

**CITY OF FITCHBURG**  
**TAX INCREMENTAL DISTRICT NO. 9**

City of Fitchburg, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of December 31, 2018 and From the  
Date of Creation Through December 31, 2018

**CITY OF FITCHBURG  
TAX INCREMENTAL DISTRICT NO. 9**

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As of December 31, 2018 and From the Date of Creation Through December 31, 2018

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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, Wisconsin's Tax Incremental District No. 9 as of December 31, 2018 and from the date of creation through December 31, 2018, 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. 9 and the net project costs to be recovered through tax increments as of December 31, 2018 and the sources, uses, and status of funds from the date of creation through December 31, 2018, 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. 9 and do not purport to, and do not, present fairly the financial position of the City of Fitchburg, Wisconsin, as of December 31, 2018, 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. 9 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 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 supplementary 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 December 19, 2019 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  
December 19, 2019

**CITY OF FITCHBURG  
TAX INCREMENTAL DISTRICT NO. 9**

BALANCE SHEET  
As of December 31, 2018

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|   | <u>Capital<br/>Projects<br/>Fund</u> |
|---|--------------------------------------|
| <b>ASSETS</b>   |                                      |
| Cash and investments  | \$ 71,134                            |
| Taxes receivable  | <u>616,023</u>                       |
| <br>  |                                      |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 687,157</u></b>             |
| <br>  |                                      |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES,<br/>AND FUND BALANCE (DEFICIT)</b>           |                                      |
| Liabilities   |                                      |
| Accounts payable  | \$ 202,569                           |
| Advances from city general fund   | <u>460,000</u>                       |
| Total Liabilities   | <u>662,569</u>                       |
| <br>  |                                      |
| Deferred Inflows of Resources   |                                      |
| Unearned revenue  | <u>616,023</u>                       |
| Total Deferred Inflows of Resources   | <u>616,023</u>                       |
| <br>  |                                      |
| Fund Balance (deficit)  |                                      |
| Unassigned (deficit)  | <u>(591,435)</u>                     |
| Total Fund Balance (deficit)  | <u>(591,435)</u>                     |
| <br>  |                                      |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>    RESOURCES, AND FUND BALANCE (DEFICIT)</b> | <b><u>\$ 687,157</u></b>             |

See accompanying notes to financial statements.

**CITY OF FITCHBURG  
TAX INCREMENTAL DISTRICT NO. 9**

HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES  
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS  
From the Date of Creation Through December 31, 2018

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**PROJECT COSTS**

|  |                  |
|--|------------------|
| Capital expenditures                                 | \$ 1,896,286     |
| Administration (in-house)                            | 43,744           |
| Professional services - planning, engineering, other | 109,536          |
| Developer grants                                     | 343,194          |
| Interest on advance                                  | <u>7,808</u>     |
| Total Project Costs                                  | <u>2,400,568</u> |

**PROJECT REVENUES**

|                          |                  |
|--------------------------|------------------|
| Tax increments           | 541,868          |
| Exempt computer aid      | 261,478          |
| Intergovernmental grants | 1,000,000        |
| Investment income        | <u>5,787</u>     |
| Total Project Revenues   | <u>1,809,133</u> |

**NET COST TO BE RECOVERED THROUGH  
TAX INCREMENTS – DECEMBER 31, 2018**

\$ 591,435

See accompanying notes to financial statements.

**CITY OF FITCHBURG  
TAX INCREMENTAL DISTRICT NO. 9**

HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS  
From the Date of Creation Through December 31, 2018

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**SOURCES OF FUNDS**

|                          |                  |
|--------------------------|------------------|
| Tax increments           | \$ 541,868       |
| Exempt computer aid      | 261,478          |
| Intergovernmental grants | 1,000,000        |
| Investment income        | <u>5,787</u>     |
| Total Sources of Funds   | <u>1,809,133</u> |

**USES OF FUNDS**

|  |                  |
|--|------------------|
| Capital expenditures                                 | 1,896,286        |
| Administration (in-house)                            | 43,744           |
| Professional services - planning, engineering, other | 109,536          |
| Developer grants                                     | 343,194          |
| Interest on advance                                  | <u>7,808</u>     |
| Total Uses of Funds                                  | <u>2,400,568</u> |

**FUND BALANCE (DEFICIT) – DECEMBER 31, 2018** \$ (591,435)

**CITY OF FITCHBURG  
TAX INCREMENTAL DISTRICT NO. 9**

NOTES TO FINANCIAL STATEMENTS  
As of December 31, 2018 and From the Date of Creation Through December 31, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Fitchburg, Wisconsin's Tax Incremental District No. 9 (the "district") conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Fitchburg ("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 Tax Incremental District No. 9. The accompanying financial statements reflect all the significant operations of the City of Fitchburg's Tax Incremental District No. 9. The accompanying financial statements do not include the full presentation of the City of Fitchburg.

**A. DESCRIPTION OF FUND STRUCTURE**

This report contains the financial information of the City of Fitchburg's Tax Incremental District ("TID") No. 9. The summary statements were prepared from data recorded in the following fund:

Capital Projects Fund TID No. 9

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 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 Fitchburg. Project costs may be incurred up to five years before the unextended termination date of the district.

**Original Project Plan**

|           | Creation<br>Date | Last Date to Incur<br>Project Costs | Last Year to<br>Collect Increment |
|-----------|------------------|-------------------------------------|-----------------------------------|
| TID No. 9 | January 1, 2015  | June 9, 2030                        | 2036                              |

**CITY OF FITCHBURG  
TAX INCREMENTAL DISTRICT NO. 9**

NOTES TO FINANCIAL STATEMENTS  
As of December 31, 2018 and From the Date of Creation Through December 31, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**A. DESCRIPTION OF FUND STRUCTURE AND LONG-TERM DEBT (cont.)**

**Plan Amendment**

|           | Adoption<br>Date   | Last Date to Incur<br>Project Costs |
|-----------|--------------------|-------------------------------------|
| TID No. 9 | September 13, 2016 | June 9, 2030                        |

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

**CITY OF FITCHBURG  
TAX INCREMENTAL DISTRICT NO. 9**

NOTES TO FINANCIAL STATEMENTS  
As of December 31, 2018 and From the Date of Creation Through December 31, 2018

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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***F. 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.

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**NOTE 2 – CASH AND TEMPORARY INVESTMENTS**

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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.

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**NOTE 3 – ADVANCES FROM CITY GENERAL FUND**

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The City of Fitchburg 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. The City of Fitchburg is charging the district a 3% interest on the outstanding advance. There is no repayment schedule established. The balance of the advance at year-end was \$460,000.

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**NOTE 4 – MUNICIPAL REVENUE OBLIGATION**

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In 2015, the City of Fitchburg issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$3,250,000, and is payable to the developer solely from tax increments collected from a specific portion of the development in TID No. 9.

Payments are scheduled through the year 2035, and carry an interest rate of 6%. The obligation does not constitute a charge upon any funds of the city. 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 TID increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding, including interest, at year-end was \$3,574,055.

**CITY OF FITCHBURG  
TAX INCREMENTAL DISTRICT NO. 9**

NOTES TO FINANCIAL STATEMENTS  
As of December 31, 2018 and From the Date of Creation Through December 31, 2018

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**NOTE 5 – SUBSEQUENT EVENTS**

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In February 2019, the city approved a second amendment to the TID No. 9 project plan to add territory and project costs.

In March 2019, the city approved a developer agreement, which includes issuance of a revenue bond obligation in the amount of \$13,804,000 for TID No. 9.

In June 2019, the city approved two developer agreements, which include issuance of revenue bond obligations in the amount of \$5,500,000 and \$320,000 for TID No. 9.

**SUPPLEMENTARY INFORMATION**

**CITY OF FITCHBURG  
TAX INCREMENTAL DISTRICT NO. 9**

DETAILED SCHEDULE OF SOURCES, USES AND STATUS OF FUNDS  
From the Date of Creation Through December 31, 2018

|  | 2015          | 2016           | 2017             | 2018             | Totals              | Project<br>Plan<br>Estimate |
|--|---------------|----------------|------------------|------------------|---------------------|-----------------------------|
| <b>SOURCES OF FUNDS</b>                              |               |                |                  |                  |                     |                             |
| Tax increments                                       | \$ -          | \$ -           | \$ 103,252       | \$ 438,616       | \$ 541,868          | \$ 9,332,604                |
| Exempt computer aid                                  | -             | -              | 129,785          | 131,693          | 261,478             | -                           |
| Intergovernmental grants                             | -             | -              | 916,916          | 83,084           | 1,000,000           | 3,750,000                   |
| Investment income                                    | -             | 33             | 3,992            | 1,762            | 5,787               | 31,828                      |
| Long-term debt issued                                | -             | -              | -                | -                | -                   | 2,470,000                   |
| Total Sources of Funds                               | <u>-</u>      | <u>33</u>      | <u>1,153,945</u> | <u>655,155</u>   | <u>1,809,133</u>    | <u>15,584,432</u>           |
| <b>USES OF FUNDS</b>                                 |               |                |                  |                  |                     |                             |
| Capital expenditures                                 | 30            | 834,785        | 90,133           | 971,338          | 1,896,286           | 8,965,575                   |
| Administration (in-house)                            | 6,733         | 24,729         | 1,745            | 10,537           | 43,744              | 382,608                     |
| Professional services - planning, engineering, other | 20,900        | 85,761         | -                | 2,875            | 109,536             | 281,425                     |
| Developer grants                                     | -             | -              | -                | 343,194          | 343,194             | 2,591,124                   |
| Interest and fiscal charges on long-term debt        | -             | -              | -                | -                | -                   | 893,700                     |
| Interest on advance                                  | -             | 708            | -                | 7,100            | 7,808               | -                           |
| Principal on long-term debt                          | -             | -              | -                | -                | -                   | 2,470,000                   |
| Total Uses of Funds                                  | <u>27,663</u> | <u>945,983</u> | <u>91,878</u>    | <u>1,335,044</u> | <u>2,400,568</u>    | <u>15,584,432</u>           |
| FUND BALANCE (DEFICIT) – DECEMBER 31, 2018           |               |                |                  |                  | <u>\$ (591,435)</u> |                             |

**CITY OF FITCHBURG  
TAX INCREMENTAL DISTRICT NO. 9**

DETAILED SCHEDULE OF CAPITAL EXPENDITURES  
From the Date of Creation Through December 31, 2018

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|                                       | <u>Actual</u>           | <u>Project<br/>Plan<br/>Estimate</u> |
|---------------------------------------|-------------------------|--------------------------------------|
| Capital Expenditures:                 |                         |                                      |
| Land acquisition                      | \$ 30                   | \$ 2,050,000                         |
| Road Access                           | -                       | 490,000                              |
| Utilities Extension                   | 19,670                  | 750,000                              |
| Demo & Reconstruct Cul de Sacs        | -                       | 60,000                               |
| Retention Pond                        | -                       | 410,000                              |
| Parking Lots                          | -                       | 1,550,000                            |
| Grading and Other Site Work           | -                       | 3,008,000                            |
| Municipal fees                        |                         | 72,323                               |
| Stormwork                             | -                       | 600,000                              |
| Stormwater Land Acquisition           | -                       | 1,000,000                            |
| Road Construction                     | 923,445                 | 3,031,000                            |
| 1/2 Mile - Stormwater Pond Relocation | -                       | 300,000                              |
| 1/2 Mile - Marketplace Dr. North      | 60,910                  | 517,000                              |
| 1/2 Mile - Marketplace Dr. South      | -                       | 831,000                              |
| 1/2 Mile - Sub Zero Parkway           | 892,231                 | 599,000                              |
| Less: developer funding               | -                       | <u>(6,302,748)</u>                   |
| <br>TOTAL CAPITAL EXPENDITURES        | <br><u>\$ 1,896,286</u> | <br><u>\$ 8,965,575</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. 9 ("district") as of December 31, 2018 and from the date the district was created through December 31, 2018 and have issued our report thereon dated December 19, 2019. 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 governing body, 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 Virchow Krause, LLP*

Madison, Wisconsin  
December 19, 2019