

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICTS
NO. 6, NO. 7, NO. 8, NO. 9 AND NO. 10**
Sun Prairie, Wisconsin

COMPILED FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2013 and
From the Date of Creation Through December 31, 2013

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICTS
NO. 6, NO. 7, NO. 8, NO. 9 AND NO. 10**

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From the Date of Creation Through December 31, 2013

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**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICTS
NO. 6, NO. 7, NO. 8, NO. 9 AND NO. 10**

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From the Date of Creation Through December 31, 2013

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ACCOUNTANTS' COMPILATION REPORT

To the City Council
City of Sun Prairie
Sun Prairie, Wisconsin

We have compiled the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments and Historical Summary of Sources, Uses, and Status of Funds of the City of Sun Prairie's Tax Incremental Districts No. 6, No. 7, No. 8, No. 9 and No. 10 as of and for the year ended December 31, 2013 and from the dates of creation through December 31, 2013. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

As discussed in Note 1, the financial statements present only the transactions of the districts and do not purport to, and do not, present fairly, the financial position of the City of Sun Prairie as of December 31, 2013, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note 1, the City of Sun Prairie adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economical, or historical context.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
March 20, 2014

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICT NO. 6**

COMPILED
BALANCE SHEET
As of December 31, 2013

	Debt Service Fund
ASSETS	
Restricted cash and investments	\$ 197,223
Taxes receivable	133,509
Other receivables	<u>22,953</u>
TOTAL ASSETS	<u>\$ 353,685</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities	
Due to other funds	\$ 118,210
Total Liabilities	<u>118,210</u>
Deferred Inflows of Resources	
Unearned revenue	<u>156,462</u>
Fund Balance	
Restricted for debt service	197,223
Unassigned (deficit)	<u>(118,210)</u>
Total Fund Balance	<u>79,013</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 353,685</u>

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICT NO. 6**

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2013
and From Date of Creation Through December 31, 2013

	<u>Year Ended</u>	<u>From Date of Creation</u>
PROJECT COSTS		
Project and administration costs	\$ 655	\$ 1,813,602
Interest and fiscal charges	36,363	1,193,357
Discount and issuance costs on long-term debt	673	73,300
Payment to escrow agent - fees	-	28,668
Total Project Costs	<u>37,691</u>	<u>3,108,927</u>
PROJECT REVENUES		
Tax increments	136,664	1,444,574
Intergovernmental	114	1,592
Investment income	28	68,672
Developer agreement revenues	32,484	427,899
Miscellaneous	-	12,041
Premium on long term debt	2,331	5,567
Transfer from general fund	-	505
Transfer from general debt service fund (Note 6)	-	200,000
Total Project Revenues	<u>171,621</u>	<u>2,160,850</u>
NET COSTS RECOVERED THROUGH TAX INCREMENTS - DECEMBER 31, 2013	<u>\$ (133,930)</u>	<u>\$ 948,077</u>
Reconciliation of Recoverable Costs		
Capital lease and G.O. Debt outstanding		\$ 1,027,090
Less: Fund balance		<u>(79,013)</u>
NET COSTS RECOVERABLE THROUGH TAX INCREMENTS - DECEMBER 31, 2013		<u>\$ 948,077</u>

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICT NO. 6**

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2013
and From Date of Creation Through December 31, 2013

	<u>Year Ended</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Tax increments	\$ 136,664	\$ 1,444,574
Intergovernmental	114	1,592
Investment income	28	68,672
Developer agreement revenues	32,484	427,899
Miscellaneous	-	12,041
Transfer from general fund	-	505
Transfer from general debt service fund (Note 6)	-	200,000
Proceeds from long-term debt	57,274	5,451,468
Premium on long term debt	2,331	5,567
Total Sources of Funds	228,895	7,612,318
USES OF FUNDS		
Project and administration costs	655	1,813,602
Principal on long-term debt	130,527	4,424,378
Interest and fiscal charges	36,363	1,193,357
Discount and issuance costs on long-term debt	673	73,300
Payment to escrow agent - fees	-	28,668
Total Uses of Funds	168,218	7,533,305
Excess of Sources of Funds Over Uses of Funds	60,677	79,013
FUND BALANCE - Beginning of Period	18,336	-
FUND BALANCE - END OF PERIOD	\$ 79,013	\$ 79,013

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICT NO. 7**

COMPILED
BALANCE SHEET
As of December 31, 2013

	Capital Projects Fund
ASSETS	
Cash and investments	\$ 1,399,219
Restricted cash and investments	581,453
Taxes receivable	922,993
Note receivable	<u>45,000</u>
TOTAL ASSETS	<u>\$ 2,948,665</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities	\$ <u>-</u>
Deferred Inflows of Resources	
Unearned revenue	<u>967,993</u>
Fund Balance	
Restricted for debt service	581,453
Unassigned	<u>1,399,219</u>
Total Fund Balance	<u>1,980,672</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 2,948,665</u>

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICT NO. 7**

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2013
and From Date of Creation Through December 31, 2013

	Year Ended	From Date of Creation
PROJECT COSTS		
Project and administration costs	\$ 994	\$ 7,754,973
Interest and fiscal charges	157,235	4,547,353
Discount and issuance costs on long-term debt	-	269,082
Payment to escrow agent - fees	-	120,239
Total Project Costs	158,229	12,691,647
PROJECT REVENUES		
Tax increments	751,029	7,718,124
Intergovernmental	28,960	1,055,327
Investment income	1,364	336,201
Miscellaneous	-	895,011
Sale of property	-	597,581
Transfer from general fund	-	75
Total Project Revenues	781,353	10,602,319
NET COST RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS - DECEMBER 31, 2013		
	\$ (623,124)	\$ 2,089,328
Reconciliation of Recoverable Costs		
Capital lease outstanding		4,070,000
Less: Fund balance		(1,980,672)
		\$ 2,089,328

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICT NO. 7**

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2013
and From Date of Creation Through December 31, 2013

	Year Ended	From Date of Creation
SOURCES OF FUNDS		
Tax increments	\$ 751,029	\$ 7,718,123
Intergovernmental	28,960	1,055,327
Investment income	1,364	336,201
Miscellaneous	-	895,011
Sale of property	-	597,581
Proceeds from long-term debt	-	18,007,065
Transfer from general fund	-	75
Total Sources of Funds	781,353	28,609,383
USES OF FUNDS		
Project and administration costs	994	7,754,972
Principal on long-term debt	400,000	13,937,065
Interest and fiscal charges	157,235	4,547,353
Discount and issuance costs on long-term debt	-	269,082
Payment to escrow agent - fees	-	120,239
Total Uses of Funds	558,229	26,628,711
Excess of Sources of Funds Over Uses of Funds	223,124	1,980,672
FUND BALANCE - Beginning of Period	1,757,548	-
FUND BALANCE - END OF PERIOD	\$ 1,980,672	\$ 1,980,672

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICT NO. 8**

COMPILED
BALANCE SHEET
As of December 31, 2013

	Capital Projects Fund
ASSETS	
Restricted cash and investments	\$ 1,707,890
Taxes receivable	1,730,725
Other receivables	5,177
TOTAL ASSETS	\$ 3,443,792
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 1,433
Advance from other funds	1,155,209
Total Liabilities	1,156,642
Deferred Inflows of Resources	
Unearned revenue	1,730,725
Fund Balance	
Restricted for debt service	1,707,890
Unassigned (deficit)	(1,151,465)
Total Fund Balance	556,425
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 3,443,792

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICT NO. 8**

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2013
and From Date of Creation Through December 31, 2013

	Year Ended	From Date of Creation
PROJECT COSTS		
Project and administration costs	\$ 30,573	\$ 18,837,897
Interest and fiscal charges	662,169	6,620,042
Discount and issuance costs on long-term debt	21,720	255,642
Total Project Costs	714,462	25,713,581
PROJECT REVENUES		
Tax increments	1,415,688	8,900,701
Intergovernmental	31,536	1,080,777
Investment income	-	315,132
Developer agreement revenues	-	132,272
Miscellaneous	18,857	243,084
Sale of property	-	328,882
Transfer from general fund	-	71,631
Premium on long-term debt	6,458	7,527
Total Project Revenues	1,472,539	11,080,006
 NET COST RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS - DECEMBER 31, 2013		
	\$ (758,077)	\$ 14,633,575
 Reconciliation of Recoverable Costs		
Capital lease and G.O. Debt outstanding		15,190,000
Less: Fund balance		(556,425)
 NET COST RECOVERABLE THROUGH TAX INCREMENTS - DECEMBER 31, 2013		
		\$ 14,633,575

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICT NO. 8**

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2013
and From Date of Creation Through December 31, 2013

	<u>Year Ended</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Tax increments	\$ 1,415,688	\$ 8,900,701
Intergovernmental	31,536	1,080,777
Investment income	-	315,132
Sale of property	-	328,882
Developer agreement revenues	-	132,272
Miscellaneous	18,857	243,084
Proceeds from long-term debt	265,000	8,081,725
Premium on long-term debt	6,458	7,527
Proceeds from capital lease	-	17,330,000
Transfer from general fund	-	71,631
Total Sources of Funds	<u>1,737,539</u>	<u>36,491,731</u>
USES OF FUNDS		
Project and administration costs	30,573	18,837,897
Principal on long-term debt	1,055,000	10,221,725
Interest and fiscal charges	662,169	6,620,042
Discount and issuance costs on long-term debt	21,720	255,642
Total Uses of Funds	<u>1,769,462</u>	<u>35,935,306</u>
Excess (Deficiency) of Sources of Funds Over Uses of Funds	(31,923)	556,425
FUND BALANCE - Beginning of Period	<u>588,348</u>	<u>-</u>
FUND BALANCE - END OF PERIOD	<u>\$ 556,425</u>	<u>\$ 556,425</u>

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICT NO. 9**

COMPILED
BALANCE SHEET
As of December 31, 2013

	<u>Capital Projects Fund</u>
ASSETS	
Accounts receivable	\$ <u>792</u>
TOTAL ASSETS	<u>\$ 792</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 1,008
Advance from other funds	<u>772,574</u>
Total Liabilities	<u>773,582</u>
Fund Balance	
Unassigned (deficit)	<u>(772,790)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 792</u>

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICT NO. 9**

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2013
and From Date of Creation Through December 31, 2013

	<u>Year Ended</u>	<u>From Date of Creation</u>
PROJECT COSTS		
Project and administration costs	\$ 26,022	\$ 8,625,710
Interest and fiscal charges	183,470	1,632,651
Discount and issuance costs on long-term debt	<u>71,496</u>	<u>116,755</u>
Total Project Costs	<u>280,988</u>	<u>10,375,116</u>
PROJECT REVENUES		
Tax increments		4,211
Intergovernmental	1,540	9,482
Investment income	-	58,696
Miscellaneous	-	32,103
Sale of property	-	4,221,054
Premium on long-term debt	<u>25,468</u>	<u>31,780</u>
Total Project Revenues	<u>27,008</u>	<u>4,357,326</u>
NET COST RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS - DECEMBER 31, 2013	<u>\$ 253,980</u>	<u>\$ 6,017,790</u>
Reconciliation of Recoverable Costs		
G.O. Debt outstanding		5,245,000
Plus: Fund balance deficit		<u>772,790</u>
NET COST RECOVERABLE THROUGH TAX INCREMENTS - DECEMBER 31, 2013		<u>\$ 6,017,790</u>

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICT NO. 9**

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2013
and From Date of Creation Through December 31, 2013

	<u>Year Ended</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Tax increments	\$ -	\$ 4,211
Intergovernmental	1,540	9,482
Investment income	-	58,696
Miscellaneous	-	32,103
Sale of property	-	4,221,054
Proceeds from long-term debt	1,045,000	13,945,000
Premium on long-term debt	25,468	31,780
Total Sources of Funds	<u>1,072,008</u>	<u>18,302,326</u>
USES OF FUNDS		
Project and administration costs	26,022	8,625,710
Principal on long-term debt	1,000,000	8,700,000
Interest and fiscal charges	183,470	1,632,651
Discount and issuance costs on long-term debt	71,496	116,755
Total Uses of Funds	<u>1,280,988</u>	<u>19,075,116</u>
Excess (Deficiency) of Sources of Funds Over Uses of Funds	(208,980)	(772,790)
FUND BALANCE (DEFICIT) - Beginning of Period	<u>(563,810)</u>	<u>-</u>
ENDING FUND BALANCE (DEFICIT) - END OF PERIOD	<u>\$ (772,790)</u>	<u>\$ (772,790)</u>

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICT NO. 10**

COMPILED
BALANCE SHEET
As of December 31, 2013

	Capital Projects Fund
ASSETS	<u>\$ -</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Advances from other funds	<u>\$ 3,185</u>
Fund Balance	
Unassigned (deficit)	<u>(3,185)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICT NO. 10**

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2013
and From Date of Creation Through December 31, 2013

	<u>Year Ended</u>	<u>From Date of Creation</u>
PROJECT COSTS		
Project and administration costs	\$ <u>606</u>	\$ <u>13,391</u>
PROJECT REVENUES		
Intergovernmental	<u>4,276</u>	<u>10,206</u>
 NET COSTS RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS - DECEMBER 31, 2013	 \$ <u>(3,670)</u>	 \$ <u>3,185</u>

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICT NO. 10**

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2013
and From Date of Creation Through December 31, 2013

	<u>Year Ended</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Intergovernmental	\$ 4,276	\$ 10,206
USES OF FUNDS		
Project and administration costs	606	13,391
Excess (Deficiency) of Sources of Over Uses of Funds	3,670	(3,185)
FUND BALANCE (DEFICIT) - Beginning of Period	(6,855)	-
FUND BALANCE (DEFICIT) - END OF PERIOD	\$ (3,185)	\$ (3,185)

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICTS
NO. 6, NO. 7, NO. 8, NO. 9 AND NO. 10**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013 and
From the Date of Creation Through December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Sun Prairie's Tax Incremental Districts (TID) No. 6, No. 7, No. 8, No. 9, and No. 10 (the "districts") conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Sun Prairie has implemented accounting principles generally accepted in the United States of America to the extent they apply in determining the scope of the activity of Tax Incremental Districts No. 6, No. 7, No. 8, No. 9 and No. 10. The accompanying financial statements reflect all the significant operations of the City of Sun Prairie's Tax Incremental Districts No. 6, No. 7, No. 8, No. 9, and No. 10. The accompanying financial statements do not include the full presentation of the City of Sun Prairie.

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented January 1, 2013.

A. DESCRIPTION OF FUND AND ACCOUNT GROUP STRUCTURE

This report contains the financial information of the City of Sun Prairie's Tax Incremental Districts No. 6, No. 7, No. 8, No. 9, and No. 10. The summary statements were prepared from data recorded in the following funds, the city's long-term debt, and the component unit:

- Tax Incremental District No. 6 – Debt Service Fund
- Tax Incremental District No. 7 – Debt Service Fund
- Tax Incremental District No. 8 – Capital Projects Fund
- Tax Incremental District No. 9 – Capital Projects Fund
- Tax Incremental District No. 10 – Capital Projects Fund

Detailed descriptions of the purpose of these funds can be found in the City of Sun Prairie's basic financial statements.

The data was consolidated for purposes of this report. Therefore, the amounts shown in the accompanying statements will not directly correlate with amounts shown in the basic financial statements.

The district was created under the provisions of Wisconsin Statute Section 66.1105. The purpose of that section is to allow a municipality to recover development and improvements costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the district. The tax on the increased value is called a tax increment.

The statutes allow the district to collect tax increments until the net project cost has been fully recovered, or until 27 years after the creation date, whichever occurs first. Project costs uncollected at the dissolution date are absorbed by the City of Sun Prairie. Project costs may be incurred up to five years before the unextended termination date of the district.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICTS
NO. 6, NO. 7, NO. 8, NO. 9 AND NO. 10**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013 and
From the Date of Creation Through December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. DESCRIPTION OF FUND AND ACCOUNT GROUP STRUCTURE (cont.)

	Creation Date	Last Date to Incur Project Costs	Last Year to Collect Increment
TID No. 6	April 15, 1997	April 15, 2015	2020
TID No. 7	May 19, 1998	May 19, 2017	2022
TID No. 8	December 27, 2001	December 27, 2024	2029
TID No. 9	March 28, 2007	March 28, 2022	2027
TID No. 10	October 8, 2007	October 8, 2031	2036

B. BASIS OF ACCOUNTING

The modified accrual basis of accounting was followed in the preparation of these statements. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Project costs, other than interest on long-term debt, are recorded when expenditures are incurred.

District increments are recorded as revenues in the year due. Intergovernmental aids and grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the city is entitled to the aids.

Other general revenues are recognized when received in cash or when measurable and available under the criteria described above.

C. USE OF ESTIMATES

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

D. MEASUREMENT FOCUS

The measurement focus of all governmental funds is the funds flow concept. Under the funds flow concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as unavailable revenue or as nonspendable fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are shown in the long-term debt footnote disclosure. The related expenditures are recognized when the liabilities are liquidated.

**CITY OF SUN PRAIRIE
TAX INCREMENTAL DISTRICTS
NO. 6, NO. 7, NO. 8, NO. 9 AND NO. 10**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013 and
From the Date of Creation Through December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. PROJECT PLAN BUDGETS

The estimated revenues and expenditures of the districts are adopted in the project plans. Those estimates are for the entire life of the districts, and may not be comparable to interim results presented in this report.

F. LONG-TERM DEBT

Short-term liabilities are recorded as fund liabilities. All other long-term liabilities are shown in the long-term debt footnote disclosure.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as "Sources of Funds" in the operating statement of the recipient fund. Retirement of these issues is reported as an expenditure in the year in which the debt matures or is repaid, whichever is earlier.

G. CLAIMS AND JUDGMENTS

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are disclosed in the long-term debt footnote when the related liabilities are incurred.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

The district invests its funds in accordance with the provisions of the Wisconsin Statutes 66.0603(1m) and 67.11(2).

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

The districts, as funds of the city, maintain separate and common cash and investment accounts at the same financial institutions utilized by the city. Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the City of Sun Prairie as an individual municipality, and, accordingly, the amount of insured funds is not determinable for the districts.

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NOTE 3 – LONG-TERM DEBT

All general obligation notes and bonds payable are backed by the full faith and credit of the City of Sun Prairie. Notes, bonds and capital leases issued to finance the districts' expenditures will be retired by tax increments accumulated by the debt service and capital project funds. If those revenues are not sufficient, payments will be made by future tax levies.

	Borrowed	Repaid	Balance 12-31-13
TID NO. 6			
1997 refunding bonds dated April 1, 1997 with interest from 4.0% to 5.5%. Original maturity was February 1, 2017. These bonds were paid off during 2009. The TID No. 6 share of the total original proceeds of \$4,225,000 was \$345,259. During 2005 a portion of the 1997 refunding bonds were refunded. TID No. 6 share of the \$2,185,000 refunding was \$101,547.	\$ 345,259	\$ 345,259	\$ -
1998 taxable notes dated June 30, 1998 with interest from 5.83% to 6.16%. Final maturity was June 1, 2008. TID No. 6 share of original proceeds of \$2,745,000 was \$514,663.	514,663	514,663	-
1999 bond anticipation notes dated November 2, 1999 with interest at 4.58%. Final maturity was November 2, 2000. TID No. 6 share of original proceeds of \$2,995,000 was \$893,246.	893,246	893,246	-
2000 bond anticipation notes dated November 2, 2000 with interest at 4.89%. Final maturity was May 2, 2001. TID No. 6 share of original proceeds of \$3,135,000 was \$934,995.	934,995	934,995	-
2000 capital lease dated December 15, 2000. Final maturity was February 1, 2010. During 2009 a portion of the 2000 capital lease was refunded. TID No. 6 share of the \$6,300,000 refunding was \$1,205,000.	1,330,000	1,330,000	-
2005 refunding bonds dated August 1, 2005 with interest from 3.50% to 4.25%. Final maturity is February 1, 2018. The TID No. 6 share of the total original proceeds of \$5,875,000 was \$171,031.	171,031	91,215	79,816

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NOTE 3 – LONG-TERM DEBT (cont.)

	Borrowed	Repaid	Balance 12-31-13
TID NO. 6 (cont.)			
2009 capital lease dated August 4, 2009 with interest from 1.20% to 4.50%. Final maturity is February 1, 2020. The TID No. 6 share of the total original proceeds of \$6,300,000 was \$1,205,000.	\$ 1,205,000	\$ 315,000	\$ 890,000
2013 refunding bonds dated November 19, 2013 with interest from 2.0% to 3.0%. Final maturity is February 1, 2018. The TID No. 6 share of the total original proceeds of \$4,135,000 was \$57,274.	57,274	-	57,274
Totals	\$ 5,451,468	\$ 4,424,378	\$ 1,027,090
TID NO. 7			
1998 taxable notes dated June 30, 1998 with interest from 5.83% to 6.16%. Final maturity was June 1, 2008. TID No. 7 share of original proceeds of \$2,745,000 was \$1,275,306.	\$ 1,275,306	\$ 1,275,306	-
1999 bond anticipation notes dated November 2, 1999 with interest at 4.58%. Final maturity was November 2, 2000. TID No. 7 share of original proceeds of \$2,995,000 was \$2,101,754.	2,101,754	2,101,754	-
2000 bond anticipation notes dated November 2, 2000 with interest at 4.89%. Final maturity was May 2, 2001. TID No. 7 share of original proceeds of \$3,135,000 was \$2,200,005.	2,200,005	2,200,005	-
2000 capital lease is dated December 15, 2000. Original maturity was February 1, 2020. During 2009, the remaining portion of the capital lease was refunded. TID No. 7 share of the \$6,300,000 refunding was \$5,095,000.	4,800,000	4,800,000	-
2000 capital lease is dated December 15, 2000. Final maturity is February 1, 2011.	1,535,000	1,535,000	-

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NOTE 3 – LONG-TERM DEBT (cont.)

	Borrowed	Repaid	Balance 12-31-13
TID NO. 7 (cont.)			
2000 bond anticipation notes dated November 2, 2000 with interest at 7.1%.	\$ 1,000,000	\$ 1,000,000	\$ -
2009 capital lease dated August 4, 2009 with interest from 1.20% to 4.50%. Final maturity is February 1, 2022. The TID No. 7 share of the total original proceeds of \$6,300,000 was \$5,095,000.			
	5,095,000	1,025,000	4,070,000
Totals	\$ 18,007,065	\$13,937,065	\$ 4,070,000
TID NO. 8			
2001 bond anticipation note dated December 28, 2001. This note was paid off.	\$ 263,700	\$ 263,700	\$ -
2001 promissory note dated December 28, 2001. This note was paid off.	1,418,025	1,418,025	-
2002 bond anticipation notes dated June 24, 2002. Final maturity was August 1, 2005.	4,755,000	4,755,000	-
2003 capital lease dated December 22, 2003. Final maturity is August 1, 2023.	2,500,000	765,000	1,735,000
2005 capital lease dated March 23, 2005. Final maturity is August 1, 2024.	10,965,000	2,090,000	8,875,000
2006 capital lease dated Mach 28, 2006. Final maturity is August 1, 2025.	3,865,000	570,000	3,295,000
2008 general obligation bonds dated November 6, 2008 with interest from 4.00% to 4.125%. Final maturity is October 1, 2018. The TID No. 8 share of the total original proceeds of \$5,500,000 was \$505,000.	505,000	360,000	145,000

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NOTE 3 – LONG-TERM DEBT (cont.)

	Borrowed	Repaid	Balance 12-31-13
TID NO. 8 (cont.)			
2009 general obligation bonds dated July 15, 2009 with interest from 2.0% to 4.25%. Final maturity is April 1, 2024. The TID No. 8 share of the total original proceeds of \$8,735,000 was \$875,000.	\$ 875,000	\$ -	\$ 875,000
2013 general obligation bonds dated July 2, 2013 with interest from 1.5% to 2.0%. Final maturity is February 1, 2023. The TID No. 8 share of the total original proceeds of \$8,945,000 was \$265,000.	265,000	-	265,000
Totals	\$ 25,411,725	\$ 10,221,725	\$ 15,190,000
TID NO. 9			
2007 general obligation corporate purpose bonds dated October 2, 2007 with interest from 3.75% to 3.90%. Final maturity is April 1, 2022. TID No. 9's share of original proceeds of \$4,165,000 was \$1,000,000.	\$ 1,000,000	\$ 1,000,000	\$ -
2007 taxable note anticipation note dated March 27, 2007 with interest rate of 5.375%. Final maturity was April 1, 2009.	7,700,000	7,700,000	-
2009 taxable general obligation note dated March 24, 2009 with interest rate of 3.875%. Final maturity is April 1, 2015, when the entire balance is due.	4,200,000	-	4,200,000
2013 general obligation bonds dated July 2, 2013 with interest from 1.5% to 2.0%. Final maturity is February 1, 2023. The TID No. 9 share of the total original proceeds of \$8,945,000 was \$1,045,000.	1,045,000	-	1,045,000
Totals	\$ 13,945,000	\$ 8,700,000	\$ 5,245,000

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NOTE 3 – LONG-TERM DEBT (cont.)

Aggregate maturities of all long-term debt relating to the districts are as follows:

Calendar Year	TID No. 6			TID No. 7		
	Principal	Interest	Totals	Principal	Interest	Total
2014	\$ 189,816	\$ 33,240	\$ 223,056	\$ 420,000	\$ 147,375	\$ 567,375
2015	140,270	28,149	168,419	415,000	135,690	550,690
2016	139,044	23,983	163,027	415,000	122,618	537,618
2017	142,960	19,238	162,198	445,000	107,760	552,760
2018	130,000	14,160	144,160	475,000	90,725	565,725
2019	140,000	8,890	148,890	475,000	72,200	547,200
2020	145,000	3,045	148,045	475,000	52,725	527,725
2021	-	-	-	475,000	32,063	507,063
2022	-	-	-	475,000	10,688	485,688
Totals	<u>\$ 1,027,090</u>	<u>\$ 130,705</u>	<u>\$ 1,157,795</u>	<u>\$ 4,070,000</u>	<u>\$ 771,844</u>	<u>\$ 4,841,844</u>

Calendar Year	TID No. 8			TID No. 9		
	Principal	Interest	Totals	Principal	Interest	Totals
2014	\$ 905,000	\$ 625,866	\$ 1,530,866	\$ 10,000	\$ 182,325	\$ 192,325
2015	975,000	591,978	1,566,978	4,215,000	100,763	4,315,763
2016	1,060,000	554,086	1,614,086	60,000	18,825	78,825
2017	1,145,000	514,461	1,659,461	60,000	17,925	77,925
2018	1,200,000	470,276	1,670,276	105,000	16,687	121,687
2019	1,355,000	421,179	1,776,179	155,000	14,350	169,350
2020	1,470,000	364,849	1,834,849	175,000	11,050	186,050
2021	1,590,000	302,572	1,892,572	220,000	7,100	227,100
2022	1,705,000	234,697	1,939,697	245,000	2,450	247,450
2023	1,770,000	161,168	1,931,168	-	-	-
2024	1,575,000	85,650	1,660,650	-	-	-
2025	440,000	18,700	458,700	-	-	-
Totals	<u>\$ 15,190,000</u>	<u>\$ 4,345,482</u>	<u>\$ 19,535,482</u>	<u>\$ 5,245,000</u>	<u>\$ 371,475</u>	<u>\$ 5,616,475</u>

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NOTE 4 – RESTRICTED CASH AND INVESTMENTS

The following account balances are held by TID No. 6, No. 7, and No. 8 from the proceeds of CDA lease revenue bonds. TID No. 6 also has restricted cash related to the 2013B refunding debt.

	TID No. 6	TID No. 7	TID No. 8
Reserve fund account	\$ 139,949	\$ 581,453	\$ 1,707,890
Current refunding	57,274	-	-
Total	\$ 197,223	\$ 581,453	\$ 1,707,890

NOTE 5 – ADVANCES FROM OTHER FUNDS

The general fund advanced funds to TIF District Nos. 8, 9 and 10. No repayment schedules have been determined for the advances. The advance balances at year end are as follows:

Receivable Fund	Payable Fund	Amount
General	TIF No. 8	\$ 1,155,209
General	TIF No. 9	772,574
General	TIF No. 10	3,185

No interest is being charged on the advances. In addition, the TIF Districts owe the general fund as follows:

Receivable Fund	Payable Fund	Amount
General	TIF No. 6	118,210

NOTE 6 – TRANSFERS

In 2001, the city's general debt service fund transferred \$200,000 to TID No. 6 for the city's share of a TID No. 6 project.

In 2003, the city's general fund transferred funds to No. 6 and No. 7 to fund the amount of city engineering costs charged to TIF projects.

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NOTE 7 – OPTION AGREEMENTS

In 1998 and 2000, the city entered into agreements with the Sun Prairie Industrial Development Corporation (SPIDC), which provides the SPIDC with the first option to purchase any or all developable land in TID No. 7. The agreements stipulate that the SPIDC must exercise this option as to a sufficient number of acres to insure that the cumulative purchase prices paid to the city at any point in time equal or exceed all payments of principal and interest due from the bonds issued to fund the purchase of the property. In the event proceeds from sales are insufficient, the SPIDC shall provide a letter of credit equal to the shortfall.

In December 2000, the city entered into an agreement with a developer which provides the city with a repurchase option for developable land in TID No. 6. This agreement stipulates that as part of closing, purchasers of land in TID No. 6 grant the developer and the city the right to repurchase the parcel at the original sale price.

NOTE 8 – DEVELOPER AGREEMENTS

TID NO. 6

The City of Sun Prairie entered into a developer agreement with Knaus Development (developer). In the event the developer fails to complete or cause to be completed the agreed upon improvements within the established time period, the developer is required to pay the city liquidated damages. The liquidated damages would be equal to the current mill rate percent times the total construction cost of the improvements which were not constructed in a timely manner, as determined in accordance with a reputable and standard construction cost index used by reputable professional commercial real estate appraisers in the Sun Prairie market, plus a cost per foot for each lot or parcel of land within TIF No. 6 on which developer has failed to timely construct or cause to be constructed the improvements. The effect of the calculation of liquidated damages is to reimburse the city for the difference between the TIF No. 6 tax increment amount that was anticipated based on the approved construction timeline and the actual amount that was certified.

The sum calculated will be paid by the developer to the city on an annual basis, until the developer has cured all defaults of the agreement. In the event that the developer fails to make the required payments by the due date, the developer shall be obligated to pay to the city, in addition to the required sums, interest from the due date to the date such sums are paid at the rate of 15% per annum, in addition to the costs of collection including attorney fees, to which the city is entitled under this developer agreement to enforce such obligation.

During 2013, \$32,484 were collected from the developer. Total payments imposed and collected as of December 31, 2013 were \$427,899.

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NOTE 8 – DEVELOPER AGREEMENTS (cont.)

TID NO. 8

The City of Sun Prairie entered into a development agreement with Great Neighborhoods East, LLC (subdivider). In the event the subdivider does not construct the agreed upon building improvements within the established time period, the subdivider agrees to make, for any year between 2005 through 2008, a payment to the city, (a "shortfall payment(s)") equal to the difference in the actual substantiated construction costs and the required minimum cumulative construction cost times a rate of \$23.47 per \$1,000 of construction cost shortfall. If, for any year between 2005 through 2008, the actual construction costs for improvements within TIF No. 8 exceeds the minimum costs for the period in question, the excess value of such excess costs (computed at the same \$23.47 per \$1,000.00 of construction cost) will be tracked and shall be paid to subdivider and applied as a retroactive credit against shortfall payments already made by the subdivider or credited against future payments otherwise required by the subdivider. The agreement covered construction guarantees through 2008. They have exceeded their minimum construction values and no additional payments are due. Cumulative shortfall payments imposed and collected as of December 31, 2013 were \$132,272.

The City of Sun Prairie entered into a similar developer agreement with GenCap, LLC for Phase IV of TID No. 8 redevelopment. In addition to the potential shortfall payments due, the city agreed to pay the developer an economic incentive payment should the developer construct agreed upon building improvements on a specific lot by December 31, 2011. During 2012, the city paid the developer for the economic incentive related to the improvements; however, the payment was offset by shortfall payments due from 2010 and 2011. As of December 31, 2013, the cumulative net payments made to the developer were \$125,000.

The City of Sun Prairie has entered into a similar development agreement with Lighthouse Acquisition Group, LLC for Phase III of TID No. 8 redevelopment. In the event that the developer does not construct the agreed upon building improvements within the established time period, the developer agrees to make, for any year between 2015 through 2025, a payment to the city ("shortfall payment") equal to the difference in the actual substantiated construction costs and the required minimum cumulative construction costs times a rate of \$22,50 per \$1,000 of construction cost shortfall. If the assessed value of the property exceeds a minimum value defined in the development agreement for the tax collection years between 2013 through 2024, the city agrees to provide the developer with an economic incentive payment equal to the property taxes paid on the value in excess of the minimum value defined in the agreement. As of December 31, 2013, no shortfall payments have been assessed and no economic development payments have been made.

NOTE 9 – NOTE RECEIVABLE

On August 25, 2011, the Sun Prairie Improvement Council, Ltd. (SPIC) issued the City of Sun Prairie a promissory note in the amount of \$45,000 for value received from TID No. 7. The City provided the SPIC with \$45,000 to assist with operating costs associated with maintaining two lots in TID No. 7 that are being marketed for sale. The SPIC will pay the promissory note in full upon sale of either of the two lots specified in the mortgage securing the note.