

City of Manitowoc
Tax Incremental District Number Eleven
Manitowoc, Wisconsin

FINANCIAL STATEMENTS

From Date of Creation
Through October 31, 2018

City of Manitowoc, Wisconsin

Tax Incremental District Number Eleven

OCTOBER 31, 2018

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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 Tax Incremental District Number 11 (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 Tax Incremental District Number 11 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 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 of the Tax Incremental District Number 11 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic 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.

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 Eleven

BALANCE SHEET

OCTOBER 31, 2018

ASSETS

Cash and investments	<u>\$ 96,350</u>
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LIABILITIES AND FUND BALANCE

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

Fund balance	
Restricted for debt service	<u>93,850</u>

Total liabilities and fund balance	<u>\$ 96,350</u>
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The notes to the financial statements are an integral part of this schedule.

City of Manitowoc, Wisconsin

Tax Incremental District Number Eleven

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	\$ 152,144
Capital expenditures	1,240,903
Development incentive	481,000
Interest and fiscal charges	810,304
Total project costs	<u>2,684,351</u>
PROJECT REVENUES	
Tax increments	1,762,046
Intergovernmental	231,985
Donor increments	694,170
Total revenues	<u>2,688,201</u>
NET PROJECT COSTS RECOVERED	<u>\$ (3,850)</u>

The above net recovered project costs of \$3,850 on October 31, 2018 represents available resources for TID Number 11 to be used for the following:

Future maturities of principal on outstanding on general obligation debt incurred by City for financing TID Number 11 projects	\$ 90,000
Less: Fund Balance in TID Number 11 Capital Projects Fund	<u>(93,850)</u>
Net Costs Recovered for TID Number 11 - October 31, 2018	<u>\$ (3,850)</u>

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

City of Manitowoc, Wisconsin

Tax Incremental District Number Eleven

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

	<u>From Date of Creation</u>
SOURCES OF FUNDS	
Tax increments	\$ 1,762,046
Intergovernmental	231,985
Debt proceeds	2,260,000
Donor increments	694,170
Total sources of funds	<u>4,948,201</u>
USES OF FUNDS	
Administration	152,144
Capital expenditures	1,240,903
Development incentive	481,000
Interest and fiscal charges	810,304
Principal retired	2,170,000
Total uses of funds	<u>4,854,351</u>
Fund balance - beginning	<u>-</u>
Fund balance - ending	<u>\$ 93,850</u>

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

City of Manitowoc, Wisconsin

Tax Incremental District Number Eleven

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 11 (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 11 are described below:

A. REPORTING ENTITY

This report contains the financial information of the City of Manitowoc's Tax Incremental District Number 11. 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 11:

Creation date:	June 16, 1997
Tax Incremental Base Value:	\$7,211,500 (January 1, 1997)
Construction period:	June 16, 2019
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.

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 Manitowoc, Wisconsin

Tax Incremental District Number Eleven

NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2018

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>
\$ 10,432,400	\$ 7,211,500	\$ 3,220,900

City of Manitowoc, Wisconsin

Tax Incremental District Number Eleven

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(1m) 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: LONG-TERM DEBT OBLIGATIONS

As of the date of termination of the District, October 31, 2018, the District had general obligation debt principal and interest payments outstanding as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 50,000	\$ 2,250	\$ 52,250
2020	20,000	1,200	21,200
2021	20,000	400	20,400
	<u>\$ 90,000</u>	<u>\$ 3,850</u>	<u>\$ 93,850</u>

The City will make these payments with the remaining fund balance of \$93,850 as they become due.

NOTE 3: DISTRICT TERMINATION

As of the date of termination of the District, October 31, 2018, the District had recovered all of its project costs with the 2018 donor increment transfer. There will be no refund to overlying Districts.

SUPPLEMENTARY INFORMATION

City of Manitowoc, Wisconsin

Tax Incremental District Number Eleven

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

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
SOURCES OF FUNDS												
Tax increments	\$ -	\$ -	\$ 8,029	\$ 27,675	\$ 49,493	\$ 55,410	\$ 70,687	\$ 105,293	\$ 111,743	\$ 111,397	\$ 114,092	\$ 116,090
Intergovernmental	-	-	-	-	2,380	5,050	4,229	4,314	4,577	5,000	-	3,037
Debt proceeds	-	-	-	550,000	770,000	-	-	350,000	-	-	-	-
Donor increments	-	-	-	-	-	-	-	-	-	-	-	-
Total sources	-	-	8,029	577,675	821,873	60,460	74,916	459,607	116,320	116,397	114,092	119,127
USES OF FUNDS												
Administrative	-	-	8,449	11,300	-	49,882	1,552	219	1,067	687	913	4,167
Capital expenditures	49,362	365,248	-	-	765,109	3,149	58,035	-	-	-	-	-
Development incentive	-	131,000	-	-	-	-	350,000	-	-	-	-	-
Debt service												
Principal	-	-	-	-	-	-	-	-	15,000	62,197	82,801	94,124
Interest, fiscal and debt issuance costs	-	-	-	-	57,189	77,488	65,550	65,550	81,263	75,710	69,774	65,769
Total uses	49,362	496,248	8,449	11,300	822,298	130,519	475,137	65,769	97,330	138,594	153,488	164,060
Excess of revenues over (under) expenditures	(49,362)	(496,248)	(420)	566,375	(425)	(70,059)	(400,221)	393,838	18,990	(22,197)	(39,396)	(44,933)
Fund balance - beginning	-	(49,362)	(545,610)	(546,030)	20,345	19,920	(50,139)	(450,360)	(56,522)	(37,532)	(59,729)	(99,125)
Fund balance - ending	\$ (49,362)	\$ (545,610)	\$ (546,030)	\$ 20,345	\$ 19,920	\$ (50,139)	\$ (450,360)	\$ (56,522)	\$ (37,532)	\$ (59,729)	\$ (99,125)	\$ (144,058)

City of Manitowoc, Wisconsin
 Tax Incremental District Number Eleven

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total	Project Plan Budget
SOURCES OF FUNDS												
Tax increments	\$ 117,566	\$ 134,268	\$ 109,449	\$ 108,279	\$ 95,575	\$ 95,189	\$ 86,812	\$ 89,742	\$ 80,531	\$ 74,726	\$ 1,762,046	\$ 2,482,360
Intergovernmental	26,697	20,643	21,420	23,444	17,990	24,801	21,967	19,114	13,561	13,761	231,985	-
Debt proceeds	-	590,000	-	-	-	-	-	-	-	-	2,260,000	-
Donor increments	-	-	-	319,355	168,656	-	70,701	112,137	15,000	8,321	694,170	-
Total sources	144,263	744,911	130,869	451,078	282,221	119,990	179,480	220,993	109,092	96,808	4,948,201	2,482,360
USES OF FUNDS												
Administrative	1,722	59,020	6,206	1,060	150	150	1,750	150	1,200	2,500	152,144	-
Capital expenditures	-	-	-	-	-	-	-	-	-	-	1,240,903	1,650,000
Development incentive	-	-	-	-	-	-	-	-	-	-	481,000	350,000
Debt service												
Principal	125,071	733,434	147,373	150,000	175,000	175,000	185,000	125,000	50,000	50,000	2,170,000	-
Interest, fiscal and debt issuance costs	75,802	53,803	35,717	30,990	13,936	15,363	10,925	7,125	4,800	3,550	810,304	-
Total uses	202,595	846,257	189,296	182,050	189,086	190,513	197,675	132,275	56,000	56,050	4,854,351	\$ 2,000,000
Excess of revenues over (under) expenditures	(58,332)	(101,346)	(58,427)	269,028	93,135	(70,523)	(18,195)	88,718	53,092	40,758	93,850	
Fund balance - beginning	(144,058)	(202,390)	(303,736)	(362,163)	(93,135)	-	(70,523)	(88,718)	-	53,092	-	
Fund balance - ending	\$ (202,390)	\$ (303,736)	\$ (362,163)	\$ (93,135)	\$ -	\$ (70,523)	\$ (88,718)	\$ -	\$ 53,092	\$ 93,850	\$ 93,850	

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 Eleven ("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