

CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 8
Fitchburg, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of July 31, 2017 and From the
Date of Creation Through July 31, 2017

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 8**

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As of July 31, 2017 and From the Date of Creation Through July 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Fitchburg
Fitchburg, Wisconsin

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 Fitchburg's Tax Incremental District No. 8 (the "district") as of July 31, 2017 and from the date of creation through July 31, 2017, 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 City of Fitchburg'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 City of Fitchburg'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 Fitchburg's Tax Incremental District No. 8 and the net project costs to be recovered through tax increments as of July 31, 2017 and the sources, uses, and status of funds from the date of creation through July 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Fitchburg

Emphasis of Matter

As discussed in Note 1, the financial statements present only the transactions of City of Fitchburg's Tax Incremental District No. 8 and do not purport to, and do not, present fairly the financial position of the City of Fitchburg, as of July 31, 2017, 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 Fitchburg's Tax Incremental District No. 8's financial statements. The supplemental 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 supplemental 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 August 30, 2017 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 Veitchau Krause, LLP

Madison, Wisconsin
August 30, 2017

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 8**

BALANCE SHEET
As of July 31, 2017

	<u>Capital Projects Fund</u>
ASSETS	
Cash and investments	\$ <u>8,690</u>
LIABILITIES	
Accounts payable	\$ <u>8,690</u>

See accompanying notes to financial statements.

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 8**

HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
From the Date of Creation Through July 31, 2017

PROJECT COSTS

Administration (in-house)	\$ 4,846
Professional services - planning, engineering, other	38,109
Interest on advance	<u>241</u>
Total Project Costs	<u>43,196</u>

PROJECT REVENUES

Tax increments	12,370
Exempt computer aid	132
Investment income	<u>1</u>
Total Project Revenues	<u>12,503</u>

**NET COST TO BE RECOVERED THROUGH
TAX INCREMENTS – JULY 31, 2017**

30,693

TRANSFER IN FROM CITY GENERAL FUND

(30,693)

BALANCE

\$ -

See accompanying notes to financial statements.

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 8**

HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through July 31, 2017

SOURCES OF FUNDS

Tax increments	\$ 12,370
Exempt computer aid	132
Investment income	<u>1</u>
Total Sources of Funds	<u>12,503</u>

USES OF FUNDS

Administration (in-house)	4,846
Professional services - planning, engineering, other	38,109
Interest on advance	<u>241</u>
Total Uses of Funds	<u>43,196</u>

FUND BALANCE (DEFICIT) – JULY 31, 2017 (30,693)

TRANSFER IN FROM CITY GENERAL FUND 30,693

BALANCE \$ -

See accompanying notes to financial statements.

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 8**

NOTES TO FINANCIAL STATEMENTS
As of July 31, 2017 and From the Date of Creation Through July 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Fitchburg's Tax Incremental District ("TID") No. 8 (the "district") conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Fitchburg 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. 8. The accompanying financial statements reflect all the significant operations of the City of Fitchburg's Tax Incremental District No. 8. The accompanying financial statements do not include the full presentation of the City of Fitchburg.

A. DESCRIPTION OF FUND STRUCTURE AND LONG-TERM DEBT

This report contains the financial information of the City of Fitchburg's Tax Incremental District No. 8. The summary statements were prepared from data recorded in the following fund:

Capital Projects Fund

Detailed descriptions of the purpose of this fund can be found in the City of Fitchburg'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 Fitchburg. Project costs may be incurred up to five years before the unextended termination date of the district.

Original Project Plan

	Creation Date	Termination Date
Tax Incremental District No. 8	January 1, 2009	April 25, 2017

The last date to incur project costs and the last year to collect increment would have been April 14, 2031 and 2036, respectively. The City of Fitchburg closed the district before the statutory deadlines.

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 8**

NOTES TO FINANCIAL STATEMENTS
As of July 31, 2017 and From the Date of Creation Through July 31, 2017

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 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.

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. 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.

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 8**

NOTES TO FINANCIAL STATEMENTS
As of July 31, 2017 and From the Date of Creation Through July 31, 2017

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 City of Fitchburg, maintains separate and common cash and investment accounts at the same financial institutions utilized by the City of Fitchburg. Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the City of Fitchburg as an individual municipality and, accordingly, the amount of insured funds is not determinable for the district.

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

**Tax Incremental District No. 8 – Detailed Schedule
of Sources, Uses, and Status of Funds Follows**

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 8**

DETAILED SCHEDULE OF SOURCES, USES AND STATUS OF FUNDS
From the Date of Creation Through July 31, 2017

	2008	2009	2010	2011
SOURCES OF FUNDS				
Tax increments	\$ -	\$ -	\$ -	\$ 12,370
Exempt computer aid	-	-	-	49
Investment income	-	-	-	-
Long-term debt issued	-	-	-	-
Total Sources of Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,419</u>
USES OF FUNDS				
Capital expenditures	-	-	-	-
Administration (in-house)	453	1,027	1,231	554
Professional services - planning, engineering, other	2,436	25,871	150	150
Developer incentives	-	-	-	-
Interest and fiscal charges on long-term debt	-	-	-	-
Interest on advance	-	105	80	56
Debt issuance costs	-	-	-	-
Principal on long-term debt	-	-	-	-
Total Uses of Funds	<u>2,889</u>	<u>27,003</u>	<u>1,461</u>	<u>760</u>

FUND BALANCE (DEFICIT) – JULY 31, 2017

TRANSFER IN FROM CITY GENERAL FUND

BALANCE

2012	2013	2014	2015	2016	2017	Totals	Project Plan Estimate
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,370	\$ 5,603,934
32	22	12	7	5	5	132	-
-	-	-	-	1	-	1	-
-	-	-	-	-	-	-	690,000
<u>32</u>	<u>22</u>	<u>12</u>	<u>7</u>	<u>6</u>	<u>5</u>	<u>12,503</u>	<u>6,293,934</u>
-	-	-	-	-	-	-	515,000
116	66	64	113	815	407	4,846	60,000
150	150	150	212	150	8,690	38,109	-
-	-	-	-	-	-	-	4,721,621
-	-	-	-	-	-	-	246,413
-	-	-	-	-	-	241	-
-	-	-	-	-	-	-	60,900
-	-	-	-	-	-	-	690,000
<u>266</u>	<u>216</u>	<u>214</u>	<u>325</u>	<u>965</u>	<u>9,097</u>	<u>43,196</u>	<u>6,293,934</u>
						(30,693)	
						<u>30,693</u>	
						<u>\$ -</u>	

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 8**

DETAILED SCHEDULE OF CAPITAL EXPENDITURES,
ADMINISTRATION EXPENDITURES, PROFESSIONAL SERVICES, AND DEVELOPER INCENTIVES
From the Date of Creation Through July 31, 2017

	Actual	Project Plan Estimate
Capital Expenditures:		
Grading, Street, and Utility Construction	\$ -	\$ 200,000
Sidewalks	-	15,000
Underground Power	-	300,000
Administration Expenditures	4,846	60,000
Professional Services - planning, engineering, other	38,109	-
Developer Incentives	-	4,721,621
TOTAL CAPITAL EXPENDITURES, ADMINISTRATION EXPENDITURES, PROFESSIONAL SERVICES, AND DEVELOPER INCENTIVES	\$ 42,955	\$ 5,296,621

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the City Council
City of Fitchburg
Fitchburg, Wisconsin

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 Fitchburg, Wisconsin's Tax Incremental District No. 8 (the "district") as of July 31, 2017 and from the date the district was created through July 31, 2017 and have issued our report thereon dated August 30, 2017. 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 city council and management, and is not intended to be, and should not be, used by anyone other than the specified parties.

Baker Tilly Vorchaw Krause, LLP

Madison, Wisconsin
August 30, 2017