

**CITY OF SUN PRAIRIE  
TAX INCREMENTAL DISTRICT NO. 13**

Sun Prairie, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of December 31, 2018 and From the  
Date of Creation Through December 31, 2018

**CITY OF SUN PRAIRIE  
TAX INCREMENTAL DISTRICT NO. 13**

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As of December 31, 2018 and From the Date of Creation Through December 31, 2018

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## INDEPENDENT AUDITORS' REPORT

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

### **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. 13 as of December 31, 2018 and from the date of creation through December 31, 2018, 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 City of Sun Prairie'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 City of Sun Prairie'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 City of Sun Prairie's Tax Incremental District No. 13 and the net project costs to be recovered through tax increments as of December 31, 2018 and the sources, uses, and status of funds from the date of creation through December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note I, the financial statements present only the transactions of the City of Sun Prairie's Tax Incremental District No. 13 and do not purport to, and do not, present fairly the financial position of the City of Sun Prairie, as of December 31, 2018, and the changes in financial position, or, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted 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, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Sun Prairie's Tax Incremental District No. 13's financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

## **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated November 7, 2019 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 Virchow Krause, LLP*

Madison, Wisconsin  
November 7, 2019

**CITY OF SUN PRAIRIE  
TAX INCREMENTAL DISTRICT NO. 13**

BALANCE SHEET  
As of December 31, 2018

	Capital Projects Fund
<b>ASSETS</b>	
Cash and investments	\$ 1,879,675
Taxes receivable	59,528
<b>TOTAL ASSETS</b>	<b>\$ 1,939,203</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	
Liabilities	
Accounts payable	\$ 823,359
Advances from the City of Sun Prairie general fund	62,964
Total Liabilities	886,323
Deferred Inflows of Resources	
Unearned revenue	59,528
Total Deferred Inflows of Resources	59,528
Fund Balance	
Restricted	993,352
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 1,939,203</b>

See accompanying notes to financial statements.

**CITY OF SUN PRAIRIE  
TAX INCREMENTAL DISTRICT NO. 13**

HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES  
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS  
From the Date of Creation Through December 31, 2018

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**PROJECT COSTS**

Capital expenditures	\$ 2,580,292
Administration (in-house)	9,547
Professional services - planning, engineering, other	<u>158,458</u>
Total Project Costs	<u>2,748,297</u>

**PROJECT REVENUES**

Investment income	40,933
Miscellaneous	<u>716</u>
Total Project Revenues	<u>41,649</u>

**NET COST TO BE RECOVERED THROUGH  
TAX INCREMENTS – DECEMBER 31, 2018**

\$ 2,706,648

**RECONCILIATION OF RECOVERABLE COSTS**

G.O. debt	\$ 3,700,000
Less: Fund balance	<u>(993,352)</u>

**NET COST TO BE RECOVERED THROUGH  
TAX INCREMENTS – DECEMBER 31, 2018**

\$ 2,706,648

See accompanying notes to financial statements.

**CITY OF SUN PRAIRIE  
TAX INCREMENTAL DISTRICT NO. 13**

HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS  
From the Date of Creation Through December 31, 2018

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**SOURCES OF FUNDS**

Investment income	\$ 40,933
Miscellaneous	716
Long-term debt issued	<u>3,700,000</u>
Total Sources of Funds	<u>3,741,649</u>

**USES OF FUNDS**

Capital expenditures	2,580,292
Administration (in-house)	9,547
Professional services - planning, engineering, other	<u>158,458</u>
Total Uses of Funds	<u>2,748,297</u>

**FUND BALANCE – DECEMBER 31, 2018** **\$ 993,352**

See accompanying notes to financial statements.

**CITY OF SUN PRAIRIE  
TAX INCREMENTAL DISTRICT NO. 13**

NOTES TO FINANCIAL STATEMENTS  
As of December 31, 2018 and  
From the Date of Creation Through December 31, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Sun Prairie Wisconsin's Tax Incremental District No. 13 (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. 13. The accompanying financial statements reflect all the significant operations of the City of Sun Prairie's Tax Incremental District No. 13. The accompanying financial statements do not include the full presentation of the City of Sun Prairie.

**A. 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. 13. The summary statements were prepared from data recorded in the following fund and the city's long-term debt:

Tax Incremental District No. 13 – Capital Projects Fund

Detailed descriptions of the purpose of these funds 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 20 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***

	Creation Date	Last Date to Incur Project Costs	Last Year to Collect Increment
TID No. 13	January 1, 2017	September 26, 2032	2038



**CITY OF SUN PRAIRIE  
TAX INCREMENTAL DISTRICT NO. 13**

NOTES TO FINANCIAL STATEMENTS  
As of December 31, 2018 and  
From the Date of Creation Through December 31, 2018

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

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***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 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.

***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 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.

**CITY OF SUN PRAIRIE  
TAX INCREMENTAL DISTRICT NO. 13**

NOTES TO FINANCIAL STATEMENTS  
As of December 31, 2018 and  
From the Date of Creation Through December 31, 2018

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

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***E. PROJECT PLAN BUDGET***

The estimated revenues and expenditures of the district are adopted in the project plan. Those estimates are for the entire life of the district, 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.

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**NOTE 2 – CASH AND TEMPORARY INVESTMENTS**

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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 of Sun Prairie. 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.

**CITY OF SUN PRAIRIE  
TAX INCREMENTAL DISTRICT NO. 13**

NOTES TO FINANCIAL STATEMENTS  
As of December 31, 2018 and  
From the Date of Creation Through December 31, 2018

**NOTE 3 – LONG TERM DEBT**

**A. GENERAL OBLIGATION**

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

Title of Issue	Date of Issue	Due Date	Interest Rate	Original Indebtedness	Repaid	Balance 12-31-18
2018 State Trust Fund Loan	3/29/18	3/15/20	3.0%	\$ 3,700,000	\$ -	\$ 3,700,000

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

Calendar Year	Principal	Interest	Totals
2019	\$ 1,824,833	\$ 106,742	1,931,575
2020	1,875,167	56,409	1,931,576
Totals	<u>\$ 3,700,000</u>	<u>\$ 163,151</u>	<u>\$ 3,863,151</u>

**NOTE 4 – ADVANCES FROM OTHER FUNDS**

The City of Sun Prairie's general fund is advancing funds to TID No. 13. No repayment schedules have been determined for the advances. No interest is being charged. The outstanding balance on the advance at December 31, 2018 was \$62,964.

**NOTE 5 – PAYMENTS TO TOWN**

The district's project plan provides for \$226,411 in estimated property tax payments to the Town of Burke related to annexed land included within the TID.

**NOTE 6 – SUBSEQUENT EVENTS**

On February 7, 2019, the City of Sun Prairie issued general obligation refunding bonds in the amount of \$2,555,000 with an interest rate of 3.0-4.0% to refund a portion of the 2018 state trust fund loan. The City of Sun Prairie also issued taxable general obligation corporate purpose bonds in the amount of \$9,255,000 on February 7, 2019 with an interest rate of 2.7-4.0%. A portion of this issue will be used to refund the remaining balance of the 2018 state trust fund loan.

**SUPPLEMENTARY INFORMATION**

**CITY OF SUN PRAIRIE  
TAX INCREMENTAL DISTRICT NO. 13**

DETAILED SCHEDULE OF SOURCES, USES AND STATUS OF FUNDS  
From the Date of Creation Through December 31, 2018

	<u>2017</u>	<u>2018</u>	<u>Totals</u>	<u>Project Plan Estimate</u>
<b>SOURCES OF FUNDS</b>				
Tax increments	\$ -	\$ -	\$ -	\$ 5,919,818
Investment income	-	40,933	40,933	63,980
Miscellaneous revenues	-	716	716	-
Long-term debt issued	-	3,700,000	3,700,000	4,455,000
Total Sources of Funds	<u>-</u>	<u>3,741,649</u>	<u>3,741,649</u>	<u>10,438,798</u>
<b>USES OF FUNDS</b>				
Capital expenditures	29,045	2,551,247	2,580,292	3,400,000
Administration (in-house)	-	9,547	9,547	90,000
Professional services - planning, engineering, other	21,996	136,462	158,458	-
Developer incentives	-	-	-	800,000
Payments to town	-	-	-	226,411
Interest and fiscal charges on long-term debt	-	-	-	1,467,387
Principal on long-term debt	-	-	-	4,455,000
Total Uses of Funds	<u>51,041</u>	<u>2,697,256</u>	<u>2,748,297</u>	<u>10,438,798</u>
FUND BALANCE – DECEMBER 31, 2018			<u>\$ 993,352</u>	

Note: The project plan estimate for capital expenditures includes capital-related engineering. Actual engineering costs have been included in the professional services line to be consistent with the State of Wisconsin reporting guidelines.

**CITY OF SUN PRAIRIE  
TAX INCREMENTAL DISTRICT NO. 13**

DETAILED SCHEDULE OF CAPITAL EXPENDITURES  
From the Date of Creation Through December 31, 2018

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	<u>Actual</u>	<u>Project Plan Estimate</u>
Capital Expenditures		
Infrastructure and Other Costs	\$ 2,312,368	\$ 2,900,000
City Utility Extensions Not Included in Above	<u>267,924</u>	<u>500,000</u>
 TOTAL CAPITAL EXPENDITURES	 <u>\$ 2,580,292</u>	 <u>\$ 3,400,000</u>

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the City Council  
City of Sun Prairie  
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. 13 ("district") as of December 31, 2018 and from the date the district was created through December 31, 2018 and have issued our report thereon dated November 7, 2019. 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 66.1105, 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 city 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 Virchow Krause, LLP*

Madison, Wisconsin  
November 7, 2019