

**CITY OF APPLETON**  
**TAX INCREMENTAL DISTRICT NO. 5**

Appleton, Wisconsin

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of September 30, 2015 and From the  
Date of Creation Through September 30, 2015

**CITY OF APPLETON  
TAX INCREMENTAL DISTRICT NO. 5**

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As of September 30, 2015 and From the Date of Creation Through September 30, 2015

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Appleton  
Appleton, 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 Appleton's Tax Incremental District No. 5 as of September 30, 2015 and from the date of creation through September 30, 2015, 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 Appleton'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 Appleton'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 City Council  
City of Appleton

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City of Appleton's Tax Incremental District No. 5 and the net project costs to be recovered through tax increments as of September 30, 2015 and the sources, uses, and status of funds from the date of creation through September 30, 2015, 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 Appleton's Tax Incremental District No. 5 and do not purport to, and do not, present fairly the financial position of the City of Appleton, WI, as of September 30, 2015, and the changes in financial position 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 Appleton's Tax Incremental District No. 5's financial statements. The detailed schedule of sources, uses, and status of funds and the detailed schedule of capital expenditures as listed in the table of contents are presented for purposes of additional analysis and are 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 detailed schedule of sources, uses, and status of funds and the detailed schedule of capital expenditures are fairly stated in all material respects, in relation to the financial statements as a whole.

To the City Council  
City of Appleton

**Report on Other Legal and Regulatory Requirements**

We have also issued our report dated October 26, 2015 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  
October 26, 2015

**CITY OF APPLETON  
TAX INCREMENTAL DISTRICT NO. 5**

BALANCE SHEET  
As of September 30, 2015

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	Capital Projects Fund
<b>ASSETS</b>	
Cash and investments	\$ 680,394
<b>TOTAL ASSETS</b>	<u>\$ 680,394</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Accounts payable	\$ 6,200
Refund payable due to overlying districts	433,349
Due to city general fund	<u>240,845</u>
Total Liabilities	<u>680,394</u>
Fund Balance	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 680,394</u>

See accompanying notes to financial statements.

**CITY OF APPLETON  
TAX INCREMENTAL DISTRICT NO. 5**

HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES  
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS  
From the Date of Creation Through September 30, 2015

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**PROJECT COSTS**

Capital expenditures	\$ 945,000
Administration	39,651
Interest on advance	23,680
Interest and fiscal charges	397,777
Debt issuance costs	<u>5,000</u>
Total Project Costs	<u>1,411,108</u>

**PROJECT REVENUES**

Tax increments	1,840,870
TIF guarantee payments	112,679
Intergovernmental	12,782
Investment income	<u>118,971</u>
Total Project Revenues	<u>2,085,302</u>

**NET COST RECOVERED THROUGH**

<b>TAX INCREMENTS – SEPTEMBER 30, 2015</b>	(674,194)
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REFUND PAYABLE TO OVERLYING DISTRICTS	<u>674,194</u>
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**NET COST TO BE RECOVERED THROUGH**

<b>TAX INCREMENTS – SEPTEMBER 30, 2015</b>	<u><u>\$ -</u></u>
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See accompanying notes to financial statements.

**CITY OF APPLETON  
TAX INCREMENTAL DISTRICT NO. 5**

HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS  
From the Date of Creation Through September 30, 2015

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**SOURCES OF FUNDS**

Tax increments	\$ 1,840,870
TIF guarantee payments	112,679
Intergovernmental	12,782
Investment income	118,971
Long-term debt issued	<u>955,000</u>
Total Sources of Funds	<u>3,040,302</u>

**USES OF FUNDS**

Capital expenditures	945,000
Administration	39,651
Interest on advance	23,680
Interest and fiscal charges	397,777
Debt issuance costs	5,000
Principal on long-term debt	<u>955,000</u>
Total Uses of Funds	<u>2,366,108</u>

**FUND BALANCE – SEPTEMBER 30, 2015 - PRIOR TO  
DISTRIBUTIONS OF POSITIVE TAX INCREMENT**

674,194

**REFUND PAYABLE TO OVERLYING DISTRICTS**

(674,194)

**BALANCE**

\$ -

See accompanying notes to financial statements.



# **CITY OF APPLETON TAX INCREMENTAL DISTRICT NO. 5**

## **NOTES TO FINANCIAL STATEMENTS**

As of September 30, 2015 and From the Date of Creation Through September 30, 2015

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

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The accounting policies of the City of Appleton's Tax Incremental District No. 5 (the "district") conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Appleton 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. 5. The accompanying financial statements reflect all the significant operations of the City of Appleton's Tax Incremental District No. 5. The accompanying financial statements do not include the full presentation of the City of Appleton.

#### **A. DESCRIPTION OF FUND STRUCTURE AND LONG-TERM DEBT**

This report contains the financial information of the City of Appleton's Tax Incremental District No. 5. The summary statements were prepared from data recorded in the following funds and the city's long-term debt:

Debt Service Fund  
Capital Projects Fund (TIF No. 5)

Detailed descriptions of the purpose of these funds and long-term debt can be found in the City of Appleton'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 of Appleton. 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>Last Date to Incur Project Costs</u>	<u>Termination Date</u>
TID No. 5	January 1, 1999	March 3, 2021	May 6, 2015

As noted above, the district is being closed in advance of the statutory deadline.

**CITY OF APPLETON  
TAX INCREMENTAL DISTRICT NO. 5**

**NOTES TO FINANCIAL STATEMENTS**

As of September 30, 2015 and From the Date of Creation Through September 30, 2015

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

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***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. 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.

# CITY OF APPLETON TAX INCREMENTAL DISTRICT NO. 5

## NOTES TO FINANCIAL STATEMENTS

As of September 30, 2015 and From the Date of Creation Through September 30, 2015

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

#### *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.

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

### NOTE 3 – LONG TERM DEBT

#### *A. GENERAL OBLIGATION DEBT*

All general obligation notes and bonds payable are backed by the full faith and credit of the City of Appleton. Notes borrowed to finance the district's expenditures will be retired by tax increments accumulated by the TIF fund.

<u>Title of Issue</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Repaid</u>	<u>Balance 9-30-15</u>
1999 B Issue	7/15/99	4/1/09	6.5-6.6%	\$ 385,000	\$ 385,000	\$ -
2001 B Issue	8/1/01	1/1/11	6%	200,000	200,000	-
2002 B Issue	7/1/02	4/1/12	5-5.75%	190,000	190,000	-
2005 B Issue	10/12/05	4/1/15	3-4%	130,000	130,000	-
2008 A Issue	8/5/08	4/1/15	3-3.5%	50,000	50,000	-
Totals				<u>\$ 955,000</u>	<u>\$ 955,000</u>	<u>\$ -</u>

**CITY OF APPLETON  
TAX INCREMENTAL DISTRICT NO. 5**

**NOTES TO FINANCIAL STATEMENTS**

As of September 30, 2015 and From the Date of Creation Through September 30, 2015

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**NOTE 4 – ADVANCES FROM OTHER FUNDS**

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The general fund advanced funds to the district. The amount advanced was determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. The general fund charged the district interest on the advance based on the average outstanding advance balance during the year. All advances were repaid as of September 30, 2015.

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**NOTE 5 – GUARANTEED REVENUE**

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The City of Appleton entered into a development agreement with Bell Heights Development, LLC (Developer). The developer agreed to pay the City the minimum real estate tax payments for years 2002 to 2015. The total of the minimum real estate payments was \$959,686. The developer agreed to make a payment to the City if the minimum real estate tax payment for each calendar year exceeded the actual real estate tax payment generated from the development for such calendar year. All payments were made and no such further obligation is due.

The City of Appleton entered into a development agreement with Valley Real Estate Trust (Developer). The developer agreed to pay the City the minimum real estate tax payments for years 2004 to 2018. The total of the minimum real estate tax payments was \$391,496. The developer agreed to make a payment to the City if the minimum real estate tax payment for each calendar year exceeded the actual real estate tax payment generated from the development for such calendar year. This Trust no longer exists as of September 30, 2015 and no further revenue is anticipated.

The City of Appleton entered into a development agreement with ALL Enterprises, LLC (Developer). The developer agreed to pay the City the minimum real estate tax payments for years 2006 to 2020. The total of the minimum real estate tax payments was \$685,500. The developer agreed to make a payment to the City if the minimum real estate tax payment for each calendar year exceeded the actual real estate tax payment generated from the development for such calendar year. No further revenue is anticipated from this developer as of September 30, 2015 as they have exceeded the guaranteed value.

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**NOTE 6 – REFUND TO OVERLYING DISTRICTS**

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The refund to overlying districts is calculated based on increments collected in excess of project costs using the ratio of tax levies over the life of the TIF as follows:

Outagamie County	\$ 132,479
City of Appleton	237,923
Appleton School District	253,160
Fox Valley Technical College	<u>50,632</u>
Total	<u>\$ 674,194</u>

## **SUPPLEMENTAL INFORMATION**

**Tax Incremental Financing District  
No. 5 – Detailed Schedule of Sources,  
Uses, and Status of Funds Follows**

**CITY OF APPLETON  
TAX INCREMENTAL DISTRICT NO. 5**

DETAILED SCHEDULE OF SOURCES, USES AND STATUS OF FUNDS  
From the Date of Creation Through September 30, 2015

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	1999	2000	2001	2002
<b>SOURCES OF FUNDS</b>				
Tax increments	\$ -	\$ -	\$ 4,746	\$ 9,473
TIF guarantee payments	-	-	-	-
Intergovernmental	-	-	345	368
Investment income	7,543	22,976	14,725	4,843
Long-term debt issued	330,000	-	255,000	190,000
Total Sources of Funds	<u>337,543</u>	<u>22,976</u>	<u>274,816</u>	<u>204,684</u>
<b>USES OF FUNDS</b>				
Capital expenditures	-	-	575,000	-
Administration	-	1,040	1,083	1,132
Interest on advance	-	-	-	215
Interest and fiscal charges	-	21,534	10,827	39,205
Debt issuance costs	5,000	-	-	-
Principal on long-term debt	-	-	-	-
Total Uses of Funds	<u>5,000</u>	<u>22,574</u>	<u>586,910</u>	<u>40,552</u>

FUND BALANCE – SEPTEMBER 30, 2015

REFUND PAYABLE TO OVERLYING DISTRICTS

**BALANCE**

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<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 23,920	\$ 50,740	\$ 68,798	\$ 104,895	\$ 132,869	\$ 146,058	\$ 162,052	\$ 206,924
47,119	13,141	8,873	1,000	4,152	3,823	2,933	414
1,225	378	352	1,917	1,526	1,162	1,476	1,160
6,445	986	1,131	5,621	5,997	9,295	10,649	2,052
-	-	130,000	-	-	50,000	-	-
<u>78,709</u>	<u>65,245</u>	<u>209,154</u>	<u>113,433</u>	<u>144,544</u>	<u>210,338</u>	<u>177,110</u>	<u>210,550</u>
-	190,000	130,000	-	-	50,000	-	-
984	1,057	4,772	1,398	1,448	1,788	1,340	1,547
789	1,883	3,434	4,356	4,574	4,803	3,043	583
48,849	43,140	39,727	41,228	37,460	32,400	27,342	20,775
-	-	-	-	-	-	-	-
<u>45,000</u>	<u>50,000</u>	<u>55,000</u>	<u>55,000</u>	<u>60,000</u>	<u>100,000</u>	<u>130,000</u>	<u>80,000</u>
<u>95,622</u>	<u>286,080</u>	<u>232,933</u>	<u>101,982</u>	<u>103,482</u>	<u>188,991</u>	<u>161,725</u>	<u>102,905</u>



**CITY OF APPLETON  
TAX INCREMENTAL DISTRICT NO. 5**

DETAILED SCHEDULE OF SOURCES, USES AND STATUS OF FUNDS  
From the Date of Creation Through September 30, 2015

	2011	2012	2013	2014
<b>SOURCES OF FUNDS</b>				
Tax increments	\$ 208,284	\$ 187,220	\$ 187,370	\$ 171,357
TIF guarantee payments	8,304	436	429	11,034
Intergovernmental	828	530	508	572
Investment income	11,278	5,223	(956)	7,857
Long-term debt issued	-	-	-	-
Total Sources of Funds	<u>228,694</u>	<u>193,409</u>	<u>187,351</u>	<u>190,820</u>
<b>USES OF FUNDS</b>				
Capital expenditures	-	-	-	-
Administration	1,696	9,404	1,660	1,593
Interest on advance	-	-	-	-
Interest and fiscal charges	15,240	8,975	5,350	4,050
Debt issuance costs	-	-	-	-
Principal on long-term debt	<u>110,000</u>	<u>115,000</u>	<u>30,000</u>	<u>35,000</u>
Total Uses of Funds	<u>126,936</u>	<u>133,379</u>	<u>37,010</u>	<u>40,643</u>

FUND BALANCE – SEPTEMBER 30, 2015

REFUND PAYABLE TO OVERLYING DISTRICTS

**BALANCE**

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2015	Totals	Project Plan Estimate
\$ 176,164	\$ 1,840,870	\$ 3,327,639
11,021	112,679	-
435	12,782	-
3,306	118,971	55,636
-	955,000	2,550,000
<u>190,926</u>	<u>3,040,302</u>	<u>5,933,275</u>
-	945,000	2,170,000
7,709	39,651	50,000
-	23,680	2,900
1,675	397,777	1,160,375
-	5,000	-
<u>90,000</u>	<u>955,000</u>	<u>2,550,000</u>
<u>99,384</u>	<u>2,366,108</u>	<u>5,933,275</u>
	674,194	
	<u>(674,194)</u>	
	<u>\$ -</u>	

**CITY OF APPLETON  
TAX INCREMENTAL DISTRICT NO. 5**

DETAILED SCHEDULE OF CAPITAL EXPENDITURES  
From the Date of Creation Through September 30, 2015

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	<u>Actual</u>	<u>Project Plan Estimate</u>
Capital Expenditures:		
Area 1 - Mason Street Multifamily	\$ 180,000	\$ 110,000
Area 2 - West Commercial Avenue	190,000	190,000
Area 3 - Central Office and Commercial	-	585,000
Area 4 - East Commercial Area	<u>575,000</u>	<u>1,285,000</u>
 TOTAL CAPITAL EXPENDITURES	 <u>\$ 945,000</u>	 <u>\$ 2,170,000</u>

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the City Council  
City of Appleton  
Appleton, 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 Appleton, Wisconsin's Tax Incremental District No. 5 ("district") as of September 30, 2015 and from the date the district was created through September 30, 2015 and have issued our report thereon dated October 26, 2015. 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 Virchow Krause, LLP*

Madison, Wisconsin  
October 26, 2015