VERMONT
VERMONT ECONOMIC PROGRESS COUNCIL

# Vermont Tax Increment Financing District
# Independent Auditors' Agreed-Upon-Procedures

## Burlington Waterfront TIF District

The procedures below are presented as a guideline to assist independent auditors in their review of a District's TIF Fund as required by Vermont Statutes and further detailed in the TIF Rule, as adopted May 6, 2015.

**24 VSA §1901**

***(3) Annually:***

*(A) Ensure that the tax increment financing district account required by section 1896 of this subchapter is subject to the annual audit prescribed in sections 1681 and 1690 of this title. Procedures must include verification of the original taxable value and annual and total municipal and education tax increments generated, expenditures for debt and related costs, and current balance.*

**TIF Rule (adopted May 6, 2015):**

***1004.1. District Fund in Municipal Audit Cycle:*** *Municipalities with an active District must ensure that the entity undertaking the annual municipal audit required by statute on behalf of the municipality is aware of the requirement to include the District fund in the audit. The audit procedures must include, at a minimum, verification of:*

- *The original taxable value and annual and total municipal and education tax increments generated;*
- *Expenditures for District debt and related costs; and*
- *The current balance of the District fund.*

*Because these requirements are not necessarily included in a normal municipal audit, the Council will develop and publish, in cooperation with representative municipal officials and accountants familiar with municipal audits, "agreed-upon procedures" for these audit engagements.*

**Background Information:** There are two subcategories within the Burlington Waterfront TIF District: the 2 Hotels (SPAN 114-035-20755 and 114-035-52634) and all other parcels. Calculations for the 2 Hotels is based on the 1996 OTV at 100% retention. All other parcels have two points in time that are verified: the 2010 increment (100% retention) and the post-2010 increment (75% retention). The Burlington Waterfront uses an additional municipal tax increment for commercial properties.

1. **Confirm original taxable value:**

   ***Note: This step only needs to be completed for newly certified OTV's and recertified OTV's (at which point changes will have been made in the NEMRC system).***

   **a.** Compare the VEPC-certified OTV Property Report to the NEMRC TIF Parcel Value Report as of the date the final Grand List was submitted to PVR (December 31 of the Grand List year).

   **b.** Verify that the NEMRC TIF Parcel Value Report agrees to the VEPC certified OTV property report.

   **c.** Compare the current TIF properties included in the NEMRC TIF Parcel Value to the properties included on the VEPC certified OTV property report.

      **i.** For those properties not included on the VEPC certified OTV property report, obtain the original TIF parcel map outlining the boundaries of the TIF district and confirm the property is within the original TIF district boundary.

**ii.** Ensure that any of the special situations described below are appropriately reflected in the NEMRC TIF Parcel Value Report. Additional explanation for each is provided in the TIF Rule adopted May 6, 2015.

- Changes to a property's tax status--taxable to non-taxable or non-taxable to taxable.
- Separation of a parcel into two or more parcels.
- Combination of parcels.
- Separation of a parcel or combination of two parcels not located wholly within the District.
- Property changes use from homestead to non-residential.
- Boundary adjustments.

Certain tax agreements or exemptions provided for in Vermont statute may affect the education property tax grand list. See 32 V.S.A. §5404a for guidance. If a tax agreement or exemption affects the education property tax grand list, verify that authorization was obtained when required by statute, and review the accounting for the property(ies) in NEMRC to verify that they are treated appropriately in the NEMRC TIF Parcel Value Report.

**2. Verify completeness and accuracy of NEMRC TIF Proceeds Report for tax increment calculation:**

**Waterfront TIF** - All Parcels Except for 2 Hotels:

**a.** Select 10 properties from the NEMRC TIF Parcel Value Report printed as of December 31 of the Grand List Year[1] on a haphazard basis. If any of the selected parcels are inactive, ensure the current property value is converted to zero in order to make the calculations.

**b.** Verify all tax rates used in the tax increment calculations agree with the rates as established by the select board or city council for municipal taxes[2] and per the statutory rates for education (homestead and non-resident[3]) Check that all municipal rates are used in the calculation.

**i.** Calculate the 2010 incremental property value by subtracting the OTV property value from the 2010 TIF property value.

**ii.** Calculate the post-2010 incremental property value by subtracting the 2010 TIF property value from the current TIF property value.

**iii. Municipal TIF Proceeds:**

a) Multiply the 2010 incremental TIF property value by all municipal tax rates and then divide by 100. The is the 2010 amount retained.

b) Multiply the post-2010 incremental TIF property value by all municipal tax rates and then divide by 100. Calculate the amount retained by multiplying this amount by the post-2010 retention percentage (75%).

[1] Example: If the Grand List Year is April 1, 2017, use the report printed as of December 31, 2017 which matches the information submitted to PVR as of that date. Reports printed at a later date will reflect more current data in NEMRC and will cause variances in the calculation when compared to the information provided to PVR.

[2] 17 VSA § 2664

[3] State homestead and non-homestead tax rates are located at the Department of Taxes website http://tax.vermont.gov/research-and-reports/tax-rates-and-charts/education-tax-rates.

c) Sum the values from steps a) and b) above. These are the Municipal TIF Proceeds.

**iv. Commercial TIF Proceeds:**

a) Multiply the 2010 Municipal Taxable Value by 20%. Multiply this number by all municipal tax rates then divide by 100. This is the 2010 additional amount retained.

b) Multiply the post-2010 Municipal Taxable Value by 20%. Multiply this number by all municipal tax rates then divide by 100. Calculate the amount retained by multiplying this amount by the post-2010 retention percentage (75%).

c) Sum the values from steps a) and b) above. These are the additional Commercial TIF Proceeds. Verify this amount with the workbook used by the City of Burlington.

**v. Homestead TIF Proceeds:**

a) Multiply the homestead incremental TIF property value by the applicable homestead tax rate and then divide by 100. The is the 2010 amount retained.

b) Multiply the post-2010 incremental TIF property value by all municipal tax rates and then divide by 100. Calculate the amount retained by multiplying this amount by the post-2010 retention percentage (75%).

c) Sum the values from steps a) and b) above. These are the Homestead TIF Proceeds.

**vi. Non-Residential TIF Proceeds:**

a) Multiply the non-residential incremental TIF property value by the applicable non-residential tax rate and then divide by 100. The is the 2010 amount retained.

b) Multiply the post-2010 incremental TIF property value by all municipal tax rates and then divide by 100. Calculate the amount retained by multiplying this amount by the post-2010 retention percentage (75%).

c) Sum the values from steps a) and b) above. These are the Non-Residential TIF Proceeds.

**vii.** Compare to amounts in the NEMRC TIF Proceeds report printed as of December 31 of the Grand List Year.

**Waterfront TIF - 2 Hotels**:

**a.** Verify all tax rates used in the tax increment calculations agree with the rates as established by the select board or city council for municipal taxes and per the statutory rates for education (homestead and non-resident) Check that all municipal rates are used in the calculation.

**i.** Calculate the incremental property value by subtracting the OTV property value from the current TIF property value.

**ii. Municipal TIF Proceeds:** Multiply the incremental TIF property value by all municipal tax rates and then divide by 100. This is the amount retained.

**iii. Commercial TIF Proceeds:** Multiply the Municipal Taxable Value by 20%. Multiply this number by all municipal tax rates then divide by 100. This is the additional amount retained. Verify this amount with the workbook used by the City of Burlington.

iv. **Non-Residential TIF Proceeds:** Multiply the non-residential incremental TIF property value by the applicable non-residential tax rate and then divide by 100. This is the amount retained.

v. Compare to amounts in the NEMRC TIF Proceeds report printed as of December 31 of the Grand List Year.

3. **Verify expenditures for District debt and related costs:**
   Refer to the VEPC-approved TIF District Finance Plan (for Post-Act 184 District) or the District Reconciliation (Pre-Act 184 Districts) and any Phase Filings or Substantial Change Requests for the following steps. All documents are available on the VEPC website.

   **a.** Obtain public warning documents and voter results of the public vote required for district financing, including information on related costs and direct payment for infrastructure improvements.

   **b.** Obtain schedule that lists all improvement costs incurred, including total cost, and a breakdown of the cost factors (design, engineering studies, project management costs, actual construction costs, etc.), how the approved proportionality was applied to the improvement cost, and the amount of infrastructure work (including non-construction costs) that was performed by Vermont firms.

   **c.** Obtain a schedule of all related costs incurred, including the amount, description, date incurred, and an explanation to substantiate how the cost relates to the creation, implementation, operation, or administration of the district, whether and when the cost was reimbursed or paid with TIF increment, and when the reimbursement or payment was included in a public vote.

   **d.** Test improvements and related costs

   **i.** Select one expense from each of 1) the municipality's improvement projects from the development schedule and 2) the list of related costs to test for allowability.

   **ii.** For improvement costs selected for testing, verify that the improvement was approved by VEPC in the TIF district financing plan.

   **iii.** For related costs selected for testing, verify related costs were included in the public warning documents and approved by voters.

   **iv.** For each item selected for testing review corroborating documentation (invoices, contracts, change orders, etc.).

   **v.** Based on review of corroborating documentation and comparison to VEPC or voter authorizations, assess whether expenditures are allowable according to statute and VEPC rules.

4. **Verify debt service payments:**

   **a.** Verify the debt service payments recorded in the TIF Fund agree and are consistent with the principal and interest payments per the amortization schedules and that these are according to the financing documents.

5. **Review of Prior Year's Findings and Review of Recommendations from Monitoring Visits:**

   **a.** Obtain a copy of the prior year's AUP report and certification to review any findings.

   **b.** Obtain a copy of VEPC's monitoring visit report and check the section entitled "Auditor Follow-Up" for any areas that may need review.

6. **Report and Certification:**
   - **a.** Provide certification that the independent auditor has verified: (1) the original taxable value and annual and total municipal and education tax increments generated; (2) expenditures for District debt and related costs; and (3) the current balance of the District fund.
   - **b.** Compile and report on any findings as a result of the verification process.