

City of Fitchburg Tax Incremental District No. 4

Financial Statements and
Supplementary Information

December 31, 2023

City of Fitchburg Tax Incremental District No. 4

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Independent Auditors' Report

To the City Council of
City of Fitchburg

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost Recovered Through Tax Increments and Historical Summary of Sources, Uses and Status of Funds of the City of Fitchburg's Tax Incremental District No. 4 (District) as of December 31, 2023 and from the date of creation through December 31, 2023, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District and the net project costs recovered through tax increments as of December 31, 2023 and the sources, uses and status of funds from the date of creation through December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the transactions of City of Fitchburg's Tax Incremental District No. 4 and do not purport to, and do not, present fairly the financial position of the City of Fitchburg, Wisconsin, as of December 31, 2023, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

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 opinions on the financial statements that collectively comprise the District's 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 February 22, 2024 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 US, LLP

Madison, Wisconsin
February 22, 2024

City of Fitchburg Tax Incremental District No. 4

Balance Sheet

December 31, 2023

	<u>Capital Projects Fund</u>
Assets	
Cash and investments	\$ 10,239,852
Total assets	<u>\$ 10,239,852</u>
Liabilities	
Liabilities	
Accounts payable	\$ 145,756
Due to overlying districts	<u>10,094,096</u>
Total liabilities	<u>\$ 10,239,852</u>

See notes to financial statements

City of Fitchburg Tax Incremental District No. 4

Historical Summary of Project Costs, Project Revenues and

Net Cost Recovered Through Tax Increments

From the Date of Creation Through December 31, 2023

Project Costs

Capital expenditures	\$ 23,646,873
Interest on advances	60,800
Administration expenditures	379,906
Professional services	140,767
Developer payments	14,600,435
Transfer to Affordable Housing	4,880,621
Transfer to capital projects (open contracts)	147,491
Debt issuance costs	292,908
Interest on long-term debt	3,083,834

Total project costs 47,233,635

Project Revenues

Tax increment	53,101,089
Exempt computer aid	8,119,537
Personal property aid	96,465
Investment income	1,404,447
Special assessments	12,027
Transfer from General Fund	12,027
Premium on debt issued	278,571
Miscellaneous	6,180

Total project revenues 63,030,343

Net cost recovered through
tax increments, December 31, 2023 (15,796,708)

Refund payable to city and overlying districts 15,796,708

Balance \$ -

City of Fitchburg Tax Incremental District No. 4

Historical Summary of Sources, Uses and Status of Funds
From the Date of Creation Through December 31, 2023

Sources of Funds

Tax increment	\$ 53,101,089
Exempt computer aid	8,119,537
Personal property aid	96,465
Investment income	1,404,447
Special assessments	12,027
Transfer from General Fund	12,027
Long-term debt issued	19,250,000
Premium on debt issued	278,571
Miscellaneous	6,180

Total sources of funds 82,280,343

Use of Funds

Capital expenditures	23,646,873
Interest on advances	60,800
Administration expenditures	379,906
Professional services	140,767
Developer payments	14,600,435
Transfer to Affordable Housing	4,880,621
Transfer to capital projects (open contracts)	147,491
Debt issuance costs	292,908
Principal on long-term debt	19,250,000
Interest on long-term debt	3,083,834

Total uses of funds 66,483,635

Fund balance, December 31, 2023 15,796,708

Refund payable to city and overlying districts (15,796,708)

Balance \$ -

City of Fitchburg Tax Incremental District No. 4

Notes to Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies

The accounting policies of the City of Fitchburg's Tax Incremental District No. 4 (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 (TID) No. 4. The accompanying financial statements reflect all the significant operations of the City of Fitchburg's Tax Incremental District No. 4. The accompanying financial statements do not include the full presentation of the City of Fitchburg.

Description of Fund Structure and Long-Term Debt

This report contains the financial information of the City of Fitchburg's Tax Incremental District No. 4. The summary statements were prepared from data recorded in the following fund and the City's long-term debt:

Capital Projects Fund

Detailed descriptions of the purpose of this fund 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 District to collect tax increments until the net project cost has been fully recovered or until 23 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

	<u>Creation Date</u>	<u>Termination Date</u>
TID No. 4	May 27, 2003	March 14, 2023

Plan Amendment

	<u>Adoption Date</u>
Amendment #1	August 9, 2005
Amendment #2	April 26, 2011
Amendment #3	January 9, 2018

City of Fitchburg Tax Incremental District No. 4

Notes to Financial Statements
December 31, 2023

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.

Special assessments are recorded as revenues when collected. Annual installments due in future years are accounted for as receivables and unavailable revenues.

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.

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.

City of Fitchburg Tax Incremental District No. 4

Notes to Financial Statements

December 31, 2023

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.

3. Long-Term Debt

General Obligation Debt

All general obligation debt is backed by the full faith and credit of the City of Fitchburg. Debt borrowed to finance the District's expenditures will be retired by tax increments accumulated by the District. 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 12-31-2023
2005 State Trust Fund Loan	06/23/05	03/15/15	4.00 %	\$ 500,000	\$ 500,000	\$ -
2007 State Trust Fund Loan	11/16/07	03/15/17	5.25	500,000	500,000	-
2009 G.O Note	09/16/09	09/01/19	2.00-3.125	860,000	860,000	-
2011 G.O Bonds	12/13/11	12/01/27*	2.00-2.850	5,395,000	5,395,000	-
2012B G.O Bonds	03/21/12	03/01/29**	2.00-3.00	10,540,000	10,540,000	-
2012C G.O Refunding Bonds	03/21/12	03/01/17	0.40-1.30	500,000	500,000	-
2015A G.O Bonds	04/14/15	04/01/25***	1.00-2.00	955,000	955,000	-
Total				<u>\$ 19,250,000</u>	<u>\$ 19,250,000</u>	<u>\$ -</u>

*Original due date was in 2027 but these were paid off early in 2021.

**Original due date was in 2029 but these were paid off early in 2019.

***Original due date was in 2025 but these were paid off early in 2022.

4. Advances From City of Fitchburg Capital Projects Fund

The City of Fitchburg advanced \$500,000 to the District in 2006. This amount was repaid in 2008. The City of Fitchburg charged the District interest on the advance monthly based on the Local Government Investment Pool interest rate. Total interest charged from 2006-2008 was \$60,800.

City of Fitchburg Tax Incremental District No. 4

Notes to Financial Statements
December 31, 2023

5. Developer Grants

The City of Fitchburg had entered into various developer agreements. Details of grants paid to the developers are as follows:

<u>Developer Name</u>	<u>Grants Paid</u>
New Venture Center II LLC	\$ 1,000,000
Team Madison Partners	75,000
Data Office Venture LLC	75,000

6. Tax Abatements

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City of Fitchburg, through its Tax Incremental Districts (TIDs), has entered into tax abatement agreements with developers in the form of tax incremental financing incentives to stimulate economic development. The abatements are authorized through the TID project plans. The developers pay property taxes as they become due and, after meeting the criteria established in the development agreement, are entitled to future incentive payments that directly correlate to the taxes paid.

<u>Developer Name</u>	<u>Cumulative Payments as of 12/31/23</u>	<u>Commitment Outstanding as of 12/31/23</u>
Fitchburg Technology Campus LLC	\$ 2,728,601	\$ -
Techlands	702,421	-
Orion Seven LLC	10,019,413	-

7. 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 2022 tax roll as follows:

Dane County	\$ 2,306,319
City of Fitchburg	5,702,612
Oregon Schools	1,342,720
Madison Schools	5,828,985
Madison Area Technical College	<u>616,072</u>
Total	<u>\$15,796,708</u>

The District has \$147,491 of fund balance set aside for contractual payments of improvements within the District that are still open at December 31, 2023. Any amounts that are not spent for District improvement projects will be refunded to the overlying districts and the City using the same ratio.

City of Fitchburg Tax Incremental District No. 4

Detailed Schedule of Sources, Uses and Status of Funds
 From the Date of Creation Through December 31, 2023

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sources of Funds												
Tax increment	\$ -	\$ -	\$ 211,714	\$ 101,128	\$ 540,352	\$ 1,115,932	\$ 1,247,325	\$ 1,467,819	\$ 1,534,783	\$ 1,600,474	\$ 2,004,109	\$ 3,034,232
Exempt computer aid	-	-	-	1,006	106,675	95,921	99,994	115,882	214,205	478,206	676,598	620,454
Personal Property aid	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	1,210	2,342	8,124	-	-	7,815
Special assessments	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from General Fund	-	-	-	-	-	-	-	-	-	-	-	-
Long-term debt issued	-	-	500,000	-	500,000	-	860,000	-	5,395,000	11,040,000	-	-
Premium on debt issued	-	-	-	-	-	-	-	-	66,030	212,541	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	5,280	-	900
Total sources of funds	-	-	711,714	102,134	1,147,027	1,211,853	2,208,529	1,586,043	7,218,142	13,336,501	2,680,707	3,663,401
Uses of Funds												
Capital expenditures	5,656	291,658	299,033	477,335	8,376	52,924	964,334	-	2,767,996	14,254,619	(148,090)	2,185,567
Interest on advances	-	-	-	6,540	41,233	13,027	-	-	-	-	-	-
Administration expenditures	44,902	37,018	31,846	6,393	14,124	4,512	320	11,469	72,371	69,243	12,339	26,218
Professional Services	-	-	-	-	-	4,286	-	-	47,067	20,527	5,668	-
Developer payments	-	-	500,000	500,000	290,672	467,915	506,047	516,748	431,716	517,775	540,204	899,880
Transfer to Affordable Housing	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to capital projects (open contracts)	-	-	-	-	-	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	9,751	-	72,192	201,793	-	-
Principal on long-term debt	-	-	-	46,483	42,862	44,532	83,783	171,232	175,681	665,427	500,000	610,000
Interest on long-term debt	-	-	-	14,520	18,141	16,471	49,525	56,866	51,777	49,585	617,799	377,690
Total uses of funds	50,558	328,676	830,879	1,051,271	415,408	603,667	1,613,760	756,315	3,618,800	15,778,969	1,527,920	4,099,355

Fund balance, December 31, 2023

Refund payable to city and overlying districts

Balance

City of Fitchburg Tax Incremental District No. 4

Detailed Schedule of Sources, Uses and Status of Funds
 From the Date of Creation Through December 31, 2023

	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total	Project Plan Estimate
Sources of Funds											
Tax increment	\$ 3,337,602	\$ 4,012,098	\$ 4,049,077	\$ 4,343,241	\$ 4,496,179	\$ 4,957,883	\$ 5,195,351	\$ 4,971,169	\$ 4,880,621	\$ 53,101,089	\$ 106,874,395
Exempt computer aid	521,403	626,877	632,690	641,991	657,527	657,527	657,527	657,527	657,527	8,119,537	419,478
Personal Property aid	-	-	-	-	21,154	19,293	17,432	19,293	19,293	96,465	-
Investment income	10,870	27,667	71,225	165,304	111,088	53,273	13,194	177,204	755,131	1,404,447	442,225
Special assessments	-	-	-	-	-	-	-	-	12,027	12,027	-
Transfer from General Fund	-	-	-	-	-	-	-	-	12,027	12,027	-
Long-term debt issued	955,000	-	-	-	-	-	-	-	-	19,250,000	44,070,000
Premium on debt issued	-	-	-	-	-	-	-	-	-	278,571	-
Miscellaneous	-	-	-	-	-	-	-	-	-	6,180	-
Total sources of funds	4,824,875	4,666,642	4,752,992	5,150,536	5,285,948	5,687,976	5,883,504	5,825,193	6,336,626	82,280,343	151,806,098
Uses of Funds											
Capital expenditures	643,866	442,410	119,851	16,612	570,085	86,314	110,297	31,162	466,868	23,646,873	28,339,875
Interest on advances	-	-	-	-	-	-	-	-	-	60,800	-
Administration expenditures	9,504	16,123	5,755	2,657	6,559	2,218	2,825	1,948	1,562	379,906	1,217,500
Professional Services	-	5,197	8,385	29,493	2,794	1,700	2,417	6,875	6,358	140,767	-
Developer payments	1,121,734	1,990,257	689,390	3,523,390	249,404	372,054	1,060,145	85,289	337,815	14,600,435	16,200,000
Transfer to Affordable Housing	-	-	-	-	-	-	-	-	4,880,621	4,880,621	-
Transfer to capital projects (open contracts)	-	-	-	-	-	-	-	-	147,491	147,491	-
Debt issuance costs	9,172	-	-	-	-	-	-	-	-	292,908	588,093
Principal on long-term debt	730,000	925,000	980,000	1,160,000	8,545,000	495,000	3,670,000	405,000	-	19,250,000	44,070,000
Interest on long-term debt	365,990	359,727	351,599	332,255	213,763	106,988	97,088	4,050	-	3,083,834	27,935,856
Total uses of funds	2,880,266	3,738,714	2,154,980	5,064,407	9,587,605	1,064,274	4,942,772	534,324	5,840,715	66,483,635	118,351,324
Fund balance, December 31, 2023										15,796,708	
Refund payable to city and overlying districts										(15,796,708)	
Balance										\$ -	

Independent Auditors' Report on Other Legal and Regulatory Requirements

To the City Council of
City of Fitchburg

We have audited the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost 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. 4 (District) as of December 31, 2023 and from the date the District was created through December 31, 2023 and have issued our report thereon dated February 22, 2024, 2024. 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 US, LLP

Madison, Wisconsin
February 22, 2024