

Village of Germantown Tax Incremental District No. 8

Financial Statements and
Supplementary Information

December 31, 2022

Village of Germantown Tax Incremental District No. 8

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Independent Auditors' Report

To the Village Board of
Village of Germantown

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments and Historical Summary of Sources, Uses and Status of Funds of the Village of Germantown's Tax Incremental District No. 8 (District) as of December 31, 2022 and from the date of creation through December 31, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District and the net project costs to be recovered through tax increments as of December 31, 2022 and the sources, uses and status of funds from the date of creation through December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the transactions of the District and do not purport to, and do not, present fairly the financial position of the Village of Germantown, Wisconsin as of December 31, 2022, and the changes in financial position, or where applicable, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated June 10, 2024 on our tests of the Village of Germantown's compliance with Wisconsin State Statutes Section 66.1105. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Baker Tilly US, LLP

Madison, Wisconsin
June 10, 2024

Village of Germantown Tax Incremental District No. 8

Balance Sheet
December 31, 2022

	Capital Projects Fund
Assets	
Cash and investments	\$ 1,031,478
Taxes receivable	<u>1,929,667</u>
Total assets	<u><u>\$ 2,961,145</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balances	
Liabilities	
Accounts payable	\$ 126,714
Accrued wages	2,484
Due to village general fund	<u>1,673,981</u>
Total liabilities	<u>1,803,179</u>
Deferred Inflows of Resources	
Unearned revenue	<u>1,929,667</u>
Total deferred inflows of resources	<u>1,929,667</u>
Fund Balance (Deficit)	
Unassigned (deficit)	<u>(771,701)</u>
Total fund balance (deficit)	<u>(771,701)</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 2,961,145</u></u>

See notes to financial statements

Village of Germantown Tax Incremental District No. 8

Historical Summary of Project Costs, Project Revenues and
Net Cost to be Recovered Through Tax Increments
From the Date of Creation Through December 31, 2022

Project Costs

Capital expenditures	\$ 14,780,033
Administration (in-house)	218,041
Professional services - planning, engineering, other	1,861,801
Developer grants	1,810,554
Interest and fiscal charges on long-term debt	1,614,030
Debt issuance costs	<u>287,645</u>
Total project costs	<u>20,572,104</u>

Project Revenues

Tax increments	3,303,200
Investment income	153,885
Premium on debt issued	492,486
Miscellaneous revenues	<u>130,832</u>
Total project revenues	<u>4,080,403</u>

Net cost recoverable through tax increments, December 31, 2022	<u>\$ 16,491,701</u>
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Reconciliation of Recoverable Costs

G.O. debt	\$ 15,720,000
Plus fund balance deficit	<u>771,701</u>
Net cost recoverable through tax increments, December 31, 2022	<u>\$ 16,491,701</u>

Village of Germantown Tax Incremental District No. 8

Historical Summary of Sources, Uses and Status of Funds
From the Date of Creation Through December 31, 2022

Sources of Funds

Tax increments	\$ 3,303,200
Investment income	153,885
Miscellaneous revenues	130,832
Long-term debt issued	16,285,000
Premium on debt issued	492,486
	<hr/>
Total sources of funds	20,365,403

Uses of Funds

Capital expenditures	14,780,033
Administration (in-house)	218,041
Professional services - planning, engineering, other	1,861,801
Developer grants	1,810,554
Interest and fiscal charges on long-term debt	1,614,030
Debt issuance costs	287,645
Principal on long-term debt	565,000
	<hr/>
Total uses of funds	21,137,104
	<hr/>
Fund balance (deficit), December 31, 2022	\$ (771,701)

See notes to financial statements

Village of Germantown Tax Incremental District No. 8

Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies

The accounting policies of the Village of Germantown's Tax Incremental District No. 8 (the District) conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The Village of Germantown (Village) has implemented accounting principles generally accepted in the United States of America to the extent they apply in determining the scope of the activity of the District. The accompanying financial statements reflect all the significant operations of the District. The accompanying financial statements do not include the full presentation of the Village.

Description of Fund Structure and Long-Term Debt

This report contains the financial information of the District. The summary statements were prepared from data recorded in the following funds and the Village's long-term debt:

TID No. 8 Capital Projects Fund

Detailed descriptions of the purpose of this fund and long-term debt can be found in the Village's basic financial statements.

The data was consolidated for purposes of this report. Therefore, the amounts shown in the accompanying statements will not directly correlate with amounts shown in the basic financial statements.

The District was created under the provisions of Wisconsin Statute Section 66.1105. The purpose of that section is to allow a municipality to recover development and improvement costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the District. The tax on the increased value is called a tax increment.

The statutes allow the District to collect tax increments until the net project cost has been fully recovered, or until 20 years after the creation date, whichever occurs first. Project costs uncollected at the dissolution date are absorbed by the Village. Project costs may be incurred up to five years before the unextended termination date of the District.

Original Project Plan

	<u>Creation Date</u>	<u>Last Date to Incur Project Costs</u>	<u>Last Year to Collect Increment</u>
TID No. 8	01/01/2018	07/02/2033	2039

Basis of Accounting

The modified accrual basis of accounting was followed in the preparation of these statements. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Project costs, other than interest on long-term debt, are recorded when the related fund liability is incurred.

District increments are recorded as revenues in the year due. Intergovernmental aids and grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the District is entitled to the aids.

Village of Germantown Tax Incremental District No. 8

Notes to Financial Statements

December 31, 2022

Special assessments are recorded as revenues when collected. Annual installments due in future years are accounted for as receivables and unavailable revenues.

Other general revenues are recognized when received in cash or when measurable and available under the criteria described above.

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.

Measurement Focus

The measurement focus of all governmental funds is the funds flow concept. Under the funds flow concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as unavailable or unearned revenue or as nonspendable fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are shown in the long-term debt footnote disclosure. The related expenditures are recognized when the liabilities are liquidated.

Project Plan Budget

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

Long-Term Debt

Short-term liabilities are recorded as fund liabilities. All other long-term liabilities are shown in the long-term debt footnote disclosure.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as *Sources of Funds* in the operating statement of the recipient fund. Retirement of these issues is reported as an expenditure in the year in which the debt matures or is repaid, whichever is earlier.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are disclosed in the long-term debt footnote when the related liabilities are incurred.

Village of Germantown Tax Incremental District No. 8

Notes to Financial Statements
December 31, 2022

2. Cash and Temporary Investments

The District invests its funds in accordance with the provisions of the Wisconsin Statutes 66.0603(1m) and 67.11(2).

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

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

3. Long-Term Debt

General Obligation Bond Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the Village. Bonds borrowed to finance the District's expenditures will be retired by tax increments accumulated by the Capital Projects fund. If those revenues are not sufficient, payments will be made by future tax levies or utility revenues, as applicable.

Title of Issue	Date of Issue	Due Date	Interest Rate	Original Indebtedness	Repaid	Balance 12-31-2022
2019A G.O Development Bonds	02/05/2019	02/01/2038	3.00-5.00 %	\$ 6,725,000	\$ 200,000	\$ 6,525,000
2019B G.O Development Bonds	02/05/2019	02/01/2029	3.00-3.35	1,710,000	145,000	1,565,000
2019D G.O Corporate Bonds	12/11/2019	03/01/2039	2.75-4.00	7,850,000	220,000	7,630,000
Total				\$ 16,285,000	\$ 565,000	\$ 15,720,000

Aggregate maturities of all long-term debt relating to the District are as follows:

	Principal	Interest	Total
2023	\$ 470,000	\$ 485,763	\$ 955,763
2024	515,000	466,788	981,788
2025	590,000	445,413	1,035,413
2026	745,000	419,369	1,164,369
2027	825,000	388,550	1,213,550
2028-2032	5,230,000	1,456,502	6,686,502
2033-2037	5,660,000	668,703	6,328,703
2038-2039	1,685,000	39,319	1,724,319
Total	\$ 15,720,000	\$ 4,370,407	\$ 20,090,407

Village of Germantown Tax Incremental District No. 8

Notes to Financial Statements
December 31, 2022

6. Developer Grants

The Village entered into a development agreement with ZPG Development LLC (Developer) and an intergovernmental agreement with Washington County in 2018. The developer agreement guarantees that the Village shall pay a cash incentive to the developer in the amount of \$1,600,000 upon substantial completion of specified infrastructure improvements by the Developer. The incentive was paid in full as of December 31, 2019. A total of \$210,554 was paid to Washington County related to the development of a business park by Zilber Ltd.

Village of Germantown Tax Incremental District No. 8

Detailed Schedule of Sources, Uses and Status of Funds

From the Date of Creation Through December 31, 2022

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u>	<u>Project Plan Estimate</u>
Sources of Funds							
Tax increments	\$ -	\$ -	\$ 237,219	\$ 1,353,394	\$ 1,712,587	\$ 3,303,200	\$ 21,315,107
Investment income	-	78,092	38,476	3,207	34,110	153,885	20,637
Miscellaneous revenues	37,873	26,980	13,806	52,173	-	130,832	657,935
Long-term debt issued	-	16,285,000	-	-	-	16,285,000	14,890,000
Premium on debt issued	-	492,486	-	-	-	492,486	-
	<u>37,873</u>	<u>16,882,558</u>	<u>289,501</u>	<u>1,408,774</u>	<u>1,746,697</u>	<u>20,365,403</u>	<u>36,883,679</u>
Total sources of funds							
Uses of Funds							
Capital expenditures	513,196	5,923,589	1,338,154	3,735,901	3,269,193	14,780,033	13,122,923
Administration (in-house)	37,552	62,239	20,710	49,637	47,903	218,041	180,483
Professional services - planning, engineering, other	272,746	481,633	415,861	464,902	226,659	1,861,801	25,000
Developer grants	1,462,310	137,690	-	105,277	105,277	1,810,554	1,000,000
Interest and fiscal charges on long-term debt	-	142,762	455,217	513,813	502,238	1,614,030	7,334,623
Debt issuance costs	-	287,645	-	-	-	287,645	330,650
Principal on long-term debt	-	-	-	200,000	365,000	565,000	14,890,000
	<u>2,285,804</u>	<u>7,035,558</u>	<u>2,229,942</u>	<u>5,069,530</u>	<u>4,516,270</u>	<u>21,137,104</u>	<u>36,883,679</u>
Total uses of funds							
Fund balance (deficit), December 31, 2022						<u>\$ (771,701)</u>	

Independent Auditors' Report on Other Legal and Regulatory Requirements

To the Village Board of
Village of Germantown

We have audited the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments and the related Historical Summary of Sources, Uses and Status of Funds of the Village of Germantown, Wisconsin's Tax Incremental District No. 8 (District) as of December 31, 2022 and from the date the District was created through December 31, 2022 and have issued our report thereon dated June 10, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In connection with our audit, we noted that the District failed to comply with the following requirement of Wisconsin State Statutes Section 66.1105:

1. An audit was not conducted no later than twelve months after 30% of the project expenditures were made.
2. Project costs incurred exceeded the total project costs included in the project plan.

Our audit was not directed primarily toward obtaining knowledge as to whether the District failed to comply with Wisconsin State Statutes Section 66.1105, insofar as it relates to accounting matters. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding noncompliance with the above-referenced statute, insofar as it relates to accounting matters.

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

Baker Tilly US, LLP

Madison, Wisconsin
June 10, 2024