

**VILLAGE OF MOUNT HOREB
TAX INCREMENTAL DISTRICT NO. 5**

Mount Horeb, Wisconsin

COMPILED
FINANCIAL STATEMENTS

Including Accountants' Compilation Report

As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

**VILLAGE OF MOUNT HOREB
TAX INCREMENTAL DISTRICT NO. 5**

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From the Date of Creation Through December 31, 2019

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ACCOUNTANTS' COMPILATION REPORT

To the Village Board
Village of Mount Horeb
Mount Horeb, Wisconsin

Management is responsible for 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 Village of Mount Horeb's Tax Incremental District No. 5 ("district") as of and for the year ended December 31, 2019 and from the date of creation through December 31, 2019, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the *Accounting and Review Services Committee* of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

As discussed in Note 1, the financial statements present only the transactions of the district and do not purport to, and do not, present fairly the financial position of the Village of Mount Horeb as of December 31, 2019, the changes in its 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.

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. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such 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, economical, or historical context.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
April 13, 2020

**VILLAGE OF MOUNT HOREB
TAX INCREMENTAL DISTRICT NO. 5**

COMPILED
BALANCE SHEET
As of December 31, 2019

ASSETS	
Taxes receivable	\$ 569,572
TOTAL ASSETS	<u>\$ 569,572</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 5,143
Advance from other funds	<u>938,953</u>
Total Liabilities	<u>944,096</u>
Deferred Inflows of Resources	
Unearned revenue	<u>569,572</u>
Total Deferred Inflows of Resources	<u>569,572</u>
Fund Balance (deficit)	
Unassigned (deficit)	<u>(944,096)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 569,572</u>

See accompanying notes to financial statements.

**VILLAGE OF MOUNT HOREB
TAX INCREMENTAL DISTRICT NO. 5**

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2019
and From the Date of Creation Through December 31, 2019

	Year Ended	From Date of Creation
PROJECT COSTS		
Capital expenditures	\$ 759,978	\$ 1,695,775
Administration (in-house)	2,500	7,500
Professional services - planning, engineering, other	4,937	283,257
Developer grants	65,349	3,881,082
Interest and fiscal charges on long-term debt	171,068	266,066
Debt issuance costs	-	90,513
Total Project Costs	1,003,832	6,224,193
PROJECT REVENUES		
Tax increments	231,020	250,669
Intergovernmental grants	23,328	249,001
Investment income	8,897	11,763
Sale of property	444,934	444,934
Miscellaneous revenues	96	82,990
Total Project Revenues	708,275	1,039,357
NET COST RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS – DECEMBER 31, 2019	\$ 295,557	\$ 5,184,836
RECONCILIATION OF RECOVERABLE COSTS		
Long-term debt outstanding		\$ 4,240,740
Fund balance deficit		944,096
NET COST RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS – DECEMBER 31, 2019		\$ 5,184,836

See accompanying notes to financial statements.

**VILLAGE OF MOUNT HOREB
TAX INCREMENTAL DISTRICT NO. 5**

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2019
and From the Date of Creation Through December 31, 2019

	Year Ended	From Date of Creation
SOURCES OF FUNDS		
Tax increments	\$ 231,020	\$ 250,669
Intergovernmental grants	23,328	249,001
Investment income	8,897	11,763
Sale of property	444,934	444,934
Miscellaneous revenues	96	82,990
Long-term debt issued	-	4,740,740
Total Sources of Funds	708,275	5,780,097
USES OF FUNDS		
Capital expenditures	759,978	1,695,775
Administration (in-house)	2,500	7,500
Professional services - planning, engineering, other	4,937	283,257
Developer grants	65,349	3,881,082
Interest and fiscal charges on long-term debt	171,068	266,066
Debt issuance costs	-	90,513
Principal on long-term debt	-	500,000
Total Uses of Funds	1,003,832	6,724,193
Excess (Deficiency) of Sources of Funds over Uses of Funds	(295,557)	(944,096)
BEGINNING FUND BALANCE (DEFICIT)	(648,539)	-
ENDING FUND BALANCE (DEFICIT)	\$ (944,096)	\$ (944,096)

See accompanying notes to financial statements.

**VILLAGE OF MOUNT HOREB
TAX INCREMENTAL DISTRICT NO. 5**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Mount Horeb's Tax Incremental District No. 5 (the "district") conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The Village of Mount Horeb 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. 5. The accompanying financial statements reflect all the significant operations of the Village of Mount Horeb's Tax Incremental District No. 5. The accompanying financial statements do not include the full presentation of the Village of Mount Horeb.

A. DESCRIPTION OF FUND STRUCTURE AND LONG-TERM DEBT

This report contains the financial information of Village of Mount Horeb's Tax Incremental District No. 5. The summary statements were prepared from data recorded in the capital projects fund and the long-term debt of the district.

Detailed descriptions of the purpose of these funds and long-term debt can be found in the Village of Mount Horeb'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 districts 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 districts 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 Village of Mount Horeb. 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. 5	August 18, 2016	August 18, 2038	2043

**VILLAGE OF MOUNT HOREB
TAX INCREMENTAL DISTRICT NO. 5**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

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 village 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 were no special assessments receivable 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.

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 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.

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 districts, and may not be comparable to interim results presented in this report.

**VILLAGE OF MOUNT HOREB
TAX INCREMENTAL DISTRICT NO. 5**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

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 village, maintains separate and common cash and investment accounts at the same financial institutions utilized by the village. Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the Village of Mount Horeb 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 and bonds payable are backed by the full faith and credit of the Village of Mount Horeb. Notes and bonds borrowed to finance the districts' expenditures will be retired by tax increments accumulated by the TIF District No. 5 fund. If those revenues are not sufficient, payments will be made by future tax levies.

**VILLAGE OF MOUNT HOREB
TAX INCREMENTAL DISTRICT NO. 5**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

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 12-31-19
2017 G.O. Anticipation note	12/1/2017	6/1/2019	1.17%	\$ 500,000	\$ 500,000	\$ -
2018 G.O. Bonds	7/2/2018	4/1/2038	3.0-4.0%	475,740	-	475,740
2018 G.O. Taxable refunding bonds	7/2/2018	4/1/2038	3.8-4.2%	3,765,000	-	3,765,000
				<u>\$ 4,740,740</u>	<u>\$ 500,000</u>	<u>\$ 4,240,740</u>

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

Calendar Year	Principal	Interest	Totals
2020	\$ 90,000	\$ 168,842	\$ 258,842
2021	135,000	165,018	300,018
2022	145,000	159,517	304,517
2023	150,000	153,618	303,618
2024	160,000	147,418	307,418
2025-2029	970,000	626,114	1,596,114
2030-2034	1,295,000	401,890	1,696,890
2035-2038	1,295,740	111,775	1,407,515
Totals	<u>\$ 4,240,740</u>	<u>\$ 1,934,192</u>	<u>\$ 6,174,932</u>

NOTE 4 – ADVANCES FROM VILLAGE GENERAL FUND

The Village of Mount Horeb general fund is advancing funds to the district. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. No repayment schedule has been determined for the advance.

NOTE 5 – GUARANTEED REVENUE

The Village of Mount Horeb has entered into agreements with three developers with properties located in the district. The agreements guarantee that the developers shall pay a certain percentage of the debt payments due in relation to debt issued for improvements in the district. The guarantee obligation will terminate when the related debt is paid in full.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – ECONOMIC DEVELOPMENT INCENTIVE

The village has provided an economic development incentive in the amount of \$3,500,000 to Duluth Holdings, Inc. to help pay costs associated with this development. The development is within Tax Incremental District No. 5. The village borrowed \$3,765,000 in G.O. Promissory Bonds during 2018 for this payment, and placed the proceeds in a segregated third party escrow account. These funds have been used to complete the project.

As of December 31, 2019, the village has provided \$3,500,000 in economic development incentive payments to Duluth Holdings, Inc.

If the developed property does not have a property tax assessment of at least \$18,000,000 in any tax year commencing in the 2019 tax year, Duluth Holdings, Inc. shall pay to the village the difference between what the property taxes would have been if the property had a property tax assessment of \$18,000,000 and the actual property taxes paid by the developer (the "shortfall payment") in the corresponding revenue year, commencing in revenue year 2020 and through year 2043.

Further, under any and all circumstances, Duluth Holdings, Inc. agrees to guarantee, on an annual basis, full payment of the bond repayments.

NOTE 7 – MUNICIPAL REVENUE OBLIGATION

In 2017 the village issued the following two municipal revenue obligations as part of development agreements in TIF District No. 5:

ARTISAN FOOD EMPORIUM

The amount to be paid to the developer shall be the lesser of the percentages of the available tax increment or \$35,000, and is payable to the developer solely from tax increments collected from a specific portion of the development in TIF No. 5. Interest on the municipal revenue obligation is not being charged.

Payments are scheduled to commence in 2020 through the year 2043. The balance of the commitment outstanding at year end was \$35,000.

HOFF MALL PROJECT - BUS

The amount of the obligation was \$626,000, and is payable to the developer solely from tax increments collected from a specific portion of the development in TIF No. 5.

Payments are scheduled through the year 2043, and carry an interest rate of 4%. The balance of the commitment outstanding at year end was \$610,969.

These obligations do not constitute a charge upon any funds of the village. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the city. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements.

**VILLAGE OF MOUNT HOREB
TAX INCREMENTAL DISTRICT NO. 5**

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NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 7 – MUNICIPAL REVENUE OBLIGATION (cont.)

SSMS INVESTMENTS, LLC

The village has entered into an agreement with SMS Investments, LLC to issue a municipal revenue obligation to pay the developer the lesser of the percentage of the available tax increment, as defined within the agreement, or \$300,000 plus interest. The amount paid to the developer shall not exceed \$538,330. The obligation shall be structured at a variable rate of 5.25% remaining in effect unless the developer exercises its right to have the rate adjusted under conditions found within the agreement. As of December 31, 2019, no amounts have been paid

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

**VILLAGE OF MOUNT HOREB
TAX INCREMENTAL DISTRICT NO. 5**

COMPILED
DETAILED SCHEDULE OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2019

	2016	2017	2018	2019	Totals	Project Plan Estimate
SOURCES OF FUNDS						
Tax increments	\$ -	\$ -	\$ 19,649	\$ 231,020	\$ 250,669	\$ 29,856,569
Intergovernmental grants	-	84,321	141,352	23,328	249,001	-
Investment income	-	309	2,557	8,897	11,763	-
Sale of property	-	-	-	444,934	444,934	-
Miscellaneous revenues	-	650	82,244	96	82,990	-
Long-term debt issued	-	500,000	4,240,740	-	4,740,740	-
Total Sources of Funds	<u>-</u>	<u>585,280</u>	<u>4,486,542</u>	<u>708,275</u>	<u>5,780,097</u>	<u>29,856,569</u>
USES OF FUNDS						
Capital expenditures	-	292,198	643,599	759,978	1,695,775	9,630,000
Administration (in-house)	-	2,500	2,500	2,500	7,500	-
Professional services - planning, engineering, other	92,627	162,911	22,782	4,937	283,257	1,175,000
Developer grants	-	108,921	3,706,812	65,349	3,881,082	8,500,000
Interest and fiscal charges on long-term debt	-	-	94,998	171,068	266,066	7,832,931
Debt issuance costs	-	-	90,513	-	90,513	-
Principal on long-term debt	-	-	500,000	-	500,000	-
Total Uses of Funds	<u>92,627</u>	<u>566,530</u>	<u>5,061,204</u>	<u>1,003,832</u>	<u>6,724,193</u>	<u>27,137,931</u>
Excess (Deficiency) of Sources of Funds over Uses of Funds	(92,627)	18,750	(574,662)	(295,557)	(944,096)	-
FUND BALANCE (DEFICIT) - Beginning of Period	<u>-</u>	<u>(92,627)</u>	<u>(73,877)</u>	<u>(648,539)</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF PERIOD	<u>\$ (92,627)</u>	<u>\$ (73,877)</u>	<u>\$ (648,539)</u>	<u>\$ (944,096)</u>	<u>\$ (944,096)</u>	<u>\$ -</u>

**VILLAGE OF MOUNT HOREB
TAX INCREMENTAL DISTRICT NO. 5**

COMPILED
DETAILED SCHEDULE OF CAPITAL EXPENDITURES
From the Date of Creation Through December 31, 2019

	<u>Actual</u>	<u>Project Plan Estimate</u>
Overhead electrical line relocation and upgrades	\$ 4,185	\$ 660,000
Storm sewer and drainage improvements	-	470,000
Water main replacement	-	420,000
Sewer manhole, main and lateral replacement	2,405	1,730,000
Street reconstruction	1,056,424	600,000
Downtown streetscape, landscaping and ROW improvements	-	1,380,000
Bike path improvements (paving and lighting)	-	440,000
Public parks and plaza improvements	-	1,110,000
Public parking lot construction	632,761	720,000
Public art installation	-	500,000
Village land acquisition/easements for public infrastructure, parking and/or redevelopment	<u>-</u>	<u>1,600,000</u>
 TOTAL CAPITAL EXPENDITURES	 <u>\$ 1,695,775</u>	 <u>\$ 9,630,000</u>