

City of Manitowoc, Wisconsin
Tax Incremental District Number Thirteen
Manitowoc, Wisconsin

FINANCIAL STATEMENTS

From Date of Creation
Through October 31, 2018

City of Manitowoc, Wisconsin

Tax Incremental District Number Thirteen

October 31, 2018

Table of Contents

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	3
Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered through Tax Increments	4
Historical Summary of Sources, Uses and Status of Funds	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION	
Detailed Summary of Sources, Uses and Status of Funds	9
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH TAX INCREMENTAL FINANCING DISTRICT LAWS AND REGULATIONS	11

Independent auditors' report

To the City Council
Manitowoc, Wisconsin

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Manitowoc, Wisconsin Tax Incremental District Number Thirteen (the "District"), which comprise the Balance Sheet as of October 31, 2018, and the related Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments and the Historical Summary of Sources, Uses and Status of Funds from the date the District was created through October 31, 2018, 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 the financial reporting provisions of the Wisconsin Department of Revenue. Management is also responsible 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 error or fraud.

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 auditor's 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 entity'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 entity'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 and the net project cost to be recovered through tax increments as of October 31, 2018, and the sources, uses and status of funds from the creation date of the District through October 31, 2018, in accordance with accounting principles generally accepted in the United State of America and the financial reporting provisions of the Wisconsin Department of Revenue as described in Note 1.

EMPHASIS OF MATTER

As discussed in Note 1, the financial statements present only the City of Manitowoc, Wisconsin Tax Incremental District Number Thirteen and do not purport to, and do not, present fairly the financial position of the City of Manitowoc, Wisconsin as of October 31, 2018, the changes in its financial position from the date of creation through October 31, 2018 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Tax Incremental District Number Thirteen of the City of Manitowoc, Wisconsin. 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 was derived from and relates 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 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.

OTHER REPORTING REQUIRED BY TAX INCREMENTAL DISTRICT LAWS AND REGULATIONS

In accordance with tax incremental district laws and regulations, we have also issued our report dated November 7, 2018 on our test of compliance with Wisconsin State Statutes 66.1105 and the project plan. 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. That report is an integral part of an audit performed in accordance with tax incremental district laws and regulations in considering the City of Manitowoc, Wisconsin’s compliance.



Certified Public Accountants

Sheboygan, Wisconsin
November 7, 2018

FINANCIAL STATEMENTS

City of Manitowoc, Wisconsin

Tax Incremental District Number Thirteen

BALANCE SHEET

OCTOBER 31, 2018

ASSETS

Cash and investments	<u>\$ 2,500</u>
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LIABILITIES

Liabilities	
Accounts payable	<u>\$ 2,500</u>

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

City of Manitowoc, Wisconsin

Tax Incremental District Number Thirteen

HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES, AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS FROM DATE OF CREATION THROUGH OCTOBER 31, 2018

	<u>From Date of Creation</u>
PROJECT COSTS	
Administration	\$ 12,866
Capital expenditures	914,254
Interest and fiscal charges	395,255
Donor increments	2,159,675
Contribution to the City's housing program	268,455
Total project costs	<u>3,750,505</u>
PROJECT REVENUES	
Tax increments	2,626,809
Intergovernmental	1,123,696
Total revenues	<u>3,750,505</u>
NET PROJECT COSTS TO BE RECOVERED	<u>\$ -</u>

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

City of Manitowoc, Wisconsin

Tax Incremental District Number Thirteen

HISTORICAL SUMMARY OF SOURCES, USES AND STATUS OF FUNDS FROM DATE OF CREATION THROUGH OCTOBER 31, 2018

	From Date of Creation
SOURCES OF FUNDS	
Tax increments	\$ 2,626,809
Intergovernmental	1,123,696
Debt proceeds	1,325,000
Total sources of funds	<u>5,075,505</u>
USES OF FUNDS	
Administration	12,866
Capital expenditures	914,254
Principal retired	1,325,000
Interest and fiscal charges	395,255
Donor increments	2,159,675
Transfer for housing development	268,455
Total uses of funds	<u>5,075,505</u>
Fund balance - beginning	<u>-</u>
Fund balance - ending	<u>\$ -</u>

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

City of Manitowoc, Wisconsin

Tax Incremental District Number Thirteen

NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Manitowoc's Tax Incremental District Number Thirteen (the "District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Wisconsin Statutes Section 66.1105 establishes reporting requirements for the District. The significant accounting principles and policies utilized by the City of Manitowoc in preparing the financial statements of Tax Incremental District Number Thirteen are described below:

A. REPORTING ENTITY

This report contains the financial information of the City of Manitowoc's Tax Incremental District Number Thirteen. The summary schedules were prepared from data recorded in the District's capital project fund of the City of Manitowoc and are presented in a format prescribed by the Wisconsin Department of Revenue.

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 improvements 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 municipality to collect tax increments until the net project cost has been fully recovered, or until 27 years after the creation date, whichever occurs first. Under certain conditions, the City may declare a tax incremental district distressed, which allows the City to extend the life of the District 10 years past the original termination date, or severely distressed, which allows the City to extend the life of the District 40 years from the creation date. Project costs uncollected at the dissolution date are absorbed by the City of Manitowoc.

Listed below are the significant dates applicable to the City of Manitowoc's Tax Incremental District Number 13:

Creation date: August 21, 2000

Tax Incremental Base Value: \$4,719,800 (January 1, 2000)

Construction period: August 21, 2018

Termination date: April 16, 2018

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District's financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Project plan expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

District increments are recorded as revenues in the year due. Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues are recognized when received in cash or when measurable and available.

City of Manitowoc, Wisconsin

Tax Incremental District Number Thirteen

NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2018

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.

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. PROJECT PLAN BUDGET

The estimated revenues and expenditures of the District are adopted in the original project plan and any subsequent amendments. Those estimates are for the entire life of the District, and may not be comparable to interim results presented in this report.

E. ASSETS, LIABILITIES, AND FUND BALANCE

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. Property Taxes

When the District was created, the value of all taxable property within the defined boundaries of the District was determined by the Wisconsin Department of Revenue. This value is known as the base value of the District, and remains unchanged through the life of the District unless the City amends District boundaries to add or remove properties. The Wisconsin Department of Revenue annually certifies the current value of all taxable property within the District.

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement.

Property taxes collected on the base value are shared with the overlying taxing jurisdictions while property taxes collected on the growth in value, also known as the increment value, are retained by the City as tax increment revenue. The City uses the tax increment revenue to pay for approved project plan expenditures. A summary of taxable value within the District as of October 31, 2018 follows:

<u>Current Value</u>	<u>Base Value</u>	<u>Increment Value</u>
\$ 11,627,300	\$ 4,719,800	\$ 6,907,500

City of Manitowoc, Wisconsin

Tax Incremental District Number Thirteen

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2018

3. Fund Balance

Fund balance is reported in various categories for TID funds based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- ▶ **Nonspendable fund balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- ▶ **Restricted fund balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- ▶ **Unassigned fund balance.** Only deficit amounts are shown in this category.

NOTE 2: CASH AND TEMPORARY INVESTMENTS

The District invests in funds in accordance with the provisions of the Wisconsin Statutes 66.0603(lm) and 67.11(2).

Investments are stated at fair value, which is the price that would be received to sell an asset in an orderly transaction at the measurement date. 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 common cash and investment accounts. Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the City of Manitowoc, Wisconsin as an individual municipality and, accordingly, the amount of insured funds is not determinable for the District.

NOTE 3: DISTRICT TERMINATION

As of the date of termination of the District, October 31, 2018, the District had recovered all of its costs and reported fund balance of \$0. As a result there will not be a refund to overlying Districts.

SUPPLEMENTARY INFORMATION

City of Manitowoc, Wisconsin

Tax Incremental District Number Thirteen

DETAILED SUMMARY OF SOURCES, USES AND STATUS OF FUNDS FROM DATE OF CREATION THROUGH OCTOBER 31, 2018

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SOURCES OF FUNDS										
Tax increments	\$ 7,124	\$ 37,925	\$ 133,092	\$ 145,868	\$ 140,733	\$ 143,231	\$ 159,639	\$ 196,669	\$ 223,425	\$ 193,420
Intergovernmental	218	210	35,907	59,125	47,738	50,155	57,723	58,457	96,612	70,004
Debt proceeds	885,000	-	-	-	-	-	-	-	440,000	-
Total sources of funds	892,342	38,135	168,999	204,993	188,471	193,386	217,362	255,126	760,037	263,424
USES OF FUNDS										
Administrative	3,380	586	205	423	481	913	583	754	392	149
Capital expenditures	457,562	432,555	24,137	-	-	-	-	-	-	-
Debt service										
Principal	-	-	-	50,000	55,000	55,000	55,000	60,000	475,000	75,000
Interest, fiscal and debt issuance costs	2,460	55,238	41,429	40,429	38,329	36,129	33,860	31,341	58,529	17,134
Donor increments	-	-	-	-	-	-	-	-	-	-
Contribution to the City's housing program	-	-	-	-	-	-	-	-	-	-
Total uses of funds	463,402	488,379	65,771	90,852	93,810	92,042	89,443	92,095	533,921	92,283
Excess of sources of funds over (under) uses of funds	428,940	(450,244)	103,228	114,141	94,661	101,344	127,919	163,031	226,116	171,141
Fund balance - beginning	-	428,940	(21,304)	81,924	196,065	290,726	392,070	519,989	683,020	909,136
Fund balance - ending	\$ 428,940	\$ (21,304)	\$ 81,924	\$ 196,065	\$ 290,726	\$ 392,070	\$ 519,989	\$ 683,020	\$ 909,136	\$ 1,080,277

City of Manitowoc, Wisconsin

Tax Incremental District Number Thirteen

DETAILED SUMMARY OF SOURCES, USES AND STATUS OF FUNDS FROM DATE OF CREATION THROUGH OCTOBER 31, 2018

	2012	2013	2014	2015	2016	2017	2018	Total	Project Plan Budget
SOURCES OF FUNDS									
Tax increments	\$ 178,650	\$ 181,778	\$ 181,042	\$ 176,762	\$ 203,412	\$ 163,782	\$ 160,257	\$ 2,626,809	\$ 4,553,800
Intergovernmental	79,436	78,537	70,488	90,681	117,548	104,659	106,198	1,123,696	-
Debt proceeds	-	-	-	-	-	-	-	1,325,000	-
Total sources of funds	<u>258,086</u>	<u>260,315</u>	<u>251,530</u>	<u>267,443</u>	<u>320,960</u>	<u>268,441</u>	<u>266,455</u>	<u>5,075,505</u>	<u>4,553,800</u>
USES OF FUNDS									
Administrative	150	150	150	1,750	150	150	2,500	12,866	\$ -
Capital expenditures	-	-	-	-	-	-	-	914,254	1,586,000
Debt service									
Principal	75,000	80,000	80,000	85,000	90,000	90,000	-	1,325,000	-
Interest, fiscal and debt issuance costs	13,439	5,713	9,150	6,675	4,050	1,350	-	395,255	-
Donor increments	1,249,774	174,452	162,230	174,018	226,760	172,441	-	2,159,675	2,967,800
Contribution to the City's housing program	-	-	-	-	-	-	268,455	268,455	-
Total uses of funds	<u>1,338,363</u>	<u>260,315</u>	<u>251,530</u>	<u>267,443</u>	<u>320,960</u>	<u>263,941</u>	<u>270,955</u>	<u>5,075,505</u>	<u>4,553,800</u>
Excess of sources of funds over (under) uses of funds	(1,080,277)	-	-	-	-	4,500	(4,500)	-	-
Fund balance - beginning	<u>1,080,277</u>	-	-	-	-	-	4,500	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH TAX INCREMENTAL
FINANCING DISTRICT LAWS AND REGULATIONS

Independent auditors' report on compliance with tax incremental financing district laws and regulations

To the City Council
Manitowoc, Wisconsin

We have audited the accompanying financial statements of the Tax Incremental District Number Thirteen ("District") of the City of Manitowoc as of October 31, 2018 and from the date the District was created through October 31, 2018 and have issued our report thereon dated November 7, 2018.

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 schedules are free of material misstatement.

Compliance with tax increment financing district laws, regulations and the project plan is the responsibility of the City of Manitowoc, Wisconsin's management. As part of obtaining reasonable assurance about whether the aforementioned financial schedules are free of material misstatement, we performed tests of the District's compliance with Wisconsin State Statutes Section 66.1105 and the project plan. However, it should be noted that our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the City of Manitowoc, Wisconsin complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Manitowoc, Wisconsin had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the City Council, management, and overlapping taxing districts and is not intended to be, and should not be, used by anyone other than these specified parties.

Schenck SC

Certified Public Accountants

Sheboygan, Wisconsin
November 7, 2018