

City of Madison Tax Incremental District No. 29

Financial Statements and
Supplementary Information

December 31, 2020

City of Madison Tax Incremental District No. 29

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December 31, 2020

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Independent Auditors' Report

To the Common Council of
City of Madison

Report on the Financial Statements

We have audited the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues, and Net Cost Recovered Through Tax Increments and Historical Summary of Sources, Uses, and Status of funds of the City of Madison's Tax Incremental District No. 29 (the District) as of December 31, 2020 and from the date of creation through December 31, 2020, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City of Madison's Tax Incremental District No. 29 and the net project costs recovered through tax increments as of December 31, 2020 and the sources, uses, and status of funds from the date of creation through December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the transactions of City of Madison's Tax Incremental District No. 29 and do not purport to, and do not, present fairly the financial position of the City of Madison, Wisconsin, as of December 31, 2020, 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 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, 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 Madison's Tax Incremental District No. 29's financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 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 July 27, 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
July 27, 2021

City of Madison Tax Incremental District No. 29

Balance Sheet
December 31, 2020

	Capital Projects Fund
Assets	
Taxes receivable	\$ 757,406
Accounts receivable	761
Accrued interest	1,430,909
Long-term loans	1,000,000
Prepaid items	47
	<hr/>
Total assets	<u>\$ 3,189,123</u>
 Liabilities, Deferred Inflows of Resources and Fund Balance (Deficit)	
Liabilities	
Advances from city capital projects fund	\$ 1,964,635
Accounts payable	80
Accrued liabilities	768
	<hr/>
Total liabilities	<u>1,965,483</u>
 Deferred Inflows of Resources	
Unavailable revenue	1,430,909
Unearned revenue	757,406
	<hr/>
Total deferred inflows of resources	<u>2,188,315</u>
 Fund Balance (Deficit)	
Unassigned (deficit)	<u>(964,675)</u>
	<hr/>
Total liabilities, deferred inflows of resources and fund balance (deficit)	<u>\$ 3,189,123</u>

City of Madison Tax Incremental District No. 29

Historical Summary of Project Costs, Project Revenues
and Net Cost to be Recovered Through Tax Increments
Date of Creation Through December 31, 2020

Project Costs

Capital expenditures	\$ 11,265,880
Administration	626,838
Professional services	158,088
Interest on advances	46,948
Debt issuance costs	42,349
Discount on long-term debt	12,563
Interest on long-term debt	<u>2,156,271</u>

Total project costs 14,308,937

Project Revenues

Tax increments	10,882,490
Exempt computer aid	167,206
Personal property aid	29,121
Intergovernmental grants	48,342
Investment income	110,905
Sale of land	1,559,320
Miscellaneous	<u>546,878</u>

Total project revenues 13,344,262

Net cost to be recovered through
tax increments, December 31, 2020 \$ 964,675

City of Madison Tax Incremental District No. 29

Historical Summary of Sources, Uses and Status of Funds

Date of Creation Through December 31, 2020

Sources of Funds

Tax increments	\$ 10,882,490
Exempt computer aid	167,206
Personal property aid	29,121
Intergovernmental grants	48,342
Investment income	110,905
Sale of land	1,559,320
Miscellaneous	546,878
Long-term debt issued	<u>9,331,285</u>

Total sources of funds 22,675,547

Uses of Funds

Capital expenditures	11,265,880
Administration	626,838
Professional services	158,088
Interest on advances	46,948
Debt issuance costs	42,349
Discount on long-term debt	12,563
Principal on long-term debt	9,331,285
Interest on long-term debt	<u>2,156,271</u>

Total uses of funds 23,640,222

Fund balance (deficit), December 31, 2020 \$ (964,675)

City of Madison Tax Incremental District No. 29

Notes to Financial Statements

December 31, 2020

1. Summary of Significant Accounting Policies

The accounting policies of the City of Madison's Tax Incremental District No. 29 (the District) conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Madison 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 No. 29. The accompanying financial statements reflect all the significant operations of the City of Madison's Tax Incremental District No. 29. The accompanying financial statements do not include the full presentation of the City of Madison.

Description of Fund Structure and Long-Term Debt

This report contains the financial information of the City of Madison's Tax Incremental District No. 29. The summary statements were prepared from data recorded in the following City of Madison funds and long-term debt:

General Fund
Capital Projects Fund
General Long-Term Obligations Account Group (through 12/31/01)

Detailed descriptions of the purpose of these funds and long-term debt can be found in the City of Madison'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 municipality 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 Madison. Project costs may be incurred up to five years before the unextended termination date of the District.

	<u>Creation Date</u>	<u>Last Date to Incur Project Costs</u>	<u>Last Year to Collect Increment</u>
TID No. 29	January 1, 2000	September 19, 2022	2028
	<u>Adoption Date</u>	<u>Last Date to Incur Project Costs</u>	<u>Last Year to Collect Increment</u>
Plan Amendment	September 5, 2006	September 19, 2022	2028

City of Madison Tax Incremental District No. 29

Notes to Financial Statements

December 31, 2020

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 amount 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.

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.

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.

City of Madison Tax Incremental District No. 29

Notes to Financial Statements

December 31, 2020

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.

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

3. Long-Term Debt

General Obligation Debt

All general obligation notes payable are backed by the full faith and credit of the City of Madison. Notes borrowed to finance District expenditures will be retired by tax increments accumulated by the District capital projects fund. If those revenues are not sufficient, payments will be made by future tax levies.

Title of Issue	Date of Issue	Due Date	Interest Rate	Original Indebtedness	Repaid	Balance 12-31-20
G.O. Promissory Notes	08-01-01	08-01-11	4.00-4.375 %	\$ 20,000	\$ 20,000	\$ -
G.O. Promissory Notes	10-01-05	10-01-15	4.30-4.60	2,026,900	2,026,900	-
G.O. Promissory Notes	10-01-06	10-01-16	5.25	3,401,975	3,401,975	-
G.O. Promissory Notes	10-15-08	10-15-18	3.82	2,200,000	2,200,000	-
G.O. Promissory Notes	10-01-09	10-01-15	2.00-3.00	4,000	4,000	-
G.O. Promissory Notes – Build America Bonds	10-19-10	10-01-20	0.90-3.75	738,600	738,600	-
G.O. Promissory Notes	10-19-10	10-01-16	3.00-4.00	492,400	492,400	-
G.O. Promissory Notes	10-19-16	10-01-18	0.05-4.00	447,410	447,410	-
Total				<u>\$ 9,331,285</u>	<u>\$ 9,331,285</u>	<u>\$ -</u>

The 2001 general obligation notes were refunded in 2009. The 2008 general obligation notes were refunded in 2016.

4. Advances from City Funds

The general fund or capital project fund advances funds to the District when the District is in a negative cash position. The funds charge the District interest on the advance based on the outstanding advance balance at the end of the year at a rate based on the cost of funds to the City of Madison. No repayment schedule has been established. The advance outstanding as of December 31, 2020, is \$1,964,635.

City of Madison Tax Incremental District No. 29

Notes to Financial Statements

December 31, 2020

5. Developer Agreement

In 2005, the City of Madison entered into a development agreement with Avalon Madison Village, LLC. Under the agreement, the City of Madison has provided a loan to the developer in the amount of \$1,000,000 and the developer has executed a mortgage note for loan payable to the City of Madison. Interest on this note is compounded annually at 6 percent. Payments of the principal and interest are based on the availability of cash flow as per the operating agreement between the City of Madison and the developer. Notwithstanding the availability of cash flow, all outstanding principal and interest is due on April 15, 2022. As of December 31, 2020, no amount has been repaid.

City of Madison Tax Incremental District No. 29

Detailed Schedule of Sources, Uses and Status of Funds

Date of Creation Through December 31, 2020

	2000	2001	2002	2003	2004	2005
Sources of Funds						
Tax increments	\$ -	\$ -	\$ 461,901	\$ 622,327	\$ 552,349	\$ 599,848
Exempt computer aid	-	-	10,704	14,949	9,728	10,445
Personal property aid	-	-	-	-	-	-
Intergovernmental grants	-	-	-	-	-	-
Investment income	-	-	9,878	19,284	26,449	-
Sale of land	-	-	-	-	-	1,559,320
Miscellaneous	-	-	-	-	-	-
Long-term debt issued	-	20,000	-	-	-	2,026,900
Total sources of funds	-	20,000	482,483	656,560	588,526	4,196,513
Uses of Funds						
Capital expenditures	2,519	-	-	25,170	3,533,482	148,223
Administration	20,228	20,283	29,108	35,883	42,292	57,872
Professional services	9,792	2,198	18,465	3,845	29,009	4,405
Interest on advances	2,063	1,934	-	-	-	17,396
Debt issuance costs	-	-	-	-	-	14,337
Discount on long-term debt	-	-	-	-	-	12,563
Principal on long-term debt	-	-	2,000	2,000	2,000	2,000
Interest on long-term debt	-	-	828	748	668	586
Total uses of funds	34,602	24,415	50,401	67,646	3,607,451	257,382

City of Madison Tax Incremental District No. 29

Detailed Schedule of Sources, Uses and Status of Funds

Date of Creation Through December 31, 2020

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Sources of Funds						
Tax increments	\$ 589,257	\$ 785,001	\$ 774,713	\$ 872,754	\$ 892,128	\$ 598,884
Exempt computer aid	7,525	6,974	6,478	9,211	11,174	6,988
Personal property aid	-	-	-	-	-	-
Intergovernmental grants	-	-	-	-	-	-
Investment income	22,268	-	2,815	13,270	9,961	5,972
Sale of land	-	-	-	-	-	-
Miscellaneous	232,204	313,324	-	-	-	-
Long-term debt issued	3,401,975	-	2,200,000	4,000	1,231,000	-
	<u>4,253,229</u>	<u>1,105,299</u>	<u>2,984,006</u>	<u>899,235</u>	<u>2,144,263</u>	<u>611,844</u>
Uses of Funds						
Capital expenditures	4,688,303	444,632	1,449,726	175,977	775,309	11,059
Administration	101,675	97,155	70,925	30,428	15,285	14,039
Professional services	42,900	15,253	6,202	4,290	1,702	1,932
Interest on advances	-	3,716	-	-	-	420
Debt issuance costs	28,012	-	-	-	-	-
Discount on long-term debt	-	-	-	-	-	-
Principal on long-term debt	205,684	545,881	545,829	769,829	764,560	887,814
Interest on long-term debt	89,979	259,742	233,041	289,310	257,233	253,661
	<u>5,156,553</u>	<u>1,366,379</u>	<u>2,305,723</u>	<u>1,269,834</u>	<u>1,814,089</u>	<u>1,168,925</u>

City of Madison Tax Incremental District No. 29

Detailed Schedule of Sources, Uses and Status of Funds

Date of Creation Through December 31, 2020

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Sources of Funds						
Tax increments	\$ 554,783	\$ 521,200	\$ 492,704	\$ 272,722	\$ 400,052	\$ 405,008
Exempt computer aid	7,697	5,747	6,654	7,540	7,912	9,157
Personal property aid	-	-	-	-	-	-
Intergovernmental grants	7,454	7,129	6,917	6,909	6,144	5,214
Investment income	1,008	-	-	-	-	-
Sale of land	-	-	-	-	-	-
Miscellaneous	-	-	1,350	-	-	-
Long-term debt issued	-	-	-	-	447,410	-
	<u>570,942</u>	<u>534,076</u>	<u>507,625</u>	<u>287,171</u>	<u>861,518</u>	<u>419,379</u>
Total sources of funds						
Uses of Funds						
Capital expenditures	3,505	895	420	1,678	1,423	1,554
Administration	13,286	9,371	14,343	5,425	5,848	7,270
Professional services	2,008	1,807	3,225	2,900	1,600	1,800
Interest on advances	1,192	3,513	7,262	9,452	-	-
Debt issuance costs	-	-	-	-	-	-
Discount on long-term debt	-	-	-	-	-	-
Principal on long-term debt	885,551	885,175	884,891	884,965	1,123,296	349,932
Interest on long-term debt	222,902	183,335	143,232	103,138	72,266	19,340
	<u>1,128,444</u>	<u>1,084,096</u>	<u>1,053,373</u>	<u>1,007,558</u>	<u>1,204,433</u>	<u>379,896</u>
Total uses of funds						

City of Madison Tax Incremental District No. 29

Detailed Schedule of Sources, Uses and Status of Funds

Date of Creation Through December 31, 2020

	2018	2019	2020	Total	Project Plan Estimate
Sources of Funds					
Tax increments	\$ 470,972	\$ 432,385	\$ 583,502	\$ 10,882,490	\$ 15,266,000
Exempt computer aid	9,291	9,516	9,516	167,206	-
Personal property aid	-	5,150	23,971	29,121	-
Intergovernmental grants	4,125	2,930	1,520	48,342	-
Investment income	-	-	-	110,905	-
Sale of land	-	-	-	1,559,320	-
Miscellaneous	-	-	-	546,878	-
Long-term debt issued	-	-	-	9,331,285	3,540,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total sources of funds	484,388	449,981	618,509	22,675,547	18,806,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Uses of Funds					
Capital expenditures	720	470	815	11,265,880	11,397,000
Administration	9,106	13,743	13,273	626,838	577,000
Professional services	1,625	1,130	2,000	158,088	-
Interest on advances	-	-	-	46,948	-
Debt issuance costs	-	-	-	42,349	-
Discount on long-term debt	-	-	-	12,563	-
Principal on long-term debt	343,678	123,247	122,953	9,331,285	3,540,000
Interest on long-term debt	12,728	8,924	4,610	2,156,271	3,292,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total uses of funds	367,857	147,514	143,651	23,640,222	18,806,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), December 31, 2020				\$ (964,675)	

City of Madison Tax Incremental District No. 29

Detailed Schedule of Capital, Administration and

Professional Services Expenditures

Date of Creation Through December 31, 2020

	<u>Actual</u>	<u>Project Plan Estimate</u>
Capital, administration and professional services expenditures:		
Street resurfacing	\$ 169,393	\$ 167,000
Street improvements	1,775,211	800,000
Land acquisition	7,943,157	7,800,000
Property holding costs	885,717	1,500,000
Demolition	492,402	1,130,000
Administration and professional services	784,926	577,000
	<u> </u>	<u> </u>
Total	<u>\$ 12,050,806</u>	<u>\$ 11,974,000</u>

Independent Auditors' Report on Compliance

To the Common Council of
City of Madison

We have audited the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost Recovered Through Tax Increments and the related Historical Summary of Sources, Uses and Status of Funds of the City of Madison, Wisconsin Tax Incremental District No. 29 (the District) as of December 31, 2020 and from the date the District was created through December 31, 2020 and have issued our report thereon dated July 27, 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 66.1105, 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 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
July 27, 2021