

**City of Madison
Tax Incremental District No. 35**

Financial Statements and
Supplementary Information

December 31, 2020

City of Madison Tax Incremental District No. 35

Table of Contents
December 31, 2020

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Tax Incremental District No. 35 – Balance Sheet	3
Tax Incremental District No. 35 – Historical Summary of Project Costs, Project Revenues and Net Cost Recovered Through Tax Increments	4
Tax Incremental District No. 35 – Historical Summary of Sources, Uses and Status of Funds	5
Notes to Financial Statements	6
Supplementary Information	
Tax Incremental District No. 35 – Detailed Schedule of Sources, Uses and Status of Funds	11
Tax Incremental District No. 35 – Detailed Schedule of Capital, Administration and Professional Services Expenditures and Developer Payments	13
Independent Auditors' Report on Compliance	14

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. 35 (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.

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. 35 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. 35 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. 35'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. 35

Balance Sheet
December 31, 2020

	Capital Projects Fund
Assets	
Cash and investments	\$ 1,116,763
Taxes receivable	1,216,659
Prepaid items	<u>48</u>
Total assets	<u><u>\$ 2,333,470</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balance	
Liabilities	
Accrued liabilities	<u>\$ 567</u>
Deferred Inflows of Resources	
Unearned revenue	<u>1,216,659</u>
Fund Balance	
Restricted	<u>1,116,244</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 2,333,470</u></u>

City of Madison Tax Incremental District No. 35

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

Project Costs

Capital expenditures	\$ 64,286
Administration	274,245
Professional services	27,512
Developer payments	3,763,000
Contribution to TIF No. 38	4,710,000
Interest on advances	6,524
Debt issuance costs	4,341
Interest on long-term debt	<u>649,300</u>

Total project costs 9,499,208

Project Revenues

Tax increments	9,116,040
Exempt computer aid	580,387
Personal property aid	40,587
Miscellaneous	42,500
Investment income	<u>190,758</u>

Total project revenues 9,970,272

Net cost recovered through
tax increments, December 31, 2020 \$ (471,064)

Reconciliation of Recovered Costs

G.O. debt payable	\$ 645,180
Less fund balance	<u>(1,116,244)</u>

Net cost recovered through
tax increments, December 31, 2020 \$ (471,064)

City of Madison - Tax Incremental District No. 35

Historical Summary of Sources, Uses and Status of Funds

Date of Creation Through December 31, 2020

Sources of Funds

Tax increments	\$ 9,116,040
Exempt computer aid	580,387
Personal property aid	40,587
Miscellaneous	42,500
Investment income	190,758
Long-term debt issued	<u>4,291,865</u>

Total sources of funds 14,262,137

Uses of Funds

Capital expenditures	64,286
Administration	274,245
Professional services	27,512
Developer payments	3,763,000
Contribution to TIF No. 38	4,710,000
Interest on advances	6,524
Debt issuance costs	4,341
Principal on long-term debt	3,646,685
Interest on long-term debt	<u>649,300</u>

Total uses of funds 13,145,893

Fund balance, December 31, 2020 \$ 1,116,244

City of Madison Tax Incremental District No. 35

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. 35 (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. 35. The accompanying financial statements reflect all the significant operations of the City of Madison's Tax Incremental District No. 35. 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. 35. The summary statements were prepared from data recorded in the following City of Madison funds and long-term debt:

General Fund
Capital Projects Fund

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. 35	January 1, 2005	July 5, 2027	2033
	<u>Adoption Date</u>	<u>Last Date to Incur Project Costs</u>	<u>Last Year to Collect Increment</u>
Plan Amendment 1	May 20, 2014	July 5, 2027	2033
Plan Amendment 2	August 6, 2019	July 5, 2027	2033

City of Madison Tax Incremental District No. 35

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. 35

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.

<u>Title of Issue</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Repaid</u>	<u>Balance 12-31-20</u>
G.O. Promissory Notes	10-15-08	10-15-18	3.82 %	\$ 2,800,000	\$ 2,800,000	\$ -
G.O. Promissory Bonds	10-19-16	10-01-18	0.05-4.00	570,182	570,182	-
G.O. Promissory Notes	10-19-17	10-01-27	2.15-2.65	<u>921,683</u>	<u>276,503</u>	<u>645,180</u>
Total				<u>\$ 4,291,865</u>	<u>\$ 3,646,685</u>	<u>\$ 645,180</u>

The 2008 notes were refunded with the 2016 bonds.

City of Madison Tax Incremental District No. 35

Notes to Financial Statements

December 31, 2020

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Calendar Year:			
2021	\$ 92,186	\$ 15,116	\$ 107,284
2022	92,168	13,134	105,302
2023	92,168	11,152	103,320
2024	92,168	9,171	101,339
2025	92,168	7,051	99,219
2026	92,168	4,793	96,961
2027	92,172	2,442	94,614
	<u>\$ 645,180</u>	<u>\$ 62,859</u>	<u>\$ 708,039</u>
Total			

4. Advances from City General Fund

The general fund advances funds to the District when the District is in a negative cash position. The general fund charges 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. There was no advance outstanding as of December 31, 2020.

5. Guaranteed Revenue

The City of Madison has entered into a development agreement with Landmarks Oak Development, LLC and Holborn Landmark, LLC (the Developer). The agreement guarantees that the Developer shall pay the difference between the guaranteed tax increment and the tax increment actually levied. The guarantee obligation shall terminate when the City of Madison has collected from the tax increment generated from the District or been paid under this agreement the full amount of the project costs of not less than \$913,000.

6. Increments Sharing

As allowable under TIF statutes, the City of Madison may share positive TIF increments. In 2014, the common council and joint review board approved sharing increments from TIF District No. 35 (donor district) to TIF District No. 38 (donee district). Transfers will be reflected as recoverable costs in the donor district and as project revenues in the donee district. Transfers were approved to begin in 2016, for a total donation to the recipient TIF District No. 38 of \$2,500,000. During 2019, the City of Madison approved an additional increment sharing of \$2,210,000 to TIF District No. 38. In 2020, TIF District No. 35 donated \$1,410,000.

7. Tax Abatements

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City of Madison Tax Incremental District No. 35

Notes to Financial Statements
December 31, 2020

The City of Madison, through its Tax Incremental Districts (TIDs), has entered into tax abatement agreements with developers in the form of tax incremental financing incentives to stimulate economic development. The abatements are authorized through the TID project plans. The City of Madison disburses loans to developers. The developer guarantees a certain amount of increment each year. The developers pay property taxes as they become due and if they generate the guaranteed increment, an equal amount of loan balance is forgiven. It is anticipated that these loans will be forgiven and therefore an allowance of \$912,000 has been established for the entire amount of outstanding loans. Details of loans disbursed and forgiven are as follows:

<u>Developer Name</u>	<u>Loans Disbursed as of 12/31/2019</u>	<u>Loans Forgiven as of 12/31/2019</u>	<u>Loans Disbursed During 2020</u>	<u>Loans Forgiven During 2020</u>	<u>Balance Remaining as of 12/31/20</u>
Arbor Gate Development LLC	\$ 2,850,000	\$ 2,850,000	\$ -	\$ -	\$ -
Landmarks Oak Development LLC and Holborn Landmark LLC	913,000	-	-	1,000	912,000
Total	<u>\$ 3,763,000</u>	<u>\$ 2,850,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 912,000</u>

City of Madison Tax Incremental District No. 35

Detailed Schedule of Sources, Uses and Status of Funds

Date of Creation Through December 31, 2020

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Sources of Funds									
Tax increments	\$ -	\$ -	\$ 79,154	\$ 107,913	\$ 214,366	\$ 777,430	\$ 518,126	\$ 634,676	\$ 734,712
Exempt computer aid	-	-	197	317	277	22,078	21,362	20,134	30,472
Personal property aid	-	-	-	-	-	-	-	-	-
Miscellaneous	-	20,000	12,250	-	-	-	-	-	-
Investment income	-	-	-	2,306	3,844	7,172	7,151	8,162	7,483
Long-term debt issued	-	-	-	2,800,000	-	-	-	-	-
Total sources of funds	-	20,000	91,601	2,910,536	218,487	806,680	546,639	662,972	772,667
Uses of Funds									
Capital expenditures	-	-	-	-	-	-	18,749	82	-
Administration	59,023	35,312	42,043	9,497	6,570	3,200	5,313	4,269	14,336
Professional services	-	4,211	-	1,322	1,943	1,729	1,683	1,883	1,918
Developer payments	-	-	-	2,700,000	-	-	-	-	-
Contribution to TIF No. 38	-	-	-	-	-	-	-	-	-
Interest on advances	154	3,299	3,039	-	32	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-	-
Principal on long-term debt	-	-	-	-	280,000	280,000	280,000	280,000	280,000
Interest on long-term debt	-	-	-	-	105,761	98,840	87,640	77,840	68,040
Total uses of funds	59,177	42,822	45,082	2,710,819	394,306	383,769	393,385	364,074	364,294

City of Madison Tax Incremental District No. 35

Detailed Schedule of Sources, Uses and Status of Funds
Date of Creation Through December 31, 2020

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>	<u>Project Plan Estimate</u>
Sources of Funds									
Tax increments	\$ 774,084	\$ 760,075	\$ 784,946	\$ 817,962	\$ 805,906	\$ 910,503	\$ 1,196,187	\$ 9,116,040	\$ 10,098,746
Exempt computer aid	27,556	66,827	82,661	75,370	76,478	78,329	78,329	580,387	-
Personal property aid	-	-	-	-	-	8,169	32,418	40,587	-
Miscellaneous	750	-	-	9,500	-	-	-	42,500	-
Investment income	9,493	10,043	16,382	18,896	42,172	44,597	13,057	190,758	-
Long-term debt issued	-	-	570,182	921,683	-	-	-	4,291,865	9,386,587
Total sources of funds	811,883	836,945	1,454,171	1,843,411	924,556	1,041,598	1,319,991	14,262,137	19,485,333
Uses of Funds									
Capital expenditures	-	-	-	41,169	3,587	531	168	64,286	117,587
Administration	24,584	5,751	5,998	16,650	9,273	18,938	13,488	274,245	500,000
Professional services	2,673	1,600	1,600	1,800	1,625	1,473	2,052	27,512	-
Developer payments	150,000	-	-	913,000	-	-	-	3,763,000	4,059,000
Contribution to TIF No. 38	-	-	500,000	500,000	500,000	1,800,000	1,410,000	4,710,000	4,710,000
Interest on advances	-	-	-	-	-	-	-	6,524	-
Debt issuance costs	-	-	-	4,341	-	-	-	4,341	-
Principal on long-term debt	280,000	280,000	840,000	289,075	373,274	92,168	92,168	3,646,685	9,386,587
Interest on long-term debt	57,540	47,040	46,022	4,253	20,147	19,079	17,098	649,300	712,159
Total uses of funds	514,797	334,391	1,393,620	1,770,288	907,906	1,932,189	1,534,974	13,145,893	19,485,333
Fund balance, December 31, 2020								<u>\$ 1,116,244</u>	

City of Madison Tax Incremental District No. 35

Detailed Schedule of Capital, Administration and Professional
Services Expenditures and Developer Payments
Date of Creation Through December 31, 2020

	Actual	Project Plan Estimate
Capital, administration and professional services expenditures, and developer payments:		
Street and sidewalk reconstruction	\$ 18,831	\$ 18,831
Street Lighting	168	350,000
Other revitalization	45,287	44,756
Developer Payments	3,763,000	3,763,000
Administration and professional services	301,757	500,000
	<hr/>	<hr/>
Total	\$ 4,129,043	\$ 4,676,587
	<hr/> <hr/>	<hr/> <hr/>

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. 35 (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