

**CITY OF TWO RIVERS, WISCONSIN
TAX INCREMENTAL DISTRICT NUMBER 12
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2022 AND FROM DATE OF
CREATION THROUGH DECEMBER 31, 2022**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

**CITY OF TWO RIVERS, WISCONSIN
TAX INCREMENTAL DISTRICT NUMBER 12
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022 AND FROM DATE OF CREATION THROUGH
DECEMBER 31, 2022**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEET	5
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES, AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS	6
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	
SCHEDULE OF FINANCIAL TRANSACTIONS	14
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR FINANCIAL STATEMENTS	
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS OF TAX INCREMENTAL FINANCING DISTRICT LAWS AND REGULATIONS	17



INDEPENDENT AUDITORS' REPORT

City Council
City of Two Rivers, Wisconsin
Two Rivers, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Two Rivers Tax Incremental District Number 12 (the District), which comprise the balance sheet as of as of December 31, 2022, and the related historical summary of project costs, project revenues, and net cost to be recovered through tax increments and the historical summary of sources, uses, and status of funds for the year ended December 31, 2022 and from the date the District was created through December 31, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and the net project costs to be recovered through tax increments as of December 31, 2022, and the sources, uses, and status of funds for the year ended December 31, 2022 and from the date the District was created through December 31, 2022 on the basis of the financial reporting provisions of the Wisconsin Department of Revenue as described in Note 1.

Basis for Opinion

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

Emphasis of Matters

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

As discussed in Note 1, the financial statements present only the District and do not purport to, and do not, present fairly the financial position of the City of Two Rivers, Wisconsin as of December 31, 2022, or the changes in its financial position from the date of creation through December 31, 2022, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Wisconsin Department of Revenue, as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of financial transactions 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 GAAS. In our opinion, the schedule of financial transactions is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with tax incremental district laws and regulations, we have also issued our report dated January 22, 2024 on our test of compliance with Wisconsin State Statutes 66.1105 and the project plan. The purpose of that report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. That report is an integral part of an audit performed in accordance with tax incremental district laws and regulations in considering the District's compliance.

Restriction on Use

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



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
January 22, 2024

FINANCIAL STATEMENTS

**CITY OF TWO RIVERS, WISCONSIN
TAX INCREMENTAL DISTRICT NUMBER 12
BALANCE SHEET
DECEMBER 31, 2022**

ASSETS

Cash and Investments	\$ 1,063
Receivables:	
Taxes Receivable	<u>103,546</u>
Total Assets	<u>\$ 104,609</u>

**DEFERRED INFLOWS OF
RESOURCES AND FUND BALANCE**

DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Year	\$ 103,546
FUND BALANCE	
Restricted	<u>1,063</u>
Total Deferred Inflows of Resources and Fund Balance	<u>\$ 104,609</u>

See accompanying Notes to Financial Statements.

**CITY OF TWO RIVERS, WISCONSIN
TAX INCREMENTAL DISTRICT NUMBER 12
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES, AND
NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
YEAR ENDED DECEMBER 31, 2022 AND FROM DATE OF CREATION
THROUGH DECEMBER 31, 2022**

	2022	From Date of Creation Through December 31, 2022
PROJECT COSTS		
Administration	\$ 151	\$ 38,602
Developer Incentive Payments	-	1,000,000
Interest and Fiscal Charges	30,803	91,921
Debt Issuance Costs	-	15,870
Total Project Costs	30,954	1,146,393
PROJECT REVENUES		
Tax Increments	100,752	122,456
Intergovernmental	-	250,000
Total Project Revenues	100,752	372,456
PROJECT COSTS IN EXCESS OF PROJECT REVENUES	\$ (69,798)	\$ 773,937

The above net unreimbursed project costs of \$773,937 on December 31, 2022 represents a net liability for the District to the City of Two Rivers, Wisconsin, consisting of the following:

Future maturities of principal and outstanding debt incurred by the City for financing the District's projects	\$ 775,000
Less: Fund Balance in the District's Capital Projects Fund	(1,063)
Net Liability of the District - December 31, 2022	\$ 773,937

See accompanying Notes to Financial Statements.

**CITY OF TWO RIVERS, WISCONSIN
TAX INCREMENTAL DISTRICT NUMBER 12
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
YEAR ENDED DECEMBER 31, 2022 AND FROM DATE OF CREATION
THROUGH DECEMBER 31, 2022**

	2022	From Date of Creation Through December 31, 2022
SOURCES OF FUNDS		
Tax Increments	\$ 100,752	\$ 122,456
Intergovernmental	-	250,000
Proceeds from Long-term Debt	-	1,525,000
Total Sources of Funds	100,752	1,897,456
USES OF FUNDS		
Administration	151	38,602
Developer Incentive Payments	-	1,000,000
Principal on Long-Term Debt	-	750,000
Interest and Fiscal Charges	30,803	91,921
Debt Issuance Costs	-	15,870
Total Uses of Funds	30,954	1,896,393
NET CHANGE IN FUND BALANCE	69,798	1,063
Fund Balance - Beginning of Period	(68,735)	-
FUND BALANCE - END OF PERIOD	\$ 1,063	\$ 1,063

See accompanying Notes to Financial Statements.

**CITY OF TWO RIVERS, WISCONSIN
TAX INCREMENTAL DISTRICT NUMBER 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Two Rivers Tax Incremental District Number 12 (the District) conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105, which is a basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). 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 Two Rivers in preparing the financial statements of the District are described below.

The District uses the criteria set forth by GASB to determine the scope of the reporting entity.

A. Reporting Entity

This report contains the financial statements of the City of Two Rivers Tax Incremental District Number 12. The accompanying financial statements do not include the full presentation of the financial statements of the City of Two Rivers, Wisconsin, and do not purport to represent the financial position or changes in financial position of the City of Two Rivers. The financial statements of the District were prepared from data recorded in the District's capital project fund of the City and are presented in a format prescribed by the Wisconsin Department of Revenue.

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

The statutes allow the municipality to collect tax increments until the net project cost has been fully recovered, or until the maximum life of the District, whichever occurs first. The statutes in effect at the time of creation of the District provided for a maximum life of 27 years. Project costs uncollected at the dissolution date were absorbed by the City. Project costs may be incurred up to five years before the unextended termination date of the District. Listed below are the significant dates applicable to the District:

Creation Date	9/4/2018
Latest Date to Incur Project Expenditures	9/7/2040
Latest Termination Date	9/4/2045

**CITY OF TWO RIVERS, WISCONSIN
TAX INCREMENTAL DISTRICT NUMBER 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting

The District's financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Project plan expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

District increments are recorded as revenues in the year due. Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues are recognized when received in cash or when measurable and available.

C. Project Plan Budget

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

D. Use of Estimates

The preparation of financial statements in conformity with accounting provisions of the Wisconsin Department of Revenue 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 expenditures during the reporting period. Actual results could differ from those estimates.

**CITY OF TWO RIVERS, WISCONSIN
TAX INCREMENTAL DISTRICT NUMBER 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Inflows of Resources, and Fund Balance

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

2. Property Taxes

When the District was created, the value of all taxable property within the defined boundaries of the District was determined by the Wisconsin Department of Revenue. This value is known as the base value of the District, and remains unchanged through the life of the District unless the City amends District boundaries to add or remove properties. The Wisconsin Department of Revenue annually certifies the current value of all taxable property within the District.

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement.

Property taxes collected on the base value are shared with the overlying taxing jurisdictions while property taxes collected on the growth in value, also known as the increment value, are retained by the City as tax increment revenue. The City uses the tax increment revenue to pay for approved project plan expenditures. A summary of taxable value within the District as of December 31, 2022 follows:

Current Value	Base Value	Increment Value
\$ 7,967,400	\$ 2,732,100	\$ 5,235,300

**CITY OF TWO RIVERS, WISCONSIN
TAX INCREMENTAL DISTRICT NUMBER 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, Deferred Inflows of Resources, and Fund Balance (Continued)

3. Long-Term Obligations

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

4. Fund Balance

Fund balance is reported in various categories for the District's funds based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance. Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.

Restricted fund balance. Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.

Unassigned fund balance. Only deficit amounts are shown in this category.

NOTE 2 CASH AND INVESTMENTS

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

Investments are stated at fair value, which is the price that would be received to sell an asset in an orderly transaction at the measurement date. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

The District, as a fund of the City, maintains common cash and investment accounts. Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the City of Two Rivers as an individual municipality and, accordingly, the amount of insured funds is not determinable for the District.

**CITY OF TWO RIVERS, WISCONSIN
TAX INCREMENTAL DISTRICT NUMBER 12
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 LONG-TERM OBLIGATIONS

During the life of the District, the City issued general obligation debt backed by the full faith and credit of the City to finance District project plan expenditures. The debt issued by the District was retired by future tax increments.

The following is a summary of changes in long-term obligations for the District from the date of creation through December 31, 2022:

	Date of Creation	Issued	Retired	Outstanding 12/31/22	Due Within One Year
General Obligation Debt:					
Bonds	\$ -	\$ 775,000	\$ -	\$ 775,000	\$ 25,000
Direct Borrowing					
State Trust Fund Loans	-	750,000	750,000	-	-
Total General Obligation Debt	<u>\$ -</u>	<u>\$ 1,525,000</u>	<u>\$ 750,000</u>	<u>\$ 775,000</u>	<u>\$ 25,000</u>

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/22
General Obligation Refunding Bonds	7/23/19	2039	2.4 - 3.25%	\$ 775,000	\$ 775,000

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Debt (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$775,000 on December 31, 2022, are detailed below:

Year Ended December 31,	Principal	Interest	Total
2023	\$ 25,000	\$ 23,020	\$ 48,020
2024	30,000	22,195	52,195
2025	35,000	21,220	56,220
2026	40,000	20,095	60,095
2027	45,000	18,820	63,820
2028 - 2032	220,000	74,990	294,990
2033 - 2037	260,000	40,850	300,850
2038 - 2039	120,000	3,900	123,900
Total	<u>\$ 775,000</u>	<u>\$ 225,090</u>	<u>\$ 1,000,090</u>

SUPPLEMENTARY INFORMATION

**CITY OF TWO RIVERS, WISCONSIN
TAX INCREMENTAL DISTRICT NUMBER 12
SCHEDULE OF FINANCIAL TRANSACTIONS
FOR THE PERIOD SEPTEMBER 4, 2018 THROUGH DECEMBER 31, 2022**

	2018	2019	2020	2021	2022
REVENUES					
Tax Increments	-	\$ -	-	\$ 21,704	\$ 100,752
Intergovernmental	-	-	250,000	-	-
Proceeds from Long-term Debt	-	750,000	-	775,000	-
Miscellaneous	-	-	-	-	-
Total Revenues	-	750,000	250,000	796,704	100,752
EXPENDITURES					
Capital Outlay	-	-	-	-	-
Administration	5,184	16,785	11,269	5,213	151
Developer Incentive Payments	-	250,000	750,000	-	-
Principal on Long-Term Debt	-	-	-	750,000	-
Interest and Fiscal Charges	156	-	20,905	40,057	30,803
Debt Issuance Costs	-	-	-	15,870	-
Total Expenditures	5,340	266,785	782,174	811,140	30,954
NET CHANGE IN FUND BALANCE	(5,340)	483,215	(532,174)	(14,436)	69,798
Fund Balance (Deficit) - Beginning of Period	-	(5,340)	477,875	(54,299)	(68,735)
FUND BALANCE (DEFICIT) - END OF PERIOD	<u>\$ (5,340)</u>	<u>\$ 477,875</u>	<u>\$ (54,299)</u>	<u>\$ (68,735)</u>	<u>\$ 1,063</u>

**CITY OF TWO RIVERS, WISCONSIN
TAX INCREMENTAL DISTRICT NUMBER 12
SCHEDULE OF FINANCIAL TRANSACTIONS
FOR THE PERIOD SEPTEMBER 4, 2018 THROUGH DECEMBER 31, 2022**

	Total	Original Project Plan	Plan Amendment	Total Project Plan
REVENUES				
Tax Increments	\$ 122,456	\$ 1,514,575	\$ 506,239	\$ 2,020,814
Intergovernmental	250,000	-	-	-
Proceeds from Long-term Debt	1,525,000	800,000	450,000	1,250,000
Miscellaneous	-	2,030	-	2,030
Total Revenues	<u>1,897,456</u>	<u>2,316,605</u>	<u>956,239</u>	<u>3,272,844</u>
EXPENDITURES				
Capital Outlay	-	250,000	500,000	750,000
Administration	38,602	50,000	25,000	75,000
Developer Incentive Payments	1,000,000	-	400,000	400,000
Principal on Long-Term Debt	750,000	800,000	450,000	1,250,000
Interest and Fiscal Charges	91,921	467,824	212,387	680,211
Debt Issuance Costs	15,870	-	-	-
Total Expenditures	<u>1,896,393</u>	<u>1,567,824</u>	<u>1,587,387</u>	<u>3,155,211</u>
NET CHANGE IN FUND BALANCE	1,063	<u>\$ 748,781</u>	<u>\$ (631,148)</u>	<u>\$ 117,633</u>
Fund Balance (Deficit) - Beginning of Period	-			
FUND BALANCE (DEFICIT) - END OF PERIOD	<u>\$ 1,063</u>			

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR FINANCIAL STATEMENTS**



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS OF TAX INCREMENTAL FINANCING DISTRICT
LAWS AND REGULATIONS**

City Council
City of Two Rivers
Two Rivers, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Two Rivers, Wisconsin's Tax Incremental District Number 12 (the District), which comprise the balance sheet as of December 31, 2022, and the 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 for the year ended December 31, 2022, and from the date the District was created through December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of Wisconsin State Statutes Section 66.1105 and the project plan, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Sheboygan, Wisconsin
January 22, 2024



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAglobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.