

**CITY OF APPLETON
BUSINESS IMPROVEMENT DISTRICT
A COMPONENT UNIT OF THE
CITY OF APPLETON, WISCONSIN**

**FINANCIAL STATEMENTS
December 31, 2016**

**CITY OF APPLETON
BUSINESS IMPROVEMENT DISTRICT
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December 31, 2016**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Appleton Business Improvement District ("the District"), a component unit of the City of Appleton, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the 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. 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, 2016, and the changes in financial position and cash flows thereof 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 A, 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, 2016 and the changes in its financial position or its 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.

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 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 basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements are not affected by this missing information.

Certified Public Accountants
Green Bay, Wisconsin
_____, 2017

**CITY OF APPLETON
BUSINESS IMPROVEMENT DISTRICT
Statement of Net Position
December 31, 2016**

	2016
ASSETS	
Cash and investments	\$ 172,041
Accounts receivable	71,746
Total assets	243,787
LIABILITIES	
Accounts payable	46,193
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	196,388
NET POSITION	
Unrestricted	1,206
Total Net Position	\$ 1,206

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

CITY OF APPLETON
BUSINESS IMPROVEMENT DISTRICT
Statement of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the Year Ended December 31, 2016

	2016	
	Original and Final Budget	Actual
Operating Revenues		
Assessments	\$ 193,125	\$ 193,125
Operating Expenses		
Operations		
Marketing	87,000	-
Advertising	-	69,225
Printing	-	75
Total Marketing	87,000	69,300
Administration	7,000	-
Conferences/workshops/classes	-	608
Other service contracts	-	891
Office supplies	-	1,055
Telephone	-	4,661
Dues, fees, and subscriptions	-	1,553
Postage	-	3,238
Facility rent	-	741
Total Administration	7,000	12,747
Audit and accounting services	2,500	2,500
Economic Development Projects		
Sidewalk cleaning/amenities	11,325	5,544
Façade grants	25,000	26,738
Marketing grants	10,000	7,092
Recruiting grant	10,000	9,895
Business recruitment	7,300	4,653
Total Economic Development Projects	63,625	53,922
Contracted services	40,200	60,596
Total Expenses	200,325	199,065
Operating Loss	(7,200)	(5,940)
Nonoperating Revenues (Expenses)		
Investment loss	-	(54)
Net Change in Net Position	(7,200)	(5,994)
Net Position - January 1	7,200	7,200
Net Position - December 31	\$ -	\$ 1,206

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

CITY OF APPLETON
BUSINESS IMPROVEMENT DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2016

	<u>2016</u>
Cash Flows from Operating Activities	
Received from customers	\$ 185,016
Payments to suppliers	(165,499)
Net Cash Provided by Operating Activities	<u>19,517</u>
Cash Flows from Investing Activities	
Investment loss	<u>(54)</u>
Net Increase in Cash and Cash Equivalents	19,463
Cash and Cash Equivalents - January 1	<u>152,578</u>
Cash and Cash Equivalents - December 31	<u><u>\$ 172,041</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	\$ (5,940)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Changes in assets and liabilities	
Accounts receivable	(11,372)
Accounts payable	33,566
Unavailable revenue	<u>3,263</u>
Net Cash Provided by Operating Activities	<u><u>\$ 19,517</u></u>

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

CITY OF APPLETON
BUSINESS IMPROVEMENT DISTRICT
Notes to Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Appleton Business Improvement District, a component unit of the City of Appleton, Wisconsin ("the District"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental 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 used by the District are described below:

1. Reporting entity

The City of Appleton's Business Improvement District, which is a component unit of the City of Appleton, Wisconsin, was created under the provisions of the 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.

2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

3. 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. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

CITY OF APPLETON
BUSINESS IMPROVEMENT DISTRICT
Notes to Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off 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 with the District except property used exclusively for residential and manufacturing purposes. Uncollected assessments at year end are included in accounts receivable.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has no items that qualify for reporting in this category in the statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualify for reporting in this category in the statement of net position. Unearned revenue, which consists of assessments, which will be recognized as an inflow of resources in the subsequent year for which it was levied.

6. Equity Classifications

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- 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.

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.

7. Claims and Judgements

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

8. 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 A.2.

**CITY OF APPLETON
BUSINESS IMPROVEMENT DISTRICT**
Notes to Financial Statements
December 31, 2016

NOTE B - CASH 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.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The District's cash and investments were comprised of the following at December 31, 2016:

	Carrying Value		Bank Balance
Demand deposits	\$ 172,041	\$	172,041

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 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.

Fair Value Measurements

The District implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending December 31, 2016. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District currently has no investments subject to fair value measurement.

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 the cash and investments pool maintained by the City of Appleton government. See the City of Appleton's financial statements for further information.

NOTE C - OPERATING PLAN

The 2016 Operating Plan, as approved by the District Board and City Council, included provisions for District assessments and related spending of \$193,125.

**CITY OF APPLETON
BUSINESS IMPROVEMENT DISTRICT
A COMPONENT UNIT OF THE
CITY OF APPLETON, WISCONSIN**

**MANAGEMENT COMMUNICATIONS
DECEMBER 31, 2016**

**CITY OF APPLETON, WISCONSIN
BUSINESS IMPROVEMENT DISTRICT
December 31, 2016**

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

We have audited the financial statements of the City of Appleton Business Improvement District, (the "District") for the year ended December 31, 2016. The District's financial statements, including our report thereon dated _____, 2017, are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note A to the financial statements. As described in Note B to the financial statements, the District changed accounting policies related to fair value measurement by adopting Statement of Governmental Accounting Standards Board (GASB) No. 72, *Fair Value Measurement and Application* in 2016. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. To the best of our knowledge, all significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. We are not aware of any particularly sensitive accounting estimates used by management in the preparation of the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Copies of the audit adjustments are available from management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2017. The management representation letter follows this communication.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and, to the best of our knowledge, our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the information and use of the District Board, and management of the City of Appleton Business Improvement District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Certified Public Accountants
Green Bay, Wisconsin
_____, 2017