

CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 7
Fitchburg, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of April 30, 2017 and From the
Date of Creation Through April 30, 2017

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 7**

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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. 7 as of April 30, 2017 and from the date of creation through April 30, 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.

To the City Council
City of Fitchburg

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. 7 and the net project costs to be recovered through tax increments as of April 30, 2017 and the sources, uses, and status of funds from the date of creation through April 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the transactions of City of Fitchburg's Tax Incremental District No.7 and do not purport to, and do not, present fairly the financial position of the City of Fitchburg, Wisconsin, as of April 30, 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. 7'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 July 11, 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 Virchow Krause, LLP

Madison, Wisconsin
July 11, 2017

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 7**

BALANCE SHEET
As of April 30, 2017

	<u>Capital Projects Fund</u>
ASSETS	
Cash	\$ 509,961
Exempt computer aid receivable	<u>13,195</u>
TOTAL ASSETS	<u>\$ 523,156</u>
LIABILITIES	
Accounts payable	\$ 3,950
Due to city general fund - refund	192,312
Due to overlying districts	<u>326,894</u>
TOTAL LIABILITIES	<u>\$ 523,156</u>

See accompanying notes to financial statements.

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 7**

HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST RECOVERED THROUGH TAX INCREMENTS
From the Date of Creation Through April 30, 2017

PROJECT COSTS

Capital expenditures	\$ 592,444
Transfer to affordable housing program	127,008
Administration (in-house)	12,710
Professional services - planning, engineering, other	18,358
Interest on advance	<u>2,733</u>
Total Project Costs	<u>753,253</u>

PROJECT REVENUES

Tax increment	1,182,828
Exempt computer aid	84,814
Investment income	<u>4,817</u>
Total Project Revenues	<u>1,272,459</u>

**NET COSTS RECOVERED THROUGH
TAX INCREMENTS – APRIL 30, 2017**

(519,206)

REFUND PAYABLE TO OVERLYING DISTRICTS

519,206

BALANCE

\$ -

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 7**

HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through April 30, 2017

SOURCES OF FUNDS

Tax increment	\$ 1,182,828
Exempt computer aid	84,814
Investment income	<u>4,817</u>
Total Sources of Funds	<u>1,272,459</u>

USES OF FUNDS

Capital expenditures	592,444
Transfer to affordable housing program	127,008
Administration (in-house)	12,710
Professional services - planning, engineering, other	18,358
Interest on advance	<u>2,733</u>
Total Uses of Funds	<u>753,253</u>

BALANCE 519,206

REFUND PAYABLE TO OVERLYING DISTRICTS (519,206)

FUND BALANCE (DEFICIT) – APRIL 30, 2017 \$ -

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 7**

NOTES TO FINANCIAL STATEMENTS
As of April 30, 2017 and From the Date of Creation Through April 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Fitchburg's Tax Incremental District ("TID") No. 7 (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. 7. The accompanying financial statements reflect all the significant operations of the City of Fitchburg's Tax Incremental District No. 7. 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. 7. The summary statements were prepared from data recorded in the following funds:

Capital Projects Fund

Detailed descriptions of the purpose of these funds and long-term debt 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
TID No. 7	September 12, 2006	February 14, 2017

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 7**

NOTES TO FINANCIAL STATEMENTS
As of April 30, 2017 and From the Date of Creation Through April 30, 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. 7**

NOTES TO FINANCIAL STATEMENTS
As of April 30, 2017 and From the Date of Creation Through April 30, 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.

NOTE 3 – AFFORDABLE HOUSING PROGRAM TRANSFER

The district had all aggregate project costs paid off with no additional project costs expected as of the end of 2015. However, district's life was extended by one year in accordance with section 66.1105 (6) (g) of Wisconsin State Statutes and the increment earned during this additional year was used to fund affordable housing program.

NOTE 4 – REFUND TO OVERLYING DISTRICTS

The refund to overlying districts is calculated based on increments collected in excess of project costs using the ratio of tax levies in the 2016 tax roll as follows:

Dane County	\$ 72,121
City of Fitchburg	192,312
City of Madison School District	232,525
Madison Technical College	<u>22,248</u>
Total	<u>\$ 519,206</u>

SUPPLEMENTAL INFORMATION

**Tax Incremental Financing District
No. 7 – Detailed Schedule of Sources,
Uses, and Status of Funds Follows**

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 7**

DETAILED SCHEDULE OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through April 30, 2017

	2006	2007	2008	2009	2010
SOURCES OF FUNDS					
Tax increment	\$ -	\$ -	\$ 129,743	\$ 135,928	\$ 135,533
Exempt computer aid	-	-	1,860	7,024	6,276
Investment income	-	-	-	-	-
Long-term debt issued	-	-	-	-	-
Total Sources of Funds	<u>-</u>	<u>-</u>	<u>131,603</u>	<u>142,952</u>	<u>141,809</u>
USES OF FUNDS					
Capital expenditures	-	11,891	410,408	9,288	459
Transfer to affordable housing program	-	-	-	-	-
Administration (in-house)	-	4,417	627	778	1,707
Professional services - planning, engineering, other	9,271	-	-	5,137	-
Interest on advance	-	810	-	1,548	285
Principal on long-term debt	-	-	-	-	-
Total Uses of Funds	<u>9,271</u>	<u>17,118</u>	<u>411,035</u>	<u>16,751</u>	<u>2,451</u>

Balance

Refund Payable to Overlying Districts

FUND BALANCE - APRIL 30, 2017

2011	2012	2013	2014	2015	2016	2017	Totals	Project Plan Estimate
\$ 103,215	\$ 115,797	\$ 83,724	\$ 124,340	\$ 76,376	\$ 151,164	\$ 127,008	\$ 1,182,828	\$ 5,518,384
8,406	10,497	11,621	10,686	7,841	7,408	13,195	84,814	-
-	-	-	418	646	2,143	1,610	4,817	-
-	-	-	-	-	-	-	-	1,145,000
<u>111,621</u>	<u>126,294</u>	<u>95,345</u>	<u>135,444</u>	<u>84,863</u>	<u>160,715</u>	<u>141,813</u>	<u>1,272,459</u>	<u>6,663,384</u>
112,465	7,437	-	2,136	38,360	-	-	592,444	1,097,015
-	-	-	-	-	-	127,008	127,008	-
869	636	814	680	354	828	1,000	12,710	-
-	-	-	-	-	-	3,950	18,358	51,400
90	-	-	-	-	-	-	2,733	389,875
-	-	-	-	-	-	-	-	1,145,000
<u>113,424</u>	<u>8,073</u>	<u>814</u>	<u>2,816</u>	<u>38,714</u>	<u>828</u>	<u>131,958</u>	<u>753,253</u>	<u>2,683,290</u>
							\$ 519,206	
							<u>(519,206)</u>	
							<u>\$ -</u>	

**CITY OF FITCHBURG
TAX INCREMENTAL DISTRICT NO. 7**

DETAILED SCHEDULE OF CAPITAL EXPENDITURES
From the Date of Creation Through April 30, 2017

	<u>Actual</u>	<u>Project Plan Estimate</u>
Capital Expenditures		
Bury power lines	\$ 402,709	\$ 350,000
Street lighting	27,027	20,000
Bus shelter replacement	43,745	50,000
Landscaping/benches	115,714	50,000
Fencing	3,249	50,000
Redevelopment/Façade improvements	-	440,000
Inventory	-	13,600
Financing expenses	-	123,415
	<u> </u>	<u> </u>
TOTAL CAPITAL EXPENDITURES	<u>\$ 592,444</u>	<u>\$ 1,097,015</u>

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. 7 ("district") as of April 30, 2017 and from the date the district was created through April 30, 2017 and have issued our report thereon dated July 11, 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, 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 Vorichaw Krause, LLP

Madison, Wisconsin
July 11, 2017