

# **City of Sun Prairie Tax Incremental District No. 6**

Financial Statements and  
Supplementary Information

August 31, 2021

# City of Sun Prairie Tax Incremental District No. 6

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## **Independent Auditors' Report**

To the Common Council of  
City of Sun Prairie

### **Report on the Financial Statements**

We have audited 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, Wisconsin's Tax Incremental District No. 6 (District) as of August 31, 2021 and from the date of creation through August 31, 2021 and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Sun Prairie's Tax Incremental District No. 6 and the net project costs to be recovered through tax increments as of August 31, 2021 and the sources, uses and status of funds from the date of creation through August 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

## Report on Other Legal and Regulatory Requirements

We have also issued our report dated October 11, 2021 on our tests of its compliance with Wisconsin State Statutes Section 66.1105. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

*Baker Tilly US, LLP*

Madison, Wisconsin  
October 11, 2021

# City of Sun Prairie Tax Incremental District No. 6

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Balance Sheet  
August 31, 2021

	<b>Debt Service Fund</b>
<b>Assets</b>	
Due from City general fund	\$ 78,413
Total assets	<u>\$ 78,413</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	
Liabilities:	
Accounts payable	\$ 4,000
Due to City general fund	22,189
Due to other governments	<u>52,224</u>
Total liabilities	<u>78,413</u>
<b>Fund Balance</b>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 78,413</u>

See notes to financial statements

## City of Sun Prairie Tax Incremental District No. 6

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Historical Summary of Project Costs, Project Revenues  
and Net Cost to be Recovered Through Tax Increments  
From Date of Creation Through August 31, 2021

### Project Costs

Capital expenditures	\$ 1,959,600
Administration (in-house)	2,817
Professional services	37,908
Interest and fiscal charges	1,303,562
Discount and issuance costs on long-term debt	73,300
Payment to escrow agent, fees	<u>28,668</u>
Total project costs	<u>3,405,855</u>

### Project Revenues

Tax increments	2,584,763
Intergovernmental	40,317
Investment income	69,619
Developer guarantees	567,456
Miscellaneous revenues	12,041
Transfer from other funds (Note 5)	200,505
Premium on long-term debt	<u>5,567</u>
Total project revenues	<u>3,480,268</u>

Net cost to be recovered through  
tax increments, August 31, 2021 (74,413)

Refund payable to overlying districts 74,413

Balance \$ -

## City of Sun Prairie Tax Incremental District No. 6

Historical Summary of Sources, Uses and Status of Funds  
From Date of Creation Through August 31, 2021

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### Sources of Funds

Tax increments	\$ 2,584,763
Intergovernmental	40,317
Investment income	69,619
Developer guarantees	567,456
Miscellaneous revenues	12,041
Transfers from other funds (Note 5)	200,505
Long-term debt issued	5,451,468
Premium on long-term debt	<u>5,567</u>
Total sources of funds	<u>8,931,736</u>

### Uses of Funds

Capital expenditures	1,959,600
Administration (in-house)	2,817
Professional services	37,908
Interest and fiscal charges	1,303,562
Discount and issuance costs on long-term debt	73,300
Principal on long-term debt	5,451,468
Payment to escrow agent - fees	<u>28,668</u>
Total uses of funds	<u>8,857,323</u>

### Fund Balance, August 31, 2021

	74,413
Refund payable to overlying districts	<u>(74,413)</u>
Balance	<u>\$ -</u>

# City of Sun Prairie Tax Incremental District No. 6

Notes to Financial Statements

August 31, 2021

## 1. Summary of Significant Accounting Policies

The accounting policies of the City of Sun Prairie, Wisconsin's Tax Incremental District No. 6 (the District) 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 District (TID) No. 6. The accompanying financial statements reflect all the significant operations of the City of Sun Prairie's Tax Incremental District No. 6. The accompanying financial statements do not include the full presentation of the City of Sun Prairie.

### Description of Fund Structure and Long-Term Debt

This report contains the financial information of the City of Sun Prairie's Tax Incremental District No. 6. The summary statements were prepared from data recorded in the following fund and the City's long-term debt:

Tax Incremental District No. 6 – Debt Service Fund

Detailed descriptions of the purpose of this fund and long-term debt 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 improvement 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 23 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.

### Original Project Plan

	<u>Creation Date</u>
TID No. 6	January 1, 1997

### Plan Amendment

	<u>Amendment Date</u>
TID No. 6	August 4, 1999

In 2020, the City approved a resolution to extend the life of the TID to fund affordable housing and improve the community's housing stock.



## City of Sun Prairie Tax Incremental District No. 6

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Notes to Financial Statements

August 31, 2021

### **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 the related fund liability is 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 District is entitled to the aids.

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

### **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.

### **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 or unearned 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.

### **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.

### **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.

## City of Sun Prairie Tax Incremental District No. 6

Notes to Financial Statements

August 31, 2021

### 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 District, as a fund of the City of Sun Prairie, maintains 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 District. The amount shown as Due from City general fund represents the District's share of the City's pooled cash and investments.

### 3. Long Term Debt

#### General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City of Sun Prairie. Notes and bonds borrowed to finance the District's expenditures will be retired by tax increments accumulated by the debt service fund. If those revenues are not sufficient, payments will be made by future tax levies or utility revenues, as applicable.

<u>Issue</u>	<u>Borrowed</u>	<u>Repaid</u>	<u>Balance 8/31/21</u>
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 TIF No. 6 share of the total original proceeds of \$4,225,000 was \$345,259.	\$ 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. TIF No. 6 share of original proceeds of \$2,745,000 was \$514,663.	514,663	514,663	-
1999 bond anticipation notes dated November 2, 2000 with interest at 4.58%. Final maturity was November 2, 2000. TIF 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 an interest at 4.89%. Final maturity was May 2, 2001. TIF No. 6 share of original proceeds of \$3,135,000 was \$934,995.	934,995	934,995	-
2000 capital lease dated December 15, 2000 in the amount of \$1,330,000. Final maturity was February 1, 2010. During 2009 a portion of the 2000 capital lease was refunded.	1,330,000	1,330,000	-

## City of Sun Prairie Tax Incremental District No. 6

Notes to Financial Statements

August 31, 2021

<u>Issue</u>	<u>Borrowed</u>	<u>Repaid</u>	<u>Balance 8/31/21</u>
2005 refunding bonds dated August 1, 2005 with interest from 3.50% to 4.25%. Final maturity is February 1, 2018. TIF No. 6 share of the total original proceeds of \$5,875,000 was \$171,031. The TIF portion of this issue was paid off during 2014.	\$ 171,031	\$ 171,031	\$ -
2009 capital lease dated August 4, 2009 with interest from 1.20% to 4.50%. Final maturity is February 1, 2022. The TIF No. 6 share of the total original proceeds of \$6,300,000 was \$1,205,000.	1,205,000	1,205,000	-
2013 refunding bonds dated November 19, 2013 with interest from 2.0% to 3.0%. Final maturity is February 1, 2018. TIF No. 6 share of the total original proceeds of \$4,135,000 was \$57,274.	57,274	57,274	-
Total	<u>\$ 5,451,468</u>	<u>\$ 5,451,468</u>	<u>\$ -</u>

#### 4. Transfers

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

In 2003, the City's general fund transferred \$505 to TIF No. 6 to fund the amount of the City engineering costs charged to the TIF projects.

#### 5. Option Agreement

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

## City of Sun Prairie Tax Incremental District No. 6

Notes to Financial Statements

August 31, 2021

### 6. Developer Agreement

The City of Sun Prairie entered into a development 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 of parcel of land within TIF No. 6 on which the 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 percent 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.

Total payments imposed and collected as of August 31, 2021 were \$567,456.

### 7. Refund to Overlying Districts

The refund to overlying districts is calculated based on increments collected in excess of project costs using the ratio of tax levies in the 2020 tax roll as follows:

Dane County	\$	9,093
City of Sun Prairie		22,189
School District of Sun Prairie Area		40,390
Madison Area Technical College		<u>2,741</u>
Total	\$	<u>74,413</u>

## City of Sun Prairie Tax Incremental District No. 6

### Detailed Schedule of Sources, Uses and Status of Funds

From Date of Creation Through August 31, 2021

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Sources of Funds</b>										
Tax increments	\$ -	\$ -	\$ -	\$ 3,098	\$ 18,034	\$ 33,650	\$ 47,227	\$ 83,813	\$ 102,815	\$ 104,466
Intergovernmental	-	-	-	-	-	-	-	-	-	117
Investment income	-	-	1,173	-	4,506	35,944	5,995	2,530	816	3,471
Developer guarantees	-	-	-	-	-	-	-	-	-	97,926
Miscellaneous revenues	-	-	740	-	-	693	-	92	162	-
Transfer from other funds (Note 5)	-	-	-	-	-	200,000	-	505	-	-
Long-term debt issued	-	345,259	514,663	893,246	2,264,995	-	-	-	-	171,031
Premium on long term debt	-	-	-	-	-	-	-	-	-	3,236
Total sources of funds	-	<u>345,259</u>	<u>516,576</u>	<u>896,344</u>	<u>2,287,535</u>	<u>270,287</u>	<u>53,222</u>	<u>86,940</u>	<u>103,793</u>	<u>380,247</u>
<b>Uses of Funds</b>										
Capital expenditures	-	349,971	790,414	551,637	42,739	3,856	8,396	49,350	-	-
Administration (in-house)	-	-	-	-	-	-	-	50	-	-
Professional services	2,370	-	-	-	-	-	-	-	-	817
Principal on long-term debt	-	-	-	-	893,246	1,033,500	95,081	90,636	85,481	245,077
Interest and fiscal charges	-	-	-	7,085	40,906	92,655	109,028	112,472	115,663	126,544
Discount and issuance costs on long-term debt	-	5,259	12,299	3,401	25,827	-	-	-	-	-
Payment to escrow agent - fees	-	-	-	-	-	-	-	-	-	-
Total uses of funds	<u>2,370</u>	<u>355,230</u>	<u>802,713</u>	<u>562,123</u>	<u>1,002,718</u>	<u>1,130,011</u>	<u>212,505</u>	<u>252,508</u>	<u>201,144</u>	<u>372,438</u>

## City of Sun Prairie Tax Incremental District No. 6

Detailed Schedule of Sources, Uses and Status of Funds

From Date of Creation Through August 31, 2021

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Sources of Funds</b>										
Tax increments	\$ 36,186	\$ 164,504	\$ 123,360	\$ 135,774	\$ 145,433	\$ 149,993	\$ 159,557	\$ 136,664	\$ 133,509	\$ 135,574
Intergovernmental	387	260	168	126	177	127	116	114	202	869
Investment income	6,123	6,339	1,736	-	-	-	11	28	12	-
Developer guarantees	80,419	-	98,760	53,677	49,654	10,379	4,600	32,484	35,960	35,824
Miscellaneous revenues	804	-	-	-	-	9,550	-	-	-	-
Transfer from other funds (Note 5)	-	-	-	-	-	-	-	-	-	-
Long-term debt issued	-	-	-	1,205,000	-	-	-	57,274	-	-
Premium on long term debt	-	-	-	-	-	-	-	2,331	-	-
Total sources of funds	<u>123,919</u>	<u>171,103</u>	<u>224,024</u>	<u>1,394,577</u>	<u>195,264</u>	<u>170,049</u>	<u>164,284</u>	<u>228,895</u>	<u>169,683</u>	<u>172,267</u>
<b>Uses of Funds</b>										
Capital expenditures	-	-	-	-	-	-	-	-	-	-
Administration (in-house)	-	-	-	-	-	-	340	400	400	827
Professional services	9,185	708	758	1,075	451	575	255	255	690	882
Principal on long-term debt	79,524	76,743	103,291	1,369,700	106,462	121,875	126,445	130,527	189,816	140,638
Interest and fiscal charges	115,019	118,084	119,673	73,324	45,264	41,919	39,358	36,363	31,682	27,781
Discount and issuance costs on long-term debt	-	-	-	25,841	-	-	-	673	-	-
Payment to escrow agent - fees	-	-	-	28,668	-	-	-	-	-	-
Total uses of funds	<u>203,728</u>	<u>195,535</u>	<u>223,722</u>	<u>1,498,608</u>	<u>152,177</u>	<u>164,369</u>	<u>166,398</u>	<u>168,218</u>	<u>222,588</u>	<u>170,128</u>

**City of Sun Prairie Tax Incremental District No. 6**

Detailed Schedule of Sources, Uses and Status of Funds

From Date of Creation Through August 31, 2021

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>From Date of Creation</u>	<u>Project Plan Estimate</u>
<b>Sources of Funds</b>								
Tax increments	\$ 135,270	\$ 139,198	\$ 133,509	\$ 134,104	\$ 165,788	\$ 163,237	\$ 2,584,763	\$ 3,341,516
Intergovernmental	1,242	812	824	1,554	11,592	21,630	40,317	-
Investment income	-	-	254	199	278	204	69,619	-
Developer guarantees	28,314	23,754	5,097	9,290	1,318	-	567,456	-
Miscellaneous revenues	-	-	-	-	-	-	12,041	-
Transfer from other funds (Note 5)	-	-	-	-	-	-	200,505	-
Long-term debt issued	-	-	-	-	-	-	5,451,468	2,056,000
Premium on long term debt	-	-	-	-	-	-	5,567	-
Total sources of funds	<u>164,826</u>	<u>163,764</u>	<u>139,684</u>	<u>145,147</u>	<u>178,976</u>	<u>185,071</u>	<u>8,931,736</u>	<u>5,397,516</u>
<b>Uses of Funds</b>								
Capital expenditures	-	-	-	-	-	163,237	1,959,600	1,636,726
Administration (in-house)	400	400	-	-	-	-	2,817	-
Professional services	3,110	4,273	2,073	2,233	3,471	4,727	37,908	59,790
Principal on long-term debt	139,044	424,382	-	-	-	-	5,451,468	2,056,000
Interest and fiscal charges	24,023	11,291	8,470	5,203	1,755	-	1,303,562	1,645,000
Discount and issuance costs on long-term debt	-	-	-	-	-	-	73,300	-
Payment to escrow agent - fees	-	-	-	-	-	-	28,668	-
Total uses of funds	<u>166,577</u>	<u>440,346</u>	<u>10,543</u>	<u>7,436</u>	<u>5,226</u>	<u>167,964</u>	<u>8,857,323</u>	<u>5,397,516</u>
<b>Fund Balance, August 31, 2021</b>							74,413	
Refund payable to overlying districts							<u>(74,413)</u>	
Balance							<u>\$ -</u>	

## City of Sun Prairie Tax Incremental District No. 6

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Detailed Schedule of Capital Expenditures  
From Date of Creation Through August 31, 2021

	<u>Actual</u>	<u>Project Plan Estimate</u>
<b>Capital Expenditures</b>		
Public infrastructure	\$ 1,796,363	\$ 1,636,726
Affordable housing	<u>163,237</u>	<u>-</u>
Total capital expenditures	<u>\$ 1,959,600</u>	<u>\$ 1,636,726</u>



## Independent Auditors' Report on Compliance

To the Common Council of  
City of Sun Prairie, Wisconsin

We have audited the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments and the related Historical Summary of Sources, Uses and Status of Funds of the City of Sun Prairie, Wisconsin's Tax Incremental District No. 6 (District) as of August 31, 2021 and from the date the District was created through August 31, 2021 and have issued our report thereon dated October 11, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with Wisconsin State Statutes Section 66.105, insofar as it relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced statute, insofar as it relates to accounting matters.

This report is intended solely for the information and use of the Common Council, management and the overlapping taxing districts and is not intended to be and should not be, used by anyone other than the specified parties.

*Baker Tilly US, LLP*

Madison, Wisconsin  
October 11, 2021