

**CITY OF APPLETON**  
**BUSINESS IMPROVEMENT DISTRICT**  
(A Component Unit of the City of Appleton)  
Appleton, Wisconsin

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2013 and 2012



**BAKER TILLY**

Candor. Insight. Results.

**CITY OF APPLETON**  
**BUSINESS IMPROVEMENT DISTRICT**  
(A Component Unit of the City of Appleton)

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As of and for the Years Ended December 31, 2013 and 2012

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Appleton Business Improvement District  
Appleton, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Appleton Business Improvement District, a component unit of the City of Appleton, Wisconsin, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Appleton Business Improvement District's basic financial statements as listed in the table of contents.

### ***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 audits. We conducted our audits 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 Appleton Business Improvement District'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 Appleton Business Improvement District'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 Board of Directors  
Appleton Business Improvement District

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Appleton Business Improvement District as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows and budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note I, the Appleton Business Improvement District adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinion is not modified with respect to this matter.

**Other Matter**

*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 basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
June 4, 2014



**CITY OF APPLETON  
BUSINESS IMPROVEMENT DISTRICT**

STATEMENT OF NET POSITION  
As of and for the Years Ended December 31, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and investments	\$ 135,958	\$ 191,190
Accounts receivable	<u>64,362</u>	<u>70,281</u>
Total Assets	<u>200,320</u>	<u>261,471</u>
<b>LIABILITIES</b>		
Accounts payable	<u>7,150</u>	<u>55,249</u>
Total Liabilities	<u>7,150</u>	<u>55,249</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned revenue	<u>193,131</u>	<u>205,569</u>
<b>NET POSITION</b>		
Unrestricted	<u>39</u>	<u>653</u>
<b>TOTAL NET POSITION</b>	<u>\$ 39</u>	<u>\$ 653</u>

See accompanying notes to financial statements.

**CITY OF APPLETON  
BUSINESS IMPROVEMENT DISTRICT**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
NET POSITION-ACTUAL AND BUDGET  
For the Years Ended December 31, 2013 and 2012

	2013 Original Budget	2013 Final Budget	2013 Actual	2012 Original and Final Budget	2012 Actual
<b>OPERATING REVENUES</b>					
Assessments	\$ 205,570	\$ 205,570	\$ 205,569	\$ 205,507	\$ 205,507
<b>OPERATING EXPENSES</b>					
Operations					
Marketing	90,000	84,624	-	88,000	-
Advertising	-	-	72,204	-	89,724
Printing	-	-	16,399	-	12,725
Total Marketing	<u>90,000</u>	<u>84,624</u>	<u>88,603</u>	<u>88,000</u>	<u>102,449</u>
Administrative	7,000	7,000	-	6,507	-
Conferences/workshops/classes	-	-	75	-	530
Office supplies	-	-	825	-	684
Equipment	-	-	1,410	-	-
Telephone	-	-	2,950	-	2,298
Insurance	-	-	-	-	-
Dues, fees, and subscriptions	-	-	421	-	1,035
Postage	-	-	1,168	-	787
Facility rent	-	-	-	-	249
Total Administrative	<u>7,000</u>	<u>7,000</u>	<u>6,849</u>	<u>6,507</u>	<u>5,583</u>
Audit and accounting services	<u>3,000</u>	<u>2,000</u>	<u>2,425</u>	<u>3,000</u>	<u>1,633</u>
Economic Development Projects					
Sidewalk cleaning/amenities	11,500	12,500	10,905	14,000	8,632
Facade grants	20,000	21,000	21,100	20,000	28,055
Marketing grant	10,000	10,000	9,810	10,000	10,232
Recruitment grant	10,000	9,000	9,000	10,000	10,416
Business recruitment	7,500	7,500	5,545	5,000	5,225
Total Economic Development Projects	<u>59,000</u>	<u>60,000</u>	<u>56,360</u>	<u>59,000</u>	<u>62,560</u>
Contracted services	<u>46,570</u>	<u>51,946</u>	<u>51,946</u>	<u>49,000</u>	<u>48,818</u>
Total Expenses	<u>205,570</u>	<u>205,570</u>	<u>206,183</u>	<u>205,507</u>	<u>221,043</u>
Operating Income (Loss)	-	-	(614)	-	(15,536)
<b>NONOPERATING REVENUES</b>					
Investment income	-	-	-	-	1,828
CHANGE IN NET POSITION	-	-	(614)	-	(13,708)
NET POSITION - Beginning of Year	<u>653</u>	<u>653</u>	<u>653</u>	<u>14,361</u>	<u>14,361</u>
NET POSITION - END OF YEAR	<u>\$ 653</u>	<u>\$ 653</u>	<u>\$ 39</u>	<u>\$ 14,361</u>	<u>\$ 653</u>

See accompanying notes to financial statements.

**CITY OF APPLETON  
BUSINESS IMPROVEMENT DISTRICT**

STATEMENT OF CASH FLOWS  
For the Years Ended December 31, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 199,050	\$ 211,126
Payments to suppliers	<u>(254,282)</u>	<u>(214,845)</u>
Net Cash Provided by Operating Activities	<u>(55,232)</u>	<u>(3,719)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>-</u>	<u>1,828</u>
 <b>Net Change in Cash and Cash Equivalents</b>	 (55,232)	 (1,891)
 CASH AND CASH EQUIVALENTS, Beginning	 <u>191,190</u>	 <u>193,081</u>
 <b>CASH AND CASH EQUIVALENTS, ENDING</b>	 <u>\$ 135,958</u>	 <u>\$ 191,190</u>
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (614)	\$ (15,536)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities		
Changes in Assets and Liabilities		
Accounts receivable	5,919	5,557
Accounts payable	(48,099)	6,198
Unearned revenue	<u>(12,438)</u>	<u>62</u>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	 <u>\$ (55,232)</u>	 <u>\$ (3,719)</u>
 <b>NONCASH ACTIVITIES</b>		
None.		

See accompanying notes to financial statements.



**CITY OF APPLETON  
BUSINESS IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

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

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The accounting policies of the City of Appleton's Business Improvement District (the "district") conform to accounting principles as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Government Auditing Standards Board (GASB).

**A. DESCRIPTION OF REPORTING ENTITY**

This report contains the financial information of the City of Appleton's Business Improvement District, which is a component unit of the City of Appleton, Wisconsin.

The district was created under the provisions of Wisconsin Statute Section 66.1109. It is the purpose of that section to authorize municipalities to create one or more business improvement districts to allow businesses within those districts to develop, manage, and promote the districts and to establish an assessment method to fund these activities.

The district is a legal entity separate and distinct from the City of Appleton, Wisconsin. The district is governed by a nine member board appointed and approved by the city council. The members serve staggered, two-year terms. A majority of the board members shall own or occupy real property in the district.

**B. BASIS OF ACCOUNTING/MEASUREMENT FOCUS**

***Government-Wide Financial Statements***

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective January 1, 2013.

The accounting and financial reporting treatment applied to the district is determined by its measurement focus. The transactions of the district are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations are included on the statement of net position. Net position is segregated into "net investment in capital assets"; "restricted"; and "unrestricted" components.



**CITY OF APPLETON  
BUSINESS IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

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

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**B. BASIS OF ACCOUNTING/MEASUREMENT FOCUS (cont.)**

***Fund Financial Statements***

The statement of net position and statement of revenues, expenses, and changes in net position are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Assessments are levied upon all property within the district and are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The district distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the district are charges to the district members. Operating expenses for the district include salaries and wages, operation and maintenance, business development and promotions. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

**C. SPECIAL ASSESSMENT METHOD**

The district is authorized to levy special assessments to fund its operations. The method of levy is based on assessed valuation of all real property within the district except property used exclusively for residential and manufacturing purposes.

**CITY OF APPLETON  
BUSINESS IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

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

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***D. EQUITY CLASSIFICATIONS***

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the district’s policy to use restricted resources first, then unrestricted resources as they are needed.

***E. CLAIMS AND JUDGMENTS***

Claims and judgments are recorded as expenses when the related liabilities are incurred.

***F. OPERATING PLAN BUDGET***

The budgetary information is derived from the annual operating plan budget and is presented using the same basis of accounting as described in Note 1.B.

***G. COMPARATIVE DATA***

Certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year’s presentation.

**CITY OF APPLETON  
BUSINESS IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

**NOTE 2 – DEPOSITS AND INVESTMENTS**

For purposes of the statement of cash flows. The district considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

The district has not adopted an investment policy, but 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's deposits and investments were comprised of the following at December 31, 2013:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Associated Risks</u>
Demand deposits	<u>\$ 135,958</u>	<u>\$ 135,958</u>	Custodial credit risk

The district's deposits and investments were comprised of the following at December 31, 2012:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Associated Risks</u>
Demand deposits	<u>\$ 191,190</u>	<u>\$ 191,190</u>	Custodial credit risk

The district, which is treated similar to 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.

***Custodial Credit Risk***

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the district's deposits may not be returned to the district.

The district's deposits are invested in a cash and investments pool maintained by the City of Appleton government. See the City of Appleton's financial statements for further information.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the Board of Directors  
Appleton Business Improvement District  
Appleton, Wisconsin

We have audited the financial statements of the Business Improvement District (BID), a component unit of the City of Appleton, Wisconsin as of and for the years ended December 31, 2013 and 2012 and have issued our report thereon dated June 4, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance with business improvement district laws and regulations is the responsibility of BID management. As part of obtaining reasonable assurance about whether the BID's financial statements are free of material misstatement, we performed tests of its compliance with Wisconsin State Statutes Section 66.1109 and, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance.

This report is intended solely for the information and use of the BID's Board and management and is not intended to be, and should not be, used by anyone other than the specified parties.



Madison, Wisconsin  
June 4, 2014