

**City of Manitowoc, Wisconsin
Tax Incremental District Number 14**

FINANCIAL STATEMENTS

From Date of Creation Through March 18, 2019

City of Manitowoc, Wisconsin Tax Incremental District Number 14

FROM DATE OF CREATION THROUGH MARCH 18, 2019

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Independent auditors' report

To the City Council
City of Manitowoc, Wisconsin

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Manitowoc Tax Incremental District Number 14 (the "District"), as of March 18, 2019 and from the date the District was created through March 18, 2019, and the related notes to the financial statements, which collectively comprise the District's basic 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 the financial reporting provisions of the Wisconsin Department of Revenue, as described in Note 1.B. 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 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 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 of the City of Manitowoc Incremental District Number 14 as of March 18, 2019, and the historical summary of project costs, project revenues and net costs to be recovered through tax increments and the related historical summary of sources, uses and status of funds for the period then ended in conformity with the basis of accounting described in Note 1.B.

BASIS OF ACCOUNTING

We draw attention to Note 1.B. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of the financial reporting provisions of the Wisconsin Department of Revenue, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Wisconsin Department of Revenue. Our opinion is not modified with respect to this matter.

EMPHASIS OF MATTER

As discussed in Note 1, the financial statements present only the City of Manitowoc Tax Incremental District Number 14 and are not intended to present fairly the financial position of the City of Manitowoc, Wisconsin as of March 18, 2019, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Manitowoc Tax Incremental District Number 14's basic financial statements. The detailed schedule of financial transactions is presented for purposes of additional analysis and is not a required part of the basic financial statements. The detailed schedule of financial transactions 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

We have also issued our report, dated October 29, 2019, on our tests of its compliance with Wisconsin State Statutes 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.

RESTRICTION ON USES

Our report is intended solely for the information and use of City of Manitowoc, overlapping districts, and the Wisconsin and Wisconsin Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
October 29, 2019

FINANCIAL STATEMENTS

City of Manitowoc, Wisconsin

Tax Incremental District Number 14

BALANCE SHEET
MARCH 18, 2019

ASSETS	
Cash	\$ 36,536
Due from TIF District Number Fifteen	<u>7,939</u>
Total assets	<u>\$ 44,475</u>
LIABILITIES	
Liabilities	
Accounts payable	\$ 2,500
Held for future debt service expenditures	<u>41,975</u>
Total liabilities	<u>\$ 44,475</u>

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

City of Manitowoc, Wisconsin

Tax Incremental District Number 14

HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
 AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
 FROM DATE OF CREATION THROUGH MARCH 18, 2019

	<u>From Date of Creation</u>
PROJECT COSTS	
Capital expenditures	\$ 1,422,612
Administration	27,349
Interest and fiscal charges	406,086
Held for future debt service interest payments	<u>1,975</u>
 Total project costs	 <u>1,858,022</u>
PROJECT REVENUES	
Tax increments	462,183
Intergovernmental	626,900
Subsidy from TIF District Number Fifteen	<u>768,939</u>
 Total project revenues	 <u>1,858,022</u>
 Project revenues in excess of project costs	 <u><u>\$ -</u></u>

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

City of Manitowoc, Wisconsin

Tax Incremental District Number 14

HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
 FROM DATE OF CREATION THROUGH MARCH 18, 2019

	<u>From Date of Creation</u>
SOURCES OF FUNDS	
Tax increments	\$ 462,183
Intergovernmental	626,900
Subsidy from TIF District Number Fifteen	768,939
Debt proceeds	<u>1,350,000</u>
 Total sources	 <u>3,208,022</u>
USES OF FUNDS	
Capital expenditures	1,422,612
Administration	27,349
Principal payments	1,310,000
Interest, fiscal and debt issuance costs	406,086
Held for future debt service expenditures	<u>41,975</u>
 Total uses	 <u>3,208,022</u>
 Net change in fund balance	 -
 Fund balance - beginning	 <u>-</u>
 Fund balance - ending	 <u><u>\$ -</u></u>

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

City of Manitowoc, Wisconsin

Tax Incremental District Number 14

NOTES TO FINANCIAL STATEMENTS

MARCH 18, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Manitowoc's Tax Incremental District Number 14 (the "City" and 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, Wisconsin in preparing the financial statements of Tax Incremental District Number 14 are described below:

A. REPORTING ENTITY

This report contains the financial information of the City of Manitowoc's Tax Incremental District Number 14. The accompanying financial statements do not include the full presentation of the City of Manitowoc, Wisconsin. The financial statements of the District were prepared from data recorded in the District's capital project fund of the City of Manitowoc, Wisconsin 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 14:

Creation date	September 12, 2001
Latest date to incur project expenditures	September 12, 2023
Latest termination date	September 12, 2028
Actual termination date	March 18, 2019

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 14

NOTES TO FINANCIAL STATEMENTS

MARCH 18, 2019

The financial statements and supplementary information include the historical summary of project costs, project revenues and net costs to be recovered through tax increments, the historical summary of sources, uses and status of funds and the schedule of financial transactions which are presented in accordance with the Department of Revenue.

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. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES 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 August, 2018 follows:

Current Value	Base Value	Increment Value
\$ 6,559,000	\$ 7,467,200	\$ (908,200)

City of Manitowoc, Wisconsin

Tax Incremental District Number 14

NOTES TO FINANCIAL STATEMENTS
MARCH 18, 2019

3. Long-term Obligations

The District recognizes bond premiums and discounts, as well as bond issuance costs, during the period when received or paid. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Premiums received, discounts on debt issuance, issuance costs and interest on long-term debt are considered financing costs recoverable from revenues of the District.

4. 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.

E. 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.

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.

City of Manitowoc, Wisconsin

Tax Incremental District Number 14

NOTES TO FINANCIAL STATEMENTS
 MARCH 18, 2019

NOTE 3: LONG-TERM OBLIGATIONS

During the life of the District, the City issued general obligation debt backed by the full faith and credit of the City to finance District project plan expenditures. The debt issued by the District will be retired by tax increments accumulated by the City's tax increment district fund. Debt outstanding as of March 18, 2019 are detailed as follows:

Title of Issue	Date of Issue	Due Date	Interest Rate	Original Indebtedness	Repaid	Balance March 18, 2019
General Obligation Promissory Notes	5/17/2013	2023	2 - 2.5%	\$ 50,000	\$ 10,000	\$ 40,000

Aggregate principal and interest maturities of the outstanding long-term general obligation debt of the District is as follows:

Calendar Year	Principal	Interest	Total
2020	\$ 10,000	\$ 850	\$ 10,850
2021	10,000	625	10,625
2022	10,000	375	10,375
2023	10,000	125	10,125
	<u>\$ 40,000</u>	<u>\$ 1,975</u>	<u>\$ 41,975</u>

\$41,975 is available in the tax increment district fund to service the debt shown above.

SUPPLEMENTARY INFORMATION

City of Manitowoc, Wisconsin

Tax Incremental District Number 14

SCHEDULE OF FINANCIAL TRANSACTIONS
FOR THE PERIOD SEPTEMBER 12, 2001 THROUGH MARCH 18, 2019

	2001	2002	2003	2004	2005	2006	2007	2008	2009
REVENUES									
Tax increments	\$ -	\$ -	\$ -	\$ 11,904	\$ 14,424	\$ -	\$ 42,039	\$ 54,100	\$ 39,400
Intergovernmental	170,000	265,622	154,378	4,745	6,318	5,134	-	886	1,419
Total revenues	170,000	265,622	154,378	16,649	20,742	5,134	42,039	54,986	40,819
EXPENDITURES									
Capital expenditures	421,193	616,041	171,923	2,441	95	199,991	-	-	10,928
Administration	-	-	1,775	219	710	955	913	2,564	1,456
Debt service									
Principal	-	-	-	-	-	-	10,000	10,000	70,000
Interest, fiscal and debt issuance costs	-	1,808	42,333	31,750	31,750	32,593	41,379	39,385	37,623
Held for future debt service expenditures	-	-	-	-	-	-	-	-	-
Total expenditures	421,193	617,849	216,031	34,410	32,555	233,539	52,292	51,949	120,007
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(251,193)	(352,227)	(61,653)	(17,761)	(11,813)	(228,405)	(10,253)	3,037	(79,188)
OTHER FINANCING SOURCES									
Debt Proceeds	-	650,000	-	-	-	200,000	-	-	-
Subsidy from TIF District Number Fifteen	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	650,000	-	-	-	200,000	-	-	-
Net change in fund balance	(251,193)	297,773	(61,653)	(17,761)	(11,813)	(28,405)	(10,253)	3,037	(79,188)
Fund balance - beginning	-	(251,193)	46,580	(15,073)	(32,834)	(44,647)	(73,052)	(83,305)	(80,268)
Fund balance - ending	\$ (251,193)	\$ 46,580	\$ (15,073)	\$ (32,834)	\$ (44,647)	\$ (73,052)	\$ (83,305)	\$ (80,268)	\$ (159,456)

City of Manitowoc, Wisconsin

Tax Incremental District Number 14

SCHEDULE OF FINANCIAL TRANSACTIONS
FOR THE PERIOD SEPTEMBER 12, 2001 THROUGH MARCH 18, 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES									
Tax increments	\$ 73,112	\$ 65,612	\$ 66,603	\$ 46,486	\$ 46,298	\$ 2,205	\$ -	\$ -	\$ -
Intergovernmental	1,388	846	1,947	1,464	1,702	1,473	1,644	2,598	2,636
Total revenues	74,500	66,458	68,550	47,950	48,000	3,678	1,644	2,598	2,636
EXPENDITURES									
Capital expenditures	-	-	-	-	-	-	-	-	-
Administration	11,813	1,505	439	150	150	1,750	150	150	150
Debt service									
Principal	465,000	80,000	95,000	145,000	95,000	120,000	100,000	100,000	15,000
Interest, fiscal and debt issuance costs	64,510	23,150	18,941	8,296	12,511	9,492	5,590	2,775	1,200
Held for future debt service expenditures	-	-	-	-	-	-	-	-	-
Total expenditures	541,323	104,655	114,380	153,446	107,661	131,242	105,740	102,925	16,350
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(466,823)	(38,197)	(45,830)	(105,496)	(59,661)	(127,564)	(104,096)	(100,327)	(13,714)
OTHER FINANCING SOURCES									
Debt Proceeds	425,000	-	-	50,000	-	25,000	-	-	-
Subsidy from TIF District Number Fifteen	-	-	-	-	-	-	-	-	768,939
Total other financing sources (uses)	425,000	-	-	50,000	-	25,000	-	-	768,939
Net change in fund balance	(41,823)	(38,197)	(45,830)	(55,496)	(59,661)	(102,564)	(104,096)	(100,327)	755,225
Fund balance - beginning	(159,456)	(201,279)	(239,476)	(285,306)	(340,802)	(400,463)	(503,027)	(607,123)	(707,450)
Fund balance - ending	\$ (201,279)	\$ (239,476)	\$ (285,306)	\$ (340,802)	\$ (400,463)	\$ (503,027)	\$ (607,123)	\$ (707,450)	\$ 47,775

City of Manitowoc, Wisconsin

Tax Incremental District Number 14

SCHEDULE OF FINANCIAL TRANSACTIONS
FOR THE PERIOD SEPTEMBER 12, 2001 THROUGH MARCH 18, 2019

	<u>2019</u>	<u>Total</u>	<u>Project Plan Budget</u>
REVENUES			
Tax increments	\$ -	\$ 462,183	\$ 1,462,044
Intergovernmental	<u>2,700</u>	<u>626,900</u>	<u>-</u>
Total revenues	<u>2,700</u>	<u>1,089,083</u>	<u>1,462,044</u>
EXPENDITURES			
Capital expenditures	-	1,422,612	1,300,000
Administration	2,500	27,349	100,000
Debt service			
Principal	5,000	1,310,000	-
Interest, fiscal and debt issuance costs	1,000	406,086	-
Held for future debt service expenditures	<u>41,975</u>	<u>41,975</u>	<u>-</u>
Total expenditures	<u>50,475</u>	<u>3,208,022</u>	<u>1,400,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(47,775)</u>	<u>(2,118,939)</u>	
OTHER FINANCING SOURCES			
Debt Proceeds	-	1,350,000	
Subsidy from TIF District Number Fifteen	<u>-</u>	<u>768,939</u>	
Total other financing sources (uses)	<u>-</u>	<u>2,118,939</u>	
Net change in fund balance	(47,775)	-	
Fund balance - beginning	<u>47,775</u>	<u>-</u>	
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	

ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR FINANCIAL STATEMENTS



Independent auditors' report on compliance

To the City Council
City of Manitowoc, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the City of Manitowoc Tax Incremental District Number 14 (the "District"), as of March 18, 2019 and from the date the District was created through March 18, 2019, and have issued our report thereon dated October 29, 2019.

Compliance with State Statutes Section 66.1105

Wisconsin State Statutes Section 66.1105 covers compliance to be tested related to tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Manitowoc Tax Incremental District Number 14 failed to comply with the provisions of Wisconsin State Statutes Section 66.1105 and the project plan, insofar as they relate 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 provisions, insofar as they relate to accounting matters.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Sheboygan, Wisconsin
October 29, 2019