



AGENDA
COMMITTEE OF THE WHOLE
Tuesday, December 4, 2018
6:30 p.m.
Common Council Chambers, 224 East Jefferson Street

Mayor Jeannie Hefty
Susan Kott, Alderman, 1st District
Theresa Meyer, Alderman, 1st District
Bob Grandi, Alderman, 2nd District
Ryan Heft, Alderman, 2nd District
Steve Rauch, Alderman, 3rd District
Jon Schultz, Council President, Alderman, 3rd District
Thomas Preusker, Alderman, 4th District
Todd Bauman, Alderman, 4th District

Student Representatives:

Jack Schoepke, Burlington High School
Morgan Tracy, Burlington High School

1. **Call to Order - Roll Call**
2. **Citizen Comments**
3. **Approval of Minutes** (*S. Kott*)
 - A. To approve the November 20, 2018 Committee of the Whole Minutes.
4. **PRESENTATIONS:**
A presentation from the Pool Board regarding the 2018 season and the 2019 Budget for the Burlington Community Aquatic Center.
5. **RESOLUTIONS:**
 - A. **Resolution 4927(29)** - To consider accepting a Letter of Engagement from Sitzberger for 2018 Audit Services.
6. **ORDINANCES:** There are none.
7. **MOTIONS:**
 - A. **Motion 18-917** - To approve the Environmental Remediation Tax Incremental District No. 1 (ER-TID 1) and Tax Incremental District No. 3 (TID 3) Audit Reports completed by Sitzberger.
8. **ADJOURNMENT** (*T. Meyer*)



COMMITTEE OF THE WHOLE

ITEM NUMBER 3A

DATE: December 4, 2018

SUBJECT: MEETING MINUTES - To approve the November 20, 2018 Committee of the Whole Minutes.

SUBMITTED BY: Diahnn Halbach, City Clerk

BACKGROUND/HISTORY:

The attached minutes are from the November 20, 2018 Committee of the Whole meeting.

BUDGET/FISCAL IMPACT:

N/A

RECOMMENDATION:

Staff recommends approval of the attached minutes from the November 20, 2018 Committee of the Whole meeting.

TIMING/IMPLEMENTATION:

This item is scheduled for final consideration at the December 4, 2018 Common Council meeting.

Attachments

COW Minutes



City Clerk
300 N. Pine Street, Burlington, WI, 53105
(262) 342-1161 - (262) 763-3474 fax
www.burlington-wi.gov

CITY OF BURLINGTON
Committee of the Whole Minutes
Jeannie Hefty, Mayor
Diahnn Halbach, City Clerk
Tuesday, November 20, 2018

1. **Call to Order - Roll Call**

Mayor Hefty called the Committee of the Whole meeting to order at 6:30 p.m. Roll Call - Present: Mayor Hefty, Alderman Susan Kott, Alderman Theresa Meyer, Alderman Bob Grandi, Alderman Ryan Heft, Alderman Steve Rauch, Alderman Jon Schultz, Alderman Todd Bauman. Excused: Alderman Tom Preusker.

Student Representatives - Present: Morgan Tracy (BHS). Excused: Jack Schoepke (BHS).

Staff present: Administrator Carina Walters, City Attorney John Bjelajac, Finance Director Steve DeQuaker, Assistant City Administrator/Zoning Administrator Megan Watkins, Public Works Director Peter Riggs, Fire Chief Alan Babe, Human Resource Manager Jason Corbin, Library Director Joe Davies and Intern Nick Faust.

2. **Citizen Comments** - There were none.

3. **Approval of the November 7, 2018 Committee of the Whole Meeting Minutes**

Motion: Alderman Rauch. Second: Alderman Bauman. With all in favor, the motion carried.

4. **DISCUSSION:**

- A. An update from Honeywell Energy Services Group regarding the Energy Services Agreement with the City of Burlington.

Administrator Walters reviewed the background history with Honeywell stating that the City of Burlington entered into an Energy Services Agreement with Honeywell Energy Services Group on October 16, 2013, which was designed to address energy improvements, deferred maintenance and operational enhancements. Walters further stated that the project was expected to save \$1,561,610 in utility and operational savings over the fifteen year term of agreement.

Thomas Dauer, from Honeywell, provided Council with an overview of the Annual Cost Avoidance Report and stated that due to the 2017 flood, equipment had to be replaced and trend data wasn't available again until June 2018; however based on the information they were able to obtain, the current cumulative savings is 15% ahead of the guarantee and is on track to save the City \$1.5 million as projected.

- B. An update from SAFEbuilt Wisconsin, LLC, the City's Consultant, providing Property Maintenance and Code Enforcement support to the Building and Zoning Administrator.

Erica Lewandowski, Operations Manager for SAFEbuilt, provided an overview of SAFEbuilt's Code Enforcement Program and statistical information including closed complaints and those still in progress. Lewandowski stated that there were 107 complaints logged and 68 complaints closed.

2016 to 2017. In 2018, 36 of the 68 complaints were closed, 4 are on hold because of court action or because they now have a valid permit in the system, and 18 complaints are still pending. Lewandowski then introduced Corry Eifert, SAFEbuilt Building Inspector. Eifert then gave an overview of the complaint process.

Alderman Schultz asked how many citations had been issued for non-compliance. Eifert replied that the issuance of citations is determined by Gregory Guidry, of whom was not in attendance this evening.

Alderman Grandi questioned several properties that have had multiple inspections and wanted to know why citations hadn't been issued for these properties. Alderman Kott also wanted to know why these properties have been allowed to drag on for so long without being fined. Attorney Bjelajac replied that citations can be issued, however it's per Guidry's decision as to when to issue citations. Walters stated that it's been the City's approach not to be heavy-handed and to work with the property owners while being sensitive to negative publicity; however understands Council's concern about allowing violations to drag on and would begin to move forward with taking action.

5. **RESOLUTIONS:**

A. **Resolution 4925(27)** - To consider adopting the 2019 Annual Budget.

Finance Director Steve DeQuaker provided a recap of the 2019 Annual Budget and stated the general fund debt levy increased due to the TIF closures. DeQuaker further stated that the net effect of increased values and increased budget dollars allowed, account for an overall reduction in the MIL rate for the City of Burlington, which is currently projected at approximately \$8.56 per \$1,000 of value down from \$9.89 in 2017.

B. **Resolution 4926(28)** - To consider approving the purchase of ten sets of new turn out gear in Fiscal Year 2018 and ten sets of new turn out gear in Fiscal Year 2019 totaling of \$20,080.

Fire Chief Alan Babe explained that per the National Fire Protection Association, it is required that structural firefighting ensembles and elements (turnout gear) shall be retired no more than 10 years from the date the gear was manufactured. Chief Babe stated that it was discovered that 20 sets of turnout gear are not compliant and need to be replaced. Three bids were obtained and based on performance and quality, Innotex was determined to be the best choice. Chief Babe stated that there will be a 5% cost increase on January 1, 2019 and recommends that both purchases be made in 2018. The initial 10 sets will come out of the 2018 operating budget and the remaining 10 sets would be invoiced and paid for out of the 2019 budget.

6. **ORDINANCES:** There were none.

7. **MOTIONS:** There were none.

8. **ADJOURNMENT**

Motion: Alderman Schultz. Second: Alderman Grandi. With all in favor, the meeting adjourned at 7:14 p.m.

Minutes respectfully submitted by:

Diahnn C. Halbach
City Clerk
City of Burlington



DATE: December 4, 2018

SUBJECT: RESOLUTION 4927(29) - To consider accepting a Letter of Engagement from Sitzberger for 2018 Audit Services.

SUBMITTED BY: Steven DeQuaker, Finance Director

BACKGROUND/HISTORY:

Sitzberger performed the 2017 Audit and 2018 TIF audits for the City of Burlington. Sitzberger came highly recommended by the City's prior auditor Pat Romenesko, who had performed the City audit for over 30 years.

The 2017 Audits were performed acceptably by Sitzberger and staff would like to use Sitzberger for the 2018 Audit. Staff will go out to Request for Proposal (RFP) in 2019 for the 2019 Audit Service.

The fee being asked for is a not to exceed amount of \$36,000 which is \$1,000 more than the 2017 Audit of \$35,000 or 2.9%. The increase is in-line with what as being charged as an annual increase by Pat Romenesko's firm.

BUDGET/FISCAL IMPACT:

Audit services include yearly Form C and Public Service Commission (PSC) filings with the Wisconsin Department of Revenue and PSC.

RECOMMENDATION:

Staff recommends accepting the letter of engagement with Sitzberger for 2018 Audit services.

TIMING/IMPLEMENTATION:

If Council should decide not to accept the Letter of Engagement a Request for Proposal to area audit firms would need to be created. The Audit typically starts in January. This item is scheduled for final consideration at the December 18, 2018 Common Council Meeting.

Attachments

Res 4927(29) 2018 Letter of Engagement
Letter of Engagement

**A RESOLUTION APPROVING AN ENGAGEMENT LETTER WITH
SITZBERGER CPAs AND BUSINESS ADVISORS FOR THE 2018 AUDIT
IN THE NOT-TO-EXCEED AMOUNT OF \$36,000**

WHEREAS, the City of Burlington is required by law to participate in an annual audit of its accounts; and,

WHEREAS, Sitzberger CPAs and Business Advisors is a licensed and fully qualified Certified Public Accountant in the State of Wisconsin; and,

WHEREAS, Sitzberger, CPAs have previously performed auditing services for the City of Burlington with the 2017 Audit; and,

WHEREAS, Sitzberger, CPAs has quoted the City of Burlington not-to -exceed \$36,000 for the 2018 Audit; and,

WHEREAS, Statutes of the State of Wisconsin and Generally Accepted Account Practices now require additional pension liability information to be included as part of the annual audit,

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the City of Burlington, Racine County and Walworth County, State of Wisconsin approves acceptance of auditing services from Sitzberger, CPAs and Advisors for the audit of the City's fiscal year 2018 accounts as outlined in the attached October 26, 2018 Letter of Engagement.

BE IT FURTHER RESOLVED that the City Administrator is hereby authorized and directed to execute this agreement on behalf of the City.

Introduced: December 4, 2018
Adopted:

Jeannie Hefty, Mayor

Attest:

Diahnn Halbach, City Clerk

SITZBERGER

CPAs and Business Advisors

www.sitzbergercpas.com

October 26, 2018

The City Council and Administration
City of Burlington
300 N. Pine Street
Burlington, Wisconsin 53105

The City Council and Administration:

We are pleased to confirm our understanding of the services we are to provide the City of Burlington for the year ended December 31, 2018. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Burlington as of and for the year ended December 31, 2018. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement City of Burlington's basic financial statements. Such information, although not a part of the basic 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. As part of our engagement, we will apply certain limited procedures to City of Burlington's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Schedule of Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System
2. Schedule of Contributions - Wisconsin Retirement System
3. Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund

We have also been engaged to report on supplementary information other than RSI that accompanies the financial statements consisting of combining fund statements and detailed budget to actual statements. We will subject this supplementary information to the auditing procedures applied in our 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, and we will provide an opinion on it in relation to the financial statements as a whole.

Audit Objective

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of City of Burlington's financial statements. Our report will be addressed to the City Council of the City of Burlington. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the city or to acts by management or employees acting on behalf of the city.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that come to my attention.

We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditor's is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Control

Our audit will include obtaining an understanding of the city and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City of Burlington's compliance with the provisions of applicable laws, regulations, contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Other Services

As part of our engagement, we will also prepare the annual financial reports for the Wisconsin Department of Revenue and the Public Service Commission. We will also prepare the financial statements of the City of Burlington in conformity with U.S. generally accepted accounting principles based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgement, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for designing, implementing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent, and detect fraud, and for informing us about all known or suspected fraud affecting the city involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the city received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the city complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period; and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management with suitable skill, knowledge or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We may from time to time, and depending on circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

City of Burlington
October 26, 2018
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In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

Brian Snyder, CPA is the engagement principal and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fees for these services will be at our standard hourly rates plus out-of-pocket costs (such as report production, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses will not exceed \$36,000.

Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes sixty days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the City of Burlington and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let me know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. We look forward to the opportunity to serve you.

Very truly yours,

Sitzberger & Company, S.C.

Sitzberger & Company, S.C.
Lake Geneva, Wisconsin

ACKNOWLEDGMENT:

This letter correctly sets forth the understanding of the City of Burlington.

By: _____

Title: _____ Date: _____



DATE: December 4, 2018

SUBJECT: MOTION 18-917 - To approve the Environmental Remediation Tax Incremental District No. 1 (ER-TID 1) and Tax Incremental District No. 3 (TID 3) Audit Reports completed by Sitzberger.

SUBMITTED BY: Steven DeQuaker, Finance Director

BACKGROUND/HISTORY:

Tax Increment Financing District 3 (TID 3) and the ER-TIF District 1 (ER-TID 1) were closed in March of 2018. A resolution allowing increment share from TID 3 to the ER-TID 1 was allowed by a previous resolution.

2018 Tax Increment collections was sufficient to have enough funds to pay off the final debt in both TIF districts and allow them to be closed per state statutes.

Closing the TIF districts brings back the value of the TIF districts to the full value of the city (formerly TID Out Value) and the other taxing jurisdictions: Racine County, Burlington Area School District and Gateway Technical College. Tax increments will no longer be collected for these TIF districts.

When TIF districts close, there is a required Audit to be completed.

A representative from Sitzberger is present to discuss and explain the final audits.

BUDGET/FISCAL IMPACT:

This audit is required by the State of Wisconsin TIF statutes. Council approved a resolution to allow Sitzberger to perform the audits earlier this year. Cost of the Audits was \$4,500 for TID 3 and \$2,500 for ER TID 1 for a total of \$7,000.

The audits show ending fund balances of "zero" for ER-TID 1 and \$4,500,000 for TID 3. The TID 3 fund balance is the amount of money to pay off final calls on debt in 2019 and 2021 for the ER-TID and TID 3.

The audit indicates there is excess increment in the amount of \$1,277,781, which must be paid out to the taxing jurisdictions after the motion is approved. Excess increment is the amount of increment collected remaining after all debts are paid. Excess Increment payments are as follows:

Racine County: \$189,962; City of Burlington: \$505,675; BASD: \$540,006; Gateway: \$42,138

RECOMMENDATION:

Staff recommends approving the motion for the TID Audits.

TIMING/IMPLEMENTATION:

This item is for discussion at the December 4, 2018 Committee of the Whole meeting and due to time constraints is scheduled for the same night Common Council meeting for final consideration.

Attachments

ER-TID 1 Audit Report

TID 3 Audit Report

CITY OF BURLINGTON
ENVIRONMENTAL REMEDIATION TAX INCREMENTAL DISTRICT NO. 1

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

FROM THE DATE OF CREATION THROUGH
MARCH 20, 2018

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CPAs and Business Advisors

www.sitzbergercpas.com

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Burlington
Racine County, Wisconsin

We were engaged to audit the accompanying financial statements of the City of Burlington Environmental Remediation Tax Incremental District No. 1 ("District"), which comprise the Balance Sheet as of March 20, 2018, the related Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments, the Historical Summary of Sources, Uses and Status of Funds from the date the District was created through March 20, 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 conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Detailed project costs have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amounts at which capital expenditures are recorded and classified in the accompanying 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 at March 20, 2018.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

Emphasis of Matter

As discussed in Note A, the financial statements present only the City of Burlington Environmental Remediation Tax Incremental District No. 1 and do not purport to, and do not, present fairly the financial position of the City of Burlington, Wisconsin as of March 20, 2018, the changes in its financial position from the date of creation through March 20, 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 Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

We were engaged for the purpose of forming an opinion on the financial statements of the Environmental Remediation Tax Incremental District No. 1 of the City of Burlington, 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. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Tax Incremental District Laws and Regulations

In accordance with tax incremental district laws and regulation, we have also issued our report dated November 6, 2018 on our test of compliance with Wisconsin State Statutes Sections 66.1105, 66.1106, 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 regulation in considering the City of Burlington, Wisconsin's compliance.

Sitzberger & Company, S.C.

Sitzberger & Company, S.C.
Lake Geneva, Wisconsin
November 6, 2018

CITY OF BURLINGTON
 ENVIRONMENTAL REMEDIATION TAX INCREMENTAL DISTRICT NO. 1
 BALANCE SHEET
 MARCH 20, 2018

	<u>Environmental Tax Incremental District No. 1</u>
<u>ASSETS</u>	
Restricted cash	\$ 2,501,149
TOTAL ASSETS	<u>2,501,149</u>
 <u>LIABILITIES</u>	
Interest payable	<u>356,149</u>
TOTAL LIABILITIES	<u>356,149</u>
 <u>FUND BALANCES</u>	
Restricted	<u>2,145,000</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 2,501,149</u>

See accompanying independent auditors' report.
 See notes to the financial statements.

CITY OF BURLINGTON
ENVIRONMENTAL REMEDIATION TAX INCREMENTAL DISTRICT NO. 1
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Period of January 1 - March 20, 2018
and From Date of Creation Through Termination Date of March 20, 2018

	Period of January 1 - March 20, 2018	From Date of Creation
<u>PROJECT COSTS</u>		
Administration	\$ 1,531	\$ 21,601
Capital expenditures	-	4,738,449
Debt service		
Interest and fiscal charges	356,149	914,422
Debt issuance costs	-	18,531
TOTAL PROJECT COSTS	357,680	5,693,003
 <u>PROJECT REVENUES</u>		
Tax increments	1,641,651	3,703,690
Exempt computer aid	-	2,325
Federal grants	-	330,000
Interest and other	6,802	481,788
Sale of property	-	15,200
Hampton Inn note	928,542	1,160,000
TOTAL PROJECT REVENUES	2,576,995	5,693,003
 NET COSTS RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS - MARCH 20, 2018		
	\$ (2,219,315)	-
 <u>RECONCILIATION OF RECOVERABLE COSTS</u>		
General obligation debt outstanding		2,145,000
Less: Fund balance		(2,145,000)
 NET COSTS RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS - MARCH 20, 2018		
		\$ -

See accompanying independent auditors' report.
See notes to the financial statements.

CITY OF BURLINGTON
ENVIRONMENTAL REMEDIATION TAX INCREMENTAL DISTRICT NO. 1
HISTORICAL SUMMARY OF SOURCES, USES AND STATUS OF FUNDS
For the Period of January 1 - March 20, 2018
and From Date of Creation Through Termination Date of March 20, 2018

	Period of January 1 - March 20, 2018	From Date of Creation
<u>SOURCES OF FUNDS</u>		
Tax increments	\$ 1,641,651	\$ 3,703,690
Exempt computer aid	-	2,325
Federal grants	-	330,000
Interest and other	6,802	481,788
Sale of property	-	15,200
Hampton Inn note	928,542	1,160,000
Proceeds from debt	-	3,422,500
TOTAL SOURCES	2,576,995	9,115,503
<u>USES OF FUNDS</u>		
Administration	1,531	21,601
Capital expenditures	-	4,738,449
Debt service		
Interest and fiscal charges	356,149	914,422
Debt issuance costs		18,531
Long-term principal retirement	-	1,277,500
TOTAL USES	357,680	6,970,503
EXCESS (DEFICIENCY) OF SOURCES OVER USES	2,219,315	2,145,000
FUND BALANCE - BEGINNING	(74,315)	-
FUND BALANCE - ENDING	\$ 2,145,000	\$ 2,145,000

See accompanying independent auditors' report.

See notes to the financial statements.

CITY OF BURLINGTON
ENVIRONMENTAL REMEDIATION TAX INCREMENTAL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 20, 2018

Note A – Summary of Significant Accounting Policies

The accounting policies of the City of Burlington’s Environmental Remediation Tax Incremental District No. 1 (“District”) conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Sections 66.1105 and 66.1106.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Wisconsin Statutes Sections 66.1105 and 66.1106 establish reporting requirements for the District. The significant accounting principles and policies utilized by the City of Burlington in preparing the financial statements of Environmental Remediation Tax Incremental District No. 1 are described below.

a) Reporting Entity

This report contains the financial information of the City of Burlington’s Environmental Remediation Tax Incremental District No. 1. The summary statements were prepared from data recorded in the TID No. 1 fund of the City of Burlington and are presented in a format prescribed by the Wisconsin Department of Revenue. The data was consolidated for the purposes of this report. Therefore, the amounts shown in the accompanying statements will not directly correlate with amounts shown in the basic/general purpose financial statements.

The District was created under the provisions of Wisconsin Statute Sections 66.1105 and 66.1106. The purpose of these sections are 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 City of Burlington to collect tax increments until the net project cost has been fully recovered, or until 23 years after the creation date, whichever occurs first. Project costs uncollected at the dissolution date are absorbed by the City of Burlington.

Listed below are the significant dates applicable to the City of Burlington’s Environmental Remediation Tax Incremental District No. 1:

Creation date:	September 7, 2010
Expenditure period:	September 7, 2025
Latest termination date:	September 7, 2033
Termination date:	March 20, 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 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 a payment is due.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Grants, fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

See accompanying independent auditors’ report.

CITY OF BURLINGTON
ENVIRONMENTAL REMEDIATION TAX INCREMENTAL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 20, 2018

Note A – Summary of Significant Accounting Policies (continued)

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. Those estimates are for the entire life of the District, and may not be comparable to interim results presented in this report. There were no amendments to the original project plan.

e) Assets, Liabilities and Fund Balance

Cash and cash equivalents - Cash and cash equivalents are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. At times, the District relies on cash and cash equivalents of other City funds until additional revenues are received.

Property Taxes - The District's tax increment is certified annually in November based on tax increment value, which represents the equalized value in excess of the 2010 TID base value of properties within the District. Tax increments are collected by the City of Burlington and Racine County. On or before January 15, and by the 20th of February, the District is paid by the City its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the Racine County treasurer makes full settlement to the District for any remaining balance.

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America

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 related strength of spending constraints placed on the purposes for which resources can be used:

- **Restricted Fund Balance** - includes amounts that have constraints placed upon the use of resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- **Assigned Fund Balance** - includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. This is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the City Council.
- **Committed Fund Balance** - includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the City Council, the City's highest level of decision-making authority. This formal action is a City Council resolution.

CITY OF BURLINGTON
 ENVIRONMENTAL REMEDIATION TAX INCREMENTAL DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 20, 2018

Note A – Summary of Significant Accounting Policies (continued)

- Nonspendable Fund Balance - includes amounts that cannot be spent because they are not in a spendable form and cannot be converted to cash or because they are legally or contractually required to remain intact.
- Unassigned Fund Balance - only deficit amounts are shown in this category.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the City’s general policy to use restricted resources first.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Note B – Cash and Cash Equivalents

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

Note C – Receivables

The District issued notes receivable of \$1,160,000 on 9/01/2010 with an interest rate of 2.00% for Environmental TID capital projects. The remaining note receivable balance as of March 20, 2018 was \$913,937. This remaining amount has been recorded as revenue in the TID District and the note receivable balance of \$913,937 has been transferred to the General Fund of the City to collect the outstanding balance.

Note D – Long-Term Debt

The City of Burlington has allocated portions of general obligation debt issuances to the District to finance District project costs. The general obligation notes are backed by the full faith and credit of the City. The City anticipates the District will retire its share of the general obligation issues with tax increments generated from the development or other revenue sources of the District. If those revenues are not sufficient, payments will be made by future tax levies or other City revenues, as applicable.

The following is a summary of general obligation debt of the District outstanding as of March 20, 2018:

	Date of Issue	Due Date	Interest Rates	Original Principal	Outstanding 3/20/2018	Due Within One Year
General Obligation Notes						
2012B GO Refunding Bonds	06/12/12	04/01/22	2.0% - 3.0%	\$ 762,500	\$ 300,000	\$ 100,000
2014A GO Refunding Bonds	05/13/15	05/01/30	0.4% - 3.2%	1,845,000	1,845,000	125,000
Total General Obligation Notes				<u>\$ 2,607,500</u>	<u>\$ 2,145,000</u>	<u>\$ 225,000</u>

CITY OF BURLINGTON
 ENVIRONMENTAL REMEDIATION TAX INCREMENTAL DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 20, 2018

Note D – Long-Term Debt (continued)

Annual principal and interest maturities of the outstanding general obligation debt on March 20, 2018 are shown below:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 225,000	\$ 47,357	\$ 272,357
2019	220,000	44,333	264,333
2020	225,000	40,720	265,720
2021	130,000	37,653	167,653
2022	135,000	35,265	170,265
2023-2027	745,000	127,149	872,149
2033-2037	465,000	23,672	488,672
	<u>\$ 2,145,000</u>	<u>\$ 356,149</u>	<u>\$ 2,501,149</u>

Note E – Increment Sharing

As allowable under TIF statutes, the City may share positive TIF increments. In 2014, the City and joint review board approved sharing increments from the TIF District No. 3 (donor district) to Environmental Remediation TIF District No. 1 (donee district). Transfers of \$3,386,354 are reflected as recoverable costs in the donor district, and as project revenues in the donee district. Transfers were approved to begin in 2017. TIF increment sharing is valid for the life of the district and the life of the donor district and may not be extended. Transfers between districts are subject to various conditions in the statutes.

SUPPLEMENTARY INFORMATION

CITY OF BURLINGTON
ENVIRONMENTAL REMEDIATION TAX INCREMENTAL DISTRICT NO. 1
DETAILED SUMMARY OF SOURCES, USES AND STATUS OF FUNDS
From Date of Creation Through Termination Date of March 20, 2018

Projects	Project Plan Budget		Actual Costs			
	Original Plan	Total Project Plan	2009	2010	2011	2012
PROJECT COSTS						
Site investigation	\$ 64,725	\$ 64,725	\$ -	\$ 104,131	\$ -	\$ -
Remediation	123,100	123,100	-	199,208	-	-
Monitoring	6,200	6,200	-	21,660	1,209	-
Asbestos removal / abatement	84,090	84,090	-	157,020	-	-
Purchase	1,500,000	1,500,000	1,526,136	-	75,000	-
Demolition	384,030	384,030	-	258,649	8,052	-
Infrastructure	76,000	76,000	-	117,886	-	-
TID creation and legal	40,000	40,000	-	27,577	-	-
Contingency	137,543	137,543	-	32,247	55,622	1,906
Parking structure	-	-	-	1,963,230	193,795	-
TOTAL PROJECT COSTS	\$ 2,415,688	\$ 2,415,688	1,526,136	2,881,608	333,678	1,906
PROJECT REVENUES						
Tax increments			-	-	-	48,176
Contributions from other districts			-	-	-	-
Exempt computer aid			-	-	-	-
EPA Brownfield grant			-	330,000	-	-
Interest			-	7,035	85,684	80,732
Sale of property			-	-	-	-
Hampton Inn note			-	-	4,467	27,919
TOTAL PROJECT REVENUES			-	337,035	90,151	156,827
DEBT SERVICE						
Debt proceeds			-	1,845,000	815,000	762,500
Discount on debt			-	(24,978)	-	(5,805)
Issuance costs			-	(9,242)	-	(9,289)
Principal retirement			-	-	-	(815,000)
Interest			-	(26,010)	(58,919)	(97,447)
TOTAL DEBT SERVICE			-	1,784,770	756,081	(165,041)
CHANGE IN FUND BALANCE			(1,526,136)	(759,803)	512,554	(10,120)
FUND BALANCE - BEGINNING			-	(1,526,136)	(2,285,939)	(1,773,385)
FUND BALANCE - ENDING			\$ (1,526,136)	\$ (2,285,939)	\$ (1,773,385)	\$ (1,783,505)

CITY OF BURLINGTON
 ENVIRONMENTAL REMEDIATION TAX INCREMENTAL DISTRICT NO. 1
 DETAILED SUMMARY OF SOURCES, USES AND STATUS OF FUNDS (continued)
 From Date of Creation Through Termination Date of March 20, 2018

Actual Costs (continued)							Project Costs (Over) Under Project Plan
2013	2014	2015	2016	2017	March 20, 2018	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,131	\$ (39,406)
-	-	-	-	-	-	199,208	(76,108)
-	-	-	-	-	-	22,869	(16,669)
-	-	-	-	-	-	157,020	(72,930)
-	-	-	-	-	-	1,601,136	(101,136)
-	-	-	-	-	-	266,701	117,329
-	-	-	-	-	-	117,886	(41,886)
-	-	-	-	-	-	27,577	12,423
2,650	180	235	442	11,684	1,531	106,497	31,046
-	-	-	-	-	-	2,157,025	(2,157,025)
<u>2,650</u>	<u>180</u>	<u>235</u>	<u>442</u>	<u>11,684</u>	<u>1,531</u>	<u>4,760,050</u>	<u>\$ (2,344,362)</u>
46,751	63,885	33,683	39,831	42,692	42,318	317,336	
-	-	-	-	1,787,021	1,599,333	3,386,354	
1,187	878	149	62	49	-	2,325	
-	-	-	-	-	-	330,000	
78,820	76,322	74,083	51,202	21,108	6,802	481,788	
-	-	-	-	15,200	-	15,200	
29,937	32,101	34,421	44,919	57,694	928,542	1,160,000	
<u>156,695</u>	<u>173,186</u>	<u>142,336</u>	<u>136,014</u>	<u>1,923,764</u>	<u>2,576,995</u>	<u>5,693,003</u>	
-	-	-	-	-	-	3,422,500	
-	-	-	-	-	-	(30,783)	
-	-	-	-	-	-	(18,531)	
(87,500)	(90,000)	(95,000)	(95,000)	(95,000)	-	(1,277,500)	
<u>(108,327)</u>	<u>(85,721)</u>	<u>(51,321)</u>	<u>(50,419)</u>	<u>(49,326)</u>	<u>(356,149)</u>	<u>(883,639)</u>	
<u>(195,827)</u>	<u>(175,721)</u>	<u>(146,321)</u>	<u>(145,419)</u>	<u>(144,326)</u>	<u>(356,149)</u>	<u>1,212,047</u>	
(41,782)	(2,715)	(4,220)	(9,847)	1,767,754	2,219,315	2,145,000	
<u>(1,783,505)</u>	<u>(1,825,287)</u>	<u>(1,828,002)</u>	<u>(1,832,222)</u>	<u>(1,842,069)</u>	<u>(74,315)</u>	<u>-</u>	
<u>\$ (1,825,287)</u>	<u>\$ (1,828,002)</u>	<u>\$ (1,832,222)</u>	<u>\$ (1,842,069)</u>	<u>\$ (74,315)</u>	<u>\$ 2,145,000</u>	<u>\$ 2,145,000</u>	

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the City Council
City of Burlington
Racine County, Wisconsin

We were engaged to audit the accompanying financial statements of the City of Burlington Environmental Remediation Tax Incremental District No. 1 ("District") which comprise of the Balance Sheet as of March 20, 2018, the related Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments, the Historical Summary of Sources, Uses and Status of Funds from the date the District was created through March 20, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 6, 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 statements are free of material misstatement.

Compliance with tax increment financing district laws, regulations and the project plan is the responsibility of the City of Burlington, Wisconsin management. As part of obtaining reasonable assurance about whether the aforementioned financial statements are free of material misstatements, we performed tests of the District's compliance with Wisconsin State Statutes Sections 66.1105, 66.1106, 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 items tested, the City of Burlington, Wisconsin complied, in all material respects, with the provisions referred to in the preceding paragraph, except for the following:

- Retention of TID related invoices
- Maintain comprehensive list of expenditures by category of permissible project costs
- Expenditures incurred before the date the project plan was approved
- Project costs incurred exceeded the total project costs included in the project plan

With respect to items not tested, nothing came to our attention that caused us to believe that the City of Burlington, 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 those specified parties.

Sitzberger & Company, S.C.

Sitzberger & Company, S.C.
Lake Geneva, Wisconsin
November 6, 2018

**CITY OF BURLINGTON
TAX INCREMENTAL DISTRICT NO. 3**

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

**FROM THE DATE OF CREATION THROUGH
MARCH 20, 2018**

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Burlington
Racine County, Wisconsin

We were engaged to audit the accompanying financial statements of the City of Burlington Tax Incremental District No. 3 ("District"), which comprise the Balance Sheet as of March 20, 2018, the related Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments, the Historical Summary of Sources, Uses and Status of Funds from the date the District was created through March 20, 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 conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Detailed project costs have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amounts at which capital expenditures are recorded and classified in the accompanying 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 at March 20, 2018.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

Emphasis of Matter

As discussed in Note A, the financial statements present only the City of Burlington Tax Incremental District No. 3 and do not purport to, and do not, present fairly the financial position of the City of Burlington, Wisconsin as of March 20, 2018, the changes in its financial position from the date of creation through March 20, 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 Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

We were engaged for the purpose of forming an opinion on the financial statements of the Tax Incremental District No. 3 of the City of Burlington, 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. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Tax Incremental District Laws and Regulations

In accordance with tax incremental district laws and regulation, we have also issued our report dated November 6, 2018 on our test of compliance with Wisconsin State Statutes Section 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 regulation in considering the City of Burlington, Wisconsin's compliance.

Sitzberger & Company, S.C.

Sitzberger & Company, S.C.
Lake Geneva, Wisconsin
November 6, 2018

CITY OF BURLINGTON
TAX INCREMENTAL DISTRICT NO. 3
BALANCE SHEET
MARCH 20, 2018

	Tax Incremental District No. 3
<u>ASSETS</u>	
Restricted cash and investments	\$ 5,898,156
TOTAL ASSETS	5,898,156
 <u>LIABILITIES</u>	
Interest payable	155,375
Due to city general fund	505,675
Due to overlying districts	772,106
TOTAL LIABILITIES	1,433,156
 <u>FUND BALANCES</u>	
Restricted	4,465,000
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 5,898,156

See accompanying independent auditors' report.
See notes to the financial statements.

CITY OF BURLINGTON
TAX INCREMENTAL DISTRICT NO. 3
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Period of January 1 - March 20, 2018
and From Date of Creation Through Termination Date of March 20, 2018

	Period of January 1 - March 20, 2018	From Date of Creation
<u>PROJECT COSTS</u>		
Capital expenditures	\$ -	\$ 35,998,915
Developer rebate	-	3,733,550
Administration	3,362	477,377
Contributions to other districts	1,599,333	3,386,354
Debt service		
Interest and fiscal charges	155,375	20,265,693
Debt issuance costs	-	201,844
Discount on debt	-	817,473
TOTAL PROJECT COSTS	1,758,070	64,881,206
<u>PROJECT REVENUES</u>		
Tax increments	4,573,829	60,667,402
Contributions from other districts	-	2,009,000
Intergovernmental	-	762,530
Interest and other	3,582	2,280,109
Sale of property	-	305,001
Rental earnings	-	2,794
Contributions and miscellaneous	-	63,000
Premium on debt	-	69,151
TOTAL PROJECT REVENUES	4,577,411	66,158,987
NET COST RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS - MARCH 20, 2018	\$ (2,819,341)	(1,277,781)
<u>RECONCILIATION OF RECOVERABLE COSTS</u>		
General obligation debt outstanding		4,465,000
Less: Fund balance		(4,465,000)
NET COST RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS - MARCH 20, 2018		(1,277,781)
REFUND PAYABLE TO OVERLYING DISTRICTS		1,277,781
BALANCE		\$ -

See accompanying independent auditors' report.
See notes to the financial statements.

CITY OF BURLINGTON
TAX INCREMENTAL DISTRICT NO. 3
HISTORICAL SUMMARY OF SOURCES, USES AND STATUS OF FUNDS
For the Period of January 1 - March 20, 2018
and From Date of Creation Through Termination Date of March 20, 2018

	Period of January 1 - March 20, 2018	From Date of Creation
<u>SOURCES OF FUNDS</u>		
Tax increments	\$ 4,573,829	\$ 60,667,402
Contributions from other districts	-	2,009,000
Intergovernmental	-	762,530
Interest and other	3,582	2,280,109
Sale of property	-	305,001
Rental earnings	-	2,794
Contributions and miscellaneous	-	63,000
Premium on debt	-	69,151
Proceeds from debt	-	63,041,775
TOTAL SOURCES	4,577,411	129,200,762
<u>USES OF FUNDS</u>		
Capital expenditures	-	35,998,915
Developer rebate	-	3,733,550
Administration	3,362	477,377
Contributions to other districts	1,599,333	3,386,354
Refunds to overlying districts	1,277,781	1,277,781
Debt service		
Interest and fiscal charges	155,375	20,265,693
Debt issuance costs	-	201,844
Discount on debt	-	817,473
Long-term principal retirement	-	58,576,775
TOTAL USES	3,035,851	124,735,762
EXCESS (DEFICIENCY) OR SOURCES OVER USES	1,541,560	4,465,000
FUND BALANCE - BEGINNING	2,923,440	-
FUND BALANCE - ENDING	\$ 4,465,000	\$ 4,465,000

See accompanying independent auditors' report.
See notes to the financial statements.

CITY OF BURLINGTON
TAX INCREMENTAL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
MARCH 20, 2018

Note A – Summary of Significant Accounting Policies

The accounting policies of the City of Burlington’s Tax Incremental District No. 3 (“District”) conform to accounting principles 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 Burlington in preparing the financial statements of Tax Incremental District No. 3 are described below.

a) Reporting Entity

This report contains the financial information of the City of Burlington’s Tax Incremental District No. 3. The summary statements were prepared from data recorded in the TID No. 3 fund of the City of Burlington and are presented in a format prescribed by the Wisconsin Department of Revenue. The data was consolidated for the purposes of this report. Therefore, the amounts shown in the accompanying statements will not directly correlate with amounts shown in the basic/general purpose 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 City of Burlington to collect tax increments until the net project cost has been fully recovered, or until 27 years after the creation date, whichever occurs first. Project costs uncollected at the dissolution date are absorbed by the City of Burlington.

Listed below are the significant dates applicable to the City of Burlington Tax Incremental District No. 3:

Creation date:	September 29, 1992
Expenditure period:	September 29, 2014
Latest termination date:	September 29, 2019
Termination date:	March 20, 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 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 a payment is due.

District increments are recognized as revenue in the fiscal year for which taxes have been levied. Grants, fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

See accompanying independent auditors’ report.

CITY OF BURLINGTON
TAX INCREMENTAL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
MARCH 20, 2018

Note A – Summary of Significant Accounting Policies (continued)

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. Those estimates are for the entire life of the District, and may not be comparable to interim results presented in this report. There were two amendments made to the District's project plan.

e) Assets, Liabilities and Fund Balance

Cash and Investments - The District, as a fund of the City, maintains common cash and investment accounts. 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.

Property Taxes - The District's tax increment is certified annually in November based on tax increment value, which represents the equalized value in excess of the 1992 TID base value of properties within the District. Tax increments are collected by the City of Burlington and Racine County. On or before January 15, and by the 20th of February, the District is paid by the City its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the Racine County treasurer makes full settlement to the District for any remaining balance.

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America

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 related strength of spending constraints placed on the purposes for which resources can be used:

- Restricted Fund Balance - includes amounts that have constraints placed upon the use of resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Assigned Fund Balance - includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. This is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the City Council.
- Committed Fund Balance - includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the City Council, the City's highest level of decision-making authority. This formal action is a City Council resolution.
- Nonspendable Fund Balance - includes amounts that cannot be spent because they are not in a spendable form and cannot be converted to cash or because they are legally or contractually required to remain intact.

See accompanying independent auditors' report.

CITY OF BURLINGTON
TAX INCREMENTAL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
MARCH 20, 2018

Note A – Summary of Significant Accounting Policies (continued)

- Unassigned Fund Balance - only deficit amounts are shown in this category.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the City’s general policy to use restricted resources first.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Note B – Cash and 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 between market participants 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.

Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the City of Burlington as an individual municipality and, accordingly, the amount of insured funds is not determinable for the District.

The District’s cash and investments at March 20, 2018 consisted of the following:

	Carrying Amount
Checking accounts	\$ 5,538,491
Government agency securities	359,665
Total restricted cash and investments	\$ 5,898,156

Fair Value Measurement of Investments

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and is described as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that a government can access at the measurement date.

- Level 2 Significant inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

- Level 3 Significant unobservable inputs for an asset or liability.

	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total
Government Agency Securities	\$ 359,665	\$ -	\$ -	\$ 359,665

See accompanying independent auditors’ report.

CITY OF BURLINGTON
TAX INCREMENTAL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
MARCH 20, 2018

Note C – Long-Term Debt

The City of Burlington has allocated portions of general obligation debt issuances to the District to finance District project costs. The general obligation notes are backed by the full faith and credit of the City. The City anticipates the District will retire its share of the general obligation issues with tax increments generated from the development or other revenue sources of the District. If those revenues are not sufficient, payments will be made by future tax levies or other City revenues, as applicable.

The following is a summary of general obligation debt of the District outstanding as of March 20, 2018:

	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Original Principal</u>	<u>Outstanding 3/20/2018</u>	<u>Due Within One Year</u>
General Obligation Notes						
2011 GO Refunding Bonds	11/15/11	04/01/20	2.0% - 3.0%	\$ 9,120,000	\$ 4,465,000	\$ 2,350,000

Annual principal and interest maturities of the outstanding general obligation debt on March 20, 2018 are shown below:

	<u>Year Ended</u>		
<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,350,000	\$ 89,300	\$ 2,439,300
2019	970,000	48,900	1,018,900
2020	1,145,000	17,175	1,162,175
	<u>\$ 4,465,000</u>	<u>\$ 155,375</u>	<u>\$ 4,620,375</u>

Note D – Increment Sharing

As allowable under TIF statutes, the City may share positive TIF increments. In 2005, the City and joint review board approved sharing increments from the TIF District No. 4 (donor district) to TIF District No. 3 (donee district). Transfers of \$2,009,000 are reflected as recoverable costs in the donor district, and as project revenues in the donee district. The time period for the sharing of revenues was for the years 2006 through 2010.

In 2014, the City and joint review board approved sharing increments from the TIF District No. 3 (donor district) to Environmental TIF District No. 1 (donee district). Transfers of \$3,386,354 are reflected as recoverable costs in the donor district, and as project revenues in the donee district. Transfers were approved to begin in 2017. TIF increment sharing is valid for the life of the district and the life of the donor district and may not be extended. Transfers between districts are subject to various conditions in the statutes.

CITY OF BURLINGTON
TAX INCREMENTAL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
MARCH 20, 2018

Note E – Refund to Overlying Taxing Districts

As of March 20, 2018, the District had recovered all of its project costs and has excess tax increments of \$1,277,781. Wisconsin Statutes require surplus funds available at the termination of a district to be refunded to the overlying taxing districts. The refund to overlying taxing districts is calculated based on increments collected in excess of project costs using the ratio of tax levies in the 2017 tax roll as follows:

	Advance	Refund yet to be paid	Total
Racine County	\$ -	\$ 189,962	\$ 189,962
City of Burlington	-	505,675	505,675
Burlington Area School District	-	540,006	540,006
Gateway Technical College	-	42,138	42,138
Total	\$ -	\$ 1,277,781	\$ 1,277,781

As of March 20, 2018, no advance payments were disbursed to overlying taxing districts. The remaining \$1,277,781 are to be refunded upon receipt of the final financial and compliance audit of the District.

SUPPLEMENTARY INFORMATION

CITY OF BURLINGTON
TAX INCREMENTAL DISTRICT NO. 3
DETAILED SUMMARY OF SOURCES, USES AND STATUS OF FUNDS
From Date of Creation Through Termination Date of March 20, 2018

	Actual Costs				
	Audit 1992-1999	2000	2001	2002	2003
<u>SOURCES OF FUNDS</u>					
Tax increments	\$ 1,477,074	\$ 833,208	\$ 1,221,128	\$ 1,572,406	\$ 1,699,465
Contributions from other districts	-	-	-	-	-
Intergovernmental	-	31,484	48,967	358,282	30,616
Interest and other	574,375	593,544	168,865	77,009	22,812
Sale of property	125,050	20,495	17,705	68,501	-
Rental earnings	-	1,450	-	1,344	-
Contribution and miscellaneous	60,000	-	3,000	-	-
Premium on debt	-	-	-	-	-
Proceeds from debt	16,651,850	12,004,622	4,848,266	1,652,268	-
TOTAL SOURCES	18,888,349	13,484,803	6,307,931	3,729,810	1,752,893
<u>USES OF FUNDS</u>					
Capital expenditures	9,494,638	13,651,321	2,736,398	7,898,137	-
Developer rebate	117,718	-	-	-	259,913
Administration	194,004	24,690	44,959	-	-
Contributions to other districts	-	-	-	-	-
Interest and fiscal charges	928,654	707,478	582,057	747,807	1,885,257
Debt issuance costs	-	-	-	-	5,126
Discount on debt	141,549	-	-	-	-
Long-term principal retirement	466,223	5,745,173	459,087	-	300,000
Refunds to overlying districts	-	-	-	-	-
Interest on advances	-	-	-	-	-
TOTAL USES	\$ 11,342,786	\$ 20,128,662	\$ 3,822,501	\$ 8,645,944	\$ 2,450,296

Actual Costs (continued)

2004	2005	2006	2007	2008	2009	2010	2011
\$ 2,066,026	\$ 2,433,864	\$ 2,644,363	\$ 2,852,307	\$ 3,519,155	\$ 3,436,688	\$ 3,435,431	\$ 3,676,125
-	-	430,000	232,664	485,291	453,669	407,376	-
20,337	26,001	31,958	27,885	22,269	19,675	19,601	20,699
19,479	69,630	92,664	135,660	132,055	76,704	82,643	69,179
-	-	-	-	-	73,250	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	11,810,000	-	-	-	-	4,489,769	7,370,000
2,105,842	14,339,495	3,198,985	3,248,516	4,158,770	4,059,986	8,434,820	11,136,003
-	-	-	-	-	965,533	1,165,733	24,481
261,116	133,265	147,000	77,000	103,520	109,019	288,029	387,586
1,395	4,746	4,478	4,256	6,034	15,118	29,958	13,215
-	-	-	-	-	-	-	-
1,564,607	2,606,939	1,844,593	1,170,280	1,159,343	1,097,799	994,260	1,773,481
-	103,190	-	-	-	-	37,005	56,523
-	245,305	-	-	-	-	430,619	-
450,000	11,199,683	425,425	1,230,000	813,838	1,623,313	4,910,041	8,723,079
-	-	-	-	-	-	-	-
-	108,750	107,170	93,450	79,146	64,235	48,690	32,484
\$ 2,277,118	\$ 14,401,878	\$ 2,528,666	\$ 2,574,986	\$ 2,161,881	\$ 3,875,017	\$ 7,904,335	\$ 11,010,849

Actual Costs (continued)

2012	2013	2014	2015	2016	2017	Through March 20, 2018	Total
\$ 4,382,416	\$ 4,161,342	\$ 4,565,495	\$ 4,150,561	\$ 3,943,300	\$ 4,023,219	\$ 4,573,829	\$ 60,667,402
-	-	-	-	-	-	-	2,009,000
16,852	16,630	20,583	18,451	17,743	14,497	-	762,530
62,601	36,735	66,703	12,669	9,901	(26,701)	3,582	2,280,109
-	-	-	-	-	-	-	305,001
-	-	-	-	-	-	-	2,794
-	-	-	-	-	-	-	63,000
-	-	-	69,151	-	-	-	69,151
-	-	-	4,215,000	-	-	-	63,041,775
4,461,869	4,214,707	4,652,781	8,465,832	3,970,944	4,011,015	4,577,411	129,200,762
6,764	55,910	-	-	-	-	-	35,998,915
392,418	349,948	388,613	316,475	288,064	113,866	-	3,733,550
14,623	19,215	34,028	23,454	18,408	21,434	3,362	477,377
-	-	-	-	-	1,787,021	1,599,333	3,386,354
651,365	614,588	524,743	377,354	204,655	141,133	155,375	19,731,768
-	-	-	-	-	-	-	201,844
-	-	-	-	-	-	-	817,473
2,265,913	2,610,000	2,815,000	8,620,000	3,245,000	2,675,000	-	58,576,775
-	-	-	-	-	-	1,277,781	1,277,781
-	-	-	-	-	-	-	533,925
\$ 3,331,083	\$ 3,649,661	\$ 3,762,384	\$ 9,337,283	\$ 3,756,127	\$ 4,738,454	\$ 3,035,851	124,735,762
FUND BALANCE - MARCH 20, 2018							\$ 4,465,000

CITY OF BURLINGTON
TAX INCREMENTAL DISTRICT NO. 3
DETAILED SCHEDULE OF CAPITAL EXPENDITURES AND ADMINISTRATION
For the Period of January 1 - March 20, 2018
and From Date of Creation Through Termination Date of March 20, 2018

	Project Plan Estimate	Actual	Project Costs (Over) Under Project Plan
<u>CAPITAL EXPENDITURES AND ADMINISTRATION</u>			
Manufacturing Expansion	\$ 743,585	\$ 1,469,408	\$ (725,823)
Central Business District Revitalization	26,987,312	27,758,182	(770,870)
North Side Conservation	3,603,110	4,924,520	(1,321,410)
East Side Conservation	2,346,867	1,846,805	500,062
Developer Rebate	750,000	3,733,550	(2,983,550)
Administration	418,052	477,377	(59,325)
TOTAL CAPITAL EXPENDITURES AND ADMINISTRATION	\$ 34,848,926	\$ 40,209,842	\$ (5,360,916)

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the City Council
City of Burlington
Racine County, Wisconsin

We were engaged to audit the accompanying financial statements of the City of Burlington Tax Incremental District No. 3 ("District") which comprise of the Balance Sheet as of March 20, 2018, the related Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments, the Historical Summary of Sources, Uses and Status of Funds from the date the District was created through March 20, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 6, 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 statements are free of material misstatement.

Compliance with tax increment financing district laws, regulations and the project plan is the responsibility of the City of Burlington, Wisconsin management. As part of obtaining reasonable assurance about whether the aforementioned financial statements are free of material misstatements, 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 items tested, the City of Burlington, Wisconsin complied, in all material respects, with the provisions referred to in the preceding paragraph, except for the following:

- Retention of TID related invoices
- Maintain comprehensive list of expenditures by category of permissible project costs
- Project costs incurred exceeded the total project costs included in the project plan

With respect to items not tested, nothing came to our attention that caused us to believe that the City of Burlington, 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 those specified parties.

Sitzberger & Company, S.C.

Sitzberger & Company, S.C.
Lake Geneva, Wisconsin
November 6, 2018