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CPAs



Town of
Cottage Grove

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

For the Year Ended December 31, 2022

Town of Cottage Grove

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December 31, 2022

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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, 2022, 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, 2022, 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. 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective January 1, 2022, the Town of Cottage Grove, Wisconsin, adopted the provisions of Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 17 to the financial statements, net capital assets were under-reported in the amount of \$27,777 on the statement of financial position for the year ended December 31, 2021. Accordingly, beginning net position as of January 1, 2022 was restated to reflect the correction of this error. Our opinion is not modified with respect to this matter.

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 Responsibilities 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 34 through 36 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 detailed budgetary comparison schedules are presented for purposes of additional analysis and are 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, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2022

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, 2022. 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 \$1,959,172 higher as a result of this year's operations. Unrestricted net position was \$1,795,782 at December 31, 2022, a decrease of \$18,577 or 1.02 percent less from last year.
- Unassigned general fund reported a decrease this year of \$96,841, decreasing the fund balance to \$1,031,354. As of December 31, 2022, the unassigned fund balance was 26.92 percent of budgeted 2023 general fund expenditures.
- The Town's net revenue of all governmental activities this year was \$66,930, a 104.01 percent increase from last year.
- In 2022, the Town was funded \$207,453 from the American Rescue Plan Act to respond to the Covid-19 emergency. Some of these funds were used to purchase electronic poll books, voting booths, upgrades to Town Hall wi-fi, a drinking fountain with a bottle filler, new Town Hall water softener, additional (non-budgeted) paving and chipseal projects, and a zip line for Bass Park. The Town is considering additional uses for the remainder of the funds.
- The Cottage Grove Fire Department was awarded \$1,914 in FEMA Grants. The funds were used to purchase computer software and a recruitment letter mailing.
- Net Capital Assets were \$10,394,553 at December 31, 2022, an increase of \$2,132,660 from prior year.
- The Town had a total \$1,150,791 in notes outstanding resulting mainly from road maintenance projects, purchase of a 2020 International truck, and purchase of a 2022 fire 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.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the Town using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. They include all funds with the exception of the fiduciary funds.

The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

The two government-wide statements report the Town's net position and changes in them. Net Position – the difference between assets and 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, 2022

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 \$9,575,772 to \$11,507,167. Last year's net position increased \$1,931,395. 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, 2022

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

**TABLE 1
STATEMENT OF NET POSITION**

	2022	2021	Dollar Change
	<u> </u>	<u> </u>	<u> </u>
Current and Other Assets	\$4,542,756	\$4,388,658	\$154,098
Capital Assets	10,394,553	8,261,893	2,132,660
Restricted Assets	137,139	103,853	33,286
Total Assets	<u>15,074,448</u>	<u>12,754,404</u>	<u>2,320,044</u>
Deferred Outflows of Resources	<u>266,864</u>	<u>173,315</u>	<u>93,549</u>
Short-term Debt Outstanding	323,790	347,192	(23,402)
Long-term Debt Outstanding	827,001	627,028	199,973
Lease Liability	46,164	4,546	41,618
Other Liabilities	520,481	400,830	119,651
Total Liabilities	<u>1,717,436</u>	<u>1,379,596</u>	<u>337,840</u>
Deferred Inflows of Resources	<u>2,116,709</u>	<u>1,972,351</u>	<u>144,358</u>
Net Investment in			
Capital Assets	9,521,388	7,630,319	1,891,069
Restricted	189,997	131,094	58,903
Unrestricted	<u>1,795,782</u>	<u>1,814,359</u>	<u>(18,577)</u>
Total Net Position	<u><u>\$11,507,167</u></u>	<u><u>\$9,575,772</u></u>	<u><u>\$1,931,395</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 \$1,814,359 surplus to a \$1,795,782 surplus at the end of this year.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2022

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

**TABLE 2
STATEMENT OF ACTIVITIES**

	2022	2021	Dollar Change
Revenues			
Program Revenues			
Charges for services	\$1,189,952	\$686,141	\$503,811
Operating grants	339,692	317,864	21,828
Capital grants	2,010,045	25,000	1,985,045
General Revenues			
Property taxes	1,738,962	1,673,157	65,805
Other taxes	6,875	0	6,875
Intergovernmental	91,232	91,261	(29)
Investment income	34,734	7,302	27,432
Gain (Loss) on disposal of assets	(9,859)	21,206	(31,065)
Miscellaneous	2,521	3,526	(1,005)
Total Revenues	\$5,404,154	\$2,825,457	\$2,578,697
Expenses			
General government	\$345,220	\$401,665	(\$56,445)
Public safety	1,513,940	953,951	559,989
Public works	1,548,512	1,257,639	290,873
Health and human services	8,014	8,014	0
Culture, education and recreation	25,757	20,717	5,040
Conservation and development	3,135	3,135	0
Interest and fiscal charges	28,181	22,573	5,608
Total Expenses	\$3,472,759	\$2,667,694	\$805,065
Change in Net Position	\$1,931,395	\$157,763	\$1,773,632
NET POSITION – BEGINNING OF YEAR	\$9,575,772	\$9,418,009	\$157,763
NET POSITION – END OF YEAR	\$11,507,167	\$9,575,772	\$1,931,395

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2022

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

The Town's total revenue increased by 91.27 percent or \$2,578,697. The total cost of all programs and services increased by 30.17 percent, \$805,065. 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 \$3,472,759 compared to \$2,667,694 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 \$(66,930) 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	
	2022	2021	2022	2021
General Government	\$345,220	\$401,665	\$275,893	\$337,808
Public Safety	1,513,940	953,951	676,117	643,885
Public Works	1,548,512	1,257,639	(1,071,641)	639,234
Health and Human Services	8,014	8,014	7,000	5,800
Culture, Education and Recreation	25,757	20,717	18,482	(10,637)
Conservation and Development	3,135	3,135	(962)	26
Interest and Fiscal Charges	28,181	22,573	28,181	22,573
	<u>\$3,472,759</u>	<u>\$2,667,694</u>	<u>\$(66,930)</u>	<u>\$1,638,689</u>

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2022

GENERAL FUND

The Town's general fund (as presented in the balance sheet on page 3) reported a combined fund balance of \$1,300,643, which is below last year's total of \$1,347,9344.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Allocate \$1,914 from FEMA grants received by the Cottage Grove Fire Department to pay for a recruitment postcard and annual firehouse inspector software fees.
- Allocate \$67,480 of Promissory Note Proceeds to purchase a new wood chipper.
- Reduce Promissory Note Proceeds by \$461,397 due to supply chain delays in ordering a new fire truck.
- Allocate \$110,851 of American Rescue Plan Act (ARPA) funds to purchase electronic pollbooks, voting booths, upgrade Town Hall wi-fi, replace the Town Hall water fountain with one that includes a bottle filling station, replace the Town Hall water softener, purchase and install a zip line in Bass Park, and additional (non-budgeted) paving and chipseal projects. \$5,000 originally budgeted to come out of ARPA funds to finance a Koshkonong Creek study was take out of the budget as the expenses did not happen in 2022.
- Allocate \$1,540 of ATC Impact Fees to pay for base for the Bass Park Zip Line.
- Allocate \$36,703 billed to the owner of the leased police station to cover the cost of re-paving the police station parking lot.
- Allocate \$30,292 of previous years' unassigned funds to pay for unexpected repairs to a highway patrol truck.

Even with these adjustments, actual revenues were under budgeted revenues by \$1,140,586 and actual expenses were under budgeted expenses by \$1,415,585. The most significant variances were:

- The budget included anticipated capital outlay for re-construction of the Koshonong Creek and Door Creek bridges in an amount of \$1,176,351, offset by \$937,583 in Local Bridge Aid. The final financial statements reflect only the Town's net cost of \$203,340 for the bridge construction, and do not show the bridge aid as a revenue source. This reduces actual total revenue by \$937,583 and total expenditures by \$973,011 compared to the budgeted amounts.
- The Budget includes short-term borrowing of \$350,000 for funding of 2022 highway maintenance projects. As this dept is repaid within one year, it is not shown as an actual other financing source on the Schedule of Revenues, Expenditures, and Changes in Fund Balances, but is rather treated as an account payable.

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2022

GENERAL FUND (CONTINUED)

- Public Safety expenses were \$128,791 less than anticipated expenses.
- Public Works expenses were \$27,548 less than anticipated expenses.
- Parks expenses exceeded anticipated expenses by \$6,257.

CAPITAL ASSETS

At the end of 2022, the Town had \$10,394,553 invested in capital assets, including land, buildings, machinery and equipment, infrastructure, and right-to-use leased assets. (See Table 4 below.) This amount represents a net increase (including additions and deductions) of \$2,132,660, or 25.81 percent, over last year.

**TABLE 4
CAPITAL ASSETS**

	2022	2021	Dollar Change
Land	\$3,742,555	\$3,707,102	\$35,453
Construction Work-In-Progress	0	125,047	(125,047)
Buildings	2,818,007	2,818,007	0
Machinery and equipment	2,492,482	2,279,197	213,285
Infrastructure	6,549,905	5,164,974	1,384,931
Stormwater management	805,283	0	805,283
Right-to-Use Asset – Building	52,766	0	52,766
Right-to-Use Asset – Equipment	5,501	5,501	0
Total Capital Assets	\$16,466,499	\$14,099,828	\$2,366,671
Less: Accumulated Depreciation	\$6,071,946	\$5,837,935	\$234,011
Net Capital Assets	\$10,394,553	\$8,261,893	\$2,132,660

This year's additions included:

84" Edge Pickup Broom	\$7,000
Bandit Industries Chipper	\$67,481
Woods BW 10.60 HD Mower	\$17,990
Bass Park Zip Line	\$19,761

TOWN OF COTTAGE GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2022

CAPITAL ASSETS (CONTINUED)

Pierce Pumper Tanker E3	\$258,733
Door Creek and Koshkonong Creek Bridge Replacements	\$539,917
Kennedy Hills Subdivision - Contributed Infrastructure	\$1,187,186

The Town's fiscal-year 2023 capital budget calls for it to spend \$475,397 for capital outlay. The purchases include a Fire Truck purchased jointly with the Village of Cottage Grove and two speed alert signs to be funded with American Rescue Plan Act funds.

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 \$1,150,791 in notes outstanding versus \$974,220 last year – an increase of 18.12 percent. New debt resulted mainly from the purchase of a fire truck. Outstanding debt consists of four 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 three years, the third is a ten year note to be paid off in seven years, and the fourth is a ten year note to be paid off in 10 years.

Other obligations include accrued vacation pay, sick leave, and lease liabilities. 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, 2022 was \$27,675,875.

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, 2022

	Governmental Activities
ASSETS	
Cash and investments	\$ 3,012,266
Receivables	
Taxes	1,087,638
Delinquent special charges	704
Lease	17,871
Accounts	34,088
Other, net	34,527
Prepaid items	7,434
Investment in EMS joint venture	348,228
Capital assets	
Land	3,742,555
Other capital assets, net of accumulated depreciation	6,606,194
Right-to-use leased assets, net of amortization	45,804
Net capital assets	10,394,553
Restricted Assets	
Net pension asset	137,139
Total restricted assets	137,139
Total assets	15,074,448
DEFERRED OUTFLOWS OF RESOURCES	
WRS pension	266,864
Total Assets and Deferred Outflows of Resources	\$ 15,341,312
LIABILITIES	
Accounts payable	\$ 115,998
Accrued liabilities and deposits	38,360
Accrued interest payable	22,121
Short-term notes payable	323,790
Grants advance payable	304,342
Long-term liabilities	
Due within one year	
Notes payable	117,245
Compensated absences	9,915
Lease liability	11,319
Due in more than one year	
Notes payable	709,756
Compensated absences	29,745
Lease liability	34,845
Total liabilities	1,717,436
DEFERRED INFLOWS OF RESOURCES	
2022 tax levy	1,774,965
WRS pension	324,124
Lease	17,620
Total deferred inflows of resources	2,116,709
NET POSITION	
Net investment in capital assets	9,521,388
Restricted for:	
Net pension asset	137,139
Cemetery trust funds	168
Road maintenance	6,000
ATC impact fees	485
Trees program	36
Future parkland improvements	27,187
Fire dues	18,982
Unrestricted	1,795,782
Total net position	11,507,167
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 15,341,312

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Statement of Activities
For the Year Ended December 31, 2022**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$ 345,220	\$ 61,685	\$ 7,642	\$ -	\$ (275,893)
Public Safety	1,513,940	801,927	33,982	1,914	(676,117)
Public Works	1,548,512	315,015	297,007	2,008,131	1,071,641
Health and Human Services	8,014	800	214	-	(7,000)
Culture, Recreation, and Education	25,757	7,275	-	-	(18,482)
Conservation and Development	3,135	3,250	847	-	962
Interest and Fiscal Charges	28,181	-	-	-	(28,181)
Total Governmental Activities	<u>\$ 3,472,759</u>	<u>\$ 1,189,952</u>	<u>\$ 339,692</u>	<u>\$ 2,010,045</u>	<u>66,930</u>
General revenues:					
Taxes:					
					1,738,962
					6,875
					91,232
					34,734
					2,521
					(9,859)
					<u>1,864,465</u>
					<u>1,931,395</u>
					9,547,995
					27,777
					<u>9,575,772</u>
					<u>\$ 11,507,167</u>

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Balance Sheet
Governmental Funds
December 31, 2022**

		Nonmajor Governmental Fund	
	General Fund	Cemetery Fund	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 3,012,098	\$ 168	\$ 3,012,266
Receivables:			
Taxes	1,087,638	-	1,087,638
Delinquent Special Charges	704	-	704
Lease	17,871	-	17,871
Accounts	34,088	-	34,088
Other, net	34,527	-	34,527
Prepaid Expenses	7,434	-	7,434
Total Assets	<u>\$ 4,194,360</u>	<u>\$ 168</u>	<u>\$ 4,194,528</u>
LIABILITIES			
Accounts Payable	\$ 115,998	\$ -	\$ 115,998
Other Accrued Liabilities	25,464	-	25,464
Deposit Liabilities	18,131	-	18,131
Short-Term Notes Payable	323,790	-	323,790
Grant Advances Payable	304,342	-	304,342
Total Liabilities	<u>787,725</u>	<u>-</u>	<u>787,725</u>
DEFERRED INFLOWS OF RESOURCES			
Lease	17,620	-	17,620
Other Deferred Inflows of Resources	2,088,372	-	2,088,372
Total Deferred Inflows of Resources	<u>2,105,992</u>	<u>-</u>	<u>2,105,992</u>
FUND BALANCES			
Nonspendable	7,685	-	7,685
Restricted	52,690	168	52,858
Committed	27,017	-	27,017
Assigned	181,897	-	181,897
Unassigned	1,031,354	-	1,031,354
Total Fund Balances	<u>1,300,643</u>	<u>168</u>	<u>1,300,811</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,194,360</u>	<u>\$ 168</u>	<u>\$ 4,194,528</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, 2022**

Total fund balance, governmental funds	\$	1,300,811
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Some receivables that are not currently available are reported as deferred inflows of resources in the fund financial statements but are recognized as revenue when earned in the government-wide statements.</p>		313,407
<p>The Town's investment in the EMS joint venture is not a financial resource and, therefore, is not reported in the funds financial statements.</p>		348,228
<p>Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.</p>		10,348,749
<p>Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:</p>		
Right-to-use leased assets, net of amortization		45,804
<p>The net pension asset is not a current financial resource, and is therefore not reported in the fund financial statements.</p>		137,139
<p>Pension deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined benefit pension plan. These items are reflected in the statement of net position and are being amortized with pension expense (revenue) in the statement of activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.</p>		
Deferred outflows of resources		266,864
Deferred inflows of resources		(324,124)
<p>Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.</p>		
Compensated absences		(39,660)
Accrued interest		(16,886)
Lease liability		(46,164)
Notes payable		(827,001)
		(827,001)
Net position of governmental activities in the statement of net position	\$	11,507,167

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, 2022

	<u>General Fund</u>	<u>Nonmajor Governmental Fund Cemetery Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 1,738,962	\$ -	\$ 1,738,962
Other Taxes	18,774	-	18,774
Intergovernmental	528,921	-	528,921
Licenses and Permits	105,512	-	105,512
Fines, Forfeitures and Penalties	47,024	-	47,024
Public Charges for Services	312,831	-	312,831
Intergovernmental Charges for Services	672,688	-	672,688
Investment Income	34,265	34	34,299
Miscellaneous Income	41,112	-	41,112
Total Revenues	<u>3,500,089</u>	<u>34</u>	<u>3,500,123</u>
EXPENDITURES			
Current:			
General Government	348,301	-	348,301
Public Safety	1,029,993	-	1,029,993
Public Works	1,311,705	-	1,311,705
Culture, Recreation, and Education	40,129	-	40,129
Health and Human Services	7,214	800	8,014
Conservation and Development	3,135	-	3,135
Capital Outlay	1,043,710	-	1,043,710
Debt Service:			
Principal Repayment	98,247	-	98,247
Interest Expense	25,514	-	25,514
Total Expenditures	<u>3,907,948</u>	<u>800</u>	<u>3,908,748</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(407,859)</u>	<u>(766)</u>	<u>(408,625)</u>
OTHER FINANCING SOURCES			
Property Sales	21,677	-	21,677
Proceeds from Long-Term Debt	286,125	-	286,125
Proceeds from Long-Term Lease	52,766	-	52,766
Total Other Financing Sources	<u>360,568</u>	<u>-</u>	<u>360,568</u>
Net Change in Fund Balances	(47,291)	(766)	(48,057)
Fund Balances - Beginning	1,347,934	934	1,348,868
Fund Balances - Ending	<u>\$ 1,300,643</u>	<u>\$ 168</u>	<u>\$ 1,300,811</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, 2022**

Net change in fund balances - total governmental funds:	\$	(48,057)
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		18,606
Annexation payments		(11,899)
Municipal courts fines		9,903
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 (\$1,284,399) were more than depreciation (\$348,647) in the current period.		
		935,752
Capital contributions from developers increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		
		1,187,186
Right-to-use leased assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over the applicable lease term as annual amortization expenses in the statement of activities.		
This is the amount by which lease outlay (\$52,766) reported in the governmental fund statements was more than amortization (\$11,508) in the current period.		
		41,258
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.		
		(31,536)
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		86,152
Proceeds of debt issuance		(286,125)
Principle payments from lease liabilities		11,148
Proceeds from lease liabilities		(52,766)
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		(1,720)
Net compensated absences		(2,901)
The proportionate share of the change in net assets related to joint ventures reported in the statement of activities neither provides nor uses current financial resources and is not reported in the fund financial statements.		
		40,639
Pension expense (revenue) reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense (revenue) 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		18,833
Actuarially determined change in net pension asset between years, with adjustments		16,922
Change in net position of governmental activities	\$	1,931,395

See accompanying notes to the basic financial statements.

Town of Cottage Grove

**Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2022**

	<u>Custodial Fund</u>
ASSETS	
Cash and Investments	\$ 3,455,677
Taxes Receivable	4,143,194
Total Assets	<u>\$ 7,598,871</u>
LIABILITIES	
Due to Other Governments	\$ 7,598,871
Total Liabilities	<u>\$ 7,598,871</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, 2022**

	<u>Custodial Fund</u>
ADDITIONS	
Property tax collections for other governments	\$ 4,881,847
Total Additions	<u>4,881,847</u>
DEDUCTIONS	
Payments of taxes to other governments	<u>4,881,847</u>
Total Deductions	<u>4,881,847</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, 2022

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 (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

Government-Wide 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, 2022

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, 2022

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, 2022

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 period in which the funds are first permitted to be used. 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. Resources that are received prior to incurring qualifying expenditures are reported as a liability and recognized as revenue in subsequent periods when eligibility requirements have been met.

Fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as described previously in this note.

All Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. Assets, Liabilities, and Net Position or Equity

1) Cash and Cash Equivalents/Investments

All deposits of the Town are made in board designated official depositories and are secured as required by State Statute. The Town may designate, as an official depository, any bank or savings association. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. Investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices.

See Footnote 2 for additional information.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

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

2) Taxes Receivable

Property taxes are levied prior to the end of the calendar year and are due and collectible in the following year. Property taxes attach as an enforceable lien as of January 1. The Town's portion of taxes is recorded as a receivable in the general fund. Since Town property taxes are not considered available until January 1 of the year following the levy, they are recorded as deferred inflows of resources in the funds budgeted therefore. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar – 2022 tax roll

Lien date and levy date	December, 2022
Tax bills mailed	December, 2022
Payment in full, or	January 31, 2023
First installment due	January 31, 2023
Second installment due	July 31, 2023
Personal property taxes in full	January 31, 2023
Tax sale – 2022 delinquent real estate taxes	October 2025

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 \$15,835.

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) Leases as Lessor

The Town's lease receivables are measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

A portion of fund balance is shown as non-spendable because it is not an available resource. It represents the year-end balance of the lease receivable in excess of the deferred inflow resources for the lease receivable, which is not a spendable resource.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

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

6) 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 Town 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 acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Machinery and Equipment	4-25 years
Infrastructure	25 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

7) Right-to-use Leased Assets

The Town has recorded right-to-use leased assets as a result of implementing GASB No. 87. The right-to-use leased assets are initially measured as an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary changes necessary to place the lease into service. The right-to-use leased assets are amortized on a straight-line basis over the life of the related lease.

8) 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, 2022 is \$27,018 and the total vacation pay is \$12,642.

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, 2022 are determined on the basis of current salary rates and include salary related payments.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

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

9) 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.

10) 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, lease liabilities, 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.

11) 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.

12) 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.”

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

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

12) Equity Classifications (Continued)

Government-Wide Statements (Continued)

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

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

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

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

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, 2022, the general fund unassigned fund balance was 26.80% of budgeted 2023 general fund expenditures.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

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

13) 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.

14) Change in Accounting Principle

Effective January 1, 2022, the Town adopted GASB statement No. 87, Leases. GASB No. 87 replaces previous lease accounting methodology and established a single model for lease accounting based on the foundation principle that leases are a financing right to use an underlying asset. GASB No. 87 requires recognition of certain lease assets and liabilities for lessee agreements and lease receivables and deferred inflows of resources for lessor agreements.

Effective January 1, 2022, the Town recorded lease receivable and deferred inflows of resources of \$35,239. The Town also recorded right-to-use leased assets and lease liabilities of \$52,766. These have no effect on the beginning balances on the statement of activities. Additionally, as a result of implementation, the Town reclassified \$4,546 of capital assets to a right-of-use asset. See Footnote 5 for additional information about leases.

2. Cash and Investments

At December 31, 2022, the Town's cash and investments consist of the following:

Deposits with Financial Institutions	\$ 6,467,943
Total Cash and Investments	\$ 6,467,943

Cash and investments as of December 31, 2022, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 3,012,266
Fiduciary Funds:	
Cash and Investments	3,455,677
Total Cash and Investments	\$ 6,467,943

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

2. Cash and Investments (Continued)

Investments Authorized by Wisconsin Statutes

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

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

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

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

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

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

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

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

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 deposits with local banking institutions. As of December 31, 2022, 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. As of December 31, 2022, the Town had no deposit balances that were uninsured and uncollateralized.

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

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

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 \$10,774, \$5,387 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	\$ -	\$ 1,771,229	\$ 1,771,229
Managed forest land taxes	-	345	345
Annexation payments	10,774	-	10,774
Garbage/recycling fees	278,180	-	278,180
Street light fees	700	-	700
Municipal court fines	23,753	-	23,753
AG use penalty	-	1,923	1,923
Dog licenses	-	1,468	1,468
Total Deferred Inflow of Resources for			
Governmental Funds	\$ 313,407	\$ 1,774,965	\$ 2,088,372

4. Tax Levy Limit

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

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

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

5. Leases

In 2020, the Town entered into a lease arrangement where the Town leases a garage. In the statement of activities, lease revenue for the year ended December 31, 2022 was as follows:

Lease-related Revenue	<u>Year Ending December 31, 2022</u>
Lease Revenue	
Building	\$ (17,619)
Total Lease Revenue	(17,619)
Interest Revenue	(646)
Variable & Other Revenue	-
Total	<u><u>\$ (18,266)</u></u>

Aggregate cash flows for the revenue generated by the lease receivable at December 31, 2022 is \$18,166 for the year ended December 31, 2023.

6. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2022, was as follows:

	<u>Balance*</u> <u>1/1/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/22</u>
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 3,707,102	\$ 35,453	\$ -	\$ 3,742,555
Construction Work-in-Progress*	125,047	-	125,047	-
Total Non-Depreciable Capital Assets	<u>3,832,149</u>	<u>35,453</u>	<u>125,047</u>	<u>3,742,555</u>
Capital Assets Being Depreciated:				
Buildings	2,818,007	-	-	2,818,007
Machinery and Equipment*	2,279,197	370,965	157,680	2,492,482
Streets	5,164,974	1,384,931	-	6,549,905
Stormwater Management	-	805,283	-	805,283
Right-to-Use Asset - Building	-	52,766	-	52,766
Right-to-Use Asset - Equipment	5,501	-	-	5,501
Total Capital Assets Being Depreciated	<u>10,267,679</u>	<u>2,613,945</u>	<u>157,680</u>	<u>12,723,944</u>
Total Capital Assets	<u><u>14,099,828</u></u>	<u><u>2,649,398</u></u>	<u><u>282,727</u></u>	<u><u>16,466,499</u></u>

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

6. Capital Assets (Continued)

	Balance*			Balance
	1/1/22	Additions	Retirements	12/31/22
Governmental Activities				
Less: Accumulated Depreciation/Amortization:				
Buildings	1,397,217	57,402	-	1,454,619
Machinery and Equipment*	1,137,991	112,513	126,144	1,124,360
Streets	3,301,772	165,847	-	3,467,619
Stormwater Management	-	12,885	-	12,885
Right-to-Use Asset - Building	-	10,553	-	10,553
Right-to-Use Asset - Equipment	955	955	-	1,910
Total Accumulated Depreciation/Amortization	<u>5,837,935</u>	<u>360,155</u>	<u>126,144</u>	<u>6,071,946</u>
Net Capital Assets Being Depreciated	<u>4,429,744</u>	<u>2,253,790</u>	<u>31,536</u>	<u>6,651,998</u>
Total Capital Assets				
Net of Accumulated Depreciation/Amortization	<u>\$ 8,261,893</u>	<u>\$ 2,289,243</u>	<u>\$ 156,583</u>	<u>\$ 10,394,553</u>

* Beginning balances were restated as described in Note 16.

Depreciation/Amortization expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 9,118
Public Safety	88,185
Public Works, including Infrastructure	257,463
Culture, Recreation and Education	5,389
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 360,155</u>

7. Short-Term Obligations

	Balance			Balance
	1/1/22	Increases	Decreases	12/31/22
Short-Term Note dated July 20, 2021, lump sum payment on March 15, 2022, 1.24% interest	\$ 347,192	\$ -	\$ 347,192	\$ -
Short-Term Note dated September 7, 2022, lump sum payment on March 15, 2023, 3.45% interest	<u>-</u>	<u>323,790</u>	<u>-</u>	<u>323,790</u>
	<u>\$ 347,192</u>	<u>\$ 323,790</u>	<u>\$ 347,192</u>	<u>\$ 323,790</u>

Interest expense on the short-term obligations was \$6,198 in 2022.

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

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

8. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2022, was as follows:

	<u>Balance</u> 1/1/22	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> 12/31/22	<u>Amounts due</u> within 1 year
Governmental activities:					
Notes Payable					
Notes from Direct Borrowings	\$ 627,028	\$ 286,125	\$ 86,152	\$ 827,001	\$ 117,245
Total Notes Payable	<u>627,028</u>	<u>286,125</u>	<u>86,152</u>	<u>827,001</u>	<u>117,245</u>
Other Liabilities					
Vested Compensated Absences	36,759	10,435	7,534	39,660	9,915
Lease Liability	4,546	52,766	11,148	46,164	11,319
Total Other Liabilities	<u>41,305</u>	<u>63,201</u>	<u>18,682</u>	<u>85,824</u>	<u>21,234</u>
Total Governmental Long-term Liabilities	<u>\$ 668,333</u>	<u>\$ 349,326</u>	<u>\$ 104,834</u>	<u>\$ 912,825</u>	<u>\$ 138,479</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, 2022 was \$27,675,875. Total general obligation debt outstanding at year end was \$827,001.

Promissory Notes

Promissory notes are payable from future property tax levies.

Promissory notes at December 31, 2022, consist of the following:

<u>Notes from Direct Borrowings</u>	<u>Date of</u> <u>Issue</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rates</u>	<u>Original</u> <u>Indebtedness</u>	<u>Balance</u> <u>12/31/2022</u>
2019 Promissory Note	5/21/2019	3/15/2029	3.294%	\$ 612,000	\$ 446,270
2020 Promissory Note	10/6/2020	3/14/2025	1.990%	\$ 156,356	94,606
2022 Promissory Note	7/6/2022	3/15/2032	2.650%	\$ 286,125 *	<u>286,125</u>
Total Notes from Direct Borrowings					<u>\$ 827,001</u>

*Maximum principal amount is \$1,503,760. This is the total proceeds drawn upon by the Town as of December 31, 2022.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

8. Long-Term Obligations (Continued)

Debt service requirements to maturity are as follows:

Years	Governmental Activities	
	Notes from Direct Borrowings	
	Principal	Interest
2023	\$ 117,245	\$ 21,813
2024	119,722	14,101
2025	122,351	11,470
2026	92,219	8,804
2027	94,314	6,708
2028-2032	281,149	6,733
Total	\$ 827,001	\$ 69,629

Lease Liability

Aggregate cash flow requirements for the retirement of the lease liability and interest at December 31, 2022 were as follows:

Years	Principal	Interest	Total
2023	\$ 11,319	\$ 1,290	\$ 12,609
2024	11,689	920	12,609
2025	12,075	534	12,609
2026	11,080	-	11,080
Total	\$ 46,164	\$ 2,743	\$ 48,907

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

9. Right-to-use Leased Assets

The Town has entered into lease agreements for a copier and police office space. The related future minimum lease obligations are discussed in the Lease Liability subsection of Footnote 8.

In the statement of activities, lease expense for the year ended December 31, 2022 was as follows:

Lease Expense

Amortization expense by class of underlying asset	
Copy Machine	\$ 997
Police Department Offices	10,553
Total amortization expense	11,550
Interest on lease liabilities	1,577
Total	\$ 13,127

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

10. Fund Balances

Governmental fund balances as of December 31, 2022, include the following items:

Nonspendable	
Major Fund	
General Fund	
Prepaid items	\$ 7,434
Lease	251
Total	<u>\$ 7,685</u>
Restricted	
Major Fund	
General Fund	
Highway maintenance	\$ 6,000
2% fire dues	18,982
Future parkland improvements	27,187
ATC impact fees	485
Trees program	36
Total General Fund	<u>52,690</u>
Nonmajor Fund	
Special Revenue Fund	
Cemetery Trust Fund	168
Total Special Revenue Fund	<u>168</u>
Total	<u>\$ 52,858</u>
Committed	
Major Fund	
General Fund	
Sick leave liability	\$ 27,017
Total	<u>\$ 27,017</u>

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

10. Fund Balances (Continued)

Assigned	
Major Fund	
General Fund	
EMS building repair	\$ 16,019
Hydrite	4,076
Welcome sign	12,241
Pleasant Springs Fire expenses	<u>149,560</u>
Total	<u><u>\$ 181,897</u></u>
 Unassigned	
Major Fund	
General Fund	<u>\$ 1,031,354</u>
Total	<u><u>\$ 1,031,354</u></u>

11. 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 \$905,024 for fire protection and \$64,669 for emergency building maintenance in 2022, with reimbursements from the Village of Cottage Grove totaling \$551,265 for fire protection and \$40,250 for emergency building maintenance. The Town's portions of fire protection and emergency building maintenance payments were 36.77% 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, 2022, 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 two board members from each community. 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 2022 of \$274,699 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, 2022, is available directly from the district's office.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

11. Joint Ventures (Continued)

The Town's equity interest in the EMS District is equal to its percentage share of participation. The equity interest is reported in the governmental activities column of the government-wide statement of net position. Changes in the equity interest are reported on the statement of activities.

12. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

13. Commitments and Contingencies

From time to time, the Town is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the town attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Town's financial position or results of operations.

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Funding for the operating budget of the Town comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the Town. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the Town.

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 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

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

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

14. 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, 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 [https:// etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements](https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements).

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

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:

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

14. Defined Benefit Pension Plan (Continued)

<u>Year</u>	<u>Core Fund Adjustment (%)</u>	<u>Variable Fund Adjustment (%)</u>
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
2021	5.1	13.0

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

During the reporting period, the WRS recognized \$18,833 in contributions from the employer.

Contribution rates as of December 31, 2022, are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.50%	6.50%
Protective with Social Security	6.50%	12.00%
Protective without Social Security	6.50%	16.40%

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

At December 31, 2022, the Town reported a liability (asset) of (\$137,139) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2020, rolled forward to December 31, 2021. 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, 2021, the Town's proportion was 0.00170144%, which was an increase of 0.00003796% from its proportion measured as of December 31, 2020.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

14. Defined Benefit Pension Plan (Continued)

For the year ended December 31, 2022, the Town recognized pension revenue of \$17,183.

At December 31, 2022, 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	\$ 221,541	\$ (15,975)
Net differences between projected and actual earnings on pension plan investments	-	(306,791)
Changes in assumptions	25,585	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,200	(1,358)
Employer contributions subsequent to the measurement date	18,538	-
Total	\$ 266,864	\$ (324,124)

\$18,538 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, 2023. 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
2023	\$ (6,218)
2024	(37,068)
2025	(16,599)
2026	(15,913)
2027	-
Total	\$ (75,798)

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

14. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Liability (Asset):	December 31, 2021
	January 1, 2018 - December 31 2020
Experience Study:	Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table
Post-Retirement Adjustments	1.7%*

*No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% 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 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The Total Pension Liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 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, 2022

14. Defined Benefit Pension Plan (Continued)

Asset Allocation Targets and Expected Returns
As of December 31, 2021

<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	52	6.8	4.2
Fixed Income	25	4.3	1.8
Inflation Sensitive Assets	19	2.7	0.2
Real Estate	7	5.6	3.0
Private Equity/Debt	12	9.7	7.0
Total Core Fund	<u>115</u>	6.6	4.0
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	6.3	3.7
International Equities	30	7.2	4.6
Total Variable Fund	<u>100</u>	6.8	4.2

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

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

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%

Single Discount Rate. A single discount rate of 6.8% was used to measure the Total Pension Liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84% (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, 2021. 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 6.8% expected rate of return implies that a dividend of approximately 1.7% 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.

TOWN OF COTTAGE GROVE
Notes to the Financial Statements
December 31, 2022

14. Defined Benefit Pension Plan (Continued)

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 6.80 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 (5.80 percent) or 1-percentage-point higher (7.80 percent) than the current rate:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
Town's proportionate share of the net pension liability (asset)	\$ 97,309	\$ (137,139)	\$ (305,898)

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>.

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

The GASB has adopted 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.

16. Subsequent Event

In January 2023, the Town approved the purchase of a new public works truck at a cost of \$121,921.

17. Prior Period Adjustment

A prior period adjustment has been recorded on the statement of activities effective January 1, 2022 as follows:

Net Position, as previously stated	\$ 9,547,995
Additional work in progress not capitalized in 2019-2021	92,749
Reduction of total cost of asset jointly owned with Village of Cottage Grove	(72,730)
Reverse depreciation accumulated on asset jointly owned	7,758
Net Position, as restated	\$ 9,575,772

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, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,750,861	\$ 1,750,861	\$ 1,757,736	\$ 6,875
Intergovernmental	1,356,804	1,464,569	528,921	(935,648) *
License and Permits	95,900	95,900	105,512	9,612
Fines, Forfeitures and Penalties	30,000	30,000	47,024	17,024
Public Charges for Services	262,728	299,431	312,831	13,400
Intergovernmental Charges for Services	675,578	675,578	672,688	(2,890)
Investment Income	7,100	7,100	34,265	27,165
Miscellaneous Income	21,648	21,648	41,112	19,464
Total Revenues	<u>4,200,619</u>	<u>4,345,087</u>	<u>3,500,089</u>	<u>(844,998)</u>
EXPENDITURES				
Current:				
General Government	334,698	348,858	348,301	557
Public Safety	1,120,166	1,158,784	1,029,993	128,791
Public Works	1,224,602	1,339,253	1,311,705	27,548
Culture, Recreation, and Education	25,000	33,872	40,129	(6,257)
Health and Human Services	7,214	7,214	7,214	-
Conservation and Development	4,135	4,135	3,135	1,000
Capital Outlay	2,357,682	1,963,765	1,043,710	920,055 *
Debt Service:				
Principal Repayment	445,476	445,476	98,247	347,229
Interest Expense	22,176	22,176	25,514	(3,338)
Total Expenditures	<u>5,541,149</u>	<u>5,323,533</u>	<u>3,907,948</u>	<u>1,415,585</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,340,530)</u>	<u>(978,446)</u>	<u>(407,859)</u>	<u>570,587</u>
OTHER FINANCING SOURCES				
Property Sales	3,500	3,500	21,677	18,177
Proceeds from Long-Term Debt	1,046,573	652,656	286,125	(366,531)
Proceeds from Long-Term Lease	-	-	52,766	52,766
Total Other Financing Sources	<u>1,050,073</u>	<u>656,156</u>	<u>360,568</u>	<u>(295,588)</u>
Net Change in Fund Balance	(290,457)	(322,290)	(47,291)	274,999
Fund Balance - Beginning	1,347,934	1,347,934	1,347,934	-
Fund Balance - Ending	<u>\$ 1,057,477</u>	<u>\$ 1,025,644</u>	<u>\$ 1,300,643</u>	<u>\$ 274,999</u>

* See Notes to the Required Supplementary Information

See accompanying notes to the required supplementary information.

TOWN OF COTTAGE GROVE
WISCONSIN RETIREMENT SYSTEM SCHEDULES
December 31, 2022

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)
2021	(0.00170144%)	\$ (137,139)	\$ 279,010	(49.15%)	106.02%
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
2022	\$ 18,538	\$ 18,538	\$ -	\$ 285,196	6.50%
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, 2022

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.

Budgetary Basis to GAAP Basis

The Town's budgeted Intergovernmental revenues and Capital Outlay expenditures include balances contributed and financed by the State of Wisconsin for bridge replacement costs. Under the modified-accrual basis of accounting, which uses the current financial resources measurement focus, revenues are recorded when both measurable and available, and expenditures are recorded when the related fund liability is incurred. Therefore, the actual results reported no Intergovernmental revenues for bridge aid and \$203,340 for bridge expenditures (i.e., those expenditures paid by the Town).

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 4 preceding years.

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

Changes of assumptions. Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the post-retirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

TOWN OF COTTAGE GROVE
Notes to the Required Supplementary Information
December 31, 2022

2. Wisconsin Retirement System Schedules (Continued)

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-ended December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the post-retirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions:

	2021	2020	2019	2018	2017
Valuation Date:	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Actuarial Cost Method:	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
Amortization Method:	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period
Amortization Period:	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS
Asset Valuation Method:	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)
Actuarial Assumptions					
Net Investment Rate of Return:	5.4%	5.4%	5.5%	5.5%	5.5%
Weighted based on assumed rate for:					
Pre-retirement:	7.0%	7.0%	7.2%	7.2%	7.2%
Post-retirement:	5.0%	5.0%	5.0%	5.0%	5.0%
Salary Increases					
Wage Inflation:	3.0%	3.0%	3.2%	3.2%	3.2%
Seniority/Merit:	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%
Post-retirement Benefit Adjustments*:	1.9%	1.9%	2.1%	2.1%	2.1%

TOWN OF COTTAGE GROVE
Notes to the Required Supplementary Information
December 31, 2022

2. Wisconsin Retirement System Schedules (Continued)

Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions:

	2021	2020	2019	2018	2017
Retirement Age:	Experience - based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017.	Experience - based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015 - 2017.	Experience -based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012 - 2014.	Experience - based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012 - 2014.	Experience - based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012 - 2014.
Mortality:	Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%).	Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).

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

TOWN OF COTTAGE GROVE
Notes to the Required Supplementary Information
December 31, 2022

2. Wisconsin Retirement System Schedules (Continued)

Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions:

	2016	2015	2014	2013
Valuation Date:	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Actuarial Cost Method:	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
Amortization Method:	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period
Amortization Period:	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS
Asset Valuation Method:	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)
Actuarial Assumptions				
Net Investment Rate of Return:	5.5%	5.5%	5.5%	5.5%
assumed rate for:				
Pre-retirement:	7.2%	7.2%	7.2%	7.2%
Post-retirement:	5.0%	5.0%	5.0%	5.0%
Salary Increases				
Wage Inflation:	3.2%	3.2%	3.2%	3.2%
Seniority/Merit:	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%
Post-retirement Benefit Adjustments*:	2.1%	2.1%	2.1%	2.1%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2006 - 2008.
Mortality:	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality	Wisconsin Projected Experience Table - 2005 for women and 90% of the Wisconsin Projected Experience Table - 2005 for men.

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

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, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
TAXES				
Local taxes	\$ 1,738,962	\$ 1,738,962	\$ 1,738,962	\$ -
Other taxes	11,899	11,899	13,899	2,000
Total Taxes	<u>1,750,861</u>	<u>1,750,861</u>	<u>1,757,736</u>	<u>6,875</u>
INTERGOVERNMENTAL				
Federal disaster aid	-	1,914	1,914	-
State shared revenues	56,105	56,105	56,209	104
State aid- Fire insurance	18,478	18,478	18,981	503
State aid- Transportation	214,278	214,278	213,684	(594)
State aid- In lieu of forest lands	225	225	560	335
Other state payments	35,255	35,255	35,255	-
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	7,444	44
County aid- Highway and bridges	17,535	17,535	17,535	-
American Rescue Plan Act funds	5,000	110,851	110,851	-
Bridge Aid	937,583	937,583	-	(937,583)
County aid- Soldiers' graves	214	214	214	-
Landfill compensation fee	56,789	56,789	58,345	1,556
Total Intergovernmental	<u>1,356,804</u>	<u>1,464,569</u>	<u>528,921</u>	<u>(935,648)</u>
LICENSES AND PERMITS				
Business and occupational licenses	3,000	3,000	3,250	250
Dog licenses	1,500	1,500	1,451	(49)
Building permits and inspections	50,000	50,000	51,004	1,004
Zoning permits and fees	3,500	3,500	2,100	(1,400)
Cable television franchise fees	30,000	30,000	34,266	4,266
Other permits and fees	7,900	7,900	13,441	5,541
Total Licenses and Permits	<u>95,900</u>	<u>95,900</u>	<u>105,512</u>	<u>9,612</u>
FINES, FORFEITURES AND PENALTIES				
Law and ordinance violations	30,000	30,000	47,024	17,024
Total Fines, Forfeitures and Penalties	<u>30,000</u>	<u>30,000</u>	<u>47,024</u>	<u>17,024</u>

Town of Cottage Grove

**Detailed Schedule of Revenues and Other Financing Sources
Budget and Actual - General Fund
For the Year Ended December 31, 2022**

	<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	173,312	173,312	173,269	(43)
Recycling charges	87,125	87,125	87,167	42
Title search	1,500	1,500	2,100	600
Highway maintenance	-	-	400	400
Street lighting fees	791	791	791	-
Parks	-	-	7,275	7,275
Viney development	-	-	4,386	4,386
Other charges	-	36,703	37,443	740
Total Public Charges for Services	<u>262,728</u>	<u>299,431</u>	<u>312,831</u>	<u>13,400</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES				
Local- Fire services	620,510	620,510	616,302	(4,208)
Local- Emergency building maintenance	38,835	38,835	40,250	1,415
Local- Landfill charges	11,900	11,900	11,562	(338)
Other charges	4,333	4,333	4,574	241
Total Intergovernmental Charges for Services	<u>675,578</u>	<u>675,578</u>	<u>672,688</u>	<u>(2,890)</u>
INVESTMENT INCOME				
Interest income	7,000	7,000	33,885	26,885
Interest on special assessments/charges	100	100	380	280
Total Investment Income	<u>7,100</u>	<u>7,100</u>	<u>34,265</u>	<u>27,165</u>
MISCELLANEOUS				
Rent	20,198	20,198	21,011	813
Dividends	250	250	435	185
Library Prairie Cemetery funds	800	800	800	-
Insurance recoveries	-	-	2,272	2,272
Other miscellaneous revenues	400	400	16,594	16,194
Total Miscellaneous	<u>21,648</u>	<u>21,648</u>	<u>41,112</u>	<u>19,464</u>
OTHER FINANCING SOURCES				
Property sales	3,500	3,500	21,677	18,177
Proceeds from long-term debt	1,046,573	652,656	286,125	(366,531)
Proceeds from long-term lease	-	-	52,766	52,766
Total Other Financing Sources	<u>1,050,073</u>	<u>656,156</u>	<u>360,568</u>	<u>(295,588)</u>
Total Revenues and Other Financing Sources	<u>\$ 5,250,692</u>	<u>\$ 5,001,243</u>	<u>\$ 3,860,657</u>	<u>\$ (1,140,586)</u>

Town of Cottage Grove

**Detailed Schedule of Expenditures
Budget and Actual - General Fund
For the Year Ended December 31, 2022**

	<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	\$ 27,206	\$ 2,771
Planning committee	1,615	1,615	1,167	448
Town planner	4,900	4,900	11,228	(6,328)
Emergency government	1,861	1,861	2,219	(358)
Clerk/secretarial	86,591	86,591	91,918	(5,327)
Treasurer	36,911	36,911	39,373	(2,462)
Assessor	11,200	11,200	10,167	1,033
Judicial	34,983	34,983	17,528	17,455
Legal	45,510	45,510	63,834	(18,324)
Elections	12,000	22,216	21,409	807
Accounting	14,350	14,350	14,395	(45)
Property and liability insurance	30,000	30,000	18,005	11,995
Town hall	14,800	18,744	19,096	(352)
Flynn hall	10,000	10,000	9,000	1,000
Other general government	-	-	1,756	(1,756)
Total General Government	<u>334,698</u>	<u>348,858</u>	<u>348,301</u>	<u>557</u>
PUBLIC SAFETY				
Law enforcement	471,065	507,769	433,535	74,234
Fire protection	259,298	261,212	210,592	50,620
Ambulance	269,711	269,711	274,699	(4,988)
Fire inspection	2,422	2,422	2,045	377
Building inspection	40,000	40,000	44,453	(4,453)
Emergency building	77,670	77,670	64,669	13,001
Total Public Safety	<u>1,120,166</u>	<u>1,158,784</u>	<u>1,029,993</u>	<u>128,791</u>
PUBLIC WORKS				
Highway maintenance	565,063	641,552	587,173	54,379
Highway construction	350,000	388,162	388,162	-
Non-Highway expenses	22,102	22,102	26,270	(4,168)
Garbage and refuse collection	173,312	173,312	179,318	(6,006)
Recycling	87,125	87,125	95,192	(8,067)
Landfill	27,000	27,000	26,722	278
Property and liability insurance	-	-	8,868	(8,868)
Total Public Works	<u>1,224,602</u>	<u>1,339,253</u>	<u>1,311,705</u>	<u>27,548</u>

Town of Cottage Grove

**Detailed Schedule of Expenditures
Budget and Actual - General Fund
For the Year Ended December 31, 2022**

	<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	25,000	33,872	40,129	(6,257)
Total Culture, Recreation, and Education	<u>25,000</u>	<u>33,872</u>	<u>40,129</u>	<u>(6,257)</u>
HEALTH AND HUMAN SERVICES				
Outreach	7,000	7,000	7,000	-
Soldiers' graves	214	214	214	-
Total Health and Human Services	<u>7,214</u>	<u>7,214</u>	<u>7,214</u>	<u>-</u>
CONSERVATION AND DEVELOPMENT				
Yahara WINS pilot program	3,135	3,135	3,135	-
Economic development	1,000	1,000	-	1,000
Total Conservaton and Development	<u>4,135</u>	<u>4,135</u>	<u>3,135</u>	<u>1,000</u>
CAPITAL OUTLAY				
Law enforcement	-	-	52,766	(52,766)
Fire protection	1,156,331	694,934	695,133	(199)
Highway equipment	25,000	92,480	92,471	9
Bridge outlay	1,176,351	1,176,351	203,340	973,011
Total Capital Outlay	<u>2,357,682</u>	<u>1,963,765</u>	<u>1,043,710</u>	<u>920,055</u>
DEBT SERVICE				
Principal	445,476	445,476	98,247	347,229
Interest and fiscal charges	22,176	22,176	25,514	(3,338)
Total Debt Service	<u>467,652</u>	<u>467,652</u>	<u>123,761</u>	<u>343,891</u>
Total Expenditures	<u><u>\$ 5,541,149</u></u>	<u><u>\$ 5,323,533</u></u>	<u><u>\$ 3,907,948</u></u>	<u><u>\$ 1,415,585</u></u>