

CITY OF MADISON
TAX INCREMENTAL DISTRICT NO. 29
Madison, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of December 31, 2016 and From the
Date of Creation Through December 31, 2016

CITY OF MADISON
TAX INCREMENTAL DISTRICT NO. 29

TABLE OF CONTENTS
As of December 31, 2016 and From the Date of Creation Through December 31, 2016

Independent Auditors' Report	1 – 3
Tax Incremental District No. 29 – Balance Sheet	4
Tax Incremental District No. 29 – Historical Summary of Project Costs, Project Revenues, and Net Cost to be Recovered Through Tax Increments	5
Tax Incremental District No. 29 – Historical Summary of Sources, Uses, and Status of Funds	6
Notes to Financial Statements	7 – 11
Supplemental Information	
Tax Incremental District No. 29 – Detailed Schedule of Sources, Uses, and Status of Funds	12
Tax Incremental District No. 29 – Detailed Schedule of Capital, Administration and Professional Services Expenditures	13
Independent Auditors' Report on Compliance	14

INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Madison
Madison, 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 Madison's Tax Incremental District No. 29 (the "District") as of December 31, 2016 and from the date of creation through December 31, 2016, 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.

To the Common Council
City of Madison

Opinion

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 to be recovered through tax increments as of December 31, 2016 and the sources, uses, and status of funds from the date of creation through December 31, 2016, 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, 2016, 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 managements 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 supplemental 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 supplemental information is fairly stated in all material respects, in relation to the financial statements as a whole.

To the Common Council
City of Madison

Report on Other Legal and Regulatory Requirements

We have also issued our report dated August 1, 2017 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
August 1, 2017

**CITY OF MADISON
TAX INCREMENTAL DISTRICT NO. 29**

BALANCE SHEET
As of December 31, 2016

	Capital Projects Fund
ASSETS	
Taxes receivable	\$ 405,009
Accrued interest	925,508
Due from other governments	1,000,000
Prepaid items	<u>59</u>
TOTAL ASSETS	<u>\$ 2,330,576</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)	
Liabilities	
Advances from city capital projects fund	\$ 2,897,549
Accounts payable	<u>524</u>
Total Liabilities	<u>2,898,073</u>
Deferred Inflows of Resources	
Unavailable revenue	1,925,508
Unearned revenue	<u>405,009</u>
Total Deferred Inflows of Resources	<u>2,330,517</u>
Fund Balance (Deficit)	
Unassigned (deficit)	<u>(2,898,014)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)	<u>\$ 2,330,576</u>

See accompanying notes to financial statements.

**CITY OF MADISON
TAX INCREMENTAL DISTRICT NO. 29**

HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
From the Date of Creation Through December 31, 2016

PROJECT COSTS

Capital expenditures	\$ 11,262,321
Administration	583,446
Professional services	151,533
Interest on advances	46,948
Debt issuance costs	42,349
Discount on long-term debt	12,563
Interest on long-term debt	<u>2,110,669</u>
Total Project Costs	<u>14,209,829</u>

PROJECT REVENUES

Tax increments	8,990,623
Exempt computer aid	129,726
Investment income	110,905
Sale of land	559,320
Miscellaneous	<u>581,431</u>
Total Project Revenues	<u>10,372,005</u>

**NET COST TO BE RECOVERED THROUGH
TAX INCREMENTS – DECEMBER 31, 2016**

\$ 3,837,824

RECONCILIATION OF RECOVERABLE COSTS

G.O. debt	\$ 939,810
Plus: Fund balance deficit	<u>2,898,014</u>

**NET COST TO BE RECOVERED THROUGH
TAX INCREMENTS – DECEMBER 31, 2016**

\$ 3,837,824

**CITY OF MADISON
TAX INCREMENTAL DISTRICT NO. 29**

HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2016

SOURCES OF FUNDS

Tax increments	\$ 8,990,623
Exempt computer aid	129,726
Investment income	110,905
Sale of land	559,320
Miscellaneous	581,431
Long-term debt issued	<u>9,331,285</u>
Total Sources of Funds	<u>19,703,290</u>

USES OF FUNDS

Capital expenditures	11,262,321
Administration	583,446
Professional services	151,533
Interest on advances	46,948
Debt issuance costs	42,349
Discount on long-term debt	12,563
Principal on long-term debt	8,391,475
Interest on long-term debt	<u>2,110,669</u>
Total Uses of Funds	<u>22,601,304</u>

FUND BALANCE (DEFICIT) – DECEMBER 31, 2016 \$ (2,898,014)

**CITY OF MADISON
TAX INCREMENTAL DISTRICT NO. 29**

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2016 and From the Date of Creation Through December 31, 2016

NOTE 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.

A. 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>
Tax Incremental District 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
As of December 31, 2016 and From the Date of Creation Through December 31, 2016

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

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 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.

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.

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.

**CITY OF MADISON
TAX INCREMENTAL DISTRICT NO. 29**

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2016 and From the Date of Creation Through December 31, 2016

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

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 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.

NOTE 3 – LONG-TERM DEBT

A. 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.

**CITY OF MADISON
TAX INCREMENTAL DISTRICT NO. 29**

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2016 and From the Date of Creation Through December 31, 2016

NOTE 3 – LONG-TERM DEBT (cont.)

A. GENERAL OBLIGATION DEBT (cont.)

Title of Issue	Date of Issue	Due Date	Interest Rates	Original Indebtedness	Repaid	Balance 12-31-16
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	246,200	492,400
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
Totals				<u>\$ 9,331,285</u>	<u>\$ 8,391,475</u>	<u>\$ 939,810</u>

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

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

Calendar Year	Principal	Interest	Totals
2017	\$ 349,932	\$ 19,340	\$ 369,272
2018	343,678	12,727	356,405
2019	123,247	8,924	132,171
2020	122,953	4,611	127,564
Totals	<u>\$ 939,810</u>	<u>\$ 45,602</u>	<u>\$ 985,412</u>

B. CURRENT REFUNDING

On October 19, 2016, the City of Madison issued \$447,410 in general obligation notes with an average coupon rate of 0.5 – 4.0% to refund \$440,000 of outstanding 2008 notes with an average coupon rate of 3.82%. The net proceeds along with existing funds of the City of Madison were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$468,270 from 2017 through 2018. The cash flow requirements on the refunding notes are \$450,857 from 2017 through 2018. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$16,835.

**CITY OF MADISON
TAX INCREMENTAL DISTRICT NO. 29**

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2016 and From the Date of Creation Through December 31, 2016

NOTE 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, 2016, is \$2,897,549.

NOTE 5 – CONTINGENT RECEIVABLE FROM CDA

In 2008, the City of Madison and the Community Development Authority of the City of Madison (CDA) entered into a cooperation and development agreement under which the City of Madison contributed a City property to the CDA and the CDA executed a deferred payment note to the City of Madison in the amount of \$392,000. Payment of this note shall be due when the CDA conveys the City of Madison property, or any portion thereof, to any party other than the developer, Allied Drive Redevelopment, LLC, the likelihood of which is very remote. Hence, this has not been recorded as a receivable. During 2016, the property was sold back to the City of Madison for parks use and the receivable was forgiven.

NOTE 6 – 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%. 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, 2016, no amount has been repaid.

S U P P L E M E N T A L I N F O R M A T I O N

**CITY OF MADISON
TAX INCREMENTAL DISTRICT NO. 29**

DETAILED SCHEDULE OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2016

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Totals	Project Plan Estimate
SOURCES OF FUNDS																			
Tax increments	\$ -	\$ -	\$ 461,901	\$ 622,327	\$ 552,349	\$ 599,848	\$ 589,257	\$ 785,001	\$ 774,713	\$ 872,754	\$ 892,128	\$ 598,884	\$ 554,783	\$ 521,200	\$ 492,704	\$ 272,722	\$ 400,052	\$ 8,990,623	\$ 15,266,000
Exempt computer aid	-	-	10,704	14,949	9,728	10,445	7,525	6,974	6,478	9,211	11,174	6,988	7,697	5,747	6,654	7,540	7,912	129,726	-
Investment income	-	-	9,878	19,284	26,449	-	22,268	-	2,815	13,270	9,961	5,972	1,008	-	-	-	-	110,905	-
Sale of land	-	-	-	-	-	559,320	-	-	-	-	-	-	-	-	-	-	-	559,320	-
Miscellaneous	-	-	-	-	-	-	232,204	313,324	-	-	-	-	7,454	7,129	8,267	6,909	6,144	581,431	-
Long-term debt issued	-	20,000	-	-	-	2,026,900	3,401,975	-	2,200,000	4,000	1,231,000	-	-	-	-	-	447,410	9,331,285	3,540,000
Total Sources of Funds	-	20,000	482,483	656,560	588,526	3,196,513	4,253,229	1,105,299	2,984,006	899,235	2,144,263	611,844	570,942	534,076	507,625	287,171	861,518	19,703,290	18,806,000
USES OF FUNDS																			
Capital expenditures	2,519	-	-	25,170	3,533,482	148,223	4,688,303	444,632	1,449,726	175,977	775,309	11,059	3,505	895	420	1,678	1,423	11,262,321	11,397,000
Administration	20,228	20,283	29,108	35,883	42,292	57,872	101,675	97,155	70,925	30,428	15,285	14,039	13,286	9,371	14,343	5,425	5,848	583,446	577,000
Professional services	9,792	2,198	18,465	3,845	29,009	4,405	42,900	15,253	6,202	4,290	1,702	1,932	2,008	1,807	3,225	2,900	1,600	151,533	-
Interest on advances	2,063	1,934	-	-	-	17,396	-	3,716	-	-	-	420	1,192	3,513	7,262	9,452	-	46,948	-
Debt issuance costs	-	-	-	-	-	14,337	28,012	-	-	-	-	-	-	-	-	-	-	42,349	-
Discount on long-term debt	-	-	-	-	-	12,563	-	-	-	-	-	-	-	-	-	-	-	12,563	-
Principal on long-term debt	-	-	2,000	2,000	2,000	2,000	205,684	545,881	545,829	769,829	764,560	887,814	885,551	885,175	884,891	884,965	1,123,296	8,391,475	3,540,000
Interest on long-term debt	-	-	828	748	668	586	89,979	259,742	233,041	289,310	257,233	253,661	222,902	183,335	143,232	103,138	72,266	2,110,669	3,292,000
Total Uses of Funds	34,602	24,415	50,401	67,646	3,607,451	257,382	5,156,553	1,366,379	2,305,723	1,269,834	1,814,089	1,168,925	1,128,444	1,084,096	1,053,373	1,007,558	1,204,433	22,601,304	18,806,000
FUND BALANCE (DEFICIT) -																			
DECEMBER 31, 2016																		\$ (2,898,014)	

**CITY OF MADISON
TAX INCREMENTAL DISTRICT NO. 29**

DETAILED SCHEDULE OF CAPITAL, ADMINISTRATION AND
PROFESSIONAL SERVICES EXPENDITURES
From the Date of Creation Through December 31, 2016

	<u>Actual</u>	<u>Project Plan Estimate</u>
Capital, Administration and Professional Services Expenditures		
Street resurfacing	\$ 169,393	\$ 167,000
Street improvements	1,773,225	800,000
Land acquisition	7,943,157	7,800,000
Property holding costs	884,144	1,500,000
Demolition	492,402	1,130,000
Administration and professional services	<u>734,979</u>	<u>577,000</u>
 TOTAL	 <u>\$ 11,997,300</u>	 <u>\$ 11,974,000</u>

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the Common Council
City of Madison
Madison, 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 Madison, Wisconsin Tax Incremental District No. 29 (the "District") as of December 31, 2016 and from the date the District was created through December 31, 2016 and have issued our report thereon dated August 1, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America

In connection with our audit, we noted that the District failed to comply with the following requirements of Wisconsin State Statutes Section 66.1105:

1. The municipal clerk gave written notice of the amendment to the Wisconsin Department of Revenue more than 60 days after adoption of the amendment. State statutes require that the notice be sent within 60 days after adoption.

Our audit was not directed primarily toward obtaining knowledge as to whether the District failed to comply with Wisconsin State Statutes Section 66.1105, insofar as it relates to accounting matters. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding 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 Vorchaw Krause, LLP

Madison, Wisconsin
August 1, 2017