

# PRELIMINARY OFFICIAL STATEMENT DATED MAY 1, 2024

In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the Notes is excludable from gross income and is not an item of tax preference for federal income tax purposes; however, interest on the Notes is taken into account in determining "adjusted financial statement income" for purposes of computing the federal alternative minimum tax imposed on Applicable Corporations (as defined in Section 59(k) of the Code). See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Notes. The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.

The Notes shall be designated as "qualified tax-exempt obligations".

**New Issue**

**Rating: S&P Global Ratings "AA"/Stable**

## VILLAGE OF COTTAGE GROVE, WISCONSIN (Dane County)

### \$6,230,000\* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2024B

**BID OPENING:** May 8, 2024, 10:30 A.M., C.T.

**CONSIDERATION:** Not later than 11:59 P.M., C.T. on May 8, 2024 (PARAMETERS RESOLUTION)

**PURPOSE/AUTHORITY/SECURITY:** The \$6,230,000\* General Obligation Promissory Notes, Series 2024B (the "Notes") are being issued pursuant to Section 67.12(12), Wisconsin Statutes, by the Village of Cottage Grove, Wisconsin (the "Village"), for public purposes, including paying the cost of street improvements, designing a police station, park improvements, municipal facility improvements, and acquiring equipment for various departments. The Notes are general obligations of the Village, and all the taxable property in the Village is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

**DATE OF NOTES:** May 23, 2024

**MATURITY:** April 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$260,000	2032	\$350,000	2039	\$270,000
2026	840,000	2033	355,000	2040	270,000
2027	305,000	2034	450,000	2041	270,000
2028	370,000	2035	270,000	2042	270,000
2029	310,000	2036	270,000	2043	270,000
2030	295,000	2037	270,000		
2031	265,000	2038	270,000		

**\*MATURITY ADJUSTMENTS:** The Village reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each, with increases up to a maximum of \$325,000 per maturity or decreases down to not more than \$250,000 per maturity. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**TERM BONDS:** See "Term Bond Option" herein.

**INTEREST:** April 1, 2025 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Notes maturing on April 1, 2033 and thereafter are subject to call for prior optional redemption on April 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

**MINIMUM BID:** \$6,167,700.

**MAXIMUM BID:** \$6,790,700.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$124,600 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation.

**BOND COUNSEL &**

**DISCLOSURE COUNSEL:** Quarles & Brady LLP.

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

**BOOK-ENTRY-ONLY:** See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the Village to give any information or to make any representation other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Village. *This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.*

This Official Statement is not to be construed as a contract with the underwriter (Syndicate Manager). Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Official Statement and any addenda thereto relying on information of the Village and other sources for which there is reasonable basis for believing the information is accurate and complete. Quarles & Brady LLP will serve as Disclosure Counsel to the Village with respect to the Notes. Compensation of Ehlers and Associates, Inc., payable entirely by the Village, is contingent upon the delivery of the Notes.

## COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

**Preliminary Official Statement:** This Official Statement was prepared for the Village for dissemination to potential investors. Its primary purpose is to disclose information regarding the Notes to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

**Review Period:** This Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Official Statement, interested bidders will be informed by an addendum prior to the sale.

**Final Official Statement:** Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

**Continuing Disclosure:** Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Official Statement describes the conditions under which the Village is required to comply with the Rule.

## CLOSING CERTIFICATES

Upon delivery of the Notes, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Notes and all times subsequent thereto up to and including the time of the delivery of the Notes, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Notes; (3) a certificate evidencing the due execution of the Notes, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Notes, (b) neither the corporate existence or boundaries of the Village nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the Village which indicates that the Village does not expect to use the proceeds of the Notes in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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## VILLAGE OF COTTAGE GROVE VILLAGE BOARD

		<u>Term Expires</u>
John Williams	Village President	April 2025
Peter Doll	Village Trustee	April 2026
Cynthia Kelm-Nelson	Village Trustee	April 2026
Heidi Murphy	Village Trustee	April 2025
David Peterson	Village Trustee	April 2025
Chris Stoa	Village Trustee	April 2026
Sarah Valencia	Village Trustee	April 2025

## ADMINISTRATION

Matt Giese, Village Administrator  
Cameron Sawyer, Finance Director/Treasurer  
Lisa Kalata, Village Clerk

## PROFESSIONAL SERVICES

Larry Konopacki, Stafford Law, Village Attorney, Madison, Wisconsin  
Quarles & Brady LLP, Bond Counsel and Disclosure Counsel, Milwaukee, Wisconsin  
Ehlers and Associates, Inc., Municipal Advisors, Waukesha, Wisconsin  
*(Other office located in Roseville, Minnesota)*

## INTRODUCTORY STATEMENT

This Official Statement contains certain information regarding the Village of Cottage Grove, Wisconsin (the "Village") and the issuance of its \$6,230,000\* General Obligation Promissory Notes, Series 2024B (the "Notes"). **The Village Board adopted a resolution on April 15, 2024 (the "Parameters Resolution"), which authorized the Village Administrator or Finance Director/Treasurer to accept a bid for the Notes if the parameters and conditions set forth in the Parameters Resolution are met. If the parameters and conditions set forth in the Parameters Resolution are not met through the competitive bids received on May 8, 2024, then neither the Village Administrator nor Finance Director/Treasurer have the authority to award the sale of the Notes, and all bids will be rejected.**

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Waukesha, Wisconsin, (262) 785-1520, the Village's municipal advisor. A copy of this Official Statement may be downloaded from Ehlers' web site at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link and following the directions at the top of the site.

## THE NOTES

### GENERAL

The Notes will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of May 23, 2024. The Notes will mature on April 1 in the years and amounts set forth on the cover of this Official Statement. Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2025, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). All Notes of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Notes are held under the book-entry system, beneficial ownership interests in the Notes may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Notes shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Notes shall be payable as provided in the Parameters Resolution.

The Village has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The Village will pay the charges for Paying Agent services. The Village reserves the right to remove the Paying Agent and to appoint a successor.

### OPTIONAL REDEMPTION

At the option of the Village, the Notes maturing on or after April 1, 2033 shall be subject to optional redemption prior to maturity on April 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

\*Preliminary, subject to change.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the Village. If only part of the Notes having a common maturity date are called for redemption, then the Village or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the registration books.

**AUTHORITY; PURPOSE**

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, by the Village, for public purposes, including paying the cost of street improvements, designing a police station, park improvements, municipal facility improvements, and acquiring equipment for various departments.

**ESTIMATED SOURCES AND USES\***

<b>Sources</b>		
Par Amount of Notes	\$6,230,000	
Estimated Interest Earnings	<u>45,815</u>	
<b>Total Sources</b>		<b>\$6,275,815</b>
<b>Uses</b>		
Estimated Underwriter's Discount	\$62,300	
Costs of Issuance	100,300	
Deposit to Project Construction Fund	6,108,616	
Rounding Amount	<u>4,599</u>	
<b>Total Uses</b>		<b>\$6,275,815</b>

\*Preliminary, subject to change.

**SECURITY**

For the prompt payment of the Notes with interest thereon and for the levy of taxes sufficient for this purpose, the full faith, credit and resources of the Village will be irrevocably pledged. The Village will levy a direct, annual, irrevocable tax on all taxable property in the Village sufficient to pay the interest on the Notes when it becomes due and also to pay and discharge the principal on the Notes at maturity, in compliance with Article XI, Section 3 of the Wisconsin Constitution. Such tax may, under current law, be levied without limitation as to rate or amount.

## **RATING**

The Village received a rating of "AA" (stable outlook) on the Notes from S&P Global Ratings ("S&P"), and bidders were notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Notes, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the Village nor the underwriter undertake responsibility to bring to the attention of the owner of the Notes any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

## **CONTINUING DISCLOSURE**

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Notes, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the Village shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events. The Disclosure Undertaking includes the two new material events effective February 27, 2019 under the Rule.

On the date of issue and delivery of the Notes, the Village shall execute and deliver a Continuing Disclosure Certificate, under which the Village will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the Village are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the Village to comply with the Disclosure Undertaking will not constitute an event of default on the Notes. However, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

In the previous five years, the Village believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The Village has reviewed its continuing disclosure responsibilities, including the two new material events, to help ensure compliance in the future. Ehlers is currently engaged as dissemination agent for the Village.

## **LEGAL MATTERS**

An opinion as to the validity of the Notes and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the Village ("Bond Counsel"), and will be available at the time of delivery of the Notes. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the Village; provided that the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar

laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). (See "FORM OF LEGAL OPINION" found in Appendix B).

Quarles & Brady LLP has also been retained by the Village to serve as Disclosure Counsel to the Village with respect to the Notes. Although, as Disclosure Counsel to the Village, Quarles & Brady LLP has assisted the Village with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in the Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Notes for any investor.

## **TAX EXEMPTION**

Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the Notes under existing law substantially in the following form:

"The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on individuals; however, interest on the Notes is taken into account in determining "adjusted financial statement income" for purposes of computing the federal alternative minimum tax imposed on Applicable Corporations (as defined in Section 59(k) of the Code). The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The Village has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Village comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes."

The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.

Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors as to collateral federal income tax consequences.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Notes. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Notes may be enacted. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

## **ORIGINAL ISSUE DISCOUNT**

To the extent that the initial public offering price of certain of the Notes is less than the principal amount payable at maturity, such Notes ("Discounted Bonds") will be considered to be issued with original issue discount. The original issue discount is the excess of the stated redemption price at maturity of a Discounted Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discounted Bonds were sold (issue price). With respect to a taxpayer who purchases a Discounted Bond in the initial public offering at the issue price and who holds such Discounted Bond to maturity, the full amount of original issue



discount will constitute interest that is not includible in the gross income of the owner of such Discounted Bond for federal income tax purposes and such owner will not, subject to the caveats and provisions herein described, realize taxable capital gain upon payment of such Discounted Bond upon maturity.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Bond, on days that are determined by reference to the maturity date of such Discounted Bond. The amount treated as original issue discount on a Discounted Bond for a particular semiannual accrual period is generally equal to (a) the product of (i) the yield to maturity for such Discounted Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discounted Bond at the beginning of the particular accrual period if held by the original purchaser; and less (b) the amount of any interest payable for such Discounted Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If a Discounted Bond is sold or exchanged between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

For federal income tax purposes, the amount of original issue discount that is treated as having accrued with respect to such Discounted Bond is added to the cost basis of the owner in determining gain or loss upon disposition of a Discounted Bond (including its sale, exchange, redemption, or payment at maturity). Amounts received upon disposition of a Discounted Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain.

The accrual or receipt of original issue discount on the Discounted Bonds may result in certain collateral federal income tax consequences for the owners of such Discounted Bonds. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction.

The Code contains additional provisions relating to the accrual of original issue discount. Owners who purchase Discounted Bonds at a price other than the issue price or who purchase such Discounted Bonds in the secondary market should consult their own tax advisors with respect to the tax consequences of owning the Discounted Bonds. Under the applicable provisions governing the determination of state and local taxes, accrued interest on the Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year. Owners of Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds.

## **BOND PREMIUM**

To the extent that the initial offering price of certain of the Notes is more than the principal amount payable at maturity, such Notes ("Premium Bonds") will be considered to have bond premium.

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. The amortizable bond premium of each Premium Bond is calculated on a daily basis from the issue date of such Premium Bond until its stated maturity date (or call date, if any) on the basis of a constant interest rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Bonds. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds. Owners of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Premium Bonds.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Notes shall be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## **MUNICIPAL ADVISOR**

Ehlers has served as municipal advisor to the Village in connection with the issuance of the Notes. The Municipal Advisor cannot participate in the underwriting of the Notes. The financial information included in this Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor.

## **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

BTSC and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the Village, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the Village under an agreement separate from Ehlers.

## **INDEPENDENT AUDITORS**

The basic financial statements of the Village for the fiscal year ended December 31, 2023 have been audited by Baker Tilly US, LLP, Madison, Wisconsin, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

## RISK FACTORS

The following is a description of possible risks to holders of the Notes without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here. Potential investors should read this Official Statement, including the appendices, in its entirety.

**Taxes:** The Notes will be general obligations of the Village, the ultimate payment of which rests in the Village's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the Village in time to pay debt service when due.

**State Actions:** Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the Village, the taxable value of property within the Village, and the ability of the Village to levy and collect property taxes.

**Future Changes in Law:** Various State and federal laws, regulations and constitutional provisions apply to the Village and to the Notes. The Village can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the Village or the taxing authority of the Village.

**Ratings; Interest Rates:** In the future, the Village's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Notes for resale prior to maturity.

**Tax Exemption:** If the federal government taxes all or a portion of the interest on municipal bonds or notes or if the State government increases its tax on interest on bonds and notes, directly or indirectly, or if there is a change in federal or state tax policy, then the value of these Notes may fall for purposes of resale. Noncompliance by the Village with the covenants in the Parameters Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Notes in gross income of the recipient for United States income tax purposes, retroactive to the date of issuance.

**Continuing Disclosure:** A failure by the Village to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Notes. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

**Book-Entry-Only System:** The timely credit of payments for principal and interest on the Notes to the accounts of the Beneficial Owners of the Notes may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the Village to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Notes.

**Depository Risk:** Wisconsin Statutes direct the local treasurer to immediately deposit upon receipt thereof, the funds of the municipality in a public depository designated by the governing body. A public depository means a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank or national bank in Wisconsin or the local government pooled investment fund operated by the State Investment Board. It is not uncommon for a municipality to have deposits exceeding limits of federal and state insurance programs. Failure of a depository could result in loss of public funds or a delay in obtaining them. Such a loss or delay could interrupt a timely payment of municipal debt.

**Economy:** A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the Village, including loss of major taxpayers or major employers, could affect the local economy and result in

reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the Village may have an adverse effect on the value of the Notes in the secondary market.

**Secondary Market for the Notes:** No assurance can be given that a secondary market will develop for the purchase and sale of the Notes or, if a secondary market exists, that such Notes can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Notes at the request of the owners thereof. Prices of the Notes as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Notes. Such market value could be substantially different from the original purchase price.

**Bankruptcy:** The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Notes will be similarly qualified. See "MUNICIPAL BANKRUPTCY" herein.

**Cybersecurity:** The Village is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the Village will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

# VALUATIONS

## WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

### Equalized Value

Section 70.57, Wisconsin Statutes, requires the Department of Revenue to annually determine the equalized value (also referred to as full equalized value or aggregate full value) of all taxable property in each county and taxation district. The equalized value is an independent estimate of value used to equate individual local assessment policies so that property taxes are uniform throughout the various subdivisions in the State. Equalized value is calculated based on the history of comparable sales and information about value changes or taxing status provided by the local assessor. A comparison of the State-determined equalized value and the local assessed value, expressed as a percentage, is known as the assessment ratio or level of assessment. The Department of Revenue notifies each county and taxing jurisdiction of its equalized value on August 15; school districts are notified on October 1. The equalized value of each county is the sum of the valuations of all cities, villages, and towns within its boundaries. Taxing jurisdictions lying in more than one municipality, such as counties, school districts, or special taxing districts, use the equalized value of the underlying units in calculating and levying their respective levies. Equalized values are also used to apportion state aids and calculate municipal general obligation debt limits.

### Assessed Value

The "assessed value" of taxable property in a municipality is determined by the local assessor, except for manufacturing properties which are valued by the State. Each city, village or town retains its own local assessor, who must be certified by the State Department of Revenue. Assessed value is used by these municipalities to determine tax levy mill rates and to apportion levies among individual property owners. Each taxing district must assess property at full value at least once in every five-year period. The State requires that the assessed values must be within 10% of State equalized values at least once every four years. The local assessor values property as of January 1 each year and submits those values to each municipality by the second Monday in June. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by the second Monday in June.

## CURRENT PROPERTY VALUATIONS

2023 Equalized Value	\$1,241,981,400
2023 Equalized Value Reduced by Tax Increment Valuation	\$948,230,500
2023 Assessed Value	\$1,013,484,200

## 2023 EQUALIZED VALUE BY CLASSIFICATION

	2023 Equalized Value <sup>1</sup>	Percent of Total Equalized Value
Residential	\$895,199,100	72.078%
Commercial	322,640,500	25.978%
Manufacturing	8,472,800	0.682%
Agricultural	249,300	0.020%
Undeveloped	163,700	0.013%
Ag Forest	141,800	0.011%
Forest	81,900	0.007%
Other	396,700	0.032%
Personal Property	<u>14,635,600</u>	<u>1.178%</u>
Total	<u><u>\$1,241,981,400</u></u>	<u><u>100.000%</u></u>

## TREND OF VALUATIONS

Year	Assessed Value	Equalized Value <sup>1</sup>	Percent Increase/Decrease in Equalized Value
2019	\$685,747,800	\$798,718,600	7.06%
2020	847,290,000	842,628,700	5.50%
2021	882,574,900	906,457,000	7.57%
2022	944,834,300	1,006,437,800	11.03%
2023	1,013,484,200	1,241,981,400	23.40%

**Source:** Wisconsin Department of Revenue, Bureau of Equalization and Local Government Services Bureau.

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<sup>1</sup> Includes tax increment valuation.

## LARGER TAXPAYERS

Taxpayer	Type of Business/Property	2023 Equalized Value <sup>1</sup>	Percent of Village's Total Equalized Value
Summit Credit Union	Credit Union	\$34,701,272	2.79%
Cottage Grove Commons LLC	Apartments	34,168,198	2.75%
Continental 607 Fund LLC	Apartments	25,623,085	2.06%
CG Commons 105 LLC	Apartments	19,438,815	1.57%
Drumlin Reserve Property LLC	Care Facility	16,390,000	1.32%
Johnson Health Tech North America Inc.	Commercial Building	12,367,314	1.00%
Hydrite Chemical Co.	Manufacturing	10,643,586	0.86%
Landmark Services Cooperative	Commercial Building	9,043,997	0.73%
Badger Hotel Group LLC	Hotel	6,876,040	0.55%
421 Cottage Grove Road LLC	Retail	<u>6,851,041</u>	<u>0.55%</u>
Total		\$176,103,348	14.18%
Village's Total 2023 Equalized Value <sup>2</sup>		\$1,241,981,400	

**Source:** The Village.

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<sup>1</sup> Calculated by dividing the 2023 Assessed Values by the 2023 Aggregate Ratio of assessment for the Village.

<sup>2</sup> Includes tax increment valuation.

## DEBT

### DIRECT DEBT<sup>1</sup>

#### General Obligation Debt (see schedules following)

Total General Obligation Debt (includes the Notes)*	<u>\$32,011,235</u>
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#### Revenue Debt (see schedules following)

Total revenue debt secured by sewer revenues	<u>\$1,180,356</u>
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Total revenue debt secured by water revenues	<u>\$2,498,412</u>
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### DEBT PAYMENT HISTORY

Due to an administrative error, the Village did not timely process the October 1, 2021 interest payments on its General Obligation Promissory Notes, dated September 5, 2012, Taxable General Obligation Refunding Bonds, dated September 5, 2012 and General Obligation Refunding Bonds, Series 2014A, dated June 12, 2014. The Village set up a wire payment to DTC which was processed on October 5, 2021. The Village has since appointed BTSC as Fiscal Agent for the above-described issues.

### FUTURE FINANCING

The Village expects to issue general obligation debt for capital projects in 2025, but the amount and timing have not yet been determined. Other than the preceding, the Village has no current plans for additional financing in the next 12 months.

### DEBT LIMIT

The constitutional and statutory general obligation debt limit for Wisconsin municipalities, including towns, cities, villages, and counties (Article XI, Section 3 of the Wisconsin Constitution and Section 67.03, Wisconsin Statutes) is 5% of the current equalized value.

Equalized Value	\$1,241,981,400
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$62,099,070
Less: General Obligation Debt*	<u>(32,011,235)</u>
Unused Debt Limit*	<u>\$30,087,835</u>

\*Preliminary, subject to change.

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<sup>1</sup> Outstanding debt is as of the dated date of the Notes.



Village of Cottage Grove, Wisconsin  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Taxes  
(As of 05/23/2024)

	Sewerage System Promissory Notes (CWFL) Series 2009		Refunding Bonds Series 2014A		Refunding Bonds Series 2015B		Corporate Purpose Bonds Series 2017A		Sewerage Project Bonds Series 2018A	
Dated	02/25/2009		06/12/2014		04/07/2015		04/12/2017		06/20/2018	
Amount	\$1,561,922		\$6,420,000		\$4,200,000		\$6,500,000		\$2,415,000	
Maturity	05/01		04/01		04/01		04/01		04/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	0	5,296	0	14,834	0	24,838	0	47,794	0	24,909
2025	95,372	9,320	655,000	22,709	320,000	45,675	595,000	86,663	445,000	43,144
2026	97,916	6,742	700,000	7,875	240,000	38,675	575,000	69,113	85,000	35,194
2027	100,529	4,095			245,000	32,613	290,000	56,138	85,000	32,644
2028	103,211	1,377			240,000	25,950	230,000	48,338	90,000	30,019
2029					260,000	18,450	230,000	41,438	90,000	27,319
2030					245,000	10,875	125,000	36,113	90,000	24,619
2031					240,000	3,600	125,000	32,363	90,000	21,919
2032							125,000	28,300	85,000	19,241
2033							130,000	23,838	85,000	16,584
2034							140,000	18,938	85,000	13,928
2035							145,000	13,594	90,000	11,138
2036							145,000	8,156	90,000	8,213
2037							145,000	2,719	95,000	5,147
2038									105,000	1,772
2039										
2040										
2041										
2042										
2043										
	397,027	26,830	1,355,000	45,419	1,790,000	200,675	3,000,000	513,500	1,610,000	315,788

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Village of Cottage Grove, Wisconsin  
Schedule of Bonded Indebtedness continued  
General Obligation Debt Secured by Taxes  
(As of 05/23/2024)

	Promissory Note Series 2019A		Parks and Public Grounds Bonds Series 2020A		State Trust Fund Loan		Corporate Purpose Bonds Series 2022A		Corporate Purpose Bonds Series 2023A	
Dated	07/22/2019		06/18/2020		03/29/2022		08/04/2022		06/22/2023	
Amount	\$785,000		\$1,820,000		\$1,000,000		\$7,795,000		\$3,015,000	
Maturity	04/01		04/01		03/15		04/01		04/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	0	5,929	0	14,850	0	0	0	136,063	0	61,900
2025	80,000	10,742	80,000	28,900	199,702	15,355	220,000	267,725	150,000	120,050
2026	82,000	8,482	80,000	27,300	204,694	10,363	220,000	258,925	155,000	112,425
2027	85,000	6,152	85,000	25,650	209,812	5,245	200,000	250,525	165,000	104,425
2028	88,000	3,739	85,000	23,950			220,000	242,125	170,000	96,050
2029	90,000	1,256	85,000	22,250			245,000	232,825	105,000	89,175
2030			90,000	20,500			375,000	220,425	115,000	83,675
2031			90,000	18,700			405,000	204,825	115,000	77,925
2032			90,000	16,900			540,000	188,625	125,000	71,925
2033			95,000	15,050			500,000	173,025	130,000	66,200
2034			95,000	13,150			495,000	158,100	130,000	61,000
2035			95,000	11,250			495,000	142,013	140,000	55,600
2036			100,000	9,300			490,000	124,775	145,000	49,900
2037			100,000	7,300			485,000	106,500	150,000	44,000
2038			105,000	5,250			490,000	87,000	155,000	37,900
2039			105,000	3,150			490,000	67,400	160,000	31,600
2040			105,000	1,050			485,000	47,900	165,000	25,100
2041							480,000	28,600	175,000	18,300
2042							475,000	9,500	185,000	11,100
2043									185,000	3,700
	425,000	36,298	1,485,000	264,500	614,207	30,963	7,310,000	2,946,875	2,820,000	1,221,950

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Village of Cottage Grove, Wisconsin  
Schedule of Bonded Indebtedness continued  
General Obligation Debt Secured by Taxes  
(As of 05/23/2024)

Dated Amount	Taxable Promissory Notes Series 2024A		Promissory Notes Series 2024B		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	03/21/2024	04/01	05/23/2024	04/01						
\$4,975,000			\$6,230,000*							
Calendar Year Ending	Principal	Interest	Principal	Estimated Interest						
2024	0	0	0	0	0	336,413	336,413	32,011,235	.00%	2024
2025	455,000	364,676	260,000	326,833	3,555,073	1,341,792	4,896,865	28,456,161	11.11%	2025
2026	555,000	209,518	840,000	218,373	3,834,610	1,002,982	4,837,593	24,621,551	23.08%	2026
2027	580,000	181,143	305,000	196,560	2,350,340	895,188	3,245,528	22,271,211	30.43%	2027
2028	610,000	151,393	370,000	184,165	2,206,211	807,104	3,013,315	20,065,000	37.32%	2028
2029	645,000	120,018	310,000	171,755	2,060,000	724,484	2,784,484	18,005,000	43.75%	2029
2030	675,000	87,018	295,000	160,788	2,010,000	644,011	2,654,011	15,995,000	50.03%	2030
2031	710,000	52,393	265,000	150,708	2,040,000	562,431	2,602,431	13,955,000	56.41%	2031
2032	745,000	17,321	350,000	139,725	2,060,000	482,037	2,542,037	11,895,000	62.84%	2032
2033			355,000	127,034	1,295,000	421,731	1,716,731	10,600,000	66.89%	2033
2034			450,000	112,118	1,395,000	377,233	1,772,233	9,205,000	71.24%	2034
2035			270,000	98,483	1,235,000	332,076	1,567,076	7,970,000	75.10%	2035
2036			270,000	87,953	1,240,000	288,296	1,528,296	6,730,000	78.98%	2036
2037			270,000	77,085	1,245,000	242,751	1,487,751	5,485,000	82.87%	2037
2038			270,000	65,813	1,125,000	197,734	1,322,734	4,360,000	86.38%	2038
2039			270,000	54,203	1,025,000	156,353	1,181,353	3,335,000	89.58%	2039
2040			270,000	42,390	1,025,000	116,440	1,141,440	2,310,000	92.78%	2040
2041			270,000	30,443	925,000	77,343	1,002,343	1,385,000	95.67%	2041
2042			270,000	18,360	930,000	38,960	968,960	455,000	98.58%	2042
2043			270,000	6,143	455,000	9,843	464,843	0	100.00%	2043
	4,975,000	1,183,477	6,230,000	2,268,927	32,011,235	9,055,202	41,066,437			

\* Preliminary, subject to change.

**Village of Cottage Grove, Wisconsin  
Schedule of Bonded Indebtedness  
Revenue Debt Secured by Sewer Revenues  
(As of 05/23/2024)**

**Sewer System Revenue Bonds  
(CWFL)  
Series 2009**

<b>Dated</b>	02/25/2009
<b>Amount</b>	\$4,636,221
<b>Maturity</b>	05/01

<b>Calendar Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Principal</b>	<b>Total Interest</b>	<b>Total P &amp; I</b>	<b>Principal Outstanding</b>	<b>% Paid</b>	<b>Calendar Year Ending</b>
<b>2024</b>	0	15,746	0	15,746	15,746	1,180,356	.00%	<b>2024</b>
<b>2025</b>	283,539	27,709	283,539	27,709	311,248	896,817	24.02%	<b>2025</b>
<b>2026</b>	291,103	20,044	291,103	20,044	311,147	605,714	48.68%	<b>2026</b>
<b>2027</b>	298,870	12,174	298,870	12,174	311,043	306,844	74.00%	<b>2027</b>
<b>2028</b>	306,844	4,093	306,844	4,093	310,937	0	100.00%	<b>2028</b>
	1,180,356	79,766	1,180,356	79,766	1,260,122			

Village of Cottage Grove, Wisconsin  
Schedule of Bonded Indebtedness  
Revenue Debt Secured by Water Revenues  
(As of 05/23/2024)

Dated Amount	Water System Revenue Bonds (SDWFL) Series 2013		Water System Revenue Bonds (SDWFL) Series 2015		Water System Revenue Bonds (SDWFL) Series 2016							
	06/12/2013 \$2,646,556		12/23/2015 \$716,958		12/28/2016 \$1,072,280							
Maturity	05/01		05/01		05/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	0	13,221	0	3,845	0	5,349	0	22,415	22,415	2,498,412	.00%	2024
2025	141,248	25,083	35,727	7,370	53,150	10,289	230,124	42,743	272,867	2,268,287	9.21%	2025
2026	143,967	22,338	36,366	6,726	53,968	9,464	234,301	38,528	272,829	2,033,987	18.59%	2026
2027	146,738	19,540	37,016	6,070	54,799	8,627	238,553	34,236	272,790	1,795,434	28.14%	2027
2028	149,563	16,688	37,678	5,402	55,643	7,776	242,884	29,866	272,750	1,552,550	37.86%	2028
2029	152,442	13,781	38,351	4,722	56,500	6,913	247,293	25,416	272,710	1,305,256	47.76%	2029
2030	155,377	10,818	39,037	4,031	57,370	6,036	251,784	20,885	272,669	1,053,473	57.83%	2030
2031	158,368	7,799	39,735	3,326	58,254	5,146	256,356	16,271	272,627	797,117	68.10%	2031
2032	161,416	4,721	40,445	2,610	59,151	4,242	261,012	11,572	272,584	536,104	78.54%	2032
2033	164,523	1,584	41,169	1,880	60,062	3,324	265,754	6,787	272,541	270,351	89.18%	2033
2034			41,905	1,137	60,987	2,392	102,891	3,529	106,420	167,459	93.30%	2034
2035			42,654	381	61,926	1,445	104,580	1,827	106,406	62,880	97.48%	2035
2036					62,880	484	62,880	484	63,364	0	100.00%	2036
	1,373,641	135,573	430,081	47,501	694,689	71,486	2,498,412	254,559	2,752,971			

## OVERLAPPING DEBT<sup>1</sup>

Taxing District	Equalized Value <sup>2</sup>	% In Village	Total G.O. Debt <sup>3</sup>	Village's Proportionate Share
Dane County	\$99,140,491,900	1.2527%	\$681,070,000	\$8,531,764
Madison Area Technical College District <sup>4</sup>	135,661,750,195	0.9155%	176,990,000	1,620,343
Monona Grove School District	3,598,942,080	34.2582%	70,485,000	24,146,892
Sun Prairie School District	8,201,709,494	0.1103%	300,455,000	331,402
Madison Metropolitan Sewerage District <sup>5</sup>	72,956,533,472	1.6743%	136,451,675	<u>2,284,610</u>
Village's Share of Total Overlapping Debt				<u><u>\$36,915,012</u></u>

## DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$1,241,981,400	Debt/ Per Capita 9,218 <sup>6</sup>
Total General Obligation Debt*	\$32,011,235	2.58%	\$3,472.69
Village's Share of Total Overlapping Debt	<u>36,915,012</u>	<u>2.97%</u>	<u>4,004.67</u>
Total*	\$68,926,247	5.55%	\$7,477.35

\*Preliminary, subject to change.

<sup>1</sup> Overlapping debt is as of the dated date of the Notes. Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

<sup>2</sup> Includes tax increment valuation.

<sup>3</sup> Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

<sup>4</sup> Includes the \$3,000,000 General Obligation Promissory Notes, Series 2023-24G expected to close June 4, 2024.

<sup>5</sup> Principal amount of outstanding long-term debt as of February 29, 2024, including long-term debt expected to be issued and principal payments made in 2024.

<sup>6</sup> Estimated 2023 population.

## TAX LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

Tax Year	Levy for Village Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2019/20	\$4,220,470	100%	\$6.05
2020/21	4,410,900	100%	6.09
2021/22	4,704,987	100%	6.20
2022/23	5,054,113	100%	6.27
2023/24	5,482,883	In Process	5.78

Property tax statements are distributed to taxpayers by the town, village, and city treasurers in December of the levy year. Current state law requires counties to pay 100% of the real property taxes levied to cities, villages, towns, school districts and other taxing entities on or about August 20 of the collection year.

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment roll are collected from each taxing entity in the year following the levy year. The personal property tax has been repealed, starting with the property tax assessments as of January 1, 2024. Beginning in 2025, the personal property tax has been replaced with a payment from the State intended to replace the amount of property taxes imposed on personal property for the property tax assessments as of January 1, 2023.

## PROPERTY TAX RATES

Full value rates for property taxes expressed in dollars per \$1,000 of equalized value (excluding tax increment valuation) that have been collected in recent years have been as follows:

<b>Year Levied/ Year Collected</b>	<b>Schools<sup>1</sup></b>	<b>County</b>	<b>Local</b>	<b>Total</b>
2019/20	\$14.03	\$3.29	\$6.05	\$23.37
2020/21	13.34	3.25	6.09	22.68
2021/22	12.33	3.28	6.20	21.81
2022/23	11.03	3.05	6.27	20.35
2023/24	11.47	3.09	5.78	20.34

**Source:** Property Tax Rates were extracted from Statement of Taxes prepared by the Wisconsin Department of Revenue, Division of State and Local Finance.

## LEVY LIMITS

Section 66.0602 of the Wisconsin Statutes, imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of either the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current or zero percent; for a tax incremental district created after December 31, 2024, the valuation factor includes 90% of the equalized value increase due to new construction that is located in a tax incremental district, but does not include any improvements removed in a tax incremental district). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. In 2018, and in each year thereafter, the base amount is the actual levy for the immediately preceding year plus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes (an amount equal to the property taxes formerly levied on certain items of personal property), and the levy limit is the base amount multiplied by the valuation factor, minus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 1.5% of the prior year's actual levy. The use of the carry forward levy adjustment needs to be approved by a majority vote of the political subdivision's governing body (except in the case of towns) if the amount of carry forward levy adjustment is less than or equal to 0.5% and by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members) (except in the case of towns) if the amount of the carry forward levy adjustment is greater than 0.5% up to the maximum increase of 1.5%. For towns, the use of the carry forward levy adjustment needs to be approved by a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5% or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%.

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<sup>1</sup> The Schools tax rate reflects the composite rate of all local school districts and technical college district.



Beginning with levies imposed in 2015, if a political subdivision does not make an adjustment in its levy as described in the above paragraph in the current year, the political subdivision may increase its levy by the aggregate amount of the differences between the political subdivision's valuation factor in the previous year and the actual percent increase in a political subdivision's levy attributable to the political subdivision's valuation factor in the previous year, for the five years before the current year, less any amount of such aggregate amount already claimed as an adjustment in any of the previous five years. The calculation of the aggregate amount available for such adjustment may not include any year before 2014, and the maximum adjustment allowed may not exceed 5%. The use of the adjustment described in this paragraph requires approval by a two-thirds vote of the political subdivision's governing body, and the adjustment may only be used if the political subdivision's level of outstanding general obligation debt in the current year is less than or equal to the political subdivision's level of outstanding general obligation debt in the previous year.

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other adjustments to and exclusions from the tax levy limit. Among the exclusions, Section 66.0602(3)(e)5. of the Wisconsin Statutes provides that the levy limit does not apply to "the amount that a political subdivision levies in that year to make up any revenue shortfall for the debt service on a revenue bond issued under Section 66.0621 by that political subdivision." Recent positions taken by the Wisconsin Department of Revenue ("DOR") call into question the availability of this exception if the revenue shortfall is planned or ongoing. To date, such DOR positions have not been expressed formally in a declaratory ruling under Section 227.41(5)(a) of the Wisconsin Statutes, nor have they been the subject of any court challenge or resulting court ruling.

With respect to general obligation debt service, the following provisions are made:

(a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.

(b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact political subdivisions that experience a reduction in offsetting revenues.

(c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

The Notes were authorized after July 1, 2005 and therefore the levy limits do not apply to taxes levied to pay debt service on the Notes.

## **REVENUE FROM THE STATE**

In addition to local property taxes described above, a number of state programs exist which provide revenue to the Village. One such program is commonly known as shared revenue which, pursuant to sec. 79.036, Wis. Stats., provides funding to the Village that can be used for any public purpose. 2023 Wisconsin Act 12 ("Act 12") created a supplement to shared revenue, with payments to the Village beginning in 2024. This supplemental shared revenue may be used only for the purposes specified in section 79.037, Wis. Stats. In 2024, the Village is expected to receive approximately \$272,000 in shared revenue and supplemental shared revenue from the State, an increase from the approximately \$46,000 received in 2023. In future years, the amount of supplemental shared revenue could grow if State sales tax collections grow.

# THE ISSUER

## VILLAGE GOVERNMENT

The Village was incorporated in 1923 and is governed by the Village President and six other Village Board members. Board members are elected to serve staggered two-year terms. The President votes in all cases. The appointed Village Administrator, Village Clerk and Village Finance Director/Treasurer are responsible for administrative details and financial records.

## EMPLOYEES; PENSIONS

The Village employs a staff of 45 full-time, one part-time, and 18 seasonal employees. All eligible employees in the Village are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

Village employees are generally required to contribute half of the actuarially determined contributions, and the Village generally may not pay the employees' required contribution. During the fiscal year ended December 31, 2021 ("Fiscal Year 2021"), the fiscal year ended December 31, 2022 ("Fiscal Year 2022") and the fiscal year ended December 31, 2023 ("Fiscal Year 2023"), the Village's portion of contributions to WRS (not including any employee contributions) totaled \$179,735, \$207,071 and \$272,731, respectively.

Governmental Accounting Standards Board Statement No. 68 ("GASB 68") requires calculation of a net pension liability for the pension plan. The net pension liability is calculated as the difference between the pension plan's total pension liability and the pension plan's fiduciary net position. The pension plan's total pension liability is the present value of the amounts needed to pay pension benefits earned by each participant in the pension plan based on the service provided as of the date of the actuarial valuation. In other words, it is a measure of the present value of benefits owed as of a particular date based on what has been earned only up to that date, without taking into account any benefits earned after that date. The pension plan's fiduciary net position is the market value of plan assets formally set aside in a trust and restricted to paying pension plan benefits. If the pension plan's total pension liability exceeds the pension plan's fiduciary net position, then a net pension liability results. If the pension plan's fiduciary net position exceeds the pension plan's total pension liability, then a net pension asset results.

As of December 31, 2022, the total pension liability of the WRS was calculated as \$123.7 billion and the fiduciary net position of the WRS was calculated as \$118.4 billion, resulting in a net pension liability of \$5.3 billion.

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2023, the Village reported a liability of \$863,459 for its proportionate share of the net pension liability of the WRS. The net pension liability was measured as of December 31, 2022 based on the Village's share of contributions to the pension plan relative to the contributions of all participating employers. The Village's proportion was 0.01629875% of the aggregate WRS net pension asset as of December 31, 2022.

The calculation of the total pension asset and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of net pension asset of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see Note 4 in "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

## Recognized and Certified Bargaining Units

All eligible Village personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have rights to organize and collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

As a result of the 2011 amendments to MERA, the Village is prohibited from bargaining collectively with municipal employees, other than public safety and transit employees, with respect to any factor or condition of employment except total base wages. Even then, the Village is limited to increasing total base wages beyond any increase in the consumer price index since 180 days before the expiration of the previous collective bargaining agreement (unless Village were to seek approval for a higher increase through a referendum). Ultimately, the Village can unilaterally implement the wages for a collective bargaining unit.

Under the changes to MERA, impasse resolution procedures were removed from the law for municipal employees of the type employed by the Village, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. Furthermore, if strikes do occur, they may be enjoined by the courts. Additionally, because the only legal subject of bargaining is total base wages, all bargaining over items such as just cause, benefits, and terms of conditions of employment are prohibited and cannot be included in a collective bargaining agreement. Impasse resolution for public safety employees and transit employees is subject to final and binding arbitration procedures, which do not include a right to strike. Interest arbitration is available for transit employees if certain conditions are met.

The following bargaining unit represents employees of the Village:

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
Wisconsin Professional Police Association	December 31, 2025

## OTHER POST EMPLOYMENT BENEFITS

The Village provides "other post-employment benefits" ("OPEB") (i.e., post-employment benefits, other than pension benefits, owed to its employees and former employees) through a single-employer defined benefit plan to employees who have terminated their employment with the Village and have satisfied specified eligibility standards. Eligible retirees may remain on the Village's group health plan, but are responsible for payment of the full cost of premiums, resulting in an implicit rate subsidy benefit. The Village had an actuarial study completed in March 2019 to measure the plan's liability, which was measured as \$149,793 as of December 31, 2017. The Village also participates in the Local Retiree Life Insurance Fund ("LRLIF"), which is a cost-sharing multiple-employer defined benefit plan established by Chapter 40. The ETF and the Group Insurance Board have statutory authority for program administration and oversight, including establishing contribution requirements for employers. The Village's auditor has determined that the above described benefits are no longer material for inclusion in the notes to the Village's financial statements, and the Village will have a new actuarial study prepared in the next year to confirm this determination.

## **LITIGATION**

There is no litigation threatened or pending questioning the organization or boundaries of the Village or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Notes or otherwise questioning the validity of the Notes.

## **MUNICIPAL BANKRUPTCY**

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no express authority for municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future, while the Notes are outstanding, in a way that would allow the Village to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the Village to file for relief under Chapter 9. If, in the future, the Village were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the Village could properly do so, which would involve questions regarding State law authority as well as other questions such as whether the Village is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the Village could properly file a bankruptcy case, and that determination was not reversed, vacated, or otherwise substantially altered on appeal, then the rights of holders of the Notes could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Notes, and there could ultimately be no assurance that holders of the Notes would be paid in full or in part on the Notes. Further, under such circumstances, there could be no assurance that the Notes would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Notes could be viewed as having no priority (a) over claims of other creditors of the Village; (b) to any particular assets of the Village, or (c) to revenues otherwise designated for payment to holders of the Notes.

Moreover, if the Village were determined not to be a "municipality" for the purposes of the Bankruptcy Code, no representations can be made regarding whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. In any such case, there can be no assurance that the consequences described above for the holders of the Notes would not occur.

**FUNDS ON HAND** (as of March 31, 2024)

<b>Fund</b>	<b>Total Cash and Investments</b>
Lake Ridge Bank	\$13,896,922
LGIP	580,696
BNY Mellon-Pershing	<u>2,913,331</u>
 Total Funds on Hand	 <u><u>\$17,390,949</u></u>

**ENTERPRISE FUNDS**

Revenues available for debt service for the Village's enterprise funds have been as follows as of December 31 each year:

	<b>2021 Audited</b>	<b>2022 Audited</b>	<b>2023 Audited</b>
<b>Water<sup>1</sup></b>			
Total Operating Revenues	\$1,390,040	\$1,437,618	\$1,578,572
Less: Operating Expenses	<u>(941,584)</u>	<u>(1,150,611)</u>	<u>(1,362,638)</u>
Operating Income	\$448,456	\$287,007	\$215,934
Plus: Depreciation	424,034	443,219	462,881
Interest Income	<u>(2,121)</u>	<u>(22,468)</u>	<u>86,815</u>
Revenues Available for Debt Service	<u><u>\$870,369</u></u>	<u><u>\$707,758</u></u>	<u><u>\$765,630</u></u>
<b>Sewer</b>			
Total Operating Revenues	\$2,180,740	\$2,516,282	\$2,714,966
Less: Operating Expenses	<u>(1,855,173)</u>	<u>(2,044,045)</u>	<u>(2,289,105)</u>
Operating Income	\$325,567	\$472,237	\$425,861
Plus: Depreciation	516,460	536,174	557,422
Interest Income	<u>857</u>	<u>2,325</u>	<u>158,165</u>
Revenues Available for Debt Service	<u><u>\$842,884</u></u>	<u><u>\$1,010,736</u></u>	<u><u>\$1,141,448</u></u>

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<sup>1</sup> The Village implemented an 8% Simplified Rate increase effective October 1, 2023. The Village submitted a conventional rate increase request to the Wisconsin Public Service Commission (“WPSC”), which was approved by the WPSC and implemented by the Village on April 1, 2024. The water bill for an average consumer who uses 4,000 gallons of water per month will increase from \$33.18 to \$47.34 or 23.99%, including the public fire protection charge. The total estimated increase in water revenues from the rate increase is \$393,857. Starting the month of April 2024, both water and sewer charges are now billed monthly.

**SUMMARY GENERAL FUND INFORMATION**

The following are summaries of the revenues and expenditures and fund balances for the Village's General Fund. These summaries are not purported to be the complete audited financial statements of the Village, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the Village. Copies of the complete statements are available upon request. Appendix A includes the 2023 audited financial statements.

<b>FISCAL YEAR ENDING DECEMBER 31</b>					
<b>COMBINED STATEMENT</b>	<b>2020 Audited</b>	<b>2021 Audited</b>	<b>2022 Audited</b>	<b>2023 Audited</b>	<b>2024 Adopted Budget 1)</b>
<b>Revenues</b>					
Taxes and Special assessments	\$3,319,252	\$3,390,781	\$3,516,308	\$3,847,991	\$4,498,257
Intergovernmental	674,664	534,479	656,169	571,660	942,957
Licenses and permits	540,502	507,615	144,753	193,653	297,150
Fines, forfeitures and penalties	39,443	37,703	71,357	69,327	75,000
Public charges for services	302,787	417,423	507,889	436,087	679,700
Investment income (loss)	42,582	33,271	32,024	301,876	120,000
Miscellaneous	63,368	24,922	17,147	99,296	218,439
<b>Total Revenues</b>	<u>\$4,982,598</u>	<u>\$4,946,194</u>	<u>\$4,945,647</u>	<u>\$5,519,889</u>	<u>\$6,831,503</u>
<b>Expenditures</b>					
Current:					
General government	\$776,002	\$768,708	\$857,112	\$856,791	\$1,089,186
Public safety	2,436,502	2,491,863	2,633,171	2,890,666	3,565,120
Public works	1,135,675	1,103,010	1,105,757	1,045,522	1,245,326
Health and human services	0	0	25,359	28,000	32,000
Culture, recreation and education	521,837	641,907	665,523	747,756	801,356
Conservation and development	96,727	101,129	411,289	104,183	106,500
<b>Total Expenditures</b>	<u>\$4,966,743</u>	<u>\$5,106,617</u>	<u>\$5,698,211</u>	<u>\$5,672,918</u>	<u>\$6,839,488</u>
<b>Excess of revenues over (under) expenditures</b>	\$15,855	(\$160,423)	(\$752,564)	(\$153,029)	(\$7,985)
<b>Other Financing Sources (Uses)</b>					
Sale of village property	\$0	\$0	\$97,659	\$0	\$0
Transfers in	319,704	338,368	310,101	326,796	42,150
Transfers (out)	0	(45,500)	0	(31,190)	(34,165)
<b>Total Other Financing Sources (Uses)</b>	<u>319,704</u>	<u>292,868</u>	<u>407,760</u>	<u>295,606</u>	<u>7,985</u>
<b>Net changes in Fund Balances</b>	\$335,559	\$132,445	(\$344,804) 2)	\$142,577	\$0
General Fund Balance January 1	<u>\$1,919,505</u>	<u>\$2,255,064</u>	<u>\$2,387,509</u>	<u>\$2,042,705</u>	
General Fund Balance December 31	<u>\$2,255,064</u>	<u>\$2,387,509</u>	<u>\$2,042,705</u>	<u>\$2,185,282</u>	
<b>DETAILS OF DECEMBER 31 FUND BALANCE</b>					
Nonspendable	\$318,932	\$442,278	\$328,737	\$190,270	
Assigned	365,204	338,368	310,101	326,796	
Unassigned	1,570,928	1,606,863	1,403,867	1,668,216	
<b>Total</b>	<u>\$2,255,064</u>	<u>\$2,387,509</u>	<u>\$2,042,705</u>	<u>\$2,185,282</u>	

1) The 2024 budget was adopted on December 4, 2023.

2) \$311,839 of nonspendable reserves were used to forgive TID 6 advance for non-recoverable costs as planned through prior levy strategy. From 2022 until the closure of TID 6, the Village will set aside reserves in the debt service fund to pay any shortfall of increment to cover debt service payments. Remaining \$32,965 was inflationary factors.

## GENERAL INFORMATION

### LOCATION

The Village, with a 2020 U.S. Census population of 7,303 and a current estimated population of 9,218 comprises an area of 3.45 square miles and is located approximately 15 miles east of the City of Madison and 70 miles west of the City of Milwaukee, Wisconsin.

### LARGER EMPLOYERS<sup>1</sup>

Larger employers in the Village include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Summit Credit Union	Headquarters and credit union	677
Monona Grove School District	Elementary and secondary education	605 <sup>2</sup>
Johnson Health Tech	Exercise equipment	300
Hydrite Chemical Co.	Chemicals	140
Cottage Grove Co-op	Cooperative	118
ALCIVIA	Cooperative	100
The Village	Municipal government and services	64
1855 Saloon and Grill	Restaurants	60
Wildwood Family Clinics	Physical therapists	60
Piggly Wiggly	Grocers - retail	50

**Source:** The Village, Data Axle Reference Solutions, written and telephone survey, Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development.

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<sup>1</sup> This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.

<sup>2</sup> This is the employment number for the complete district, not just the Cottage Grove location.

## BUILDING PERMITS<sup>1</sup>

	2020	2021	2022	2023	2024
<u>New Single Family Homes</u>					
No. of building permits	23	28	27	41	9
Valuation	\$9,481,952	\$13,191,660	\$13,100,500	\$18,565,032	\$4,197,454
<u>New Multiple Family Buildings</u>					
No. of building permits	5	10	1	1	0
Valuation	\$18,800,000	\$87,200,000	\$2,500,000	\$6,200,000	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	34	62	28	2	0
Valuation	\$42,508,433	\$15,768,230	\$6,666,612	\$4,710,000	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	194	241	255	329	69
Valuation	\$73,731,721	\$119,633,068	\$26,122,405	\$43,826,286	\$4,844,737

**Source:** The Village.

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<sup>1</sup> As of March 31, 2024



## U.S. CENSUS DATA

### Population Trend: The Village

2010 U.S. Census Population	6,192
2020 U.S. Census Population	7,303
Percent of Change 2010 - 2020	17.94%
2023 Estimated Population	9,218

### Income and Age Statistics

	The Village	Dane County	State of Wisconsin	United States
2022 per capita income	\$50,210	\$49,280	\$40,130	\$41,261
2022 median household income	\$123,750	\$84,297	\$72,458	\$75,149
2022 median family income	\$131,939	\$117,289	\$92,974	\$92,646
2022 median gross rent	\$1,453	\$1,268	\$992	\$1,268
2022 median value owner occupied units	\$361,100	\$342,900	\$231,400	\$281,900
2022 median age	40.2 yrs.	35.5 yrs.	39.9 yrs.	38.5 yrs.

	State of Wisconsin	United States
Village % of 2022 per capita income	125.12%	121.69%
Village % of 2022 median family income	141.91%	142.41%

### Housing Statistics

	<u>The Village</u>		
	2020	2022	Percent of Change
All Housing Units	2,727	3,158	15.80%

**Source:** 2010 and 2020 Census of Population and Housing, Wisconsin Demographic Services Center ([https://doa.wi.gov/Pages/LocalGovtsGrants/Population\\_Estimates.aspx](https://doa.wi.gov/Pages/LocalGovtsGrants/Population_Estimates.aspx)) and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>).

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities with populations under 25,000.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Dane County	Dane County	State of Wisconsin	
2020	307,959	4.9%	6.4%	
2021	319,649	2.9%	3.9%	
2022	324,324	2.1%	2.9%	
2023 <sup>1</sup>	331,631	2.3%	3.0%	
2024, March <sup>1</sup>	332,820	2.5%	3.5%	

**Source:** Wisconsin Department of Workforce Development.

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<sup>1</sup> Preliminary.

**FINANCIAL STATEMENTS**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the Village's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The Village has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Official Statement, nor has the Village requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the Village since the date of the financial statements, in connection with the issuance of the Notes, the Village represents that there have been no material adverse change in the financial position or results of operations of the Village, nor has the Village incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

# Village of Cottage Grove

Financial Statements and  
Supplementary Information

December 31, 2023

Prepared By:

Finance Department  
Cameron Sawyer, CPA, Finance Director

# Village of Cottage Grove

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December 31, 2023

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## Independent Auditors' Report

To the Village Board of  
Village of Cottage Grove

### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Cottage Grove, Wisconsin (the Village), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Village'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, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Cottage Grove, Wisconsin, as of December 31, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village'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.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village'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 Village'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 required supplementary information, as listed in the table of contents 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 Village's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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.

*Baker Tilly US, LLP*

Madison, Wisconsin  
April 11, 2024

# Village of Cottage Grove

Management's Discussion and Analysis  
December 31, 2023  
(Unaudited)

Prepared by: Cameron Sawyer, Finance Director

The management of the Village of Cottage Grove offers all persons interested in the financial position of the Village this general overview of the Village's financial performance during the fiscal year ending on December 31, 2023. Please read this report in conjunction with the Village's financial statements.

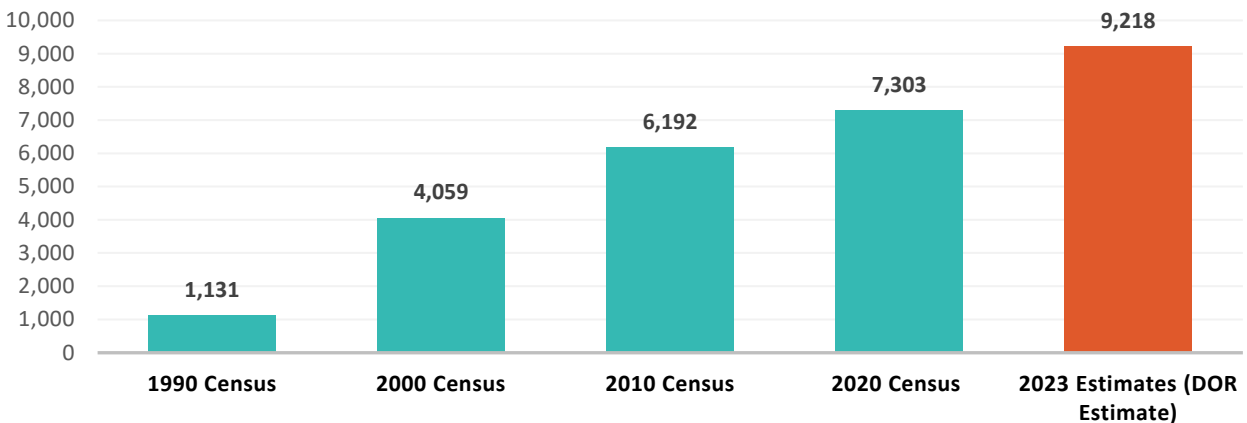
## Financial Highlights

The following are some events that have had an impact on the Village's 2023 financials:

### Population Highlights and Trends

The Village has seen steady population growth over the past two decades. The Village population has grown by 1,915 or 26.2% since the 2020 census.

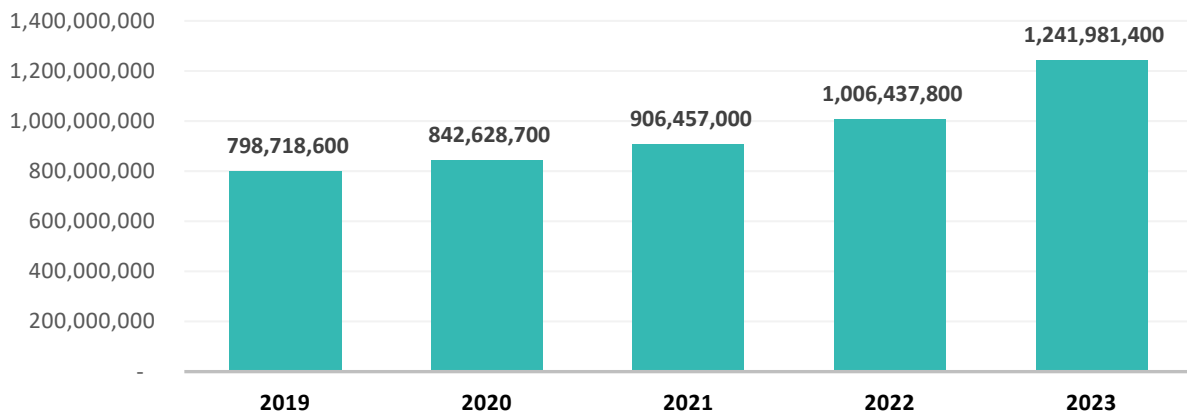
## Population



### Equalized Value Highlights and Trends

Strong activity in the Tax Incremental Financing Districts as well as residential development have played a significant role in the increase in equalized value. The equalized value of the Village increased by \$235,543,600 or 23.4% compared to 2022. The equalized has increased by \$638,247,800 since 2014 or an increase of 105.7%.

## Equalized Value



# Village of Cottage Grove

Management's Discussion and Analysis  
December 31, 2023  
(Unaudited)

Prepared by: Cameron Sawyer, Finance Director

## Economy and Net New Construction Highlights and Trends

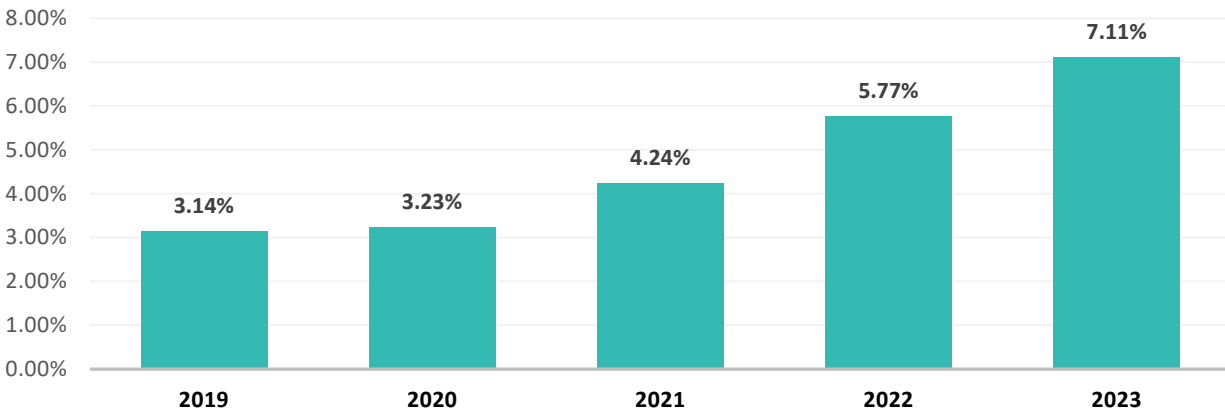
The State of Wisconsin continues to limit municipalities' ability to levy taxes. Generally, the Village is limited to its prior year tax levy dollar amount (excluding TIF districts), increased by the percentage increase in value due to new construction, or zero percent. Changes in debt service from one year to the next are generally exempt from levy limits. The Village is also required to reduce its allowable levy by fee revenue it collects for certain services if they were funded by the tax levy in the prior year. Levies may exceed the allowable limits if approved by referendum.

Net New Construction – The Village has seen steady increases in net new construction. In 2022, the Village had \$71,576,000 or 7.11% increase in net new construction.

Economy (Commercial) – there were 2 commercial permits taken out, bringing a value of \$4,710,000 into the Village.

Economy (Residential) – the Village had 41 new house starts, valued at \$18,565,032. There was 1 Multi-family permit, with total value of \$6,200,000.

### Net New Construction



## Tax Incremental Financing Districts

The Village continues to draw a variety of development projects utilizing six active Tax Incremental Financing Districts. TIF Districts Nos. 5, 6, and 7 are currently past the last date to incur project costs. Once these districts have recovered project costs defined in their respective project plans, or extended by the Village Board, they will close. TIF District No. 9 may see an increase in value of up to \$24,000,000 in the next year as a result of a multi-family development nearing completion. TIF District No. 10 has one major development currently in various stages of the approval and developer agreement process. The value of this development is estimated to be \$300,000,000+ in value. TIF District No. 8 has two developments currently in various states of the approval and developer agreement process. The value of these developments is estimated to be \$3,408,500.



# Village of Cottage Grove

Management's Discussion and Analysis  
 December 31, 2023  
 (Unaudited)

Prepared by: Cameron Sawyer, Finance Director

## Tax Incremental Financing Districts (Cont.)

The following table summarizes the Village's TIF district property value status:

TID No.	Base Year	Last Year to Collect Increment	Base Value	1/1/23 Value	Increment
5	2003	2027	\$ 2,896,100	\$ 222,469,500	\$ 219,573,400
6	2005	2025	6,068,800	8,956,600	2,887,800
7	2005	2024	14,419,000	54,346,000	39,927,000
8	2018	2039	2,611,600	2,757,600	146,000
9	2018	2039	9,893,500	37,625,100	27,731,600
10	2018	2039	1,241,600	4,726,700	3,485,100
			\$ 37,130,600	\$ 330,881,500	\$ 293,750,900

TIF No.	1/1/23 Value	1/1/22 Value	Dollar change	Percent change
5	\$ 222,469,500	\$ 163,023,600	\$ 59,445,900	36.46%
6	8,956,600	8,781,500	175,100	1.99
7	54,346,000	47,862,700	6,483,300	13.55
8	2,757,600	2,443,300	314,300	12.86
9	37,625,100	11,358,400	26,266,700	231.25
10	4,726,700	4,171,400	555,300	13.31
	\$ 330,881,500	\$ 237,640,900	\$ 93,240,600	39.24%

# Village of Cottage Grove

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Management's Discussion and Analysis  
December 31, 2023  
(Unaudited)

Prepared by: Cameron Sawyer, Finance Director

## Overview of the Financial Statements

The financial statements consist of the following parts:

- 1) Management's discussion and analysis
- 2) Basic Financial Statements:
  - a) Government-Wide Financial Statements
  - b) Fund Financial Statements
  - c) Notes to the Financial Statements
- 3) Required supplementary information
- 4) Combining Balance Sheet – Nonmajor Governmental Funds
- 5) Combining Statement of Revenues, Expenditures and Changes to Fund Balances – Nonmajor Governmental Funds

The basic financial statements include two kinds of statements that present different views of the Village. The first two statements are government-wide financial statements that provide both long- term and short-term information about the Village's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Village government and report the Village's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information found in the financial statements. In addition to these required elements, a section is included with combining statements that provides details about our nonmajor government funds. The nonmajor funds are added together and presented in single columns in the basic financial statements.

## Government-Wide Financial Statements

In this section of the audit report you will find information about the reporting government/Village as a whole. It also distinguishes between governmental and business-type activities – governmental for example are financed through taxes, intergovernmental revenues or other types of revenue. In the business-type activity a fee is usually associated with the activity.

This section does not provide the detail of the Fund Financial Statements but instead combines the activity into an overview of the transactions that have happened over the year. It does not, however, include Fiduciary Funds which are shown in the Fund Financial Statements section of the audit report.

The Statement of Net Position gives the reader the ability to see what has impacted the Village's assets over the past year. This Statement also takes into account any liabilities that the Village has or may have incurred over the year that is still outstanding at year end. It is a good indicator of the overall health of the Village and its economy. This report usually defines the major categories within the Village – *Governmental Activities* are basic services provided by the Village such as police, fire, public works, parks, etc. *Business-Type Activities* are services provided that are or may be operated in a more business-like manner – sewer and water utilities.

# Village of Cottage Grove

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Management's Discussion and Analysis  
December 31, 2023  
(Unaudited)

Prepared by: Cameron Sawyer, Finance Director

## Fund Financial Statements

In this section of the audit report individual funds are identified and reported in greater detail. Individual funds provide for an accounting mechanism that allows the Village to keep track of revenues and expenditures by a specific purpose or type. Each of these funds is considered a separate accounting entity. Each has its own account structure including assets, liabilities, equity, revenue and expense accounts.

In the most recent updates to accounting and audit practices the audit report recognizes major and nonmajor governmental funds.

## Major Governmental Funds

- *General Fund* – Fund #100, this fund is comprised of all the day-to-day operational revenue and expenditure accounts for the Village.
- *General Debt Service Fund* – Fund #300, this fund is used to record and track all interest and principal payments made on debt that the Village has incurred.
- *Public Infrastructure Fund* – Fund #412, this fund is used to account for financing sources and expenditures related to general capital improvements to Village buildings and infrastructure as well as equipment purchases.
- *TIF District #5* – Fund #405, a fund required to record the expenses and revenues pertaining to this District.

## Nonmajor Governmental Funds

### Special Revenue Funds

- *Park Development Fees* – Fund #205, this fund is solely supported by fees paid by developers for new parks either dedicated to the Village or fees in lieu of dedication to the Village.
- *Developer Deposits* – Fund #210, this fund represents the activity for developments provided by professional services (lawyer, engineer, planning) which are then billed back to each developer.
- *Library* – Fund #204, this fund tracks activity related to library programming.
- *American Rescue Plan Act* – Fund #206, this fund tracks activity related to the Village's Coronavirus State and Local Fiscal Recovery Fund award from the U.S. Department of Treasury. There have been no expenses made out of ARPA funding to date.
- *Tourism* – Fund #207, this fund represents the activity for room tax collection and distribution of 70% funds collected to an entity that promotes tourism per state statute. The Village has partnered with the Cottage Grove Chamber of Commerce.
- *Capital Projects* – Fund #410, this fund is used to account for financing sources and expenditures related to general capital improvements to Village buildings and equipment purchases.
- *ERIM* – Fund #411, this fund is used to account for financing sources and expenditures related to general capital improvements to Village infrastructure as well as equipment purchases.

# Village of Cottage Grove

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Management's Discussion and Analysis  
December 31, 2023  
(Unaudited)

Prepared by: Cameron Sawyer, Finance Director

## Capital Project Funds

- *Tax Incremental Financing District #6* – Fund #406, a fund required to record the expenses and revenues pertaining to this District.
- *Tax Incremental Financing District - #7* – Fund #407 a fund required to record the expenses and revenues pertaining to this District.
- *Tax Incremental Financing District #8* – Fund #508, a fund required to record the expenses and revenues pertaining to this District.
- *Tax Incremental Financing District #9* – Fund #509, a fund required to record the expenses and revenues pertaining to this District.
- *Tax Incremental Financing District #10* – Fund #510, a fund required to record the expenses and revenues pertaining to this District.

The Village maintains and adopts budgets for each of the funds listed with the exception of the Developer Deposits Fund which was set up to record expenses and payments relative to specific developments.

Proprietary or Enterprise Funds – These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing or delivering of goods. The Village proprietary funds are its Public Sewer and Public Water Utilities. In the Village's Financial Statements these funds are reported under Business-Type Activities – Enterprise Funds.

Following the detailed financial reporting on the various funds and fund types, the Financial Statement then provides a series of narratives and/or further explanations in the *Notes to Financial Statements*. Within these notes the statement provides insight into the financial information which had been provided earlier in the statement such as Restricted Assets. An index of these notes is provided within the Statement.

Following the Notes to Financial Statements, *Other Information* is provided which is required *supplementary information*. This supplementary information presents a detailed budgetary comparison schedule for the general fund to demonstrate compliance with the budget. The combining statements referred to earlier in connection with Nonmajor governmental funds are presented immediately following the required supplementary information.

# Village of Cottage Grove

Management's Discussion and Analysis  
December 31, 2023  
(Unaudited)

Prepared by: Cameron Sawyer, Finance Director

## Financial Analysis of the Village as a Whole

A summary of the Village's Statement of Net Position is presented below: (page 4 of audit report)

### Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 18,899,505	\$ 18,897,335	\$ 6,022,961	\$ 5,492,756	\$ 24,922,466	\$ 24,390,091
Capital assets	38,144,210	35,578,032	30,655,553	31,265,044	68,799,763	66,843,076
Total assets	57,043,715	54,475,367	36,678,514	36,757,800	93,722,229	91,233,167
Deferred outflows of resources	2,707,843	2,085,517	602,836	409,406	3,310,679	2,494,923
Long-term liabilities	22,364,658	21,048,509	7,313,486	7,855,571	29,678,144	28,904,080
Other liabilities	1,009,938	2,342,909	563,004	480,553	1,572,942	2,823,462
Total liabilities	23,374,596	23,391,418	7,876,490	8,336,124	31,251,086	31,727,542
Deferred inflows of resources	13,417,605	11,725,581	333,168	470,242	13,750,773	12,195,823
Net investment in capital	18,872,876	18,634,135	23,579,544	23,566,709	41,221,444	40,496,631
Restricted net position	2,585,091	3,162,201	902,101	995,366	3,487,192	4,157,567
Unrestricted net position (deficit)	1,501,390	(352,451)	4,590,047	3,798,765	7,322,413	5,150,527
Total net position	\$ 22,959,357	\$ 21,443,885	\$ 29,071,692	\$ 28,360,840	\$ 52,031,049	\$ 49,804,725

The largest portion of the Village of Cottage Grove's net position reflects its investment in capital assets (example: land, buildings, improvements, infrastructure, equipment), less any debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending.

The assets of the Village of Cottage Grove exceeded its liabilities by \$52,031,049 (net position). \$41,221,444 is identified as net investment in capital assets.

It should be noted that any debt associated with these assets must be paid from other sources as these items, for the most part, cannot be liquidated to pay down debt.

Restricted assets are assets set aside or identified for a specific purpose through legality or third parties while unrestricted assets are those assets which may be used at the discretion of the governing body of the Village of Cottage Grove.

# Village of Cottage Grove

Management's Discussion and Analysis  
December 31, 2023  
(Unaudited)

Prepared by: Cameron Sawyer, Finance Director

Within the Financial Statement a report is provided which indicates the changes in net position based upon the expenses, revenues and transfers made throughout the year within both the Governmental Activities and Business-Type Activities funds. A recap of the year's activity is provided below.

## Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 984,885	\$ 930,965	\$ 4,293,538	\$ 3,953,900	\$ 5,278,423	\$ 4,884,865
Operating grants and contributions	520,735	544,940	-	-	520,735	544,940
Capital grants and contributions	499,855	5,048,393	351,530	2,866,034	851,385	7,914,427
Total program revenue	2,005,475	6,524,298	4,645,068	6,819,934	6,650,543	13,344,232
General revenues:						
Tax levied	9,140,401	7,925,021	-	-	9,140,401	7,925,021
Intergovernmental revenues	820,010	151,895	-	-	820,010	151,895
Investment income	523,827	62,579	244,980	(20,143)	768,807	42,436
Gain on disposal of assets (loss)	(68,568)	82,898	(21,750)	(1,802)	(90,318)	81,096
Miscellaneous	311,238	700,767	6,325	6,073	317,563	706,840
Total general revenues	10,726,908	8,923,160	229,555	(15,872)	10,956,463	8,907,288
Total revenues	12,732,383	15,447,458	4,874,623	6,804,062	17,607,006	22,251,520
<b>Expenses</b>						
Governmental activities:						
General government	(1,078,250)	(926,684)	-	-	(1,078,250)	(926,684)
Public safety	(3,233,379)	(2,709,136)	-	-	(3,233,379)	(2,709,136)
Public works	(2,534,172)	(2,470,686)	-	-	(2,534,172)	(2,470,686)
Health and human services	(28,000)	(25,359)	-	-	(28,000)	(25,359)
Culture, recreation and education	(1,172,504)	(835,730)	-	-	(1,172,504)	(835,730)
Conservation and development	(2,755,090)	(1,937,066)	-	-	(2,755,090)	(1,937,066)
Interest and fiscal charges	(742,312)	(602,552)	-	-	(742,312)	(602,552)
Business-type activities						
Water utility	-	-	(1,430,955)	(1,222,479)	(1,430,955)	(1,222,479)
Sewer utility	-	-	(2,406,020)	(2,170,230)	(2,406,020)	(2,170,230)
Total expenses	(11,543,707)	(9,507,213)	(3,836,975)	(3,392,709)	(15,380,682)	(12,899,922)
Transfers in (out)	326,796	310,101	(326,796)	(310,101)	-	-
Change in net position	1,515,472	6,250,346	710,852	3,101,252	2,226,324	9,351,598
<b>Net Position, Beginning</b>	<b>21,443,885</b>	<b>15,193,539</b>	<b>28,360,840</b>	<b>25,259,588</b>	<b>49,804,725</b>	<b>40,453,127</b>
<b>Net Position, Ending</b>	<b>\$ 22,959,357</b>	<b>\$ 21,443,885</b>	<b>\$ 29,071,692</b>	<b>\$ 28,360,840</b>	<b>\$ 52,031,049</b>	<b>\$ 49,804,725</b>

# Village of Cottage Grove

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Management's Discussion and Analysis  
December 31, 2023  
(Unaudited)

Prepared by: Cameron Sawyer, Finance Director

## Financial Analysis of the Village's Funds

### General Fund

The General Fund is the primary fund used by the Village. Within this fund the normal day-to-day activity is recorded. On December 31, 2023, the Village's general fund reported total fund balances of \$2,185,282. \$1,995,012 of the total fund balance represents unrestricted funds. Monies considered nonspendable within the general fund balance totaled \$190,270.

### General Debt Service Fund

The General Debt Service Fund is used to record and track all interest and principal payments made on debt that the Village has incurred outside of debt incurred by the Utility Funds. In 2023, \$3,035,418 was paid in principal and interest payments by all funds excluding the Utility Funds. The majority of debt payments were paid by the Tax Incremental Districts. The debt service fund has a fund balance of \$346,181 as of year-end.

### Public Infrastructure Fund

In 2014 the Village of Cottage Grove implemented a Capital Improvement Plan, budgeting out at least 5 years for purchases of infrastructure and large equipment items. Proceeds from borrowings are used to support this fund. In 2023, the Village's main capital expenses were for road repaving projects and park projects. The capital projects fund balance at the end of 2023 is \$44,973.

### TIF District No. 5

In 2000, the Village of Cottage Grove recognized the need for more commercial tax base within the Village and began planning for a Commerce Park at the intersection of CTH N and I-94. In 2003, the infrastructure for the first of two phases was complete and land became available for potential developers. At the end of 2023, the increment value for the district was \$219,573,400 (2023 equalized value less the 2003 base year value) and the district reports a fund balance of \$1,471,088.

### Water Utility

The water utility's operating income was \$215,934 in 2023, with a net income before transfers and contributions of \$226,297. Developer contributions and operating results lead to an increase in net position of \$74,488. The water utility's 2023 rate of return is 1.24%, below the PSC authorized rate of return of 3.00%. The water utility's 2022 rate of return was 1.85%.

### Sewer Utility

The sewer utility's operating income was \$425,861 in 2023, with net income before transfers and contributions of \$459,821. Developer contributions and operating results lead to an increase in net position of \$636,364. The utility does not have its own wastewater treatment plant. The utility contracts with Madison Metropolitan Sewerage District which accounts for 53% of the utility operating expenditures.

# Village of Cottage Grove

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Management's Discussion and Analysis  
December 31, 2023  
(Unaudited)

Prepared by: Cameron Sawyer, Finance Director

## General Fund Budgetary Highlights

### Overall

The Village's general fund finished the year with a net fund balance increase of \$142,577. Revenues and other financing sources were under budget by \$188,447. Expenditures and other financing uses were under budget by \$347,214, resulting in an overall budget deficit.

### General Government

This section of the General Fund budget relates to administration costs associated with management of the Village such as the Village Board, administrator, clerk, treasurer and staff, elections, assessment of property, audit, municipal court, intergovernmental payments and insurances and legal counsel. General government expenditures were over budget by \$38,800.

### Public Safety

This section of the budget pertains to the Village police department and police commission, crossing guards, fire department, emergency services, building inspections and hydrant rental. Public safety expenditures were under budget by \$316,982.

### Public Works

This section pertains to the administration of the department, maintenance of streets and other municipally owned infrastructure (stormwater), traffic control, street lighting, sidewalks, general engineering, refuse collection, storm sewers, weed/nuisance control and the sanitary landfill. Public Works expenditures were under budget by \$70,895.

### Health and Human Services

This section of the budget pertains to senior outreach and DIT (diversity, equity, and inclusion). At year-end, this section was on budget.

### Culture, Recreation and Education

This section of the budget pertains to parks, playgrounds, athletic facilities, recreation programs. At year-end, this section was over budget by \$77,664.

### Conservation and Development

This section of the budget pertains to engineering, planning and other professional services related to the efficient and effective planning of new and existing developments within the Village and implementation of the Village's Comprehensive Land Use Plan. In 2023, the planning and development budgets came in over budget by \$1,799.



# Village of Cottage Grove

Management's Discussion and Analysis  
December 31, 2023  
(Unaudited)

Prepared by: Cameron Sawyer, Finance Director

## Capital Asset Activity

At the end of 2023, the Village had invested a total of \$66,843,076 in capital assets. This investment in capital assets includes land, land improvements, buildings, machinery and equipment and infrastructure.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and other assets not being depreciated	\$ 10,456,453	\$ 10,947,738	\$ 745,071	\$ 745,071	\$ 11,201,524	\$ 11,692,809
Construction in progress	2,256,774	1,493,120	23,608	-	2,280,382	1,493,120
Building and land improvements	12,208,902	9,612,255	-	-	12,208,902	9,612,255
Machinery and equipment	4,738,932	4,203,142	-	-	4,738,932	4,203,142
Infrastructure	37,914,001	37,295,340	-	-	37,914,001	37,295,340
Utility plant	-	-	43,286,667	42,921,213	43,286,667	42,921,213
<b>Total capital assets</b>	<b>67,575,062</b>	<b>63,551,595</b>	<b>44,055,346</b>	<b>43,666,284</b>	<b>111,630,408</b>	<b>107,217,879</b>
Less accumulated depreciation	(29,430,852)	(27,973,563)	(13,399,793)	(12,401,240)	(42,830,645)	(40,374,803)
<b>Net capital assets</b>	<b>\$ 38,144,210</b>	<b>\$ 35,578,032</b>	<b>\$ 30,655,553</b>	<b>\$ 31,265,044</b>	<b>\$ 68,799,763</b>	<b>\$ 66,843,076</b>

## Long-Term Debt Activity

Per Wisconsin State Statute, the total general obligation debt of the Village may not exceed 5% of its equalized value of taxable property within the Village. Based on this, the available debt limit as of December 31, 2023 was \$62,099,070. The Village, as of December 31, 2023, had general obligation debt in the amount of \$23,541,488.

<b>General Obligation Debt</b>	<b>Balance 12/31/2022</b>	<b>Increases</b>	<b>Principal Payment</b>	<b>Balance 12/31/2023</b>
General obligation – 2009 (sewer)	\$ 581,091	\$ -	\$ 90,587	\$ 490,504
General obligation – 2014 refunding	2,755,000	-	700,000	2,055,000
General obligation – 2015 refunding	2,445,000	-	330,000	2,115,000
General obligation – 2017 bonds	4,140,000	-	565,000	3,575,000
General obligation – 2018 bonds	2,295,000	-	340,000	1,955,000
General obligation – 2019 notes	577,000	-	75,000	502,000
General obligation – 2020 bonds	1,640,000	-	75,000	1,565,000
General obligation – 2022 STFL	1,000,000	-	191,016	808,984
General obligation – 2022 bonds	7,795,000	-	335,000	7,460,000
General obligation – 2023 bonds	-	3,015,000	-	3,015,000
<b>Total general obligation debt</b>	<b>\$ 23,228,091</b>	<b>\$ 3,015,000</b>	<b>\$ 2,701,603</b>	<b>\$ 23,541,488</b>

The water and sewer utilities have outstanding revenue bonds totaling \$4,180,381 as of December 31, 2023. These bonds are secured by the revenues generated by the utilities.

# **Village of Cottage Grove**

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Management's Discussion and Analysis  
December 31, 2023  
(Unaudited)

Prepared by: Cameron Sawyer, Finance Director

## **Request for Information**

Residents are asked to read through this report and financial statements carefully. The financial report is intended to give our citizens, customers, investors and creditors a general overview of the Village's finances and is intended to be read in conjunction with the audit report. If you should have any questions, comments or need additional information, please feel free to contact any of the staff listed below.

Finance Director  
Cameron Sawyer  
221 E. Cottage Grove Road  
Cottage Grove, WI 53527  
608-839-4704  
[csawyer@villageofcottagesgrove.gov](mailto:csawyer@villageofcottagesgrove.gov)

# Village of Cottage Grove

Statement of Net Position

December 31, 2023

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 6,148,676	\$ 4,000,555	\$ 10,149,231
Receivables (net):			
Taxes	11,997,465	-	11,997,465
Delinquent personal property taxes	16,209	-	16,209
Accounts	166,410	969,884	1,136,294
Special assessments	3,385	-	3,385
Delinquent special assessments	857	-	857
Internal balances	(70,379)	70,379	-
Prepaid items	136,882	6,188	143,070
Inventory	-	27,675	27,675
Other assets	-	31,550	31,550
Restricted assets:			
Cash and investments	-	916,730	916,730
Land held for resale	500,000	-	500,000
Capital assets:			
Land	10,456,453	745,071	11,201,524
Construction in progress	2,256,774	23,608	2,280,382
Other capital assets, net of depreciation	25,430,983	29,886,874	55,317,857
<b>Total assets</b>	<b>57,043,715</b>	<b>36,678,514</b>	<b>93,722,229</b>
<b>Deferred Outflows of Resources</b>			
Unamortized loss on advance refunding	21,383	-	21,383
Pension related amounts	2,686,460	602,836	3,289,296
<b>Total deferred outflows of resources</b>	<b>2,707,843</b>	<b>602,836</b>	<b>3,310,679</b>
<b>Liabilities</b>			
Accounts payable	421,628	500,695	922,323
Accrued liabilities	516,882	62,309	579,191
Unearned revenue	71,428	-	71,428
Noncurrent liabilities:			
Due within one year	2,542,050	827,341	3,369,391
Due in more than one year	19,108,772	6,336,522	25,445,294
Net pension liability	713,836	149,623	863,459
<b>Total liabilities</b>	<b>23,374,596</b>	<b>7,876,490</b>	<b>31,251,086</b>
<b>Deferred Inflows of Resources</b>			
Unearned revenue	11,923,807	-	11,923,807
Pension related amounts	1,493,798	333,168	1,826,966
<b>Total deferred inflows of resources</b>	<b>13,417,605</b>	<b>333,168</b>	<b>13,750,773</b>
<b>Net Position</b>			
Net investment in capital assets	18,872,876	23,579,544	41,221,444
Restricted:			
Equipment replacement	-	567,379	567,379
Debt service	124,083	334,722	458,805
TIF districts	2,441,281	-	2,441,281
Grants	19,727	-	19,727
Unrestricted (deficit)	1,501,390	4,590,047	7,322,413
<b>Total net position</b>	<b>\$ 22,959,357</b>	<b>\$ 29,071,692</b>	<b>\$ 52,031,049</b>

See notes to financial statements

**Village of Cottage Grove**

Statement of Activities

December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net Expenses (Revenues) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government</b>							
Governmental activities:							
General government	\$ 1,078,250	\$ 180,526	\$ 25,883	\$ -	\$ (871,841)	\$ -	\$ (871,841)
Public safety	3,233,379	162,653	29,381	38,919	(3,002,426)	-	(3,002,426)
Public works	2,534,172	152,226	464,471	460,936	(1,456,539)	-	(1,456,539)
Health and human services	28,000	-	-	-	(28,000)	-	(28,000)
Culture, recreation and education	1,172,504	472,664	1,000	-	(698,840)	-	(698,840)
Conservation and development	2,755,090	16,816	-	-	(2,738,274)	-	(2,738,274)
Interest and fiscal charges	742,312	-	-	-	(742,312)	-	(742,312)
Total governmental activities	11,543,707	984,885	520,735	499,855	(9,538,232)	-	(9,538,232)
Business-type activities:							
Water utility	1,430,955	1,578,572	-	174,987	-	322,604	322,604
Sewer utility	2,406,020	2,714,966	-	176,543	-	485,489	485,489
Total business-type activities	3,836,975	4,293,538	-	351,530	-	808,093	808,093
Total primary government	\$ 15,380,682	\$ 5,278,423	\$ 520,735	\$ 851,385	(9,538,232)	808,093	(8,730,139)
<b>General Revenues</b>							
Taxes:							
Property taxes, levied for general purposes					3,847,991	-	3,847,991
Property taxes, levied for debt service					1,106,122	-	1,106,122
Property taxes, TIF increment					4,086,288	-	4,086,288
Property taxes, levied for other purposes					100,000	-	100,000
Intergovernmental revenues not restricted to specific programs					820,010	-	820,010
Investment income					523,827	244,980	768,807
Gain on sale of capital assets (loss)					(68,568)	(21,750)	(90,318)
Miscellaneous					311,238	6,325	317,563
Total general revenues					10,726,908	229,555	10,956,463
Transfers					326,796	(326,796)	-
Change in net position					1,515,472	710,852	2,226,324
<b>Net Position, Beginning</b>					21,443,885	28,360,840	49,804,725
<b>Net Position, Ending</b>					\$ 22,959,357	\$ 29,071,692	\$ 52,031,049

See notes to financial statements

**Village of Cottage Grove**

Balance Sheet  
 Governmental Funds  
 December 31, 2023

	General Fund	General Debt Service Fund	Capital Project Funds		Nonmajor Governmental Funds	Total
			Public Infrastructure	TIF District No. 5		
<b>Assets</b>						
Cash and investments	\$ 1,607,867	\$ 223,124	\$ 118,915	\$ 1,482,131	\$ 2,716,639	\$ 6,148,676
Receivables:						
Taxes	4,713,360	1,309,626	-	4,463,362	1,511,117	11,997,465
Delinquent personal property taxes	16,209	-	-	-	-	16,209
Accounts	45,668	-	-	-	120,742	166,410
Special assessments	-	-	-	-	3,385	3,385
Delinquent special assessments	857	-	-	-	-	857
Due from other funds	613,587	-	-	-	-	613,587
Prepaid items	99,280	-	7,602	-	30,000	136,882
Land held for resale	-	-	-	-	500,000	500,000
Advances to other funds	73,924	123,057	-	-	-	196,981
<b>Total assets</b>	<b>\$ 7,170,752</b>	<b>\$ 1,655,807</b>	<b>\$ 126,517</b>	<b>\$ 5,945,493</b>	<b>\$ 4,881,883</b>	<b>\$ 19,780,452</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 160,196	\$ -	\$ 81,544	\$ 10,758	\$ 169,130	\$ 421,628
Accrued liabilities	59,040	-	-	285	1,915	61,240
Deposits	52,874	-	-	-	180,670	233,544
Due to other funds	70,379	-	-	-	613,587	683,966
Advances from other funds	-	-	-	-	196,981	196,981
Unearned revenue	-	-	-	-	71,428	71,428
<b>Total liabilities</b>	<b>342,489</b>	<b>-</b>	<b>81,544</b>	<b>11,043</b>	<b>1,233,711</b>	<b>1,668,787</b>
Deferred inflows of resources:						
Unearned revenue	4,642,981	1,309,626	-	4,463,362	1,507,838	11,923,807
Unavailable revenue	-	-	-	-	6,664	6,664
<b>Total deferred inflows of resources</b>	<b>4,642,981</b>	<b>1,309,626</b>	<b>-</b>	<b>4,463,362</b>	<b>1,514,502</b>	<b>11,930,471</b>
Fund balances (deficits):						
Nonspendable	190,270	-	7,602	-	-	197,872
Restricted	-	346,181	37,371	1,471,088	1,015,926	2,870,566
Committed	-	-	-	-	649,658	649,658
Assigned	326,796	-	-	-	757,934	1,084,730
Unassigned (deficits)	1,668,216	-	-	-	(289,848)	1,378,368
<b>Total fund balances (deficits)</b>	<b>2,185,282</b>	<b>346,181</b>	<b>44,973</b>	<b>1,471,088</b>	<b>2,133,670</b>	<b>6,181,194</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,170,752</b>	<b>\$ 1,655,807</b>	<b>\$ 126,517</b>	<b>\$ 5,945,493</b>	<b>\$ 4,881,883</b>	<b>\$ 19,780,452</b>

See notes to financial statements

## Village of Cottage Grove

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
December 31, 2023

**Total Fund Balances, Governmental Funds** \$ 6,181,194

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

Capital assets used in governmental funds are not financial resources and therefore not reported in the funds.

Land	10,456,453
Construction in progress	2,256,774
Other capital assets, net of depreciation	25,430,983

Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. 6,664

The net pension liability does not relate to current financial resources and is not reported in the governmental funds. (713,836)

Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. 2,686,460

Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. (1,493,798)

Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds and notes payable	(20,685,984)
Compensated absences	(299,059)
Accrued interest	(222,098)
Premium on issuance of debt	(665,779)

A deferred charge on refunding represents a consumption of net position that applies to a future period and, therefore, is not reported in the funds. 21,383

**Change in Net Position of Governmental Activities** \$ 22,959,357

**Village of Cottage Grove**

 Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Governmental Funds  
 December 31, 2023

	General Fund	General Debt Service Fund	Capital Project Funds		Nonmajor Governmental Funds	Total Governmental Funds
			Public Infrastructure	TIF District No. 5		
<b>Revenues</b>						
Taxes	\$ 3,847,991	\$ 1,106,122	\$ -	\$ 3,260,572	\$ 925,716	\$ 9,140,401
Special assessments	-	-	-	-	3,452	3,452
Intergovernmental	571,660	-	-	85,337	722,667	1,379,664
Licenses and permits	193,653	-	-	-	-	193,653
Fines, forfeitures and penalties	69,327	-	-	-	-	69,327
Public charges for services	436,087	-	-	-	285,818	721,905
Investment income	301,876	7,644	26,523	48,522	139,262	523,827
Miscellaneous	99,295	-	-	4,471	269,023	372,789
<b>Total revenues</b>	<b>5,519,889</b>	<b>1,113,766</b>	<b>26,523</b>	<b>3,398,902</b>	<b>2,345,938</b>	<b>12,405,018</b>
<b>Expenditures</b>						
Current:						
General government	856,791	-	-	-	211,838	1,068,629
Public safety	2,890,666	-	-	-	290,332	3,180,998
Public works	1,045,522	-	-	-	164,551	1,210,073
Health and human services	28,000	-	-	-	-	28,000
Culture, recreation and education	747,756	-	-	-	54,348	802,104
Conservation and development	104,183	-	-	2,332,804	254,718	2,691,705
Capital outlay	-	-	2,224,290	-	2,054,255	4,278,545
Debt service:						
Principal retirement	-	2,406,016	-	-	-	2,406,016
Interest and fiscal charges	-	629,402	-	-	-	629,402
Issuance cost	-	-	71,006	-	18,097	89,103
<b>Total expenditures</b>	<b>5,672,918</b>	<b>3,035,418</b>	<b>2,295,296</b>	<b>2,332,804</b>	<b>3,048,139</b>	<b>16,384,575</b>
Excess (deficiency) of revenues over expenditures	(153,029)	(1,921,652)	(2,268,773)	1,066,098	(702,201)	(3,979,557)
<b>Other Financing Sources (Uses)</b>						
Long-term debt issued	-	-	2,315,000	-	590,000	2,905,000
Premium on debt issuance	-	92,646	23,249	-	5,925	121,820
Sale of village property	-	-	-	408,277	60,900	469,177
Transfers in	326,796	1,823,625	-	-	97,116	2,247,537
Transfers out	(31,190)	-	(24,503)	(1,334,275)	(530,773)	(1,920,741)
<b>Total other financing sources (uses)</b>	<b>295,606</b>	<b>1,916,271</b>	<b>2,313,746</b>	<b>(925,998)</b>	<b>223,168</b>	<b>3,822,793</b>
Net change in fund balance	142,577	(5,381)	44,973	140,100	(479,033)	(156,764)
<b>Fund Balances (Deficits), Beginning</b>	<b>2,042,705</b>	<b>351,562</b>	<b>-</b>	<b>1,330,988</b>	<b>2,612,703</b>	<b>6,337,958</b>
<b>Fund Balances (Deficits), Ending</b>	<b>\$ 2,185,282</b>	<b>\$ 346,181</b>	<b>\$ 44,973</b>	<b>\$ 1,471,088</b>	<b>\$ 2,133,670</b>	<b>\$ 6,181,194</b>

See notes to financial statements

## Village of Cottage Grove

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
December 31, 2023

**Net Change in Fund Balances, Total Governmental Funds** \$ (156,764)

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

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets are capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	4,278,545
Some items reported as operating expenditures capitalized	444,975
Some items reported as outlay are not capitalized	(325,084)
Depreciation is reported in the government-wide statements	(1,755,068)
Loss on disposal of assets is reported in the government-wide statements	(537,745)

Contributed capital assets are reported as revenues in the government-wide statements. 460,555

Receivables not currently available are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. (64,622)

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt issued	(2,905,000)
Principal repaid	2,406,016

Governmental funds report debt premiums and discounts as other financing sources (uses) or financing sources or uses. However, in the statement of net position, these are reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.

Change in premium on debt issuance	(69,658)
Change in loss on advance refunding	(42,767)

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.

Compensated absences	(33,671)
Accrued interest on debt	(33,202)
Net pension liability/asset	(1,751,036)
Deferred outflows of resources related to pensions	665,093
Deferred inflows of resources related to pensions	934,905

**Change in Net Position of Governmental Activities** \$ 1,515,472



## Village of Cottage Grove

Statement of Net Position

Proprietary Funds

December 31, 2023

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 1,166,374	\$ 2,834,181	\$ 4,000,555
Receivables:			
Accounts	400,446	569,438	969,884
Due from other funds	28,811	41,568	70,379
Prepaid items	3,094	3,094	6,188
Inventory	27,675	-	27,675
Restricted assets:			
Redemption account	158,837	190,514	349,351
Total current assets	<u>1,785,237</u>	<u>3,638,795</u>	<u>5,424,032</u>
Noncurrent assets:			
Restricted assets:			
Equipment replacement account	-	567,379	567,379
Capital assets:			
Land	230,245	514,826	745,071
Construction in progress	11,804	11,804	23,608
Property and equipment	21,291,826	21,994,841	43,286,667
Accumulated depreciation	(6,481,005)	(6,918,788)	(13,399,793)
Other assets:			
Preliminary survey and investigation	-	31,550	31,550
Total noncurrent assets	<u>15,052,870</u>	<u>16,201,612</u>	<u>31,254,482</u>
Total assets	<u>16,838,107</u>	<u>19,840,407</u>	<u>36,678,514</u>
<b>Deferred Outflows of Resources</b>			
Pension related amounts	297,892	304,944	602,836
Total deferred outflows of resources	<u>297,892</u>	<u>304,944</u>	<u>602,836</u>

See notes to financial statements

## Village of Cottage Grove

Statement of Net Position

Proprietary Funds

December 31, 2023

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Total</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 152,679	\$ 348,016	\$ 500,695
Accrued liabilities	7,219	7,218	14,437
Accrued interest	5,112	18,131	23,243
Compensated absences	18,627	18,627	37,254
General obligation debt	70,000	218,004	288,004
Current liabilities payable from restricted assets:			
Accrued interest	8,155	6,474	14,629
Current portion of revenue bonds payable	226,023	276,060	502,083
Total current liabilities	487,815	892,530	1,380,345
Noncurrent liabilities:			
General obligation debt	425,000	2,142,500	2,567,500
Revenue bonds payable	2,498,415	1,179,883	3,678,298
Net pension liability	74,811	74,812	149,623
Unamortized debt premium	14,159	25,965	40,124
Compensated absences	25,300	25,300	50,600
Tower lease deposit	10,000	-	10,000
Total noncurrent liabilities	3,047,685	3,448,460	6,496,145
Total liabilities	3,535,500	4,340,990	7,876,490
<b>Deferred Inflows of Resources</b>			
Pension related amounts	167,911	165,257	333,168
Total deferred inflows of resources	167,911	165,257	333,168
<b>Net Position</b>			
Net investment in capital assets	11,819,273	11,760,271	23,579,544
Restricted for:			
Equipment replacement	-	567,379	567,379
Debt service	150,682	184,040	334,722
Pension	-	-	-
Unrestricted net position	1,462,633	3,127,414	4,590,047
Total net position	\$ 13,432,588	\$ 15,639,104	\$ 29,071,692

See notes to financial statements

## Village of Cottage Grove

### Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

December 31, 2023

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Total</b>
<b>Operating Revenues</b>			
Charges for services	\$ 1,578,572	\$ 2,714,966	\$ 4,293,538
Total operating revenues	1,578,572	2,714,966	4,293,538
<b>Operating Expenses</b>			
Operation and maintenance	899,757	1,731,683	2,631,440
Depreciation	462,881	557,422	1,020,303
Total operating expenses	1,362,638	2,289,105	3,651,743
Operating income	215,934	425,861	641,795
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	86,815	158,165	244,980
Interest and fiscal charges	(68,317)	(116,915)	(185,232)
Amortization of discount/premium	2,740	3,585	6,325
Loss on disposal	(10,875)	(10,875)	(21,750)
Total nonoperating revenue (expenses)	10,363	33,960	44,323
Income before contributions & transfers	226,297	459,821	686,118
<b>Capital Contributions</b>	174,987	176,543	351,530
<b>Transfers Out</b>	(326,796)	-	(326,796)
Change in net position	74,488	636,364	710,852
<b>Net Position, Beginning</b>	13,358,100	15,002,740	28,360,840
<b>Net Position, Ending</b>	\$ 13,432,588	\$ 15,639,104	\$ 29,071,692

See notes to financial statements

**Village of Cottage Grove**

Statement of Cash Flows

Proprietary Funds

December 31, 2023

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Received from customers	\$ 1,566,640	\$ 2,632,652	\$ 4,199,292
Paid to suppliers for goods and services	(439,421)	(1,185,642)	(1,625,063)
Paid to employees for services	(459,523)	(484,967)	(944,490)
Net cash flows from operating activities	667,696	962,043	1,629,739
<b>Cash Flows From Noncapital Financing Activities</b>			
Paid to municipality for tax equivalent	(326,796)	-	(326,796)
Net cash flows from noncapital financing activities	(326,796)	-	(326,796)
<b>Cash Flows From Investing Activities</b>			
Investments sold	567,441	176,099	743,540
Investments purchased	(72,443)	(723,451)	(795,894)
Investment income	86,815	158,165	244,980
Net cash flows from investing activities	581,813	(389,187)	192,626
<b>Cash Flows From Capital and Related Financing Activities</b>			
Debt retired	(311,996)	(474,473)	(786,469)
Interest paid	(68,372)	(117,810)	(186,182)
Debt issued	55,000	55,000	110,000
Capital contributions received	68,745	116,272	185,017
Debt issuance costs and premiums	552	552	1,104
Acquisition and construction of capital assets	(142,904)	(154,695)	(297,599)
Net cash flows from capital and related financing activities	(398,975)	(575,154)	(974,129)
Net change in cash and cash equivalents	523,738	(2,298)	521,440
<b>Cash and Cash Equivalents, Beginning</b>	414,930	2,572,361	2,987,291
<b>Cash and Cash Equivalents, Ending</b>	\$ 938,668	\$ 2,570,063	\$ 3,508,731

See notes to financial statements

## Village of Cottage Grove

Statement of Cash Flows

Proprietary Funds

December 31, 2023

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Total</b>
<b>Reconciliation of Operating Income to Net Cash From Operating Activities</b>			
Operating income	\$ 215,934	\$ 425,861	\$ 641,795
Noncash items included in income:			
Depreciation	462,881	557,422	1,020,303
Depreciation charged to clearing and other utilities	31,797	(31,797)	-
Change in assets, liabilities and deferred inflows and outflows of resources:			
Accounts receivable	(39,957)	(43,055)	(83,012)
Prepaid items	2,386	2,386	4,772
Inventory	(27,675)	-	(27,675)
Due to/from other funds	(3,772)	(7,462)	(11,234)
Accounts payable and accrued liabilities	16,044	67,357	83,401
Pension related deferrals and asset/liabilities	15,067	(3,660)	11,407
Compensated absences	(5,009)	(5,009)	(10,018)
Net cash flows from operating activities	<u>\$ 667,696</u>	<u>\$ 962,043</u>	<u>\$ 1,629,739</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets - Proprietary Funds</b>			
Cash and investments	\$ 1,166,374	\$ 2,834,181	\$ 4,000,555
Restricted assets, cash and investments	158,837	757,893	916,730
Less noncash equivalents	<u>(386,543)</u>	<u>(1,022,011)</u>	<u>(1,408,554)</u>
Cash and cash equivalents, ending	<u>\$ 938,668</u>	<u>\$ 2,570,063</u>	<u>\$ 3,508,731</u>
<b>Noncash Capital and Related Financing Activities</b>			
Developer financed additions to utility plant	<u>\$ 106,242</u>	<u>\$ 60,271</u>	
Amortization of premium on debt	<u>\$ 2,740</u>	<u>\$ 3,585</u>	

See notes to financial statements

## Village of Cottage Grove

Statement of Fiduciary Net Position

Custodial Fund

December 31, 2023

	<b>Tax Collection Fund</b>
<b>Assets</b>	
Cash and investments	\$ 11,984,543
Taxes receivable	<u>1,824,325</u>
Total assets	<u>13,808,868</u>
<b>Liabilities</b>	
Due to other taxing units	<u>13,808,868</u>
Total liabilities	<u>13,808,868</u>
<b>Net Position</b>	
Total net position	<u><u>\$ -</u></u>

See notes to financial statements

## Village of Cottage Grove

Statement of Changes in Fiduciary Net Position

Custodial Fund

Year Ended December 31, 2023

	<u>Tax Collection Fund</u>
<b>Additions</b>	
Property taxes collected for other governments	<u>\$ 8,565,304</u>
Total additions	<u>8,565,304</u>
<b>Deductions</b>	
Property taxes distributed to other governments	<u>8,565,304</u>
Total deductions	<u>8,565,304</u>
Change in net position	-
<b>Net Position, Beginning</b>	<u>-</u>
<b>Net Position, Ending</b>	<u><u>\$ -</u></u>

See notes to financial statements

# Village of Cottage Grove

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# Village of Cottage Grove

Notes to Financial Statements

December 31, 2023

## 1. Summary of Significant Accounting Policies

The accounting policies of the Village of Cottage Grove, Wisconsin (the Village) conform to accounting principles generally accepted 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).

### Reporting Entity

This report includes all of the funds of the Village. The reporting entity for the Village consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The Village has not identified any organizations that meet this criteria.

### 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. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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 Village 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 as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

#### Fund Financial Statements

Financial statements of the Village are organized into 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, net position/fund balance, revenues and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary 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 Village or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.

# Village of Cottage Grove

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Notes to Financial Statements  
December 31, 2023

- c. In addition, any other governmental or enterprise fund that the Village believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

## General Fund

General Fund accounts for the Village's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

## Debt Service Fund

General Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for the payment of general long-term debt principal, interest and related costs, other than TID or enterprise debt.

## Capital Projects Funds

Public Infrastructure Fund - used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Tax Incremental District (TID) No. 5 Capital Projects Fund - used to account for and report financial resources that are restricted, committed or assigned to expenditures outlined in the TID project plan.

## Enterprise Funds

The Village reports the following major enterprise funds:

Water Utility accounts for operations of the water system

Sewer Utility accounts for operations of the sewer system

The Village reports the following nonmajor governmental funds:

## Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Park Development Fees  
Developer Deposits  
Library

American Rescue Plan Act  
Tourism

# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

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## Capital Projects Funds

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Capital Projects Fund	TIF District No. 8
ERIM	TIF District No. 9
TIF District No. 6	TIF District No. 10
TIF District No. 7	

## Custodial Fund

Tax Collection Fund is used to account for and report assets controlled by the Village and the assets are for the benefit of individuals, private organizations and/or other governmental units.

## Measurement Focus, Basis of Accounting and Financial Statement Presentation

### 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 liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### 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. 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 Village considers revenues to be available if they are collected within 60 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. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

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Intergovernmental aids and grants are recognized as revenues in the period the Village is entitled the resources and the amounts are available. Amounts owed to the Village which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. Delinquent special assessments being held for collection by the county are reported as receivables and nonspendable fund balance in the general fund.

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.

## **Proprietary and Fiduciary Funds**

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

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer utilities are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **All Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

## **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity**

### **Deposits and Investments**

For purposes of the statement of cash flows, the Village considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of Village funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company.
- b. Bonds or securities of any county, Village, drainage district, technical college district, village, town or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.

# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

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- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The Village has adopted an investment policy. That policy follows the state statute for allowable investments. As practicable, investment amounts are limited to the maximum of state and FDIC insurance limits for each institution unless collateralized.

No policy exists for the following risks:

- Credit risk
- Interest rate risk
- Concentration of credit risk

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 3. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2023, the fair value of the Village's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note 3. for further information.

## Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the Village, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying statement of fiduciary net position.

Property tax calendar - 2023 tax roll:

Lien date and levy date	December 2023
Tax bills mailed	December 2023
Payment in full or	January 31, 2024
First installment due	January 31, 2024
Second installment due	July 31, 2024
Personal property taxes in full	January 31, 2024
Tax sale - 2023 delinquent real estate taxes	October 2026

## Village of Cottage Grove

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Notes to Financial Statements  
December 31, 2023

Delinquent real estate taxes as of July 31 are paid in full by the County, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll and other delinquent bills are generally not significant.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as due to and from other funds. Long-term interfund loans (noncurrent portion) are reported as advances from and to other funds. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

### **Inventory and Prepaid Items**

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average and charged to construction and/or operation and maintenance expense when used.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### **Land Held for Resale**

Land held for resale consists of land and improvements intended for resale. Cost includes amounts paid for acquisition, demolition and site improvements. Land held for resale is recorded at lower of cost or market value.

### **Restricted Assets**

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

### **Capital Assets**

#### **Government-Wide Statements**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 general capital assets and \$5,000 for infrastructure assets and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

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Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead and an allowance for the cost of funds used during construction when significant. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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. The range of estimated useful lives by type of asset is as follows:

Buildings	25-40 Years
Land improvements	20-30 Years
Machinery and equipment	5-20 Years
Infrastructure	20-50 Years
Utility System	4-90 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. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

## Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

## Compensated Absences

Under terms of employment, employees are granted sick leave and vacations 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 and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

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, 2023, are determined on the basis of current salary rates and include salary related payments.

# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

## Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

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

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

## Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net assets that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

## 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/amortization and reduced by the outstanding balances (excluding unspent debt proceeds) 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 position 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 definitions of *restricted* or *net investment in capital assets*.

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by debt of the governmental activities column. The amount is a reduction in "net investment in capital assets," and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Adjustment</u>	<u>Total</u>
Net investment in capital assets	\$ 18,872,876	\$ 23,579,544	\$ (1,230,976)	\$ 41,221,444
Unrestricted (deficit)	1,501,390	4,590,047	1,230,976	7,322,413

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



# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

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## Fund Statements

Governmental fund balances are displayed as follows:

- a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. **Restricted** - Consists of fund balances 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. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Village Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Village Board that originally created the commitment.
- d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Board may take official action to assign amounts. Assignments may take place after the end of the reporting period.
- e. **Unassigned** - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The Village considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Village would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Village has a formal fund balance policy. That policy is to maintain unrestricted general fund balance between the range of 20% to 30% of the general fund annual operating budget. The balance at year end was \$1,995,012 or 32.97% and is included in assigned and unassigned general fund balance

See Note 3. for further information.

## Basis for Existing Rates

### Water Utility

Current water rates were approved by the Public Service Commission of Wisconsin effective October 1, 2023. Current rates are designed to provide a 3% return on rate base.

# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

## Sewer Utility

Current sewer rates were approved by the utility commission and became effective on January 1, 2023.

## Pension

The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- 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 WRS and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## 2. Stewardship, Compliance and Accountability

### Excess Expenditures Over Appropriations

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
General Debt Service	\$ 3,034,605	\$ 3,035,418	\$ 813
TIF District No. 5	2,776,916	3,667,079	890,163
Park Development Fees	27,500	107,488	79,988
Library	31,190	35,562	4,372
Capital Projects Fund	379,000	1,439,812	1,060,812
TIF District No. 9	36,664	45,737	9,073

The Village controls expenditures at the department level. Some individual objects experienced expenditures which exceeded appropriations. The detail of those items can be found in the Village's year-end budget to actual report.

### Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2023, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
Developer Deposits	\$ 5,000	Uncollectible accounts
TIF District No. 6	123,057	Debt payments exceed increments collected
TIF District No. 8	42,394	Project costs exceed increments collected
TIF District No. 9	86,950	Project costs exceed increments collected
TIF District No. 10	32,447	Project costs exceed increments collected

## Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases. Other fund deficits are anticipated to be funded with future contributions, general tax revenues or long-term borrowing.

### Limitations on the Village's Tax Levy

Wisconsin law limits the Village's future tax levies. Generally the Village is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the Village's equalized value due to new construction or 0%. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The Village is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

### 3. Detailed Notes on All Funds

#### Deposits and Investments

The Village's deposits and investments at year end were comprised of the following:

	<u>Carrying Value</u>	<u>Bank and Investment Balances</u>	<u>Associated Risk</u>
Deposits	\$ 19,519,791	\$ 17,366,914	Custodial credit risk
State and local bonds	487,158	487,158	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk, highly sensitive to interest rate changes
U.S. agencies - implicitly guaranteed	814,242	814,242	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk, highly sensitive to interest rate changes
U.S. treasuries	437,648	437,648	Custodial credit risk, interest rate risk, highly sensitive to interest rate changes
Wisconsin LGIP	573,027	573,027	Credit risk
Certificates of deposit - negotiable	1,217,986	1,217,986	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk, highly sensitive to interest rate changes
Petty cash	652	-	None
Total cash and investments	<u>\$ 23,050,504</u>	<u>\$ 20,896,975</u>	
Reconciliation to financial statements:			
Per statement of net position:			
Unrestricted cash and investments	\$ 10,149,231		
Restricted cash and investments	916,730		
Per statement of fiduciary net position:			
Custodial funds	<u>11,984,543</u>		
Total cash and investments	<u>\$ 23,050,504</u>		

## Village of Cottage Grove

Notes to Financial Statements

December 31, 2023

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government).

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. \$500,000 of the Village's investments are covered by SIPC.

The Village maintains collateral agreements with its banks. At December 31, 2023, the banks had pledged various government securities in the amount of \$17,500,000 to secure the Village's deposits.

The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- Quoted market prices

Investment Type	December 31, 2023			
	Level 1	Level 2	Level 3	Total
State and local bonds	\$ -	\$ 487,158	\$ -	\$ 487,158
U.S. agencies - implicitly guaranteed	-	814,242	-	814,242
U.S. treasuries	-	437,648	-	437,648
Certificates of deposit - negotiable	-	1,217,986	-	1,217,986
Total	\$ -	\$ 2,957,034	\$ -	\$ 2,957,034

### Custodial Credit Risk

#### Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Village's deposits may not be returned to the Village.

The Village does not have any deposits exposed to custodial credit risk.

#### Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

## Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

As of December 31, 2023, \$2,957,034 of the Village's total investments were exposed to custodial credit risk.

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2023, the Village's investments were rated as follows:

Investment Type	Moody's Investors Services	Standard & Poor's
State and local bonds	Aaa, Aa2, Aa3, not rated	AA-, not rated
U.S. Agencies - implicitly guaranteed	Aaa	AA+
Certificates of deposit - negotiable	not rated	not rated

The Village also held investments in the following external pool which is not rated.

Local Government Investment Pool (LGIP)

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2023, the Village's investment portfolio was concentrated as follows:

Investment Type	Issuer	Percentage of Portfolio
State and local bonds	Maryland St Health & Higher Ed	7.15%
State and local bonds	Renville County Minn	5.23%
U.S. Agencies - implicitly guaranteed	Federal Home Loan Banks	14.62%
U.S. Agencies - implicitly guaranteed	FHMLC	8.45%
Certificates of deposit - negotiable	Technology Cr Un San Jose C	6.23%
Certificates of deposit - negotiable	Texas Exchange Bank Crowley	5.10%

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2023, the Village's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less Than 1	1 - 5	More than 5
State and local bonds	\$ 487,158	\$ 487,158	\$ -	\$ -
U.S. agencies - implicitly guaranteed	814,242	298,238	516,004	-
U.S. treasuries	437,648	201,615	236,033	-
Certificates of deposit - negotiable	1,217,986	646,140	571,846	-
Total	\$ 2,957,034	\$ 1,633,151	\$ 1,323,883	\$ -

# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

## Investments Highly Sensitive to Market Changes

The Village held securities of \$0 with maturities exceeding ten years.

See Note 1 for further information on deposit and investment policies.

## Receivables

Receivables as of year end for the government's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	General Debt Service Fund	Public Infrastructure	TIF District No. 5	Nonmajor Funds	Total
Amounts not expected to be collected within one year	\$ 17,066	\$ -	\$ -	\$ -	\$ 3,385	\$ 20,451

Governmental funds report unavailable or unearned revenue 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 *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 11,923,807	\$ -
Special assessments not yet due	-	6,664
Grant funds received in advance of allowable expenditures	71,428	-
<b>Total unearned/unavailable revenue for governmental funds</b>	<b>\$ 11,995,235</b>	<b>\$ 6,664</b>
Unearned revenue included in deferred inflows	\$ 11,923,807	
Unearned revenue included in liabilities	71,428	
<b>Total unearned revenue for governmental funds</b>	<b>\$ 11,995,235</b>	

## Village of Cottage Grove

Notes to Financial Statements

December 31, 2023

### Restricted Assets

The following represent the balances of the restricted assets:

#### Long-Term Debt Accounts

**Redemption** - Used to segregate resources accumulated for debt service payments over the next twelve months.

#### Equipment Replacement Account

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets at December 31, 2023.

	<u>Restricted Assets</u>	<u>Liabilities Payable From Restricted Assets</u>	<u>Restricted Net Position</u>
Bond redemption account	\$ 349,351	\$ 14,629	\$ 334,722
Equipment replacement account	567,379	-	567,379
Total	<u>\$ 916,730</u>	<u>\$ 14,629</u>	<u>\$ 902,101</u>

## Village of Cottage Grove

Notes to Financial Statements

December 31, 2023

### Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 10,947,738	\$ -	\$ 491,285	\$ 10,456,453
Construction in progress	1,493,120	3,369,906	2,606,252	2,256,774
Total capital assets not being depreciated/ amortized	<u>12,440,858</u>	<u>3,369,906</u>	<u>3,097,537</u>	<u>12,713,227</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	9,612,255	2,606,252	9,605	12,208,902
Machinery and equipment	4,203,142	747,615	211,825	4,738,932
Streets	20,552,393	600,852	81,417	21,071,828
Storm sewers	10,500,611	111,023	41,392	10,570,242
Street signals	291,292	-	-	291,292
Sidewalks	4,208,232	29,595	-	4,237,827
Terrace trees	623,987	-	-	623,987
Bike trails	1,118,825	-	-	1,118,825
Total capital assets being depreciated/ amortized	<u>51,110,737</u>	<u>4,095,337</u>	<u>344,239</u>	<u>54,861,835</u>
Total capital assets	<u>63,551,595</u>	<u>7,465,243</u>	<u>3,441,776</u>	<u>67,575,062</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(3,129,446)	(342,460)	8,645	(3,463,261)
Machinery and equipment	(2,097,838)	(291,867)	166,325	(2,223,380)
Streets	(11,698,500)	(626,960)	81,417	(12,244,043)
Storm sewers	(6,643,219)	(316,411)	41,392	(6,918,238)
Street signals	(183,536)	(8,739)	-	(192,275)
Sidewalks	(3,290,260)	(84,461)	-	(3,374,721)
Terrace trees	(611,071)	(258)	-	(611,329)
Bike trails	(319,693)	(83,912)	-	(403,605)
Total accumulated depreciation/ amortization	<u>(27,973,563)</u>	<u>(1,755,068)</u>	<u>297,779</u>	<u>(29,430,852)</u>
Total capital assets, net of depreciation/ amortization	<u>23,137,174</u>	<u>2,340,269</u>	<u>46,460</u>	<u>25,430,983</u>
Capital assets, net of depreciation/ amortization	<u>\$ 35,578,032</u>	<u>\$ 5,710,175</u>	<u>\$ 3,143,997</u>	<u>\$ 38,144,210</u>



# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

Depreciation/amortization expense was charged to functions as follows:

## Governmental Activities

General government	\$ 41,746
Public safety	134,930
Public works	1,183,224
Culture, recreation and education	323,976
Conservation and development	<u>71,192</u>
Total governmental activities depreciation/amortization expense	<u>\$ 1,755,068</u>

## Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Water</b>				
Capital assets not being depreciated:				
Land and land rights	\$ 230,245	\$ -	\$ -	\$ 230,245
Construction in progress	<u>-</u>	<u>11,804</u>	<u>-</u>	<u>11,804</u>
Total capital assets not being depreciated/amortized	<u>230,245</u>	<u>11,804</u>	<u>-</u>	<u>242,049</u>
Capital assets being depreciated:				
Buildings and improvements	1,330,803	29,682	-	1,360,485
Equipment and machinery	901,687	65,769	(21,750)	945,706
Infrastructure	<u>18,843,744</u>	<u>141,891</u>	<u>-</u>	<u>18,985,635</u>
Total capital assets being depreciated/amortized	<u>21,076,234</u>	<u>237,342</u>	<u>(21,750)</u>	<u>21,291,826</u>
Total capital assets	<u>21,306,479</u>	<u>249,146</u>	<u>(21,750)</u>	<u>21,533,875</u>
Less accumulated depreciation for:				
Water plant	<u>(5,997,202)</u>	<u>(494,678)</u>	<u>10,875</u>	<u>(6,481,005)</u>
Total accumulated depreciation/amortization	<u>(5,997,202)</u>	<u>(494,678)</u>	<u>10,875</u>	<u>(6,481,005)</u>
Net capital assets being depreciated /amortized	<u>15,079,032</u>	<u>(257,336)</u>	<u>(10,875)</u>	<u>14,810,821</u>
Net water capital assets	<u>\$ 15,309,277</u>	<u>\$ (245,532)</u>	<u>\$ (10,875)</u>	<u>\$ 15,052,870</u>

## Village of Cottage Grove

Notes to Financial Statements

December 31, 2023

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Sewer</b>				
Capital assets not being depreciated:				
Land and land rights	\$ 514,826	\$ -	\$ -	\$ 514,826
Construction in progress	-	11,804	-	11,804
	<u>514,826</u>	<u>11,804</u>	<u>-</u>	<u>526,630</u>
Total capital assets not being depreciated/ amortized	514,826	11,804	-	526,630
Capital assets being depreciated:				
Buildings and improvements	3,435,071	29,682	-	3,464,753
Equipment and machinery	4,296,449	81,659	(21,750)	4,356,358
Infrastructure	14,113,459	60,271	-	14,173,730
	<u>21,844,979</u>	<u>171,612</u>	<u>(21,750)</u>	<u>21,994,841</u>
Total capital assets being depreciated/amortized	21,844,979	171,612	(21,750)	21,994,841
Total capital assets	<u>22,359,805</u>	<u>183,416</u>	<u>(21,750)</u>	<u>22,521,471</u>
Less accumulated depreciation for:				
Sewer plant	(6,404,038)	(525,625)	10,875	(6,918,788)
	<u>(6,404,038)</u>	<u>(525,625)</u>	<u>10,875</u>	<u>(6,918,788)</u>
Total accumulated depreciation/ amortization	(6,404,038)	(525,625)	10,875	(6,918,788)
Net capital assets being depreciated /amortized	<u>15,440,941</u>	<u>(354,013)</u>	<u>(10,875)</u>	<u>15,076,053</u>
Net sewer capital assets	<u>15,955,767</u>	<u>(342,209)</u>	<u>(10,875)</u>	<u>15,602,683</u>
Business-type capital assets, net of accumulated depreciation	<u>\$ 31,265,044</u>	<u>(587,741)</u>	<u>(21,750)</u>	<u>\$ 30,655,553</u>

Depreciation expense was charged to functions as follows:

### Business-Type Activities

Water	\$ 462,881
Sewer	557,422
	<u>1,020,303</u>
Total business-type activities depreciation expense	<u>\$ 1,020,303</u>

Depreciation expense may be different from business-type activity accumulated depreciation additions because of joint metering, salvage, cost of removal, internal allocations or costs associated with the disposal of assets.

# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

## Interfund Receivables/Payables, Advances and Transfers

### Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General Fund	TIF District No. 9	\$ 613,587	\$ -
Water Utility	General Fund	28,811	-
Sewer Utility	General Fund	41,568	-
Less fund eliminations		<u>(613,587)</u>	
Total, government-wide statement of net position		<u>\$ 70,379</u>	<u>\$ -</u>
Governmental activity	Business-type activity	\$ -	
Business-type activity	Governmental activity	<u>70,379</u>	
Total internal balances, government-wide statement of net position		<u>\$ 70,379</u>	

The principal purpose of these interfunds is to record temporary timing differences for the payment of cash between funds. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

### Advances

The General Debt Service Fund is advancing funds to TIF District No. 6. The amount advanced represents the deficiency of revenues over expenditures. The amount of the advance totals \$123,057 from the General Debt Service Fund. No repayment schedule has been established. No interest is being charged.

The General Fund is advancing funds to TIF District Nos. 8, 9 and 10. The amount advanced represents the deficiency of revenues over expenditures. No repayment schedule has been established. No interest is being charged.

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
Debt Service Fund	TIF District No. 6	\$ 123,057	\$ 123,057
General Fund	TIF District No. 8	42,072	42,072
General Fund	TIF District No. 10	31,852	31,852
Subtotal, fund financial statements		196,981	
Less fund eliminations		<u>(196,981)</u>	
Total, government-wide statement of net position		<u>\$ -</u>	

# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

## Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	Water Utility	\$ 326,796	Utility tax equivalent
Library	General Fund	31,190	Operating subsidy
General Debt Service Fund	TIF District No. 5	1,334,275	TIF debt payment
General Debt Service Fund	TIF District No. 6	121,000	TIF debt payment
General Debt Service Fund	TIF District No. 7	368,350	TIF debt payment
Capital Projects Fund	Park Development Fee	41,423	Reimburse eligible costs
Capital Projects Fund	Public Infrastructure	24,503	Reimburse eligible costs
	Subtotal, fund financial statements	2,247,537	
	Less fund eliminations	<u>(1,920,741)</u>	
	Total, government- wide statement of activities	<u>\$ 326,796</u>	

Generally, transfers are used to: (1) move revenues from the fund that collects them to the fund that the budget requires to expend them; (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund; and (3) use unassigned revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

### Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and notes payable:					
General obligation debt	\$ 18,610,000	\$ 2,905,000	\$ 2,140,000	\$ 19,375,000	\$ 2,175,000
General obligation debt from direct borrowings and direct placements	1,577,000	-	266,016	1,310,984	271,777
Add/(subtract) deferred amounts for premiums	<u>596,121</u>	<u>121,820</u>	<u>52,162</u>	<u>665,779</u>	<u>-</u>
Total bonds and notes payable	<u>20,783,121</u>	<u>3,026,820</u>	<u>2,458,178</u>	<u>21,351,763</u>	<u>2,446,777</u>
Other liabilities:					
Vested compensated absences	<u>265,388</u>	<u>124,197</u>	<u>90,526</u>	<u>299,059</u>	<u>95,273</u>
Total other liabilities	<u>265,388</u>	<u>124,197</u>	<u>90,526</u>	<u>299,059</u>	<u>95,273</u>
Total governmental activities long-term liabilities	<u>\$ 21,048,509</u>	<u>\$ 3,151,017</u>	<u>\$ 2,548,704</u>	<u>\$ 21,650,822</u>	<u>\$ 2,542,050</u>
<b>Business-Type Activities</b>					
Bonds and notes payable:					
General obligation debt	\$ 2,460,000	\$ 110,000	\$ 205,000	\$ 2,365,000	\$ 195,000
General obligation debt from direct borrowings and direct placements	581,091	-	90,587	490,504	93,004
Revenue bonds	4,671,263	-	490,882	4,180,381	502,083
Add/(subtract) deferred amounts for premiums	<u>45,345</u>	<u>1,104</u>	<u>6,325</u>	<u>40,124</u>	<u>-</u>
Subtotal	<u>7,757,699</u>	<u>111,104</u>	<u>792,794</u>	<u>7,076,009</u>	<u>790,087</u>
Other liabilities:					
Vested compensated absences	<u>97,872</u>	<u>22,106</u>	<u>32,124</u>	<u>87,854</u>	<u>37,254</u>
Total business-type activities long-term liabilities	<u>\$ 7,855,571</u>	<u>\$ 133,210</u>	<u>\$ 824,918</u>	<u>\$ 7,163,863</u>	<u>\$ 827,341</u>

In addition to the liabilities above, information on the net pension liability (asset) are provided in Note 4.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village may not exceed 5% of the equalized value of taxable property within the Village's jurisdiction. The debt limit as of December 31, 2023 was \$62,099,070. Total general obligation debt outstanding at year-end was \$23,541,488.

# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

## General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the Village. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/23</u>
<b>Governmental Activities</b>					
General obligation debt:					
Refunding bonds	06/12/2014	04/01/2026	2.00 – 2.25%	\$ 6,420,000	\$ 2,055,000
Refunding bonds	04/07/2015	04/01/2031	2.00 – 3.00%	3,475,000	1,985,000
Corporate bonds	04/12/2017	04/01/2037	3.00 – 3.75%	5,405,000	2,730,000
Corporate bonds	06/20/2018	04/01/2038	3.00 – 3.75%	990,000	690,000
Bank notes*	07/22/2019	04/01/2029	2.79%	785,000	502,000
Corporate bonds	06/18/2022	04/01/2040	2.00%	1,820,000	1,565,000
Corporate bonds	08/04/2022	04/01/2042	3.00 – 4.00%	7,735,000	7,445,000
State trust fund loan*	03/26/2022	03/15/2027	2.50%	1,000,000	808,984
Corporate bonds	06/22/2023	04/01/2043	4.00 – 5.00%	2,905,000	2,905,000
Total governmental activities, general obligation debt					<u>\$ 20,685,984</u>
	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/23</u>
<b>Business-Type Activities</b>					
General obligation debt:					
Promissory notes*	02/25/2009	05/01/2028	2.67%	\$ 1,561,932	\$ 490,504
Refunding bonds	04/07/2015	04/01/2025	3.00 – 4.00%	725,000	130,000
Corporate bonds	04/12/2017	04/01/2037	3.00 – 3.75%	1,096,917	845,000
Corporate bonds	06/20/2018	04/01/2038	3.00 – 3.75%	1,425,000	1,265,000
Corporate bonds	08/04/2022	04/01/2024	4.00%	60,000	15,000
Corporate bonds	06/22/2023	04/01/2028	5.00%	110,000	110,000
Total business-type activities, general obligation debt					<u>\$ 2,855,504</u>

\* The debt noted is directly placed with a third party.

## Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Debt		Business-Type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
Years ending December 31:				
2024	\$ 2,175,000	\$ 644,896	\$ 195,000	\$ 75,445
2025	2,285,000	546,709	180,000	68,157
2026	1,900,000	486,625	155,000	62,882
2027	915,000	444,163	155,000	57,832
2028	865,000	413,975	170,000	52,457
2029-2033	4,265,000	1,616,663	760,000	190,018
2034-2038	3,960,000	934,975	750,000	61,662
2039-2043	3,010,000	256,900	-	-
Total	\$ 19,375,000	\$ 5,344,906	\$ 2,365,000	\$ 568,453

	Governmental Activities General Obligation Debt From Direct Borrowings and Direct Placements		Business-Type Activities General Obligation Debt From Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
Years ending December 31:				
2024	\$ 271,777	\$ 33,212	\$ 93,004	\$ 11,846
2025	279,702	26,097	95,485	9,332
2026	286,694	18,845	98,033	6,750
2027	294,811	11,397	100,648	4,099
2028	88,000	3,739	103,334	1,378
2029	90,000	1,256	-	-
Total	\$ 1,310,984	\$ 94,546	\$ 490,504	\$ 33,405

### Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the water and sewer utilities.

The water utility has pledged future customer revenues, net of specified operating expenses, to repay revenue bonds issued in 2013, 2015 and 2016. Proceeds from the bonds provided financing for the improvements to the water utility system. The bonds are payable solely from customer revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require 27.69% of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,003,466. Principal and interest paid for the current year and total customer net revenues were \$272,942 and \$834,375, respectively.

The sewer utility has pledged future customer revenues, net of specified operating expenses, to repay revenue bonds issued in 2009. Proceeds from the bonds provided financing for the improvements to the sewer utility system. The bonds are payable solely from customer revenues and are payable through 2028. Annual principal and interest payments on the bonds are expected to require 24.73% of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,555,101. Principal and interest paid for the current year and total customer net revenues were \$311,317 and \$1,257,720, respectively.

# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/22</u>
<b>Water Utility</b>					
Revenue bonds	06/12/2013	05/01/2033	1.93%	\$ 2,840,252	\$ 1,512,222
Revenue bonds	12/23/2015	05/01/2035	1.79%	730,296	465,182
Revenue bonds	12/28/2016	05/01/2036	1.54%	1,072,280	747,034
<b>Sewer Utility</b>					
Revenue bonds	02/25/2009	05/01/2031	2.67%	4,636,221	<u>1,455,943</u>
Total business-type activities revenue debt					<u>\$ 4,180,381</u>

Debt service requirements to maturity are as follows:

	<b>Business-Type Activities Revenue Debt</b>	
	<u>Principal</u>	<u>Interest</u>
Years ending December 31:		
2024	\$ 502,083	\$ 82,043
2025	513,550	70,442
2026	525,288	58,564
2027	537,303	46,405
2028	549,605	33,959
2029-2033	1,282,200	80,934
2034-2036	<u>270,352</u>	<u>5,839</u>
Total	<u>\$ 4,180,381</u>	<u>\$ 378,186</u>

## Other Debt Information

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



## Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

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### Net Position/Fund Balances

Net position reported on the government wide statement of net position at December 31, 2023 includes the following:

#### Governmental Activities

Net investment in capital assets:

Land	\$ 10,456,453
Construction in progress	2,256,774
Other capital assets, net of accumulated depreciation	25,430,983
Less long-term debt outstanding	(20,685,984)
Plus unspent debt proceeds	63,377
Plus noncapital debt proceeds	1,995,669
Less premium on capital-related long-term debt	(665,779)
Plus unamortized loss on refunding	21,383

Total net investment in capital assets 18,872,876

Restricted:

Debt service	124,083
TIF districts	2,441,281
Grants	19,727

Total restricted 2,585,091

Unrestricted 1,501,390

Total governmental activities net position \$ 22,959,357

# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

Governmental fund balances reported on the fund financial statements at December 31, 2023, include the following:

	<u>General Fund</u>	<u>General Debt Service</u>	<u>Public Infrastructure</u>	<u>TIF District No. 5</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Fund Balances</b>						
Nonspendable:						
Prepaid items	\$ 99,280	\$ -	\$ 7,602	\$ -	\$ -	\$ 106,882
Delinquent special assessments	857	-	-	-	-	857
Delinquent personal property taxes	16,209	-	-	-	-	16,209
Advances to other funds	<u>73,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,924</u>
Subtotal	<u>190,270</u>	<u>-</u>	<u>7,602</u>	<u>-</u>	<u>-</u>	<u>197,872</u>
Restricted for:						
Capital projects	-	-	37,371	-	26,006	63,377
Grants	-	-	-	-	19,727	19,727
Debt service	-	346,181	-	-	-	346,181
TIF districts	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,471,088</u>	<u>970,193</u>	<u>2,441,281</u>
Subtotal	<u>-</u>	<u>346,181</u>	<u>37,371</u>	<u>1,471,088</u>	<u>1,015,926</u>	<u>2,870,566</u>
Committed to:						
Park development	-	-	-	-	637,533	637,533
Library	-	-	-	-	5,409	5,409
Tourism	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,716</u>	<u>6,716</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>649,658</u>	<u>649,658</u>
Assigned to:						
Payment in lieu of taxes	326,796	-	-	-	-	326,796
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>757,934</u>	<u>757,934</u>
Subtotal	<u>326,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>757,934</u>	<u>1,084,730</u>
Unassigned (deficit)	<u>1,668,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(289,848)</u>	<u>1,378,368</u>
Total fund balances (deficit)	<u>\$ 2,185,282</u>	<u>\$ 346,181</u>	<u>\$ 44,973</u>	<u>\$ 1,471,088</u>	<u>\$ 2,133,670</u>	<u>\$ 6,181,194</u>

## Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

### Business-Type Activities

Net investment in capital assets:	
Land	\$ 745,071
Construction in progress	23,608
Other capital assets, net of accumulated depreciation	29,886,874
Less long-term debt outstanding	(7,035,885)
Less unamortized loss on refunding	<u>(40,124)</u>
Total net investment in capital assets	<u>23,579,544</u>
Restricted:	
Equipment replacement	567,379
Debt service	<u>334,722</u>
Total restricted	<u>902,101</u>
Unrestricted	<u>4,590,047</u>
Total governmental activities net position	<u>\$ 29,071,692</u>

## 4. Other Information

### Employees' Retirement System

#### 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 1,200 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>.

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.

# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

## Benefits Provided

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

Final average earnings is the average of the participant's three highest annual earnings period. 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 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.

## Postretirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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
2022	7.4	15.0

## 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, 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.

## Village of Cottage Grove

Notes to Financial Statements

December 31, 2023

During the reporting period, the WRS recognized \$207,069 in contributions from the Village.

Contribution rates as of December 31, 2023 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.50%	6.50%
Protective with Social Security	6.50%	12.00%
Protective without Social Security	6.50%	16.40%

### **Pension Liability (Asset), Pension Expense (Revenue), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2023, the Village reported a liability/(asset) of \$863,459 for its proportionate share of the net pension liability/(asset). The net pension liability/(asset) was measured as of December 31, 2022 and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of December 31, 2021 rolled forward to December 31, 2022. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Village's proportion of the net pension liability/(asset) was based on the Village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2022, the Village's proportion was .01629875%, which was an increase of .00104490% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2023, the Village recognized pension expense (revenue) of \$369,516.

At December 31, 2023, the Village reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ 1,375,223	\$ 1,806,734
Changes in assumption	169,791	-
Net differences between projected and actual earnings on pension plan investments	1,466,819	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,732	20,232
Employer contributions subsequent to the measurement date	<u>272,731</u>	<u>-</u>
Total	<u>\$ 3,289,296</u>	<u>\$ 1,826,966</u>

## Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

\$272,731 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred outflows (inflows) of resources related to pension will be recognized in pension expense as follows:

	<b>Deferred Outflows of Resources and Deferred Inflows of Resources (Net)</b>
Years ending December 31:	
2024	\$ 47,001
2025	245,070
2026	250,276
2027	647,252

### Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2021
Measurement Date of Net Pension Liability (Asset):	December 31, 2022
Experience Study:	January 1, 2018 – December 31, 2020 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. The Total Pension Liability for December 31, 2022 is based upon a roll-forward of the liability calculated from the December 31, 2021 actuarial valuation.

## Village of Cottage Grove

Notes to Financial Statements

December 31, 2023

### 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 geometric real rates of return for each major asset class are summarized in the following table:

#### Asset Allocation Targets and Expected Returns\* as of December 31, 2022

<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	48	7.6	5.0
Fixed Income	25	5.3	2.7
Inflation Sensitive	19	3.6	1.1
Real Estate	8	5.2	2.6
Private Equity/Debt	15	9.6	6.9
Total Core Fund***	115	7.4	4.8
<b>Variable Fund Asset</b>			
U.S. Equities	70	7.2	4.6
International Equities	30	8.1	5.5
Total Variable Fund	100	7.7	4.1

\* 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%.

# Village of Cottage Grove

Notes to Financial Statements  
December 31, 2023

## Single Discount Rate

A single discount rate of 6.8% was used to measure the total pension liability, for the current and prior year. This single discount rate was based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.05%. (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, 2022. 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.

## Sensitivity of the Village's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Village's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80%, as well as what the Village's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80%) or 1 percentage-point higher (7.80%) than the current rate:

	<u>1% Decrease to Discount Rate (5.80%)</u>	<u>Current Discount Rate (6.80%)</u>	<u>1% Increase to Discount Rate (7.80%)</u>
Village's proportionate share of the net pension liability (asset)	\$ 2,865,793	\$ 863,459	\$ (513,974)

## 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-reportsand-statements>.

## Risk Management

The Village 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.

## Commitments and Contingencies

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.



## Village of Cottage Grove

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Notes to Financial Statements

December 31, 2023

From time to time, the Village 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 Village attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Village's financial position or results of operations.

The Village 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.

The Village has entered into TIF agreements with several developers that commit the Village to making payments to the developer if certain conditions are met. The obligations do not constitute a charge upon any funds of the Village. In the event that future tax increments are not sufficient to pay off the obligations, the obligations terminate with no further liability to the Village. Since the amount of future payments is contingent on the collection of future TIF increments, the obligations are not reported as liabilities in the accompanying financial statements. The Village made payments totaling \$2,308,875 during the current year in relation to these agreements.

### Joint Ventures

The Village of Cottage Grove and the Town of Cottage Grove jointly operate the emergency government, emergency building maintenance and fire protection districts. The Village of Cottage Grove, Town of Cottage Grove, Village of Deerfield and Town of Deerfield jointly operate the local emergency medical service.

The governing body is made up of citizens from each community. Local representatives are appointed by the Village board. The governing body has authority to adopt its own budget and control the financial affairs of the districts. The Village is obligated by the joint venture agreement to remit an amount annually to the districts. The Village made a payment to the districts of \$582,006 in 2023.

Financial information of the districts as of December 31, 2023 is available directly from the district's office.

The Village accounts for its share of the operation of all joint ventures in the general fund. The Village has an equity interest in the EMS district; however, the equity interest is not material and, consequently, is not reported in these financial statements.

The Village does not have an equity interest in the other joint ventures.

### Significant Customers

#### Sewer Utility

The sewer utility has one significant customer who is responsible for 19.71% of operating revenues in 2023.

### Subsequent Event

On March 21, 2024, the Village issued \$4,975,000 in Taxable General Obligation Promissory Notes to finance land acquisition in Tax Incremental Financing District No. 9. The notes mature on April 1, 2032 and have interest rates ranging from 4.65-5.00%.

## Village of Cottage Grove

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Notes to Financial Statements  
December 31, 2023

### Effect of New Accounting Standards on Current-Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*
- Statement No. 101, *Compensated Absences*
- Statement No. 102, *Certain Risk Disclosures*

When they become effective, application of these standards may restate portions of these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

## Village of Cottage Grove

### Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget to actual - General Fund

December 31, 2023

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes:				
General property taxes	\$ 3,847,991	\$ 3,847,991	\$ 3,847,991	\$ -
Total	3,847,991	3,847,991	3,847,991	-
Intergovernmental revenues:				
State aid, state shared revenues	46,003	46,003	38,022	(7,981)
State aid, state shared revenues, utility aid	229	229	231	2
State aid, exempt computer aid	2,471	2,471	2,471	-
State aid, personal property aid	11,201	11,201	11,201	-
State aid, police	15,000	15,000	21,399	6,399
State aid, digital records	15,753	15,753	15,753	-
State aid, miscellaneous	-	-	10,130	10,130
State aid, ambulance grant	-	-	7,982	7,982
State aid, transportation	454,734	454,734	454,794	60
State aid, recycling grant	9,750	9,750	9,677	(73)
Total	555,141	555,141	571,660	16,519
Licenses and permits:				
Liquor and malt bev license	13,000	13,000	9,180	(3,820)
Operator's license	5,000	5,000	4,605	(395)
Cigarette license	400	400	371	(29)
Publication fees	300	300	499	199
Dog license	1,500	1,500	1,617	117
Publication fees	3,000	3,000	820	(2,180)
Building permits	530,000	530,000	157,870	(372,130)
Conditional use permits	400	400	700	300
Sign permit	1,000	1,000	1,175	175
Zoning permits & fees	7,000	7,000	6,375	(625)
Erosion control fees	-	-	5,341	5,341
Land disturbance permit	10,000	10,000	5,100	(4,900)
Extraterritorial jurisdiction	1,000	1,000	-	(1,000)
Total	572,600	572,600	193,653	(378,947)
Fines, forfeitures and penalties:				
Fines, forfeitures, Village share	35,000	35,000	38,530	3,530
Court penalties and costs	25,000	25,000	26,482	1,482
Parking violations	5,500	5,500	4,315	(1,185)
Total	65,500	65,500	69,327	3,827

See notes to required supplementary information

## Village of Cottage Grove

### Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget to actual - General Fund

December 31, 2023

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Public charges for services:				
Other earnings general government	\$ 5,000	\$ 5,000	\$ 469	\$ (4,531)
Tax & title search fees	3,500	3,500	3,220	(280)
Public works misc charges	1,300	1,300	3,451	2,151
Snow removal	5,000	5,000	455	(4,545)
Recycling fee from tax roll	144,000	144,000	143,999	(1)
Special garbage coll charge	1,600	1,600	4,321	2,721
Park rental fees	7,000	7,000	7,295	295
Parks, concession revenue	2,000	2,000	559	(1,441)
Recreation, ticket sales	-	-	231	231
Recreation, diamond use charge	1,000	1,000	1,690	690
Recreation, coach pitch/tball	-	-	5,115	5,115
Recreation, baseball/softball	29,000	29,000	23,550	(5,450)
Recreation, basketball	12,000	12,000	13,696	1,696
Enrichment programs, youth	82,950	82,950	48,859	(34,091)
Enrichment programs, adult	13,950	13,950	20,036	6,086
Recreation, flag football	14,000	14,000	14,764	764
Recreation, golf	3,100	3,100	2,180	(920)
Recreation, tennis	7,000	7,000	5,120	(1,880)
Recreation, volleyball	6,000	6,000	7,523	1,523
Recreation, teener/legion baseball	8,000	8,000	5,440	(2,560)
Recreation, senior programming	-	-	2,974	2,974
Recreation, start smart	7,000	7,000	6,420	(580)
Misc. recreation donations	10,000	10,000	10,750	750
Cable franchise fees	15,000	15,000	10,644	(4,356)
School resource officer	80,000	80,000	93,326	13,326
Total	458,400	458,400	436,087	(22,313)
Investment income:				
Investments on investments	100,000	100,000	291,993	191,993
Interest on delinquent taxes	1,000	1,000	9,883	8,883
Total	101,000	101,000	301,876	200,876
Miscellaneous:				
Patronage dividend	18,000	18,000	10,050	(7,950)
Tower rental income	14,000	14,000	13,048	(952)
Miscellaneous income	52,500	52,500	76,197	23,697
Total	84,500	84,500	99,295	14,795
Other financing sources:				
Transfer in, tax equivalent	350,000	350,000	326,796	(23,204)
Total	350,000	350,000	326,796	(23,204)
Total revenues and other sources	6,035,132	6,035,132	5,846,685	(188,447)

See notes to required supplementary information

## Village of Cottage Grove

### Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget to actual - General Fund

December 31, 2023

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Expenditures</b>				
General government:				
Village board	\$ 42,996	\$ 42,996	\$ 39,498	\$ 3,498
Municipal court	62,600	62,600	68,021	(5,421)
Digital media communications	23,080	23,080	15,253	7,827
Administration	129,972	129,972	109,056	20,916
Clerk	145,770	145,770	144,337	1,433
Elections	9,655	9,655	9,296	359
Finance and professional services	397,268	397,268	381,482	15,786
Municipal buildings operation	82,050	82,050	87,382	(5,332)
Flynn hall	2,200	2,200	2,466	(266)
<b>Total</b>	<b>895,591</b>	<b>895,591</b>	<b>856,791</b>	<b>38,800</b>
Public safety:				
Police	2,085,836	2,085,836	2,065,709	20,127
Police commission	4,200	4,200	23	4,177
Crossing guards	30,642	30,642	25,329	5,313
Fire	73,500	73,500	90,148	(16,648)
Emergency services building	21,750	21,750	20,670	1,080
Emergency government	22,383	22,383	24,995	(2,612)
Inspections	452,150	452,150	145,517	306,633
Emergency medical services	517,187	517,187	518,275	(1,088)
<b>Total</b>	<b>3,207,648</b>	<b>3,207,648</b>	<b>2,890,666</b>	<b>316,982</b>
Public works:				
Public works administration	313,117	313,117	285,009	28,108
Street maintenance and operations	304,800	304,800	263,772	41,028
Stormwater sewer	33,500	33,500	26,821	6,679
Beautification	4,000	4,000	921	3,079
Refuse recycling, landfill	461,000	461,000	468,999	(7,999)
<b>Total</b>	<b>1,116,417</b>	<b>1,116,417</b>	<b>1,045,522</b>	<b>70,895</b>
Health and human services:				
Senior outreach	24,000	24,000	28,000	(4,000)
Diversity, equity, and inclusion	4,000	4,000	-	4,000
<b>Total</b>	<b>28,000</b>	<b>28,000</b>	<b>28,000</b>	<b>-</b>
Culture, recreation and education:				
Parks and playgrounds	203,597	203,597	220,102	(16,505)
Recreation programs	285,312	285,312	343,895	(58,583)
Parks maintenance	93,010	93,010	86,294	6,716
Forestry	88,173	88,173	97,465	(9,292)
<b>Total</b>	<b>670,092</b>	<b>670,092</b>	<b>747,756</b>	<b>(77,664)</b>
Conservation and development:				
Planning	50,742	50,742	51,733	(991)
Economic development	51,642	51,642	52,450	(808)
<b>Total</b>	<b>102,384</b>	<b>102,384</b>	<b>104,183</b>	<b>(1,799)</b>

See notes to required supplementary information

**Village of Cottage Grove**

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget to actual - General Fund

December 31, 2023

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Other financing uses:				
Transfer out	\$ 15,000	\$ 31,190	\$ 31,190	\$ -
Total expenditures and other uses	<u>6,035,132</u>	<u>6,051,322</u>	<u>5,704,108</u>	<u>347,214</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(16,190)	142,577	158,767
<b>Fund Balance, Beginning</b>	<u>2,042,705</u>	<u>2,042,705</u>	<u>2,042,705</u>	<u>-</u>
<b>Fund Balance, Ending</b>	<u>\$ 2,042,705</u>	<u>\$ 2,026,515</u>	<u>\$ 2,185,282</u>	<u>\$ 158,767</u>

*See notes to required supplementary information*

## Village of Cottage Grove

Schedule of Proportionate Share of the Net Pension Liability (Asset) -

Wisconsin Retirement System

Year Ended December 31, 2023

<b>Fiscal Year Ending</b>	<b>Proportion of the Net Pension Liability/(Asset)</b>	<b>Proportionate Share of the Net Pension Liability/(Asset)</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the Net Pension Liability/ (Asset) as a Percentage of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
12/31/23	0.01629875 %	\$ 863,459	\$ 2,384,578	36.21 %	95.72 %
12/31/22	0.01525385 %	(1,229,488)	2,056,334	59.79 %	106.02 %
12/31/21	0.01482096 %	(925,293)	2,061,369	44.89 %	105.26 %
12/31/20	0.01397436 %	(450,597)	1,839,442	24.50 %	102.96 %
12/31/19	0.01336792 %	475,588	1,744,017	27.27 %	96.45 %
12/31/18	0.01242634 %	(368,952)	1,627,014	22.68 %	102.93 %
12/31/17	0.01195499 %	98,538	1,561,314	6.31 %	99.12 %
12/31/16	0.01154323 %	187,575	1,399,689	13.40 %	98.20 %
12/31/15	0.01161188 %	(285,141)	1,421,828	20.05 %	102.74 %

Schedule of Employer Contributions - Wisconsin Retirement System

For the Year Ended December 31, 2023

<b>Fiscal Year Ending</b>	<b>Contractually Required Contributions</b>	<b>Contributions in Relation to the Contractually Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
12/31/23	\$ 272,731	\$ 272,731	\$ -	\$ 2,891,775	9.43 %
12/31/22	207,071	207,071	-	2,384,579	8.68 %
12/31/21	179,735	179,735	-	2,056,335	8.74 %
12/31/20	171,238	171,238	-	2,061,370	8.31 %
12/31/19	150,262	150,262	-	1,839,442	8.17 %
12/31/18	137,259	137,259	-	1,674,747	8.20 %
12/31/17	135,672	135,672	-	1,614,853	8.40 %
12/31/16	120,207	120,207	-	1,561,314	7.70 %
12/31/15	113,529	113,529	-	1,445,431	7.85 %

See notes to the required supplementary information



## Village of Cottage Grove

Notes to Required Supplementary Information  
December 31, 2023

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### Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.

The budgeted amounts presented are as presented in the original budget and amendments were adopted during the year. The Village may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds board action.

Appropriations lapse at year-end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the functional level of expenditure in the general fund and total expenditure level for other funds.

### Wisconsin Retirement System

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The Village is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

*Changes in benefit terms.* There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

*Changes in 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

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

## **SUPPLEMENTARY INFORMATION**

**Village of Cottage Grove**

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 December 31, 2023

	<b>Special Revenue Funds</b>				
	<b>Park Development Fees</b>	<b>Developer Deposits</b>	<b>Library</b>	<b>American Rescue Plan Act</b>	<b>Tourism</b>
<b>Assets</b>					
Cash and investments	\$ 638,009	\$ 144,243	\$ 6,001	\$ 93,435	\$ 8,450
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	31,427	-	-	30,052
Special assessments	-	-	-	-	-
Accrued interest	-	-	-	-	-
Prepaid items	-	-	-	-	-
Land held for resale	-	-	-	-	-
Total assets	<u>\$ 638,009</u>	<u>\$ 175,670</u>	<u>\$ 6,001</u>	<u>\$ 93,435</u>	<u>\$ 38,502</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 476	\$ -	\$ 200	\$ 2,280	\$ 31,786
Accrued liabilities	-	-	392	-	-
Deposits	-	180,670	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Unearned revenue	-	-	-	71,428	-
Total liabilities	<u>476</u>	<u>180,670</u>	<u>592</u>	<u>73,708</u>	<u>31,786</u>
Deferred inflows of resources:					
Unearned revenue	-	-	-	-	-
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit):					
Restricted	-	-	-	19,727	-
Committed	637,533	-	5,409	-	6,716
Assigned	-	-	-	-	-
Unassigned (deficit)	-	(5,000)	-	-	-
Total fund balances (deficit)	<u>637,533</u>	<u>(5,000)</u>	<u>5,409</u>	<u>19,727</u>	<u>6,716</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 638,009</u>	<u>\$ 175,670</u>	<u>\$ 6,001</u>	<u>\$ 93,435</u>	<u>\$ 38,502</u>

**Capital Projects Funds**

<u>Capital Projects</u>	<u>ERIM</u>	<u>TIF District No. 6</u>	<u>TIF District No. 7</u>	<u>TIF District No. 8</u>	<u>TIF District No. 9</u>	<u>TIF District No. 10</u>	<u>Total Nonmajor Funds</u>
\$ 808,178	\$ 47,995	\$ -	\$ 970,328	\$ -	\$ -	\$ -	\$ 2,716,639
2,312	-	58,702	812,580	2,968	563,712	70,843	1,511,117
59,263	-	-	-	-	-	-	120,742
3,385	-	-	-	-	-	-	3,385
-	-	-	-	-	-	-	-
-	-	-	-	-	30,000	-	30,000
-	-	-	-	-	500,000	-	500,000
<u>\$ 873,138</u>	<u>\$ 47,995</u>	<u>\$ 58,702</u>	<u>\$ 1,782,908</u>	<u>\$ 2,968</u>	<u>\$ 1,093,712</u>	<u>\$ 70,843</u>	<u>\$ 4,881,883</u>
\$ 109,507	\$ 21,989	\$ -	\$ 135	\$ -	\$ 2,725	\$ 32	\$ 169,130
-	-	-	-	322	638	563	1,915
-	-	-	-	-	-	-	180,670
-	-	-	-	-	613,587	-	613,587
-	-	123,057	-	42,072	-	31,852	196,981
-	-	-	-	-	-	-	71,428
<u>109,507</u>	<u>21,989</u>	<u>123,057</u>	<u>135</u>	<u>42,394</u>	<u>616,950</u>	<u>32,447</u>	<u>1,233,711</u>
-	-	58,702	811,613	2,968	563,712	70,843	1,507,838
5,697	-	-	967	-	-	-	6,664
<u>5,697</u>	<u>-</u>	<u>58,702</u>	<u>812,580</u>	<u>2,968</u>	<u>563,712</u>	<u>70,843</u>	<u>1,514,502</u>
-	26,006	-	970,193	-	-	-	1,015,926
-	-	-	-	-	-	-	649,658
757,934	-	-	-	-	-	-	757,934
-	-	(123,057)	-	(42,394)	(86,950)	(32,447)	(289,848)
<u>757,934</u>	<u>26,006</u>	<u>(123,057)</u>	<u>970,193</u>	<u>(42,394)</u>	<u>(86,950)</u>	<u>(32,447)</u>	<u>2,133,670</u>
<u>\$ 873,138</u>	<u>\$ 47,995</u>	<u>\$ 58,702</u>	<u>\$ 1,782,908</u>	<u>\$ 2,968</u>	<u>\$ 1,093,712</u>	<u>\$ 70,843</u>	<u>\$ 4,881,883</u>

## Village of Cottage Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 December 31, 2023

	<b>Special Revenue Funds</b>				
	<b>Park Development Fees</b>	<b>Developer Deposits</b>	<b>Library</b>	<b>American Rescue Plan Act</b>	<b>Tourism</b>
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	-	-	1,000	676,220	-
Public charges for services	117,684	-	-	-	136,203
Investment income	25,525	-	-	16,919	-
Miscellaneous revenues	32,084	1,442	8,781	-	-
<b>Total revenues</b>	<b>175,293</b>	<b>1,442</b>	<b>9,781</b>	<b>693,139</b>	<b>136,203</b>
<b>Expenditures</b>					
Current:					
General government	-	-	-	211,838	-
Public safety	-	-	-	290,332	-
Public works	-	-	-	164,551	-
Culture, recreation and education	9,286	-	35,562	9,500	-
Conservation and development	-	-	-	-	132,390
Capital outlay	56,779	-	-	-	-
Debt service:					
Issuance cost	-	-	-	-	-
<b>Total expenditures</b>	<b>66,065</b>	<b>-</b>	<b>35,562</b>	<b>676,221</b>	<b>132,390</b>
Excess (deficiency) of revenues over expenditures	109,228	1,442	(25,781)	16,918	3,813
<b>Other Financing Sources (Uses)</b>					
Long-term debt issued	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Transfer in	-	-	31,190	-	-
Transfer out	(41,423)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(41,423)</b>	<b>-</b>	<b>31,190</b>	<b>-</b>	<b>-</b>
Net change in fund balance	67,805	1,442	5,409	16,918	3,813
<b>Fund Balance (Deficit), Beginning</b>	<b>569,728</b>	<b>(6,442)</b>	<b>-</b>	<b>2,809</b>	<b>2,903</b>
<b>Fund Balance (Deficit), Ending</b>	<b>\$ 637,533</b>	<b>\$ (5,000)</b>	<b>\$ 5,409</b>	<b>\$ 19,727</b>	<b>\$ 6,716</b>

**Capital Projects Funds**

<b>Capital Projects</b>	<b>ERIM</b>	<b>TIF District No. 6</b>	<b>TIF District No. 7</b>	<b>TIF District No. 8</b>	<b>TIF District No. 9</b>	<b>TIF District No. 10</b>	<b>Total Nonmajor Funds</b>
\$ 100,000	\$ -	\$ 55,237	\$ 680,992	\$ -	\$ 29,829	\$ 59,658	\$ 925,716
2,428	-	-	1,024	-	-	-	3,452
38,919	-	2,013	4,515	-	-	-	722,667
31,931	-	-	-	-	-	-	285,818
62,828	5,842	-	28,148	-	-	-	139,262
157,554	-	-	-	-	69,162	-	269,023
<u>393,660</u>	<u>5,842</u>	<u>57,250</u>	<u>714,679</u>	<u>-</u>	<u>98,991</u>	<u>59,658</u>	<u>2,345,938</u>
-	-	-	-	-	-	-	211,838
-	-	-	-	-	-	-	290,332
-	-	-	-	-	-	-	164,551
-	-	-	-	-	-	-	54,348
-	-	150	2,740	22,153	45,737	51,548	254,718
1,439,812	557,664	-	-	-	-	-	2,054,255
<u>-</u>	<u>18,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,097</u>
<u>1,439,812</u>	<u>575,761</u>	<u>150</u>	<u>2,740</u>	<u>22,153</u>	<u>45,737</u>	<u>51,548</u>	<u>3,048,139</u>
<u>(1,046,152)</u>	<u>(569,919)</u>	<u>57,100</u>	<u>711,939</u>	<u>(22,153)</u>	<u>53,254</u>	<u>8,110</u>	<u>(702,201)</u>
-	590,000	-	-	-	-	-	590,000
-	5,925	-	-	-	-	-	5,925
60,900	-	-	-	-	-	-	60,900
65,926	-	-	-	-	-	-	97,116
-	-	(121,000)	(368,350)	-	-	-	(530,773)
<u>126,826</u>	<u>595,925</u>	<u>(121,000)</u>	<u>(368,350)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,168</u>
(919,326)	26,006	(63,900)	343,589	(22,153)	53,254	8,110	(479,033)
<u>1,677,260</u>	<u>-</u>	<u>(59,157)</u>	<u>626,604</u>	<u>(20,241)</u>	<u>(140,204)</u>	<u>(40,557)</u>	<u>2,612,703</u>
<u>\$ 757,934</u>	<u>\$ 26,006</u>	<u>\$ (123,057)</u>	<u>\$ 970,193</u>	<u>\$ (42,394)</u>	<u>\$ (86,950)</u>	<u>\$ (32,447)</u>	<u>\$ 2,133,670</u>

**FORM OF LEGAL OPINION**

(See following pages)

Quarles & Brady LLP  
411 East Wisconsin Avenue  
Milwaukee, WI 53202

May 23, 2024

Re: Village of Cottage Grove, Wisconsin ("Issuer")  
\$6,230,000 General Obligation Promissory Notes, Series 2024B,  
dated May 23, 2024 ("Notes")

We have acted as bond counsel to the Issuer in connection with the issuance of the Notes. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Notes are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on April 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2025	\$260,000	___%
2026	840,000	___
2027	305,000	___
2028	370,000	___
2029	310,000	___
2030	295,000	___
2031	265,000	___
2032	350,000	___
2033	355,000	___
2034	450,000	___
2035	270,000	___
2036	270,000	___
2037	270,000	___
2038	270,000	___
2039	270,000	___
2040	270,000	___
2041	270,000	___
2042	270,000	___
2043	270,000	___

Interest is payable semi-annually on April 1 and October 1 of each year commencing on April 1, 2025.



The Notes maturing on April 1, 2033 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on April 1, 2032 or on any date thereafter. Said Notes are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer, and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

[The Notes maturing in the years \_\_\_\_\_ are subject to mandatory redemption by lot as provided in the Notes, at the redemption price of par plus accrued interest to the date of redemption and without premium.]

We further certify that we have examined a sample of the Notes and find the same to be in proper form.

Based upon and subject to the foregoing, it is our opinion under existing law that:

1. The Notes have been duly authorized and executed by the Issuer and are valid and binding general obligations of the Issuer.

2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of, and interest on, the Notes, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Notes except to the extent that necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Notes.

3. The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on individuals; however, interest on the Notes is taken into account in determining "adjusted financial statement income" for purposes of computing the federal alternative minimum tax imposed on Applicable Corporations (as defined in Section 59(k) of the Code). The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Notes. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

The rights of the owners of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP

### BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Village as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Village or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The Village may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Village believes to be reliable, but the Village takes no responsibility for the accuracy thereof.

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

(See following pages)

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Village of Cottage Grove, Dane County, Wisconsin (the "Issuer") in connection with the issuance of \$6,230,000 General Obligation Promissory Notes, Series 2024B, dated May 23, 2024 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on April 15, 2024, as supplemented by an Approving Certificate, dated May 8, 2024 (collectively, the "Resolution") and delivered to \_\_\_\_\_ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at [www.emma.msrb.org](http://www.emma.msrb.org) in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Final Official Statement" means the Final Official Statement dated May 8, 2024 delivered in connection with the Securities, which is available from the MSRB.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" means the fiscal year of the Issuer.

"Governing Body" means the Village Board of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

"Issuer" means the Village of Cottage Grove, Dane County, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the Village Administrator of the Issuer who can be contacted at Village Hall, 221 East Cottage Grove Road, Cottage Grove, Wisconsin 53527, phone (608) 839-4704.

"Listed Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

### Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 365 days after the end of the Fiscal Year, commencing with the year ending December 31, 2024, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. DEBT - Direct Debt
2. DEBT - Debt Limit
3. VALUATIONS - Current Property Valuations
4. TAX LEVIES AND COLLECTIONS - Tax Levies and Collections

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;



12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect holders of the Securities, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Listed Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(c) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if the following conditions are met:

(a)(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or the type of business conducted; or

(ii) This Disclosure Certificate, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of beneficial owners of the Securities, as determined and certified to the Issuer by an underwriter, financial advisor, bond counsel or trustee.

In the event this Disclosure Certificate is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it submits after such amendment shall include an explanation of the reasons for the amendment and the impact of the change, if any, on the type of financial statements or operating data being provided.

If the amendment concerns the accounting principles to be followed in preparing financial statements, then the Issuer agrees that it will give an event notice and that the next Annual Report it submits after such amendment will include a comparison between financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 23rd day of May, 2024.

(SEAL)

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John Williams  
President

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Lisa Kalata  
Village Clerk

**NOTICE OF SALE**

**\$6,230,000\* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2024B  
VILLAGE OF COTTAGE GROVE, WISCONSIN**

Bids for the purchase of \$6,230,000\* General Obligation Promissory Notes, Series 2024B (the "Notes") of the Village of Cottage Grove, Wisconsin (the "Village") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the Village, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com) or **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on May 8, 2024, at which time they will be opened, read and tabulated. **The Village Board adopted a resolution on April 15, 2024 (the "Parameters Resolution"), which authorized the Village Administrator or Finance Director/Treasurer to accept a bid for the Notes if the parameters and conditions set forth in the Parameters Resolution are met. If the parameters and conditions set forth in the Parameters Resolution are not met through the competitive bids received on May 8, 2024, then neither the Village Administrator nor Finance Director/Treasurer have the authority to award the sale of the Notes, and all bids will be rejected.**

**AUTHORITY; PURPOSE; SECURITY**

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, by the Village for public purposes, including paying the cost of street improvements, designing a police station, park improvements, municipal facility improvements, and acquiring equipment for various departments. The Notes are general obligations of the Village, and all the taxable property in the Village is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount.

**DATES AND MATURITIES**

The Notes will be dated May 23, 2024, will be issued as fully registered Notes in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on April 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$260,000	2032	\$350,000	2039	\$270,000
2026	840,000	2033	355,000	2040	270,000
2027	305,000	2034	450,000	2041	270,000
2028	370,000	2035	270,000	2042	270,000
2029	310,000	2036	270,000	2043	270,000
2030	295,000	2037	270,000		
2031	265,000	2038	270,000		

**ADJUSTMENT OPTION**

The Village reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each, with increases up to a maximum of \$325,000 per maturity or decreases down to not more than \$250,000 per maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

## **TERM BOND OPTION**

Bids for the Notes may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

## **INTEREST PAYMENT DATES AND RATES**

Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2025, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## **BOOK-ENTRY-ONLY FORMAT**

Unless otherwise specified by the purchaser, the Notes will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Notes. So long as Cede & Co. is the registered owner of the Notes, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Notes.

## **PAYING AGENT**

The Village has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The Village will pay the charges for Paying Agent services. The Village reserves the right to remove the Paying Agent and to appoint a successor.

## **OPTIONAL REDEMPTION**

At the option of the Village, the Notes maturing on or after April 1, 2033 shall be subject to optional redemption prior to maturity on April 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the Village. If only part of the Notes having a common maturity date are called for redemption, then the Village or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the registration books.

## **DELIVERY**

On or about May 23, 2024, the Notes will be delivered without cost to the winning bidder at DTC. On the day of closing, the Village will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage

certification, and certificates verifying that no litigation in any manner questioning the validity of the Notes is then pending or, to the best knowledge of officers of the Village, threatened. Payment for the Notes must be received by the Village at its designated depository on the date of closing in immediately available funds.

## LEGAL MATTERS

An opinion as to the validity of the Notes and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the Village ("Bond Counsel"), and will be available at the time of delivery of the Notes. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the Village; provided that the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). (See "FORM OF LEGAL OPINION" found in Appendix B of the Preliminary Official Statement).

Quarles & Brady LLP has also been retained by the Village to serve as Disclosure Counsel to the Village with respect to the Notes. Although, as Disclosure Counsel to the Village, Quarles & Brady LLP has assisted the Village with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in the Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Notes for any investor.

## SUBMISSION OF BIDS

Bids must not be for less than \$6,167,700, nor more than \$6,790,700, plus accrued interest on the principal sum of \$6,230,000 from date of original issue of the Notes to date of delivery. Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

- 1) Electronically to [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com); or
- 2) Electronically via **PARITY** in accordance with this Notice of Sale until 10:30 A.M. Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the Village nor Ehlers shall be responsible for any failure to receive a facsimile submission.

**A good faith deposit ("Deposit") in the amount of \$124,600 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids.** The Village reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the Village may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the Village as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

The Village and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account

and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the Village scheduled for award of the Notes is adjourned, recessed, or continued to another date without award of the Notes having been made.

### **AWARD**

The Notes will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The Village's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Notes will be awarded by lot. The Village reserves the right to reject any and all bids and to waive any informality in any bid. **The Notes will not be awarded if the TIC (taking the purchaser's compensation into account) exceeds 4.195% or if the other conditions set forth in the Parameters Resolution are not satisfied.**

### **BOND INSURANCE**

If the Notes are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the Village requested and received a rating on the Notes from a rating agency, the Village will pay that rating fee. Any rating agency fees not requested by the Village are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Notes are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Notes.

### **CUSIP NUMBERS**

The Village will assume no obligation for the assignment or printing of CUSIP numbers on the Notes or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

### **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Notes shall be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

### **CONTINUING DISCLOSURE**

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the Village will enter into an undertaking for the benefit of the holders of the Notes. A description of the details and terms of the undertaking is set forth in Appendix D of the Official Statement.

### **NEW ISSUE PRICING**

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Notes pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the Village in establishing the issue price of the Notes and shall execute and deliver to the Village at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Notes, together with the

supporting pricing wires or equivalent communications. All actions to be taken by the Village under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the Village by the Village's municipal advisor identified herein and any notice or report to be provided to the Village may be provided to the Village's municipal advisor.

(b) The Village intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "competitive sale requirements") because:

- (1) The Village shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Village may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Village anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in this bid.

(c) If all of the requirements of a "competitive sale" are not satisfied, the Village shall advise the winning bidder of such fact prior to the time of award of the sale of the Notes to the winning bidder. In such event, any bid submitted will not be subject to cancellation or withdrawal and the Village agrees to use the rule selected by the winning bidder on its bid form to determine the issue price for the Notes. On its bid form, each bidder must select one of the following two rules for determining the issue price of the Notes: (1) the first price at which 10% of a maturity of the Notes (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Notes (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Notes to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Notes, that the underwriters will neither offer nor sell unsold Notes of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the Village promptly after the close of the fifth (5<sup>th</sup>) business day after the sale whether it has sold 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The Village acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Notes, as set forth in an agreement among underwriters and the related pricing wires,



(ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in the third-party distribution agreement and the related pricing wires. The Village further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Notes.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the Village, Bond Counsel and Ehlers the prices at which the Notes have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Notes of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Notes, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Village or bond counsel.

(f) By submitting a bid, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Notes of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Notes of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Village or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Notes that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Notes to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Notes to any person that is a related party to an underwriter participating in the initial sale of the Notes to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the Village (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Notes to the public),
- (iii) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Notes are awarded by the Village to the winning bidder.

#### **PRELIMINARY OFFICIAL STATEMENT**

Bidders may obtain a copy of the Official Statement relating to the Notes prior to the bid opening by request from Ehlers at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the bid acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Village Board

Cameron Sawyer, Finance Director/Treasurer  
Village of Cottage Grove, Wisconsin

# BID FORM

Village of Cottage Grove, Wisconsin (the "Village")

May 8, 2024

RE: **\$6,230,000\* General Obligation Promissory Notes, Series 2024B (the "Notes")**

DATED: **May 23, 2024**

For all or none of the above Notes, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$\_\_\_\_\_ (not less than \$6,167,700 nor more than \$6,790,700) plus accrued interest to date of delivery for fully registered Notes bearing interest rates and maturing in the stated years as follows:

_____ % due	2025	_____ % due	2032	_____ % due	2039
_____ % due	2026	_____ % due	2033	_____ % due	2040
_____ % due	2027	_____ % due	2034	_____ % due	2041
_____ % due	2028	_____ % due	2035	_____ % due	2042
_____ % due	2029	_____ % due	2036	_____ % due	2043
_____ % due	2030	_____ % due	2037		
_____ % due	2031	_____ % due	2038		

The Village reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each, with increases up to a maximum of \$325,000 per maturity or decreases down to not more than \$250,000 per maturity. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

**A good faith deposit ("Deposit") in the amount of \$124,600 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids.** The Village reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the Village may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the Village as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Notes to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about May 23, 2024.

This bid is subject to the Village's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Official Statement for the Notes.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the Village with the reoffering price of the Notes within 24 hours of the bid acceptance.

This bid is a firm offer for the purchase of the Notes identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale.

By submitting this bid, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES:  NO: .

If the competitive sale requirements are not met, we elect to use either the:  10% test, or the  hold-the-offering-price rule to determine the issue price of the Notes.

Account Manager: \_\_\_\_\_ By \_\_\_\_\_

Account Members:

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from May 23, 2024 of the above bid is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_ %.

The foregoing offer is hereby accepted by and on behalf of the Village of Cottage Grove, Wisconsin, on May 8, 2024.

By: \_\_\_\_\_

Title: \_\_\_\_\_