CITY OF STOUGHTON
FINANCE DEPARTMENT
207 S. Forrest St, Stoughton, WI 53589

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Stoughton Redevelopment Authority
Mayor Tim Swadley
Common Council members
Finance Committee members
Other interested parties

October 19, 2023

The City of Stoughton Common Council approved R-14-2010 on March 23, 2010, indicating that the acquisition of property located at 501 East South Street by the Stoughton Redevelopment Authority (RDA) was appropriate. The resolution language indicates the City guarantees the RDA's obligations under the real estate purchase agreement.

My understanding is that the parcel involved contained the old blacksmith shop which was removed sometime in the past.

The purchase agreement for $150,000 was dated November 29, 2012, and the closing occurred on January 29, 2013. No payment for the property was due at closing and the timing on the interest free loan varied depending upon the status of redevelopment on the property. Because redevelopment on the property was not completed by the 10th anniversary of the closing date, the first of five (5) payments of $30,000 each was due beginning January 29, 2023.

Unfortunately, this first installment was never paid in January 2023. This liability was first brought to my attention on October 16, 2023, due to the attorney for Stoughton Trailers and Donald Wahlin contacting me regarding the delinquent principal payment.

Upon investigation, I learned that the land purchase and related liability were never recorded in the general ledger and that Baker Tilly was also unaware of the real estate purchase. I cannot explain why the outstanding debt was never recorded by my office back in 2013.

Steps taken

- The payment that was due on January 29, 2023 was made on October 19, 2023.
- The related accounting activity has now been recorded in the general ledger.
- Internal controls have been put into place to help ensure that the four subsequent annual payments will be made on a timely basis.
- Baker Tilly has been kept informed of what has occurred so that audited financial statements will accurately show both the land purchased and current outstanding debt.
- Ehlers has been kept informed of what has occurred so that proposed subsequent debt issues accurately depict current outstanding debt.

The good news – Our financial advisor, Ehlers & Associates has opined that neither the non-disclosure of the debt nor the missed debt principal payment need to be reported to the Municipal Securities Rulemaking Board like the other bonds and notes issued by the City.

The bad news – *Every single* Official Statement that the City of Stoughton releases for proposed subsequent debt issues *going forward* will have to include a notice of this delinquent debt principal payment.

Please feel free to contact me if you have any questions.

Respectfully submitted,

David P. Ehlinger, CPA
Director of Finance/Comptroller
City of Stoughton