

Village of Mount Horeb Tax Incremental District No. 5

Financial Statements and
Supplementary Information

December 31, 2020

Village of Mount Horeb Tax Incremental District No. 5

Table of Contents
December 31, 2020

	<u>Page</u>
Accountants' Compilation Report	1
Financial Statements	
Tax Incremental District No. 5 – Balance Sheet	2
Tax Incremental District No. 5 – Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments	3
Tax Incremental District No. 5 – Historical Summary of Sources, Uses and Status of Funds	4
Notes to Financial Statements	5
Supplemental Information	
Tax Incremental District No. 5 – Detailed Schedule of Sources, Uses and Status of Funds	10
Tax Incremental District No. 5 – Detailed Schedule of Capital and Administrative Expenditures	11

Accountants' Compilation Report

To the Village Board of
Village of Mount Horeb

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, 2020 and from the date of creation through December 31, 2020, 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, 2020, 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 US, LLP

Madison, Wisconsin
April 15, 2021

Village of Mount Horeb Tax Incremental District No. 5

Balance Sheet
December 31, 2020

Assets		
Cash		\$ 28,070
Taxes receivable		<u>648,987</u>
Total assets		<u><u>\$ 677,057</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable		\$ 1,010
Advance from other funds		<u>1,127,685</u>
Total liabilities		<u>1,128,695</u>
Deferred Inflows of Resources		
Unearned revenue		<u>648,987</u>
Total deferred inflows of resources		<u>648,987</u>
Fund Balance (Deficit)		
Unassigned (deficit)		<u>(1,100,625)</u>
Total liabilities, deferred inflows of resources and fund balance		<u><u>\$ 677,057</u></u>

See notes to financial statements

Village of Mount Horeb Tax Incremental District No. 5

Historical Summary of Project Costs, Project Revenues

and Net Cost to be Recovered Through Tax Increments

Year Ended December 31, 2020 and From Date of Creation Through December 31, 2020

	<u>Year Ended</u>	<u>From Date of Creation</u>
Project Costs		
Capital expenditures	\$ 348,381	\$ 2,044,156
Administration (in-house)	2,500	10,000
Professional services, planning, engineering, other	1,304	284,561
Developer grants	122,309	4,003,391
Interest and fiscal charges on long-term debt	169,343	435,409
Debt issuance costs	-	90,513
	<u>643,837</u>	<u>6,868,030</u>
Project Revenues		
Tax increments	569,573	820,242
Intergovernmental grants	-	249,001
Investment income	2,264	14,027
Sale of property	-	444,934
Miscellaneous revenues	5,471	88,461
	<u>577,308</u>	<u>1,616,665</u>
	<u>\$ 66,529</u>	<u>\$ 5,251,365</u>
Reconciliation of Recoverable Costs		
Long-term debt outstanding		\$ 4,150,740
Add fund balance deficit		<u>1,100,625</u>
		<u>\$ 5,251,365</u>

See notes to financial statements

Village of Mount Horeb Tax Incremental District No. 5

Historical Summary of Sources, Uses and Status of Funds

Year Ended December 31, 2020 and From Date of Creation Through December 31, 2020

	<u>Year Ended</u>	<u>From Date of Creation</u>
Sources of Funds		
Tax increments	\$ 569,573	\$ 820,242
Intergovernmental grants	-	249,001
Investment income	2,264	14,027
Sale of property	-	444,934
Miscellaneous revenues	5,471	88,461
Long-term debt issued	-	4,740,740
	<hr/>	<hr/>
Total sources of funds	577,308	6,357,405
Uses of Funds		
Capital expenditures	348,381	2,044,156
Administration (in-house)	2,500	10,000
Professional services, planning, engineering, other	1,304	284,561
Developer grants	122,309	4,003,391
Interest and fiscal charges on long-term debt	169,343	435,409
Debt issuance costs	-	90,513
Principal on long-term debt	90,000	590,000
	<hr/>	<hr/>
Total uses of funds	733,837	7,458,030
	<hr/>	<hr/>
Excess (deficiency) of sources of funds over uses of funds	(156,529)	(1,100,625)
	<hr/>	<hr/>
Beginning Fund Balance (Deficit)	(944,096)	-
	<hr/>	<hr/>
Ending Fund Balance (Deficit)	<u>\$ (1,100,625)</u>	<u>\$ (1,100,625)</u>

See notes to financial statements

Village of Mount Horeb Tax Incremental District No. 5

Notes to Financial Statements
December 31, 2020

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.

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 8, 2016	August 18, 2038	2043

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.

Village of Mount Horeb Tax Incremental District No. 5

Notes to Financial Statements
December 31, 2020

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 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.

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.

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.

Village of Mount Horeb Tax Incremental District No. 5

Notes to Financial Statements
December 31, 2020

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.

3. Long-Term Debt

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.

Title of Issue	Date of Issue	Due Date	Interest Rate	Original Indebtedness	Repaid	Balance 12-31-20
2017 G.O. Anticipation Code	12/01/17	06/01/19	1.17 %	\$ 500,000	\$ 500,000	\$ -
2018 G.O. Bonds	07/02/18	04/01/38	3.0-4.0	475,740	15,000	460,740
2018 G.O. taxable refunding bonds	07/02/18	04/01/38	3.8-4.2	<u>3,765,000</u>	<u>75,000</u>	<u>3,690,000</u>
Total				<u>\$ 4,740,740</u>	<u>\$ 590,000</u>	<u>\$ 4,150,740</u>

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

Calendar Year:	Principal	Interest	Total
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	170,000	140,818	310,818
2026 – 2030	1,030,000	585,421	1,615,421
2631 – 2035	1,360,000	349,313	1,709,313
2036 – 2038	<u>1,000,740</u>	<u>64,227</u>	<u>1,064,967</u>
Total	<u>\$ 4,150,740</u>	<u>\$ 1,765,350</u>	<u>\$ 5,916,090</u>

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.

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.

Village of Mount Horeb Tax Incremental District No. 5

Notes to Financial Statements

December 31, 2020

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, 2020, 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 2020 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.

7. Municipal Revenue Obligation

The Village issued the following municipal revenue obligations as part of development agreements in TIF District No. 5:

Duluth Holdings, Inc.

In 2019 the Village issued a municipal revenue obligations as part of a development agreement. The amount of the obligation to be paid is the lesser of the percentages of the available tax increment to be paid or \$3,000,000. The obligation is payable solely from available tax increment generated by the property. As of December 31, 2020, the Village has made total payments of \$61,500.

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 issued in 2017 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 percent. As of December 31, 2020, the Village has made total payments of \$80,142.

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

Notes to Financial Statements

December 31, 2020

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 percent remaining in effect unless the developer exercises its right to have the rate adjusted under conditions found within the agreement. As of December 31, 2020, no amounts have been paid.

Village of Mount Horeb Tax Incremental District No. 5

Detailed Schedule of Sources, Uses and Status of Funds

From Date of Creation Through December 31, 2020

	2016	2017	2018	2019	2020	Total	Project Plan Estimate
Sources of Funds							
Tax increments	\$ -	\$ -	\$ 19,649	\$ 231,020	\$ 569,573	\$ 820,242	\$ 29,856,569
Intergovernmental grants	-	84,321	141,352	23,328	-	249,001	-
Investment income	-	309	2,557	8,897	2,264	14,027	-
Sale of property	-	-	-	444,934	-	444,934	-
Miscellaneous revenues	-	650	82,244	96	5,471	88,461	-
Long-term debt issued	-	500,000	4,240,740	-	-	4,740,740	-
Total sources of funds	-	585,280	4,486,542	708,275	577,308	6,357,405	29,856,569
Uses of Funds							
Capital expenditures	-	292,198	643,599	759,978	348,381	2,044,156	9,630,000
Administration (in-house)	-	2,500	2,500	2,500	2,500	10,000	-
Professional services, planning, engineering, other	92,627	162,911	22,782	4,937	1,304	284,561	1,175,000
Developer grants	-	108,921	3,706,812	65,349	122,309	4,003,391	8,500,000
Interest and fiscal charges on long-term debt	-	-	94,998	171,068	169,343	435,409	7,832,931
Debt issuance costs	-	-	90,513	-	-	90,513	-
Principal on long-term debt	-	-	500,000	-	90,000	590,000	-
Total uses of funds	92,627	566,530	5,061,204	1,003,832	733,837	7,458,030	27,137,931
Excess (deficiency) of sources of funds over uses of funds	(92,627)	18,750	(574,662)	(295,557)	(156,529)	(1,100,625)	-
Fund Balance (Deficit), Beginning	-	(92,627)	(73,877)	(648,539)	(944,096)	-	-
Fund Balance (Deficit), Ending	\$ (92,627)	\$ (73,877)	\$ (648,539)	\$ (944,096)	\$ (1,100,625)	\$ (1,100,625)	\$ -

Village of Mount Horeb Tax Incremental District No. 5

Detailed Schedule of Capital Expenditures

From Date of Creation Through December 31, 2020

	<u>Actual</u>	<u>Project Plan Estimate</u>
Overhead electrical line relocation and upgrades	\$ 166,610	\$ 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	1,119,501	600,000
Downtown streetscape, landscaping and ROW improvements	2,944	1,380,000
Bike path improvements (paving and lighting)	-	440,000
Public parks and plaza improvements	-	1,110,000
Public parking lot construction	752,696	720,000
Public art installation	-	500,000
Village land acquisition/easements for public infrastructure, parking and/or redevelopment	-	1,600,000
	<u> </u>	<u> </u>
Total capital expenditures	<u><u>\$ 2,044,156</u></u>	<u><u>\$ 9,630,000</u></u>