City of Stoughton
Tax Incremental District No. 6

Financial Statements and
Supplementary Information

December 31, 2020

City of Stoughton
Tax Incremental District No. 6

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Independent Auditors' Report

To the City Council of
City of Stoughton

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 Stoughton, Wisconsin's Tax Incremental District No. 6 (the District) as of the year ended 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 Districts'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 Districts'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 Stoughton's Tax Incremental District No. 6 and the net project costs to be 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.

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Emphasis of Matter

As discussed in Note 1, the financial statements present only the transactions of City of Stoughton's Tax Incremental District No. 6 and do not purport to, and do not, present fairly the financial position of the City of Stoughton, 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 State 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 basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic 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 Districts's basic 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated September 8, 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
September 8, 2021

City of Stoughton Tax Incremental District No. 6

Balance Sheet
December 31, 2020

	Capital Projects Fund
Assets	
Cash and investments	$ 682,981
Taxes receivable	149,306
Total assets	$ 832,287
Liabilities, Deferred Inflows of Resources and Fund Balance	
Liabilities	
Accounts payable	$ 36,329
Advances from city general fund	140,399
Total liabilities	176,728
Deferred Inflows of Resources	
Unearned revenues	149,306
Total deferred inflows of resources	149,306
Fund Balance	
Restricted	506,253
Total liabilities, deferred inflows of resources and fund balance	$ 832,287

See notes to financial statements

City of Stoughton Tax Incremental District No. 6

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

Project Costs		
Capital expenditures	$	2,546,895
Professional services, planning, engineering, other		198,709
Administration		450
Debt issuance cost		36,163
Interest on long-term debt		44,977
Total project costs		2,827,194
Project Revenues		
Tax increments		49,368
Investment income		38,956
Developer guarantee		52,159
Land Sales		173,230
Premium on long-term debt		14,080
Miscellaneous revenues		21,945
Total project revenues		349,738
Net cost recoverable through TIF increments, December 31, 2020	$	2,477,456
Reconciliation of Recoverable Costs		
General obligation debt	$	2,983,709
Less fund balance		(506,253)
Net costs to be recovered through tax increments, December 31, 2020	$	2,477,456

See notes to financial statements

City of Stoughton Tax Incremental District No. 6

Historical Summary of Sources, Uses and Status of Funds
From Date of Creation Through December 31, 2020

Sources of Funds		
Tax increments	$	49,368
Investment income		38,956
Developer guarantee		52,159
Miscellaneous revenues		21,945
Land sales		173,230
Premium on long-term debt		14,080
Long-term debt issued		3,123,709
Total sources of funds		3,473,447
Uses of Funds		
Capital expenditures		2,546,895
Professional services, planning, engineering, other		198,709
Administration		450
Debt issuance cost		36,163
Interest on long-term debt		44,977
Principal on long-term debt		140,000
Total uses of funds		2,967,194
Fund balance, December 31, 2020	$	506,253

See notes to financial statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Stoughton's Tax Incremental District No. 6 (the District) conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Stoughton (the City) 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 the District. The accompanying financial statements reflect all the significant operations of the District. The accompanying financial statements do not include the full presentation of the City.

Description of Fund and Account Group Structure

This report contains the financial information of the District. The summary statements were prepared from data recorded in the following funds and the City's long-term debt:

Debt Service Fund
Capital Projects Fund

Detailed descriptions of the purpose of these funds and long-term debt can be found in the City'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 were created under the provisions of Wisconsin Statute Section 66.1105. The purpose of that section is to allow a municipality to recover development and improvements 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 Stoughton. 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. 6	01/01/2015	09/29/2030	2036

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 City is entitled to the aids.

Special assessments are recorded as revenues when collected. Annual installments due in future years are accounted for as receivables and unavailable revenues. There are no special assessments receivables as of the date of this report.

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 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.

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 Budgets

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 expenditure in the year in which the debt matures or is repaid, whichever is earlier.

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 invest their 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. 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 funds of the City, maintain separate and common cash and investment accounts at the same financial institutions utilized by the City. Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the City 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 and bonds payable are backed by the full faith and credit of the City. Notes and bonds borrowed to finance the District's expenditures will be retired by tax increments accumulated by the District fund. If those revenues are not sufficient, payments will be made by future tax levies or utility revenues, as applicable.

	Original Amount Borrowed	Repaid	Balance 12-31-20
TIF District No. 6			
06/08/17 Promissory Notes, 2.00 - 3.00%	$ 505,000	$ 140,000	$ 365,000
03/26/19 Promissory Notes, 2.125 - 4.00%	2,618,709	-	2,618,709
Total	$ 3,123,709	$ 140,000	$ 2,983,709

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

	Principal	Interest	Total
Year ending December 31:			
2021	$ 50,000	$ 83,730	$ 133,730
2022	341,379	78,234	419,613
2023	350,345	68,109	418,454
2024	363,793	56,737	420,530
2025	377,759	44,263	422,022
2026 - 2029	1,500,433	68,943	1,569,376
Total	$ 2,983,709	$ 400,016	$ 3,383,725

4. Advances From/Due to City General Fund

The general fund is advancing funds to TIF District No. 6. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the District's inception. A repayment schedule has not been established.

5. Developer Agreements

TIF District No. 6 has entered into a developer agreement with North American Fur Auction (NAFA) where the City shall construct the City improvements and provide a noncash development incentive, by conveying a piece of land in the amount of $377,000. The City fulfilled its obligation during 2017.

6. Guaranteed Revenue

TIF District No. 6 has entered into a development agreement with North American Fur Auction (NAFA). The agreement guarantees the assessed value of NAFA's property will be not less than $1,100,000, $3,500,000 and $5,000,000 by January 1, 2018, 2019 and 2021 respectively. Beginning calendar year 2019, NAFA shall pay the difference between the guaranteed tax increment on the assessed values and the tax increment actually levied. The agreement shall continue until TIF District No. 6 has terminated. The TIF guarantee payment received in 2020 was $51,694. During 2020, NAFA declared bankruptcy.

SUPPLEMENTARY INFORMATION

City of Stoughton Tax Incremental District No. 6

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

	2015	2016	2017	2018	2019	2020	Totals	Project Plan Estimate
Sources of Funds								
Tax increments	$ -	$ -	$ -	$ -	$ 24,537	$ 24,831	$ 49,368	$ 5,941,236
Investment income	-	-	-	-	30,468	8,488	38,956	-
Developer guarantee	-	-	-	-	465	51,694	52,159	-
Miscellaneous revenues	-	-	21,945	-	-	-	21,945	-
Land sales	-	-	-	-	-	173,230	173,230	-
Premium on long-term debt	-	-	-	-	14,080	-	14,080	-
Long-term debt issued	-	-	505,000	-	2,618,709	-	3,123,709	3,560,000
Total sources of funds	-	-	526,945	-	2,688,259	258,243	3,473,447	9,501,236
Uses of Funds								
Capital expenditures	-	-	502,650	-	1,321,123	714,951	2,546,895	4,418,375
Professional services, planning, engineering, other	11,731	6,869	63,704	9,835	81,481	33,260	198,709	155,000
Administration	-	-	-	150	150	150	450	200,000
Debt issuance cost	-	-	3,374	-	32,789	-	36,163	-
Interest on long-term debt	-	-	-	14,676	10,162	20,139	44,977	1,167,861
Principal on long-term debt	-	-	-	45,000	45,000	50,000	140,000	3,560,000
Total uses of funds	11,731	6,869	569,728	69,661	1,490,705	818,500	2,967,194	9,501,236
Fund balance, December 31, 2020							$ 506,253	

See notes to financial statements

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Independent Auditors' Report on Compliance

To the City Council of
City of Stoughton

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 Stoughton, Wisconsin's Tax Incremental District No. 6 (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 September 8, 2021. 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 requirement of Wisconsin State Statutes Section 66.1105:

1. City was unable to provide documentation that the first meeting of joint review board was held within 14 days of publication of Class 2 notice.

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 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 US, LLP

Madison, Wisconsin
September 8, 2021

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