

**VILLAGE OF GERMANTOWN
TAX INCREMENTAL DISTRICT NO. 6**
Germantown, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of December 31, 2018 and From the
Date of Creation Through December 31, 2018

**VILLAGE OF GERMANTOWN
TAX INCREMENTAL DISTRICT NO. 6**

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As of December 31, 2018 and From the Date of Creation Through December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Village Board
Village of Germantown
Germantown, Wisconsin

Report on the Financial Statements

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, Wisconsin's Tax Incremental District No. 6 as of December 31, 2018 and from the date of creation through December 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor considers internal control relevant to the Village of Germantown'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 Village of Germantown'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 Village of Germantown, Wisconsin's Tax Incremental District No. 6 and the net project costs to be recovered through tax increments as of December 31, 2018 and the sources, uses, and status of funds from the date of creation through December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the transactions of the Village of Germantown's Tax Incremental District No. 6 and do not purport to, and do not, present fairly the financial position of the Village of Germantown, Wisconsin, as of December 31, 2018, 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.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis from required supplementary information 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 an opinion on the financial statements that collectively comprise the Village of Germantown's Tax Incremental District No. 6 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 December 19, 2019 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 Virchow Krause, LLP

Madison, Wisconsin
December 19, 2019

**VILLAGE OF GERMANTOWN
TAX INCREMENTAL DISTRICT NO. 6**

BALANCE SHEET
As of December 31, 2018

	<u>Capital Projects Fund</u>
ASSETS	
Cash and investments	\$ 3,643
Taxes receivable	<u>76,096</u>
TOTAL ASSETS	<u>\$ 79,739</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 2,249
Accrued liabilities	<u>17</u>
Total Liabilities	<u>2,266</u>
Deferred Inflows of Resources	
Unearned tax revenue	<u>76,096</u>
Total Deferred Inflows of Resources	<u>76,096</u>
Fund Balance	
Restricted for TIF purposes	<u>1,377</u>
Total Fund Balance	<u>1,377</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 79,739</u>

See accompanying notes to financial statements.

**VILLAGE OF GERMANTOWN
TAX INCREMENTAL DISTRICT NO. 6**

HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
From the Date of Creation Through December 31, 2018

PROJECT COSTS

Capital expenditures	\$ 4,758,506
Administration (in-house)	285,491
Professional services - planning, engineering, other	120,633
Interest and fiscal charges on long-term debt	723,459
Debt issuance costs	<u>92,426</u>
Total Project Costs	<u>5,980,515</u>

PROJECT REVENUES

Tax increments	5,527
Transfers from village general fund	50,000
Investment income	32,367
Sale of property	119,957
Developer guarantees	106,856
Premium on long-term debt	<u>262,185</u>
Total Project Revenues	<u>576,892</u>

**NET COST TO BE RECOVERED THROUGH
TAX INCREMENTS – DECEMBER 31, 2018**

\$ 5,403,623

RECONCILIATION OF RECOVERABLE COSTS

G.O. debt	\$ 5,405,000
Less: Fund balance	<u>(1,377)</u>

**NET COST TO BE RECOVERED THROUGH
TAX INCREMENTS – DECEMBER 31, 2018**

\$ 5,403,623

**VILLAGE OF GERMANTOWN
TAX INCREMENTAL DISTRICT NO. 6**

HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2018

SOURCES OF FUNDS

Tax increments	\$ 5,527
Transfer from Village general fund	50,000
Investment income	32,367
Sale of property	119,957
Developer guarantees	106,856
Long-term debt issued	5,405,000
Premium on long-term debt	<u>262,185</u>
Total Sources of Funds	<u>5,981,892</u>

USES OF FUNDS

Capital expenditures	4,758,506
Administration (in-house)	285,491
Professional services - planning, engineering, other	120,633
Interest and fiscal charges on long-term debt	723,459
Debt issuance costs	<u>92,426</u>
Total Uses of Funds	<u>5,980,515</u>

FUND BALANCE – DECEMBER 31, 2018 \$ 1,377

See accompanying notes to financial statements.

**VILLAGE OF GERMANTOWN
TAX INCREMENTAL DISTRICT NO. 6**

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2018 and From the Date of Creation Through December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Germantown, Wisconsin's Tax Incremental District No. 6 (the "district") conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The Village of Germantown (the "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.

A. 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 fund and the Village's long-term debt:

TID No. 6 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

	Creation Date	Last Date to Incur Project Costs	Last Year to Collect Increment
TID No. 6	January 1, 2014	May 19, 2029	2035

B. 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.

**VILLAGE OF GERMANTOWN
TAX INCREMENTAL DISTRICT NO. 6**

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2018 and From the Date of Creation Through December 31, 2018

NOTE 1 – BASIS OF ACCOUNTING (cont.)

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.

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

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. 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.

E. 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.

F. 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.

G. 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. 6**

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2018 and From the Date of Creation Through December 31, 2018

NOTE 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.

NOTE 3 – LONG TERM DEBT

A. GENERAL OBLIGATION DEBT

All general obligation 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 TID No. 6 fund. If those revenues are not sufficient, payments will be made by future tax levies.

Title of Issue	Date of Issue	Due Date	Interest Rates	Original Indebtedness	Repaid	Balance 12/31/18
2014 G.O. Community Development Bond	10/1/14	3/1/34	3.00-4.00%	\$ 5,405,000	\$ -	\$ 5,405,000
Totals				<u>\$ 5,405,000</u>	<u>\$ -</u>	<u>\$ 5,405,000</u>

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

Calendar Year	Principal	Interest	Totals
2019	\$ -	\$ 184,712	\$ 184,712
2020	150,000	182,462	332,462
2021	150,000	177,962	327,962
2022	280,000	171,512	451,512
2023	280,000	161,712	441,712
2024 – 2028	1,910,000	605,510	2,515,510
2029 – 2034	2,635,000	274,122	2,909,122
Totals	<u>\$ 5,405,000</u>	<u>\$ 1,757,992</u>	<u>\$ 7,162,992</u>

**VILLAGE OF GERMANTOWN
TAX INCREMENTAL DISTRICT NO. 6**

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2018 and From the Date of Creation Through December 31, 2018

NOTE 4 – GUARANTEED REVENUE

The Village has entered into a development agreement with MLG Germantown Investment, LLC (the developer). The Village shall issue debt instruments to finance infrastructure improvements and development incentives for the Business Park land inside the district. Beginning with the fourth full calendar year following the issuance of debt instruments, the Developer shall begin to acquire the Business Park land. At the closing of the sale of each and every parcel of the Business Park land, the developer shall deposit (into a joint fund) an amount equal to eight percent (8%) of the net proceeds of such sale.

If, in any calendar year, beginning with the first full calendar year following issuance of the debt instruments and ending with the Sustaining TID Year, the amount of tax incremental revenues in the district are not sufficient to pay the scheduled debt service payments for that calendar year, the Village shall be entitled to withdraw from the joint fund up to the amount of the deficiency. To the extent that the Village withdraws any such amounts from the joint fund, the Village shall reimburse such amounts from excess tax incremental revenues in the first subsequent years in which the tax increment revenues in the district are in excess of the scheduled debt service payments.

NOTE 5 – TRANSFER FROM VILLAGE GENERAL FUND

The Village general fund transferred funds to the district due to uncertainty of the district's financial health. The amount transferred was determined by Village board resolution. The Village general fund is charging the district interest on the transfer based on the average outstanding balance (not to exceed \$120,000) during the year at a maximum inter-fund rate of 3%. No repayment schedule has been established.

SUPPLEMENTARY INFORMATION

**VILLAGE OF GERMANTOWN
TAX INCREMENTAL DISTRICT NO. 6**

DETAILED SCHEDULE OF SOURCES, USES AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2018

	2014	2015	2016	2017	2018	Totals	Project Plan Estimate
SOURCES OF FUNDS							
Tax increments	\$ -	\$ -	\$ 1,168	\$ 857	\$ 3,502	\$ 5,527	\$ 13,958,900
Transfer from Village general fund	-	-	-	-	50,000	50,000	-
Investment income	1,123	12,023	15,627	2,874	720	32,367	11,150
Capitalized interest	-	-	-	-	-	-	383,100
Sale of property	-	-	9,009	110,948	-	119,957	593,906
Developer guarantees	-	-	-	-	106,856	106,856	-
Long-term debt issued	5,405,000	-	-	-	-	5,405,000	7,230,000
Premium on long-term debt	262,185	-	-	-	-	262,185	-
	<u>5,668,308</u>	<u>12,023</u>	<u>25,804</u>	<u>114,679</u>	<u>161,078</u>	<u>5,981,892</u>	<u>22,177,056</u>
USES OF FUNDS							
Capital expenditures	209,639	5,609	4,321,563	176,711	44,984	4,758,506	11,025,000
Administration (in-house)	97,713	51,254	76,335	33,309	26,880	285,491	320,000
Professional services - planning, engineering, other	65,667	34,117	7,316	5,423	8,110	120,633	-
Interest and fiscal charges on long-term debt	-	169,320	184,713	184,713	184,713	723,459	3,602,056
Principal on long-term debt	-	-	-	-	-	-	7,230,000
Debt issuance costs	92,426	-	-	-	-	92,426	-
	<u>465,445</u>	<u>260,300</u>	<u>4,589,927</u>	<u>400,156</u>	<u>264,687</u>	<u>5,980,515</u>	<u>22,177,056</u>
FUND BALANCE – DECEMBER 31, 2018						<u>\$ 1,377</u>	

**VILLAGE OF GERMANTOWN
TAX INCREMENTAL DISTRICT NO. 6**

DETAILED SCHEDULE OF CAPITAL EXPENDITURES
From the Date of Creation Through December 31, 2018

	<u>Actual</u>	<u>Project Plan Estimate</u>
Capital Expenditures:		
Survey	\$ -	\$ 40,000
Roadways	732,874	1,920,000
Sanitary sewer	752,193	1,880,000
Water system	1,012,867	620,000
Water main looping	150,089	1,740,000
Storm sewer	-	1,265,000
Storm water ponds	-	65,000
Grading	2,110,483	1,160,000
Street lighting	-	135,000
Signage	-	140,000
Legal and planning	-	50,000
Land write down/land bank	-	600,000
Development incentives	-	500,000
Engineering and contingencies	-	910,000
	\$ 4,758,506	\$ 11,025,000
TOTAL CAPITAL EXPENDITURES	\$ 4,758,506	\$ 11,025,000

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the Village Board
Village of Germantown
Germantown, Wisconsin

We have audited the accompanying Combined 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. 6 ("district") as of December 31, 2018 and from the date the district was created through December 31, 2018 and have issued our report thereon dated December 19, 2019. 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(s) of Wisconsin State Statutes Section 66.1105:

1. The village did not have the required audit performed and issued within 12 months after 30% of the project expenditures were made.

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 city council, 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 Virchow Krause, LLP

Madison, Wisconsin
December 19, 2019