling	7,400	7,400	7,463	63
County aid- Highway and bridges	-	14,250	14,250	-
County aid- Soldiers' graves	208	208	214	6
Personal property aid	-	-	35,023	35,023
Landfill compensation fee	52,000	52,000	54,084	2,084
Total Intergovernmental	<u>387,889</u>	<u>430,672</u>	<u>434,357</u>	<u>3,685</u>
LICENSES AND PERMITS				
Business and occupational licenses	3,200	3,200	2,600	(600)
Dog licenses	1,500	1,500	1,441	(59)
Building permits and inspections	50,000	50,000	56,040	6,040
Zoning permits and fees	3,500	3,500	3,500	-
Cable television franchise fees	36,000	36,000	30,833	(5,167)
Other permits and fees	3,900	3,900	11,210	7,310
Total Licenses and Permits	<u>98,100</u>	<u>98,100</u>	<u>105,624</u>	<u>7,524</u>
FINES, FORFEITURES AND PENALTIES				
Law and ordinance violations	30,000	30,000	31,016	1,016
Total Fines, Forfeitures and Penalties	<u>30,000</u>	<u>30,000</u>	<u>31,016</u>	<u>1,016</u>

Town of Cottage Grove

**Detailed Schedule of Revenues and Other Financing Sources
Budget and Actual - General Fund
For the Year Ended December 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC CHARGES FOR SERVICES				
Refuse collection/curbside	165,445	165,445	165,774	329
Recycling charges	83,176	83,176	83,417	241
Title search	1,500	1,500	1,600	100
Highway maintenance	-	2,016	8,633	6,617
Street lighting fees	791	791	791	-
Cemetery	-	-	1,200	1,200
Parks	-	-	31,355	31,355
Viney development	-	1,875	2,335	460
Total Public Charges for Services	<u>250,912</u>	<u>254,803</u>	<u>295,105</u>	<u>40,302</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES				
Local- Fire services	132,088	135,776	138,576	2,800
Local- Emergency building maintenance	28,900	28,900	23,573	(5,327)
Local- Landfill charges	8,000	28,905	40,688	11,783
Other charges	4,333	4,333	3,555	(778)
Total Intergovernmental Charges for Services	<u>173,321</u>	<u>197,914</u>	<u>206,392</u>	<u>8,478</u>
INVESTMENT INCOME				
Interest income	20,000	20,000	7,054	(12,946)
Interest on special assessments/charges	100	100	217	117
Total Investment Income	<u>20,100</u>	<u>20,100</u>	<u>7,271</u>	<u>(12,829)</u>
MISCELLANEOUS				
Rent	19,933	19,933	21,708	1,775
Dividends	250	250	-	(250)
Library Prairie Cemetery funds	800	800	800	-
Insurance recoveries	-	-	2,754	2,754
Other miscellaneous revenues	500	500	1,258	758
Total Miscellaneous	<u>21,483</u>	<u>21,483</u>	<u>26,520</u>	<u>5,037</u>
OTHER FINANCING SOURCES				
Property sales	9,000	9,000	49,960	40,960
Proceeds from long-term debt	350,000	-	-	-
Total Other Financing Sources	<u>359,000</u>	<u>9,000</u>	<u>49,960</u>	<u>40,960</u>
Total Revenues and Other Financing Sources	<u>\$ 3,025,861</u>	<u>\$ 2,747,128</u>	<u>\$ 2,841,301</u>	<u>\$ 94,173</u>

Town of Cottage Grove

**Detailed Schedule of Expenditures
Budget and Actual - General Fund
For the Year Ended December 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT				
Town board	\$ 29,977	\$ 29,977	\$ 25,163	\$ 4,814
Planning committee	1,615	1,615	1,507	108
Town planner	25,500	25,500	24,700	800
Emergency government	1,396	2,111	2,229	(118)
Town revaluation	64,000	64,000	64,000	-
Clerk/secretarial	76,693	76,693	74,577	2,116
Treasurer	35,262	35,262	35,279	(17)
Assessor	11,522	11,522	13,722	(2,200)
Judicial	26,459	26,459	30,739	(4,280)
Legal	48,359	48,359	59,121	(10,762)
Elections	3,300	3,300	4,620	(1,320)
Accounting	13,925	13,925	13,760	165
Property and liability insurance	30,099	30,099	18,253	11,846
Town hall	13,800	24,760	24,388	372
Flynn hall	10,000	11,099	16,126	(5,027)
Other general government	-	-	86	(86)
Total General Government	<u>391,907</u>	<u>404,681</u>	<u>408,270</u>	<u>(3,589)</u>
PUBLIC SAFETY				
Law enforcement	501,742	501,742	422,592	79,150
Fire protection	194,404	203,811	152,504	51,307
Ambulance	218,980	218,980	218,980	-
Fire inspection	2,422	2,422	2,131	291
Building inspection	40,000	40,000	46,766	(6,766)
Emergency building	57,800	70,881	54,747	16,134
Total Public Safety	<u>1,015,348</u>	<u>1,037,836</u>	<u>897,720</u>	<u>140,116</u>
PUBLIC WORKS				
Highway maintenance	555,447	567,126	548,744	18,382
Highway construction	350,000	253,763	273,743	(19,980)
Non-Highway expenses	21,095	21,095	23,875	(2,780)
Garbage and refuse collection	165,445	165,445	164,266	1,179
Recycling	83,176	83,176	82,546	630
Landfill	24,500	66,310	81,409	(15,099)
Property and liability insurance	-	-	8,990	(8,990)
Total Public Works	<u>1,199,663</u>	<u>1,156,915</u>	<u>1,174,583</u>	<u>(17,668)</u>

Town of Cottage Grove

**Detailed Schedule of Expenditures
Budget and Actual - General Fund
For the Year Ended December 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
CULTURE, RECREATION, AND EDUCATION				
Parks	9,800	17,105	15,417	1,688
Total Culture, Recreation, and Education	<u>9,800</u>	<u>17,105</u>	<u>15,417</u>	<u>1,688</u>
HEALTH AND HUMAN SERVICES				
Outreach	7,000	7,000	7,000	-
Soldiers' graves	208	208	214	(6)
Total Health and Human Services	<u>7,208</u>	<u>7,208</u>	<u>7,214</u>	<u>(6)</u>
CONSERVATION AND DEVELOPMENT				
Yahara WINS pilot program	3,135	3,135	3,135	-
Total Conservaton and Development	<u>3,135</u>	<u>3,135</u>	<u>3,135</u>	<u>-</u>
CAPITAL OUTLAY				
Fire protection	-	25,000	25,098	(98)
Highway equipment	51,000	51,000	48,652	2,348
Local highway outlay	-	60,487	60,487	-
Flynn Hall	15,500	15,500	11,090	4,410
Total Capital Outlay	<u>66,500</u>	<u>151,987</u>	<u>145,327</u>	<u>6,660</u>
DEBT SERVICE				
Principal	382,869	82,869	86,387	(3,518)
Interest and fiscal charges	22,532	22,532	23,000	(468)
Total Debt Service	<u>405,401</u>	<u>105,401</u>	<u>109,387</u>	<u>(3,986)</u>
Total Expenditures	<u><u>\$ 3,098,962</u></u>	<u><u>\$ 2,884,268</u></u>	<u><u>\$ 2,761,053</u></u>	<u><u>\$ 123,215</u></u>