

**City of Fitchburg
Tax Incremental District No. 15**

Financial Statements and
Supplementary Information

December 31, 2023

City of Fitchburg Tax Incremental District No. 15

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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. 15 (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 financial accompanying statements referred to above present fairly, in all material respects, the financial position of 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.15 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 May 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
May 22, 2024

City of Fitchburg Tax Incremental District No. 15

Balance Sheet
December 31, 2023

	Capital Projects Fund
Assets	
Cash and investments	\$ 119,508
Taxes receivable	<u>1,778,229</u>
Total assets	<u><u>\$ 1,897,737</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balances	
Liabilities	
Accounts payable	\$ 5,550
Due to overlying districts	<u>113,958</u>
Total liabilities	<u>119,508</u>
Deferred Inflows of Resources	
Unearned revenue	<u>1,778,229</u>
Total deferred inflows of resources	<u>1,778,229</u>
Fund Balances	
Restricted	<u>-</u>
Total fund balances	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 1,897,737</u></u>

See notes to financial statements

City of Fitchburg Tax Incremental District No. 15

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	\$ 2,973,355
Administration (in-house)	32,157
Professional services: planning, engineering, other	80,907
Municipal revenue bond obligation payments	3,543,034
Transfer to other funds	45,617
Interest and fiscal charges on long-term debt	514,015
Interest on advance	521
Debt issuance costs	10,000

Total project costs 7,199,606

Project Revenues

Tax increments	6,772,202
Exempt computer aid	95,929
Intergovernmental grants	363,953
Transfer from other funds	79,553
Investment income	42,768
Miscellaneous revenues	17,864

Total project revenues 7,372,269

Net cost recovered through
tax increments, December 31, 2023 (172,663)

Refund payable to overlying districts 172,663

Balance \$ -

City of Fitchburg Tax Incremental District No. 15

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

Sources of Funds

Tax increments	\$ 6,772,202
Exempt computer aid	95,929
Intergovernmental grants	363,953
Transfer from other funds	79,553
Investment income	42,768
Miscellaneous revenues	17,864
Long-term debt issued	<u>2,167,350</u>

Total sources of funds 9,539,619

Uses of Funds

Capital expenditures	2,973,355
Administration (in-house)	32,157
Professional services: planning, engineering, other	80,907
Municipal revenue bond obligation payments	3,543,034
Transfer to other funds	45,617
Interest and fiscal charges on long-term debt	514,015
Interest on advance	521
Debt issuance costs	10,000
Principal on long-term debt	<u>2,167,350</u>

Total uses of funds 9,366,956

Fund balance, December 31, 2023 \$ 172,663

Refund payable to overlying districts (172,663)

Balance \$ -

City of Fitchburg Tax Incremental District No. 15

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.15 (the District) conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Fitchburg (the 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 the District. The accompanying financial statements reflect all the significant operations of the District. The accompanying financial statements do not include the full presentation of the City.

Description of Fund Structure and Long-Term Debt

This report contains the financial information of the District. The summary statements were prepared from data recorded in the following funds and the City's long-term debt:

Capital Projects Fund
Debt Service Fund

Detailed descriptions of the purpose of these funds and long-term debt can be found in the City'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 27 years after the creation date, whichever occurs first. Project costs uncollected at the dissolution date are absorbed by the City. 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. 15	January 1, 2006	June 27, 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.

City of Fitchburg Tax Incremental District No. 15

Notes to Financial Statements
December 31, 2023

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.

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

City of Fitchburg Tax Incremental District No. 15

Notes to Financial Statements
December 31, 2023

3. Long-Term Debt

General Obligation and Mortgage Revenue Bond Debt

All general obligation debt was backed by the full faith and credit of the Town of Madison. Debt borrowed to finance the District's expenditures was retired by tax increments accumulated by the District.

Title of Issue	Date of Issue	Due Date	Interest Rate	Original Indebtedness	Repaid	Balance 12/31/2023
2008 G.O Promissory Notes	04/08/2008	04/01/2018	3.25-4.00 %	\$ 1,650,000	\$ 1,650,000	\$ -
2010 State Trust Fund Loan	12/23/2010	03/15/2020	3.75	517,350	517,350	-
Total				<u>\$ 2,167,350</u>	<u>\$ 2,167,350</u>	<u>\$ -</u>

4. Municipal Revenue Obligations

In 2016, the District had issued two municipal revenue obligations as part of a development agreement. The amount of the obligations were \$237,500 and \$1,070,000 and were payable to the developer solely from tax increments collected from a specific portion of the development in the District.

Payments for both obligations were scheduled through the year 2022 and carried an interest rate of 8.00%.

In 2019, the District issued two more municipal revenue obligations as part of a development agreement. The amount of the obligations were \$255,215 and \$762,450 and were payable to the developer solely from tax increments collected from a specific portion of the development in the District.

Payments for both obligations were scheduled through the year 2022 and carried an interest rate of 1.85% and 5.60% respectively. The obligations do not constitute a charge upon any funds of the City. In the event that future tax increments are not sufficient to pay off the obligations, the obligations terminate 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. These types of agreements are considered tax abatements.

The District paid \$499,898 to the developers during 2023. There is no balance outstanding at year-end.

5. Cooperative Boundary Plan

On November 8, 2002, the Town of Madison, the City of Fitchburg and the City of Madison executed an intergovernmental agreement under authority of Section 66.0301 of the Wisconsin Statutes.

In 2022, as part of the execution of this plan, Tax Incremental District No. 2 of the Town of Madison was absorbed by the City of Fitchburg and renamed as Tax Incremental District No. 15 of the City of Fitchburg.

6. Affordable Housing Transfer

In June 2023, the 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 year 2024 will be used to fund the affordable housing program.

City of Fitchburg Tax Incremental District No. 15

Notes to Financial Statements
December 31, 2023

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 2023 tax roll as follows:

Dane County	\$ 27,799
City of Fitchburg	58,705
Madison Schools	79,425
Madison Area Technical College	<u>6,734</u>
Total	<u>\$ 172,663</u>

City of Fitchburg Tax Incremental District No. 15

Detailed Schedule of Sources, Uses and Status of Funds

From the Date of Creation Through December 31, 2023

	2006	2007	2008	2009	2010	2011	2012	2013
Sources of Funds								
Tax increments	\$ -	\$ -	\$ -	\$ 15,902	\$ 41,607	\$ 284,961	\$ 279,305	\$ 240,511
Exempt computer aid	-	-	-	12	8	7	5	10,399
Intergovernmental grants	-	-	-	8,092	307,304	5,626	8,334	6,193
Transfer from other funds	-	-	-	-	-	-	-	-
Investment income	-	-	24,795	8,475	608	719	418	-
Miscellaneous revenues	-	-	870	-	16,994	-	-	-
Long-term debt issued	-	-	1,650,000	-	517,350	-	-	-
Total sources of funds	-	-	1,675,665	32,481	883,871	291,313	288,062	257,103
Uses of Funds								
Capital expenditures	-	-	55,683	1,325,131	793,795	790,121	1,938	-
Administration (in-house)	1,426	7,163	2,986	10,305	-	65	6,950	650
Professional services - planning, engineering, other	7,336	1,197	12,283	-	5,406	4,475	10,471	-
Municipal revenue bond obligation payments	-	-	-	-	-	-	-	-
Transfer to other funds	-	-	-	-	-	-	-	-
Interest and fiscal charges on long-term debt	-	-	380	88,169	59,669	56,744	74,660	61,304
Interest on advance	-	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	10,000	-	-	-
Principal on long-term debt	-	-	-	-	-	180,000	230,281	251,899
Total uses of funds	8,762	8,360	71,332	1,423,605	868,870	1,031,405	324,300	313,853
Fund balance, December 31, 2023								
Refund payable to overlying districts								
Balance								

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total	Project Plan Estimate
\$ 225,990	\$ 529,982	\$ 358,142	\$ 583,863	\$ 504,674	\$ 790,355	\$ 748,011	\$ 625,410	\$ 879,155	\$ 664,334	\$ 6,772,202	\$ 35,029,146
7,956	6,899	5,440	9,042	9,175	9,398	9,397	9,397	9,397	9,397	95,929	-
5,118	4,425	3,814	3,095	2,372	8,751	829	-	-	-	363,953	-
-	-	-	-	-	-	-	79,553	-	-	79,553	-
-	-	-	-	-	-	-	-	3	7,750	42,768	509,673
-	-	-	-	-	-	-	-	-	-	17,864	-
-	-	-	-	-	-	-	-	-	-	2,167,350	17,740,000
<u>239,064</u>	<u>541,306</u>	<u>367,396</u>	<u>596,000</u>	<u>516,221</u>	<u>808,504</u>	<u>758,237</u>	<u>714,360</u>	<u>888,555</u>	<u>681,481</u>	<u>9,539,619</u>	<u>53,278,819</u>
-	6,687	-	-	-	-	-	-	-	-	2,973,355	2,500,000
-	-	-	-	-	-	-	-	477	2,135	32,157	137,000
3,699	9,929	3,293	4,254	150	12,174	150	150	240	5,700	80,907	100,000
-	-	-	120,967	136,886	436,586	619,191	841,104	888,402	499,898	3,543,034	14,790,000
-	-	-	-	-	-	-	45,617	-	-	45,617	-
52,600	43,307	33,791	23,481	12,469	4,925	2,516	-	-	-	514,015	213,000
-	-	-	-	-	-	-	-	4	517	521	-
-	-	-	-	-	-	-	-	-	-	10,000	-
<u>253,603</u>	<u>265,721</u>	<u>272,665</u>	<u>284,860</u>	<u>297,105</u>	<u>64,434</u>	<u>66,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,167,350</u>	<u>17,740,000</u>
<u>309,902</u>	<u>325,644</u>	<u>309,749</u>	<u>433,562</u>	<u>446,610</u>	<u>518,119</u>	<u>688,639</u>	<u>886,871</u>	<u>889,123</u>	<u>508,250</u>	<u>9,366,956</u>	<u>35,480,000</u>
										\$ 172,663	
										(172,663)	
										<u>\$ -</u>	

City of Fitchburg Tax Incremental District No. 15

Detailed Schedule of Capital Expenditures

From the Date of Creation Through December 31, 2023

	<u>Actual</u>	<u>Project Plan Estimate</u>
Capital expenditures:		
Land acquisition	\$ -	\$ 750,000
Streets, landscaping and right-of-way enhancements	2,973,355	1,500,000
Park improvements	-	250,000
	<u>-</u>	<u>250,000</u>
 Total capital expenditures	 <u>\$ 2,973,355</u>	 <u>\$ 2,500,000</u>

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. 15 (the 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 May 22, 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
May 22, 2024