

# PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 20, 2025

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "TAX EXEMPTION" herein.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, 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.

**New Issue**

**Rating Application Made: S&P Global Ratings**

## CITY OF COTTAGE GROVE, MINNESOTA (Washington County)

### \$10,000,000\* GENERAL OBLIGATION BONDS SERIES 2025A

**PROPOSAL OPENING:** March 5, 2025, 10:00 A.M., C.T.

**CONSIDERATION:** March 5, 2025, 7:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$10,000,000\* General Obligation Bonds Series 2025A (the "Bonds") are being issued pursuant to Minnesota Statutes, Sections 412.301 and 469.1812 through 469.1815, as amended, and Chapters 429, 444, 469 and 475, as amended by the City of Cottage Grove, Minnesota (the "City"), for the purpose of financing: (i) the acquisition of capital equipment; (ii) the 2025 pavement improvement projects; (iii) the construction of a water tower and (iv) reimbursement for the costs related to improvements to the golf course irrigation system. The Bonds are general obligations of the City, for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota.

**DATE OF BONDS:** March 25, 2025

**MATURITY:** February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$870,000	2032	\$665,000	2037	\$335,000
2028	900,000	2033	685,000	2038	345,000
2029	925,000	2034	705,000	2039	360,000
2030	960,000	2035	735,000	2040	375,000
2031	990,000	2036	760,000	2041	390,000

**\*MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. 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:** February 1, 2026 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Bonds maturing on February 1, 2036 and thereafter are subject to call for prior optional redemption on February 1, 2035 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

**MINIMUM PROPOSAL:** \$9,880,000.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$200,000 shall be made by the winning bidder by wire transfer of funds.

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

**BOND COUNSEL:** Taft Stettinius & Hollister LLP.

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

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

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement.

## REPRESENTATIONS

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

This Preliminary 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 Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

## 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 Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds 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 Preliminary 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 Preliminary 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 Preliminary 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 Preliminary 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 Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

## CLOSING CERTIFICATES

Upon delivery of the Bonds, 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 Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary 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 Bonds; (3) a certificate evidencing the due execution of the Bonds, 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 Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds 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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**CITY OF COTTAGE GROVE  
CITY COUNCIL**

		<u>Term Expires</u>
Myron Bailey	Mayor	January 2029
David Clausen	Council Member	January 2029
Monique Garza	Council Member	January 2027
Justin Olsen	Council Member	January 2029
Dave Thiede	Council Member	January 2027

**ADMINISTRATION**

Brenda Malinowski, Finance Director

Jennifer Levitt, City Administrator

Judy Afdahl, Assistant Finance Director

Joe Fischbach, City Clerk

**PROFESSIONAL SERVICES**

LeVander Gillen & Miller, City Attorney, Eagan, Minnesota

Taft Stettinius & Hollister LLP, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota  
*(Other office located in Waukesha, Wisconsin)*

# INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Cottage Grove, Minnesota (the "City") and the issuance of its \$10,000,000\* General Obligation Bonds Series 2025A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on March 5, 2025.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary 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 BONDS

### GENERAL

The Bonds 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 March 25, 2025. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2026, to the registered owners of the Bonds 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"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** Bonds 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 Bonds 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 Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds 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 Bonds shall be payable as provided in the Award Resolution.

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

\*Preliminary, subject to change.

## **OPTIONAL REDEMPTION**

At the option of the City, the Bonds maturing on or after February 1, 2036 shall be subject to optional redemption prior to maturity on February 1, 2035 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 Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City 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 redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

## **AUTHORITY; PURPOSE**

The Bonds are being issued pursuant to Minnesota Statutes, Section 412.301 and 469.1812 through 469.1815, as amended, and Chapters 429, 444, and 475, as amended, by the City of Cottage Grove, Minnesota (the "City"), for the purpose of financing: (i) the acquisition of capital equipment (the "Equipment Portion"); (ii) the 2025 pavement improvement projects (the "Improvement Portion"); (iii) the construction of a water tower (the "Utility Revenue Portion") and; (iv) reimbursement for the costs related to improvements to the golf course irrigation system (the "Project" or the "Tax Abatement Portion").

All equipment has an expected useful life at least as long as the term of the Equipment Portion of the Bonds. Pursuant to Minnesota Statutes, Section 410.32 and 412.301, if the par amount of the Equipment Portion of the Bonds exceed 0.25% of the estimated market value of taxable property in the City, the Equipment Portion of the Bonds shall not be issued until after publication of the council resolution determining to issue the Equipment Portion of the Bonds and the issuance is subject to petition. The estimated market value of taxable property the City for taxes collectible in 2023 is \$6,368,295,800. The par amount of the Equipment Portion of the Bonds does not exceed 0.25%, or \$15,920,740, and is therefore not subject to the limitation.

For the Tax Abatement Portion of the Bonds, per Minnesota Statutes, Chapter 469, as amended, in any year, the total amount of property taxes abated by a political subdivision may not exceed (i) ten percent of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or (ii) \$200,000, whichever is greater.

**ESTIMATED SOURCES AND USES\***

Sources	Equipment Portion	Improvement Portion	Utility Revenue Portion	Tax Abatement Portion	Total Bond Issue
Par Amount of Bonds	<u>\$1,660,000</u>	<u>\$2,915,000</u>	<u>\$3,785,000</u>	<u>\$1,640,000</u>	<u>\$10,000,000</u>
<b>Total Sources</b>	<b>\$1,660,000</b>	<b>\$2,915,000</b>	<b>\$3,785,000</b>	<b>\$1,640,000</b>	<b>\$10,000,000</b>

**Uses**

Total Underwriter's Discount (1.200%)	\$19,920	\$34,980	\$45,420	\$19,680	\$120,000
Costs of Issuance	21,414	37,604	48,827	21,156	129,000
Capitalized Interest	48,680	92,374	-	-	141,053
Deposit to Construction Fund	1,570,000	2,749,000	3,690,000	1,600,000	9,609,000
Rounding Amount	<u>(14)</u>	<u>1,043</u>	<u>754</u>	<u>(836)</u>	<u>947</u>
<b>Total Uses</b>	<b>\$1,660,000</b>	<b>\$2,915,000</b>	<b>\$3,785,001</b>	<b>\$1,640,000</b>	<b>\$10,000,000</b>

**Breakdown of Principal Payments\*:**

Payment Date	Equipment Portion	Improvement Portion	Utility Revenue Portion	Tax Abatement Portion	Total Bond Issue
2/01/2027	\$310,000	\$150,000	\$325,000	\$85,000	\$870,000
2/01/2028	320,000	155,000	335,000	90,000	900,000
2/01/2029	330,000	160,000	345,000	90,000	925,000
2/01/2030	345,000	165,000	355,000	95,000	960,000
2/01/2031	355,000	170,000	370,000	95,000	990,000
2/01/2032	-	180,000	385,000	100,000	665,000
2/01/2033	-	185,000	395,000	105,000	685,000
2/01/2034	-	190,000	410,000	105,000	705,000
2/01/2035	-	200,000	425,000	110,000	735,000
2/01/2036	-	205,000	440,000	115,000	760,000
2/01/2037	-	215,000	-	120,000	335,000
2/01/2038	-	220,000	-	125,000	345,000
2/01/2039	-	230,000	-	130,000	360,000
2/01/2040	-	240,000	-	135,000	375,000
2/01/2041	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>140,000</u>	<u>390,000</u>
<b>Total</b>	<b>\$1,660,000</b>	<b>\$2,915,000</b>	<b>\$3,785,000</b>	<b>\$1,640,000</b>	<b>\$10,000,000</b>

\*Preliminary, subject to change.

## **SECURITY**

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and taxing powers.

The City anticipates that the debt service on the Equipment Portion of the Bonds will be paid from ad valorem property taxes. In accordance with Minnesota Statutes, the City will levy each year an amount not less than 105% of the debt service requirements on the Equipment Portion of the Bonds. In the event funds on hand for payment of principal and interest on the Equipment Portion of the Bonds are at any time insufficient, the City is required to levy an additional ad valorem tax upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

The City anticipates that the debt service on the Improvement Portion of the Bonds will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Improvement Portion of the Bonds and from ad valorem property taxes. In accordance with Minnesota Statutes, receipt of special assessments and ad valorem property taxes will be sufficient to provide not less than 105% of principal and interest on the Improvement Portion of the Bonds.

The City anticipates that the debt service on the Utility Revenue Portion of the Bonds will be paid from net revenues of the water, sanitary sewer and stormwater utility systems ("utility revenues") which are owned and operated by the City. In accordance with Minnesota Statutes, receipt of revenues will be sufficient to provide not less than 105% of the principal and interest on the Utility Revenue Portion of the Bonds.

The City anticipates that the debt service on the Tax Abatement Portion of the Bonds will be paid from a combination of abatements of the City's portion of taxes from specific parcels up to an amount of the aggregate sum of abatements equal to the principal amount of the Tax Abatement Portion of the Bonds and from ad valorem property taxes. In accordance with Minnesota Statutes, receipt of tax abatement revenues and ad valorem property taxes will be sufficient to provide not less than 105% of principal and interest on the Tax Abatement Portion of the Bonds.

Should the ad valorem property taxes, special assessments, utility revenues and/or tax abatement revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

## **RATING**

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AAA"/Stable outlook by S&P Global Ratings ("S&P").

The City has requested an underlying rating on the Bonds from S&P, and bidders will be 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 Bonds.



Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, 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 City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds 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 Bonds, 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 City 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.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City 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 City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

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

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

## **LEGAL OPINION**

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds 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.

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

## **STATEMENT REGARDING BOND COUNSEL PARTICIPATION**

Bond Counsel has neither been engaged nor undertaken to prepare or independently verify the accuracy of any portion of the Official Statement, including the financial or operational information of the Issuer and risks associated with the purchase of the Bonds, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "APPENDIX B – FORM OF LEGAL OPINION."

## **TAX EXEMPTION**

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions are subject to the condition that the City complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

## **Other Federal and State Tax Considerations**

### *Other Tax Considerations*

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisers.

### *Original Issue Discount*

Some of the Bonds ("the OID Bonds") may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds are sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holders' tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

### *Original Issue Premium*

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

### *Proposed Changes in Federal and State Tax Law*

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

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

The Bonds 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 City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary 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. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

## **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 City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

## **INDEPENDENT AUDITORS**

The basic financial statements of the City for the fiscal year ended December 31, 2023 have been audited by BerganKDV, Ltd., Minneapolis, Minnesota, 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 Preliminary Official Statement.

## **RISK FACTORS**

The following is a description of possible risks to holders of the Bonds 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.

**Taxes:** The Bonds will be general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (utility revenues, special assessments, or tax abatement revenues) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City 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 of Minnesota (the "State") may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

**Future Changes in Law:** Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City 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 City or the taxing authority of the City.

**Ratings; Interest Rates:** In the future, the City'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 Bonds for resale prior to maturity.

**Tax Exemption:** If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

**Continuing Disclosure:** A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. 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 Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

**Levy Limits:** The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

**State Economy; State Aids:** State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

**Book-Entry-Only System:** The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds 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 City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

**Economy:** A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, 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 City may have an adverse effect on the value of the Bonds in the secondary market.

**Secondary Market for the Bonds:** No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds 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 Bonds. 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 Bonds will be similarly qualified.

**Cybersecurity:** The City 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 City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

# VALUATIONS

## OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2020/21	2021/22	2022/23
Residential homestead <sup>1</sup>	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead <sup>1</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% <sup>2</sup> Over \$1,880,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% <sup>2</sup> Over \$1,900,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,890,000 - 0.50% <sup>2</sup> Over \$1,890,000 - 1.00% <sup>2</sup>
Agricultural non-homestead	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>
Seasonal recreational residential	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$174,000 - .75% Over \$174,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$174,000 - .75% Over \$174,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%
Industrial/Commercial/Utility <sup>5</sup>	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

<sup>1</sup> A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

<sup>2</sup> Applies to land and buildings. Exempt from referendum market value tax.

<sup>3</sup> Exempt from referendum market value tax.

<sup>4</sup> Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

<sup>5</sup> The estimated market value of utility property is determined by the Minnesota Department of Revenue.

## CURRENT PROPERTY VALUATIONS

<b>2023/24 Economic Market Value</b>	<u>\$6,606,869,440<sup>1</sup></u>
<b>2023/24 Assessor's Estimated Market Value</b>	
Real Estate	\$6,333,554,300
Personal Property	<u>34,741,500</u>
Total Valuation	<u>\$6,368,295,800</u>
<b>2023/24 Net Tax Capacity</b>	
Real Estate	\$68,224,191
Personal Property	<u>680,259</u>
Net Tax Capacity	\$68,904,450
Less:	
Captured Tax Increment Tax Capacity <sup>2</sup>	(3,088,124)
Fiscal Disparities Contribution <sup>3</sup>	<u>(3,600,279)</u>
Taxable Net Tax Capacity	\$62,216,047
Plus: Fiscal Disparities Distribution <sup>3</sup>	<u>7,939,720</u>
Adjusted Taxable Net Tax Capacity	<u>\$70,155,767</u>

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<sup>1</sup> According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 96.59% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$6,606,869,440.

<sup>2</sup> The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

<sup>3</sup> Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.



## 2023/24 NET TAX CAPACITY BY CLASSIFICATION

	<b>2023/24 Net Tax Capacity</b>	<b>Percent of Total Net Tax Capacity</b>
Residential homestead	\$46,903,381	68.07%
Agricultural	893,654	1.30%
Commercial/industrial	11,620,789	16.87%
Public utility	240,587	0.35%
Railroad operating property	270,650	0.39%
Non-homestead residential	8,214,292	11.92%
Commercial & residential seasonal/rec.	80,838	0.12%
Personal property	<u>680,259</u>	<u>0.99%</u>
 Total	 <u><u>\$68,904,450</u></u>	 <u><u>100.00%</u></u>

## TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity <sup>1</sup>	Adjusted Taxable Net Tax Capacity <sup>2</sup>	Percent Increase/Decrease in Estimated Market Value
2019/20	\$3,904,177,500	\$3,691,869,400	\$40,582,798	\$43,329,318	7.82%
2020/21	4,206,029,400	3,991,958,100	44,022,276	46,874,874	7.73%
2021/22	4,439,575,300	4,226,273,500	46,798,155	49,342,707	5.55%
2022/23	5,517,714,600	5,307,199,300	58,070,742	60,317,953	24.28%
2023/24	6,368,295,800	6,193,083,500	68,904,450	70,155,767	15.42%

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<sup>1</sup> Net Tax Capacity is before fiscal disparities adjustments and includes tax increment values.

<sup>2</sup> Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment values.

## LARGEST TAXPAYERS

Taxpayer	Type of Property	2023/24 Net Tax Capacity	Percent of City's Total Net Tax Capacity
NP BGO Cottage Grove Logistics Park, LLC	Commercial	\$1,127,607	1.64%
3M Company	Commercial	1,035,928	1.50%
Mars II, Inc.	Commercial	799,888	1.16%
Xcel Energy	Utility	648,830	0.94%
ORP Hinton, LLC	Apartments	617,916	0.90%
Renewal By Anderson, LLC	Commercial	560,770	0.81%
PHS/Cottage Grove, Inc.	Apartments	536,163	0.78%
Renewal By Anderson, Corp	Commercial	401,950	0.58%
North Star Sheets, LLC	Commercial	367,350	0.53%
80th & Hemmingway, LLC	Apartments	<u>359,943</u>	<u>0.52%</u>
Total		\$6,456,345	9.37%

City's Total 2023/24 Net Tax Capacity \$68,904,450

**Source:** Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Washington County.

## DEBT

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

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

Total G.O. debt secured by special assessments and taxes (includes the Improvement Portion of the Bonds)*	\$22,155,000
Total G.O. debt secured by tax abatement revenues (includes the Tax Abatement Portion of the Bonds)*	7,120,000
Total G.O. debt secured by taxes (includes the Equipment Portion of the Bonds)*	17,475,000
Total G.O. debt secured by utility revenues (includes the Utility Revenue Portion of the Bonds)*	14,130,000
Total General Obligation Debt*	<u><u>\$60,880,000</u></u>

\*Preliminary, subject to change.

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

## DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

## FUTURE FINANCING

The City plans to issue \$10,000,000 General Obligation Bonds within the next 12 months.

## DEBT LIMIT

The statutory limit on net debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" means the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of certain obligations enumerated under Minnesota Statutes, Section 475.51, subd.4, including the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property (includes the Improvement Portion of the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences (includes the Utility Revenue Portion of the Bonds); (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any revenue producing public convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay certain post employment benefit liabilities; (9) obligations issued to pay certain judgments against the City; and (10) all other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance (includes the Tax Abatement Portion of the Bonds).

2023/24 Assessor's Estimated Market Value	\$6,368,295,800
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$191,048,874
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Equipment Portion of the Bonds)*	<u>(17,475,000)</u>
Unused Debt Limit*	<u><u>\$173,573,874</u></u>

\*Preliminary, subject to change.

City of Cottage Grove, Minnesota  
 Schedule of Bonded Indebtedness  
 General Obligation Debt Secured by Special Assessments and Taxes  
 (As of 03/25/2025)

	Improvement Bonds Series 2015A		Improvement Bonds Series 2016B		Improvement Bonds Series 2018A		Improvement Bonds Series 2021A		Improvement Refunding Bonds Series 2021B	
<b>Dated</b>	05/27/2015		11/16/2016		06/26/2018		06/10/2021		12/09/2021	
<b>Amount</b>	\$5,700,000		\$4,275,000		\$7,620,000		\$3,955,000		\$3,840,000	
<b>Maturity</b>	02/01		02/01		02/01		02/01		02/01	
<b>Calendar Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2025	0	32,268	0	21,910	0	81,675	0	27,111	0	17,283
2026	400,000	59,535	285,000	40,970	475,000	156,225	245,000	51,773	550,000	29,065
2027	400,000	49,535	290,000	35,220	490,000	141,750	250,000	46,823	560,000	17,965
2028	405,000	38,966	290,000	29,420	505,000	126,825	255,000	41,773	570,000	9,373
2029	415,000	27,691	290,000	23,620	520,000	111,450	260,000	36,623	580,000	3,190
2030	415,000	16,383	295,000	17,770	535,000	95,625	265,000	31,373		
2031	385,000	5,390	300,000	11,820	550,000	79,350	270,000	27,103		
2032			300,000	5,670	565,000	62,625	275,000	23,695		
2033			120,000	1,260	585,000	45,375	280,000	19,948		
2034					600,000	27,600	280,000	15,958		
2035					620,000	9,300	285,000	11,790		
2036							290,000	7,260		
2037							295,000	2,434		
2038										
2039										
2040										
2041										
	2,420,000	229,768	2,170,000	187,660	5,445,000	937,800	3,250,000	343,660	2,260,000	76,875

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City of Cottage Grove, Minnesota  
Schedule of Bonded Indebtedness continued  
General Obligation Debt Secured by Special Assessments and Taxes  
(As of 03/25/2025)

Dated Amount	Improvement Bonds 1) Series 2023A		Improvement Bonds 2) Series 2024A		Improvement Bonds 3) Series 2025A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	Dated	Amount	Dated	Amount	Dated	Amount						
	05/09/2023	\$2,935,000	03/12/2024	\$930,000	03/25/2025	\$2,915,000*						
Maturity	02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Estimated Interest						
2025	0	54,485	0	23,250	0	0	0	257,981	257,981	22,155,000	.00%	2025
2026	175,000	105,470	50,000	45,250	0	146,711	2,180,000	634,999	2,814,999	19,975,000	9.84%	2026
2027	175,000	98,470	50,000	42,750	150,000	106,088	2,365,000	538,600	2,903,600	17,610,000	20.51%	2027
2028	180,000	91,370	55,000	40,125	155,000	100,826	2,415,000	478,678	2,893,678	15,195,000	31.42%	2028
2029	185,000	84,070	55,000	37,375	160,000	95,393	2,465,000	419,411	2,884,411	12,730,000	42.54%	2029
2030	185,000	76,670	55,000	34,625	165,000	89,786	1,915,000	362,231	2,277,231	10,815,000	51.18%	2030
2031	190,000	69,170	60,000	31,750	170,000	84,008	1,925,000	308,590	2,233,590	8,890,000	59.87%	2031
2032	195,000	61,470	60,000	28,750	180,000	77,970	1,575,000	260,180	1,835,180	7,315,000	66.98%	2032
2033	200,000	53,570	60,000	25,750	185,000	71,581	1,430,000	217,484	1,647,484	5,885,000	73.44%	2033
2034	205,000	45,470	65,000	22,625	190,000	64,925	1,340,000	176,578	1,516,578	4,545,000	79.49%	2034
2035	205,000	37,270	65,000	19,375	200,000	57,803	1,375,000	135,538	1,510,538	3,170,000	85.69%	2035
2036	210,000	28,970	65,000	16,125	205,000	50,158	770,000	102,513	872,513	2,400,000	89.17%	2036
2037	215,000	20,900	70,000	12,750	215,000	42,124	795,000	78,208	873,208	1,605,000	92.76%	2037
2038	220,000	13,015	70,000	9,250	220,000	33,640	510,000	55,905	565,905	1,095,000	95.06%	2038
2039	225,000	4,500	75,000	5,625	230,000	24,695	530,000	34,820	564,820	565,000	97.45%	2039
2040			75,000	1,875	240,000	15,235	315,000	17,110	332,110	250,000	98.87%	2040
2041					250,000	5,188	250,000	5,188	255,188	0	100.00%	2041
	2,765,000	844,870	930,000	397,250	2,915,000	1,066,129	22,155,000	4,084,011	26,239,011			

\* Preliminary, subject to change.

- 1) This represents the \$2,935,000 Improvement portion of the \$7,815,000 General Obligation Improvement and Tax Abatement Bonds, Series 2023A.
- 2) This represents the \$930,000 Improvement portion of the \$16,025,000 General Obligation Bonds, Series 2024A.
- 3) This represents the \$2,915,000 Improvement Portion of the \$10,000,000 General Obligation Bonds Series 2025A.

**City of Cottage Grove, Minnesota**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Secured by Tax Abatement Revenues**  
**(As of 03/25/2025)**

	Refunding Bonds 1) Series 2016A		Tax Abatement Bonds 2) Series 2023A		Tax Abatement Bonds 3) Series 2025A							Calendar
Dated	01/28/2016		05/09/2023		03/25/2025							Year
Amount	\$3,835,000		\$4,880,000		\$1,640,000*							Ending
Maturity	02/01		02/01		02/01							
Calendar					Estimated					Principal		
Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Outstanding	% Paid	
2025	0	7,650	0	93,298	0	0	0	100,948	100,948	7,120,000	.00%	2025
2026	380,000	11,500	170,000	183,195	0	82,529	550,000	277,224	827,224	6,570,000	7.72%	2026
2027	385,000	3,850	180,000	176,195	85,000	59,666	650,000	239,711	889,711	5,920,000	16.85%	2027
2028			185,000	168,895	90,000	56,648	275,000	225,543	500,543	5,645,000	20.72%	2028
2029			190,000	161,395	90,000	53,543	280,000	214,938	494,938	5,365,000	24.65%	2029
2030			200,000	153,595	95,000	50,351	295,000	203,946	498,946	5,070,000	28.79%	2030
2031			210,000	145,395	95,000	47,074	305,000	192,469	497,469	4,765,000	33.08%	2031
2032			215,000	136,895	100,000	43,710	315,000	180,605	495,605	4,450,000	37.50%	2032
2033			225,000	128,095	105,000	40,121	330,000	168,216	498,216	4,120,000	42.13%	2033
2034			235,000	118,895	105,000	36,394	340,000	155,289	495,289	3,780,000	46.91%	2034
2035			245,000	109,295	110,000	32,468	355,000	141,763	496,763	3,425,000	51.90%	2035
2036			255,000	99,295	115,000	28,220	370,000	127,515	497,515	3,055,000	57.09%	2036
2037			265,000	89,425	120,000	23,725	385,000	113,150	498,150	2,670,000	62.50%	2037
2038			270,000	79,728	125,000	18,946	395,000	98,674	493,674	2,275,000	68.05%	2038
2039			280,000	69,200	130,000	13,878	410,000	83,078	493,078	1,865,000	73.81%	2039
2040			295,000	57,700	135,000	8,544	430,000	66,244	496,244	1,435,000	79.85%	2040
2041			305,000	45,700	140,000	2,905	445,000	48,605	493,605	990,000	86.10%	2041
2042			315,000	33,300			315,000	33,300	348,300	675,000	90.52%	2042
2043			330,000	20,400			330,000	20,400	350,400	345,000	95.15%	2043
2044			345,000	6,900			345,000	6,900	351,900	0	100.00%	2044
	765,000	23,000	4,715,000	2,076,795	1,640,000	598,720	7,120,000	2,698,515	9,818,515			

\* Preliminary, subject to change.

- 1) This represents the \$3,835,000 Refunding portion of the \$4,660,000 General Obligation Refunding Bonds, Series 2016A.
- 2) This represents the \$4,880,000 Tax Abatement portion of the \$7,815,000 General Obligation Improvement and Tax Abatement Bonds, Series 2023A.
- 3) This represents the \$1,640,000 Tax Abatement Portion of the \$10,000,000 General Obligation Bonds Series 2025A.

City of Cottage Grove, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Taxes  
(As of 03/25/2025)

Calendar Year Ending	Capital Improvement Plan Bonds Series 2017A		Capital Improvement Plan Bonds Series 2019A		Equipment Certificates Series 2019B		Equip. Certs. & Street Recon. Bonds 1) Series 2024A		Equipment Certificates 2) Series 2025A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity						
	05/11/2017	02/01	02/14/2019	02/01	02/14/2019	02/01	03/12/2024	02/01	03/25/2025	02/01						
	\$9,155,000		\$4,090,000		\$2,845,000		\$4,750,000		\$1,660,000*							
2025	0	93,288	0	53,592	0	18,600	0	118,750	0	0	0	284,229	284,229	17,475,000	.00%	2025
2026	425,000	180,200	175,000	103,684	295,000	32,775	235,000	231,625	0	77,315	1,130,000	625,598	1,755,598	16,345,000	6.47%	2026
2027	435,000	168,388	180,000	96,584	305,000	23,775	250,000	219,500	310,000	51,923	1,480,000	560,169	2,040,169	14,865,000	14.94%	2027
2028	450,000	157,325	190,000	90,134	315,000	14,475	260,000	206,750	320,000	41,055	1,535,000	509,739	2,044,739	13,330,000	23.72%	2028
2029	460,000	145,950	195,000	84,359	325,000	4,875	270,000	193,500	330,000	29,843	1,580,000	458,526	2,038,526	11,750,000	32.76%	2029
2030	470,000	133,738	200,000	78,434			285,000	179,625	345,000	18,199	1,300,000	409,995	1,709,995	10,450,000	40.20%	2030
2031	485,000	120,606	205,000	72,359			300,000	165,000	355,000	6,124	1,345,000	364,089	1,709,089	9,105,000	47.90%	2031
2032	495,000	107,131	210,000	66,134			315,000	149,625			1,020,000	322,890	1,342,890	8,085,000	53.73%	2032
2033	510,000	92,675	220,000	59,684			330,000	133,500			1,060,000	285,859	1,345,859	7,025,000	59.80%	2033
2034	525,000	77,150	225,000	53,009			350,000	116,500			1,100,000	246,659	1,346,659	5,925,000	66.09%	2034
2035	540,000	61,175	230,000	46,040			365,000	98,625			1,135,000	205,840	1,340,840	4,790,000	72.59%	2035
2036	555,000	44,750	240,000	38,486			325,000	81,375			1,120,000	164,611	1,284,611	3,670,000	79.00%	2036
2037	575,000	27,800	245,000	30,484			340,000	64,750			1,160,000	123,034	1,283,034	2,510,000	85.64%	2037
2038	590,000	9,588	255,000	22,234			355,000	47,375			1,200,000	79,196	1,279,196	1,310,000	92.50%	2038
2039			265,000	13,654			375,000	29,125			640,000	42,779	682,779	670,000	96.17%	2039
2040			275,000	4,641			395,000	9,875			670,000	14,516	684,516	0	100.00%	2040
	6,515,000	1,419,763	3,310,000	913,509	1,240,000	94,500	4,750,000	2,045,500	1,660,000	224,457	17,475,000	4,697,728	22,172,728			

\* Preliminary, subject to change.

- 1) This represents the \$4,750,000 Equipment & Street Reconstruction portions of the \$16,025,000 General Obligation Bonds, Series 2024A.
- 2) This represents the \$1,660,000 Equipment Portion of the \$10,000,000 General Obligation Bonds Series 2025A.

**City of Cottage Grove, Minnesota**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Secured by Utility Revenues**  
**(As of 03/25/2025)**

	Utility Revenue Bonds 1) Series 2024A		Utility Revenue Bonds 2) Series 2025A							Calendar Year Ending
Dated Amount	03/12/2024 \$10,345,000		03/25/2025 \$3,785,000*							
Maturity	02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2025	0	240,900	0	0	0	240,900	240,900	14,130,000	.00%	2025
2026	315,000	473,925	0	181,173	315,000	655,098	970,098	13,815,000	2.23%	2026
2027	330,000	457,800	325,000	128,596	655,000	586,396	1,241,396	13,160,000	6.86%	2027
2028	345,000	440,925	335,000	117,211	680,000	558,136	1,238,136	12,480,000	11.68%	2028
2029	365,000	423,175	345,000	105,481	710,000	528,656	1,238,656	11,770,000	16.70%	2029
2030	385,000	404,425	355,000	93,406	740,000	497,831	1,237,831	11,030,000	21.94%	2030
2031	400,000	384,800	370,000	80,900	770,000	465,700	1,235,700	10,260,000	27.39%	2031
2032	420,000	364,300	385,000	67,876	805,000	432,176	1,237,176	9,455,000	33.09%	2032
2033	445,000	342,675	395,000	54,224	840,000	396,899	1,236,899	8,615,000	39.03%	2033
2034	465,000	319,925	410,000	39,935	875,000	359,860	1,234,860	7,740,000	45.22%	2034
2035	490,000	296,050	425,000	24,689	915,000	320,739	1,235,739	6,825,000	51.70%	2035
2036	515,000	270,925	440,000	8,360	955,000	279,285	1,234,285	5,870,000	58.46%	2036
2037	540,000	244,550			540,000	244,550	784,550	5,330,000	62.28%	2037
2038	565,000	216,925			565,000	216,925	781,925	4,765,000	66.28%	2038
2039	595,000	187,925			595,000	187,925	782,925	4,170,000	70.49%	2039
2040	625,000	157,425			625,000	157,425	782,425	3,545,000	74.91%	2040
2041	655,000	128,700			655,000	128,700	783,700	2,890,000	79.55%	2041
2042	680,000	102,000			680,000	102,000	782,000	2,210,000	84.36%	2042
2043	710,000	74,200			710,000	74,200	784,200	1,500,000	89.38%	2043
2044	735,000	45,300			735,000	45,300	780,300	765,000	94.59%	2044
2045	765,000	15,300			765,000	15,300	780,300	0	100.00%	2045
	10,345,000	5,592,150	3,785,000	901,852	14,130,000	6,494,002	20,624,002			

\* Preliminary, subject to change.

- 1) This represents the \$10,345,000 Utility Revenue portion of the \$16,025,000 General Obligation Bonds, Series 2024A.
- 2) This represents the \$3,785,000 Utility Revenue Portion of the \$10,000,000 General Obligation Bonds Series 2025A.



**OVERLAPPING DEBT<sup>1</sup>**

<b>Taxing District</b>	<b>2023/24 Adjusted Taxable Net Tax Capacity</b>	<b>% In City</b>	<b>Total G.O. Debt<sup>2</sup></b>	<b>City's Proportionate Share</b>
Washington County	\$515,896,113	13.5988%	\$99,350,000	\$13,510,408
I.S.D. No. 200 (Hastings Public Schools)	59,883,017	1.5516%	42,586,288 <sup>3</sup>	660,769
I.S.D. No. 833 (South Washington County Schools)	212,611,706	32.5601%	357,555,000	116,420,266
Metropolitan Council	6,313,906,529	1.1111%	159,410,000 <sup>4</sup>	<u>1,771,205</u>
City's Share of Total Overlapping Debt				<u><u>\$132,362,647</u></u>

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<sup>1</sup> Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

<sup>2</sup> Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

<sup>3</sup> Minnesota School Districts may qualify for aid from the State of Minnesota through the Debt Service Equalization Formula, School Building Bond Agricultural Credit and Long Term Facilities Maintenance Revenue programs. While some of the districts listed may receive these aids, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aids for the purposes of the Bonds.

<sup>4</sup> The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation wastewater revenue, grant anticipation notes and certificates of participation outstanding all of which are supported entirely by revenues and have not been included in the overlapping debt or debt ratios sections.

**DEBT RATIOS**

	<b>G.O. Debt</b>	<b>Debt/Economic Market Value \$6,606,869,440</b>	<b>Debt/ Per Capita 42,648<sup>1</sup></b>
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	\$22,155,000		
Tax Abatement Revenues*	7,120,000		
Taxes*	17,475,000		
Utility Revenues*	<u>14,130,000</u>		
Total General Obligation Debt*	\$60,880,000		
Less: G.O. Debt Paid Entirely from Revenues <sup>2</sup>	<u>(14,130,000)</u>		
Tax Supported General Obligation Debt*	\$46,750,000	0.71%	\$1,096.18
 City's Share of Total Overlapping Debt	 <u>\$132,362,647</u>	 <u>2.00%</u>	 <u>\$3,103.61</u>
 Total*	 <u><u>\$179,112,647</u></u>	 <u><u>2.71%</u></u>	 <u><u>\$4,199.79</u></u>

\*Preliminary, subject to change.

**TAX LEVIES, COLLECTIONS AND RATES**

**TAX LEVIES AND COLLECTIONS**

Tax Year	Net Tax Levy <sup>3</sup>	Total Collected Following Year	Collected to Date	% Collected
2019/20	\$16,948,536	\$16,890,861	\$16,943,650	99.97%
2020/21	17,603,775	17,548,413	17,593,734	99.94%
2021/22	18,324,588	18,256,754	18,307,205	99.91%
2022/23	20,650,594	20,571,263	20,571,263	99.62%
2023/24	23,119,473	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.<sup>4</sup> Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

<sup>1</sup> Estimated 2023 population.

<sup>2</sup> Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

<sup>3</sup> This reflects the Final Levy Certification of the City after all adjustments have been made.

<sup>4</sup> Second half tax payments on agricultural property are due on November 15th of each year.

**TAX CAPACITY RATES<sup>1</sup>**

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Washington County w/ Library	28.944%	27.435%	27.532%	23.635%	21.991%
City of Cottage Grove (Urban)	39.182%	37.351%	37.251%	33.899%	32.909%
City of Cottage Grove (Rural)	29.089%	27.782%	27.780%	25.100%	24.598%
I.S.D. No. 200 (Hastings Public Schools)	17.924%	16.757%	16.214%	14.207%	16.733%
I.S.D. No. 833 (South Washington County Schools)	33.904%	34.181%	33.739%	31.296%	32.613%
Metropolitan Council	0.584%	0.628%	0.630%	0.537%	0.590%
Metropolitan Mosquito	0.390%	0.379%	0.361%	0.309%	0.301%
Regional Rail Authority	0.165%	0.157%	0.149%	0.122%	0.109%
South Washington Watershed	0.766%	0.742%	0.718%	0.654%	0.632%
Transit District	1.243%	1.139%	1.056%	0.912%	0.809%
Washington County CDA	1.356%	1.289%	1.287%	1.093%	1.024%
<i>Referendum Market Value Rates:</i>					
Washington County w/ Library	0.00342%	0.00325%	0.00308%	0.00261%	0.00235%
I.S.D. No. 200 (Hastings Public Schools)	0.24540%	0.22960%	0.22247%	0.22290%	0.21167%
I.S.D. No. 833 (South Washington County Schools)	0.32620%	0.31580%	0.33683%	0.29002%	0.28265%

**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Washington County.

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<sup>1</sup> After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

# THE ISSUER

## CITY GOVERNMENT

The City was organized as a municipality in 1965. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Administrator, City Clerk, Finance Director and Assistant Finance Director are responsible for administrative details and financial records.

## EMPLOYEES; PENSIONS; UNIONS

The City currently has 184 full-time, 15 part-time (six full time equivalent ("FTE")), and 229 seasonal (40 FTE) employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

### Recognized and Certified Bargaining Units

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
IAFE - Firefighters	December 31, 2026
IOUE Local 49 - Public Works	December 31, 2026
LELS - Police Sergeants	December 31, 2026
LELS - Peace Officers	December 31, 2026

## POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent Annual Comprehensive Financial Report (Audit) shows a total OPEB liability of \$952,355 as of December 31, 2023. The City has been funding these obligations on a pay-as-you-go basis.

**Source:** The City's most recent Audit.

## LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City 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 Bonds or otherwise questioning the validity of the Bonds.

## 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, Minnesota Statutes, Section 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

## FUNDS ON HAND (as of December 31, 2024)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$17,792,975
Special Revenue	2,079,704
Debt Service	9,120,522
Capital Projects	31,340,174
Enterprise Funds	15,844,809
Internal Service	<u>(220,969)</u>
Total Funds on Hand	<u><u>\$75,957,215</u></u>

## ENTERPRISE FUNDS

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

	<b>2021</b> <b>Audited</b>	<b>2022</b> <b>Audited</b>	<b>2023</b> <b>Audited</b>
<b>Street Lights</b>			
Total Operating Revenues	\$1,042,274	\$986,112	\$1,040,004
Less: Operating Expenses	<u>(1,253,608)</u>	<u>(1,080,357)</u>	<u>(1,148,719)</u>
Operating Income	(\$211,334)	(\$94,245)	(\$108,715)
Plus: Depreciation	<u>208,349</u>	<u>204,392</u>	<u>219,295</u>
Revenues Available for Debt Service	<u><u>(\$2,985)</u></u>	<u><u>\$110,147</u></u>	<u><u>\$110,580</u></u>
<b>EMS</b>			
Total Operating Revenues	\$2,446,021	\$1,308,012	\$2,184,282
Less: Operating Expenses	<u>(1,992,024)</u>	<u>(2,235,782)</u>	<u>(2,436,349)</u>
Operating Income	\$453,997	(\$927,770)	(\$252,067)
Plus: Depreciation	<u>79,339</u>	<u>91,071</u>	<u>83,168</u>
Revenues Available for Debt Service	<u><u>\$533,336</u></u>	<u><u>(\$836,699)</u></u>	<u><u>(\$168,899)</u></u>
<b>Water</b>			
Total Operating Revenues	\$3,604,419	\$3,604,477	\$4,112,493
Less: Operating Expenses	<u>(3,399,927)</u>	<u>(3,991,553)</u>	<u>(5,696,314)</u>
Operating Income	\$204,492	(\$387,076)	(\$1,583,821)
Plus: Depreciation	<u>1,381,023</u>	<u>1,555,359</u>	<u>2,843,232</u>
Revenues Available for Debt Service	<u><u>\$1,585,515</u></u>	<u><u>\$1,168,283</u></u>	<u><u>\$1,259,411</u></u>
<b>Sewer</b>			
Total Operating Revenues	\$3,336,966	\$3,567,096	\$3,603,409
Less: Operating Expenses	<u>(3,520,633)</u>	<u>(4,115,300)</u>	<u>(4,333,402)</u>
Operating Income	(\$183,667)	(\$548,204)	(\$729,993)
Plus: Depreciation	<u>656,565</u>	<u>783,946</u>	<u>946,004</u>
Revenues Available for Debt Service	<u><u>\$472,898</u></u>	<u><u>\$235,742</u></u>	<u><u>\$216,011</u></u>

**SUMMARY GENERAL FUND INFORMATION**

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

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2021 Audited	2022 Audited	2023 Audited	2024 Revised Budget <sup>1</sup>	2025 Revised Budget <sup>2</sup>
<b>Revenues</b>					
Property taxes	\$14,691,272	\$15,210,645	\$17,546,687	\$18,567,010	\$21,667,200
Special assessments	4,219	5,621	2,583	3,060	3,060
Licenses and permits	3,181,740	4,386,820	2,698,807	2,658,670	2,369,970
Intergovernmental	1,065,768	987,947	3,094,543	1,823,810	1,681,750
Charges for services	1,758,070	1,566,099	1,038,595	1,597,910	1,705,700
Fine and forfeitures	148,726	142,770	148,770	150,000	150,000
Investment income (Loss)	(63,605)	(486,954)	572,123	267,350	129,000
Donations	61,554	46,893	85,149	25,000	0
Miscellaneous	119,381	65,730	149,888	79,605	75,140
<b>Total Revenues</b>	<u>\$20,967,125</u>	<u>\$21,925,571</u>	<u>\$25,337,145</u>	<u>\$25,172,415</u>	<u>\$27,781,820</u>
<b>Expenditures</b>					
Current:					
General government	\$2,485,436	\$2,960,866	\$2,871,443	\$3,466,200	\$3,590,915
Community development	2,329,259	2,581,927	2,444,734	2,097,305	2,243,395
Public safety	9,589,132	10,154,110	11,488,879	12,323,185	13,972,760
Public works	2,844,019	3,183,663	3,002,297	4,869,060	5,538,320
Culture and recreation	2,444,169	2,687,177	2,951,793	3,026,490	3,311,920
Capital outlay	229,786	349,108	616,373	39,500	0
Debt service	0	12,466	33,206	0	0
<b>Total Expenditures</b>	<u>\$19,921,801</u>	<u>\$21,929,317</u>	<u>\$23,408,725</u>	<u>\$25,821,740</u>	<u>\$28,657,310</u>
<b>Excess of revenues over (under) expenditures</b>	\$1,045,324	(\$3,746)	\$1,928,420	(\$649,325)	(\$875,490)
<b>Other Financing Sources (Uses)</b>					
Proceeds from leases	\$0	\$38,240	\$0	\$0	\$0
Subscription-based IT arrangements issued	0	0	97,377	0	0
Budget contingency	0	0	0	0	(275,000)
Transfers in	616,890	575,230	627,386	649,325	684,490
Transfers (out)	(833,211)	(400,000)	(550,716)	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>(\$216,321)</u>	<u>\$213,470</u>	<u>\$174,047</u>	<u>\$649,325</u>	<u>\$409,490</u>
<b>Net changes in Fund Balances</b>	\$829,003	\$209,724	\$2,102,467	\$0	(\$466,000)
General Fund Balance January 1	\$10,607,526	\$13,104,379	\$13,104,379		
Prior Period Adjustment	0	0	209,724		
Residual Equity Transfer in (out)	0	0	0		
<b>General Fund Balance December 31</b>	<u>\$11,436,529</u>	<u>\$13,314,103</u>	<u>\$15,416,570</u>		
<b>DETAILS OF DECEMBER 31 FUND BALANCE</b>					
Nonspendable	\$43,228	\$25,906	\$7,816		
Restricted	0	0	1,733,127		
Assigned	1,676,895	592,019	1,094,500		
Unassigned	11,384,256	12,696,178	12,581,127		
<b>Total</b>	<u>\$13,104,379</u>	<u>\$13,314,103</u>	<u>\$15,416,570</u>		

<sup>1</sup> The 2024 budget was revised on December 18, 2024.

<sup>2</sup> The 2025 budget was adopted on December 4, 2024 and revised on December 18, 2024 due to favorable results in 2024. The City will assign \$466,000 in fund balance at the end of 2024 for the 2025 budget.

## GENERAL INFORMATION

### LOCATION

The City, with a 2020 U.S. Census population of 38,839 and a 2023 population estimate of 42,648, and comprising an area of 34.3 square miles, is located approximately 13 miles southeast of St. Paul, Minnesota.

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

Larger employers in the City include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
I.S.D. No. 833 (South Washington County Schools)	Elementary and secondary education	3,028 <sup>2</sup>
Renewal by Anderson Corp.	Manufacture windows and doors	1,680
Up-North Plastics, Inc.	Manufacture polyethylene film	710
Hy-Vee	Retail grocery	725
3M Company	Manufacturing	657
Walmart	Retail	283
The City	Municipal government and services	230
Van Meter	Electric equipment & supplies	218
American Manufacturing & Distribution Company	Manufacturing	200
Cub	Grocery	200

**Source:** Data Axle Reference Solutions, written and telephone survey, and the Minnesota Department of Employment and Economic 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> Reflects employees for entire district, including those outside City limits.



**BUILDING PERMITS** (as of January 31, 2025)

	2021	2022	2023	2024	2025
<u>New Single Family Homes</u>					
No. of building permits	574	348	290	335	16
Valuation	\$155,998,356	\$97,241,987	\$100,157,771	\$119,392,750	\$6,544,353
<u>New Multiple Family Buildings</u>					
No. of building permits	0	2	0	1	0
Valuation	\$0	\$33,440,880	\$0	\$10,250,000	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	11	7	8	5	0
Valuation	\$20,733,629	\$96,996,753	\$34,714,687	\$4,830,311	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	5,655	5,559	4,681	4,757	268
Valuation	\$231,869,956	\$373,439,534	\$189,481,402	\$208,030,399	\$8,088,536

**Source:** The City.**U.S. CENSUS DATA****Population Trend:** The City

2010 U.S. Census population	34,589
2020 U.S. Census population	38,839
Percent of Change 2010 - 2020	12.29%
2023 Metropolitan Council Population Estimate	42,648

## Income and Age Statistics

	<b>The City</b>	<b>Washington County</b>	<b>State of Minnesota</b>	<b>United States</b>
2023 per capita income	\$47,794	\$56,650	\$46,957	\$43,289
2023 median household income	\$121,452	\$114,457	\$87,556	\$78,538
2023 median family income	\$130,241	\$135,690	\$111,492	\$96,922
2023 median gross rent	\$1,644	\$1,637	\$1,235	\$1,348
2023 median value owner occupied units	\$359,600	\$400,900	\$305,500	\$303,400
2023 median age	36.8 yrs.	39.9 yrs.	38.6 yrs.	38.7 yrs.

	<b>State of Minnesota</b>	<b>United States</b>
City % of 2023 per capita income	101.78%	110.41%
City % of 2023 median family income	116.82%	134.38%

## Housing Statistics

	<b><u>The City</u></b>		
	<b>2020</b>	<b>2023</b>	<b>Percent of Change</b>
All Housing Units	13,105	14,508	10.71%

**Source:** 2010 and 2020 Census of Population and Housing, and 2023 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>), and 2023 Population Estimates, Metropolitan Council (<https://metro council.org/>).

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

<b>Year</b>	<b><u>Average Employment</u></b>		<b><u>Average Unemployment</u></b>	
	<b>Washington County</b>	<b>Washington County</b>	<b>State of Minnesota</b>	
2020	137,630	5.7%	6.3%	
2021	137,649	3.2%	3.7%	
2022	141,152	2.2%	2.7%	
2023	142,110	2.4%	2.8%	
2024	140,693	2.8%	3.2%	

**Source:** Minnesota Department of Employment and Economic Development.

**FINANCIAL STATEMENTS**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City 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 Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse changes in the financial position or results of operations of the City, nor has the City 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.



# Annual Comprehensive Financial Report

City of Cottage Grove, MN  
Year Ended December 31, 2023



12800 Ravine Parkway S  
Cottage Grove, MN 55016  
651-458-2800  
CottageGroveMN.gov



**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**OF THE**  
**CITY OF COTTAGE GROVE, MINNESOTA**

**FOR THE YEAR ENDED**  
**DECEMBER 31, 2023**

**Prepared By:**

**Finance Department**

**City of Cottage Grove**  
**12800 Ravine Parkway South**  
**Cottage Grove, MN 55016**



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## I. INTRODUCTORY SECTION



May 24, 2024

To the Honorable Mayor, Members of the City Council and Citizens of the City of Cottage Grove:

Minnesota statutes require all cities to submit an annual audited financial statement to the Office of the State Auditor. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report of the City of Cottage Grove for the year ended December 31, 2023.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control standards that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

Redpath and Company, independent certified public accountants have issued an unmodified (“clean”) opinion on the City of Cottage Grove’s financial statements for the year ended December 31, 2023. The independent auditors’ report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

### **Profile of the City**

Cottage Grove was organized as a village on July 13, 1965, and was incorporated as a city on January 1, 1974. It is a suburban community located on the southern border of Washington County, sixteen miles southeast of downtown St. Paul. The city currently occupies 34.3 square miles of land. The 2021 Census established the city population at 39,605: recent data estimates 2023 population at 41,875.

Cottage Grove operates as a Statutory Plan A City under Minnesota law. Policy making and legislative authority are vested in a City Council, consisting of the mayor and four other members, elected at large and on a non-partisan basis. Terms of office are staggered four-year terms, with elections held in each even-numbered year. The City Council is responsible for passing ordinances, adopting the budget and appointing members of the various citizens’ advisory boards. In addition, the mayor and council appoint a full-time city administrator, who is responsible for overall supervision of city operations.

The city provides a full range of municipal services. These services include police and fire protection, ambulance services, parks and park facilities, a golf course, recreational programming, an ice arena, street construction and maintenance, water, sewer, and storm water utilities, planning and zoning, and general administrative functions.

The Economic Development Authority (EDA) of the City of Cottage Grove is a separate legal entity organized pursuant to Minnesota Statute 469. There are seven members of the EDA who are appointed by the City Council; two appointees are council members, and the five others are appointed from the community. The EDA is included in this financial report as a discretely presented component unit, due to the EDA's relationship of financial benefit or burden to the city.

The annual budget serves as the foundation for the City of Cottage Grove's financial planning and control. The budget incorporates the city's financial policies, financial operations, debt management, reserves, and investments. The process by which the biennial budget document is prepared begins with the submission of department appropriation requests in June. The requests, along with projected revenues and stated City Council strategic goals, provide the starting point for budget development. Collaborative meetings are held with city staff and workshops are held with the City Council to refine the budget document in advance of the submission of the preliminary tax levy in September each year. The preliminary levy may be reduced after it is adopted but cannot be increased. An information session is held for taxpayers at the first City Council meeting in December in advance of adoption of the final levy and budget. The Council is required to adopt a final budget by no later than December 28<sup>th</sup> of each year. The legal level of budgetary control is at the department level.

### **Local economy**

Cottage Grove benefits from a significant amount of developable land and a location within the economically prosperous Minneapolis/St. Paul seven county metropolitan area. The city's tax base is 82% residential and 18% commercial/industrial property. Total taxable market value in 2023 was \$5.3 billion. This was an increase of 25.58% over 2022, due to new construction and increases in property values of existing building stock.

The city's business park is home to many major employers including Renewal by Andersen, Van Meter, American Logistics, North Star Sheets, NorthPoint, Up North Plastics, Leafline Labs and more. In 2023 the business park added new businesses including Hohenstein's, a beverage distribution company, and RJ Schinner, a wholesale paper products redistributor. In addition, Kwik Trip convenience stores has signed a purchase agreement for land to develop their Gen 3 concept store, and NorthPoint has added two new clients, one with the expansion of Van Meter and Lumbermen's, a wholesale lumber materials supply company. At build out, it is estimated that we will add more than 3,000 new jobs in the coming years.

Other major employers include 3M, Menard's, Walmart, Target, and Holcim Industries. Together these companies employ thousands of employees and in 2023 they reported that sales were robust and that they continue to add to their workforce.

The city's commercial areas include four community shopping centers which are home to prominent retailers such as Hy-Vee, Walgreen's, TJ-Maxx, Kohl's, Cub Foods, Aldi, Walmart, Starbucks, and Chipotle. In 2023 we welcomed Jersey Mike's, Ulta Beauty, Pizza Ranch, Burn Boot Camp, and a variety of other locally based retailers.

### **Long-term financial planning**

The city places a high priority on planning for future growth. Staff uses different long-range revenue and expenditure models during the annual preparation of a biennial budget plan for the General Fund, special revenue and enterprise funds. The biennial budget process allows for the assurance that any change to revenues or expenditures is sustainable in the successive year. In addition, a ten-year Financial Management Plan was developed in 2022 and finalized in 2023 to determine the impacts of future operating costs, staffing needs, future growth, capital projects and the impact on the property tax levies. The plan was incorporated into the 2023 budget.

Furthermore, Council and staff compile a five-year Capital Improvement Plan (CIP) which addresses the future building and infrastructure projects necessary to address the new residential and commercial property outlined in the city's 2040 Comprehensive Plan. As part of the CIP, each capital project is analyzed to determine if sufficient funding exists for the project and the longer-term impact of each of the projects on the individual capital fund balances. Pavement management projects are full pavement replacement projects or full reconstruction projects. Project funding for pavement management is covered by a 45%/55% cost split following the city's Infrastructure Maintenance Task Force Special Assessment Policy: special assessments against benefiting properties with the balance of the costs covered by general obligation debt to be repaid by annual tax levies.

### **Relevant Financial Policies**

The city has financial policies and plans which establish the principles that guide staff and council members to make consistent and informed financial decisions. These policies and plans include:

- *Fund balance policy*
- *Cash and investment management policy*
- *Debt management policy*
- *Capital improvements plan*
- *Long-term financial management plan*
- *Infrastructure Maintenance Task Force (IMTF) policy*

It is important for the financial stability of the city to maintain reserve funds for unanticipated expenditures or unforeseen emergencies as well as providing adequate working capital for current operations without short term borrowing. The city's fund balance policy as of the end of 2023, identified the unassigned fund balance in the General Fund shall be 45% to 55% of annual budgeted expenditures.



## **Major Initiatives**

The population of Cottage Grove has increased from 833 in 1950 to 38,839 per the 2020 census. Most of the population of the city concentrates in two age groups: 0 - 14 years (22.8%) and 25 - 54 years (41.8%). According to the 2020 census, the average age is 38.1 years, and the median family income is \$102,600. This median family income is 39.8% higher than Minnesota's median family income.

Cottage Grove has evolved from a 1970's bedroom community to a steadily growing suburb with an expanding commercial and industrial base. The 1990's and early 2000's, Cottage Grove saw a residential development boom, with several years of building permits for single family homes exceeding 300 per year.

During the Great Recession of 2007, residential development slowed significantly for the Cottage Grove community. The real estate slowdown affected more than five years of new home construction in the community. However, from 2015 through 2021, the city saw a consistent year over year increase in construction of single family and multifamily homes. In 2023, 290 permits were issued for new construction of residential housing (detached and attached) units. Over 630 platted lots with completed infrastructure awaited construction at the end of 2023.

The "East Ravine Master Plan" was completed in 2006. After the delay, development of the 4,000 acres of low-density residential housing with park and open space amenities and nodes of commercial use began in earnest in 2013. In the eight years since then, more than 1,000 acres of land has been developed into a variety of residential housing. Ravine Parkway, which serves as the transportation backbone and connects these developments, is now in Phase 3 of construction.

The city strategy of positioning for growth can be seen in the residential and the industrial growth. The growth has provided Cottage Grove more homes and jobs opportunities, which in return has led to additional interest in commercial/retail users and demands for community services.

## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cottage Grove for its Annual Comprehensive Financial Report for the year ended December 31, 2023. This was the thirty-third consecutive year the city has achieved this prestigious award. To receive a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement

Letter of Transmittal  
May 24, 2024

Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

This report was compiled and completed by the dedicated staff of the finance department to whom I give my heartiest thanks. Lastly, thank you to the Mayor and City Council members for their support in maintaining a fiscally sound and stable organization in the service of our residents and business owners.

Respectfully Submitted,

CITY OF COTTAGE GROVE, MINNESOTA

A handwritten signature in black ink, appearing to read "Jennifer Levitt". The signature is fluid and cursive.

Jennifer Levitt  
City Administrator





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Cottage Grove  
Minnesota**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2022

*Christopher P. Morill*

Executive Director/CEO



**CITY OF COTTAGE GROVE, MINNESOTA**  
**ELECTED OFFICIALS AND ADMINISTRATION**  
 December 31, 2023

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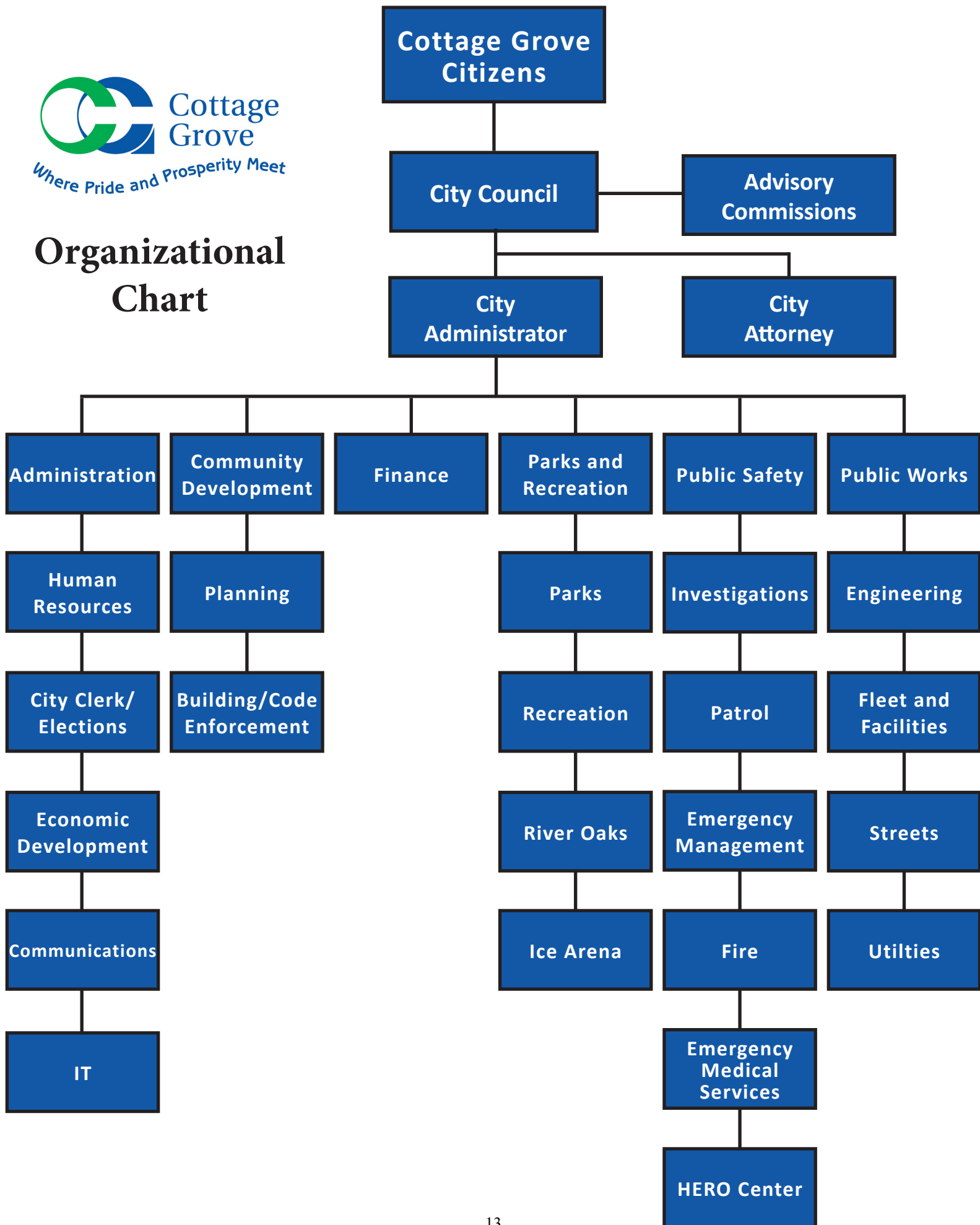
Elected Officials	Position	Term Expires
Myron Bailey	Mayor	December 31, 2024
Tony Khambata	Council Member	December 31, 2024
Justin Olsen	Council Member	December 31, 2024
Monique Garza	Council Member	December 31, 2024
Dave Thiede	Council Member	December 31, 2026

Appointed Personnel	Position
Jennifer Levitt	City Administrator
Brena Malinowski	Finance Director
Tammy Anderson	City Clerk
Emily Schmitz	Community Development Director
Ryan Burfeind	Public Works Director
Peter Koerner	Director of Public Safety
Zac Dockter	Parks and Recreation Director
Gretchen Larson	Economic Development Director





# Organizational Chart







## **II. FINANCIAL SECTION**





## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Cottage Grove, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units each major fund, and the aggregate remaining fund information of City of Cottage Grove, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise City of Cottage Grove, Minnesota'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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Cottage Grove, Minnesota, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Cottage Grove, Minnesota 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.

#### ***Prior Year Summarized Comparative Information***

The predecessor auditor previously audited the City's 2022 financial statements, and they expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each

major fund, and the aggregate remaining fund information in their report dated June 6, 2023. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***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 City of Cottage Grove, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Cottage Grove, Minnesota'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 City of Cottage Grove, Minnesota'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.

### ***Change in Accounting Principle***

As described in Note 18 to the financial statements, City of Cottage Grove, Minnesota adopted new accounting guidance for the year ended December 31, 2023, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, and the schedules of OPEB and pension 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 City of Cottage Grove, Minnesota's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and 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 combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2024 on our consideration of City of Cottage Grove, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Cottage Grove, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Cottage Grove, Minnesota's internal control over financial reporting and compliance.

*Redpath and Company LLC*

REDPATH AND COMPANY, LLC  
St. Paul, Minnesota

May 24, 2024

## **City of Cottage Grove Management's Discussion and Analysis**

As management of the City of Cottage Grove, we offer readers of the City of Cottage Grove's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 through 6 of this report.

### **Financial Highlights**

- The assets and deferred outflows of resources of the City of Cottage Grove and the EDA Component Unit exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$432,158,906 (net position). Of this amount, \$36,306,301 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$44,809,070 as a result of current year operations.
- As of the close of the current fiscal year, the City of Cottage Grove's governmental funds reported combined ending fund balances of \$41,851,561 an increase of \$1,096,686 compared to the previous year. Approximately 75% or \$31,312,631 is available for spending according to the City's policies and constraints.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$12,581,127 (50%) of the total subsequent year General fund expenditures.
- At the end of the current fiscal year, the City of Cottage Grove had total long-term debt outstanding of \$44,732,787, an increase of \$4,989,339 compared to the previous year due to the issuance of debt during the current fiscal year for the building of the Glacial Valley Park building and reconstruction of streets in the city.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Cottage Grove's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the City of Cottage Grove's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Cottage Grove's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cottage Grove is improving or deteriorating.



## **City of Cottage Grove Management's Discussion and Analysis**

### **Overview of the Financial Statements (Continued)**

The statement of activities presents information on how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused personal leave time).

Both of the government-wide financial statements distinguish functions of the City of Cottage Grove that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Cottage Grove include general government, community development, economic development, public safety, public works, and culture and recreation. The business-type activities of the City of Cottage Grove include street lighting, water and sewer, and an ambulance service.

The government-wide financial statements include not only the City of Cottage Grove itself (known as the *primary government*), but also a legally separate EDA component unit for which the City of Cottage Grove is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements start on page 31 of this report.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cottage Grove, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Cottage Grove can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

## City of Cottage Grove Management's Discussion and Analysis

### **Overview of the Financial Statements (Continued)**

**Governmental funds:** Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the City's seven individual major governmental funds. They are as follows:

- General Fund
- Closed Debt Fund —Debt service fund
- Ice Arena Fund—Special revenue fund
- Future Economic Development Fund – Capital project fund
- MSA Construction Capital Project Fund —Capital project fund
- Future Projects Fund - Capital project fund
- 3M Settlement-MPCA Fund – Capital project fund

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report.

The City of Cottage Grove adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 34 of this report.

**Proprietary funds:** The City of Cottage Grove maintains four enterprise funds and three internal service funds as a part of its proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City of Cottage Grove uses enterprise funds to account for street light operations, ambulance service, water operations, and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Cottage Grove's various functions. The City of Cottage Grove uses internal service funds to account for self-insurance, fleet maintenance, and information technology services activity. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for street light operations, ambulance service, water operations, and sewer operations, all of which are major funds of the City of Cottage Grove. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements start on page 41 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 45 of this report.

**City of Cottage Grove  
Management's Discussion and Analysis**

**Overview of the Financial Statements (Continued)**

**Other information:** The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules start on page 99 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cottage Grove, assets exceeded liabilities by \$432,158,906 at the close of the most recent fiscal year.

The largest portion of the City of Cottage Grove's net position (\$381,795,249 or 88.3%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Cottage Grove uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Cottage Grove's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<b>City of Cottage Grove Net Position</b>					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$80,970,000	\$71,455,167	\$16,686,865	\$16,703,246	\$97,656,865	\$88,158,413
Capital assets	301,111,452	268,696,454	124,845,135	104,180,227	425,956,587	372,876,681
Total assets	382,081,452	340,151,621	141,532,000	120,883,473	523,613,452	461,035,094
Deferred outflows of resources	13,934,629	16,727,066	2,211,203	2,514,596	16,145,832	19,241,662
Long-term liabilities outstanding	40,779,174	32,051,064	149,045	67,752	40,928,219	32,118,816
Pension liability	13,051,868	26,392,110	1,965,027	4,018,567	15,016,895	30,410,677
Other liabilities	28,965,202	20,555,962	678,410	541,879	29,643,612	21,097,841
Total liabilities	82,796,244	78,999,136	2,792,482	4,628,198	85,588,726	83,627,334
Deferred inflows of resources	19,966,694	9,253,764	2,044,958	45,822	22,011,652	9,299,586
Net position:						
Net investment in capital assets	256,950,114	230,431,271	124,845,135	104,180,227	381,795,249	334,611,498
Restricted	14,057,356	6,398,608	-	-	14,057,356	6,398,608
Unrestricted	22,245,673	31,795,908	14,060,628	14,543,822	36,306,301	46,339,730
Total net position	\$293,253,143	\$268,625,787	\$138,905,763	\$118,724,049	\$432,158,906	\$387,349,836

**City of Cottage Grove  
Management's Discussion and Analysis**

**Government-wide Financial Analysis (Continued)**

An additional portion of the City's net position \$14,057,356 or 3.3% represents resources that are subject to external restrictions on how they may be used. The remaining portion of net position, \$36,306,301 or 8.4%, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Cottage Grove is able to report positive balances in all three categories of net position: for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. Total net position increased by \$44,809,070.

The following is a summary of the City's change in net position:

**City of Cottage Grove's Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$12,080,329	\$ 13,601,266	\$10,997,998	\$9,704,695	\$23,078,327	\$23,305,961
Operating grants and contributions	3,680,506	2,278,343	67,605	41,788	3,748,111	2,320,131
Capital grants and contributions	44,115,417	37,949,025	7,446,103	12,272,831	51,561,520	50,221,856
General revenues:						
Property taxes	20,590,413	18,804,948	-	-	20,590,413	18,804,948
Other taxes	2,655,191	2,426,427	-	-	2,655,191	2,426,427
Grants and contributions not restricted to specific programs	72,738	229,638	-	-	72,738	229,638
Unrestricted investment earnings (loss)	2,567,079	(2,043,372)	636,750	(484,598)	3,203,829	(2,527,970)
Gain(loss) on sale of capital assets	9,025	29,658	-	-	9,025	29,658
	<u>\$85,770,698</u>	<u>73,275,933</u>	<u>19,148,456</u>	<u>21,534,716</u>	<u>104,919,154</u>	<u>94,810,649</u>
<b>Expenses:</b>						
General government	3,300,129	3,500,705	-	-	3,300,129	3,500,705
Community development	2,526,101	2,676,975	-	-	2,526,101	2,676,975
Economic development	742,227	864,161	-	-	742,227	864,161
Public safety	16,938,793	13,853,217	-	-	16,938,793	13,853,217
Public works	12,979,642	10,788,045	-	-	12,979,642	10,788,045
Culture and recreation	8,927,799	9,447,768	-	-	8,927,799	9,447,768
Interest on long-term debt	1,077,579	931,466	-	-	1,077,579	931,466
Street lights	-	-	1,157,388	1,099,054	1,157,388	1,099,054
Cottage Grove EMS	-	-	2,425,138	2,302,408	2,425,138	2,302,408
Water operating	-	-	5,692,361	4,053,526	5,692,361	4,053,526
Sewer operating	-	-	4,342,927	4,159,063	4,342,927	4,159,063
Total expenses	<u>46,492,270</u>	<u>42,062,337</u>	<u>13,617,814</u>	<u>11,614,051</u>	<u>60,110,084</u>	<u>53,676,388</u>
Increase (decrease) in net position before transfers and special items	39,278,428	31,213,596	5,530,642	9,920,665	44,809,070	41,134,261
Transfers	<u>(14,651,072)</u>	<u>(6,069,068)</u>	<u>14,651,072</u>	<u>6,069,068</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>24,627,356</u>	<u>25,144,528</u>	<u>20,181,714</u>	<u>15,989,733</u>	<u>44,809,070</u>	<u>41,134,261</u>
Net position - January 1	<u>268,625,787</u>	<u>243,481,259</u>	<u>118,724,049</u>	<u>102,734,316</u>	<u>387,349,836</u>	<u>346,215,575</u>
Net position - December 31	<u>\$293,253,143</u>	<u>\$268,625,787</u>	<u>\$138,905,763</u>	<u>\$118,724,049</u>	<u>\$432,158,906</u>	<u>\$387,349,836</u>

Net position from governmental activities increased by \$24,627,356 to the contribution of capital assets including streets and storm water from development activities.

**City of Cottage Grove  
Management's Discussion and Analysis**

**Government-wide Financial Analysis (Continued)**

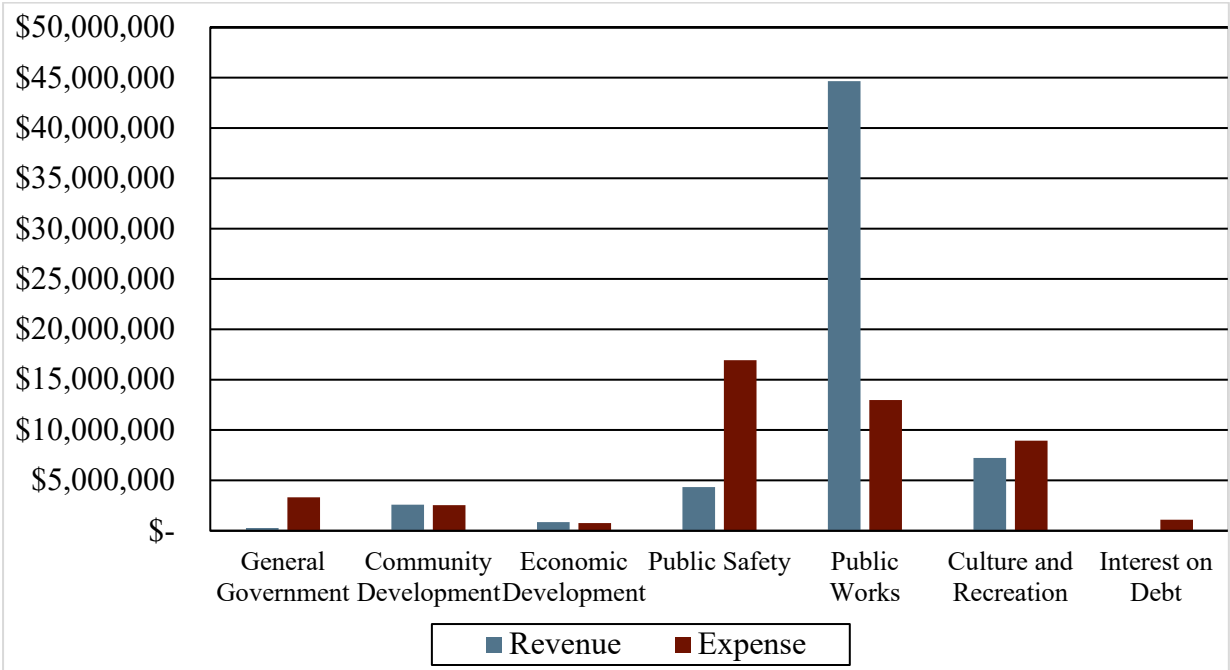
Overall, revenues from governmental activities increased by \$12,494,765 or 17.1%. Capital grants and contributions increased by \$6,166,392, due to the receipt of Municipal State Aid for street construction and settlement funding received from the MPCA/3M settlement for water treatment. Infrastructure related to water treatment was constructed with the use of these settlement funds. In addition, there was a large increase in the unrestricted investment earnings due to the unprecedented interest rate increases that occurred in the previous year that caused a large mark to market adjustment for financial statement presentation purposes.

Governmental activities expenses increased overall by only 4.29% due to higher operating costs and the recognition of expense due to the dissolution of the fire relief pension plan detailed in Note 8.

Net position in business-type activities increased \$20,181,714 primarily due to the transfers from the governmental activities for capital assets related to water treatment. In addition, capital contributions increased from the prior year due infrastructure contributions from developers related to water and sewer infrastructure in new developments throughout the city.

**Governmental Activities**

The following chart illustrates the City’s expenses and corresponding program revenues for its governmental activities.



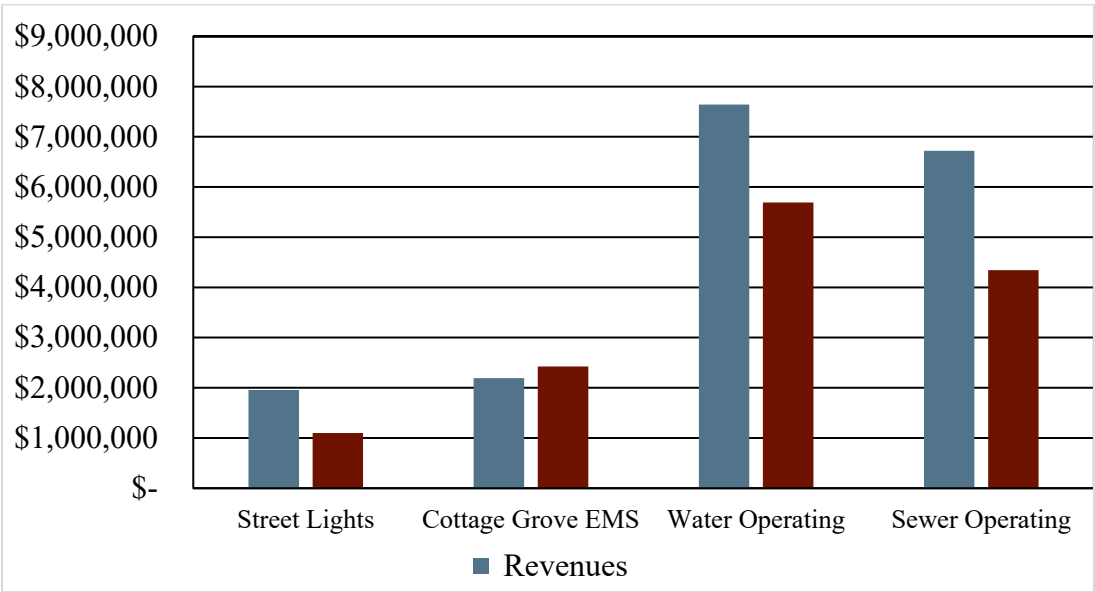
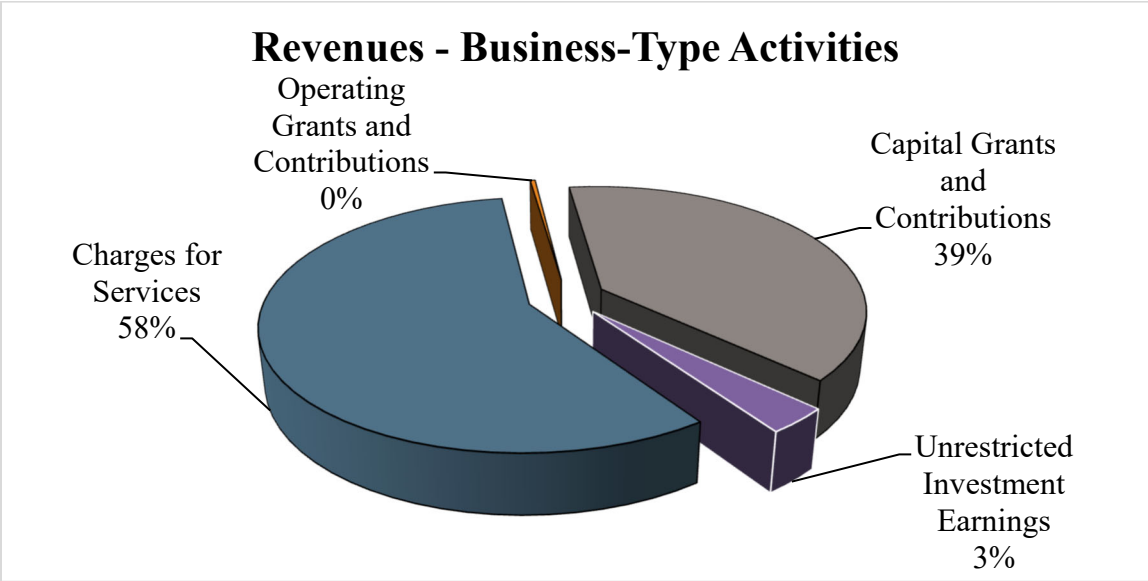
Significant capital grant revenue was received in the current year in public works, due to the receipt of funds received from the State regarding the 3M settlement and Municipal State Aid received for the reconstruction of streets.

**City of Cottage Grove  
Management's Discussion and Analysis**

**Government-wide Financial Analysis (Continued)**

**Business-Type Activities**

Net position in business-type activities increased by \$20,181,714. The large increase is due to the contribution of capital assets from developers and water infrastructure for water treatment. Below are graphs showing the business-type activities revenue and expense comparisons.



In business type activities, changes in net position were positive for all four business-type activity funds with the exception of Cottage Grove EMS. The Cottage Grove EMS fund experienced a loss in the fund due to the reimbursement levels mandated for ambulance services. Opportunities to fund the service into the future are being explored.

## **City of Cottage Grove Management's Discussion and Analysis**

### **Financial Analysis of the Government's Funds**

#### **Governmental Funds**

The focus of the City of Cottage Grove's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Cottage Grove's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Cottage Grove's governmental funds reported combined ending fund balances of \$41,851,561, an increase of \$1,096,686. The largest portion of this increase is due to one-time public safety aid received from the state in the amount of \$1,733,090. *Committed, assigned* and *unassigned* fund balance which is available for spending at the government's discretion has a balance of \$31,312,631 at year end. This is approximately 75% of the ending fund balance. The remainder of the fund balance is non-spendable or restricted to indicate it is not available for new spending because it has already been obligated.

#### **General Fund**

The General fund is the chief operating fund of the City of Cottage Grove. At the end of the current fiscal year, unassigned fund balance of the General fund was \$12,581,127 while total fund balance was \$15,416,570. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 50% of total subsequent year General fund expenditures, while total fund balance represents 61% of the same amount.

The General fund balance increased by \$2,102,467. The increase primarily occurred is due to the receipt of one-time public safety aid received from the state in the amount of \$1,733,090. These funds will be utilized in future years to fund new public safety positions including two police officers and three firefighter/paramedics. In addition, investment earnings were strong in the current fiscal period.

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

The Closed Debt Fund decreased by \$47,726 due to the use of funds to pay debt service in accordance with the financial management plan.

The Ice Arena Fund increased by \$59,140 due to strong operations and lower operating costs.

The Future Economic Development Fund increased by \$1,030,161 due to land sales brokered by the city for future development in the business park.

The MSA Construction Fund decreased by \$1,102,278. A two-year street project at East Point Douglas and Jamaica Avenue began in 2024. This project will be funded by future bonds and Municipal State Aid.

## **City of Cottage Grove Management's Discussion and Analysis**

### **Financial Analysis of the Government's Funds (Continued)**

The Future Projects Fund decreased slightly by \$21,560 due to escrow funds being released to developers for amounts remaining in the escrows after completion of developments.

The 3M Settlement MPCA Fund decreased slightly by \$547,242 due to timing differences between revenues received from the MPCA/3M settlement and use of those revenues for water treatment activities.

### **Proprietary funds**

The City of Cottage Grove's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Business-type activities increased the City's net position by \$20,184,744 in 2023 due to increased utility rates in accordance with a utility rate study that is completed every five years for each utility fund, and capital contributions from completed infrastructure projects in new developments.

### **Budgetary Highlights**

#### **General Fund.**

The General Fund actual results were different than the final budget amounts due to the following:

- Revenues were \$811,633 more than the final budget due to investment earnings and building permit revenues that were higher than anticipated during the current year.
- Public safety expenditures were \$222,624 more than budgeted amounts due to part-time salaries that were higher than the budgeted amounts and contractual services that were higher than budgeted amounts due to repairs of equipment.
- Public works expenditures were \$229,605 higher than budgeted due to a severe winter at the beginning of the current fiscal year and contractual services that were higher than budgeted amounts due to repairs of equipment.



**City of Cottage Grove  
Management's Discussion and Analysis**

**Capital Assets**

The City of Cottage Grove's investment in capital assets for its governmental and business-type activities as of December 31, 2023, amounts to \$425,956,587 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment.

<b>City of Cottage Grove's Capital Assets</b>						
(Net of Depreciation)						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land and land improvements	\$19,889,402	\$18,060,944	\$2,898,495	\$2,899,289	\$22,787,897	\$18,611,609
Easements	1,157,202	1,157,202	-	-	1,157,202	1,157,202
Construction in progress	18,379,670	15,555,260	1,024,372	-	19,404,042	15,555,260
Buildings and improvements	47,831,410	45,132,955	7,486,918	3,885,930	55,318,328	49,018,885
Equipment and furniture	223,972	233,782	-	-	223,972	233,782
Machinery and equipment	6,031,651	6,047,850	2,255,801	881,617	8,287,452	6,929,467
Other improvements	14,613,201	9,266,786	8,039,444	7,215,068	22,652,645	16,481,854
Infrastructure:						
Streets	137,116,228	127,307,817	-	-	137,116,228	127,307,817
Storm sewers	49,007,035	39,912,949	-	-	49,007,035	39,912,949
Sidewalks/trails	6,567,160	5,994,568	-	-	6,567,160	5,994,568
Right-to-use subscription-based IT arrangements	280,270	-	-	-	280,270	-
Leased equipment	14,251	26,341	-	-	14,251	26,341
Water and sewer lines	-	-	103,140,105	89,298,323	103,140,105	89,298,323
Ending balance	<u>\$301,111,452</u>	<u>\$268,696,454</u>	<u>\$124,845,135</u>	<u>\$104,180,227</u>	<u>\$425,956,587</u>	<u>\$370,528,057</u>

Infrastructure capital assets in new developments and water treatment assets related to the MPCA/3M settlement were the largest additions to capital assets during the current year.

Additional information on the City of Cottage Grove's capital assets can be found in Note 3.

**City of Cottage Grove  
Management's Discussion and Analysis**

**Long-term debt**

At the end of the current fiscal year, the City of Cottage Grove had total long-term debt outstanding of \$44,732,787 an increase of \$4,989,339. \$4,695,195 of the debt outstanding is due within one year. \$7,815,000 in new debt was issued in the current fiscal year for the construction of the Glacial Valley Park building and the reconstruction of city streets.

\$19,340,000 of the outstanding bonds payable is for pavement management debt being repaid by a combination of special assessments and property tax levies.

**City of Cottage Grove's Outstanding Debt**

	<u>2023</u>	<u>2022</u>
Governmental activities:		
Bonds payable, net	\$42,883,069	\$38,238,518
Lease liability	14,714	26,665
SBITA liability	<u>265,055</u>	<u>-</u>
Compensated absences	<u>1,370,847</u>	<u>1,289,416</u>
Total governmental activities	<u>44,533,685</u>	<u>39,554,599</u>
Business-type activities:		
Compensated absences	<u>199,102</u>	<u>188,849</u>
Total business-type activities	<u>199,102</u>	<u>188,849</u>
Total primary government	<u><u>\$44,732,787</u></u>	<u><u>\$39,743,448</u></u>

The City of Cottage Grove currently holds a general obligation debt rating of AAA/Stable from Standard and Poor’s and Aa1 from Moody’s. According to S&P, Cottage Grove received an upgrade due to “improving economic metrics and its relative growth prospects withing the Twin Cities metropolitan statistical area demonstrated by the availability of developable land, coupled with a history of strong financial performance and a favorable debt profile.”

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total Estimated Market Value. The current debt limitation for the City of Cottage Grove is \$159,215,979. Of that limit, \$12,770,000 of the City's outstanding debt is counted within the statutory limitation because all other debt is either wholly or partially repaid by revenues other than general property tax levies.

Additional information on the City of Cottage Grove’s long-term debt can be found in Note 6.

**Requests for information:** This financial report is designed to provide a general overview of the City of Cottage Grove’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Director, 12800 Ravine Parkway St, Cottage Grove, Minnesota 55016.



## **BASIC FINANCIAL STATEMENTS**



	Primary Government		Total Primary Government	Component Unit	Totals	
	Governmental Activities	Business-Type Activities		Economic Development Authority	Reporting Entity	
					2023	2022
<b>Assets:</b>						
Cash and investments (including cash equivalents)	\$57,296,400	\$10,977,842	\$68,274,242	\$ -	\$68,274,242	\$60,206,452
Interest receivable	410,067	-	410,067	-	410,067	460,039
Due from other governments	7,921,148	73,030	7,994,178	-	7,994,178	3,765,363
Accounts receivable	1,344,465	2,925,570	4,270,035	2,219	4,272,254	4,544,287
Lease receivable	7,319,479	-	7,319,479	-	7,319,479	8,537,307
Prepaid items	413,959	241,280	655,239	-	655,239	830,568
Property tax receivable	118,657	-	118,657	800	119,457	113,240
Loan receivable	-	-	-	-	-	14,758
Special assessments receivable	7,491,622	-	7,491,622	-	7,491,622	7,959,561
Inventories	302,686	-	302,686	-	302,686	278,068
Internal balances	(2,469,143)	2,469,143	-	-	-	-
Due from discretely presented component unit	607,260	-	607,260	-	607,260	-
Property held for resale	213,400	-	213,400	129,300	342,700	342,700
Fire relief pension asset	-	-	-	-	-	1,279,095
Capital assets not being depreciated						
Land	19,889,402	2,874,997	22,764,399	-	22,764,399	20,935,941
Easements	1,157,202	-	1,157,202	-	1,157,202	1,157,202
Construction in progress	18,379,670	1,024,372	19,404,042	-	19,404,042	15,555,260
Capital assets net of accumulated depreciation/amortization						
Land improvements	-	23,498	23,498	-	23,498	24,292
Buildings and improvements	47,831,410	7,486,918	55,318,328	-	55,318,328	49,018,885
Equipment and furniture	223,972	-	223,972	-	223,972	233,782
Leased equipment	14,251	-	14,251	-	14,251	26,341
Subscription-based IT arrangements	280,270	-	280,270	-	280,270	-
Machinery and equipment	6,031,651	2,255,799	8,287,450	-	8,287,450	6,927,762
Other improvements	14,613,201	8,039,443	22,652,644	-	22,652,644	16,481,854
Infrastructure	192,690,423	103,140,108	295,830,531	-	295,830,531	262,515,362
Total assets	382,081,452	141,532,000	523,613,452	132,319	523,745,771	461,208,119
<b>Deferred outflows of resources:</b>						
Deferred outflows of resources related to OPEB	538,170	80,072	618,242	6,737	624,979	237,261
Deferred outflows of resources related to pensions	13,396,459	2,131,131	15,527,590	33,601	15,561,191	19,071,841
Total deferred outflows of resources	13,934,629	2,211,203	16,145,832	40,338	16,186,170	19,309,102
Total assets and deferred outflows of resource:	\$396,016,081	\$143,743,203	\$539,759,284	\$172,657	\$539,931,941	\$480,517,221
<b>Liabilities:</b>						
Accounts payable	\$5,266,714	\$239,719	\$5,506,433	\$39,892	\$5,546,325	\$4,728,352
Salaries and benefits payable	655,672	118,681	774,353	9,883	784,236	728,037
Contracts payable	1,288,500	-	1,288,500	-	1,288,500	712,295
Due to primary government	-	-	-	607,260	607,260	-
Due to other governments	57,939	147,938	205,877	75,159	281,036	291,043
Deposits payable	5,082,062	-	5,082,062	-	5,082,062	6,672,963
Unearned revenue	11,485,696	-	11,485,696	-	11,485,696	68,111
Interest payable	554,034	-	554,034	-	554,034	412,396
Bonds payable, net of unamortized premium						
Due within one year	3,375,000	-	3,375,000	-	3,375,000	6,825,000
Due in more than one year	39,508,069	-	39,508,069	-	39,508,069	31,413,518
Leases Payable						
Due within one year	5,807	-	5,807	-	5,807	11,828
Due in more than one year	8,907	-	8,907	-	8,907	14,837
Subscription-based IT arrangements						
Due within one year	63,678	-	63,678	-	63,678	-
Due in more than one year	201,377	-	201,377	-	201,377	-
Compensated absences payable						
Due within one year	1,078,634	172,072	1,250,706	13,396	1,264,102	1,284,945
Due in more than one year	292,213	27,030	319,243	6,689	325,932	211,968
Net pension liability:						
Due in more than one year	13,051,868	1,965,027	15,016,895	107,991	15,124,886	30,589,127
Total OPEB liability						
Due within one year	51,466	-	51,466	-	51,466	-
Due in more than one year	768,608	122,015	890,623	10,266	900,889	484,409
Total liabilities	82,796,244	2,792,482	85,588,726	870,536	86,459,262	84,448,829
<b>Deferred inflows of resources:</b>						
Deferred inflows of resources related to pensions	12,795,721	2,031,334	14,827,055	34,954	14,862,009	743,770
Deferred inflows of resources related to lease receivable	7,079,410	-	7,079,410	-	7,079,410	8,436,870
Deferred inflows of resources related to OPEB	91,563	13,624	105,187	1,146	106,333	122,805
Total deferred inflows of resources	19,966,694	2,044,958	22,011,652	36,100	22,047,752	9,303,445
<b>Net position:</b>						
Net investments in capital assets	256,950,114	124,845,135	381,795,249	-	381,795,249	334,611,498
Restricted for:						
Forfeiture and seizure	6,470	-	6,470	-	6,470	71,032
Public safety	1,891,847	-	1,891,847	-	1,891,847	-
Debt retirement	9,014,551	-	9,014,551	-	9,014,551	3,673,413
Fire pension	-	-	-	-	-	1,279,095
Tax increment purposes	3,080,093	-	3,080,093	-	3,080,093	2,654,163
Ice arena capital projects	64,395	-	64,395	-	64,395	-
Unrestricted	22,245,673	14,060,628	36,306,301	(733,979)	35,572,322	44,475,746
Total net position	293,253,143	138,905,763	432,158,906	(733,979)	431,424,927	386,764,947
Total liabilities, deferred inflows of resources, and net position	\$396,016,081	\$143,743,203	\$539,759,284	\$172,657	\$539,931,941	\$480,517,221

The accompanying notes are an integral part of these financial statements.

**CITY OF COTTAGE GROVE**  
**STATEMENT OF ACTIVITIES**  
For The Year Ended December 31, 2023  
With Comparative Totals For December 31, 2022

<u>Functions/Programs</u>	<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges For Services</u>
Primary government:		
Governmental activities:		
General government	\$3,300,129	\$179,473
Community development	2,526,101	2,579,463
Public safety	16,938,793	1,214,663
Economic development	742,227	630,563
Public works	12,979,642	2,132,108
Culture and recreation	8,927,799	5,344,059
Interest and fiscal charges on long-term debt	1,077,579	-
Total governmental activities	<u>46,492,270</u>	<u>12,080,329</u>
Business-type activities:		
Street lights	1,157,388	1,058,036
Cottage Grove EMS	2,425,138	2,191,586
Water operating	5,692,361	4,174,060
Sewer operating	4,342,927	3,574,316
Total business-type activities	<u>13,617,814</u>	<u>10,997,998</u>
Total primary government	<u>\$60,110,084</u>	<u>\$23,078,327</u>
Component unit:		
Economic Development Authority	<u>\$598,647</u>	<u>\$12,024</u>

The accompanying notes are an integral part of these financial statements.

Program Revenues		Net (Expense) Revenues and Changes in Net Position				Component Unit
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		2023	2022	Economic Development Authority
		Governmental Activities	Business-Type Activities			
\$74,212	\$ -	(\$3,046,444)	\$ -	(\$3,046,444)	(\$3,286,253)	\$ -
-	-	53,362	-	53,362	1,639,467	-
3,107,416	-	(12,616,714)	-	(12,616,714)	(11,839,336)	-
205,144	-	93,480	-	93,480	980,881	-
271,318	42,257,543	31,681,327	-	31,681,327	28,563,155	-
22,416	1,857,874	(1,703,450)	-	(1,703,450)	(3,360,151)	-
-	-	(1,077,579)	-	(1,077,579)	(931,466)	-
<u>3,680,506</u>	<u>44,115,417</u>	<u>13,383,982</u>	<u>-</u>	<u>13,383,982</u>	<u>11,766,297</u>	<u>-</u>
	898,433	-	799,081	799,081	576,546	-
551	-	-	(233,001)	(233,001)	(917,004)	-
67,054	3,399,576	-	1,948,329	1,948,329	5,586,880	-
	3,148,094	-	2,379,483	2,379,483	5,158,841	-
<u>67,605</u>	<u>7,446,103</u>	<u>-</u>	<u>4,893,892</u>	<u>4,893,892</u>	<u>10,405,263</u>	<u>-</u>
<u>\$3,748,111</u>	<u>\$51,561,520</u>	<u>13,383,982</u>	<u>4,893,892</u>	<u>18,277,874</u>	<u>22,171,560</u>	<u>-</u>
<u>\$312,500</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(274,123)</u>	
General revenues:						
Property taxes		20,590,413	-	20,590,413	18,804,948	124,955
Franchise taxes		860,203	-	860,203	642,584	-
Aggregate taxes		38,775	-	38,775	33,044	-
Lodging taxes		71,647	-	71,647	-	-
Tax increment collections		1,684,566	-	1,684,566	1,750,799	-
Grants and contributions not restricted to specific programs		72,738	-	72,738	229,638	-
Unrestricted investment earnings		2,567,079	636,750	3,203,829	(2,527,970)	78
Gain on sale of capital assets		9,025	-	9,025	29,658	-
Transfers		(14,651,072)	14,651,072	-	-	-
Total general revenues and transfers		<u>11,243,374</u>	<u>15,287,822</u>	<u>26,531,196</u>	<u>18,962,701</u>	<u>125,033</u>
Change in net position		24,627,356	20,181,714	44,809,070	41,134,261	(149,090)
Net position - beginning		<u>268,625,787</u>	<u>118,724,049</u>	<u>387,349,836</u>	<u>346,215,575</u>	<u>(584,889)</u>
Net position - ending		<u>\$293,253,143</u>	<u>\$138,905,763</u>	<u>\$432,158,906</u>	<u>\$387,349,836</u>	<u>(\$733,979)</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF COTTAGE GROVE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2023  
With Comparative Totals For December 31, 2022

	General Fund (100)	Debt Service Closed Debt Fund (300)	Special Revenue Ice Arena (250)	Capital Projects Future Economic Development (286)
<b>Assets</b>				
Cash and investments	\$15,704,399	\$2,270,409	\$7,580	\$3,570,669
Interest receivable	273,424	-	30,951	-
Due from other funds	-	-	-	770,884
Interfund loan receivable	-	-	-	2,058,045
Due from discretely presented component unit	-	-	-	607,260
Due from other governments	260,569	-	33,413	-
Accounts receivable	36,528	-	208,476	-
Lease receivable	-	-	2,464,128	-
Prepaid items	7,816	-	2,086	-
Inventories	-	-	-	-
Taxes receivable - delinquent	102,574	533	-	-
Special assessments receivable				
Deferred	828	52,469	-	-
Delinquent	258	2,082	-	-
Special deferred	-	6,138	-	3,051,546
Property held for resale	-	-	-	213,400
<b>Total assets</b>	<b>\$16,386,396</b>	<b>\$2,331,631</b>	<b>\$2,746,634</b>	<b>\$10,271,804</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$253,794	\$ -	\$65,905	\$284,636
Salaries and benefits payable	526,033	-	25,774	-
Due to other funds	-	-	770,884	-
Contracts payable	-	-	-	47,218
Due to other governments	24,589	-	7,778	-
Deposits payable	500	-	-	-
Unearned revenue	61,250	-	-	-
Interfund loan payable	-	-	-	-
<b>Total liabilities</b>	<b>866,166</b>	<b>-</b>	<b>870,341</b>	<b>331,854</b>
<b>Deferred inflows of resources:</b>				
Related to leases	-	-	2,407,105	-
Unavailable revenue - property taxes	102,574	533	-	-
Unavailable revenue - special assessments	1,086	60,689	-	3,051,546
Unavailable revenue - intergovernmental	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>103,660</b>	<b>61,222</b>	<b>2,407,105</b>	<b>3,051,546</b>
<b>Fund balances:</b>				
Nonspendable	7,816	-	2,086	-
Restricted	1,733,127	-	-	-
Committed	-	-	-	-
Assigned	1,094,500	2,270,409	-	6,888,404
Unassigned	12,581,127	-	(532,898)	-
<b>Total fund balances</b>	<b>15,416,570</b>	<b>2,270,409</b>	<b>(530,812)</b>	<b>6,888,404</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$16,386,396</b>	<b>\$2,331,631</b>	<b>\$2,746,634</b>	<b>\$10,271,804</b>

The accompanying notes are an integral part of these financial statements.

Capital Projects				Totals	
MSA Construction (520)	Future Projects (510,810)	3M Settlement - MPCA (455)	Nonmajor Governmental Funds	2023	2022
\$ -	\$6,200,323	\$5,225,163	\$24,009,971	\$56,988,514	\$49,401,487
-	-	-	105,692	410,067	460,039
-	-	-	433,767	1,204,651	1,656,704
-	-	-	-	2,058,045	756,435
-	-	-	-	607,260	-
311,242	-	7,141,468	122,226	7,868,918	3,696,494
-	9,557	-	1,082,679	1,337,240	1,344,062
-	-	-	4,855,351	7,319,479	8,537,307
-	-	-	12,884	22,786	31,996
-	-	-	83,758	83,758	105,873
-	-	-	15,550	118,657	112,396
23,280	364,972	-	2,852,257	3,293,806	2,383,466
-	-	-	4,104	6,444	7,529
30,000	346,161	-	757,527	4,191,372	5,568,566
-	-	-	-	213,400	213,400
<u>\$364,522</u>	<u>\$6,921,013</u>	<u>\$12,366,631</u>	<u>\$34,335,766</u>	<u>\$85,724,397</u>	<u>\$74,275,754</u>
\$318,846	\$326,833	\$1,494,759	\$2,106,969	\$4,851,742	\$4,218,979
-	-	-	65,024	616,831	565,681
99,239	-	-	334,528	1,204,651	1,656,704
250,024	-	434,866	556,392	1,288,500	712,295
2,740	1,578	1,175	16,517	54,377	126,530
-	4,775,030	-	306,532	5,082,062	6,154,373
-	-	11,104,446	320,000	11,485,696	68,111
-	-	-	4,288,045	4,288,045	3,196,435
<u>670,849</u>	<u>5,103,441</u>	<u>13,035,246</u>	<u>7,994,007</u>	<u>28,871,904</u>	<u>16,699,108</u>
-	-	-	4,672,305	7,079,410	8,436,870
-	-	-	15,550	118,657	651,958
53,280	711,133	-	3,613,889	7,491,623	7,421,701
311,242	-	-	-	311,242	311,242
<u>364,522</u>	<u>711,133</u>	<u>-</u>	<u>8,301,744</u>	<u>15,000,932</u>	<u>16,821,771</u>
-	-	-	96,642	106,544	134,636
-	-	-	8,699,259	10,432,386	6,811,004
-	-	-	2,722,525	2,722,525	2,155,025
-	1,106,439	-	10,453,605	21,813,357	22,174,244
<u>(670,849)</u>	<u>-</u>	<u>(668,615)</u>	<u>(3,932,016)</u>	<u>6,776,749</u>	<u>9,479,966</u>
<u>(670,849)</u>	<u>1,106,439</u>	<u>(668,615)</u>	<u>18,040,015</u>	<u>41,851,561</u>	<u>40,754,875</u>
<u>\$364,522</u>	<u>\$6,921,013</u>	<u>\$12,366,631</u>	<u>\$34,335,766</u>	<u>\$85,724,397</u>	<u>\$74,275,754</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF COTTAGE GROVE**  
**RECONCILIATION OF THE BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS**  
**GOVERNMENTAL FUNDS**  
For The Year Ended December 31, 2023  
With Comparative Amounts For The Year Ended December 31, 2022

**Statement 4**

	<u>2023</u>	<u>2022</u>
Total Fund Balances - Governmental Funds	\$41,851,561	\$40,754,875
Amounts reported for governmental activities in the Statement of Activities (Statement 2) are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of capital assets	397,366,035	355,906,965
Less accumulated depreciation and amortization	(97,100,905)	(88,095,154)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of:		
Bond principal payable	(41,720,000)	(37,190,000)
Unamortized bond premium	(1,163,069)	(1,048,518)
Net pension liability	(12,416,629)	(25,438,777)
Lease liability	(14,714)	(26,665)
Subscription-based IT arrangement liability	(265,055)	-
Compensated absences payable	(1,278,474)	(1,198,412)
Total OPEB liability	(761,483)	(408,310)
Revenues in the statement of activities (Statement 2) that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	118,657	651,958
Special assessments	7,491,623	7,421,701
Deferred intergovernmental grants receivable	311,242	311,242
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.		
Deferred inflows of resources related to fire relief pensions	-	(500,456)
Deferred inflows of resources related to city pensions	(12,590,111)	(197,937)
Deferred outflows of resources related to fire relief pensions	-	693,509
Deferred inflows of resources related to OPEB	(85,021)	(98,007)
Deferred outflows of resources related to city pensions	13,198,806	15,484,153
Deferred outflows of resources related to OPEB	499,720	189,354
The Fire Relief Association net pension asset created through contributions to a defined benefit pension plan which is not recognized in the governmental funds.	-	1,279,095
Governmental funds do not report a liability for accrued interest due and payable	(554,034)	(412,396)
Internal Service Funds are used by management to charge the cost of insurance to individual funds. The assets and liabilities are included in the governmental activities statement of net position	<u>364,994</u>	<u>547,567</u>
Total net position - governmental activities	<u>\$293,253,143</u>	<u>\$268,625,787</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF COTTAGE GROVE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
For The Year Ended December 31, 2023  
With Comparative Totals For December 31, 2022

	General Fund (100)	Debt Service Closed Debt Fund (300)	Special Revenue Ice Arena (250)	Capital Projects Future Economic Development (286)
<b>Revenue:</b>				
General property taxes	\$17,546,687	\$684	\$ -	\$ -
Franchise taxes	-	-	-	-
Aggregate taxes	-	-	-	-
Lodging tax	-	-	-	-
Tax increment collections	-	-	-	-
Special assessments	2,583	86,844	-	981,536
Licenses and permits	2,698,807	-	-	-
Direct charges to developers	-	-	-	-
Intergovernmental	3,094,543	-	-	-
Charges for services	1,038,595	-	1,549,570	-
Rent	-	-	-	105
Lease related interest income	-	-	87,293	-
Fines and forfeitures	148,770	-	-	-
Investment earnings	572,123	119,866	-	262,338
Interest on interfund loan	-	-	-	20,454
Connection charges	-	-	-	-
Park dedication fees	-	-	-	-
Refunds and reimbursements	-	-	-	-
Donations	85,149	-	-	150,000
Miscellaneous	149,888	-	20,359	617,313
Total revenues	<u>25,337,145</u>	<u>207,394</u>	<u>1,657,222</u>	<u>2,031,746</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,871,443	15,725	-	-
Community development	2,444,734	-	-	-
Public safety	11,488,879	-	-	-
Public works	3,002,297	-	-	-
Culture and recreation	2,951,793	-	1,323,696	-
Economic development	-	-	-	318,821
<b>Capital outlay:</b>				
General government	-	-	-	-
Public safety	616,373	-	-	-
Public works	-	-	-	682,764
Culture and recreation	-	-	74,386	-
<b>Debt service:</b>				
Principal	32,679	-	-	-
Interest and other charges	527	-	-	-
Total expenditures	<u>23,408,725</u>	<u>15,725</u>	<u>1,398,082</u>	<u>1,001,585</u>
Excess of revenues over (under) expenditures	1,928,420	191,669	259,140	1,030,161
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	-	-	-	-
Subscription-based IT arrangements issued	97,377	-	-	-
Bond issuance	-	-	-	-
Bond premium	-	-	-	-
Leases issued	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-
Transfers in	627,386	10,605	-	-
Transfers out	(550,716)	(250,000)	(200,000)	-
Total other financing sources (uses)	<u>174,047</u>	<u>(239,395)</u>	<u>(200,000)</u>	<u>-</u>
Net change in fund balances	2,102,467	(47,726)	59,140	1,030,161
<b>Fund Balances:</b>				
Beginning of year	<u>13,314,103</u>	<u>2,318,135</u>	<u>(589,952)</u>	<u>5,858,243</u>
End of year	<u>\$15,416,570</u>	<u>\$2,270,409</u>	<u>(\$530,812)</u>	<u>\$6,888,404</u>

The accompanying notes are an integral part of these financial statements.

Capital Projects				Totals	
MSA Construction (520)	Future Projects (510,810)	3M Settlement - MPCA (455)	Nonmajor Governmental Funds	2023	2022
\$ -	\$ -	\$ -	\$3,036,781	\$20,584,152	\$18,257,259
-	-	-	860,203	860,203	642,584
-	-	-	38,775	38,775	33,044
-	-	-	71,647	71,647	-
-	-	-	1,684,566	1,684,566	1,750,799
6,103	39,992	-	1,085,319	2,202,377	864,104
-	-	-	-	2,698,807	4,386,820
-	134,083	-	34,624	168,707	26,081
7,172,750	8,382	16,779,871	1,393,937	28,449,483	14,947,235
-	-	-	4,909,934	7,498,099	7,326,861
-	-	-	542,532	542,637	711,091
-	-	-	185,184	272,477	-
-	-	-	184,480	333,250	178,449
46,560	72,696	1,349	1,199,216	2,274,148	(2,010,736)
-	-	-	-	20,454	16,533
-	-	-	1,784,257	1,784,257	4,110,942
-	-	-	767,094	767,094	1,144,364
-	-	-	104	104	806
-	-	-	131,924	367,073	196,893
-	-	-	9,635	797,195	1,858,357
7,225,413	255,153	16,781,220	17,920,212	71,415,505	54,441,486
-	-	-	17,185	2,904,353	3,033,636
-	-	-	-	2,444,734	2,581,927
-	-	-	957,130	12,446,009	10,928,197
61,376	18,218	1,248,000	1,565,313	5,895,204	6,503,285
-	41,903	-	2,964,879	7,282,271	6,909,315
-	-	-	423,406	742,227	864,371
-	-	-	120,173	120,173	38,240
-	-	-	238,406	854,779	504,600
8,266,315	216,592	16,080,462	8,473,518	33,719,651	18,519,859
-	-	-	9,439,065	9,513,451	3,519,560
-	-	-	3,335,000	3,367,679	2,961,575
-	-	-	1,141,250	1,141,777	1,121,359
8,327,691	276,713	17,328,462	28,675,325	80,432,308	57,485,924
(1,102,278)	(21,560)	(547,242)	(10,755,113)	(9,016,803)	(3,044,438)
-	-	-	9,025	9,025	9,687
-	-	-	238,406	335,783	-
-	-	-	7,815,000	7,815,000	-
-	-	-	320,387	320,387	-
-	-	-	-	-	38,240
-	-	-	-	-	(3,875,000)
-	-	-	2,502,928	3,140,919	3,840,551
-	-	-	(506,909)	(1,507,625)	(2,639,290)
-	-	-	10,378,837	10,113,489	(2,625,812)
(1,102,278)	(21,560)	(547,242)	(376,276)	1,096,686	(5,670,250)
431,429	1,127,999	(121,373)	18,416,291	40,754,875	46,425,125
(\$670,849)	\$1,106,439	(\$668,615)	\$18,040,015	\$41,851,561	\$40,754,875

The accompanying notes are an integral part of these financial statements.

**CITY OF COTTAGE GROVE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS**  
For The Year Ended December 31, 2023  
With Comparative Amounts For The Year Ended December 31, 2022

**Statement 6**

	<u>2023</u>	<u>2022</u>
Total net change in fund balances - governmental funds (Statement 5)	\$1,096,686	(\$5,670,250)
Amounts reported for governmental activities in the Statement of Activities (Statement 2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays	42,892,284	22,263,860
Developer contributed assets	14,787,928	15,704,910
Depreciation and amortization expense	(8,491,528)	(7,596,917)
Loss on disposal of capital assets	(449,232)	
Assets contributed to business-type activities	(16,286,133)	(7,270,329)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities (Statement 2)	(80,062)	(148,521)
OPEB expenses are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities (Statement 2).	(29,821)	(31,019)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as a reduction to the debt liability on the Statement of Activities (Statement 2).	3,367,679	6,836,575
Some expenses reported in the Statement of Activities (Statement 2) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest payable	(141,638)	69,668
Amortization of bond discounts and premiums	205,836	120,712
Proceeds from long-term debt are recognized as an other financing source in the governmental funds but as a decrease in net position in the Statement of Activities (Statement 2).	(8,150,783)	(38,240)
The governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities (Statement 2).		
Bond discounts and premiums	(320,387)	-
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities (Statement 2) factors in items related to pensions on a full accrual perspective.	(3,127,521)	(1,191,816)
Revenues in the Statement of Activities (Statement 2) that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	6,261	547,689
Special assessments	(469,640)	3,032,108
Loans and grants receivable	-	(745,175)
Internal service funds are used by management to charge the cost of insurance to individual funds. This amount is net revenue (loss) attributable to governmental funds.	(182,573)	(738,727)
Change in net position of governmental activities (Statement 2)	<u>\$24,627,356</u>	<u>\$25,144,528</u>

The accompanying notes are an integral part of these financial statements.

	Business-Type Activities Enterprise Funds					Governmental Activities - Internal Service Funds
	Street Light Fund (630)	Cottage Grove EMS Fund (660)	Water Operating (610)	Sewer Operating (620)	Total	
<b>Assets:</b>						
<b>Current assets:</b>						
Cash and investments	\$373,381	\$ -	\$7,608,243	\$2,996,218	\$10,977,842	\$307,886
Accounts receivable	208,064	1,581,279	618,973	517,254	2,925,570	7,225
Due from other funds	-	-	824,376	-	824,376	-
Due from other governments	-	-	51,834	21,196	73,030	52,230
Inventories	-	-	-	-	-	218,928
Prepaid items	-	9,254	2,645	229,381	241,280	391,173
Total current assets	581,445	1,590,533	9,106,071	3,764,049	15,042,098	977,442
<b>Noncurrent assets:</b>						
Interfund loan receivable	-	-	-	2,230,000	2,230,000	-
<b>Capital assets:</b>						
Land and land improvements	-	-	2,760,015	154,785	2,914,800	424,665
Buildings and improvements	-	-	12,447,537	-	12,447,537	928,870
Equipment and furniture	-	-	-	-	-	70,127
Machinery and equipment	109,567	992,265	2,882,415	372,008	4,356,255	489,092
Other improvements	11,893,246	-	-	-	11,893,246	-
Construction in progress	-	-	1,024,372	-	1,024,372	-
Water and sewer lines	-	-	79,619,100	53,634,925	133,254,025	-
Total capital assets	12,002,813	992,265	98,733,439	54,161,718	165,890,235	1,912,754
Accumulated depreciation	(3,979,966)	(586,988)	(24,708,356)	(11,769,790)	(41,045,100)	(1,066,432)
Net capital assets	8,022,847	405,277	74,025,083	42,391,928	124,845,135	846,322
Total noncurrent assets	8,022,847	405,277	74,025,083	44,621,928	127,075,135	846,322
Total assets	8,604,292	1,995,810	83,131,154	48,385,977	142,117,233	1,823,764
<b>Deferred outflows of resources:</b>						
Deferred outflows of resources related to pensions	23,719	1,901,853	164,052	41,507	2,131,131	197,653
Deferred outflows of resources related to OPEB	4,794	37,834	29,434	8,010	80,072	38,450
Total deferred outflows of resources	28,513	1,939,687	193,486	49,517	2,211,203	236,103
Total assets and deferred outflows of resources	\$8,632,805	\$3,935,497	\$83,324,640	\$48,435,494	\$144,328,436	\$2,059,867
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable	94,818	12,183	113,912	18,806	239,719	414,972
Salaries payable	6,015	66,112	37,447	9,107	118,681	38,841
Due to other funds	-	188,852	-	-	188,852	635,524
Due to other governments	(370)	9,671	82,029	56,608	147,938	3,562
Compensated absences payable	9,808	77,225	75,112	9,927	172,072	67,483
Total current liabilities	110,271	354,043	308,500	94,448	867,262	1,160,382
<b>Noncurrent liabilities:</b>						
Compensated absences payable	488	8,431	16,864	1,247	27,030	24,890
Net pension liability	76,229	1,228,150	527,248	133,400	1,965,027	635,239
OPEB liability	7,305	57,652	44,852	12,206	122,015	58,591
Total noncurrent liabilities	84,022	1,294,233	588,964	146,853	2,114,072	718,720
Total liabilities	194,293	1,648,276	897,464	241,301	2,981,334	1,879,102
<b>Deferred inflows of resources:</b>						
Deferred inflows of resources related to pensions	24,673	1,792,827	170,656	43,178	2,031,334	205,610
Deferred inflows of resources related to OPEB	816	6,437	5,008	1,363	13,624	6,542
Total deferred inflows of resources	25,489	1,799,264	175,664	44,541	2,044,958	212,152
<b>Net position:</b>						
Net investment in capital assets	8,022,847	405,277	74,025,083	42,391,928	124,845,135	846,322
Unrestricted	390,176	82,680	8,226,429	5,757,724	14,457,009	(877,709)
Total net position	\$8,413,023	\$487,957	\$82,251,512	\$48,149,652	\$139,302,144	(\$31,387)
Total liabilities, deferred inflows of resources, and net position	\$8,632,805	\$3,935,497	\$83,324,640	\$48,435,494	\$144,328,436	\$2,059,867
Net position reported above					\$139,302,144	
Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal service fund assets and liabilities are included with business-type activities.					(396,381)	
Net position of business-type activities (Statement 1)					\$138,905,763	

The accompanying notes are an integral part of these financial statements.



**CITY OF COTTAGE GROVE**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
For The Year Ended December 31, 2023

**Statement 8**

	Business-Type Activities Enterprise Funds					Governmental Activities - Internal Service Funds
	Street Light Fund (630)	Cottage Grove EMS Fund (660)	Water Operating (610)	Sewer Operating (620)	Total	
<b>Operating revenue:</b>						
Charges for services - user fees	\$972,404	\$2,184,282	\$3,973,360	\$3,600,456	\$10,730,502	\$6,615,391
Water meter/street light material sales	67,600	-	139,133	-	\$206,733	-
Special assessments	-	-	-	2,953	2,953	-
Insurance refunds and reimbursements	-	-	-	-	-	112,014
<b>Total operating revenues</b>	<b>1,040,004</b>	<b>2,184,282</b>	<b>4,112,493</b>	<b>3,603,409</b>	<b>10,940,188</b>	<b>6,727,405</b>
<b>Operating expenses:</b>						
Personal services	163,382	1,899,148	1,201,799	253,328	3,517,657	4,128,692
Commodities	100,745	80,965	170,696	13,164	365,570	860,241
Commodities - items for sale	115,505	-	-	-	115,505	-
Contractual services	549,792	373,068	1,480,587	473,289	2,876,736	1,957,797
Disposal - contractual services - MCES	-	-	-	2,647,617	2,647,617	-
Claims	-	-	-	-	-	208,094
Depreciation	219,295	83,168	2,843,232	946,004	4,091,699	38,322
<b>Total operating expenses</b>	<b>1,148,719</b>	<b>2,436,349</b>	<b>5,696,314</b>	<b>4,333,402</b>	<b>13,614,784</b>	<b>7,193,146</b>
<b>Operating income (loss)</b>	<b>(108,715)</b>	<b>(252,067)</b>	<b>(1,583,821)</b>	<b>(729,993)</b>	<b>(2,674,596)</b>	<b>(465,741)</b>
<b>Nonoperating revenues (expenses):</b>						
Investment earnings	20,782	-	440,954	151,664	613,400	22,293
Interest on interfund debt	-	-	-	23,350	23,350	52,230
Intergovernmental grants	-	551	67,054	-	67,605	-
Rent	-	-	2,700	-	2,700	-
Miscellaneous	18,032	7,304	58,867	(29,093)	55,110	203,848
<b>Total nonoperating revenues (expenses)</b>	<b>38,814</b>	<b>7,855</b>	<b>569,575</b>	<b>145,921</b>	<b>762,165</b>	<b>278,371</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>(69,901)</b>	<b>(244,212)</b>	<b>(1,014,246)</b>	<b>(584,072)</b>	<b>(1,912,431)</b>	<b>(187,370)</b>
Capital contributions	1,036,781	-	17,027,621	5,667,834	23,732,236	-
Transfers in	-	-	-	-	-	1,767
Transfers out	(134,027)	(100,800)	(953,493)	(446,741)	(1,635,061)	-
<b>Change in net position</b>	<b>832,853</b>	<b>(345,012)</b>	<b>15,059,882</b>	<b>4,637,021</b>	<b>20,184,744</b>	<b>(185,603)</b>
<b>Net position</b>						
Beginning of year	7,580,170	832,969	67,191,630	43,512,631	119,117,400	154,216
End of year	<u>\$8,413,023</u>	<u>\$487,957</u>	<u>\$82,251,512</u>	<u>\$48,149,652</u>	<u>\$139,302,144</u>	<u>(\$31,387)</u>
Change in net position reported above					\$20,184,744	
Adjustment to reflect the consolidation of internal service fund activity related to enterprise funds.					(3,030)	
<b>Change in net position of business-type activities (Statement 2)</b>					<u>\$20,181,714</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF COTTAGE GROVE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For The Year Ended December 31, 2023

Statement 9

	Business-Type Activities Enterprise Funds					Governmental Activities - Internal Service Funds
	Street Light Fund (630)	Cottage Grove EMS Fund (660)	Water Operating (610)	Sewer Operating (620)	Total	
<b>Cash flows - operating activities:</b>						
Receipts from customers and users	\$1,016,329	\$2,520,424	\$4,005,770	\$3,633,632	\$11,176,155	\$6,573,422
Receipts from insurance refunds and reimbursements	-	-	-	-	-	112,014
Payments to suppliers	(716,451)	(462,094)	(1,615,146)	(3,104,215)	(5,897,906)	(2,797,553)
Payments to employees	(157,749)	(1,696,605)	(1,050,487)	(270,705)	(3,175,546)	(4,098,021)
Miscellaneous revenue	18,032	7,304	61,567	(29,093)	\$57,810	203,848
Net cash flows - operating activities	160,161	369,029	1,401,704	229,619	2,160,513	(6,290)
<b>Cash flows - noncapital financing activities:</b>						
Advances to/from other Funds	-	(268,780)	482,054	210,000	423,274	(213,274)
Intergovernmental revenue	-	551	67,054	-	67,605	52,230
Transfer from other Funds	-	-	-	-	-	1,767
Transfer to other Funds	(134,027)	(100,800)	(953,493)	(446,741)	(1,635,061)	-
Net cash flows - noncapital financing activities	(134,027)	(369,029)	(404,385)	(236,741)	(1,144,182)	(159,277)
<b>Cash flows - capital related financing activities:</b>						
Acquisition of capital assets	-	-	(1,024,372)	-	(1,024,372)	-
Net cash flows - capital related financing activities	-	-	(1,024,372)	-	(1,024,372)	-
<b>Cash flows - investing activities:</b>						
Interest and dividends received	20,782	-	440,954	151,664	613,400	22,293
Interest on interfund loan	-	-	-	23,350	23,350	-
Net cash flows - investing activities	20,782	-	440,954	175,014	636,750	22,293
Net change in cash and cash equivalents	46,916	0	413,901	167,892	628,709	(143,274)
Cash and cash equivalents January 1	326,465	-	7,194,342	2,828,326	10,349,133	451,160
December 31	\$373,381	\$ -	\$7,608,243	\$2,996,218	\$10,977,842	\$307,886
<b>Reconciliation of operating income (loss) to net cash flows - operating activities:</b>						
Operating income (loss)	(\$108,715)	(\$252,067)	(\$1,583,821)	(\$729,993)	(\$2,674,596)	(\$465,741)
Adjustments to reconcile operating income (loss) to income (loss) to net cash net cash flows - operating activities						
Depreciation expense	219,295	83,168	2,843,232	946,004	4,091,699	38,322
Miscellaneous revenue	18,032	7,304	61,567	(29,093)	57,810	203,848
Pension expense	(340)	198,363	109,745	(6,690)	301,078	22,066
OPEB expense	1,272	10,728	9,990	1,521	23,511	10,268
Changes in assets and liabilities:						
Decrease (increase) in accounts receivables	(23,675)	336,142	(96,022)	32,456	248,901	1,488
Decrease (increase) in due from other governments	-	-	(10,701)	(2,233)	(12,934)	(43,457)
Decrease (increase) in inventories	-	-	-	-	-	(46,733)
Decrease (increase) in prepaid items	-	(8,344)	(90)	(8,746)	(17,180)	176,889
Increase (decrease) in accounts payable	49,591	(242)	16,541	(10,602)	55,288	96,774
Increase (decrease) in salaries payable	1,364	(6,535)	11,305	1,135	7,269	(3,033)
Increase (decrease) in due to other governments	-	525	19,686	49,203	69,414	1,649
Increase (decrease) in compensated absences payable	3,337	(13)	20,272	(13,343)	10,253	1,370
Total adjustments	268,876	621,096	2,985,525	959,612	4,835,109	459,451
Net cash flows - operating activities	\$160,161	\$369,029	\$1,401,704	\$229,619	\$2,160,513	(\$6,290)
<b>Noncash investing, capital and financing activities:</b>						
<b>Financing activities:</b>						
Capital asset contributions from governmental activities	\$138,348	\$ -	\$13,628,045	\$2,519,740	\$16,286,133	\$ -
Capital asset contributions from developers	898,433	-	3,399,576	3,148,094	7,446,103	-
Total noncash activities	\$1,036,781	\$ -	\$17,027,621	\$5,667,834	\$23,732,236	\$ -

The accompanying notes are an integral part of these financial statements.



**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Cottage Grove was incorporated in 1974 and operates under the State of Minnesota Statutory Plan A form of government. The governing body consist of a five-member City Council elected by voters of the City.

The financial statements of the City of Cottage Grove have been prepared in conformity with generally accepted accounting principles in the United States of America, as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

**A. FINANCIAL REPORTING ENTITY**

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Cottage Grove (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationship with the City.

*Component Unit*

The Economic Development Authority (EDA) is considered a component unit of the City because the Council appoints the members of the governing authority and because the EDA is in a relationship of financial benefits or burden to the City. It is governed by a board which is made up of two City council members and five other members. The EDA provides services to the City and to potential future business owners within the City. The financial position and results of operations of the EDA component unit is discretely presented in the primary government's basic financial statements. The EDA is reported in a separate column to emphasize that it is legally separate from the City. The component unit activity is reported on the modified accrual basis of accounting. Separate financial statements were not prepared for the EDA.

*Joint ventures*

The City of Cottage Grove, Minnesota and the City of Woodbury, Minnesota, participate in a joint venture to provide for the operation of the Health and Emergency Response Occupations Center (HERO Center). The HERO Center is used as a regional public safety training center. The HERO Center was created pursuant to an agreement dated April 28, 2016. The terms of the agreement provide for the joint use, responsibility, and ownership of the HERO Center. The HERO Center is owned by the City of Cottage Gove. The HERO Center is jointly and equally maintained, operated, and managed by Cottage Grove and Woodbury. The share of the operating costs is determined by dividing the authorized number of full-time sworn peace officers in each community. Contributions from the City of Cottage Grove to the HERO center were \$110,670 for the year ended December 31, 2023. Separate financial statements were not prepared for the joint venture.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity, are offset by program revenues. Direct expenses are those that are clearly

identifiable with a specific function or business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, service or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included in program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting except for debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The government reports the following major governmental funds:

*General Fund* – This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Closed Debt Fund* – This fund accounts for the accumulation of residual resources from debt funds that have been closed as the associated debt has been satisfied.

*Ice Arena Special Revenue Fund* – This fund accounts for the operations of the City's ice arena.

*Future Economic Development Capital Project Fund* – This fund accounts for the receipt and use of monies for economic development purposes.

**CITY OF COTTAGE GROVE**  
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*MSA Construction Capital Project Fund* – This fund accounts for projects related to Municipal State Aids.

*Future Projects Fund* – This fund accounts for the preliminary expenditures of projects which do not have a source of funding, or which have most of their funding from non-city sources.

*3M Settlement – MPCA Capital Projects Fund* – This fund accounts for funds and expenditures related to this agreement.

The government reports the following major proprietary funds:

*Street Light Fund* – This fund accounts for customer street light and service charges which are used to finance street light operating expenses.

*Cottage Grove EMS Fund* – This fund accounts for the operation of the Cottage Grove ambulance service that serves the cities of Cottage Grove, Newport, Saint Paul Park, and Grey Cloud Island.

*Water Operating Fund* – This fund accounts for customer water service charges which are used to finance water operating expenses.

*Sewer Operating Fund* – This fund accounts for customer sewer service charges which are used to finance sewer operating expenses.

Additionally, the government reports the following fund type:

Internal service funds account for the City's self-insurance, fleet maintenance, and information services provided to other departments of the government on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures, or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City of Cottage Grove. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 revenue of the water, sewer, ambulance, and street light enterprise funds are charges to customers for sales and services. The ambulance fund operating revenues are net of write offs mandated by various government agencies (including Medicare and Medicaid). Operating expenses for enterprise 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.

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

**D. BUDGETS**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Budgeted amounts are reported as originally adopted, and as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were adjusted. Budgeted expenditure appropriations can be carried forward to the next budget year subject to City Council approval.

**E. LEGAL COMPLIANCE – BUDGETS**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget and makes appropriate changes. Per statute, public meetings are held to receive taxpayer comments.
3. The budget is legally enacted through passage of a resolution on a departmental basis and can be expended by each department based upon detailed budget estimates for individual expenditure accounts.
4. The City Administrator is authorized to transfer appropriations within any department budget up to \$2,500. Additional interdepartmental or interfund appropriations and deletions are authorized by the City Council with expenditure reductions, fund (contingency) reserves or additional revenues. The City Council may authorize transfers of budgeted amounts between City funds.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, certain Special Revenue Funds, certain capital Project Funds, Enterprise Funds, and the Internal Service Fund. The General Fund and budgeted Special Revenue Funds are the only funds with legally adopted annual budgets.
6. Legal debt obligation indentures determine the appropriation level and debt service tax levies for the Debt Service Funds. Supplementary budgets are adopted for the Proprietary Funds to determine and calculate user charges. These are not reflected in the financial statements.
7. A capital improvement program is reviewed annually by the City Council for the Capital Project Funds. However, appropriations for major projects are not adopted until the actual bid award of the improvement. The appropriations are not reflected in the financial statements.
8. Expenditures may not legally exceed budgeted appropriations at the total fund level. The legal level of budgetary control is at the expenditure category level (i.e., personal services, commodities, contractual services, and capital outlay) within each activity. All amounts over budget have been approved by the City Council through the disbursement approval process.

**CITY OF COTTAGE GROVE**  
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The following is a listing of expenditure categories that exceed budget appropriations for major and nonmajor funds:

	<u>Final Budget</u>	<u>Actual</u>	<u>Amount Over Budget</u>
Major Funds:			
General Fund	\$23,069,775	\$23,408,725	\$338,950
Ice Arena	1,115,830	1,398,082	282,252
Nonmajor Funds:			
Recycling	\$57,040	\$61,927	4,887
Forfeitures/seizures	30,980	82,419	51,439
Golf course	2,603,220	5,036,125	2,432,905
Street sealcoating	644,720	744,426	99,706

**F. DEPOSITS AND INVESTMENTS**

Cash and investments include balances from all funds and are pooled and invested to the extent available in authorized investments. Earnings from investments are allocated to the individual funds on the basis of the fund's equity in the cash and investment pool.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received.

Investments are stated at fair value, based upon quoted market prices as of the balance sheet date. Certain investments for the City are reported at fair value as disclosed in Note 2. The City 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.

For purposes of the statement of cash flows for the proprietary funds, cash equivalents are considered to be all highly liquid investments with a maturity of three months or less when purchased. All of the cash and investments allocated to the proprietary funds have original maturities of 90 days or less. Therefore, the entire balances in such funds are considered cash equivalents.

**G. RECEIVABLES AND PAYABLES**

During operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "interfund receivables/payables." All short-term interfund receivables and payables at December 31, 2023, are planned to be eliminated in 2024. Long-term interfund loans are classified as "interfund loans receivable/payable." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."



Property taxes, special assessments, and ambulance receivables have been reported net of estimated uncollectible accounts (see Note 1 H, I and L). Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables and have not been reported.

#### **H. PROPERTY TAX REVENUE RECOGNITION**

The City Council annually adopts a tax levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local school district, and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners; the County possesses this authority.

##### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

##### GOVERNMENTAL FUND FINANCIAL STATEMENTS

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City following January) and taxes and credits not received at year-end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures.

#### **I. SPECIAL ASSESSMENT REVENUE RECOGNITION**

Special Assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeited properties are allocated first to the County's cost of administering all tax forfeit properties. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

##### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments that are collected by the County by December 31 (remitted to the City the following January) are also recognized as revenue for the current year. All remaining delinquent, deferred, and special deferred assessments receivable in governmental funds are completely offset by deferred inflows of resources.

**J. INVENTORIES**

Inventories are stated at cost, which approximates market, using the first-in, first-out (FIFO) method and consist of items for resale, expendable supplies, and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased in both government-wide and fund financial statements.

**K. PREPAID ITEMS**

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 are recorded as expenditures/expenses when consumed rather than when purchased.

**L. ALLOWANCE FOR UNCOLLECTIBLE**

The City directly bills for individuals for ambulance services. The City reserves an amount as uncollectible based on historical collection rates. The amounts of the estimated uncollectible ambulance billings to individuals as of December 31, 2023, were \$572,000.

**M. PROPERTIES HELD FOR RESALE**

Property is acquired by the City for redevelopment purposes and subsequent resale. Properties held for resale is reported as an asset at the lower of cost or estimated fair value. Fair value estimates have been based on estimated realizable sales proceeds net of selling expenses.

**N. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable government or business-type activities columns in the government-wide financial statements. Infrastructure assets have been capitalized retroactively to 1980. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repair which do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**CITY OF COTTAGE GROVE**  
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Capital assets not being depreciated include land, easements, and construction in progress. Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20 - 50
Equipment and furniture	3 - 10
Machinery and equipment	5 - 20
Other improvements	5 - 20
Streets	50
Storm sewers	50
Sidewalks	50
Trails	20
Street lights	50
Water and sewer lines	50

Capital assets of the water and sewer utility operations include the water distribution system and sewage collection system. These systems have been wholly (or substantially) financed by non-operating funds (special assessments, general taxes, federal and state grants, and other sources) and contributed to the sewer and water operating funds. City policy is to finance these assets by the sources indicated rather than by user charges. Accordingly, the water and sewer user rates are not established at levels sufficient to cover depreciation on these assets.

**O. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to liabilities, the statement of financial position and Fund Financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts became available. The City presents deferred inflows of resources on the Statements of Net Position for amounts related to pensions and OPEB. Deferred inflows of resources related to lease receivable is reported in both the government-wide Statement of Net Position and Governmental Funds Balance Sheet.

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City presents deferred outflows of resources on the Statements of Net Position for amounts related to pensions and OPEB.

**P. COMPENSATED ABSENCES**

It is the City's policy to permit employees to accumulate earned but unused annual leave benefits Under the City's personnel policies and collective bargaining agreements, city employees are granted annual leave benefits in varying amounts based on length of service. Annual Leave accruals vary from 18 to 26 days per year.

As benefits accrue to employees, the accumulated leave amounts are reported as an expense and liability in the 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. In accordance with the provisions of GASB 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive accumulated leave benefits. However, a liability is recognized for that portion of accumulating leave benefits that is vested as severance pay.

#### **Q. LONG-TERM OBLIGATIONS**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds.

#### **R. PENSIONS**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA), and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **S. FUND BALANCE**

In the fund financial statements, governmental funds report fund balances in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

*Nonspendable* – Amounts that cannot be spent because they are not in spendable form, such as prepaid items and inventory.

*Restricted* – Amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

*Committed* – Amounts constrained for specific purposes that are internal imposed by formal action (resolution) of the City Council. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

*Assigned* – Amounts constrained for specific purposes that are internally imposed. The Council has adopted a fund balance policy which delegates the authority to assign fund balances to the City Administrator and/or Finance Director.

*Unassigned* – The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City formally adopted a fund balance policy for the General Fund. The policy establishes an unassigned fund balance range of no less than 45% - 55% of the subsequent year's budgeted expenditures to provide sufficient working capital and margin of safety to address local emergencies without borrowing.

**T. NET POSITION**

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**U. INTERFUND TRANSACTIONS**

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Interfund loans are reported as an interfund loan receivable or payable which offsets the movement of cash between funds. All other interfund transactions are reported as transfers.

**V. USE OF ESTIMATES**

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make estimates that affect the amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

**W. COMPARATIVE DATA**

Summarized comparative data for the previous year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations. Certain reclassifications have been made to prior year data to conform to the current year presentation. The reclassifications had no effect on the change in net position or total net position as previously reported.

**Note 2 DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheets as "Cash and Investments."

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover its deposits. Neither the City nor the Cottage Grove Economic Development Authority, a discretely presented component unit, has a deposit policy for custodial credit risk – deposits beyond the requirements of state statutes. As of December 31, 2023, all of the deposits were insured or collateralized by securities held by the City or its agent in the City's name.

In accordance with Minnesota Statutes, the City maintains deposits at financial institutions which are authorized by the City Council. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

## **B. INVESTMENTS**

The City's investment policy authorizes the City to invest in the following, which are all allowable investments under Minnesota state statutes:

- U.S. Treasury obligations which carry the full faith and credit of the United States government
- U.S. government agency securities including mortgages, (but excluding high-risk mortgage backed securities) and other securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, instrumentalities or organizations created by an act of Congress.
- Certificates of Deposit (CDs) which are negotiable or non-negotiable instruments issued by commercial banks and insured up to \$250,000 each by the Federal Deposit Insurance Corporation (FDIC).
- Commercial paper, rated in the highest tier (AI, PI) by a nationally recognized rating agency and maturing in 270 days or less.
- Any security which is a General Obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service.
- Any security which is a revenue obligation of any state or local government which is rated "AA" or better by a national bond rating service.
- Bankers' acceptances:
  - With prior approval, guaranteed investment contracts that are allowable under Minnesota Statute 118A.05, which includes those issued or guaranteed by U.S. commercial banks, domestic branches of foreign banks, U.S. insurance companies, or their Canadian subsidiaries or the domestic affiliates of any of the foregoing. The issuer must be rated in one of the two highest categories by a nationally recognized rating agency. Should the issuer's or guarantor's credit quality be downgraded below "A", there must be withdrawal rights on our behalf.
- Repurchase agreements consisting of collateral allowable in Minnesota Statute, section 118A.04.
- Money market mutual funds which invest in authorized instruments according to Minnesota Statutes 118A.05.
- Local government investment pools developed through joint powers statutes or other intergovernmental agreement legislation

The City will not invest in:

- Reverse purchase agreements
- Future contracts
- Options
- Derivatives

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Interest Rate Risk – The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The policy also states that no more than 25% of total investments should extend beyond five years and in no circumstance should any extend beyond ten years.

Investment Type	Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1	1-5	6-10
U.S. Agencies:					
Federal Home Loan Bank - FHLB	AA+/Aaa	\$9,580,372	\$4,278,562	\$5,301,810	\$ -
Freddie Mac - FHLMC	AA+/Aaa	2,929,621	-	2,929,621	-
Federal Farm Credit Bank - FFCB	AA+/Aaa	1,225,204	-	1,225,204	-
Federal National Mortgage Association - FNMA	AA+/Aaa	1,464,180	996,720	467,460	-
U.S. Treasuries	AA+/Aaa	4,146,434	3,201,979	944,455	-
Municipal Obligations	NR	15,605,458	4,583,128	11,022,330	-
Money Market Mutual Funds	NR	4,194,755	4,194,755	-	-
External investment pool - 4M Fund	NR	19,564,822	19,564,822	-	-
Negotiable CD's	NR	9,541,316	4,734,163	4,807,153	-
Total pooled investments		\$68,252,162	\$41,554,129	\$26,698,033	\$0
Petty cash and change		22,080			
Total cash and investments		\$68,274,242			

NR - Not Rated

Custodial Credit Risk – Investment – custodial credit risk is the risk that, in the event of failure of the depository financial institution, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City has no custodial credit risk for its investments since all the City's investments held in safekeeping by U.S. Trust in the City's name are insured and registered.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As indicated previously, Minnesota Statute requires Commercial paper to be of the highest quality (A1, P1) and municipal general obligations need an "A" rating or better.

Concentration of Credit Risk – The City's investment policy places no limit on the amount that may be invested in any one issuer. The following is a list of investments by issuer which individually comprise more than 5% of the City's total investments:

Type	Fair Value	Percent
Federal Home Loan Bank - FHLB	\$9,580,372	14%

The City has the following recurring fair value measurements as of December 31, 2023:

- \$4,146,434 of US Treasuries are valued using quoted market prices (Level 1 inputs).
- \$40,346,151 of FNMA, FFCB, FHLB, FHLMC, municipal obligations
- and negotiable CDs are valued using a matrix pricing model (Level 2 inputs).

**CITY OF COTTAGE GROVE**  
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**Note 3 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Reclassification	Ending Balance
<b>Primary Government</b>					
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$18,060,944	\$1,828,458	\$ -	\$ -	\$19,889,402
Permanent easements	1,157,202	-	-	-	1,157,202
Construction in progress	15,555,260	16,549,302	(13,724,892)	-	18,379,670
Total capital assets, not being depreciated	<u>34,773,406</u>	<u>18,377,760</u>	<u>(13,724,892)</u>	<u>-</u>	<u>39,426,274</u>
Capital assets, being depreciated:					
Buildings and improvements	63,997,926	4,481,397	-	-	68,479,323
Equipment and furniture	1,860,591	-	-	-	1,860,591
Machinery and equipment	15,161,316	1,078,498	(241,938)	-	15,997,876
Other improvements	14,711,585	6,102,748	(33,760)	-	20,780,573
Infrastructure:					
Streets	166,979,503	13,680,384	(712,855)	-	179,947,032
Storm sewers	52,272,788	10,240,662	-	-	62,513,450
Sidewalks/trails	8,049,798	768,863	-	-	8,818,661
Right-to-use subscription based IT arrangements	-	350,338	-	-	350,338
Leased equipment	38,239	-	-	-	38,239
Total capital assets, being depreciated	<u>323,071,746</u>	<u>36,702,890</u>	<u>(988,553)</u>	<u>0</u>	<u>358,786,083</u>
Less accumulated depreciation for:					
Buildings and improvements	18,864,971	1,782,942	-	-	20,647,913
Equipment and furniture	1,626,809	9,810	-	-	1,636,619
Machinery and equipment	9,113,466	1,094,697	(241,938)	-	9,966,225
Other improvements	5,444,799	756,333	(33,760)	-	6,167,372
Infrastructure:					
Streets	39,671,686	3,422,741	(263,623)	-	42,830,804
Storm sewers	12,359,839	1,146,576	-	-	13,506,415
Sidewalks/trails	2,055,230	196,271	-	-	2,251,501
Less accumulated amortization for:					
Right-to-use subscription based IT arrangements	-	70,068	-	-	70,068
Leased equipment	11,898	12,090	-	-	23,988
Total accumulated depreciation and amortization	<u>89,148,698</u>	<u>8,491,528</u>	<u>(539,321)</u>	<u>-</u>	<u>97,100,905</u>
Total other capital assets being depreciated, net	<u>233,923,048</u>	<u>28,211,362</u>	<u>(449,232)</u>	<u>-</u>	<u>261,685,178</u>
Governmental activities capital assets, net	<u>\$268,696,454</u>	<u>\$46,589,122</u>	<u>(\$14,174,124)</u>	<u>\$0</u>	<u>\$301,111,452</u>



**CITY OF COTTAGE GROVE**  
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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government</b>				
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$2,874,997	\$ -	\$ -	\$2,874,997
Construction in progress	-	1,024,372	-	1,024,372
Total capital assets, not being depreciated	<u>2,874,997</u>	<u>1,024,372</u>	<u>-</u>	<u>3,899,369</u>
Capital assets, being depreciated:				
Land improvements	39,803	-	-	39,803
Buildings and improvements	7,616,850	4,830,687	-	12,447,537
Machinery and equipment	2,696,357	1,659,898	-	4,356,255
Other improvements	10,856,466	1,036,780	-	11,893,246
Water and sewer lines	<u>117,049,155</u>	<u>16,204,870</u>	<u>-</u>	<u>133,254,025</u>
Total capital assets being depreciated	<u>138,258,631</u>	<u>23,732,235</u>	<u>-</u>	<u>161,990,866</u>
Less accumulated depreciation for:				
Land improvements	15,511	794	-	16,305
Buildings and improvements	3,730,920	1,229,699	-	4,960,619
Machinery and equipment	1,814,740	285,716	-	2,100,456
Other improvements	3,641,398	212,405	-	3,853,803
Water and sewer lines	<u>27,750,832</u>	<u>2,363,085</u>	<u>-</u>	<u>30,113,917</u>
Total accumulated depreciation	<u>36,953,401</u>	<u>4,091,699</u>	<u>-</u>	<u>41,045,100</u>
Total capital assets being depreciated - net	<u>101,305,230</u>	<u>19,640,536</u>	<u>-</u>	<u>120,945,766</u>
Business-type activities capital assets - net	<u>\$104,180,227</u>	<u>\$20,664,908</u>	<u>\$ -</u>	<u>\$124,845,135</u>

During the year ended December 31, 2023, the City entered into a right-to-use subscription based IT arrangement. The agreement for public safety related software expires in August of 2027 and is reported at the present value of future minimum payments, discounted at a 2.66% rate (which is the City's estimated borrowing rate over the same time period) plus capitalizable implementation costs.

**CITY OF COTTAGE GROVE**  
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Depreciation and amortization expense was charged to functions/programs of the City as follows:

<b>Governmental activities:</b>	
General government	\$230,929
Public safety	1,597,567
Public works	5,144,459
Culture and recreation	1,518,573
Total depreciation and amortization expense - governmental activities	<u><u>\$8,491,528</u></u>
<b>Business-type activities:</b>	
Street lights	\$219,295
Cottage Grove EMS	83,168
Water operating	2,843,232
Sewer operating	946,004
Total depreciation expense - business-type activities	<u><u>\$4,091,699</u></u>

**Note 4 LEASE RECEIVABLE**

The City has a lease agreement with the Cottage Grove Athletic Association and Independent School District No. 833 relating to the Cottage Gove Ice Arena that is owned by the City. Both leases expire in 2029. The City pays all operating costs for the Arena, including maintenance and glass replacement costs. Total rental and interest income earned from these leases was \$487,200 for the year ended December 31, 2023.

The City has multiple leasing agreements relating to space on and around the Cities Water Towers. Lessors include AT&T, Verizon Wireless, Zayo, T-Mobile, and Sprint and all leases expire sporadically between December 31, 2023, and December 31, 2048. Expiration dates noted include automatic 5-year renewals of leases that are only terminatable by the Lessee. Total rental and interest income earned from Water Tower leases was \$609,263 for the year ended December 31, 2023.

The net present value of future lease payments has been recorded as a lease receivable and a deferred inflow of resources, discounted at a 3.58% discount rate. Lease receivable at December 31, 2023, was \$7,319,479 and deferred inflow was \$7,079,410. The revenue will be recognized in future years.

**CITY OF COTTAGE GROVE**  
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**Note 5 RECEIVABLES**

Significant receivable balances not expected to be collected within one year of are as follows:

	Special Assessments	Lease Receivable	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Major funds:			
Ice Arena	\$ -	\$2,043,198	\$2,043,198
MSA Construction	48,700	-	48,700
Future projects	683,000	-	683,000
Closed Debt Fund	37,700	-	37,700
Future Economic Development	3,051,500	-	3,051,500
Non-major:			
Debt Service	2,623,000	-	2,623,000
Capital projects	<u>1,400</u>	<u>4,601,260</u>	<u>4,602,660</u>
Total	<u>\$6,445,300</u>	<u>\$6,644,458</u>	<u>\$13,089,758</u>

**CITY OF COTTAGE GROVE**  
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**Note 6 LONG-TERM DEBT**

**A. GENERAL OBLIGATION DEBT**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital improvements. The City issues special assessment bonds to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

As of December 31, 2023, the governmental long-term debt of the financial reporting entity consisted of the following:

	Interest Rates	Issue Date	Maturity Date	Original Issue	Principal Outstanding
<b>Primary Government</b>					
<u>Governmental Activities:</u>					
General Obligation Tax Increment Bonds:					
G.O. Tax Increment Bonds of 2004A	3.00 - 4.65	7/1/2004	2/1/2024	\$1,405,000	\$290,000
General Obligation Capital Improvement Bonds:					
G.O. CIP Bonds of 2017A	2.50 - 3.25	5/11/2017	2/1/2038	9,155,000	7,325,000
G.O. CIP Bonds of 2019A	3.00 - 4.00	2/14/2019	2/1/2040	4,090,000	3,640,000
Total General Obligation Capital Improvement Bonds				13,245,000	10,965,000
G.O. Refunding Bonds of 2016A	2.00 - 3.00	1/28/2016	2/1/2027	4,660,000	1,505,000
Equipment Certificate 2019B	3.00	2/14/2019	2/1/2029	2,845,000	1,805,000
Special Assessment Bonds with Government Commitment:					
G.O. Improvement Bonds of 2015A	2.50 - 3.00	5/27/2015	2/1/2031	5,700,000	3,190,000
G.O. Improvement Bonds of 2016B	2.00 - 2.10	11/16/2016	2/1/2033	4,275,000	2,740,000
G.O. Improvement Bonds of 2018A	3.00	6/26/2018	2/1/2035	7,620,000	6,355,000
G.O. Improvement Bonds of 2021A	1.65 - 2.00	6/10/2021	2/1/2037	3,955,000	3,725,000
G.O. Improvement Refunding Bonds of 2021B	1.10 - 2.00	12/9/2021	2/1/2029	3,840,000	3,330,000
Total Special Assessment Bonds				25,390,000	19,340,000
General Obligation Tax Abatement Bonds:					
G.O. Tax Abatement Bonds of 2023A	3.60 - 4.00	5/9/2023	2/1/2044	7,815,000	7,815,000
Bond premium				-	1,163,069
Total Governmental Activities Bonds				55,360,000	42,883,069
Lease Liability					14,714
Subscription Liability					265,055
Compensated absences payable					1,370,847
Total - governmental activities				\$55,360,000	44,533,685
<u>Business-Type Activities:</u>					
Compensated absences payable					199,102
Total - primary government					44,732,787
<u>Component Unit - EDA</u>					
Compensated absences payable					20,085
Total indebtedness - component unit					\$20,085

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**B. MINIMUM DEBT PAYMENTS**

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	G.O. Tax Increment Bonds		Special Assessment Bonds		G.O. Refunding Bonds	
	Governmental Activities		Governmental Activities		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	290,000	6,743	1,880,000	430,243	365,000	28,275
2025	-	-	1,915,000	383,893	375,000	19,050
2026	-	-	1,955,000	337,568	380,000	11,500
2027	-	-	1,990,000	291,293	385,000	3,850
2028	-	-	2,025,000	246,356	-	-
2029 - 2033	-	-	7,205,000	645,957	-	-
2034 - 2038	-	-	2,370,000	74,341	-	-
Total	<u>\$290,000</u>	<u>\$6,743</u>	<u>\$19,340,000</u>	<u>\$2,409,651</u>	<u>\$1,505,000</u>	<u>\$62,675</u>

Year Ending December 31,	G.O. CIP Bonds		Equipment Certificates		Lease Liability	
	Governmental Activities		Governmental Activities		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	560,000	322,059	280,000	49,950	5,807	404
2025	580,000	303,309	285,000	41,475	3,870	256
2026	600,000	283,884	295,000	32,775	4,011	115
2027	615,000	264,971	305,000	23,775	1,026	6
2028	640,000	247,459	315,000	14,475	-	-
2029 - 2033	3,450,000	961,039	325,000	4,875	-	-
2034 - 2038	3,980,000	410,715	-	-	-	-
2039 - 2043	540,000	18,294	-	-	-	-
2044 - 2048	-	-	-	-	-	-
Total	<u>\$10,965,000</u>	<u>\$2,811,730</u>	<u>\$1,805,000</u>	<u>\$167,325</u>	<u>\$14,714</u>	<u>\$781</u>

Year Ending December 31,	G.O. Improvement & Abatement		SBITA Liability	
	Governmental Activities		Governmental Activities	
	Principal	Interest	Principal	Interest
2024	-	379,340	63,678	7,050
2025	335,000	302,265	65,371	5,357
2026	345,000	288,665	67,110	3,618
2027	355,000	274,665	68,896	1,833
2028	365,000	260,265	-	-
2029 - 2033	1,995,000	1,070,325	-	-
2034 - 2038	2,325,000	642,263	-	-
2039 - 2043	1,750,000	230,800	-	-
2044 - 2048	345,000	6,900	-	-
Total	<u>\$7,815,000</u>	<u>\$3,455,488</u>	<u>\$265,055</u>	<u>\$17,858</u>

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**C. CHANGES IN LONG-TERM LIABILITIES**

<b>Primary Government</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Bonds payable:					
General obligation bonds	\$13,935,000	\$7,815,000	\$1,175,000	\$20,575,000	\$1,215,000
Equipment certificate	2,075,000	-	270,000	1,805,000	280,000
Special assessment bonds	21,180,000	-	1,840,000	19,340,000	1,880,000
Bond premiums	1,048,518	320,387	205,836	1,163,069	-
Total bonds payable	<u>38,238,518</u>	<u>8,135,387</u>	<u>3,490,836</u>	<u>42,883,069</u>	<u>3,375,000</u>
Lease liability	26,665	-	11,951	14,714	5,807
Subscription liability	-	335,783	70,728	265,055	63,678
Compensated absences payable	1,289,415	1,297,258	1,215,826	1,370,847	1,078,634
Total governmental activities	<u>39,554,598</u>	<u>9,768,428</u>	<u>4,789,341</u>	<u>44,533,685</u>	<u>4,523,119</u>
<u>Business Type Activities:</u>					
Compensated absences payable	188,849	259,423	249,170	199,102	172,072
Total primary government	<u>\$39,743,447</u>	<u>\$10,027,851</u>	<u>\$5,038,511</u>	<u>\$44,732,787</u>	<u>\$4,695,191</u>
<u>Component Units:</u>					
Economic Development Authority:					
Compensated absences payable	<u>\$18,649</u>	<u>\$17,413</u>	<u>\$15,977</u>	<u>\$20,085</u>	<u>\$13,396</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

All long-term bonded indebtedness outstanding at December 31, 2023, is backed by the full faith and credit of the City, including special assessment and revenue bond issues. Delinquent assessments receivable at December 31, 2023, totaled \$6,444.

**Note 7 DEFINED BENEFIT PENSION PLANS – PERA**

**A. PLAN DESCRIPTION**

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF)

All full-time (with the exception of employees covered by PEPFF) and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

**B. BENEFITS PROVIDED**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. GERS Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated member is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

2. PEPFF Benefits

Benefits for PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**C. CONTRIBUTIONS**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. GERF Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2023, were \$735,778. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the PEPFF for the year ended December 31, 2023, were \$1,187,615. The City's contributions were equal to the required contributions as set by state statute.

**D. PENSION COSTS**

1. GERF Pension Costs

At December 31, 2023, the City reported a liability of \$6,352,385 for its proportionate share of GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$175,066.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1136% at the end of the measurement period and 0.1148% for the beginning of the period.

City's proportionate share of the net pension liability	\$6,352,385
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>175,066</u>
Total	<u><u>\$6,527,451</u></u>

For the year ended December 31, 2023, the City recognized pension expense of \$1,243,846 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$787 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.



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At December 31, 2023, the City reported its proportionate share of the GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$208,615	\$43,529
Changes in actuarial assumptions	1,023,147	1,741,135
Difference between projected and actual investment earnings	-	227,025
Changes in proportion	360,043	44,413
Contributions paid to PERA subsequent to the measurement date	384,728	-
Total	<u>\$1,976,533</u>	<u>\$2,056,102</u>

The \$384,728 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense
2024	\$382,561
2025	(842,562)
2026	133,509
2027	(137,805)
2028	-
Thereafter	-

2. PEPFF Pension Costs

At December 31, 2023, the City reported a liability of \$8,772,500 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.5080% at the end of the measurement period and 0.4940% for the beginning of the period.

The State of Minnesota also contributed \$18 million to PEPFF during the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2022. Thereafter, by October 1 of each year, the State will pay \$9 million to the PEPFF until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the

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Minnesota State Retirement System) is 90% funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$353,388.

City's proportionate share of the net pension liability	\$8,772,500
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>353,388</u>
Total	<u><u>\$9,125,888</u></u>

The State of Minnesota is included as a non-employer contributing entity in PEPFF Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (pension allocation schedules), for the \$4.5 million in direct state aid. PEPFF employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense of \$2,710,799 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized an additional (\$21,284) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the PEPFF.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$45,720 for the year ended December 31, 2023, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2023, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$2,422,403	\$ -
Changes in actuarial assumptions	10,203,598	12,335,578
Difference between projected and actual investment earnings	-	452,121
Changes in proportion	339,832	18,209
Contributions paid to PERA subsequent to the measurement date	<u>618,825</u>	<u>-</u>
Total	<u><u>\$13,584,658</u></u>	<u><u>\$12,805,908</u></u>

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The \$618,825 reported as deferred outflows of resources related to pensions resulting from City 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 and inflows of resources related to pensions from the following sources:

Year Ending December 31,	Pension Expense
2024	\$492,337
2025	161,740
2026	2,207,863
2027	(558,057)
2028	(2,143,958)
Thereafter	-

The net pension liability will be liquidated by the General, Water Operating, Sewer Operating, Street Light, Cottage Grove EMS, and Internal Service Funds.

**E. ACTUARIAL ASSUMPTIONS**

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.25% per year
Investment Rate of Return	7.00%

The long-term rate of return is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates deemed to be reasonable by the actuary. An investment return of 7.00% was deemed to be within that range of reasonableness for financial reporting purposes.

Benefit increases after retirement are assumed to be 1.25% for the GERF and 1.00% for the PEPFF.

Salary growth assumptions in the GERF range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the PEPFF, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for GERF are based on the Pub-2010 General Employee Mortality Table. Mortality rates for PEPFF are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the GERF are reviewed every four years. The most recent four-year experience study for GERF was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience study for PEPFF was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

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The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million was contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.50% to 7.00%.
- The single discount rate was changed from 5.40% to 7.00%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$19.4 million was contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.00% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5%	5.10%
International equity	16.5%	5.30%
Fixed income	25%	0.75%
Private markets	25%	5.90%
Total	100%	

**F. DISCOUNT RATE**

The discount rate used to measure the total pension liability in 2023 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF and PEPFF were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. PENSION LIABILITY SENSITIVITY**

The following presents the City's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Proportionate share of the GERF net pension liability	\$11,237,879	\$6,352,385	\$2,333,880
Proportionate share of the PEPFF net pension liability	\$17,405,685	\$8,772,500	\$1,674,866

**H. PENSION PLAN FIDUCIARY NET POSITION**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**I. PENSION EXPENSE**

Pension expense recognized by the City for the year ended December 31, 2023 is as follows:

GERF	\$1,244,633
PEPFF	<u>2,689,515</u>
Total	<u><u>\$3,934,148</u></u>

**Note 8 DEFINED PENSION PLANS – FIRE RELIEF**

**A. PLAN DESCRIPTION**

The City of Cottage Grove previously participated in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covered volunteer firefighters of municipal fire departments that have elected to join the plan. As of December 31, 2023, the City disbanded the plan. All

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remaining resources within the plan were remitted to PERA for distribution to plan participants. Elimination of the plan resulted in an expense of \$1,472,148 reported on the City’s Statement of Activities, including \$297,214 that was recognized as an on-behalf payment made by the State of Minnesota to the Fire Relief prior to disbanding.

**Note 9 INTERFUND LOANS AND TRANSFERS**

The City uses interfund loans, when possible, to finance construction activities to avoid costs associated with issuing bonds. These loans are for this purpose. The interfund loan receivable and payable balances at December 31, 2023, were:

Fund	Total
Nonmajor Governmental Funds owed to Sewer Fund	\$2,230,000
Nonmajor Governmental Funds owed to Future Economic Development Fund	2,058,045
Total	<u>\$4,288,045</u>

Interfund receivable and payable balances are used for temporary cash deficits. Interfund receivable and payable balances at December 31, 2023, are as follows:

Fund	Total
Ice Arena owed to Future Economic Development Fund	\$770,884
MSA Construction Fund owed to Completed Construction (Nonmajor)	99,239
Sewer Connection and Area owed to Water Connection and Area (Nonmajor)	334,528
Internal Service Funds owed to Water Operating Fund	635,524
Cottage Grove EMS Fund owed to Water Operating Fund	188,852
Total	<u>\$2,029,027</u>

Interfund transfers during the year ended December 31, 2023, were as follows:

	Transfers In				Total
	General Fund (100)	Closed Debt Fund (300)	Nonmajor Governmental Funds	Internal Service Funds	
Transfers out:					
General Fund (100)	\$ -	\$10,605	\$538,344	\$1,767	\$550,716
Closed Debt Fund (300)	-	-	250,000	-	250,000
Ice Arena (250)	-	-	200,000	-	200,000
MSA Construction (520)	-	-	-	-	-
Nonmajor Governmental Funds	79,486	-	427,423	-	506,909
Street Light (630)	51,500	-	82,527	-	134,027
Cottage Grove EMS (660)	100,800	-	-	-	100,800
Water Operating (610)	197,800	-	755,693	-	953,493
Sewer Operating (620)	197,800	-	248,941	-	446,741
Total	<u>\$627,386</u>	<u>\$10,605</u>	<u>\$2,502,928</u>	<u>\$1,767</u>	<u>\$3,142,686</u>

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Interfund transfers allow the City to allocate financial resources to the funds that receive benefit from services provided by another fund. All transfers in 2023 were considered to be routine in nature as they were related to services provided to another fund, fund balance policy transfers and funding construction projects.

**Note 10 TAX INCREMENT FINANCING**

The City has entered into three Tax Increment Financing agreements which meets the criteria for disclosure under GASB Statement No. 77 – Tax Abatement Disclosures. The City's authority to enter into this agreement comes from Minnesota Statute 469. The City entered into this agreement for economic development.

Under the agreements, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay as you go" note is established for this amount, on which the City makes payments for a fixed period with available tax increment revenue after deducting certain administrative costs.

During the year ended December 31, 2023, the City generated \$1,684,566 in tax increment revenue and made \$411,801 in payments to developers.

- TIF District #1-12 was established in 2001 for redevelopment of certain blighted properties into retail, commercial, and senior housing developments. An agreement with PHS/Cottage Grove Inc. called for up to \$2.8 million to be reimbursed through tax increment over a ten-year period. During the year ended December 31, 2023, the district generated \$781,196 of tax increment and \$258,170 in payments on the pay as you go note were made. The balance due on the note at year end was \$193,602.
- TIF District 1-17 was established in 2016 for the establishment of senior housing. An agreement with Cottage Grove Leased Housing I, LLLP called for up to \$1.7 million to be reimbursed through tax increment over a fifteen-year period. During the year ended December 31, 2023, the district generated \$183,824 of tax increment and \$132,599 in payments on the pay as you go note were made. The balance due on the note at year-end was \$1,326,025.
- TIF District 1-18 was established in 2018 for expansion of an existing manufacturing and warehousing facility. An agreement with 9800 Hemmingway LLC called for up to \$117,000 to be reimbursed through tax increment over a nine-year period. During the year ending December 31, 2023, the district generated \$26,278 of tax increment and \$21,032 in payments on the pay as you go note were made. The balance due on the note at year-end was \$77,670.

**Note 11 DEFICIT FUND BALANCES**

The City has deficit fund balances at December 31, 2023, as follows:

Fund	Amount	The deficit fund balances will be resolved through
Major Governmental Funds:		
3M Settlement - MPCA (455)	\$668,615	Future Settlement Proceeds
Ice Arena (250)	530,812	Future excess revenues and transfers from other City resources
MSA Construction (520)	670,849	Future intergovernmental and special assessment collections
NonMajor Governmental Funds:		
Golf Course Fund (255)	1,413,802	Future excess revenues and transfers from other City resources
Future Storm Sewer Improvements (585)	169,724	Future excess revenues
Municipal Building Fund (525)	2,083,363	Future tax levies

**Note 12 CONTINGENCIES**

**A. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors, and omissions and natural disasters for which the City carries commercial insurance policies. The City retains risk for the deductible portions of the insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements more than insurance coverage for any of the past three fiscal years.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments as deemed necessary by the LMCIT. The LMCIT reinsures through Worker's Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City is subject to a \$25,000 medical expense deductible. The City's premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance coverage is provided through a pooled self-insurance program through LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments as deemed necessary by the LMCIT.

The City established the Self Insurance Fund in 1986 to account for and finance its uninsured risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Under this program, the Self Insurance Fund provides coverage for losses up to \$50,000 for each claim (annual aggregate is \$100,000). The City purchases commercial insurance for claims more than coverage provided by the Fund and for any risk of loss not covered. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

This fund is presented as an internal service fund type. All funds of the City participate in the program and make payments to the Self Insurance Fund based on historical cost information. The claims liability of \$254,229 reported in the Fund at December 31, 2023, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amounts were as follows:

Year	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2023	\$232,045	\$205,576	(\$183,392)	\$254,229
2022	222,469	430,468	(420,892)	232,045
2021	325,646	145,777	(248,954)	222,469
2020	201,608	346,696	(222,658)	325,646



**B. LITIGATION**

The City attorney has indicated that existing and pending lawsuits, claims and other actions in which the City is a defendant are either covered by insurance; of an immaterial amount; or, in the judgment of the City attorney, remotely recoverable by plaintiffs.

**C. FEDERAL AND STATE FUNDS**

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2023.

**D. TAX INCREMENTS**

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund.

**Note 13 SETTLEMENTS**

In February 2018, the State of Minnesota settled its lawsuit against the 3M Company involving drinking water contamination in the East Metro that has resulted from PFAS chemicals. The settlement included funding for infrastructure projects for 14 East Metro communities, including the City of Cottage Grove to mitigate the PFAS contamination in the City's water supply wells. It is estimated the City will receive over \$180 million through the settlement agreement that will fund a long-term water supply and treatment plan. The resulting solution includes two new water treatment plants, a new public well, new water mains, and connections for homes currently served by private wells. These projects are recorded in the 3M Settlement-MPCA Fund (455).

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**Note 14 FUND BALANCES**

At December 31, 2023, the City had various fund balances through legal restriction and City Council authorization. Fund balance appropriations at December 31, 2023, are shown on the various balance sheets as segregations of the fund balance. The fund balance classifications for governmental funds are as follows:

	Major Funds							Nonmajor Governmental Funds	Total
	General Fund (100)	Closed Debt Fund (300)	Ice Arena (250)	Future Economic Development (286)	MSA Construction (520)	Future Projects (510, 810)	3M Settlement MPCS (455)		
<b>Fund Balances:</b>									
<b>Nonspendable:</b>									
Prepaid items	\$7,816	\$ -	\$2,086	\$ -	\$ -	\$ -	\$ -	\$12,884	\$22,786
Inventory	-	-	-	-	-	-	-	83,758	83,758
<b>Restricted:</b>									
Public safety	1,733,127	-	-	-	-	-	-	158,720	1,891,847
Debt retirement	-	-	-	-	-	-	-	5,389,581	5,389,581
Forfeiture and seizure	-	-	-	-	-	-	-	6,470	6,470
Tax increment purposes	-	-	-	-	-	-	-	3,080,093	3,080,093
Ice arena projects	-	-	-	-	-	-	-	64,395	64,395
<b>Committed:</b>									
Recycling program	-	-	-	-	-	-	-	98,744	98,744
Storm water activities	-	-	-	-	-	-	-	2,512,423	2,512,423
Convention & visitors bureau	-	-	-	-	-	-	-	111,358	111,358
<b>Assigned:</b>									
Compensated absences	894,900	-	-	-	-	-	-	-	894,900
Future budgets	194,000	-	-	-	-	-	-	-	194,000
School bus safety	5,600	-	-	-	-	-	-	-	5,600
Debt retirement	-	2,270,409	-	-	-	-	-	-	2,270,409
Future pavement management	-	-	-	-	-	422,406	-	-	422,406
Tree mitigation	-	-	-	-	-	684,033	-	-	684,033
Equipment replacement	-	-	-	-	-	-	-	1,622,561	1,622,561
Street sealcoating	-	-	-	-	-	-	-	483,944	483,944
Economic development	-	-	-	6,888,404	-	-	-	-	6,888,404
Capital improvements	-	-	-	-	-	-	-	8,347,100	8,347,100
<b>Unassigned</b>	<b>12,581,127</b>	<b>-</b>	<b>(532,898)</b>	<b>-</b>	<b>(670,849)</b>	<b>-</b>	<b>(668,615)</b>	<b>(3,932,016)</b>	<b>6,776,749</b>
<b>Total fund balances</b>	<b>\$15,416,570</b>	<b>\$2,270,409</b>	<b>(\$530,812)</b>	<b>\$6,888,404</b>	<b>(\$670,849)</b>	<b>\$1,106,439</b>	<b>(\$668,615)</b>	<b>\$18,040,015</b>	<b>\$41,851,561</b>

**Note 15 POST EMPLOYMENT HEALTH CARE PLAN**

**A. PLAN DESCRIPTION**

The City provides health benefits for retirees as required by Minnesota Statute §471.61 subdivision 2b through a single-employer defined benefit OPEB plan. Pursuant to the provisions of the plan, retirees are required to pay the total premium cost. No assets are accumulated in a trust.

**B. BENEFITS PROVIDED**

Active employees, who retire from the City when over age 50 and with 20 years of service, may continue coverage with respect to both themselves and their eligible dependent(s) under the City's health benefits program until age 65.

**C. CONTRIBUTIONS**

Retirees contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Medica. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2023, the City contributed \$59,768 to the plan.

**CITY OF COTTAGE GROVE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**D. MEMBERS**

As of January 1, 2023, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Active employees	<u>156</u>
Total	<u><u>167</u></u>

**E. ACTUARIAL ASSUMPTIONS**

The total OPEB liability was determined by an actuarial valuation as of January 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Key Methods and Assumptions Used in Valuation of Total OPEB Liability</u>	
Discount rate	3.26%
Inflation	2.25%
Healthcare cost trend increases	9.00% initially decreasing to an ultimate rate of 4.14% by 2040
Mortality assumption	Pub-2010 Mortality Table adjusted for mortality improvements using projection scale MP-2021 by employee

The actuarial assumptions used in the January 1, 2023, valuation was based on the results of an actuarial experience study dated June 27, 2019, for PERA's General Employees Retirement Plan and dated July 14, 2020, for PERA's PEPFF Plan.

The discount rate used to measure the total OPEB liability was 3.26% based on the Bond Buyer 20-Bond Obligation Index.

**F. TOTAL OPEB LIABILITY**

The City's total OPEB liability of \$952,355 was measured as of December 31, 2023, and was determined by an actuarial valuation as of January 1, 2023.

**CITY OF COTTAGE GROVE**  
NOTES TO FINANCIAL STATEMENTS  
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Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balance at January 1, 2023	<u>\$484,409</u>
Changes for the year:	
Service cost	20,099
Interest	34,945
Change in assumption	94,700
Difference between expected and actual experience	377,970
Benefit payments	<u>(59,768)</u>
Net Changes	<u>467,946</u>
Balance at December 31, 2023	<u><u>\$952,355</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.72% in 2022 to 3.26% in 2023 to reflect recent rate changes in the Bond Buyer 20-Bond General Obligation Index.

The General Fund and Water Operating, Sewer Operating, Street Light, Cottage Grove EMS, and Internal Service Funds typically liquidate the liability related to OPEB.

**G. OPEB LIABILITY SENSITIVITY**

The following presents the City's total OPEB liability calculated using the discount rate of 3.26% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

<u>Total OPEB Liability</u>		
<u>1% decrease (2.26%)</u>	<u>Current (3.26%)</u>	<u>1% increase (4.26%)</u>
\$1,056,651	\$952,355	\$863,014

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

<u>Total OPEB Liability</u>		
<u>1% decrease (2.26%)</u>	<u>Current (3.26%)</u>	<u>1% increase (4.26%)</u>
\$857,729	\$952,355	\$1,063,802

**CITY OF COTTAGE GROVE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023

**H. OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB**

For the year ended December 31, 2023, the City recognized OPEB expense of \$123,527. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$490,942	\$55,253
Changes of assumptions and other inputs	134,038	51,079
Total	<u>\$624,980</u>	<u>\$106,332</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	<u>OPEB Expense Amount</u>
2024	\$68,483
2025	68,483
2026	68,861
2027	70,153
2028	67,736
Thereafter	174,932

**Note 16 COMMITTED CONTRACTS**

At December 31, 2023, the City had commitments of \$42,054,262 for uncompleted construction contracts.

**CITY OF COTTAGE GROVE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023

**Note 17 CONDUIT DEBT OBLIGATIONS**

The City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities which are deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issue. The City is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2023, a series of Industrial Revenue Bonds were outstanding.

	Issue Date	Original Issue	12/31/2023 Balance	Maturity Date
Commercial Development Revenue Note - ESR, Inc.	11/22/2005	\$76,500	\$7,364	11/22/2025
Commercial Development Revenue Note - ESR, Inc.	5/19/2005	853,000	67,702	12/19/2025
Multifamily Housing Note - Legends of Cottage Grove	10/7/2016	18,422,000	17,240,726	5/1/2034
Multifamily Housing Note - Legends of Cottage Grove	10/7/2016	6,328,000	5,963,324	5/1/2034
Total		<u>\$25,679,500</u>	<u>\$23,279,116</u>	

**Note 18 CHANGE IN ACCOUNTING PRINCIPLE**

The City implemented GASB Statement No. 96 – Subscription-Based Information Technology Arrangements, which resulted in the recording of right-to-use subscription assets and a subscription liability. Because the City entered into these subscription agreements during 2023, the implementation of this standard had no impact on beginning balances.

**Note 19 RECENTLY ISSUED ACCOUNTING STANDARDS**

The Governmental Accounting Standards Boards (GASB) recently approved the following statements which were not implemented for these financial statements:

**Statement No. 99 *Omnibus 2022*.** The provisions of this Statement contain multiple effective dates, the next implementation date being for fiscal years beginning after June 15, 2023.

**Statement No. 100 *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*.** The provisions of this Statement are effective for fiscal years beginning after June 15, 2023.

**Statement No. 101 *Compensated Absences*.** The provisions of this Statement are effective for fiscal years beginning after June 15, 2023.

**Statement No. 102 *Certain Risk Disclosures*.** The provisions of this Statement are effective for fiscal years beginning after June 15, 2024.

The effect these standards may have on future financial statements is not determinable at this time.



**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF COTTAGE GROVE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2023  
With Comparative Totals For December 31, 2022

	2023			Variance with Final Budget - Over (Under)	2022
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
<b>Revenues:</b>					
General property taxes	\$17,545,270	\$17,545,270	\$17,546,687	\$1,417	\$15,210,645
Special assessments	3,000	3,000	2,583	(417)	5,621
<b>Licenses and permits:</b>					
General government	68,400	68,400	80,963	12,563	69,917
Community development	2,354,500	2,354,500	2,560,881	206,381	4,202,034
Engineering	40,000	40,000	42,163	2,163	100,336
Public safety	20,000	20,000	14,800	(5,200)	14,533
Total licenses and permits	2,482,900	2,482,900	2,698,807	215,907	4,386,820
<b>Intergovernmental revenues:</b>					
Federal grants and aids	73,400	73,400	75,894	2,494	43,226
State grants and aids:					
Market value homestead credit	-	-	4,148	4,148	4,440
MSA maintenance - public works	45,000	45,000	49,500	4,500	49,470
Fire relief aid - public safety	206,000	297,000	297,214	214	258,668
Police relief aid - public safety	380,000	2,384,482	2,210,447	(174,035)	432,376
Other - public safety	50,200	50,200	298,535	248,335	83,509
Local:					
SRO program - public safety	99,000	99,000	104,564	5,564	98,880
Other - public safety	13,000	13,000	51,187	38,187	14,749
Other - public works	2,500	2,500	3,054	554	2,629
Total intergovernmental	869,100	2,964,582	3,094,543	129,961	987,947
<b>Charges for services:</b>					
Investment charge - general government	1,000	1,000	-	(1,000)	-
Other - general government	19,200	19,200	4,511	(14,689)	4,107
Other - community development	21,000	21,000	18,582	(2,418)	95,171
Other - engineering	825,000	825,000	655,343	(169,657)	1,136,057
Other - public safety	51,600	51,600	57,736	6,136	61,974
Other - public works	12,500	12,500	27,648	15,148	20,338
Other - culture and recreation	238,000	238,000	274,775	36,775	248,452
Total charges for services	1,168,300	1,168,300	1,038,595	(129,705)	1,566,099
Fines and forfeitures - public safety	150,000	150,000	148,770	(1,230)	142,770
Investment earnings	125,000	125,000	572,123	447,123	(486,954)
<b>Donations:</b>					
General government	-	-	37,700	37,700	32,600
Public safety	-	-	38,460	38,460	500
Culture and recreation	-	-	8,989	8,989	13,793
Total donations	-	-	85,149	85,149	46,893
<b>Miscellaneous:</b>					
General government	32,000	32,000	36,993	4,993	16,312
Public safety	11,000	44,460	85,269	40,809	26,913
Public works	10,000	10,000	22,095	12,095	22,240
Culture and recreation	-	-	5,531	5,531	265
Total miscellaneous	53,000	86,460	149,888	63,428	65,730
Total revenues	22,396,570	24,525,512	25,337,145	811,633	21,925,571

See accompanying notes to the required supplementary information.

**CITY OF COTTAGE GROVE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2023  
With Comparative Totals For December 31, 2022

**Statement 10**  
**Page 2 of 2**

	2023			Variance with Final Budget - Over (Under)	2022
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
<b>Expenditures:</b>					
General government:					
Mayor and city council	106,590	106,590	105,718	872	104,208
Administrative	950,500	847,860	843,576	4,284	880,390
Finance	649,030	649,030	595,774	53,256	602,514
Assessing services	221,800	221,800	235,847	(14,047)	218,239
City clerk/elections	110,600	213,240	129,349	83,891	244,433
Legal	237,000	237,000	276,723	(39,723)	245,633
Community and employee programs	153,300	153,300	142,386	10,914	137,913
Government buildings	473,100	473,100	542,070	(68,970)	578,242
Total general government	<u>2,901,920</u>	<u>2,901,920</u>	<u>2,871,443</u>	<u>30,477</u>	<u>3,011,572</u>
Community development:					
Planning and zoning	592,025	592,025	504,754	87,271	669,344
Building inspections	1,362,460	1,362,460	1,392,133	(29,673)	1,435,965
Engineering	587,610	587,610	547,847	39,763	476,618
Total community development	<u>2,542,095</u>	<u>2,542,095</u>	<u>2,444,734</u>	<u>97,361</u>	<u>2,581,927</u>
Public Safety:					
Police protection	9,073,300	9,203,760	9,414,432	(210,672)	8,600,414
Fire protection	1,669,220	1,760,220	1,752,124	8,096	1,719,685
Emergency preparedness	98,580	272,935	294,644	(21,709)	115,659
Animal control	29,340	29,340	27,679	1,661	25,790
Total public safety	<u>10,870,440</u>	<u>11,266,255</u>	<u>11,488,879</u>	<u>(222,624)</u>	<u>10,461,548</u>
Public works:					
Public works administration	477,110	477,110	523,376	(46,266)	469,022
Streets	1,800,745	1,800,745	1,965,428	(164,683)	1,609,405
Snow and ice control	869,500	869,500	912,863	(43,363)	892,649
Street signs/striping	241,710	241,710	217,003	24,707	212,587
Total public works	<u>3,389,065</u>	<u>3,389,065</u>	<u>3,618,670</u>	<u>(229,605)</u>	<u>3,183,663</u>
Culture and recreation:					
Forestry	394,670	394,670	318,024	76,646	341,445
Recreation programs	527,550	527,550	537,915	(10,365)	507,944
Parks maintenance	2,048,220	2,048,220	2,095,854	(47,634)	1,841,218
Total culture and recreation	<u>2,970,440</u>	<u>2,970,440</u>	<u>2,951,793</u>	<u>18,647</u>	<u>2,690,607</u>
Debt service:					
Principal	-	-	32,679	(32,679)	-
Interest and other charges	-	-	527	(527)	-
Total debt service	<u>-</u>	<u>-</u>	<u>33,206</u>	<u>(33,206)</u>	<u>-</u>
Total expenditures	<u>22,673,960</u>	<u>23,069,775</u>	<u>23,408,725</u>	<u>(338,950)</u>	<u>21,929,317</u>
Excess of revenues over (under) expenditures	(277,390)	1,455,737	1,928,420	472,683	(3,746)
<b>Other financing sources (uses):</b>					
Leases issued	-	-	-	-	38,240
Subscription-based IT arrangements issued	-	-	97,377	97,377	-
Transfers in	687,390	687,390	627,386	(60,004)	575,230
Transfers out	(410,000)	(410,000)	(550,716)	(140,716)	(400,000)
Total other financing sources (uses)	<u>277,390</u>	<u>277,390</u>	<u>174,047</u>	<u>(103,343)</u>	<u>213,470</u>
Net change in fund balances	<u>\$ -</u>	<u>\$1,733,127</u>	<u>2,102,467</u>	<u>\$369,340</u>	<u>209,724</u>
<b>Fund balances:</b>					
Beginning of year			13,314,103		13,104,379
End of year			<u>\$15,416,570</u>		<u>\$13,314,103</u>

See accompanying notes to the required supplementary information.

**CITY OF COTTAGE GROVE**

REQUIRED SUPPLEMENTARY INFORMATION

**Statement 11**

BUDGETARY COMPARISON SCHEDULE - ICE ARENA SPECIAL REVENUE FUND

For The Year Ended December 31, 2023

With Comparative Totals For December 31, 2022

	2023			Variance with Final Budget - Over (Under)	2022
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
Revenues:					
Intergovernmental	\$57,000	\$57,000	\$ -	(\$57,000)	\$57,000
Charges for services	1,369,500	1,369,500	1,549,570	180,070	1,323,938
Lease related interest income	-	-	87,293	87,293	-
Contributions and donations	-	-	-	-	1,281
Miscellaneous	-	-	20,359	20,359	22,047
Total revenues	<u>1,426,500</u>	<u>1,426,500</u>	<u>1,657,222</u>	<u>230,722</u>	<u>1,404,266</u>
Expenditures:					
Current:					
Culture and recreation	1,048,830	1,048,830	1,323,696	(274,866)	1,216,926
Capital outlay:					
Culture and recreation	<u>67,000</u>	<u>67,000</u>	<u>74,386</u>	<u>(7,386)</u>	<u>-</u>
Total expenditures	<u>1,115,830</u>	<u>1,115,830</u>	<u>1,398,082</u>	<u>(282,252)</u>	<u>1,216,926</u>
Excess of revenues over (under) expenditures	310,670	310,670	259,140	512,974	187,340
Other financing uses:					
Transfer out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Net change in fund balances	<u>\$110,670</u>	<u>\$110,670</u>	59,140	<u>\$512,974</u>	(12,660)
Fund balance					
Beginning of year			<u>(589,952)</u>		<u>(577,292)</u>
End of year			<u><u>(\$530,812)</u></u>		<u><u>(\$589,952)</u></u>

**CITY OF COTTAGE GROVE**

REQUIRED SUPPLEMENTARY INFORMATION

**Statement 12**

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

For The Last Ten Years

	2023	2022	2021	2020	2019	2018
Total OPEB liability:						
Service cost	\$20,099	\$23,980	\$25,083	\$17,939	\$16,325	\$14,560
Interest	34,945	12,677	13,939	10,179	15,807	11,794
Differences between expected and actual experience	377,970	(61,716)	227,397	(6,031)	(7,934)	-
Changes of assumptions	94,702	(59,493)	33,310	13,860	41,447	(14,652)
Benefit payments	(59,768)	(44,681)	(60,592)	(29,882)	(27,782)	(18,651)
Net change in total OPEB liability	467,948	(129,233)	239,137	6,065	37,863	(6,949)
Beginning of year	484,409	613,642	374,505	368,440	330,577	337,526
End of year	<u>\$952,357</u>	<u>\$484,409</u>	<u>\$613,642</u>	<u>\$374,505</u>	<u>\$368,440</u>	<u>\$330,577</u>
Covered-employee payroll	\$13,959,400	\$11,482,890	\$11,729,994	\$10,340,116	\$10,569,669	\$9,103,225
Total OPEB liability as a percentage of covered-employee payroll	6.8%	4.2%	5.2%	3.6%	3.5%	3.6%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2018 and is intended to show a ten year trend. Additional years will be added as they become available.

**CITY OF COTTAGE GROVE**

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -  
 GENERAL EMPLOYEES RETIREMENT FUND  
 For The Last Ten Years

Statement 13

Measurement Date	Fiscal Year Ending	City's Proportionate Share (Percentage) of the Net Pension Liability	City's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of its covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30	December 31							
2015	2015	0.0919%	\$4,762,735	\$ -	\$4,762,735	\$5,401,220	88.2%	78.2%
2016	2016	0.0878%	7,128,925	43,058	7,171,983	5,447,306	131.7%	68.9%
2017	2017	0.0890%	5,681,701	71,469	5,753,170	5,887,025	97.7%	75.9%
2018	2018	0.0937%	5,198,092	170,553	5,368,645	6,298,520	85.2%	79.5%
2019	2019	0.0926%	5,119,647	159,160	5,278,807	6,555,453	80.5%	80.2%
2020	2020	0.0967%	5,797,607	178,810	5,976,417	6,898,173	86.6%	79.1%
2021	2021	0.1061%	4,530,946	138,442	4,669,388	7,640,187	61.1%	87.0%
2022	2022	0.1148%	9,092,198	266,634	9,358,832	8,601,787	108.8%	76.7%
2023	2023	0.1136%	6,352,385	175,066	6,527,451	9,031,468	72.3%	83.1%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF COTTAGE GROVE**

REQUIRED SUPPLEMENTARY INFORMATION

**Statement 14**

SCHEDULE OF PENSION CONTRIBUTIONS - GENERAL EMPLOYEES RETIREMENT FUND

For The Last Ten Years

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Fiscal Year Ending December 31	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	\$403,964	\$403,964	\$ -	\$5,386,187	7.50%
2016	424,202	424,202	-	5,656,027	7.50%
2017	458,971	458,971	-	6,119,613	7.50%
2018	482,521	482,521	-	6,433,613	7.50%
2019	508,963	508,963	-	6,786,173	7.50%
2020	539,417	539,417	-	7,192,227	7.50%
2021	595,200	595,200	-	7,936,000	7.50%
2022	644,786	644,786	-	8,597,147	7.50%
2023	735,778	735,778	-	9,810,375	7.50%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

See accompanying notes to the required supplementary information.

**CITY OF COTTAGE GROVE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -**  
**PUBLIC EMPLOYEES POLICE AND FIRE FUND**  
**For The Last Ten Years**

**Statement 15**

Measurement Date June 30	Fiscal Year Ending December 31	City's Proportionate Share (Percentage) of the Net Pension Liability	City's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of its covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2015	0.4340%	\$4,931,256	\$ -	\$4,931,256	\$3,665,120	134.5%	86.6%
2016	2016	0.4450%	17,818,574	-	17,818,574	3,867,466	460.7%	63.9%
2017	2017	0.4380%	5,913,521	-	5,913,521	4,495,914	131.5%	85.4%
2018	2018	0.4582%	4,842,702	-	4,842,702	4,829,432	100.3%	88.8%
2019	2019	0.4716%	4,956,992	-	4,956,992	4,864,909	101.9%	89.2%
2020	2020	0.4772%	6,247,059	148,169	6,395,228	5,385,172	118.8%	87.2%
2021	2021	0.5018%	3,828,202	174,149	4,002,351	6,059,377	66.1%	93.7%
2022	2022	0.4940%	21,496,929	938,958	22,435,887	6,000,446	373.9%	70.5%
2023	2023	0.5080%	8,772,500	353,388	9,125,888	6,325,161	144.3%	86.5%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

See accompanying notes to the required supplementary information.

**CITY OF COTTAGE GROVE**

## REQUIRED SUPPLEMENTARY INFORMATION

Statement 16

## SCHEDULE OF PENSION CONTRIBUTIONS - PUBLIC EMPLOYEES POLICE AND FIRE FUND

For The Last Ten Years

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Fiscal Year Ending December 31	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	\$664,300	\$664,300	\$ -	\$4,100,617	16.20%
2016	718,936	718,936	-	4,437,877	16.20%
2017	778,070	778,070	-	4,802,901	16.20%
2018	803,145	803,145	-	4,957,685	16.20%
2019	976,911	976,911	-	5,763,487	16.95%
2020	998,722	998,722	-	5,642,497	17.70%
2021	1,050,974	1,050,974	-	5,937,706	17.70%
2022	1,073,653	1,073,653	-	6,065,836	17.70%
2023	1,187,615	1,187,615	-	6,709,688	17.70%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

See accompanying notes to the required supplementary information.



**CITY OF COTTAGE GROVE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -**  
**FIRE RELIEF ASSOCIATION**  
For The Last Ten Years

	**			
Fiscal Year Ending and Measurement date	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020
<b>Total pension liability:</b>				
Service cost	\$ -	\$110,582	\$118,397	\$108,515
Interest	241,592	144,923	103,853	111,351
Differences between expected and actual experience	-	(220,940)	30,166	(160,794)
Changes of assumptions	-	-	-	-
Changes in benefit terms	-	86,900	580,945	-
Benefit payments	(2,748,659)	(68,260)	(213,833)	(174,000)
Net change in total pension liability	<u>(2,507,067)</u>	<u>53,205</u>	<u>619,528</u>	<u>(114,928)</u>
Beginning of year	<u>2,507,067</u>	<u>2,453,862</u>	<u>1,834,334</u>	<u>1,988,607</u>
End of year	<u><u>\$ -</u></u>	<u><u>\$2,507,067</u></u>	<u><u>\$2,453,862</u></u>	<u><u>\$1,873,679</u></u>
<b>Plan fiduciary net position:</b>				
Contributions - employer	\$ -	\$ -	\$ -	\$ -
State contributions	297,214	260,668	234,524	225,637
Net investment income	241,592	(599,450)	352,396	452,477
Benefit payments	(3,706,265)	(68,260)	(213,833)	(174,000)
Administrative expense	(1,680)	(1,929)	(2,126)	(2,018)
Other	-	-	-	-
Net change in plan fiduciary net position	<u>(3,169,139)</u>	<u>(408,971)</u>	<u>370,961</u>	<u>502,096</u>
Beginning of year	<u>3,169,139</u>	<u>3,578,110</u>	<u>3,207,149</u>	<u>2,811,575</u>
End of year	<u><u>\$ -</u></u>	<u><u>\$3,169,139</u></u>	<u><u>\$3,578,110</u></u>	<u><u>\$3,313,671</u></u>
Net pension liability (asset) - ending (a) - (b)	<u><u>\$ -</u></u>	<u><u>(\$662,072)</u></u>	<u><u>(\$1,124,248)</u></u>	<u><u>(\$1,439,992)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	0.0%	126.4%	145.8%	176.9%
Covered-employee payroll*	NA	NA	NA	NA
Net pension liability as a percentage of covered employee payroll*	NA	NA	NA	NA
Pension benefit per year of service	\$15,000	\$3,800	\$3,800	\$3,800
Number of plan participants	56	34	31	33

\*The Relief Association is comprised of volunteers, therefore there are no payroll expenditures.

\*\* See Footnote 8

GASB 68 was implemented in 2015. Information prior to 2015 is not available.

December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
\$97,985	\$102,569	\$118,915	\$109,062	\$79,827	\$77,691
115,532	117,070	100,267	85,750	88,550	85,148
(45,681)	(12,862)	329,484	-	-	-
-	-	-	(130,240)	77,611	-
-	-	-	-	139,930	-
(322,109)	(133,560)	-	(295,760)	(140,973)	(84,321)
(154,273)	73,217	548,666	(231,188)	244,945	78,518
1,988,607	1,915,390	1,366,724	1,597,912	1,352,967	1,274,449
\$1,834,334	\$1,988,607	\$1,915,390	\$1,366,724	\$1,597,912	\$1,352,967
\$ -	\$ -	\$2,081	\$5,265	\$5,329	\$5,155
209,430	198,977	192,139	195,271	191,183	177,804
510,329	(113,085)	316,265	146,660	(117,497)	98,130
(322,109)	(133,560)	-	(295,760)	(140,973)	(84,321)
(2,155)	(3,709)	(12,334)	(12,139)	(15,165)	(11,193)
79	-	(2,319)	210	-	(23,403)
395,574	(51,377)	495,832	39,507	(77,123)	162,172
2,811,575	2,862,952	2,367,120	2,327,613	2,404,736	2,242,564
\$3,207,149	\$2,811,575	\$2,862,952	\$2,367,120	\$2,327,613	\$2,404,736
(\$1,372,815)	(\$822,968)	(\$947,562)	(\$1,000,396)	(\$729,701)	(\$1,051,769)
174.8%	141.4%	149.5%	173.2%	145.7%	177.7%
NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA
\$3,800	\$3,500	\$3,300	\$3,300	\$3,300	\$3,300
30	33	35	32	32	32

See accompanying notes to the required supplementary information.

**CITY OF COTTAGE GROVE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS - FIRE DEPARTMENT RELIEF ASSOCIATION**  
For The Last Ten Years

**Statement 18**

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Fiscal Year Ending December 31	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll* (c)	Contributions as a Percentage of Covered Payroll* (b/c)
2014	\$ -	\$5,155	(\$5,155)	\$ -	NA
2015	-	5,329	(5,329)	-	NA
2016	-	5,265	(5,265)	-	NA
2017	-	2,081	(2,081)	-	NA
2018	-	-	-	-	NA
2019	-	-	-	-	NA
2020	-	-	-	-	NA
2021	-	-	-	-	NA
2022	-	-	-	-	NA
2023	-	-	-	-	NA

GASB 68 was implemented in 2015. Information prior to 2015 is not available.

\*The Relief Association is comprised of volunteers, therefore there are no payroll expenditures.

**COTTAGE GROVE, CITY OF**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO RSI**  
December 31, 2023

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**Note A LEGAL COMPLIANCE – BUDGETS**

The General and Ice Arena Special Revenue fund budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the department level for the General Fund and at the fund level for the Ice Arena Special Revenue Fund.

**Note B PENSION INFORMATION**

**PERA – General Employees Retirement Fund**

2023 Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

2023 Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million was contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.
- Base mortality tables were changed from RP-2014 tables to Pub-2010 tables, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2020 Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**COTTAGE GROVE, CITY OF**  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO RSI  
December 31, 2023

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2019 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 Changes in the Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**PERA – Public Employees Police and Fire Fund**

2023 Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.50% to 7.00%.
- The single discount rate changed from 5.40% to 7.00%

2023 Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$19.4 million was contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.00% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

**COTTAGE GROVE, CITY OF**  
REQUIRED SUPPLEMENTARY INFORMATION  
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December 31, 2023

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2022 Changes in Actuarial Assumptions:

- The single discount rate changed from 6.50% to 5.4%.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality tables for healthy annuitants, disabled annuitants and employees were changed from RP-2014 tables to Pub-2010 Public Safety Mortality tables. The mortality improvement scale was changed from MP-2019 to MN-2020.
- Assumed salary increase and retirement rates were modified as recommended in the July 14, 2020 experience study. The changes result in a decrease in gross salary increase rates, slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%.

2020 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2016 to MP-2017.

2017 Changes in Actuarial Assumptions:

- The single discount rate was changed from 5.6% to 7.5%.
- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA was changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.

**COTTAGE GROVE, CITY OF**  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO RSI  
December 31, 2023

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- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**Post Employment Health Care Plan**

2023 Changes in Actuarial Assumptions:

- The discount rate decreased from 3.72% in 2022 to 3.26% in 2023.
- The valuation's first fiscal year 2023 retiree per capita claims costs and blended premiums are based on plans and premiums as of January 1, 2023 and census data as of January 1, 2023. Second fiscal year 2024 amounts are 5.00% higher based on increased premiums effective January 1, 2024.
- Decrement assumptions (i.e. withdrawal, retirement and mortality rates) and salary increase rates are the same assumptions used in the July 1, 2023 GERP and July 1, 2023 PEP&FP actuarial valuations.
- Medical trend assumption is developed based on the recent published SOA-Getzen trend rate model update for 2023.

2020 Changes in Plan Provisions:

- Medical plans and premiums have been updated effective as of January 1, 2023 and January 1, 2024.

2022 Changes in Actuarial Assumptions:

- The discount rate increased from 2.06% in 2021 to 3.72% in 2022.

2021 Changes in Actuarial Assumptions:

- The discount rate decreased from 2.12% in 2020 to 2.06% in 2021.
- The general inflation rate was changed to the 2.25% rate used in the June 30, 2021, GERP and June 30, 2021, PEPFF, material valuations (from 2.50%).

2020 Changes in Actuarial Assumptions:

- The discount rate decreased from 2.74% in 2019 to 2.12% in 2020.
- Per capita claims and costs were reset to reflect updated experience, plans, and premiums as of January 2021.
- The mortality improvement projection scale was updated.
- The general inflation rate was changed to the 2.50% rate used in the June 30, 2019, GERP and June 30, 2019, PEPFF, material valuations (from 2.75%).
- 25.0% of GERP employees are assumed to elect coverage at retirement (changed from 20.0% based on recent experience).

2020 Changes in Plan Provisions:

- Medical plans and premiums have been updated effective as of January 1, 2021.

**COTTAGE GROVE, CITY OF**  
REQUIRED SUPPLEMENTARY INFORMATION  
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December 31, 2023

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2019 Changes in Actuarial Assumptions:

- The Discount rate decreased from 4.11% in 2018 to 2.74% in 2019.
- The general inflation rate was changed to the 2.50% used in the June 30, 2019, GERP and June 30, 2019, PEPFF actuarial valuations.
- Changes of assumptions also reflect a change to 25.0% of GERP employees are assumed to elect coverage at retirement, an increase from 20.0% based on recent experience.

2018 Changes in Actuarial Assumptions:

- The discount rate increased from 3.44% in 2017 to 4.11% in 2018.

There are no assets accumulated in a trust.





**COMBINING AND INDIVIDUAL FUND STATEMENTS AND  
SCHEDULES**



**NONMAJOR GOVERNMENTAL FUNDS**



### SPECIAL REVENUE FUNDS

A Special Revenue Fund is used to account for the proceeds of specific revenues sources that are legally restricted to expenditures for specified purposes.

### DEBT SERVICE FUNDS

The Debt Service Funds are used to account for the accumulation of resources for, and payment of, interest, principal and related costs on long-term debt.

### CAPITAL PROJECT FUNDS

The Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

**CITY OF COTTAGE GROVE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
December 31, 2023  
With Comparative Totals For December 31, 2022

**Statement 19**

	Special Revenue	Debt Service	Capital Projects	Total	
				Nonmajor Governmental Funds	
				2023	2022
<b>Assets:</b>					
Cash and investments	\$3,160,127	\$5,407,945	\$15,441,899	\$24,009,971	\$21,898,461
Interest receivable	-	-	105,692	105,692	105,692
Due from other funds	-	-	433,767	433,767	1,401,237
Due from other governments	96,762	-	25,464	122,226	226,372
Accounts receivable	212,687	-	869,992	1,082,679	937,189
Lease receivable	-	-	4,855,351	4,855,351	5,667,030
Prepaid items	12,884	-	-	12,884	2,857
Inventories	83,758	-	-	83,758	105,873
Taxes receivable - delinquent	-	13,845	1,705	15,550	14,372
Special assessments receivable:				-	
Deferred	-	2,849,493	2,764	2,852,257	2,225,297
Delinquent	-	4,104	-	4,104	3,989
Special deferred	-	757,527	-	757,527	760,316
<b>Total assets</b>	<b>\$3,566,218</b>	<b>\$9,032,914</b>	<b>\$21,736,634</b>	<b>\$34,335,766</b>	<b>\$33,348,685</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$154,476	\$331	\$1,952,162	\$2,106,969	\$2,015,994
Salaries and benefits payable	65,024	-	-	65,024	37,670
Due to other funds	-	-	334,528	334,528	-
Contracts payable	12,561	-	543,831	556,392	551,415
Due to other governments	15,340	-	1,177	16,517	8,510
Deposits payable	112,904	-	193,628	306,532	512,197
Unearned revenue	-	-	320,000	320,000	20,160
Interfund loan payable	1,732,000	18,032	2,538,013	4,288,045	3,196,435
<b>Total liabilities</b>	<b>2,092,305</b>	<b>18,363</b>	<b>5,883,339</b>	<b>7,994,007</b>	<b>6,342,381</b>
<b>Deferred inflows of resources:</b>					
Related to leases	-	-	4,672,305	4,672,305	5,584,338
Unavailable revenue - property taxes	-	13,845	1,705	15,550	14,372
Unavailable revenue - special assessments	-	3,611,125	2,764	3,613,889	2,991,303
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>3,624,970</b>	<b>4,676,774</b>	<b>8,301,744</b>	<b>8,590,013</b>
<b>Fund balances:</b>					
Nonspendable	96,642	-	-	96,642	108,730
Restricted	165,190	5,389,581	3,144,488	8,699,259	6,811,004
Committed	2,722,525	-	-	2,722,525	2,155,025
Assigned	-	-	10,453,605	10,453,605	11,846,419
Unassigned	(1,510,444)	-	(2,421,572)	(3,932,016)	(2,504,887)
<b>Total fund balances</b>	<b>1,473,913</b>	<b>5,389,581</b>	<b>11,176,521</b>	<b>18,040,015</b>	<b>18,416,291</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$3,566,218</b>	<b>\$9,032,914</b>	<b>\$21,736,634</b>	<b>\$34,335,766</b>	<b>\$33,348,685</b>

**CITY OF COTTAGE GROVE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2023  
 With Comparative Totals For The Year Ended December 31, 2022

**Statement 20**

	Special Revenue	Debt Service	Capital Projects	Total	
				Nonmajor Governmental Funds	
				2023	2022
<b>Revenues:</b>					
General property taxes	\$ -	\$2,786,647	\$250,134	\$3,036,781	\$2,823,175
Franchise taxes	-	-	860,203	860,203	642,584
Aggregate taxes	-	-	38,775	38,775	33,044
Lodging tax	71,647	-	-	71,647	-
Tax increment collections	-	514,895	1,169,671	1,684,566	1,750,799
Special assessments	-	783,589	301,730	1,085,319	571,660
Direct charges to developers	-	-	34,624	34,624	26,081
Intergovernmental	393,937	-	1,000,000	1,393,937	2,717,089
Charges for services	4,855,813	-	54,121	4,909,934	4,436,824
Rent	-	-	542,532	542,532	710,881
Lease related interest income	-	-	185,184	185,184	-
Fines and forfeitures	184,480	-	-	184,480	35,679
Investment earnings	138,805	176,766	883,645	1,199,216	(1,193,572)
Connection charges	-	-	1,784,257	1,784,257	4,110,942
Park dedication fees	-	-	767,094	767,094	1,144,364
Refunds and reimbursements	104	-	-	104	806
Donations	41,144	-	90,780	131,924	-
Miscellaneous	6,938	-	2,697	9,635	80,855
<b>Total revenues</b>	<b>5,692,868</b>	<b>4,261,897</b>	<b>7,965,447</b>	<b>17,920,212</b>	<b>17,891,211</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	14,686	2,499	17,185	29,798
Economic development	-	-	423,406	423,406	358,273
Public safety	844,029	-	113,101	957,130	774,087
Public works	1,028,102	-	537,211	1,565,313	1,968,946
Culture and recreation	2,765,647	-	199,232	2,964,879	2,912,279
<b>Capital outlay:</b>					
General government	-	-	120,173	120,173	-
Public safety	238,406	-	-	238,406	197,162
Public works	-	-	8,473,518	8,473,518	9,307,476
Culture and recreation	2,264,998	-	7,174,067	9,439,065	3,515,458
<b>Debt service:</b>					
Principal	50,000	3,285,000	-	3,335,000	2,950,000
Interest and other charges	5,480	938,372	197,398	1,141,250	1,120,468
<b>Total expenditures</b>	<b>7,196,662</b>	<b>4,238,058</b>	<b>17,240,605</b>	<b>28,675,325</b>	<b>23,133,947</b>
Excess of revenues over (under) expenditures	(1,503,794)	23,839	(9,275,158)	(10,755,113)	(5,242,736)
<b>Other financing sources (uses):</b>					
Proceeds from sale of capital assets	-	-	9,025	9,025	9,687
Subscription-based IT arrangements issued	238,406	-	-	238,406	-
Bond issuance	-	224,858	7,590,142	7,815,000	-
Bond premium	-	-	320,387	320,387	-
Payments to refunded bond escrow agent	-	-	-	-	(3,875,000)
Transfers in	827,151	450,000	1,225,777	2,502,928	1,427,979
Transfers out	(202,519)	-	(304,390)	(506,909)	(1,211,311)
<b>Total other financing sources (uses)</b>	<b>863,038</b>	<b>674,858</b>	<b>8,840,941</b>	<b>10,378,837</b>	<b>(3,648,645)</b>
Net change in fund balances	(640,756)	698,697	(434,217)	(376,276)	(8,891,381)
<b>Fund balances:</b>					
Beginning of year	2,114,669	4,690,884	11,610,738	18,416,291	27,307,672
End of year	\$1,473,913	\$5,389,581	\$11,176,521	\$18,040,015	\$18,416,291





## NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenues sources that are legally restricted to expenditures for specified purposes. The City maintained the following Special Revenue Funds during the year:

*Recycling* – Established to account for recycling advertising, promotion, and capital expenditures.

*Storm Water Maintenance* – Established to account for the receipt of storm water fees to be used for storm water maintenance activities.

*Forfeiture/Seizure* – Established to account for Police Department proceeds from property seized under MS 609.53.

*Golf Course Fund* – Established to account for the City's 18-hole golf course and banquet facility.

*HERO Center Operations Fund* – Established to account for the HERO Center operations.

*Opioid Settlement* – Established to account for opioid settlement receipts.

*Convention and Visitors Bureau* – Established to account for lodging tax to be utilized for marketing and promotion of the community.

**CITY OF COTTAGE GROVE**  
**SUBCOMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
December 31, 2023  
With Comparative Totals For December 31, 2022

	Recycling (215)	Storm Water Maintenance (230)	Forfeiture/ Seizure (240)	Golf Course Fund (255)
<b>Assets:</b>				
Cash and investments	\$95,751	\$2,343,690	\$6,470	\$436,756
Due from other governments	380	-	-	-
Accounts receivable	3,500	199,466	-	991
Prepaid items	-	-	-	12,564
Inventories	-	-	-	40,755
<b>Total assets</b>	<b>\$99,631</b>	<b>\$2,543,156</b>	<b>\$6,470</b>	<b>\$491,066</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$8,558	\$ -	\$126,647
Salaries and benefits payable	887	17,220	-	29,746
Interfund loan payable	-	-	-	1,732,000
Contracts payable	-	2,444	-	10,117
Due to other governments	-	2,511	-	6,358
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>887</b>	<b>30,733</b>	<b>-</b>	<b>1,904,868</b>
<b>Fund balances:</b>				
Nonspendable	-	-	-	53,319
Restricted	-	-	6,470	-
Committed	98,744	2,512,423	-	-
Unassigned	-	-	-	(1,467,121)
<b>Total fund balances</b>	<b>98,744</b>	<b>2,512,423</b>	<b>6,470</b>	<b>(1,413,802)</b>
<b>Total liabilities and fund balances</b>	<b>\$99,631</b>	<b>\$2,543,156</b>	<b>\$6,470</b>	<b>\$491,066</b>

Statement 21

HERO Center Operations (290)	Opioid Settlement (245)	Convention and Visitors Bureau (265)	Totals	
			Nonmajor Special Revenue Funds	
			2023	2022
\$11,892	\$158,720	\$106,848	\$3,160,127	\$2,090,197
96,382	-	-	96,762	206,092
-	-	8,730	212,687	226,053
320	-	-	12,884	2,857
43,003	-	-	83,758	105,873
<u>\$151,597</u>	<u>\$158,720</u>	<u>\$115,578</u>	<u>\$3,566,218</u>	<u>\$2,631,072</u>
\$18,671	\$ -	\$600	\$154,476	\$63,766
13,551	-	3,620	65,024	37,670
-	-	-	1,732,000	274,000
-	-	-	12,561	2,444
6,471	-	-	15,340	8,249
112,904	-	-	112,904	110,114
-	-	-	-	20,160
<u>151,597</u>	<u>-</u>	<u>4,220</u>	<u>2,092,305</u>	<u>516,403</u>
43,323	-	-	96,642	108,730
-	158,720	-	165,190	71,032
-	-	111,358	2,722,525	2,155,025
<u>(43,323)</u>	<u>-</u>	<u>-</u>	<u>(1,510,444)</u>	<u>(220,118)</u>
<u>-</u>	<u>158,720</u>	<u>111,358</u>	<u>1,473,913</u>	<u>2,114,669</u>
<u>\$151,597</u>	<u>\$158,720</u>	<u>\$115,578</u>	<u>\$3,566,218</u>	<u>\$2,631,072</u>

**CITY OF COTTAGE GROVE**  
**SUBCOMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
For The Year Ended December 31, 2023  
With Comparative Totals For The Year Ended December 31, 2022

	Recycling (215)	Storm Water Maintenance (230)	Forfeiture/ Seizure (240)	Golf Course Fund (255)
<b>Revenues:</b>				
Intergovernmental	\$56,734	\$165,084	\$ -	\$4,519
Lodging tax	-	-	-	-
Charges for services	-	1,132,552	-	3,006,438
Fines and forfeitures	-	17,414	14,714	-
Investment income	5,131	107,709	3,039	14,112
Refunds and reimbursements	-	-	104	-
Donations	-	-	-	-
Miscellaneous	3,880	-	-	3,039
Total revenues	<u>65,745</u>	<u>1,422,759</u>	<u>17,857</u>	<u>3,028,108</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	-	-	32,419	-
Public works	61,927	802,455	-	-
Culture and recreation	-	-	-	2,765,647
<b>Capital Outlay:</b>				
Public safety	-	-	238,406	-
Public works	-	-	-	-
Culture and recreation	-	-	-	2,264,998
<b>Debt service:</b>				
Principal	-	-	50,000	-
Interest and other charges	-	-	-	5,480
Total expenditures	<u>61,927</u>	<u>802,455</u>	<u>320,825</u>	<u>5,036,125</u>
Excess of revenues over (under) expenditures	3,818	620,304	(302,968)	(2,008,017)
<b>Other financing sources (uses):</b>				
Subscription-based IT arrangements issued	-	-	238,406	-
Transfers in	-	-	-	650,000
Transfers out	-	(168,129)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(168,129)</u>	<u>238,406</u>	<u>650,000</u>
Net change in fund balances	3,818	452,175	(64,562)	(1,358,017)
<b>Fund balances:</b>				
Beginning of year	<u>94,926</u>	<u>2,060,248</u>	<u>71,032</u>	<u>(55,785)</u>
End of year	<u>\$98,744</u>	<u>\$2,512,423</u>	<u>\$6,470</u>	<u>(\$1,413,802)</u>

Statement 22

HERO Center Operations (290)	Opioid Settlement (245)	Convention and Visitors Bureau (265)	Totals	
			Nonmajor Special Revenue Funds	
			2023	2022
\$85,010	\$ -	\$82,590	\$393,937	\$269,054
-	-	71,647	71,647	-
703,678	-	13,145	4,855,813	4,408,995
-	152,352	-	184,480	35,679
2,451	6,292	71	138,805	(117,239)
-	-	-	104	806
-	-	41,144	41,144	-
19	-	-	6,938	28,172
<u>791,158</u>	<u>158,644</u>	<u>208,597</u>	<u>5,692,868</u>	<u>4,625,467</u>
811,610	-	-	844,029	772,570
-	-	163,720	1,028,102	874,217
-	-	-	2,765,647	2,417,261
-	-	-	238,406	31,906
-	-	-	-	244,426
-	-	-	2,264,998	377,568
-	-	-	50,000	-
-	-	-	5,480	-
<u>811,610</u>	<u>-</u>	<u>163,720</u>	<u>7,196,662</u>	<u>4,717,948</u>
(20,452)	158,644	44,877	(1,503,794)	(92,481)
-	-	-	238,406	-
110,670	-	66,481	827,151	-
(34,390)	-	-	(202,519)	(394,046)
<u>76,280</u>	<u>-</u>	<u>66,481</u>	<u>863,038</u>	<u>(394,046)</u>
55,828	158,644	111,358	(640,756)	(486,527)
(55,828)	76	-	2,114,669	2,601,196
<u>\$ -</u>	<u>\$158,720</u>	<u>\$111,358</u>	<u>\$1,473,913</u>	<u>\$2,114,669</u>



## NONMAJOR DEBT SERVICE FUNDS

The City's Debt Service Funds are used to account for the accumulation of resources for, and payment of, interest, principal and related costs of long-term debt other than proprietary fund debt.

The City's Debt Service Funds account for three types of bonded indebtedness:

- Improvement Bonds
- Refunding Bonds
- Tax Increment Bonds



**CITY OF COTTAGE GROVE**  
**SUBCOMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
December 31, 2023  
With Comparative Totals For December 31, 2022

	2019A G.O. CIP Bonds (315)	2019B Equipment Certificate (305)	2018A G.O. Improvement Bonds (310)	2017A G.O. Capital Improvement Bonds (371)
<b>Assets:</b>				
Cash and investments	\$186,111	\$33,145	\$1,691,209	\$519,511
Taxes receivable - delinquent	1,379	1,892	-	3,674
Special assessments receivable				
Deferred	-	-	8,572	-
Delinquent	-	-	1,840	-
Special deferred	-	-	738,462	-
<b>Total assets</b>	<b>\$187,490</b>	<b>\$35,037</b>	<b>\$2,440,083</b>	<b>\$523,185</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund loan payable	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - property taxes	1,379	1,892	-	3,674
Unavailable revenue - special assessments	-	-	748,874	-
<b>Total deferred inflows of resources</b>	<b>1,379</b>	<b>1,892</b>	<b>748,874</b>	<b>3,674</b>
<b>Fund balances:</b>				
Restricted	186,111	33,145	1,691,209	519,511
<b>Total fund balances</b>	<b>186,111</b>	<b>33,145</b>	<b>1,691,209</b>	<b>519,511</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$187,490</b>	<b>\$35,037</b>	<b>\$2,440,083</b>	<b>\$523,185</b>

2016A G.O. Refunding Bonds (369)	2021A G.O. Improvement Bonds (330)	2023A G.O. Improvement Bonds (494)	Pavement Management Debt Service (340, 492, 493)	Tax Increment Funds	Totals	
					Nonmajor Debt Service Funds	
					2023	2022
\$78,647	\$626,967	\$613,672	\$796,757	\$861,926	\$5,407,945	\$4,712,915
1,426	1,066	-	4,408	-	13,845	12,442
-	481,169	947,063	1,412,689	-	-	-
-	837	-	1,427	-	2,849,493	2,221,151
-	-	4,278	14,787	-	4,104	3,989
					757,527	760,316
<u>\$80,073</u>	<u>\$1,110,039</u>	<u>\$1,565,013</u>	<u>\$2,230,068</u>	<u>\$861,926</u>	<u>\$9,032,914</u>	<u>\$7,710,813</u>
\$ -	\$ -	\$ -	\$ -	\$331	\$331	\$ -
-	-	-	-	18,032	18,032	22,032
-	-	-	-	18,363	18,363	22,032
1,426	1,066	-	4,408	-	13,845	12,442
-	482,006	951,341	1,428,904	-	3,611,125	2,985,455
1,426	483,072	951,341	1,433,312	-	3,624,970	2,997,897
78,647	626,967	613,672	796,756	843,563	5,389,581	4,690,884
78,647	626,967	613,672	796,756	843,563	5,389,581	4,690,884
<u>\$80,073</u>	<u>\$1,110,039</u>	<u>\$1,565,013</u>	<u>\$2,230,068</u>	<u>\$861,926</u>	<u>\$9,032,914</u>	<u>\$7,710,813</u>

**CITY OF COTTAGE GROVE**  
**SUBCOMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR DEBT SERVICE FUNDS**  
For The Year Ended December 31, 2023  
With Comparative Totals For December 31, 2022

	2019A G.O. CIP Bonds (315)	2019B Equipment Certificate (305)	2018A G.O. Improvement Bonds (310)	2017A G.O. Capital Improvement Bonds (371)
<b>Revenues:</b>				
General property taxes	\$249,715	\$349,551	\$349,485	\$609,704
Tax increment collections	-	-	-	-
Special assessments	-	-	1,272	-
Investment income	4,745	398	78,098	13,606
Total revenues	<u>254,460</u>	<u>349,949</u>	<u>428,855</u>	<u>623,310</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	425	425	5,452	425
Principal retirement	155,000	270,000	435,000	390,000
Interest and other charges	123,959	58,674	197,650	217,200
Total expenditures	<u>279,384</u>	<u>329,099</u>	<u>638,102</u>	<u>607,625</u>
Excess of revenues over (under) expenditures	(24,924)	20,850	(209,247)	15,685
<b>Other financing sources:</b>				
Bond issuance	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(24,924)	20,850	(209,247)	15,685
<b>Fund balances:</b>				
Beginning of year	<u>211,035</u>	<u>12,295</u>	<u>1,900,456</u>	<u>503,826</u>
End of year	<u>\$186,111</u>	<u>\$33,145</u>	<u>\$1,691,209</u>	<u>\$519,511</u>

2016A G.O. Refunding Bonds (369)	2021A G.O. Improvement Bonds (330)	2023A G.O. Improvement and Tax Abatement Bonds	Pavement Management Debt Service (340,492, 493)	Tax Increment Funds	Totals	
					Nonmajor Debt Service Funds	
					2023	2022
\$220,023	\$244,354	\$ -	\$763,815	\$ -	\$2,786,647	\$2,573,329
-	-	-	-	\$514,895	514,895	704,259
-	75,956	379,512	326,849	-	783,589	480,815
985	24,055	9,302	24,058	21,519	176,766	(125,110)
<u>221,008</u>	<u>344,365</u>	<u>388,814</u>	<u>1,114,722</u>	<u>536,414</u>	<u>4,261,897</u>	<u>3,633,293</u>
425	943	-	4,611	1,980	14,686	17,996
355,000	230,000	-	1,175,000	275,000	3,285,000	2,950,000
39,550	66,973	-	213,420	20,946	938,372	1,079,266
<u>394,975</u>	<u>297,916</u>	<u>-</u>	<u>1,393,031</u>	<u>297,926</u>	<u>4,238,058</u>	<u>4,047,262</u>
(173,967)	46,449	388,814	(278,309)	238,488	23,839	(413,969)
-	-	224,858	-	-	224,858	-
-	-	-	-	-	-	(3,875,000)
200,000	-	-	250,000	-	450,000	1,027,979
-	-	-	-	-	-	(156,058)
<u>200,000</u>	<u>-</u>	<u>224,858</u>	<u>250,000</u>	<u>-</u>	<u>674,858</u>	<u>(3,003,079)</u>
26,033	46,449	613,672	(28,309)	238,488	698,697	(3,417,048)
52,614	580,518	-	825,065	605,075	4,690,884	8,107,932
<u>\$78,647</u>	<u>\$626,967</u>	<u>\$613,672</u>	<u>\$796,756</u>	<u>\$843,563</u>	<u>\$5,389,581</u>	<u>\$4,690,884</u>



## NONMAJOR CAPITAL PROJECT FUNDS

Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

*Equipment Replacement Fund* – Established to accumulate monies for the replacement of capital equipment.

*Street Sealcoating* – Established to account for the receipt of franchise fees to be used for sealcoating activities.

*Water Connection and Area* – This fund accounts for the projects that are partially paid for with connection charges.

*Completed Construction* – to account for the various surpluses (deficits) of other Special Assessment Construction Funds.

*Park Trust* – to account for capital projects in new municipal parks.

*Park Capital Improvements* – to account for capital projects in existing municipal parks.

*Developer Petitioned Projects* - This fund accounts for costs of infrastructure projects petitioned by developers and special assessment revenue which repay the costs.

*Future Storm Sewer Improvements* – to collect storm sewer area charges which are designated for future construction.

*Sewer Connection and Area* – to account for sewer connection and area charges.

*Pavement Management Capital Project Fund* – to account for pavement management construction projects.

*Tax Increment Construction Revolving Fund* – to account for construction projects that are financed with tax increments.

*Municipal Building Fund* – This fund accounts for the accumulation of resources and construction or remodeling costs of municipal buildings and facilities.

*Ice Arena Capital Project* – This fund accounts for the accumulation of resources and capital expenditures related to the ice arena.

**CITY OF COTTAGE GROVE**  
**SUBCOMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
December 31, 2023  
With Comparative Totals For December 31, 2022

	Equipment Replacement (210)	Street Sealcoating (235)	Water Connection and Area (575)	Completed Construction (500)	Park Trust (570)	Park Capital Improvement Fund (515)
<b>Assets:</b>						
Cash and investments	\$1,622,561	\$115,666	\$3,432,056	\$76,642	\$1,843,260	\$1,012,389
Interest receivable	-	-	-	-	-	74,131
Due from other funds	-	-	334,528	99,239	-	-
Due from other governments	-	25,464	-	-	-	-
Accounts receivable	-	368,935	-	-	-	-
Taxes receivable - delinquent	-	-	-	-	-	-
Lease receivable	-	-	-	-	-	3,955,119
Special assessment receivable - deferred	-	-	-	-	-	-
<b>Total assets</b>	<b>\$1,622,561</b>	<b>\$510,065</b>	<b>\$3,766,584</b>	<b>\$175,881</b>	<b>\$1,843,260</b>	<b>\$5,041,639</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$477	\$103,880	\$ -	\$1,259,889	\$47,845
Due to other governments	-	-	-	-	-	-
Contracts payable	-	-	-	-	328,823	-
Due to other funds	-	-	-	-	-	-
Deposits payable	-	25,644	-	-	-	144,418
Unearned revenue	-	-	-	-	-	-
Interfund loan payable	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>26,121</b>	<b>103,880</b>	<b>-</b>	<b>1,588,712</b>	<b>192,263</b>
<b>Deferred inflows of resources:</b>						
Related to leases	-	-	-	-	-	3,753,690
Unavailable revenue - property taxes	-	-	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,753,690</b>
<b>Fund balances:</b>						
Restricted	-	-	-	-	-	-
Assigned	1,622,561	483,944	3,662,704	175,881	254,548	1,095,686
Unassigned	-	-	-	-	-	-
<b>Total fund balances</b>	<b>1,622,561</b>	<b>483,944</b>	<b>3,662,704</b>	<b>175,881</b>	<b>254,548</b>	<b>1,095,686</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$1,622,561</b>	<b>\$510,065</b>	<b>\$3,766,584</b>	<b>\$175,881</b>	<b>\$1,843,260</b>	<b>\$5,041,639</b>

Developer Petitioned Projects (568)	Future Storm Sewer Improvements (585)	Sewer Connection and Area (580)	Pavement Management Capital Project (560)	Tax Increment Construction Revolving Fund	Municipal Building Fund (525)	Ice Arena Capital Project (526)	Totals	
							Nonmajor Capital Projects Funds	
							2023	2022
\$728,511	\$118,322	\$ -	\$2,754,215	\$3,220,423	\$133,459	\$384,395	\$15,441,899	\$15,095,349
-	-	-	-	-	31,561	-	105,692	105,692
-	-	-	-	-	-	-	433,767	1,401,237
-	-	-	-	-	-	-	25,464	20,280
-	-	500,000	1,057	-	-	-	869,992	711,136
-	-	-	-	-	1,705	-	1,705	1,930
-	-	-	-	-	900,232	-	4,855,351	5,667,030
2,764	-	-	-	-	-	-	2,764	4,146
<u>\$731,275</u>	<u>\$118,322</u>	<u>\$500,000</u>	<u>\$2,755,272</u>	<u>\$3,220,423</u>	<u>\$1,066,957</u>	<u>\$384,395</u>	<u>\$21,736,634</u>	<u>\$23,006,800</u>
\$139,823	\$205,023	\$101,034	\$93,389	\$802	\$ -	\$ -	\$1,952,162	\$1,952,228
379	-	-	798	-	-	-	1,177	-
25,326	83,023	-	106,659	-	-	-	543,831	548,971
-	-	334,528	-	-	-	-	334,528	261
23,566	-	-	-	-	-	-	193,628	402,083
-	-	-	-	-	-	320,000	320,000	-
-	-	-	-	308,013	2,230,000	-	2,538,013	2,900,403
<u>189,094</u>	<u>288,046</u>	<u>435,562</u>	<u>200,846</u>	<u>308,815</u>	<u>2,230,000</u>	<u>320,000</u>	<u>5,883,339</u>	<u>5,803,946</u>
-	-	-	-	-	918,615	-	4,672,305	5,584,338
-	-	-	-	-	1,705	-	1,705	1,930
2,764	-	-	-	-	-	-	2,764	5,848
<u>2,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>920,320</u>	<u>-</u>	<u>4,676,774</u>	<u>5,592,116</u>
-	-	-	-	3,080,093	-	64,395	3,144,488	2,049,088
539,417	-	64,438	2,554,426	-	-	-	10,453,605	11,846,419
-	(169,724)	-	-	(168,485)	(2,083,363)	-	(2,421,572)	(2,284,769)
<u>539,417</u>	<u>(169,724)</u>	<u>64,438</u>	<u>2,554,426</u>	<u>2,911,608</u>	<u>(2,083,363)</u>	<u>64,395</u>	<u>11,176,521</u>	<u>11,610,738</u>
<u>\$731,275</u>	<u>\$118,322</u>	<u>\$500,000</u>	<u>\$2,755,272</u>	<u>\$3,220,423</u>	<u>\$1,066,957</u>	<u>\$384,395</u>	<u>\$21,736,634</u>	<u>\$23,006,800</u>



**CITY OF COTTAGE GROVE**  
SUBCOMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECT FUNDS  
For The Year Ended December 31, 2023  
With Comparative Totals For The Year Ended December 31, 2022

	Equipment Replacement (210)	Street Sealcoating (235)	Water Connection and Area (575)	Completed Construction (500)	Park Trust (570)	Park Capital Improvement Fund (515)
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise taxes	-	860,203	-	-	-	-
Aggregate taxes	-	38,775	-	-	-	-
Tax increment collections	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Direct charges to developers	-	34,624	-	-	-	-
Intergovernmental	-	-	-	-	1,000,000	-
Charges for services	-	54,121	-	-	-	-
Rent	-	-	-	-	-	486,781
Lease related interest income	-	-	-	-	-	150,014
Investment income	81,801	9,928	199,567	9,554	122,895	61,286
Connection charges	-	-	677,066	-	-	-
Park dedication fees	-	-	-	-	767,094	-
Donations	-	-	-	-	-	10,780
Miscellaneous	-	-	-	-	2,697	-
Total revenues	81,801	997,651	876,633	9,554	1,892,686	708,861
<b>Expenditures:</b>						
<b>Current:</b>						
General government	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Public safety	-	-	107,261	-	-	-
Public works	9,307	247,745	-	-	-	-
Culture and recreation	-	-	-	-	103,204	96,028
<b>Capital outlay:</b>						
General government	-	-	-	-	-	-
Public works	513,662	496,681	874,474	-	-	-
Culture and recreation	-	-	-	-	6,498,654	675,413
Interest and other charges	-	-	-	-	99,745	-
Total expenditures	522,969	744,426	981,735	-	6,701,603	771,441
Excess of revenues over (under) expenditures	(441,168)	253,225	(105,102)	9,554	(4,808,917)	(62,580)
<b>Other financing sources (uses):</b>						
Proceeds from sale of capital assets	9,025	-	-	-	-	-
Bond issuance	-	-	-	-	4,739,397	-
Bond premium	-	-	-	-	176,410	-
Transfers in	418,837	-	-	-	-	-
Transfers out	-	-	(237,909)	-	-	-
Total other financing sources (uses)	427,862	-	(237,909)	-	4,915,807	-
Net change in fund balances	(13,306)	253,225	(343,011)	9,554	106,890	(62,580)
<b>Fund balances:</b>						
Beginning of year	1,635,867	230,719	4,005,715	166,327	147,658	1,158,266
End of year	\$1,622,561	\$483,944	\$3,662,704	\$175,881	\$254,548	\$1,095,686

Developer Petitioned Projects (568)	Future Storm Sewer Improvements (585)	Sewer Connection and Area (580)	Pavement Management Capital Project (560)	Tax Increment Construction Revolving Fund	Municipal Building Fund (525)	Ice Arena Capital Project (526)	Totals	
							Nonmajor Capital Projects Funds	
							2023	2022
\$ -	\$ -	\$ -	\$ -	\$ -	\$250,134	\$ -	\$250,134	\$249,846
-	-	-	-	-	-	-	860,203	642,584
-	-	-	-	-	-	-	38,775	33,044
-	-	-	-	1,169,671	-	-	1,169,671	1,046,540
293,955	7,754	-	21	-	-	-	301,730	90,845
-	-	-	-	-	-	-	34,624	26,081
-	-	-	-	-	-	-	1,000,000	2,448,035
-	-	-	-	-	-	-	54,121	27,829
-	-	-	-	-	55,751	-	542,532	710,881
-	-	-	-	-	35,170	-	185,184	-
31,019	48,849	5,017	158,869	130,568	9,610	14,682	883,645	(951,223)
-	555,074	552,117	-	-	-	-	1,784,257	4,110,942
-	-	-	-	-	-	-	767,094	1,144,364
-	-	-	-	-	-	80,000	90,780	-
-	-	-	-	-	-	-	2,697	52,683
<u>324,974</u>	<u>611,677</u>	<u>557,134</u>	<u>158,890</u>	<u>1,300,239</u>	<u>350,665</u>	<u>94,682</u>	<u>7,965,447</u>	<u>9,632,451</u>
-	-	-	-	-	2,499	-	2,499	13,319
-	-	-	-	423,406	-	-	423,406	358,273
-	-	-	-	-	-	5,840	113,101	165,256
2,683	173,235	103,353	888	-	-	-	537,211	1,094,729
-	-	-	-	-	-	-	199,232	495,018
-	-	-	-	-	120,173	-	120,173	-
543,049	1,607,447	919,042	3,486,177	-	8,539	24,447	8,473,518	9,063,050
-	-	-	-	-	-	-	7,174,067	3,137,890
-	-	-	59,990	14,313	23,350	-	197,398	41,202
<u>545,732</u>	<u>1,780,682</u>	<u>1,022,395</u>	<u>3,547,055</u>	<u>437,719</u>	<u>154,561</u>	<u>30,287</u>	<u>17,240,605</u>	<u>14,368,737</u>
(220,758)	(1,169,005)	(465,261)	(3,388,165)	862,520	196,104	64,395	(9,275,158)	(4,736,286)
-	-	-	-	-	-	-	9,025	9,687
-	-	-	2,850,745	-	-	-	7,590,142	-
-	-	-	143,977	-	-	-	320,387	-
237,909	-	-	563,729	-	5,302	-	1,225,777	400,000
-	-	(66,481)	-	-	-	-	(304,390)	(661,207)
<u>237,909</u>	<u>-</u>	<u>(66,481)</u>	<u>3,558,451</u>	<u>-</u>	<u>5,302</u>	<u>-</u>	<u>8,840,941</u>	<u>(251,520)</u>
17,151	(1,169,005)	(531,742)	170,286	862,520	201,406	64,395	(434,217)	(4,987,806)
522,266	999,281	596,180	2,384,140	2,049,088	(2,284,769)	-	11,610,738	16,598,544
<u>\$539,417</u>	<u>(\$169,724)</u>	<u>\$64,438</u>	<u>\$2,554,426</u>	<u>\$2,911,608</u>	<u>(\$2,083,363)</u>	<u>\$64,395</u>	<u>\$11,176,521</u>	<u>\$11,610,738</u>

**CITY OF COTTAGE GROVE**  
**SPECIAL REVENUE FUND - RECYCLING**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For The Year Ended December 31, 2023**  
**With Comparative Totals For The Year Ended December 31, 2022**

**Statement 27**

	2023			Variance with Final Budget - Over (Under)	2022
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
Revenues:					
Intergovernmental	\$56,040	\$56,040	\$56,734	\$694	\$56,210
Investment income	1,000	1,000	5,131	4,131	(2,244)
Miscellaneous	-	-	3,880	3,880	21,000
Total revenues	<u>57,040</u>	<u>57,040</u>	<u>65,745</u>	<u>8,705</u>	<u>74,966</u>
Expenditures:					
Current:					
Public works	<u>57,040</u>	<u>57,040</u>	<u>61,927</u>	<u>(4,887)</u>	<u>53,264</u>
Total expenditures	<u>57,040</u>	<u>57,040</u>	<u>61,927</u>	<u>(4,887)</u>	<u>53,264</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	3,818	<u>\$3,818</u>	21,702
Fund balances:					
Beginning of year			<u>94,926</u>		<u>73,224</u>
End of year			<u>\$98,744</u>		<u>\$94,926</u>

**CITY OF COTTAGE GROVE**

SPECIAL REVENUE FUND - STORM WATER MAINTENANCE  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Year Ended December 31, 2023  
 With Comparative Totals For The Year Ended December 31, 2022

**Statement 28**

	2023			Variance with Final Budget - Over (Under)	2022
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
Revenues:					
Charges for services	\$1,146,550	\$1,146,550	\$1,132,552	(\$13,998)	\$1,083,689
Fines and forfeitures	-	-	\$17,414	\$17,414	-
Investment income	10,000	10,000	107,709	97,709	(98,612)
Intergovernmental	-	-	165,084	165,084	186,844
Total revenues	<u>1,156,550</u>	<u>1,156,550</u>	<u>1,422,759</u>	<u>266,209</u>	<u>1,171,921</u>
Expenditures:					
Current:					
Public works	867,270	867,270	802,455	64,815	820,953
Capital outlay:					
Public works	<u>55,000</u>	<u>55,000</u>	-	55,000	244,426
Total expenditures	<u>922,270</u>	<u>922,270</u>	<u>802,455</u>	<u>119,815</u>	<u>1,065,379</u>
Excess of revenues over (under) expenditures	234,280	234,280	620,304	386,024	106,542
Other financing uses:					
Transfers out	<u>(153,100)</u>	<u>(153,100)</u>	<u>(168,129)</u>	<u>15,029</u>	<u>(394,046)</u>
Total other financing uses	<u>(153,100)</u>	<u>(153,100)</u>	<u>(168,129)</u>	<u>15,029</u>	<u>(394,046)</u>
Net change in fund balance	<u>\$81,180</u>	<u>\$81,180</u>	452,175	<u>\$370,995</u>	(287,504)
Fund balances:					
Beginning of year			<u>2,060,248</u>		<u>2,347,752</u>
End of year			<u>\$2,512,423</u>		<u>\$2,060,248</u>

**CITY OF COTTAGE GROVE**  
**SPECIAL REVENUE FUND - FORFEITURE/SEIZURE**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For The Year Ended December 31, 2023  
With Comparative Totals For The Year Ended December 31, 2022

**Statement 29**

	2023			Variance with Final Budget - Over (Under)	2022
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
Revenues:					
Fines and forfeitures	\$30,000	\$30,000	\$14,714	(\$15,286)	\$35,679
Intergovernmental	-	-	-	-	26,000
Investment income	1,000	1,000	3,039	2,039	(3,241)
Refunds and reimbursements	-	-	104	104	806
Total revenues	<u>31,000</u>	<u>31,000</u>	<u>17,857</u>	<u>(13,143)</u>	<u>59,244</u>
Expenditures:					
Current:					
Public safety	20,270	20,270	32,419	(12,149)	29,018
Capital outlay:					
Public safety	10,710	10,710	238,406	(227,696)	31,906
Debt Service:					
Principal	-	-	50,000	(50,000)	-
Total expenditures	<u>30,980</u>	<u>30,980</u>	<u>320,825</u>	<u>(289,845)</u>	<u>60,924</u>
Excess of revenues over (under) expenditures	\$20	\$20	(302,968)	(\$302,988)	(1,680)
Other financing sources:					
Subscription-based IT arrangements issued	-	-	238,406	238,406	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>238,406</u>	<u>238,406</u>	<u>-</u>
Net change in fund balance	<u>\$20</u>	<u>\$20</u>	<u>(64,562)</u>	<u>(\$64,582)</u>	<u>(1,680)</u>
Fund balances:					
Beginning of year			<u>71,032</u>		<u>72,712</u>
End of year			<u>\$6,470</u>		<u>\$71,032</u>

**CITY OF COTTAGE GROVE**

SPECIAL REVENUE FUND - GOLF COURSE

**Statement 30**

SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For The Year Ended December 31, 2023

With Comparative Totals For The Year Ended December 31, 2022

	2023		Actual Amounts	Variance with Final Budget - Over (Under)	2022	
	Budgeted Amounts				Actual	Actual
	Original	Final				
<b>Revenues:</b>						
Charges for services	\$2,659,800	\$2,659,800	\$3,006,438	\$346,638	\$2,600,448	
Intergovernmental	-	-	4,519	4,519	-	
Investment income	-	-	14,112	14,112	(4,277)	
Miscellaneous	-	-	3,039	3,039	6,736	
Total revenues	<u>2,659,800</u>	<u>2,659,800</u>	<u>3,028,108</u>	<u>368,308</u>	<u>2,602,907</u>	
<b>Expenditures:</b>						
Current:						
Culture and recreation	2,476,870	2,476,870	2,765,647	(288,777)	2,417,261	
Capital outlay:						
Culture and recreation	126,350	126,350	2,264,998	(2,138,648)	377,568	
Debt Service:						
Interest and other charges	-	-	5,480	(5,480)	-	
Total expenditures	<u>2,603,220</u>	<u>2,603,220</u>	<u>5,036,125</u>	<u>(2,432,905)</u>	<u>2,794,829</u>	
Excess of revenues over (under) expenditures	\$56,580	\$56,580	(2,008,017)	(\$2,064,597)	(191,922)	
<b>Other financing sources:</b>						
Transfers in	-	-	650,000	650,000	-	
Total other financing sources	<u>-</u>	<u>-</u>	<u>650,000</u>	<u>650,000</u>	<u>-</u>	
Net change in fund balance	<u>\$56,580</u>	<u>\$56,580</u>	(1,358,017)	<u>(\$1,414,597)</u>	(191,922)	
<b>Fund balances:</b>						
Beginning of year			(55,785)		136,137	
End of year			<u>(\$1,413,802)</u>		<u>(\$55,785)</u>	

**CITY OF COTTAGE GROVE**

**CAPITAL PROJECT FUND - EQUIPMENT REPLACEMENT  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For The Year Ended December 31, 2023  
 With Comparative Totals For The Year Ended December 31, 2022**

**Statement 31**

	2023		Actual Amounts	Variance with Final Budget - Over (Under)	2022
	Budgeted Amounts				Actual
	Original	Final			Amounts
Revenues:					
Investment income	\$ -	\$ -	\$81,801	\$81,801	(\$60,787)
Total revenues	-	-	81,801	81,801	(60,787)
Expenditures:					
Current:					
Public works	-	-	9,307	(9,307)	1,548
Capital outlay:					
Public works	621,550	621,550	513,662	107,888	55,027
Total expenditures	621,550	621,550	522,969	98,581	56,575
Excess of revenues over (under) expenditures	(621,550)	(621,550)	(441,168)	\$180,382	(117,362)
Other financing uses:					
Proceeds from sale of capital assets	-	-	9,025	9,025	9,687
Transfers in	410,000	410,000	418,837	8,837	400,000
Total other financing uses	410,000	410,000	427,862	17,862	409,687
Net change in fund balance	(\$211,550)	(\$211,550)	(13,306)	\$198,244	292,325
Fund balances:					
Beginning of year			1,635,867		1,343,542
End of year			\$1,622,561		\$1,635,867

**CITY OF COTTAGE GROVE**

CAPITAL PROJECT FUND - STREET SEALCOATING

Statement 32

SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For The Year Ended December 31, 2023

With Comparative Totals For The Year Ended December 31, 2022

	2023		Actual Amounts	Variance with Final Budget - Over (Under)	2022	
	Budgeted Amounts				Actual	Actual
	Original	Final				
Revenues:						
Franchise taxes	\$633,500	\$633,500	\$860,203	\$226,703	\$642,584	
Aggregate taxes	22,000	22,000	38,775	16,775	33,044	
Charges for services	-	-	88,745	88,745	53,910	
Investment income	10,000	10,000	9,928	(72)	(31,816)	
Total revenues	<u>665,500</u>	<u>665,500</u>	<u>997,651</u>	<u>332,151</u>	<u>697,722</u>	
Expenditures:						
Current:						
Public works	271,120	271,120	247,745	23,375	304,354	
Capital Outlay						
Public works	<u>373,600</u>	<u>373,600</u>	<u>496,681</u>	<u>(123,081)</u>	<u>1,159,043</u>	
Total expenditures	<u>644,720</u>	<u>644,720</u>	<u>744,426</u>	<u>(99,706)</u>	<u>1,463,397</u>	
Excess of revenues over (under) expenditures	<u>\$20,780</u>	<u>\$20,780</u>	253,225	<u>\$274,005</u>	(765,675)	
Fund balances:						
Beginning of year			<u>230,719</u>		<u>996,394</u>	
End of year			<u>\$483,944</u>		<u>\$230,719</u>	





## INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

*Self-Insurance Fund* – Established to provide self-insurance for the City and its officers, employees, and agents for claims in excess of standard deductibles and to account for the City flexible spending program and purchase of insurance.

*Fleet Maintenance Fund* – Established to account for costs related to repair and maintenance of City equipment and vehicles. Revenues received from departments are based on level of service performed.

*Information Services Fund* – Established to account for costs related to accessing information electronically and maintaining technology services including phone, voicemail, and internet services. Revenues received from departments are based on usage of those technology services.

**COTTAGE GROVE, CITY OF**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
December 31, 2023  
With Comparative Totals For December 31, 2022

**Statement 33**

	Self Insurance (700)	Fleet Maintenance (710)	Information Services (720)	Totals	
				2023	2022
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and investments (including cash equivalents)	\$201,473	\$ -	\$106,413	\$307,886	\$451,160
Accounts receivable	5,669	1,556	-	7,225	8,713
Due from other governments	52,230	-	-	52,230	8,773
Inventories	-	218,928	-	218,928	172,195
Prepaid items	242,005	-	149,168	391,173	568,062
Total current assets	<u>501,377</u>	<u>220,484</u>	<u>255,581</u>	<u>977,442</u>	<u>1,208,903</u>
<b>Noncurrent assets:</b>					
<b>Capital assets:</b>					
Land	-	424,665	-	424,665	424,665
Buildings and improvements	-	928,870	-	928,870	928,870
Equipment and furniture	-	-	70,127	70,127	70,127
Machinery and equipment	-	489,092	-	489,092	514,525
Total capital assets	-	1,842,627	70,127	1,912,754	1,938,187
Accumulated depreciation	-	(1,000,703)	(65,729)	(1,066,432)	(1,053,544)
Total noncurrent assets	-	<u>841,924</u>	<u>4,398</u>	<u>846,322</u>	<u>884,643</u>
Total assets	<u>501,377</u>	<u>1,062,408</u>	<u>259,979</u>	<u>1,823,764</u>	<u>2,093,546</u>
<b>Deferred outflows of resources:</b>					
Deferred outflows of resources related to pensions	-	138,357	59,296	197,653	344,807
Deferred outflows of resources related to OPEB	-	26,358	12,092	38,450	15,243
Total deferred outflows of resources	-	<u>164,715</u>	<u>71,388</u>	<u>236,103</u>	<u>360,050</u>
Total assets and deferred outflows of resources	<u>\$501,377</u>	<u>\$1,227,123</u>	<u>\$331,367</u>	<u>\$2,059,867</u>	<u>\$2,453,596</u>
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable	\$314,367	\$54,619	\$45,986	\$414,972	\$318,198
Salaries payable	-	25,925	12,916	38,841	41,874
Due to other funds	-	635,524	-	635,524	848,797
Due to other governments	2,854	708	-	3,562	1,913
Compensated absences payable	-	39,657	27,826	67,483	73,075
Total current liabilities	<u>317,221</u>	<u>756,433</u>	<u>86,728</u>	<u>1,160,382</u>	<u>1,283,857</u>
<b>Noncurrent liabilities:</b>					
Compensated absences payable	-	14,213	10,677	24,890	17,928
Net pension liability	-	444,667	190,572	635,239	953,333
OPEB liability	-	40,165	18,426	58,591	23,768
Total noncurrent liabilities	-	<u>499,045</u>	<u>219,675</u>	<u>718,720</u>	<u>995,029</u>
Total liabilities	<u>317,221</u>	<u>1,255,478</u>	<u>306,403</u>	<u>1,879,102</u>	<u>2,278,886</u>
<b>Deferred inflows of resources:</b>					
Deferred inflows of resources related to pensions	-	143,927	61,683	205,610	12,604
Deferred inflows of resources related to OPEB	-	4,485	2,057	6,542	7,890
Total deferred inflows of resources	-	<u>148,412</u>	<u>63,740</u>	<u>212,152</u>	<u>20,494</u>
<b>Net position:</b>					
Net investment in capital assets	-	841,924	4,398	846,322	884,643
Unrestricted	184,156	(1,018,691)	(43,174)	(877,709)	(730,427)
Total net position	<u>184,156</u>	<u>(176,767)</u>	<u>(38,776)</u>	<u>(31,387)</u>	<u>154,216</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$501,377</u>	<u>\$1,227,123</u>	<u>\$331,367</u>	<u>\$2,059,867</u>	<u>\$2,453,596</u>

**COTTAGE GROVE, CITY OF**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
For The Year Ended December 31, 2023  
With Comparative Totals For The Year Ended December 31, 2022

**Statement 34**

	Self Insurance (700)	Fleet Maintenance (710)	Information Services (720)	Total	
				2023	2022
Operating revenues:					
Charges for services:					
User fees	\$ -	\$2,243,130	\$1,480,336	\$3,723,466	\$2,869,669
Employee benefits	2,891,925	-	-	2,891,925	2,520,820
Insurance refunds and reimbursements	112,014	-	-	112,014	106,021
Total operating revenues	<u>3,003,939</u>	<u>2,243,130</u>	<u>1,480,336</u>	<u>6,727,405</u>	<u>5,496,510</u>
Operating expenses:					
Operating and maintenance:					
Personal services	-	895,272	384,865	1,280,137	1,247,844
Contractual services	-	636,382	886,289	1,522,671	1,171,323
Commodities	-	750,183	110,058	860,241	934,950
Administrative and general:					
Personal insurance benefits	2,848,555	-	-	2,848,555	2,593,070
Contractual services	435,126	-	-	435,126	412,042
Claims	208,094	-	-	208,094	186,169
Depreciation	-	37,095	1,227	38,322	41,167
Total operating expenses	<u>3,491,775</u>	<u>2,318,932</u>	<u>1,382,439</u>	<u>7,193,146</u>	<u>6,586,565</u>
Excess of revenues over (under) expenses	(487,836)	(75,802)	97,897	(465,741)	(1,090,055)
Nonoperating revenues:					
Investment income	19,508	-	2,785	22,293	(49,169)
Intergovernmental grants	52,230	-	-	52,230	8,773
Miscellaneous	-	1,991	201,857	203,848	200,664
Total nonoperating revenues	<u>71,738</u>	<u>1,991</u>	<u>204,642</u>	<u>278,371</u>	<u>160,268</u>
Income (loss) before capital contributions and transfers	(416,098)	(73,811)	302,539	(187,370)	(929,787)
Transfers in	<u>1,767</u>	<u>-</u>	<u>-</u>	<u>1,767</u>	<u>-</u>
Change in net position	(414,331)	(73,811)	302,539	(185,603)	(929,787)
Net position:					
Beginning of year	<u>598,487</u>	<u>(102,956)</u>	<u>(341,315)</u>	<u>154,216</u>	<u>1,084,003</u>
End of year	<u>\$184,156</u>	<u>(\$176,767)</u>	<u>(\$38,776)</u>	<u>(\$31,387)</u>	<u>\$154,216</u>

**COTTAGE GROVE, CITY OF**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For The Year Ended December 31, 2023  
With Comparative Totals For The Year Ended December 31, 2022

**Statement 35**

	Self Insurance (700)	Fleet Maintenance (710)	Information Services (720)	Totals	
				2023	2022
<b>Cash flows - operating activities:</b>					
Receipts from interfund services provided	\$2,851,512	\$2,241,574	\$1,480,336	\$6,573,422	\$5,478,133
Receipts from insurance refunds and reimbursements	112,014	-	-	112,014	106,021
Payments to suppliers	(438,163)	(1,396,777)	(962,613)	(2,797,553)	(3,096,923)
Payments to employees	(2,848,555)	(878,575)	(370,891)	(4,098,021)	(3,754,764)
Miscellaneous revenue	-	1,991	201,857	203,848	209,437
Net cash flows - operating activities	<u>(323,192)</u>	<u>(31,787)</u>	<u>348,689</u>	<u>(6,290)</u>	<u>(1,058,096)</u>
<b>Cash flows - noncapital financing activities:</b>					
Advances to/from other funds	-	31,787	(245,061)	(213,274)	848,797
Intergovernmental revenue	52,230	-	-	52,230	-
Transfers from other funds	1,767	-	-	1,767	-
Net Cash flows - noncapital financing activities:	<u>53,997</u>	<u>31,787</u>	<u>(245,061)</u>	<u>(159,277)</u>	<u>848,797</u>
<b>Cash flows - capital and related financing activities:</b>					
Acquisition of capital assets	-	-	-	-	(10,296)
Net cash flows - capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,296)</u>
<b>Cash flows - investing activities:</b>					
Interest and dividends received	19,508	-	2,785	22,293	(49,169)
<b>Net change in cash and cash equivalents</b>	<u>(249,687)</u>	<u>-</u>	<u>106,413</u>	<u>(143,274)</u>	<u>(268,764)</u>
<b>Cash and cash equivalents</b>					
January 1	451,160	-	-	451,160	719,924
December 31	<u>\$201,473</u>	<u>\$ -</u>	<u>\$106,413</u>	<u>\$307,886</u>	<u>\$451,160</u>
<b>Reconciliation of operating income (loss) to net cash flows - operating activities:</b>					
Operating income (loss)	(\$487,836)	(\$75,802)	\$97,897	(\$465,741)	(\$1,090,055)
Adjustments to reconcile operating income (loss) to income (loss) to net cash flows - operating activities					
Depreciation expense	-	37,095	1,227	38,322	41,167
Miscellaneous	-	1,991	201,857	203,848	210,550
Pension expense	-	18,945	3,121	22,066	75,924
OPEB expense	-	6,950	3,318	10,268	(7,202)
Changes in assets and liabilities:					
Decrease (increase) in accounts receivables	3,044	(1,556)	-	1,488	95,304
Decrease (increase) in due from other governments	(43,457)	-	-	(43,457)	(8,773)
Decrease (increase) in inventories	-	(46,733)	-	(46,733)	(25,614)
Decrease (increase) in prepaid items	183,761	383	(7,255)	176,889	(294,959)
Increase (decrease) in accounts payable	18,748	37,037	40,989	96,774	4,744
Increase (decrease) in salaries payable	-	(3,787)	754	(3,033)	1,276
Increase (decrease) in due to other governments	2,548	(899)	-	1,649	(66,459)
Increase (decrease) in compensated absences payable	-	(5,411)	6,781	1,370	6,001
Total adjustments	<u>164,644</u>	<u>44,015</u>	<u>250,792</u>	<u>459,451</u>	<u>31,959</u>
Net cash flows - operating activities	<u>(\$323,192)</u>	<u>(\$31,787)</u>	<u>\$348,689</u>	<u>(\$6,290)</u>	<u>(\$1,058,096)</u>
<b>Noncash investing, capital and financing activities:</b>					
Financing activities:					
Capital asset contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF COTTAGE GROVE**  
**COMBINING BALANCE SHEET**  
**ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT**  
December 31, 2023  
With Comparative Totals For December 31, 2022

**Statement 36**

	Economic Development Authority (285)	Totals Economic Development Authority Component Unit	
		2023	2022
<b>Assets:</b>			
Cash and investments	\$ -	\$ -	\$4,672
Accounts receivable	2,219	2,219	17,041
Prepaid items	-	-	6,410
Taxes receivable - delinquent	800	800	844
Loan receivable	-	-	14,758
Property held for resale	129,300	129,300	129,300
<b>Total assets</b>	<b>\$132,319</b>	<b>\$132,319</b>	<b>\$173,025</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$39,892	\$39,892	\$6,744
Salaries and benefits payable	9,883	9,883	9,070
Due to other governments	75,159	75,159	84,076
Deposits payable	-	-	518,590
Due to primary government	607,260	607,260	-
<b>Total liabilities</b>	<b>732,194</b>	<b>732,194</b>	<b>618,480</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenue - property taxes	800	800	844
<b>Total deferred inflows of resources</b>	<b>800</b>	<b>800</b>	<b>844</b>
<b>Fund balances:</b>			
Nonspendable	-	-	6,410
Unassigned	(600,675)	(600,675)	(452,709)
<b>Total fund balances</b>	<b>(600,675)</b>	<b>(600,675)</b>	<b>(446,299)</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$132,319</b>	<b>\$132,319</b>	<b>\$173,025</b>
Fund balance reported above		(\$600,675)	
Other long-term assets, including property taxes receivable, are not available to pay for current-period expenditures, and therefore, are deferred in the governmental funds.		800	
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.			
Deferred inflows of resources related to pensions		(34,954)	
Deferred outflows of resources related to pensions		33,601	
Deferred inflows of resources related to OPEB		(1,146)	
Deferred outflows of resources related to OPEB		6,737	
Long-term liabilities, including bonds payable, compensated absences, net pension liability, and other post employment benefits, are not due and payable in the current period and therefore are not reported in the funds.		(138,342)	
<b>Net position of component unit</b>		<b>(\$733,979)</b>	

**CITY OF COTTAGE GROVE**

COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT  
 For The Year Ended December 31, 2023  
 With Comparative Totals For The Year Ended December 31, 2022

**Statement 37**

	Economic Development Authority (285)	Totals	
		2023	2022
<b>Revenues:</b>			
General property taxes	\$124,999	\$124,999	\$124,823
Intergovernmental	312,500	312,500	178,590
Charges for services	-	-	6,290
Investment income	35	35	-
Interest on loan to primary government	43	43	307
Miscellaneous	12,024	12,024	101,931
<b>Total revenues</b>	<b>449,601</b>	<b>449,601</b>	<b>411,941</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>General government:</b>			
Personal services	205,511	205,511	215,886
Commodities	3,728	3,728	4,457
Contractual services	394,738	394,738	274,186
<b>Total expenditures</b>	<b>603,977</b>	<b>603,977</b>	<b>494,529</b>
Excess of revenues over (under) expenditures	(154,376)	(154,376)	(82,588)
<b>Fund balances:</b>			
Beginning of year	(446,299)	(446,299)	(363,711)
End of year	(\$600,675)	(\$600,675)	(\$446,299)
Net increase (decrease) in fund balance reported above		(\$154,376)	
Revenues in the statement of activities (statement 2) that do not report current financial resources are not reported as revenues in the funds			
General property taxes unavailable revenue:			
At December 31, 2022		(844)	
At December 31, 2023		800	
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the statement of activities (statement 2) factors in items related to pensions on a full accrual perspective.			
		6,922	
Governmental funds recognize OPEB activity as expenditures at the time of payment whereas the statement of activities (statement 2) factors in items related to pensions on a full accrual perspective.			
		(156)	
Some expenses reported in the statement of activities (statement 2) do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:			
Compensated absences:			
At December 31, 2022		18,649	
At December 31, 2023		(20,085)	
Change in net position of component unit		(\$149,090)	

## **SUPPLEMENTARY FINANCIAL INFORMATION**





**CITY OF COTTAGE GROVE**  
**COMBINING SCHEDULE OF BONDED INDEBTEDNESS**  
For The Year Ended December 31, 2023

**Schedule 1**

	<u>Interest Rate</u>	<u>Dated</u>	<u>Final Payment</u>	<u>Authorized and Issued</u>	<u>Retired</u>	<u>Outstanding</u>	<u>Principal due in 2024</u>	<u>Interest due in 2024</u>
<b>Primary Government</b>								
<b>General Obligation Bonds</b>								
\$1,405,000 Tax Increment Bonds of 2004A	3.00%-4.65%	7/1/2004	2/1/2024	\$1,405,000	\$1,115,000	\$290,000	\$290,000	\$6,743
\$4,660,000 G.O. Refunding Bonds of 2016A	2.00%-3.00%	1/28/2016	2/1/2027	4,660,000	3,155,000	1,505,000	365,000	28,275
\$9,155,000 G.O. CIP Bonds of 2017A	2.5%-3.25%	5/11/2049	2/1/2038	9,155,000	1,830,000	7,325,000	400,000	204,875
\$4,090,000 G.O. CIP Bonds of 2019A	3.00%-4.00%	2/14/2019	2/1/2040	4,090,000	450,000	3,640,000	160,000	117,184
Total General Obligation Bonds				<u>19,310,000</u>	<u>6,550,000</u>	<u>12,760,000</u>	<u>1,215,000</u>	<u>357,077</u>
<b>Equipment Certificate</b>								
\$2,845,000 Equipment Certificate of 2019B	3.00%	2/14/2019	2/1/2029	2,845,000	1,040,000	1,805,000	280,000	49,950
<b>Special Assessment Debt</b>								
Improvement Bonds of 2015A	2.50%-3.00%	5/27/2015	2/1/2031	5,700,000	2,510,000	3,190,000	380,000	81,935
Improvement Bonds of 2016B	2.00%-2.10%	11/16/2016	2/1/2033	4,275,000	1,535,000	2,740,000	285,000	52,370
Improvement Bonds of 2018A	3.00%	6/26/2018	2/1/2035	7,620,000	1,265,000	6,355,000	450,000	183,900
Improvement Bonds of 2021A	1.20%-2.00%	6/10/2021	2/1/2037	3,955,000	230,000	3,725,000	235,000	61,373
Improvement Refunding Bond of 2021B	1.05%-2.00%	12/9/2021	2/1/2029	3,840,000	510,000	3,330,000	530,000	50,665
Total Special Assessment Debt with Governmental Commitment				<u>25,390,000</u>	<u>6,050,000</u>	<u>19,340,000</u>	<u>1,880,000</u>	<u>430,243</u>
<b>Tax Abatement Bonds</b>								
G.O. Tax Abatement Bonds of 2023A	4.00%	5/9/2023	2/1/20244	7,815,000	-	7,815,000	-	379,340
Total Bonded Indebtedness - Primary Government				<u>55,360,000</u>	<u>13,640,000</u>	<u>41,720,000</u>	<u>3,375,000</u>	<u>1,216,610</u>
Total Bonded Indebtedness - Reporting Entity				<u>\$55,360,000</u>	<u>\$13,640,000</u>	<u>\$41,720,000</u>	<u>\$3,375,000</u>	<u>\$1,216,610</u>

**CITY OF COTTAGE GROVE**  
**DEBT SERVICE PAYMENTS TO MATURITY**  
For The Year Ended December 31, 2023

	\$1,405,000	\$4,660,000	\$9,155,000	\$4,090,000	\$2,845,000
	Tax Increment Bonds of 2004A	G.O. Refunding Bonds of 2016A	G.O. CIP Bonds of 2017A	G.O. CIP Bonds of 2017A	Equipment Certificate of 2019B
Bonds payable	\$290,000	\$1,505,000	\$7,325,000	\$3,640,000	\$1,805,000
Future interest payable	6,743	62,675	1,724,073	1,087,686	167,325
<b>Totals</b>	<b>\$296,743</b>	<b>\$1,567,675</b>	<b>\$9,049,073</b>	<b>\$4,727,686</b>	<b>\$1,972,325</b>
Payments to maturity					
2024	\$296,743	\$393,275	\$604,875	\$277,184	\$329,950
2025	-	394,050	602,725	280,584	326,475
2026	-	391,500	605,200	278,684	327,775
2027	-	388,850	603,387	276,584	328,775
2028	-	-	607,325	280,134	329,475
2029	-	-	605,950	279,359	329,875
2030	-	-	603,738	278,434	-
2031	-	-	605,607	277,359	-
2032	-	-	602,130	276,133	-
2033	-	-	602,675	279,684	-
2034	-	-	602,151	278,009	-
2035	-	-	601,175	276,040	-
2036	-	-	599,750	278,486	-
2037	-	-	602,798	275,484	-
2038	-	-	599,587	277,234	-
2039	-	-	-	278,653	-
2040	-	-	-	279,641	-
2041	-	-	-	-	-
2042	-	-	-	-	-
2043	-	-	-	-	-
2044	-	-	-	-	-
<b>Totals</b>	<b>\$296,743</b>	<b>\$1,567,675</b>	<b>\$9,049,073</b>	<b>\$4,727,686</b>	<b>\$1,972,325</b>

Primary Government						
General Obligation Bonds						
\$5,700,000 Improvement Bonds of 2015A	\$4,275,000 Improvement Bonds of 2016B	\$7,620,000 Improvement Bonds of 2018A	\$3,955,000 Improvement Bonds of 2021A	\$3,840,000 Improvement Refunding Bonds of 2021B	\$7,815,000 Improvement & Tax Abatement Bonds of 2023A	Total General Obligation Bonds
\$3,190,000	\$2,740,000	\$6,355,000	\$3,725,000	\$3,330,000	\$7,815,000	\$41,720,000
349,821	264,790	1,210,275	434,543	150,222	3,455,488	8,913,641
<u>\$3,539,821</u>	<u>\$3,004,790</u>	<u>\$7,565,275</u>	<u>\$4,159,543</u>	<u>\$3,480,222</u>	<u>\$11,270,488</u>	<u>\$50,633,641</u>
\$461,936	\$337,370	\$633,900	\$296,372	\$580,665	\$224,858	\$4,437,128
460,385	331,670	630,250	296,622	579,965	643,965	4,546,691
459,535	325,970	631,225	296,772	579,065	640,565	4,536,291
449,535	325,220	631,750	296,822	577,965	636,765	4,515,653
443,966	319,420	631,825	296,773	579,372	632,565	4,120,855
442,691	313,620	631,450	296,622	583,190	627,965	4,110,722
431,383	312,770	630,625	296,373	-	622,965	3,176,288
390,390	311,820	629,350	297,102	-	622,565	3,134,193
-	305,670	627,625	298,695	-	616,565	2,726,818
-	121,260	630,375	299,948	-	615,165	2,549,107
-	-	627,600	295,958	-	613,165	2,416,883
-	-	629,300	296,790	-	605,565	2,408,870
-	-	-	297,260	-	602,565	1,778,061
-	-	-	297,434	-	598,965	1,774,681
-	-	-	-	-	591,685	1,468,506
-	-	-	-	-	588,800	867,453
-	-	-	-	-	358,600	638,241
-	-	-	-	-	356,800	356,800
-	-	-	-	-	354,600	354,600
-	-	-	-	-	357,000	357,000
-	-	-	-	-	358,800	358,800
<u>\$3,539,821</u>	<u>\$3,004,790</u>	<u>\$7,565,275</u>	<u>\$4,159,543</u>	<u>\$3,480,222</u>	<u>\$11,270,488</u>	<u>\$50,633,641</u>

Year of Tax Levy/Collection	Tax Abatement	Special Assessment Bonds						Total Special Assessment Bonds
	\$7,815,000 Bonds of 2023A	\$1,865,000 Bonds of 2012A	\$3,840,000 Refunding Bonds of 2021B	\$5,700,000 Bonds of 2015A	\$4,275,000 Bonds of 2016B	\$7,620,000 Bonds of 2018A	\$3,955,000 Bonds of 2021A	
2023/24	\$ -	\$85,326	\$516,240	\$320,440	\$196,736	\$381,971	\$251,857	1,752,570
2024/25	375,949	87,489	515,400	323,712	194,545	383,231	252,067	1,756,444
2025/26	371,198	42,424	514,350	318,269	197,604	384,019	252,172	1,708,838
2026/27	361,027	-	513,090	318,076	195,308	384,334	252,171	1,662,979
2027/28	355,435	-	517,305	321,939	193,013	384,176	252,066	1,668,499
2028/29	349,424	-	-	315,014	195,967	383,546	251,857	1,146,384
2029/30	337,993	-	-	328,911	198,816	382,444	251,542	1,161,713
2030/31	331,391	-	-	-	196,310	380,868	253,390	830,568
2031/32	323,910	-	-	-	70,082	384,071	254,886	709,039
2032/33	316,259	-	-	-	-	381,393	250,770	632,163
2033/34	307,978	-	-	-	-	383,493	251,757	635,250
2034/35	293,816	-	-	-	-	-	252,518	252,518
2035/36	284,485	-	-	-	-	-	252,744	252,744
2036/37	274,524	-	-	-	-	-	-	-
2037/38	265,699	-	-	-	-	-	-	-
2038/39	256,488	-	-	-	-	-	-	-
2039/40	81,530	-	-	-	-	-	-	-
2040/41	69,640	-	-	-	-	-	-	-
2041/42	57,330	-	-	-	-	-	-	-
2042/43	44,850	-	-	-	-	-	-	-
2043/44	31,740	-	-	-	-	-	-	-
	<u>\$5,090,666</u>	<u>\$215,239</u>	<u>\$2,576,385</u>	<u>\$2,246,361</u>	<u>\$1,638,381</u>	<u>\$4,213,546</u>	<u>\$3,279,797</u>	<u>\$14,169,709</u>

**CITY OF COTTAGE GROVE**  
**SUBCOMBINING BALANCE SHEET**  
**PAVEMENT MANAGEMENT DEBT SERVICE SCHEDULE**  
December 31, 2023  
With Comparative Totals For December 31, 2022

**Schedule 4**

	G.O. Improvement Bonds 2015A (492)	G.O. Improvement Bonds 2016B (493)	2021B G.O. Improvement Refunding Bond (340)	Totals	
				Pavement Management Debt Service Schedule	
				2023	2022
<b>Assets:</b>					
Cash and investments	\$559,324	\$183,376	\$54,057	\$796,757	\$825,065
Taxes receivable - delinquent	1,571	1,113	1,724	4,408	4,059
Special assessments receivable					
Deferred	452,712	566,273	393,704	1,412,689	1,671,120
Delinquent	637	237	553	1,427	1,647
Special deferred	6,315	7,709	763	14,787	21,854
<b>Total assets</b>	<b>\$1,020,559</b>	<b>\$758,708</b>	<b>\$450,801</b>	<b>\$2,230,068</b>	<b>\$2,523,745</b>
<b>Deferred Inflows of Resources and Fund Balances</b>					
<b>Deferred inflows of resources:</b>					
Unavailable revenue - property taxes	1,571	1,113	1,724	4,408	4,059
Unavailable revenue - special assessments	459,664	574,219	395,021	1,428,904	1,694,621
<b>Total deferred inflows of resources</b>	<b>461,235</b>	<b>575,332</b>	<b>396,745</b>	<b>1,433,312</b>	<b>1,698,680</b>
<b>Fund balances:</b>					
Restricted	559,324	183,376	54,056	796,756	825,065
<b>Total fund balances</b>	<b>559,324</b>	<b>183,376</b>	<b>54,056</b>	<b>796,756</b>	<b>825,065</b>
<b>Total deferred inflows of resources and fund balances</b>	<b>\$1,020,559</b>	<b>\$758,708</b>	<b>\$450,801</b>	<b>\$2,230,068</b>	<b>\$2,523,745</b>

**CITY OF COTTAGE GROVE**  
**SCHEDULE OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**PAVEMENT MANAGEMENT DEBT SERVICE SCHEDULE**  
For The Year Ended December 31, 2023  
With Comparative Totals For The Year Ended December 31, 2022

**Schedule 5**

	G.O. Improvement Bonds 2015A (492)	G.O. Improvement Bonds 2016B (493)	2021B G.O. Improvement Refunding Bond (340)	Totals	
				Pavement Management Debt Service Schedule 2023	2022
<b>Revenues:</b>					
General property taxes	\$299,551	\$199,784	\$264,480	\$763,815	\$648,800
Special assessments	107,699	114,368	104,782	326,849	387,958
Investment income	19,776	4,134	148	24,058	(46,331)
Total revenues	<u>427,026</u>	<u>318,286</u>	<u>369,410</u>	<u>1,114,722</u>	<u>990,427</u>
<b>Expenditures:</b>					
Current:					
General government	1,688	1,456	1,467	4,611	7,544
Debt service:					
Principal	380,000	285,000	510,000	1,175,000	1,135,000
Interest and other charges	93,810	58,545	61,065	213,420	281,628
Total expenditures	<u>475,498</u>	<u>345,001</u>	<u>572,532</u>	<u>1,393,031</u>	<u>1,424,172</u>
Excess of revenues over (under) expenditures	(48,472)	(26,715)	(203,122)	(278,309)	(433,745)
<b>Other financing sources:</b>					
Payments to refunded bond escrow agent	-	-	-	-	(3,875,000)
Transfers in	-	-	250,000	250,000	82,363
Total other financing sources	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>(3,792,637)</u>
Net change in fund balances	(48,472)	(26,715)	46,878	(28,309)	(4,226,382)
<b>Fund balances:</b>					
Beginning of year	<u>607,796</u>	<u>210,091</u>	<u>7,178</u>	<u>825,065</u>	<u>5,051,447</u>
End of year	<u>\$559,324</u>	<u>\$183,376</u>	<u>\$54,056</u>	<u>\$796,756</u>	<u>\$825,065</u>

CITY OF COTTAGE GROVE  
 SUBCOMBINING BALANCE SHEET  
 TAX INCREMENT CONSTRUCTION REVOLVING SCHEDULE  
 December 31, 2023  
 With Comparative Totals For December 31, 2022

Schedule 6

	TIF 1-8 (533)	TIF 1-12 (532,534)	TIF 1-15 (529)	TIF 1-16 (528)	TIF 1-17 Dominionium (540)	TIF 1-18 (542)	TIF 1-20 Northpoint (535)	Totals	
								Tax Increment Construction Revolving Fund	
								2023	2022
Assets:									
Cash and investments	\$386,092	\$2,551,789	\$110,499	\$1,945	\$142,212	\$3,028	\$24,858	\$3,220,423	\$2,509,491
Liabilities and Fund Balances									
Liabilities:									
Accounts payable	-	-	-	-	-	802	-	802	-
Interfund loan payable	-	-	144,750	110,787	-	9,976	42,500	308,013	460,403
Total liabilities	-	-	144,750	110,787	-	10,778	42,500	308,815	460,403
Fund balances:									
Restricted	386,092	2,551,789	-	-	142,212	-	-	3,080,093	2,049,088
Unassigned	-	-	(34,251)	(108,842)	-	(7,750)	(17,642)	(168,485)	-
Total fund balances	386,092	2,551,789	(34,251)	(108,842)	142,212	(7,750)	(17,642)	2,911,608	2,049,088
Total liabilities and fund balances	\$386,092	\$2,551,789	\$110,499	\$1,945	\$142,212	\$3,028	\$24,858	\$3,220,423	\$2,509,491



**CITY OF COTTAGE GROVE**  
**SCHEDULE OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TAX INCREMENT CONSTRUCTION REVOLVING SCHEDULE**  
**For The Year Ended December 31, 2023**  
**With Comparative Totals For The Year Ended December 31, 2022**

Schedule 7

	TIF 1-8 (533)	TIF 1-12 (532,534)	TIF 1-15 (529)	TIF 1-16 (528)	TIF 1-17 Dominium (540)	TIF 1-18 (542)	TIF 1-20 Northpoint (535)	Totals	
								Tax Increment Construction Revolving Fund	
								2023	2022
<b>Revenues:</b>									
Tax increment collections	\$ -	\$781,196	\$129,706	\$39,942	\$183,824	\$26,278	\$8,725	\$1,169,671	\$1,046,540
Miscellaneous:									
Investment income	5,894	111,475	5,890	886	4,888	82	1,453	130,568	(88,218)
Total revenues	<u>5,894</u>	<u>892,671</u>	<u>135,596</u>	<u>40,828</u>	<u>188,712</u>	<u>26,360</u>	<u>10,178</u>	<u>1,300,239</u>	<u>958,322</u>
<b>Expenditures:</b>									
Current:									
Economic development	1,079	260,469	1,248	1,199	134,278	23,353	1,780	423,406	358,273
Debt service:									
Interest and other charges	-	-	6,743	4,374	807	389	2,000	14,313	15,752
Total expenditures	<u>1,079</u>	<u>260,469</u>	<u>7,991</u>	<u>5,573</u>	<u>135,085</u>	<u>23,742</u>	<u>3,780</u>	<u>437,719</u>	<u>374,025</u>
Net change in fund balances	4,815	632,202	127,605	35,255	53,627	2,618	6,398	862,520	584,297
<b>Fund balances:</b>									
Beginning of year	<u>381,277</u>	<u>1,919,587</u>	<u>(161,856)</u>	<u>(144,097)</u>	<u>88,585</u>	<u>(10,368)</u>	<u>(24,040)</u>	<u>2,049,088</u>	<u>1,464,791</u>
End of year	<u>\$386,092</u>	<u>\$2,551,789</u>	<u>(\$34,251)</u>	<u>(\$108,842)</u>	<u>\$142,212</u>	<u>(\$7,750)</u>	<u>(\$17,642)</u>	<u>\$2,911,608</u>	<u>\$2,049,088</u>

**CITY OF COTTAGE GROVE**  
**SUBCOMBINING BALANCE SHEET**  
**TIF DEBT SERVICE REVOLVING SCHEDULE**  
December 31, 2023  
With Comparative Totals For December 31, 2022

**Schedule 8**

	2004A Taxable Tax Increment Refunding Bonds TIF 1-19 (320)	2014A Exempt Increment Bonds TIF 1-12 (338)	2014A Taxable Tax Increment Refunding Bonds TIF 1-12 (341)	Totals TIF Debt Service Revolving Schedule	
				2023	2022
<b>Assets:</b>					
Cash and investments	\$526,422	\$297,620	\$37,884	\$861,926	\$627,107
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$331	\$ -	\$ -	\$331	\$ -
Interfund loan payable	18,032	-	-	18,032	22,032
Total liabilities	18,363	0	0	18,363	22,032
<b>Fund balances:</b>					
Restricted	508,059	297,620	37,884	843,563	605,075
Total fund balances	508,059	297,620	37,884	843,563	605,075
Total liabilities and fund balances	\$526,422	\$297,620	\$37,884	\$861,926	\$627,107

**CITY OF COTTAGE GROVE**  
**SCHEDULE OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TIF DEBT SERVICE REVOLVING SCHEDULE**  
**For The Year Ended December 31, 2023**  
**With Comparative Totals For The Year Ended December 31, 2022**

**Schedule 9**

	2004A Taxable Tax Increment Refunding Bonds TIF 1-19 (320)	2014A Exempt Increment Bonds TIF 1-12 (338)	2014A Taxable Tax Increment Refunding Bonds TIF 1-12 (341)	Totals	
				TIF Debt Service Revolving Schedule	
				2023	2022
Revenues:					
Tax increment collections	\$226,895	\$288,000	\$ -	\$514,895	\$704,259
Miscellaneous:					
Investment income	16,936	2,742	1,841	21,519	(6,432)
Total revenues	<u>243,831</u>	<u>290,742</u>	<u>1,841</u>	<u>536,414</u>	<u>697,827</u>
Expenditures:					
Current:					
Economic development	1,555	425	-	1,980	1,957
Debt service:					
Principal retirement	-	275,000	-	275,000	255,000
Interest and other charges	661	20,285	-	20,946	33,128
Total expenditures	<u>2,216</u>	<u>295,710</u>	<u>-</u>	<u>297,926</u>	<u>290,085</u>
Net change in fund balances	241,615	(4,968)	1,841	238,488	407,742
Fund balances:					
Beginning of year	<u>266,444</u>	<u>302,588</u>	<u>36,043</u>	<u>605,075</u>	<u>197,333</u>
End of year	<u>\$508,059</u>	<u>\$297,620</u>	<u>\$37,884</u>	<u>\$843,563</u>	<u>\$605,075</u>

### **III. STATISTICAL SECTION (UNAUDITED)**



**STATISTICAL SECTION**  
(Unaudited)

This part of the City's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Contents	Tables
<b>Financial Trends</b> <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	1 - 4
<b>Revenue Capacity</b> <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	5 - 8
<b>Debt Capacity</b> <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	9 - 12
<b>Demographic and Economic Information</b> <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	13 - 14
<b>Operating Information</b> <i>These schedules present information to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	15 - 17

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF COTTAGE GROVE**  
**NET POSITION BY COMPONENT**  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
<b>Governmental activities:</b>				
Net investment in capital assets	\$127,260,042	\$125,562,970	\$132,834,867	\$140,298,832
Restricted	6,971,432	8,766,706	7,609,138	2,855,507
Unrestricted	28,277,397	24,285,174	19,091,443	24,845,782
Total governmental activities net position	<u>\$162,508,871</u>	<u>\$158,614,850</u>	<u>\$159,535,448</u>	<u>\$168,000,121</u>
<b>Business-type activities:</b>				
Net investment in capital assets	\$54,432,059	\$54,202,710	\$54,063,470	\$56,060,163
Restricted	-	-	-	-
Unrestricted	15,896,363	13,980,970	13,628,016	11,528,841
Total business-type activities net position	<u>\$70,328,422</u>	<u>\$68,183,680</u>	<u>\$67,691,486</u>	<u>\$67,589,004</u>
<b>Primary government:</b>				
Net invested in capital assets	\$181,692,101	\$179,765,680	\$186,898,337	\$196,358,995
Restricted for:	6,971,432	8,766,706	7,609,138	2,855,507
Unrestricted	44,173,760	38,266,144	32,719,459	36,374,623
Total primary government net position	<u>\$232,837,293</u>	<u>\$226,798,530</u>	<u>\$227,226,934</u>	<u>\$235,589,125</u>

Note: GASB 65 was implemented in 2013. Net position was restated for 2012 to reflect the expensing of bond issuance costs in the year of issuance.  
 Net position for years prior to 2012 was not restated.

Note: GASB 68 was implemented in 2015. Net position was restated for 2014 to reflect the reporting of net pension liability and pension related deferred outflows of resources. Net position for years prior to 2014 was not restated.

Note: The City closed the Stormwater Improvement Capital Project Fund during 2015 and transferred the majority of the net position to the Stormwater Utility Fund.

Table 1

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$152,256,234	\$173,846,256	\$198,383,059	\$204,395,412	\$230,431,271	\$256,950,114
6,177,599	5,199,682	7,959,917	8,691,283	6,398,608	14,057,356
21,252,792	24,697,514	25,127,751	30,394,564	31,795,908	22,245,673
<u>\$179,686,625</u>	<u>\$203,743,452</u>	<u>\$231,470,727</u>	<u>\$243,481,259</u>	<u>\$268,625,787</u>	<u>\$293,253,143</u>
\$63,822,257	\$70,373,534	\$75,408,885	\$87,203,382	\$104,180,227	\$124,845,135
-	-	-	-	-	-
11,707,720	12,742,735	13,696,597	15,530,934	14,543,822	14,060,628
<u>\$75,529,977</u>	<u>\$83,116,269</u>	<u>\$89,105,482</u>	<u>\$102,734,316</u>	<u>\$118,724,049</u>	<u>\$138,905,763</u>
\$216,078,491	\$244,219,790	\$273,791,944	\$291,598,794	\$334,611,498	\$381,795,249
6,177,599	5,199,682	7,959,917	8,691,283	6,398,608	14,057,356
32,960,512	37,440,249	38,824,348	45,925,498	46,339,730	36,306,301
<u>\$255,216,602</u>	<u>\$286,859,721</u>	<u>\$320,576,209</u>	<u>\$346,215,575</u>	<u>\$387,349,836</u>	<u>\$432,158,906</u>



**CITY OF COTTAGE GROVE**  
**CHANGES IN NET POSITION**  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
<b>Expenses</b>				
Governmental activities:				
General government	\$2,229,518	\$2,346,805	\$3,450,479	\$2,398,669
Community development	946,001	1,086,197	1,173,071	1,527,549
Economic development	545,646	1,460,114	2,257,548	740,668
Public safety	7,212,998	7,662,393	10,153,726	9,308,430
Public works	7,599,182	7,426,045	9,623,335	8,413,073
Culture and recreation	5,119,093	5,153,844	5,340,558	5,137,951
Interest on long-term debt	808,642	1,029,228	875,642	962,772
Total governmental activities expenses	<u>24,461,080</u>	<u>26,164,626</u>	<u>32,874,359</u>	<u>28,489,112</u>
Business-type activities:				
Street lights	867,690	746,794	746,005	882,660
Cottage Grove EMS	1,412,855	1,507,766	1,688,041	1,571,044
Water operating	2,216,819	2,438,166	2,370,466	2,789,792
Sewer operating	2,428,944	2,448,283	2,727,188	2,879,119
Total business-type activities expenses	<u>6,926,308</u>	<u>7,141,009</u>	<u>7,531,700</u>	<u>8,122,615</u>
Total primary government expenses	<u>\$31,387,388</u>	<u>\$33,305,635</u>	<u>\$40,406,059</u>	<u>\$36,611,727</u>
<b>Program revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$138,768	\$117,636	\$665,193	\$108,808
Community development	989,140	1,527,836	1,660,365	2,240,628
Economic development	1,771	3,467	5,210	210
Public safety	325,368	394,574	431,862	363,782
Public works	1,010,695	971,599	975,532	1,099,690
Culture and recreation	2,448,968	3,091,072	2,725,288	2,682,090
Operating grants and contributions	1,545,268	1,237,805	1,676,805	1,408,099
Capital grants and contributions	9,401,775	5,861,631	10,284,047	13,805,696
Total governmental activities program revenues	<u>15,861,753</u>	<u>13,205,620</u>	<u>18,424,302</u>	<u>21,709,003</u>
Business-type activities:				
Charges for services:				
Street lights	658,810	549,005	530,905	685,560
Cottage Grove EMS	1,626,320	1,431,007	1,766,236	1,510,101
Water operating	1,868,942	1,840,088	1,817,862	1,664,292
Sewer operating	2,151,756	2,310,624	2,291,038	2,294,714
Operating grants and contributions	-	-	-	-
Capital grants and contributions	1,783,762	361,762	196,671	441,738
Total business-type activities program revenues	<u>8,089,590</u>	<u>6,492,486</u>	<u>6,602,712</u>	<u>6,596,405</u>
Total primary government program revenues	<u>\$23,951,343</u>	<u>\$19,698,106</u>	<u>\$25,027,014</u>	<u>\$28,305,408</u>

**Table 2**  
**Page 1 of 2**

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$2,573,693	\$2,704,159	\$5,621,197	\$2,936,133	\$3,500,705	\$3,300,129
1,626,960	1,524,566	1,750,768	2,305,822	2,676,975	2,526,101
275,927	492,107	583,767	823,036	864,161	16,938,793
9,353,309	9,272,317	6,947,733	11,098,534	13,853,217	742,227
8,559,929	10,062,896	13,650,476	15,567,240	10,788,045	12,979,642
5,035,903	5,566,175	5,638,642	6,365,540	9,447,768	8,927,799
1,037,986	1,286,632	1,141,147	1,236,037	931,466	1,077,579
<u>28,463,707</u>	<u>30,908,852</u>	<u>35,333,730</u>	<u>40,332,342</u>	<u>42,062,337</u>	<u>46,492,270</u>
991,041	1,073,480	1,152,326	1,262,557	1,099,054	1,157,388
1,605,779	1,750,771	1,843,840	2,091,317	2,302,408	2,425,138
2,980,080	2,904,174	3,039,639	3,428,669	4,053,526	5,692,361
2,881,446	3,139,150	3,463,493	3,532,908	4,159,063	4,342,927
<u>8,458,346</u>	<u>8,867,575</u>	<u>9,499,298</u>	<u>10,315,451</u>	<u>11,614,051</u>	<u>13,617,814</u>
<u>\$36,922,053</u>	<u>\$39,776,427</u>	<u>\$44,833,028</u>	<u>\$50,647,793</u>	<u>\$53,676,388</u>	<u>\$60,110,084</u>
\$319,999	\$196,283	\$193,964	\$54,220	\$89,818	\$179,473
1,758,096	2,424,030	2,648,715	3,439,162	4,316,442	2,579,463
210	572,983	400,210	210	1,694,792	1,214,663
360,609	409,463	764,732	1,689,365	1,391,825	630,563
3,932,082	3,106,452	1,095,238	2,304,418	1,854,776	2,132,108
3,376,799	3,094,394	2,578,312	3,798,744	4,253,613	5,344,059
3,710,686	2,231,407	17,726,027	4,648,424	2,278,343	3,680,506
13,899,381	29,783,591	20,144,097	23,828,108	37,949,025	44,115,417
<u>27,357,862</u>	<u>41,818,603</u>	<u>45,551,295</u>	<u>39,762,651</u>	<u>53,828,634</u>	<u>59,876,252</u>
821,512	825,587	962,958	1,115,511	1,038,210	1,058,036
2,006,555	2,066,733	1,772,704	2,524,990	1,378,154	2,191,586
2,144,652	2,537,654	3,002,920	3,648,447	3,624,478	4,174,060
2,685,608	3,064,703	3,190,196	3,352,994	3,663,853	3,574,316
2,350	23,409	101,196	147,694	41,788	67,605
4,488,437	2,700,615	3,842,839	6,359,047	12,272,831	7,446,103
<u>12,149,114</u>	<u>11,218,701</u>	<u>12,872,813</u>	<u>17,148,683</u>	<u>22,019,314</u>	<u>18,511,706</u>
<u>\$39,506,976</u>	<u>\$53,037,304</u>	<u>\$58,424,108</u>	<u>\$56,911,334</u>	<u>\$75,847,948</u>	<u>\$78,387,958</u>

**CITY OF COTTAGE GROVE**  
**CHANGES IN NET POSITION**  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
<b>Net (expense) revenue:</b>				
Governmental activities	(\$8,599,327)	(\$12,959,006)	(\$14,450,057)	(\$6,780,109)
Business-type activities	1,163,282	(648,523)	(928,988)	(1,526,210)
Total primary government net (expense) revenue	<u>(7,436,045)</u>	<u>(13,607,529)</u>	<u>(15,379,045)</u>	<u>(8,306,319)</u>
<b>General revenues and other changes in net position:</b>				
Governmental activities:				
Taxes:				
Property taxes	\$12,616,267	\$13,394,585	\$13,956,582	\$14,483,061
Franchise taxes	542,689	526,643	516,931	560,492
Aggregate taxes	26,236	37,133	39,748	28,442
Lodging taxes	-	-	-	-
Tax increment collections	711,628	710,541	776,061	1,002,046
Grants and contributions not restricted to specific programs	83,682	99,137	126,058	126,670
Unrestricted investment earnings (loss)	551,910	357,170	285,494	330,903
Gain on sale of capital assets	43,904	(15,157)	-	-
Transfers	(720,742)	613,878	(330,219)	(1,286,832)
Total governmental activities	<u>13,855,574</u>	<u>15,723,930</u>	<u>15,370,655</u>	<u>15,244,782</u>
Business-type activities:				
Grants and contributions not restricted to specific programs	-	-	7,736	17,161
Unrestricted investment earnings (loss)	199,179	137,896	96,851	119,735
Gain on sale of capital assets	-	-	1,988	-
Transfers	720,742	(613,878)	330,219	1,286,832
Total business-type activities	<u>919,921</u>	<u>(475,982)</u>	<u>436,794</u>	<u>1,423,728</u>
Total primary government	<u>\$14,775,495</u>	<u>\$15,247,948</u>	<u>\$15,807,449</u>	<u>\$16,668,510</u>
<b>Change in net position:</b>				
Governmental activities	\$5,256,247	\$2,764,924	\$920,598	\$8,464,673
Business-type activities	2,083,203	(1,124,505)	(492,194)	(102,482)
Total primary government	<u>\$7,339,450</u>	<u>\$1,640,419</u>	<u>\$428,404</u>	<u>\$8,362,191</u>

<sup>(1)</sup> Community development is in General.

<sup>(2)</sup> In 2013, Golf Course was reclassified to a special revenue fund

Note: GASB 65 was implemented in 2013. Governmental activity expenses were restated for 2012 to reflect the expensing of bond issuance costs in the year of issuance. Expenses for years prior to 2012 were not restated.

Note: GASB 68 was implemented for 2015. Expenses for years prior to 2015 were not restated.

Fiscal Year					
2018	2019	2020	2021	2022	2023
(\$1,105,845)	\$10,909,751	\$10,217,565	(\$569,691)	\$11,766,297	\$13,383,982
3,690,768	2,351,126	3,373,515	6,833,232	10,405,263	4,893,892
2,584,923	13,260,877	13,591,080	6,263,541	22,171,560	18,277,874
\$15,171,020	\$15,608,602	\$16,881,359	\$17,494,963	\$18,804,948	\$20,590,413
567,875	583,715	596,537	615,326	642,584	860,203
20,791	22,250	22,699	23,467	33,044	38,775
-	-	-	-	-	71,647
769,475	1,085,358	1,321,659	1,427,233	1,750,799	1,684,566
-	113,435	181,316	83,568	229,638	72,738
519,675	982,812	582,781	(258,924)	(2,043,372)	2,567,079
71,631	49,186	34,579	31,111	29,658	9,025
(4,126,962)	(4,973,641)	(2,435,861)	(6,836,521)	(6,069,068)	(14,651,072)
12,993,505	13,471,717	17,185,069	12,580,223	13,378,231	11,243,374
-	-	-	-	-	-
152,466	261,525	179,837	(40,919)	(484,598)	636,750
-	-	-	-	-	-
4,126,962	4,973,641	2,435,861	6,836,521	6,069,068	14,651,072
4,279,428	5,235,166	2,615,698	6,795,602	5,584,470	15,287,822
\$17,272,933	\$18,706,883	\$19,800,767	\$19,375,825	\$18,962,701	\$26,531,196
\$11,887,660	\$24,381,468	\$27,402,634	\$12,010,532	\$25,144,528	\$24,627,356
7,970,196	7,586,292	5,989,213	13,628,834	15,989,733	20,181,714
\$19,857,856	\$31,967,760	\$33,391,847	\$25,639,366	\$41,134,261	\$44,809,070

**CITY OF COTTAGE GROVE**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
General Fund:				
Nonspendable:				
Prepaid items	\$18,019	\$15,383	\$11,222	\$8,750
Restricted	-	-	-	-
Assigned	1,380,698	1,408,357	1,393,200	1,589,169
Unassigned	8,113,424	8,829,697	9,036,425	9,233,073
Total general fund	<u>\$9,512,141</u>	<u>\$10,253,437</u>	<u>\$10,440,847</u>	<u>\$10,830,992</u>
All other governmental funds:				
Nonspendable:				
Prepaid items	\$8,529	\$7,343	\$5,723	\$2,827
Inventory	24,434	20,696	28,750	30,625
Restricted	4,478,812	4,857,365	3,200,692	3,306,203
Committed	329,841	394,204	731,090	947,486
Assigned	25,591,181	26,322,717	23,020,349	21,301,562
Unassigned	(10,958,389)	(9,122,473)	(10,240,496)	(5,511,868)
Total all other governmental funds	<u>\$19,474,408</u>	<u>\$22,479,852</u>	<u>\$16,746,108</u>	<u>\$20,076,835</u>
Total all funds	<u>\$28,986,549</u>	<u>\$32,733,289</u>	<u>\$27,186,955</u>	<u>\$30,907,827</u>

Table 3

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$47,532	\$33,719	\$27,042	\$43,228	\$25,906	\$7,816
-	-	-	-	-	1,733,127
1,383,065	1,432,671	1,768,606	1,676,895	592,019	1,094,500
9,814,949	10,224,988	10,479,728	11,384,256	12,696,178	12,581,127
<u>\$11,245,546</u>	<u>\$11,691,378</u>	<u>\$12,275,376</u>	<u>\$13,104,379</u>	<u>\$13,314,103</u>	<u>\$15,416,570</u>
\$10,889	\$14,933	\$33,818	\$7,743	\$6,090	\$14,970
30,297	25,601	28,265	84,153	105,873	83,758
3,515,300	3,876,020	4,969,881	9,649,776	6,811,004	8,699,259
1,383,402	1,736,590	2,136,969	2,531,015	2,155,025	2,722,525
19,445,494	19,583,736	21,455,576	25,923,365	21,582,225	20,718,857
(5,804,056)	(7,464,138)	(9,643,235)	(4,875,306)	(3,219,445)	(5,804,378)
<u>\$18,581,326</u>	<u>\$17,772,742</u>	<u>\$18,981,274</u>	<u>\$33,320,746</u>	<u>\$27,440,772</u>	<u>\$26,434,991</u>
<u>\$29,826,872</u>	<u>\$29,464,120</u>	<u>\$31,256,650</u>	<u>\$46,425,125</u>	<u>\$40,754,875</u>	<u>\$41,851,561</u>

**CITY OF COTTAGE GROVE**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
<b>Revenues:</b>				
General property taxes	\$12,687,917	\$13,465,987	\$13,957,128	\$14,649,224
Other taxes	1,292,229	1,274,317	1,332,740	1,402,475
Special assessments	1,326,017	1,499,796	2,004,196	2,715,466
Licenses and permits	904,400	1,305,442	1,323,680	1,922,934
Direct charges to developers	661,861	307,971	277,860	273,200
Intergovernmental	3,932,021	2,415,754	5,642,451	8,077,051
Charges for services	3,572,351	3,808,618	4,061,301	4,140,390
Rent	435,975	450,428	464,078	435,688
Lease related interest income	-	-	-	-
Fines and forfeits	171,317	228,642	236,260	184,942
Investment earnings (loss)	452,293	262,799	219,963	310,579
Interest on interfund loan	59,066	74,340	52,040	52,206
Connection charges	841,434	318,092	649,489	2,050,958
Park dedication fees	63,595	9,010	212,865	526,936
Miscellaneous	1,005,867	1,138,274	1,864,861	1,982,338
<b>Total revenues</b>	<b>27,406,343</b>	<b>26,559,470</b>	<b>32,298,912</b>	<b>38,724,387</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,025,709	2,155,327	3,143,136	2,200,031
Community development	919,126	1,058,537	1,117,760	1,304,601
Economic development	541,838	1,456,306	2,236,464	695,356
Public safety	6,484,552	6,751,804	7,447,058	7,798,262
Public works	4,306,068	4,344,837	4,133,659	3,900,347
Culture and recreation	4,169,469	4,154,992	4,438,628	4,303,051
Capital outlay	5,028,422	7,036,802	17,201,219	22,426,545
<b>Debt service:</b>				
Principal retirement	2,470,000	1,320,000	6,570,000	1,915,000
Capital lease payment	305,076	316,235	327,432	-
Interest and fiscal charges	882,508	912,107	1,023,721	900,240
<b>Total expenditures</b>	<b>27,132,768</b>	<b>29,506,947</b>	<b>47,639,077</b>	<b>45,443,433</b>
Excess revenues over (under) expenditures	273,575	(2,947,477)	(15,340,165)	(6,719,046)
<b>Other financing sources (uses):</b>				
Transfers in	1,840,995	3,049,657	1,648,258	7,111,644
Transfers out	(1,213,059)	(2,362,952)	(1,162,564)	(6,135,532)
Bonds issued	1,405,000	5,700,000	8,935,000	9,155,000
Proceeds from leases	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Premium on debt issued	18,461	254,245	357,684	289,321
Discount on debt issued	-	-	-	-
Proceeds from sale of capital assets	67,120	53,267	15,453	19,485
Subscription-based IT arrangements issued	-	-	-	-
<b>Total other financing sources(uses)</b>	<b>2,118,517</b>	<b>6,694,217</b>	<b>9,793,831</b>	<b>10,439,918</b>
<b>Net change in fund balances</b>	<b>\$2,392,092</b>	<b>\$3,746,740</b>	<b>(\$5,546,334)</b>	<b>\$3,720,872</b>
Debt service as a percentage of noncapital expenditures	16.5%	11.3%	26.0%	12.2%

Table 4

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$15,166,368	\$15,631,133	\$16,887,233	\$17,514,744	\$18,257,259	\$20,584,152
1,358,141	1,691,323	1,940,895	2,066,026	2,426,427	2,655,191
2,482,866	4,282,185	6,085,906	8,420,102	864,104	2,202,377
1,773,543	2,277,642	2,480,933	3,181,740	4,386,820	2,698,807
132,385	299,683	444,907	627,540	26,081	168,707
5,283,405	17,716,725	20,635,136	10,662,269	14,947,235	28,449,483
4,903,311	4,988,080	5,062,505	6,969,681	7,326,861	7,498,099
486,270	474,994	492,206	494,880	711,091	542,637
-	-	-	-	-	272,477
208,744	220,024	141,380	192,036	178,449	333,250
460,856	924,396	527,309	(269,070)	(2,010,736)	2,274,148
26,474	23,903	21,895	19,395	16,533	20,454
2,776,937	1,932,844	2,563,422	5,293,099	4,110,942	1,784,257
853,659	472,500	1,110,209	2,014,802	1,144,364	767,094
2,024,992	1,870,544	1,151,221	1,024,348	2,056,056	1,164,372
<u>37,937,951</u>	<u>52,805,976</u>	<u>59,545,157</u>	<u>58,211,592</u>	<u>54,441,486</u>	<u>71,415,505</u>
2,453,986	2,488,722	5,122,412	2,504,935	3,033,149	2,904,353
1,594,534	1,486,081	1,753,836	2,329,259	2,581,927	2,444,734
230,615	447,061	539,092	823,036	864,161	742,227
8,660,273	8,535,996	8,186,255	10,257,201	10,928,197	12,446,009
4,066,609	4,769,732	6,257,352	6,910,688	6,503,285	5,895,204
4,627,375	5,013,805	4,646,429	5,968,879	6,909,315	7,282,271
20,919,610	34,786,137	28,300,835	17,786,563	22,582,259	44,208,054
3,595,000	2,420,000	2,435,000	3,785,000	2,961,575	3,367,679
-	-	-	-	-	-
1,123,547	1,253,185	1,352,629	1,344,234	1,121,846	1,141,777
<u>47,271,549</u>	<u>61,200,719</u>	<u>58,593,840</u>	<u>51,709,795</u>	<u>57,485,714</u>	<u>80,432,308</u>
<u>(9,333,598)</u>	<u>(8,394,743)</u>	<u>951,317</u>	<u>6,501,797</u>	<u>(3,044,228)</u>	<u>(9,016,803)</u>
5,149,453	5,308,513	5,094,561	2,897,844	3,840,551	3,140,919
(4,649,003)	(4,486,763)	(4,267,119)	(2,265,181)	(2,639,290)	(1,507,625)
7,620,000	6,935,000	-	7,795,000	-	7,815,000
-	-	-	-	38,240	-
-	-	-	-	(3,875,000)	-
111,630	239,309	-	235,748	-	320,387
-	-	-	-	-	-
20,563	35,932	13,771	3,267	9,687	9,025
-	-	-	-	-	335,783
<u>8,252,643</u>	<u>8,031,991</u>	<u>841,213</u>	<u>8,666,678</u>	<u>(2,625,812)</u>	<u>10,113,489</u>
<u>(\$1,080,955)</u>	<u>(\$362,752)</u>	<u>\$1,792,530</u>	<u>\$15,168,475</u>	<u>(\$5,670,040)</u>	<u>\$1,096,686</u>
17.9%	13.9%	11.9%	13.7%	11.6%	12.0%



**CITY OF COTTAGE GROVE**  
**TAX CAPACITY VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY**  
 Last Ten Fiscal Years

**Table 5**

Payable Year	Residential Property	Commercial Property	Agricultural Property	Residential Non-homestead Property	Personal Property	Total Taxable Real and Personal Property	Fiscal Disparity Contribution (Net) and TIF	Total Adjusted Taxable Value	Taxable Assessed Value as a Percentage of Taxable Value	Estimated Actual Taxable Market Value	Total Direct Tax Rate
2014	18,114,214	5,001,690	761,279	2,207,013	622,578	26,706,774	2,264,989	28,971,763	1.21%	2,396,493,700	43.812
2015	20,730,170	5,093,035	776,575	2,609,305	633,787	29,842,872	3,544,899	33,387,771	1.23%	2,705,975,400	41.591
2016	21,377,754	5,203,657	767,424	2,749,793	678,862	30,777,490	3,557,397	34,334,887	1.23%	2,790,852,600	43.14
2017	22,141,063	5,623,028	785,628	2,740,566	716,347	32,006,632	3,967,785	35,974,417	1.25%	2,889,152,300	43.01
2018	23,982,857	6,113,919	747,876	3,020,198	789,240	34,654,090	4,094,931	38,749,021	1.24%	3,125,587,600	40.58
2019	26,295,544	6,402,547	764,841	3,320,374	775,659	37,558,965	4,619,334	42,178,299	1.24%	3,407,440,600	38.959
2020	28,432,495	6,692,191	744,506	3,955,352	758,254	40,582,798	2,746,520	43,329,318	1.17%	3,691,869,400	39.182
2021	30,539,286	7,416,715	777,431	4,462,625	826,222	44,022,279	2,852,598	46,874,877	1.17%	3,991,958,100	37.351
2022	31,985,984	8,416,020	794,197	4,980,953	621,001	46,798,155	2,544,552	49,342,707	1.17%	4,226,273,500	37.251
2023	40,625,940	8,962,526	824,188	7,003,974	654,114	58,070,742	2,247,211	60,317,953	1.14%	5,307,199,300	33.899

Source: Washington County

\* Taxable property values include both urban and rural properties.

(1) The tax capacity (assessed taxable value) of the property is calculated by applying a statutory formula to the

**CITY OF COTTAGE GROVE**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
 Last Ten Fiscal Years

**Table 6**

Fiscal Year	City Direct Rate (1)			Overlapping Rates*				Total
	General	Debt Service	Total City Direct Rate	Washington County	School District (2)	Other (4)	Total Overlapping	
2014	40.976	2.836	43.812	32.811	39.169	5.401	77.381	121.193
2015	38.886	2.705	41.591	30.186	35.675	4.182	70.043	111.634
2016	40.422	2.717	43.139	30.564	36.812	4.568	71.944	115.083
2017	40.156	2.856	43.012	30.448	34.309	4.345	69.102	112.114
2018	36.509	4.075	40.584	29.983	33.303	4.175	67.461	108.045
2019	35.025	3.933	38.958	29.682	34.926	3.994	68.602	107.56
2020	33.645	5.537	39.182	28.944	33.904	2.382	65.23	104.412
2021	31.895	5.456	37.351	27.435	34.181	2.304	63.92	101.271
2022	31.571	5.68	37.251	27.532	33.739	2.196	63.467	100.718
2023	29.331	4.568	33.899	23.625	31.296	1.88	56.801	90.70

Source: Official Statements for the City of Cottage Grove (Washington County)

\*Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners; for example, although the county property tax rates apply to all City property owners, other District rates apply only to the approximately one-third of City property owners whose property is located within that District's geographic boundaries.

City's property tax revenue base includes both urban and rural properties. Rural rate is 70% of urban rate plus debt.

(2) Independent School District 833

(4) Includes Metropolitan Transit Commission, Metropolitan Council, and Regional Rail Authority.



**CITY OF COTTAGE GROVE**  
**PRINCIPAL PROPERTY TAXPAYERS**  
 Current Year and Ten Years Ago

**Table 7**

Taxpayer	2023			2014		
	Net Tax Capacity Value	Rank	Percentage of Total City Tax Capacity Value	Net Tax Capacity Value	Rank	Percentage of Total City Tax Capacity Value
3M Company	\$790,732	1	1.36%	618,873	1	2.32%
ORP Hinton, LLC	641,761	2	1.11%	-	-	-
Xcel Energy	623,376	3	1.07%	579,616	2	2.17%
Mars II Inc.	619,366	4	1.07%	169,544	5	0.63%
PHS/Cottage Grove Inc	493,582	5	0.85%	-	-	-
Renewal by Andersen, LLC	394,471	6	0.68%	144,536	7	0.54%
Renewal by Andersen Corp	315,232	7	0.54%	-	-	-
Wal-Mart	294,224	8	0.51%	-	-	-
Northstar Sheets	290,316	9	0.50%	-	-	-
Grove-Rainbow LP	284,524	10	0.49%	135,516	9	0.51%
Menard Inc	-	-	-	193,170	3	0.72%
PHM/Cottage Grove Inc	-	-	-	176,591	4	0.66%
Dayton-Hudson Corporation	-	-	-	160,496	6	0.60%
MN Pipeline Company	-	-	-	136,418	8	0.51%
Wer Dis LLC	-	-	-	131,250	10	0.49%
Total	<u>\$4,747,584</u>		<u>8.18%</u>	<u>\$2,446,010</u>		<u>9.15%</u>
Total All Property	<u>\$58,070,742</u>			<u>\$26,706,774</u>		

Source: Official Statements for the City of Cottage Grove

**CITY OF COTTAGE GROVE**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
 Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year				Collected within the Fiscal Year of Levy	
	Net Operating Tax Levy (1)	Debt Tax Levy	MVHC/ Ag Credit (1)	Total Net Tax Levy	Amount	Percentage of Levy
2014	\$11,873,130	\$826,000	(\$5,947)	\$12,693,183	\$12,610,243	99.35%
2015	12,526,600	875,500	(8,722)	13,393,378	13,326,911	99.50%
2016	13,174,084	890,000	(9,707)	14,054,377	13,991,560	99.55%
2017	13,798,587	985,000	(8,890)	14,774,697	14,694,114	99.45%
2018	13,700,988	1,535,000	(7,072)	15,228,916	15,156,690	99.53%
2019	14,100,682	1,590,000	(7,213)	15,683,469	15,631,548	99.67%
2020	14,557,824	2,397,500	(6,788)	16,948,536	16,890,861	99.66%
2021	15,033,501	2,576,500	(6,226)	17,603,775	17,548,413	99.69%
2022	15,526,411	2,804,000	(5,826)	18,324,585	18,256,754	99.63%
2023	17,860,270	2,789,440	(4,704)	20,645,006	20,571,262	99.64%

Notes:

(1) This reflects the Final Levy Certification after all adjustments have been made

**Table 8**

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Abatements	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy
\$0	\$81,432	\$12,691,675	99.94%
-	65,274	13,392,185	99.50%
(6,717)	54,318	14,045,878	99.55%
-	78,509	14,772,623	99.45%
988	71,880	15,228,570	99.53%
(4,732)	45,426	15,676,974	99.67%
(41,455)	11,334	16,902,195	99.66%
(21,465)	23,857	17,572,270	99.69%
(1,390)	49,059	18,305,813	99.63%
5,588	-	20,571,262	99.64%

**CITY OF COTTAGE GROVE**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities				
	General Obligation Tax Increment Bonds (1)	General Obligation Bonds (1)	General Obligation Special Assessments Bonds (1)	Leases	Other Long-Term Debt
2014	\$2,516,865	\$ -	\$13,140,768	\$5,158,667	\$ -
2015	2,309,130	-	17,964,105	4,842,432	-
2016	2,096,395	4,660,000	20,679,730	-	-
2017	1,868,660	13,736,030	19,281,013	-	-
2018	1,625,926	13,103,649	24,189,529	-	-
2019	1,363,191	16,323,536	22,941,943	-	2,947,657
2020	1,085,456	15,595,093	21,674,357	-	2,686,458
2021	820,000	14,701,649	27,242,322	-	2,420,259
2022	565,000	11,825,549	23,703,909	26,665	2,144,060
2023	290,000	24,290,368	16,439,716	14,714	1,862,985

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
 (1) Presented net of original issuance discounts and premiums.  
 (2) See the Demographic and Economic statistics schedule for personal income and population data.

**Table 9**

Business-Type Activities					
Revenue Bonds (1)	Capital Lease	Other Long-Term Debt	Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
\$717,221	\$ -	\$ -	\$21,533,521	1.12%	605
609,856	-	-	25,725,523	1.28%	718
-	-	-	27,436,125	1.30%	761
-	-	-	34,885,703	1.58%	956
-	-	-	38,919,104	1.67%	1,042
-	-	-	43,576,327	1.74%	1,141
-	-	-	41,041,364	1.55%	1,064
-	-	-	45,184,230	1.58%	1,141
-	-	-	38,265,183	1.23%	942
-	-	265,055	43,162,838	1.29%	1,031



**CITY OF COTTAGE GROVE**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
 Last Ten Fiscal Years

**Table 10**

<u>Fiscal Year</u>	<u>General Obligation Tax Increment Bonds (1)</u>	<u>General Obligation Bonds (1)</u>	<u>General Obligation Special Assessments Bonds (1)</u>	<u>Less: Amounts Available in Debt Service Funds</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Market Value (2)</u>	<u>Per Capita (3)</u>
2014	\$2,516,865	\$ -	\$13,140,768	\$2,833,208	\$12,824,425	0.54%	360
2015	2,309,130	-	17,964,105	3,773,605	16,499,630	0.61%	461
2016	2,096,395	4,660,000	20,679,730	4,098,850	23,337,275	0.84%	647
2017	1,868,660	13,736,030	19,281,013	3,281,981	31,603,722	1.09%	866
2018	1,625,926	13,103,649	24,189,529	3,370,032	35,549,072	1.14%	952
2019	1,363,191	16,323,536	22,941,943	3,224,138	37,404,532	1.10%	980
2020	1,085,456	15,595,093	21,674,357	4,128,227	34,226,679	0.93%	888
2021	820,000	14,701,649	27,242,322	8,133,965	34,630,006	0.87%	874
2022	565,000	11,825,549	23,703,909	4,712,195	31,382,263	0.74%	765
2023	290,000	24,290,368	16,439,716	5,374,800	35,645,284	0.67%	851

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Presented net of original issuance discounts and premiums.

(2) See the Assessed and Estimated Actual Value of Taxable Property for estimated actual taxable market value.

(3) See the Demographic and Economic statistics schedule for population data.

**CITY OF COTTAGE GROVE**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
As of December 31, 2023

**Table 11**

	Net Debt Outstanding	Percent of Debt Applicable to City	City of Cottage Grove Share of Overlapping Debt
Overlapping:			
Washington County	\$ 98,060,000	6.5868%	\$ 6,459,016
School Districts:			
ISD No. 200 (Hastings)	65,377,571	12.0208%	7,858,907
ISD No. 833 (South Wash. County)	283,615,000	31.7406%	90,021,103
Metro Council	191,435,000	1.1606%	2,221,795
Total Overlapping			<u>106,560,820</u>
City of Cottage Grove Direct Debt	<u>42,883,069</u>	100.00%	<u>42,883,069</u>
Total Direct and Overlapping Debt:	<u>\$ 681,370,640</u>		<u>\$ 149,443,889</u>

Source: City of Cottage Grove Municipal Disclosure Reporting

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**CITY OF COTTAGE GROVE**  
**LEGAL DEBT MARGIN INFORMATION**  
 Last Ten Fiscal Years

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Legal Debt Margin Calculation for Fiscal Year 2023

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Market value Debt limit (3% of market value) Debt applicable to limit: General obligation bonds Less: Amount set aside for repayment of general obligation debt Total net debt applicable to limit Legal debt margin	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="border-bottom: 1px solid black; width: 25%;"></th> <th style="border-bottom: 1px solid black; width: 25%; text-align: center;">2014</th> <th style="border-bottom: 1px solid black; width: 25%; text-align: center;">2015</th> <th style="border-bottom: 1px solid black; width: 25%; text-align: center;">2016</th> <th style="border-bottom: 1px solid black; width: 25%; text-align: center;">2017</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">Debt limit</td> <td style="text-align: right;">\$ 71,894,811</td> <td style="text-align: right;">\$ 81,179,262</td> <td style="text-align: right;">\$ 83,725,578</td> <td style="text-align: right;">\$ 86,674,569</td> </tr> <tr> <td style="vertical-align: top;">Total net debt applicable to limit</td> <td style="text-align: right; border-top: 1px solid black;">5,085,000</td> <td style="text-align: right; border-top: 1px solid black;">4,805,000</td> <td style="text-align: right; border-top: 1px solid black;">4,660,000</td> <td style="text-align: right; border-top: 1px solid black;">13,240,000</td> </tr> <tr> <td style="vertical-align: top;">Legal debt margin</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$66,809,811</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$76,374,262</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$79,065,578</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$73,434,569</td> </tr> <tr> <td style="vertical-align: top;">Total net debt applicable to the limit as a percentage of debt limit</td> <td style="text-align: center;">7.07%</td> <td style="text-align: center;">5.92%</td> <td style="text-align: center;">5.57%</td> <td style="text-align: center;">15.28%</td> </tr> </tbody> </table>		2014	2015	2016	2017	Debt limit	\$ 71,894,811	\$ 81,179,262	\$ 83,725,578	\$ 86,674,569	Total net debt applicable to limit	5,085,000	4,805,000	4,660,000	13,240,000	Legal debt margin	\$66,809,811	\$76,374,262	\$79,065,578	\$73,434,569	Total net debt applicable to the limit as a percentage of debt limit	7.07%	5.92%	5.57%	15.28%
	2014	2015	2016	2017																						
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Legal Debt Margin Calculation for Fiscal Year 2023

\$5,307,199,300
<u>159,215,979</u>
12,770,000
<u>738,767</u>
<u>13,508,767</u>
<u>\$145,707,212</u>

2018	2019	2020	2021	2022	2023
\$ 93,767,628	\$ 102,223,218	\$ 110,756,082	\$ 119,758,743	\$126,788,205	\$ 159,215,979
<u>12,645,000</u>	<u>15,745,000</u>	<u>15,140,000</u>	<u>14,375,000</u>	<u>13,585,000</u>	<u>13,508,767</u>
<u>\$81,122,628</u>	<u>\$86,478,218</u>	<u>\$95,616,082</u>	<u>\$105,383,743</u>	<u>\$113,203,205</u>	<u>\$ 145,707,212</u>
13.49%	15.40%	13.67%	12.00%	10.71%	8.48%

**CITY OF COTTAGE GROVE**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
 Last Ten Fiscal Years

**Table 13**

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Fiscal Year	Population <sup>(1)</sup>	Personal Income <sup>(2)</sup>	Per Capita Personal Income <sup>(2)</sup>	School Enrollment <sup>(3)</sup>	Unemployment Rate <sup>(4)</sup>
2014	35,619	1,926,643,820	54,090	17,685	3.8%
2015	35,814	2,012,741,903	56,200	17,893	3.3%
2016	36,062	2,105,690,772	58,392	17,794	3.4%
2017	36,492	2,213,900,353	60,669	18,165	3.2%
2018	37,341	2,329,396,164	63,035	18,519	2.6%
2019	38,175	2,500,210,040	65,493	18,554	2.8%
2020	38,555	2,641,981,375	68,525	18,753	5.7%
2021	39,605	2,862,372,165	72,273	18,502	3.3%
2022	41,027	3,148,124,791	76,733	18,558	2.2%
2023	41,875	3,342,211,250	79,814	18,770	2.5%

Sources:

<sup>(1)</sup> Census 2020. Metropolitan Council 2013-2019 and 2021-2022. City Community Development Department 2023.

<sup>(2)</sup> Washington County data from Bureau of Economic Analysis.

<sup>(3)</sup> Independent School District No. 833 including Valley Crossing School.

<sup>(4)</sup> Minnesota Department of Employment and Economic Development.

**CITY OF COTTAGE GROVE**  
**PRINCIPAL EMPLOYERS**  
 Current Year and Ten Years Ago

**Table 14**

Taxpayer	2023			2014		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
School District 833 (1)	2,983	1	30%	1591	1	24%
Renewal by Andersen	1,610	2	16%	454	3	7%
Up-North Plastics	710	3	7%	245	4	4%
3M Cottage Grove	653	4	7%	760	2	11%
Hy-Vee	650	5	7%			
Wal-Mart	318	6	3%	140	8	2%
City of Cottage Grove	229	7	2%	186	6	3%
Van Meter (2)	208	8	2%	213	5	3%
American Manufacturing & Distribution	163	9	2%			
Menards	149	10	1%			
AGCO				163	7	2%
Target				135	9	2%
Allina				110	10	2%
<b>Total</b>	<b><u>7,673</u></b>		<b><u>77%</u></b>	<b><u>3,997</u></b>		<b><u>60%</u></b>

Notes:

(1) Includes employees for entire district, including those outside the City limits.

(2) Previously listed as Werner Electric.

Source: Official Statements for the City of Cottage Grove

**CITY OF COTTAGE GROVE**

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**

Last Ten Fiscal Years

Function	Full-Time Equivalent Employees as of December 31			
	2014	2015	2016	2017
General government:				
Total general government	23.40	23.25	25.70	27.60
Public safety:				
Police/Cottage Grove EMS:				
Officers	40.00	40.00	43.56	46.84
Civilians	8.26	7.56	7.56	7.56
Fire/Emergency management	7.00	9.00	11.75	15.10
Total public safety	55.26	56.56	62.87	69.50
Public works	23.68	27.62	25.66	27.23
Parks & Recreation	11.20	11.20	11.10	10.30
Ice arena	3.65	-	-	-
Water/Sewer/Street lights	9.24	9.34	10.34	11.31
Fleet maintenance	4.04	4.04	4.04	4.00
Total	130.47	132.01	139.71	149.94

Source: City of Cottage Grove Finance Office

Table 15

Full-Time Equivalent Employees as of December 31					
2018	2019	2020	2021	2022	2023
28.20	29.00	26.00	26.50	27.50	32.13
46.84	46.84	46.64	47.94	47.94	44.00
7.56	7.56	7.56	7.56	7.56	9.72
15.10	15.10	18.00	18.00	18.50	16.00
69.50	69.50	72.20	73.50	74.00	69.72
26.99	27.59	33.20	42.00	42.00	19.46
10.30	10.30	9.80	7.50	7.50	22.50
-	-	-	-	-	-
11.31	11.31	11.50	9.00	9.00	16.54
4.00	4.00	4.00	2.00	2.00	8.00
150.30	151.70	156.70	160.50	162.00	168.35



**CITY OF COTTAGE GROVE**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
 Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2014	2015	2016	2017
<b>General government:</b>				
Elections	2		2	
Registered voters as of 7am election day	20,780		21,594	
Number of votes cast	11,166		19,799	
Voter participation (registered)	53.73%		84.50%	
<b>Community development:</b>				
Inspections:				
Building permints (new dwelling units)	77	65	99	255
Code enforcement inspections	1,482	1,013	841	1,018
<b>Public safety:</b>				
Police:				
Crimes - Part I	774	719	673	767
Crimes - Part II	1,434	1,419	1,424	1,471
Total calls for service	18,448	20,576	21,331	20,879
Fire:				
Medical	2,562	2,464	2,681	2,790
Avg response time (minutes) medical	6:19	6:13	6:21	6:25
Avg response time (minutes) fire	7:34	7:06	6:54	7:05
Avg response time (minutes) both	6:27	6:16	6:24	6:28
Entire service area				
<b>Public works:</b>				
Sq. yards of streets sealcoated	199,725	118,159	193,249	71,152
Miles of streets new construction	1.99	0.56	1.11	1.02
Miles of watermain added	1.84	1.06	1.20	3.64

Source: Various City of Cottage Grove departments

Table 16

Fiscal Year					
2018	2019	2020	2021	2022	2023
4	1	3	1	2	
22,076	22,689	24,444	25,006	25,621	
17,369	2,559	22,932	8,352	17,602	
75.00%	11.28%	93.81%	33.40%	68.70%	
185	284	382	574	350	290
1,119	803	666	771	597	489
619	619	616	459	409	317
1,358	948	961	738	517	487
22,647	20,375	32,288	28,933	28,077	43,021
2,914	2,950	2,995	3,747	3,502	4,603
6:25	7:17	6:18	7:30	6:50	3,364
7:13	6:08	9:38	9:24	9:43	6:06
6:54	7:03	8:18	8:27	7:29	6:59
0	0	250,766	0	0	0
4.82	2.80	2.87	4.94	2.99	1.39
4.30	4.52	9.16	6.94	9.50	4.31

**CITY OF COTTAGE GROVE**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
 Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2014	2015	2016	2017
<b>Public works:</b>				
City-owned lights	2,481	2,495	2,592	2,682
Xcel owned lights	301	301	301	301
Streets (miles)	160.35	160.91	162.02	163.04
Sidewalks/trails (miles)	57.83	59.56	61.98	64.87
<b>Parks (acreage):</b>				
Community parks	400	400	400	400
Neighborhood parks	275	275	275	275
Recreation facilities	15	15	15	15
County parks	569	569	569	569
State scientific and nature area	238	238	238	238
Golf course	219	219	219	219
Other open space	961	961	961	961
<b>Water:</b>				
Number of connections	10,706	10,706	10,789	10,891
Miles of water mains and laterals	149.98	149.98	151.18	154.82
<b>Sanitary sewer:</b>				
Number of connections	10,670	10,670	10,667	10,983
Miles of sanitary sewer mains and laterals	131.45	131.45	132.81	135.42
<b>Storm sewer:</b>				
Miles of storm sewers	89.52	89.52	93.94	98.75
Source: Various City departments				

**Table 17**

Fiscal Year						
2018	2019	2020	2021	2022	2023	
2,797	2,898	2,968	3,071	3,153	3,234	
301	301	301	301	301	301	
167.87	170.67	175.53	178.47	181.46	182.85	
70.06	75.55	81.28	85.97	91.24	96.00	
400	400	400	400	408	421	
275	275	275	280	285	285	
15	15	15	15	15	14	
569	569	569	569	569	569	
238	238	238	238	238	238	
219	219	219	219	219	219	
961	969.8	969.8	980	995	995	
11,160	11,212	11,513	12,081	12,969	13,190	
159.12	164.24	175.40	182.34	191.84	196.14	
11,256	11,521	11,714	12,280	13,170	12,989	
139.51	142.42	146.87	153.29	157.69	160.50	
106.39	111.18	116.96	122.53	128.06	132.49	



**FORM OF LEGAL OPINION**

(See following pages)

PROPOSED FORM OF LEGAL OPINION

\$ \_\_\_\_\_  
GENERAL OBLIGATION BONDS, SERIES 2025A  
CITY OF COTTAGE GROVE  
WASHINGTON COUNTY  
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Cottage Grove, Washington County, Minnesota (the "Issuer"), of its \$ \_\_\_\_\_ General Obligation Bonds, Series 2025A, bearing a date of original issue of March 25, 2025 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

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

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer, and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, 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 and be retroactive.

TAFT STETTINIUS & HOLLISTER 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 City 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 City 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 City, 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 City 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 City 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 City 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 City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**FORM OF CONTINUING DISCLOSURE UNDERTAKING**

(See following pages)

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Cottage Grove, Minnesota (the "Issuer"), in connection with the issuance of its \$ \_\_\_\_\_ General Obligation Bonds, Series 2025A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on March 5, 2025 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

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

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean 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). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated \_\_\_\_\_, 2025, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

### SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2024, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at [www.emma.msrb.org](http://www.emma.msrb.org), together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2025, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Current Property Valuations; Direct Debt; Tax Levies and Collections; US Census Data/Population Trend; and Employment/Unemployment Data.

B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are

modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (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 Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, 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 an obligated person or the sale of all or substantially all of the assets of the obligated person, 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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, 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 obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at [www.emma.msrb.org](http://www.emma.msrb.org), together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

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

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: March 25, 2025.

CITY OF COTTAGE GROVE, MINNESOTA

By \_\_\_\_\_  
Its Mayor

By \_\_\_\_\_  
Its City Clerk



**TERMS OF PROPOSAL**

**\$10,000,000\* GENERAL OBLIGATION BONDS SERIES 2025A  
CITY OF COTTAGE GROVE, MINNESOTA**

Proposals for the purchase of \$10,000,000\* General Obligation Bonds Series 2025A (the "Bonds") of the City of Cottage Grove, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:00 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 10:00 A.M., Central Time, on March 5, 2025, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

**AUTHORITY; PURPOSE; SECURITY**

The Bonds are being issued pursuant to Minnesota Statutes, Sections 412.301 and 469.1812 through 469.1815, as amended, and Chapters 429, 444, 469 and 475, as amended by the City, for the purpose of financing: (i) the acquisition of capital equipment; (ii) the 2025 pavement improvement projects; (iii) the construction of a water tower and (iv) reimbursement for the costs related to improvements to the golf course irrigation system. The Bonds are general obligations of the City, for which its full faith and credit and taxing powers are pledged.

**DATES AND MATURITIES**

The Bonds will be dated March 25, 2025, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$870,000	2032	\$665,000	2037	\$335,000
2028	900,000	2033	685,000	2038	345,000
2029	925,000	2034	705,000	2039	360,000
2030	960,000	2035	735,000	2040	375,000
2031	990,000	2036	760,000	2041	390,000

**ADJUSTMENT OPTION**

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. 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 BOND OPTION**

Proposals for the Bonds 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 February 1 and August 1 of each year, commencing February 1, 2026, to the registered owners of the Bonds 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. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** Bonds 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 Bonds 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 Bonds, 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 Bonds. So long as Cede & Co. is the registered owner of the Bonds, 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 Bonds.

## PAYING AGENT

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

## OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2036 shall be subject to optional redemption prior to maturity on February 1, 2035 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 Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City 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 redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

The Bonds maturing on and after February 1, 2036 are be subject to redemption and prepayment at the option of the City, in whole or in part, in such order as the City shall determine and within a maturity by lot as selected by the Registrar in multiples of \$5,000, on February 1, 2035, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption.

The Clerk shall cause notice of the call for redemption thereof to be published as required by law and, at least thirty (30) days prior to the designated redemption date, shall cause notice of the call for redemption to be mailed, by first class mail, to the registered owners of any Bonds to be redeemed at their addresses as they appear on the bond register but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

### **DELIVERY**

On or about March 25, 2025, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City 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 Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

### **LEGAL OPINION**

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds 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.

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

### **STATEMENT REGARDING BOND COUNSEL PARTICIPATION**

Bond Counsel has neither been engaged nor undertaken to prepare or independently verify the accuracy of any portion of the Official Statement, including the financial or operational information of the Issuer and risks associated with the purchase of the Bonds, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "APPENDIX B – FORM OF LEGAL OPINION."

## SUBMISSION OF PROPOSALS

Proposals must not be for less than \$9,880,000 plus accrued interest on the principal sum of \$10,000,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com); or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M., Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal 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.

Proposals 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 proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a submission.

**A good faith deposit ("Deposit") in the amount of \$200,000 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 proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The City reserves the right to award the Bonds 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 City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. The Deposit will be deducted from the purchase price at the closing for the Bonds.

The City 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 proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal 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 proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

## AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

## **BOND INSURANCE**

If the Bonds 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 City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

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

## **CUSIP NUMBERS**

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds 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 City will designate the Bonds 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 City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary 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 Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate, the form of which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City 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 Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City 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 Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal 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 City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (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 Bonds (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 Bonds 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 proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds 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 Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City 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 Bonds to the public at a price that is no higher than the initial offering price to the public.

The City 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 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, 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 Bonds 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 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, 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 Bonds 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 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City 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 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, 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 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

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

(f) By submitting a proposal, 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 Bonds 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 Bonds 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 Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City 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 Bonds 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 Bonds 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 Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds 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 Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (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 City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds 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 Bonds 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 Bonds to the public),
- (iii) a purchaser of any of the Bonds 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 Bonds are awarded by the City to the winning bidder.

### **PRELIMINARY OFFICIAL STATEMENT**

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal 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 proposal 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 proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Cottage Grove, Minnesota



# PROPOSAL FORM

The City Council  
City of Cottage Grove, Minnesota (the "City")

March 5, 2025

**RE: \$10,000,000\* General Obligation Bonds Series 2025A (the "Bonds")**  
**DATED: March 25, 2025**

For all or none of the above Bonds, in accordance with the Terms of Proposal 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 \$9,880,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

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

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. 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.

**The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds 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 \$200,000 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 proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The City reserves the right to award the Bonds 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 City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal 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 Terms of Proposal. The Deposit will be deducted from the purchase price at the closing for the Bonds. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about March 25, 2025.

This proposal is subject to the City'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 Preliminary Official Statement for the Bonds.

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 City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, 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 Bonds.

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 March 25, 2025 of the above proposal is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Cottage Grove, Minnesota, on March 5, 2025.

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