

**City of Appleton
Business Improvement District**

**A Component Unit of the
City of Appleton, Wisconsin**

ANNUAL FINANCIAL REPORT

December 31, 2018

City of Appleton Business Improvement District Appleton, Wisconsin

DECEMBER 31, 2018

Table of Contents

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Net Position - Budget and Actual	4
Statement of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	9



Independent auditors' report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Appleton Business Improvement District (the "District"), a component unit of the City of Appleton, Wisconsin, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors consider internal control relevant to the 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 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.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2018, and the changes in its financial position and, where applicable, its cash flows 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 1, the financial statements present only the District and do not purport to, and do not present fairly, the financial position of the City of Appleton, Wisconsin as of December 31, 2018 and the changes in its financial position or its cash flows for the year 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements

The supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 basic 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 basic financial statements as a whole.

Prior Year Summarized Financial information

The 2017 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated August 9, 2018, expressed an unmodified opinion on those financial statements from which the prior year summarized financial information was derived.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

Green Bay, Wisconsin
June 18, 2019

FINANCIAL STATEMENTS

City of Appleton Business Improvement District

Appleton, Wisconsin

STATEMENT OF NET POSITION
DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and investments	\$ 146,412	\$ 174,834
Special assessments	<u>77,340</u>	<u>61,105</u>
Total assets	<u>223,752</u>	<u>235,939</u>
LIABILITIES		
Current liabilities		
Accounts payable	<u>10,964</u>	<u>28,541</u>
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	<u>198,468</u>	<u>196,751</u>
NET POSITION		
Unrestricted	<u>14,320</u>	<u>10,647</u>
Total net position	<u>\$ 14,320</u>	<u>\$ 10,647</u>

The notes to the financial statements are an integral part of this statement.

City of Appleton Business Improvement District

Appleton, Wisconsin

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	2018	2017
OPERATING REVENUES		
BID assessments	\$ 196,751	\$ 196,388
OPERATING EXPENSES		
Contracted services	52,437	54,916
Administrative		
Telephone	2,504	2,299
Office supplies	1,048	1,003
Postage	732	1,027
Dues, fees, and subscriptions	2,162	1,185
Facility rent	-	873
Other service contracts	-	302
Equipment	16,460	76
Total administrative	22,906	6,765
Audit and accounting services	2,283	2,919
Marketing		
Advertising	69,178	79,779
Printing	1,432	723
Total marketing	70,610	80,502
Economic development projects		
Sidewalk maintenance/amenities	-	9,285
Façade grants	25,000	13,696
Marketing grants	5,240	6,665
Recruiting grant	11,018	10,050
Business recruitment	5,345	2,622
Total economic development projects	46,603	42,318
Total operating expenses	194,839	187,420
Operating income	1,912	8,968
NONOPERATING REVENUES		
Investment income	1,761	473
Change in net position	3,673	9,441
Net position - January 1	10,647	1,206
Net position - December 31	\$ 14,320	\$ 10,647

The notes to the financial statements are an integral part of this statement.

City of Appleton Business Improvement District

Appleton, Wisconsin

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 182,233	\$ 207,392
Cash paid to suppliers	(212,416)	(205,072)
Net cash provided (used) by operating activities	<u>(30,183)</u>	<u>2,320</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>1,761</u>	<u>473</u>
Change in cash and cash equivalents	(28,422)	2,793
Cash and cash equivalents - January 1	<u>174,834</u>	<u>172,041</u>
Cash and cash equivalents - December 31	<u>\$ 146,412</u>	<u>\$ 174,834</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 1,912	\$ 8,968
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Change in operating assets and liabilities		
Accounts receivables	(16,235)	10,641
Accounts payable	(17,577)	(17,652)
Unearned revenue	1,717	363
Net cash provided (used) by operating activities	<u>\$ (30,183)</u>	<u>\$ 2,320</u>

The notes to the financial statements are an integral part of this statement.

City of Appleton Business Improvement District Appleton, Wisconsin

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Appleton Business Improvement District, Appleton, Wisconsin (the "District"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

A. REPORTING ENTITY

Wisconsin Statutes allow for the creation of Business Improvement Districts (BID). A BID is a geographic area within a municipality consisting of contiguous parcels, which are subject to assessments, where the assessment revenue must be used to benefit the BID. The purpose was to authorize cities, villages, and towns to create one or more business improvement districts to allow businesses within those districts to develop, manage, maintain, and promote their districts and to establish an assessment method to fund these activities. A BID affords property owners and business people a very real role in directing those affairs within the district, which influences their investment and environment. It also ensures that the beneficiaries of district programs participate in the funding of the programs.

The District is a legal entity separate and distinct from the City of Appleton, Wisconsin. The District is governed by a nine member appointed board 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. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for using the *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.

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. At year end, assessments 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.

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.

City of Appleton Business Improvement District Appleton, Wisconsin

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

C. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

2. BID Special Assessments

The primary source of revenue for the District is an assessment levied on property located within District boundaries. The BID assessments are determined in November, and included as a special charge on each property owner's tax bill within the District and become an enforceable lien on January 1. The BID assessments are due in full to the City by January 31st of the subsequent year, who collects and distributes to the District.

3. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

4. Net Position

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

- ▶ **Net investment in capital assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- ▶ **Restricted net position.** Amount of net position that is subject to restrictions that are imposed 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.
- ▶ **Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

5. Claims and Judgements

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

D. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the financial statements to provide an understanding of changes in the District's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

City of Appleton Business Improvement District Appleton, Wisconsin

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2: STEWARDSHIP AND COMPLIANCE

A. OPERATING PLAN

The budgetary information is derived from the District's annual operating plan budget and is presented using the same basis of accounting as described in Note 1.B. The 2018 Operating Plan, as approved by the Board of Directors and City Council, included provisions for District assessments and related spending of \$196,750. The board of directors and management use the budget to manage the District's program activities; however, the budget does not represent a legal budget establishing specific line item expenditure limits.

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

The District's cash and investments total \$146,412 are commingled with the cash and investment accounts of the City of Appleton; therefore, individual bank balances of the District cannot be determined. Please refer to the City's financial statements for further information.

The City's Comprehensive Annual Financial Report can be located at www.appleton.org/government/finance.

NOTE 4: OTHER INFORMATION

A. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage.

B. CONTINGENCIES

From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

SUPPLEMENTARY INFORMATION

City of Appleton Business Improvement District

Appleton, Wisconsin

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>
OPERATING REVENUES		
BID assessments	\$ 196,750	\$ 196,751
OPERATING EXPENSES		
Contracted services	50,000	52,437
Administrative		
Telephone		2,504
Office supplies		1,048
Postage		732
Dues, fees, and subscriptions		2,162
Facility rent		-
Other service contracts		-
Equipment		16,460
Total administrative	6,750	22,906
Audit and accounting services	2,500	2,283
Marketing		
Advertising		69,178
Printing		1,432
Total marketing	65,000	70,610
Economic development projects		
Sidewalk maintenance/amenities	15,000	-
Façade grants	20,000	25,000
Marketing grants	10,000	5,240
Recruiting grant	10,000	11,018
Business recruitment	10,000	5,345
Total economic development projects	65,000	46,603
Total operating expenses	189,250	194,839
Operating income	7,500	1,912
NONOPERATING REVENUES		
Investment income	-	1,761
Change in net position	7,500	3,673
Net position - January 1	10,647	10,647
Net position - December 31	\$ 18,147	\$ 14,320

The notes to the financial statements are an integral part of this statement.