

Lake Mills
Accounting Activities
Prepared by James Heilman, Finance Director
March 25, 2013

Exhibit E

Quarterly Activities (or do monthly, if material):

- 1) Review payments on loans or other debt to ensure interest amounts and principal amounts have been properly recorded.
- 2) Balance the “due to” and “due from” accounts between the funds in all major funds.
 - a) When transfers are recorded between funds, the due to / due from accounts should be impacted.
 - b) Insure that management (i.e., City Manager, Finance Director/Treasurer) is reviewing transfers for proper accounting treatment on a quarterly or at a minimum, annual basis.
- 3) Review revenue and expense accounts for reasonableness.
 - a) Compare with budgeted amounts.
 - b) Compare with prior month’s amounts or same month in the prior year.
- 4) Review all balance sheet accounts for reasonableness.
- 5) Ensure that your property tax revenue and related balance sheet accounts agree to source documents (e.g., County printouts, etc.)
- 6) Review your major revenue accounts for reasonableness, and agree to source documents as applicable.
- 7) Review personnel expense for reasonableness.
 - a) Match salary expense to separate payroll source documents.
 - b) On a quarterly basis, compare salary expense recorded in your financials to your Form 941 payroll returns for reasonableness.
 - c) Test payroll tax and employee benefits expense by comparing the percentage of these amounts to salary expense, and compare to previous periods or to budgeted amounts.
- 8) Record accrued salaries, if applicable and if material.
 - a) The City of Lake Mills operates on a bi-weekly (26 pay period) schedule.
 - b) If you have a previous balance of accrued salaries, record only the change in the accrued salaries balance.
 - c) Document your calculations.
- 9) Record depreciation expense, generally an estimate based upon budgeted amounts.
- 10) Review purchases and disposals of fixed assets during the period to ensure that they have been recorded properly in your accounting system.

**Lake Mills
Budgeting
Prepared by James Heilman, Finance Director
March 25, 2013**

Exhibit F

Budgets

Basics on budgets

- The Wisconsin Constitution requires political subdivisions to prepare and maintain an annual budget.
- A public hearing must be held and it must be advertised.
- A budget is a plan for getting and spending money to reach specific goals by a certain time.
- A plan is:
 - A well-thought-out idea of future actions
 - Needed to achieve specific goals
 - Within a set period of time
 - Based on past experience
 - Based on current information
 - Based on assumptions about the future

Qualities of an Effective Budget

- Realistic
- Consistent with the City's objectives
- Flexible

Purpose of a Budget

- City Council oversight
- Help control finances
- Cash management

Benefits of Strong Budgetary Management

- Mandates a planning and prioritizing process for all City activities and functions
- Controls spending activities while ensuring that they occur within a revenue and spending plan, making certain that the City objectives are achieved
- Provides central direction for all City activities
- Fosters teamwork when using a participatory budget process

Common Errors in Preparing Budgets

- Overestimating revenues
- Underestimating expenses
- Failing to account for changes in programs and activities

Remember: (a) a budget is only useful if the actual results are monitored and compared to the budget, (b) a budget is a tool, and (c) a budget is best when it is a coordinated, team effort of the city staff.

Estimating Revenues

- Usually developed by City Manager and finance staff
- Key: be realistic and spend sufficient time developing your revenue estimates
- Consider your known and potential revenue sources
- Develop revenue contingency plan
- Estimating revenues for your budget depends upon many factors
- Change in tax base(s)
- Other changes in the community (infrastructure, population, etc.)
- Political environment (e.g., government regulations)
- Economic climate (e.g., recession, unemployment)
- Document revenue budget assumptions

Estimating Expenses

- Expenses represent the City's primary activities and services performed
- Resources used for budgeting expenses:
- Last year's results
- Current year budget
- Current year's actual year-to-date results
- Department heads – get their input for their department budgets
- Do high level revenue and target expense projections in total
- Personnel expenses
- Salaries
- Usually the largest single budget line item
- Spend more time budgeting salaries
- Estimate salary expenses by position
- Incorporate raises (% increases)
- Consider impact of new or changed positions or eliminated positions
- Don't forget overtime pay or vacation pay (if applicable)
- Payroll taxes
- Employee benefits: health insurance, dental insurance, life insurance, state retirement plan
- Other expenses
- Some expenses may vary based upon difference services levels
- Other expenses (rent, telephone, utilities, audit) are easier to estimate
- Document your expense assumptions

Budget Variance Analysis

- When preparing internal reports for City Council that compare actual, year-to-date (or monthly) income and expenses to budget, it is important to provide sufficient explanations for significant variances.
- “Significant” may be greater/less than 10% of 20% and greater/less than \$10,000.
- You will want to provide concise, sufficient and clear explanations to the City Manager and City Council for significant budget variances.
- This analysis should be done monthly, and should be part of the regular package of monthly financials.

Budgetary Controls

- Establish cost controls
- Spending limits should be placed on personnel, time, funds and assets
- Any expenditure must be authorized
- Budget variance reports (budgeted versus actual revenues and expenses) are the key tools for controlling expenses as comparison with budget

Budget Tips

- Use an annual budget calendar and assign responsibilities
- Start well in advance of your fiscal year end
- Document your budget process, methodology and assumptions
- Set target dates for getting the budget reviewed and approved
- Encourage team effort
- Review budget calendar
- Enter your upcoming year’s budget data (annually) into your accounting system
- The accounting system automatically generates monthly budget variance reports
- Enter budget data at the lowest level possible (i.e., expenses by department, by fund)

BUDGET CALENDAR

For Fiscal Year beginning 1/1/XX – 12/31/XX

Budget Process Step Timing Assigned To Completion

Date

Budget Development Phase	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monitor Current Year's budget/actual revenues and expensed	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
External audit of prior year's financials	Orange	Orange	Orange									
Final financial reports issued					Dark Gray							
Review of prior year's budget results						Bright Green						
Prepare annual update of five year CIP					Teal	Teal	Teal					
Draft budget prepared by City Manager				Dark Green	Dark Green	Dark Green						
Draft distributed to department heads for review and comment							Light Blue					
Present Five Year CIP to Public Works Board							Dark Blue					
Present Five Year CIP to City Council								Dark Gray				
Incorporate Five Year CIP into budget								Green				
Present City Manager's Budget to City Council									Gray			
Present City Manager's Budget to Public Works Board									Dark Blue			
City Council as "whole" studies and amends budget									Gray	Gray	Gray	
City Council adopts budget											Dark Gray	

The City's budget is prepared for the fiscal year beginning January 1 and ending December 31. The budget is a total financial management plan for the implementation

of City Council policies through city operations. The Executive Budget is prepared by the City Manager with the assistance of staff.

The City budget includes the seven major fund types for which appropriations are made, the general fund, capital fund, debt service fund, trust fund, capital projects, special revenue, utility funds and the debt service fund. Each of these funds contains a self-balancing set of accounts in order to separate and track expenditures for these different functional areas.

Approximately 120 days prior to the start of the fiscal year, the City Manager submits a proposed budget for the following fiscal year to the City Council. The City Council, as a body, evaluates and amends the proposed budget at its discretion. The City Council then adopts a finalized, balanced budget, prior to the beginning of the fiscal year. A balanced budget requires that the proposed budget expenditures shall not exceed estimated revenues and applied fund balance, if any. The City Council also adopts an ordinance to authorize the appropriation of the required funds for the annual budget.

The basis of budgeting for all funds is the modified accrual basis. These are the same methods used in the City's audited financial statements. The following chart shows the budget development process throughout the course of the year.

Lake Mills
Fund Balances
Prepared by James Heilman, Finance Director
March 25, 2013

EXHIBIT G

FUND BALANCE POLICY

A formal written policy governing the purpose and acceptable range of the City's various fund balances is an effective financial management tool to responsibly utilize the City resources to stabilize the City's mill rate and to ensure the continued provision of services to residents.

It is essential that the City maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration in long-term financial planning.

Although fund balance primarily focuses on a government's general fund, financial resources available in other funds should also be considered in assessing the adequacy of unrestricted fund balance (i.e. the total of the amounts reported as committed, assigned, and unassigned fund balance) in the general fund.

Credit rating agencies monitor levels of fund balance and unrestricted fund balance in a government's general fund to evaluate continued creditworthiness. Likewise, laws and regulations often govern appropriate levels of fund balance and unrestricted fund balance for state and local governments. Those interested primarily in a government's creditworthiness or economic conditions (e.g. rating agencies) are likely to favor increased levels of fund balance. That should be weighed against opposing pressures often times coming from unions, taxpayers, and citizen's groups, which may view high levels of fund balance as "excessive".

Fund balance will be classified into the following five categories depicting the relative strength of the spending constraints placed on the purposes for which resources can be used, with the highest level of constraint being Nonspendable, and the lowest being Unassigned.

1. NONSPENDABLE

Nonspendable fund balance amounts that are those not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).

- Assets that will never be converted to cash (i.e. prepaids and inventories)
- Assets that will not convert to cash soon enough to affect the current period (i.e. long-term portion of receivables and the nonfinancial assets held for resale such as land)

- Resources that must be maintained intact based on legal or contractual requirements (i.e. principal of an endowment or the capital of a revolving loan fund)
- **Examples:** *Non-expendable Library Trust Fund Endowment, TID Advances*

2. RESTRICTED

Restricted fund balance amounts are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. Funds can become restricted because of or through:

- Other governments through laws and regulations
- Grantors or contributors through agreements
- Creditors through debt covenants or other contracts
- Enabling legislation that limits how a revenue can be used (i.e. impact fees for unspecified project)
- If amounts collected from the long-term portion of receivables or from other long-term assets held for sale are also limited externally in how they can be spent, they would be shown as restricted instead of nonspendable.
- **Examples:** *Cemetery bequests, residential housing, RLF, BID, Expendable Library Trust Funds*

3. COMMITTED

Committed fund balance amounts are constrained to specific purposes by a government itself, using its highest level of decision-making authority. Committed fund balance amounts are to be reported as Committed, and amounts cannot be used for any other purpose *unless* the government takes the same highest-level action to remove or change the constraint.

- The action to commit the resources must be taken by the end of the reporting period.
- Note that resources accumulated as “stabilization funds” are sometimes reported as Committed.
- If amounts collected from the long-term portion of receivables or from other long-term assets held for sale are also limited internally, they would be shown as Committed instead of Nonspendable.
- **Examples:** *Positive TID fund balances, amounts designated for specific future purposes (i.e. fire truck, ambulance, squad car)*

4. ASSIGNED

Assigned fund balance amounts are funds a government *intends* to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The Treasurer-Finance Director is authorized to designate funds as Assigned.

- Assigned fund balance does NOT have to come from the governing body.

- Assigned fund balance does NOT have to have formal action to be considered assigned.
- Amounts in excess of Nonspendable, Restricted and Committed fund balance in funds other than general fund automatically will be reported as Assigned fund balance.
- If amounts collected from the long-term portion of receivables or from other long-term assets held for sale are limited in this manner, they would be shown as Assigned instead of Nonspendable.
- Amounts in assigned fund balance can never cause unassigned fund balance to be a deficit.
- This is the category used to reflect the portion of existing fund balance that is planned to be used to eliminate a projected deficit in the subsequent year's budget.

5. UNASSIGNED

Unassigned fund balance amounts are available for any purpose. If the general fund has net resources in excess of the other four categories that surplus is considered UNASSIGNED.

- Unassigned fund balances are typically reported only in the general fund.
- Unassigned fund balances can be used in Tax Incremental District funds if the TID has a negative balance (deficit). Once the negative fund balance becomes positive, the balance will be converted to Committed.
- Unassigned fund balances will include anticipated future TID advances.

The order in which unrestricted resources are to be used when any of these amounts are available for expenditure will be Committed, Assigned and then Unassigned.

GENERAL FUND BALANCE

An adequate general fund balance provides resources to:

- Maintain sufficient working capital to finance operating expenditures without short-term borrowing for cash flow purposes.
- Temporarily finance unanticipated expenditures or unusual fluctuation in the City's revenue sources.

In determining the acceptable range of general fund balance, the City considers the following:

- Historical stability of the City's revenue, expenditures and mill rate.
- Timing of revenue collections in relation to payments made for operational expenditures.
- Anticipated growth in the City's valuation and/or services to be provided to City residents.
- Perceived exposure to significant one-time outlays (e.g. disasters, immediate capital needs, state budget cuts)
- The potential drain upon general fund resources from other funds as well as the availability of resources in other funds (i.e. deficits in other funds may require that a higher level of unrestricted fund balance be maintained in the

- general fund, just as, the availability of resources in other funds may reduce the amount of unrestricted fund balance needed in the general fund).
- Liquidity (i.e. a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained).
 - Commitments and assignments (i.e. governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose.
 - It is appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance rather than on unrestricted fund balance.

Accordingly, the City seeks to maintain its unassigned general fund balance at a minimum of 15% and a maximum of 25% of total general fund annual revenues. To maintain the City's general fund balance within the acceptable range, the City shall:

- Strive to eliminate the budgeted use of fund balance if its use would reduce the available balance below policy minimums.
- Apply any operational surplus at the end of the fiscal year to the general fund balance to meet the policy minimum.
- Have the City Council designate the use of funds above the policy maximum.

Lake Mills
Segregation of Duties
Prepared by James Heilman, Finance Director
March 25, 2013

EXHIBIT H

SEGREGATION OF DUTIES

Five-person Segregation of Duties

- Bookkeeper, City Clerk-HR, Deputy City Clerk, Treasurer-Finance Director and City Manager
- Post accounts receivable
- Distribute payroll slips
- Complete deposit slips
- Sign checks
- Reconcile petty cash
- Open mail / receive cash
- Gives credits and discounts
- Sign employee contracts
- Write checks Record initial charges & pledges
- Prepare invoices
- Custody of securities
- Post general ledger
- Complete check log
- Approve payroll
- Approve employee timesheets
- Post credits / debits
- Disburse petty cash
- Approve invoices for payment
- Reconcile bank statements
- Mail checks
- Authorize purchase orders
- Authorize check requests
- Perform inter-fund transfers

Lake Mills
Internal Control Checklist
Prepared by James Heilman, Finance Director
March 25, 2013

Exhibit I

The Nature of Internal Controls

Policies and procedures which have been put in place as an internal control are either proactive or reactive in nature. They can be described as follows:

- Preventative in nature: Processes are put in place to avoid undesirable events from occurring, such as, mandatory training list for cash management training requirements.
- Directive in nature: Processes are put in place to encourage a desirable event to occur, such as, treasury management policy.
- Detective in nature: Processes are put in place to detect and subsequently correct undesirable events that have already occurred, such as, two signatories for all checks disbursed.

An Internal Control Checklist

Organizational Checklist:

- Duties should be segregated (**to the extent possible**).
- One person should not be in control of all of the major accounting responsibilities.
- Example: The person having custody of the assets should be different from the one handling the record keeping.
- Example: The person preparing the bank reconciliation should be different from the one keeping the books and controlling cash.
- Example: The person signing the checks should be different from the one keeping the books and controlling cash.
- The City Council should regularly receive and review periodic (monthly) financial reports. Discussions regarding financial matters should be documented in the minutes.

Financial Checklist:

- Comparisons of budgeted and actual revenues and expenditures are made in periodic (monthly) financial reports.
- Compare results with actual year-to-date results from the same period in the prior year.
- Checks received should be restrictively endorsed upon receipt.
- Checks received should be deposited the same day they are received and a receipt log should be maintained.

- Checks paid should have accompanying documentation when reviewed and signed.
- Invoices should be approved and signed off on (or initialed) before payment.
- Only original invoices should be paid to avoid duplication of payment.
- Each invoice should be marked “paid” when the check is prepared.
- Have fidelity bond coverage.

Processes and Procedures Checklist:

- Two signatures should be required for checks.
- Use pre-numbered documents such as invoices and checks for easier tracking.
- All journal entries should be reviewed and approved.
- Policies should be communicated throughout the staff and City Council.
- Train staff on the importance of accounting controls.

Documentation Checklist:

- Supporting documentation such as deeds for buildings and loan agreements should exist for transactions.
- Internal control policies and procedures should be documented in an accounting policies and procedures manual or similar document. This practice saves significant time when the auditors come in to perform the external financial audit.
- Have procedures in place to periodically check all transactions to insure they have been recorded in the proper account(s) as well as in the proper amount.
- Have a conflict of interest or ethics statement in place.

Security Checklist:

- Assets should be safeguarded.
- Authorized levels of staffing and budgeting should exist.
- Use appropriate levels of computer security for staff, such as one or two-level passwords for entry into the accounting system, and change them regularly.

receiving agent of the Village or to the Village or to the Village Clerk-Treasurer shall be safeguarded in such manner as the Village Board shall direct.

State Law Reference: Sec. 66.113, Wis. Stats.

SEC. 3-1-11 STATEMENT OF REAL PROPERTY STATUS.
(Rev. 04/10, Ord. 2010-03)

The Village Clerk-Treasurer and his/her designees are authorized to prepare a Statement of Real Property Status form to be used to provide information as to the amount of outstanding special assessments, deferred assessments, changes in assessments, amount of taxes, outstanding water and sewer bills, current water and sewer bills, contemplated improvements, outstanding citations on building code violations and similar information. Any such information sought shall be provided to the person requesting it on said form. Requests for Statements of Real Property Status shall be made to the Village Clerk-Treasurer a minimum of three (3) business days in advance. The fees for a Statement of Real Property Status shall be as from time to time established by resolution.

SEC. 3-1-12 BIDDING PROCEDURES & PURCHASING BY DEPARTMENT HEADS
(Rev., 9/06, Ord. 2006-08)

(a) **Bidding procedures:**

- (1) As a complete alternative to the requirements established by 61.54 and 61.55 Wis. Stats., the provisions of 62.15, Wis. Stats., shall be applicable to Village public works contracts. The authority vested in the Board of Public Works by such statute shall be exercised by the Village Board, or as delegated by the Village Board.
- (2) Pursuant to Sec. 62.15(1), Wis. Stats., the Village Board, by vote of three-fourths (3/4) of all the members thereof, may determine that any class of public construction or any part thereof may be done directly by the Village without submitting the same for bids.
- (3) Specifications for all items purchased shall be developed with the full involvement and participation of affected departments. However, the Village Clerk-Treasurer shall insure that the specifications are sufficiently broad that competition in the bidding process is preserved.

(b) **Purchasing by Department Heads**

- (1) Subject to the limitations contained in Sec. 62.15., Wis. Stats, the Village Treasurer and designated Department Heads are authorized and empowered to make the following purchases in behalf of the Village without the prior approval of the Village Board.
 - (a) Office machines, maintenance equipment and services and other purchases for which a specific appropriation has been made in the current capital or operating budget in a sum not to exceed the

appropriated amount or Ten Thousand Dollars (\$10,000.00) each, whichever is less;

- (b) Gasoline, road gravel, street patching material, salt, office supplies, and other recurring expenses needed in the usual and ordinary operation of the Village government and its several departments in a sum; not the exceed the appropriated amount for each such purchases.
 - (c) Supplies and miscellaneous equipment in a sum not to exceed the appropriated amount.
- (2) Approval of the Village Board shall be required for the following purchases:
- (a) Any purchase exceeding Ten Thousand Dollars (\$10,000.00);
 - (b) Any purchase which exceeds the budgeted amount or which would cause the particular appropriation account to be exceeded.
 - (c) Any purchase of equipment other than that for which an appropriation was made;
 - (d) Any purchase from a vendor has attempted to exert undue influence.
- (3) All purchases made on behalf of the Village shall be made with best interest of the Village in mind. Department heads shall whenever practicable, obtain competitive quotes from not less than two vendors for any purchases in excess of \$2,000.

SEC. 3-1-13 ACCOUNTS RECEIVABLE BILLING PROCEDURES.

Billings by the Village may be paid within thirty (30) days after billing without interest. Thereafter, interest shall be charged at the rate of one and one-half percent (1-1/2%) per month or any fraction thereof until paid. Any amounts not paid on or before November 15 of the year invoiced may be levied as a special charge whenever allowed by Sections 66.0627 or 66.0809, as applicable.

SEC. 3-1-14 ANNUAL AUDITS.

A firm of certified public accountants shall be employed each year by the Village Board to conduct a detailed audit of the Village's financial transactions and its books, and to assist the Clerk-Treasurer in the management of the Village's financial affairs, including the Village's public utilities. The auditors shall be employed on a calendar-year basis. The books audited shall include the Village Clerk-Treasurer's books, records of the Village's public utilities, Police Department records, and any other books of any boards, commission, officers or employees of the Village handling Village funds.

SUN PRAIRIE

City of Sun Prairie Purchasing Policy

Title: Purchasing Policy	
Policy Source: Finance Committee	Creation Date: 10/15/02
Application: Financial Management	Revision Date: 8/4/15, 2/6/18
Indexed as: Purchasing Policy	Total Pages: 9

1. General Policy and Purpose

The purchase of goods and services is a central function of the City of Sun Prairie. A fair, efficient and accountable purchasing process is vital to providing quality services and maximizing the value obtained for taxpayer dollars. It is the responsibility of all City employees and elected officials to ensure that purchases are made in the best interest of the City. The procedures outlined in this policy are intended to provide an effective and efficient means of meeting this goal.

2. Definitions

Sole Source – An item shall be considered sole source if there is only one vendor that supplies the item and there is no equivalent substitute. Items that are made by one manufacturer but sold through multiple vendors are not to be considered sole source.

- The item or service is only available from a single source;
- After competitive procurement solicitations, competition is determined to be inadequate;
- An alternate product or manufacturer would not be compatible with current products resulting in additional operating or maintenance costs;
- Standardization of a specific product or manufacturer will result in more efficient and economical operations;
- The purchase is from another governmental body;
- The item is being purchased through a cooperative purchasing arrangement such as the V.A.L.U.E. group, State bid list, or State of Wisconsin VendorNet.

Informal Quote – An informal quote may be obtained verbally or by examining published prices. When soliciting an informal quote, the department should maintain documentation of who provided the quote and when it was obtained.

Formal Quote – A formal quote must be supplied in writing. Formal quotes may be received by letter, fax or email. Documentation of the quote should be maintained throughout the purchasing process.

Formal Bid – A formal bid process requires that vendors provide sealed bids prepared in response to specifications provided by the City. The bids should be opened publicly and the documentation should be maintained throughout the purchasing process.

Surplus Property - City property may be declared surplus when it is no longer necessary, practical, or economical to be retained by the City.

3. Objectives

- To create a competitive, fair and ethical purchasing process that will ensure that the maximum value is obtained for every dollar expended;
- To allow the City to obtain quality goods and services that will allow for the provision of programs in a timely and effective manner;
- To establish a standardized purchasing process that will promote equity and efficiency;
- To provide adequate budgetary and cost controls;
- To conduct all purchasing in a manner which ensures equal opportunity and non-discrimination;
- To ensure that the entire purchasing process meets the highest ethical standard without conflict of interest or the appearance of impropriety.

4. Roles

- City Council – Approves the City budget, which allocates funds for all purchases. Council approval is required to change budget levels, authorize borrowing, acquire property, or to approve new programs.
- Mayor – Annually presents a balanced budget to the Council. If all the steps required by section 6 of this policy or state statute section 62.15 have been completed for the purchase of a good or service and a written contract is required to make that purchase, the Mayor is authorized to cosign contracts on the City's behalf. See resolution 18/XXX.
- Public Works Committee – According to state statute 62.15(1), "All public construction, the estimated cost of which exceeds \$25,000, shall be let by contract to the lowest responsible bidder; all other public construction shall be let as the council may direct." The Public Works Committee oversees the process of approving the award of public construction contracts in accordance with this statute. Public construction includes capital improvements such as street reconstruction, stormwater facilities, and municipal buildings.
- City Administrator – Approves purchases of materials, equipment and services in excess of \$25,000. This authority may be delegated to the Director of Administrative Services/Finance Director. The City Administrator may approve budget adjustments within departments. If all the steps required by section 6 of this policy or state statute section 62.15 have been completed for the purchase of a good or service and a written contract is required to make that purchase, the City Administrator is authorized to cosign contracts of up to \$25,000 on the City's behalf. See resolution 18/XXX.
- Finance Department – Oversees all City purchasing and monitors compliance with the City purchasing policy. Approves purchase orders for items in excess of \$2,500 and less than \$25,000 or as delegated by the City Administrator. Monitors expenditures in comparison to budgeted levels. If all the steps required by section 6 of this policy or state statute section 62.15 have been completed for the purchase of a good or service and a written contract is required to make the purchase, the Finance Director is authorized to cosign contracts on the City's behalf. See resolution 18/XXX.
- Department Heads – Department Heads or their designees are responsible for making necessary purchases for their departments within the confines of the City purchasing policy and approved budget. They are also responsible for receiving items and verifying that the terms of the purchase have been completed. Department Heads are also responsible for administering replacement plans within their area of authority.
- City Employees – Make purchases and receive items with the approval of their Department Head. All employees who are authorized to make purchases are responsible for following the City's purchasing policy and ensuring that purchases are made under the highest ethical standard.

5. Competitive Purchasing

In general, the City can obtain the highest quality goods and services at the lowest price by following a competitive purchasing process. It is City policy to obtain at least three price quotations from different suppliers prior to making a purchase. Exceptions to this requirement are allowed for in this policy only when it is in the best interest of the City. Potential exceptions include:

- Purchases for which there is only one (or two) supplier(s) [sole source products]
- Emergency purchases
- Purchases under \$2,500 from a supplier that has offered the best price and quality for a category of items based on periodic bids/proposals solicited by the City at least annually. The Finance Department will take the lead in researching and soliciting proposals for items that are used by multiple departments.
- Purchases made from the state bid list.
- Certain professional services where the City Administrator has waived the competitive bid requirement due to the quality of the firm and the service to be provided. Quotes from various vendors should be obtained periodically and should be one of the factors in selecting the vendor to perform the service.

6. Purchasing Requirements

The process for making purchases varies depending on the total cost of the purchase. The staggering of purchases or dividing purchases to intentionally evade this policy is strictly prohibited.

Purchase Cost	Authority Required	Purchasing Process	Competitive Requirement
Less than \$2,500	Department Director or Designee	Purchase Order/Procurement Card	Periodic quotes or 2 informal quotes
Over \$2,500 and less than \$25,000	Finance Department	Purchase Order/Procurement Card	3 formal quotes
Over \$25,000	City Administrator	Purchase Order/Procurement Card	Formal Bid Process

6.1 Purchases Under \$2,500

Purchases under \$2,500 may be made with the approval of City Department Heads or their designees. Whenever possible, at least two informal (verbal) price quotations must be obtained prior to making the purchase. Quotations are not required for items purchased from a vendor that has offered the best price and quality on a category of items based on periodic bids/proposals solicited by the City at least annually. Department Heads are responsible for monitoring all purchases made using this procedure to ensure that the City is receiving a high value for its expenditures. For items that are purchased regularly or by multiple departments, departments are encouraged to explore the possibility of cooperative purchasing or purchasing in bulk in order to reduce City costs.

6.2 Purchases of at least \$2,500 and under \$25,000

Purchases of at least \$2,500 and less than \$25,000 require the prior approval of the Finance Department. Department Heads or their designees are responsible for obtaining and documenting at least three formal (written) price quotations for the proposed purchase. This information is provided to the Finance Department along with a Request for Purchase Order. The request should also include a description of the item, the account number where it was budgeted and the vendor selected. If the

selected vendor does not offer the lowest price, the request should include an explanation of why another vendor is recommended.

The Finance Department reviews the request to determine compliance with the City's budget and purchasing policy. If approved, the Finance Department will issue a purchase order to the department. This purchase order should be used when making the purchase and the purchase order number must be written on the invoice when it is submitted for payment.

Equipment in excess of \$5,000 per unit is considered a major capital item and should be budgeted as part of a budget initiative or replacement plan. When purchased, the department should code the payment to the account number where the item was budgeted.

6.3 Purchases of \$25,000 and over

All other purchases of materials, equipment and services in excess of \$25,000 require the approval of the City Administrator prior to completing the purchase or signing the contract. In general the City requires an RFP process with at least three proposals for purchases of this size. The City Administrator may waive the bid or RFP requirement for professional services if he or she determines that it is the City's best interest.

Public construction projects with an estimated cost greater than \$25,000 require approval of the Public Works Committee and must be let by contract to the lowest responsible bidder as required in Wisconsin State Statute 62.15(1). Also per statute 62.15 the City Council may by a three-fourths vote provide by ordinance that any class of public construction project may be done directly by the city without submitting the project for bids.

Department Heads or their designees are responsible for conducting the public bid or RFP process and providing the results to the Finance Department. If a contract is required, the department will work with the City Attorney to draft a contract for signature by the Mayor or City Administrator. The contract will then be presented to the Common Council for approval. Then the department will prepare a Request for Purchase Order. The request should also include a description of the item, the account number where it was budgeted and the vendor selected. If the selected vendor does not offer the lowest price, the request should include an explanation of why another vendor was chosen.

7. Purchasing Issues

7.1 Discounts and Master Purchase Agreements

It is the City's policy to take advantage of vendor discounts for prompt payment whenever possible in order to minimize the cost of a purchase. Department Heads are responsible for determining if discounts are available and for working with the Finance Department to obtain the lowest price. Some vendors offer discounts for prompt payment. When possible, Departments can aid the City by approving invoices and submitting them for payment on the same day that the materials or services are provided.

Often, significant discounts are available to the City through master purchasing agreements. Under these agreements, vendors negotiate discounted prices with a municipality or organization and agree to offer the same prices to other municipalities. The Finance Department will seek to identify discount agreements and periodically review them to determine which vendors offer the best overall value for the City. Finance will then work with other departments to obtain the discounted pricing.

7.2 Collective Purchasing

Cooperative purchasing arrangements can result in significant savings by pooling purchasing power. It is the City's policy to utilize collective purchasing between City departments or with other units of government when savings can be obtained without sacrificing the quality or availability of the product or service.

The Finance Department shall have the authority to analyze the desirability of cooperative purchasing arrangements and make recommendations to Administration. The City Council encourages cooperative purchasing, but maintains the right to reject any such arrangements with other units of government.

7.3 Shipping and Freight Charges

It is the policy of the City to avoid paying shipping charges whenever possible. If the City is to pay shipping charges, it must be billed at the time of invoicing. Department Heads, when obtaining price quotations should inquire into applicable freight charges. Any charges to be paid by the City will be regarded as part of the price quotation when selecting the successful bidder. Unless otherwise stated in the "notice of call for bids", all formal bid proposals shall include freight and delivery charges, if any.

7.4 Receiving and Inspecting Items

Department Heads, or their designees, are responsible for receiving and inspecting all deliveries to their departments to ensure that items received conform to the specifications and quantities set forth in the purchase order. All deliveries should be thoroughly inspected to ensure that materials are received in satisfactory condition. If there are any discrepancies, the Department Head or designee should contact the vendor and resolve the issue before submitting the invoice for payment. When items are sent in multiple shipments, the department should clearly indicate which items have been received and accepted when approving the invoice for payment.

7.5 Submitting Items for Payment

Once the purchasing department has verified that the purchased items have been received in a satisfactory condition, the original invoice should be submitted to the Finance Department for payment. It is the City's policy to not pay from statements or photocopies of invoices. If it is not possible to obtain an original invoice, a faxed copy may be used if the Department Head verifies that the vendor has not already been paid for the item.

When submitting an invoice for payment, the Department Head or designee should indicate the amount to be paid, the account number it should be charged to, and initial and date the invoice. If it is not possible to obtain an invoice, a Check Requisition Form should be completed with the same information. In addition, the Department Head or designee should include a description of the item purchased and attach any supporting documentation. This form must be signed by the requesting employee, the Department Head and the Finance Department.

The Finance Department processes checks and issues payments to vendors. To be approved as a warrant by the City Council. At each regular City Council meeting, a list will be provided of all payments included in that payment cycle, identifying those that were issued by manual check and/or released for payment prior to Council meeting.

Whenever possible, invoices should be submitted to the Finance Department prior to the cut-off date for these warrants. The schedule of the warrants and cut-off dates will be provided by the Finance Department. Manual checks will be issued in between warrants only when it is not possible to include payment in the next warrant. Contractor payments will not be issued between warrants unless

required by the terms on the contract. All final retainage payments will be held until they have been presented to the City Council.

If a Council Member has concerns regarding payments to a particular vendor or class of vendors, he or she may request to review pending payments. Information would then be sent to all Council Members for a specified period to provide comments. If no comments are received during this period, the item may be released for payment. However, if an objection is raised during the comment period, the payment in question shall be held until the next regular City Council meeting.

7.6 Credit Card Purchases

The City maintains credit card accounts that may be used when it is impractical or inefficient to follow the normal payment process. The Finance Department maintains City credit cards that may be temporarily issued to City employees with the approval of their Department Head. Additional credit cards may be issued to City employees with the approval of the City Administrator.

Purchases made with credit cards must follow the normal purchasing guidelines and require the same approval process. After making a credit card purchase the Department Head or designee should code and initial the receipt and turn it into the Finance Department as soon as possible and prior to the next statement date. The Finance Department will verify the purchases and issue a check to the credit card company prior to the statement due date. City credit cards should not be used for personal purchases. It is City policy to avoid paying any credit card finance charges.

7.7 Internet Purchases

City employees may use the Internet to make purchases if they follow normal purchasing guidelines and the same approval process. Internet purchases are not permissible in situations where a sealed bid is required. Employees should only make purchases from vendors that they are familiar with and where there are appropriate safeguards to protect the City's interests. Whenever possible, Internet purchases should be charged to a City account and invoiced for payment. City credit cards may be used for Internet purchases when necessary, if the transaction is conducted through a secure connection. Any concerns regarding the security of the information should be directed to the Information Technology Department. The IT Director will have the final authority to determine if an Internet transaction provides sufficient security.

7.8 Petty Cash Account

The City maintains a petty cash account to expedite miscellaneous purchases and the payments of small bills when it is not practical to follow the City's normal payment procedures. Any City employee, with approval of his or her Department Head, may use the petty cash fund within the guidelines listed below. The petty cash fund should not be used a means to circumvent the normal purchasing process or to pay for personal services. The Finance Department is responsible for administering the petty cash funds and shall determine what is an appropriate use of the fund.

To be eligible for using the petty cash fund, the following requirements must be met:

- The item purchased must not be regularly stocked
- The purchase must not be from a vendor where the City maintains an active account
- The purchase price must not exceed \$25 (The Finance Department may waive this dollar amount in certain situations)

Petty Cash Procedure

Finance staff may take funds from the petty cash box and issue them to an approved employee. The employee must complete and sign a petty cash voucher indicating the amount withdrawn, the date, and the intended purchase. Once the purchase has been made, the employee must turn in the receipt and any change to the Finance staff. The petty cash voucher will be completed by listing the purchase price, change returned and the account number to code the purchase. The Finance staff initials the completed voucher.

7.9 Employee Reimbursements

Generally, employees should avoid making City purchases with their own funds. If the need arises to purchase an item for the City with personal funds, the employee must submit the receipt and an Expense Reimbursement Form to the Finance Department. This form should include a detailed listing of the items purchased and must be signed by the employee to be reimbursed, his or her Department Head and the Finance Department. Once approved, a reimbursement will be made through the next payroll process. It is the responsibility of the employee making the purchase to ensure that any available discounts are applied and that sales tax is not included.

7.10 Equal Opportunity/Non-Discrimination

The City of Sun Prairie endorses and actively supports equal opportunity and a nondiscrimination policy. Therefore, it shall be a City requirement that all potential bidders be provided with equal opportunity to submit bids and to compete on an equal basis for City business.

All purchase orders and contracts to which the City of Sun Prairie is a party, shall contain a nondiscrimination in employment cause which provides:

“The vendor agrees that in performing under this purchase order with the contracting municipality, he/she shall not discriminate against any worker, employee or applicant, or any member of the public because of race, creed, color, national origin, handicap or sex. The vendor further agrees that this clause will be incorporated in all contracts entered into with suppliers of materials or services who may perform any such labor or services in connection with this contract.”

8. Exceptions to Routine Purchasing Procedures

8.1 Emergency Purchases

Emergency purchasing procedures should be used only when normal purchasing channels are not available. Emergency purchases may be made:

- When there is need for immediate delivery of items.
- To prevent delays in work or construction schedules.
- When there is an immediate threat to public health or safety, or
- To meet emergencies rising from unforeseen causes.

For emergency purchases under \$2,500, the normal purchasing procedures should be followed. However, for emergency purchases over \$2,500, the Department Head should take the following steps:

- If an emergency purchase is needed during regular working hours, notify the City Administrator and obtain approval prior to making the purchase.

- If an emergency purchase is needed after regular working hours or on a holiday, Department Heads (or their authorized designees) may authorize the purchase.
- A purchase requisition form together with a written explanation of the emergency must be prepared and forwarded to the Finance Department within two (2) working days after making the purchase.

8.2 Blanket Purchase Orders

Blanket purchase orders are used for those vendors from whom many repetitive purchases are made as supplies are required. Rather than issue a purchase order form for each purchase, one order is issued for a specified period (e.g., month) to cover all purchases made during that period. Blanket purchase orders will be limited to a term of one year.

Materials and services for which blanket purchase orders are used will be determined by each Department Head and approved by the Finance Department. (NOTE: If it is found that the same small items are frequently purchased under blanket purchase orders, the Department Head shall be responsible for exploring the possibility of purchasing and stocking of these items).

When requesting the issuance of a blanket purchase order, the Department Head should obtain price quotations on representative items from at least three vendors. The Department Head should then prepare a written request for the Finance Department that includes:

- The need for blanket purchase order
- The suggested vendor
- The suggested term of blanket order (e.g., 1 month, 6 months)
- The maximum amount of purchases to be made under the blanket order
- The total amount budgeted for such purchases.

The Finance Department will review the request and check the budget to verify that adequate funds are budgeted and available. Based on this information, the Finance Department shall indicate approval or denial of the request. If the request is approved, the Finance Department will issue a purchase order number that should be used when ordering any items under the blanket purchase order. The Department Head should include this number when the invoices are submitted for payment. Before a new blanket purchase order is issued, the Department Head should obtain competitive price quotations from alternate vendors.

9. Surplus Property Policy

City property is declared surplus when it is no longer necessary, practical, or economical to be retained by the City. Department Heads are responsible for identifying surplus items in their departments and arranging for their sale or disposal. Items may be sold prior to end of their useful life if it is determined that it is in the City's best interest to take advantage of the current salvage value of the item. If an item is sold or donated, City employees should not receive preferential access compared to the general public. The City Administrator has the authority to approve or deny the proposed use or sale of surplus property.

Once a Department Head has identified surplus property, he or she should determine if the item is of use to another department. If the surplus property has no further economic use to the City, the Department Head should determine the best disposal method and forward a recommendation to the City Administrator. Upon the City Administrator's approval, the Department Head should proceed with the disposal and provide the Finance Department with a description of the item, the quantity disposed of, and the sale price. This policy does not apply to the disposal of abandoned property acquired through police or statutory action.

WATERTOWN

RESOLUTION

**Sponsor: Mayor Smith
From: Finance Committee**

WHEREAS, it was deemed desirable to establish a Purchasing Policy for the various departments in the City of Watertown; and

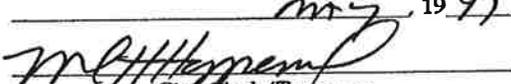
WHEREAS, each Department had input to a proposed policy; and

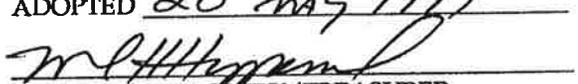
WHEREAS, the Finance Committee has reviewed the policy as proposed, made necessary amendments, and had these reviewed again by the Department Heads; and

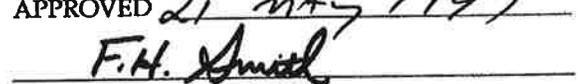
WHEREAS, each of these groups is now satisfied with the proposed plan.

NOW, THEREFORE, BE IT RESOLVED, that the attached Purchasing Policy be adopted by the Common Council of the City of Watertown and that it be in effect immediately upon passage of this resolution.

This is to certify that I have compared the attached copy with the original record now on file in my office and that the same is a correct transcript thereof and of the whole thereof. In Testimony Whereof, I have hereunto subscribed my name and affixed the seal of the City of Watertown this 21ST day of May, 1997.


City Clerk/Treasurer

ADOPTED 20 MAY 1997

CITY CLERK/TREASURER

APPROVED 21 MAY 1997

MAYOR

CITY OF WATERTOWN

POLICY / PROCEDURE

SUBJECT: PURCHASING POLICY	ISSUED: May 6, 1997	RES. NO.: 6102
	SUPERSEDES: None	PAGE: 1 OF: 4

1. **LEGISLATIVE INTENT**

The purpose of this policy is to give guidance and standardization to the process of purchasing goods and services. This policy has four routes possible. The first is to purchase professional services. The second is to purchase goods and services for Public Works projects as defined by the Wisconsin Statutes. The other two include determining if an item is specifically budgeted or not. A flow chart of the following procedure is attached for graphic presentation of this process. Wisconsin Statutes Section 66.044 allows for this alternative purchasing procedure, which is adopted except as modified herein. Nothing in this policy, either expressed or implied, gives any Department Head authority to over expend their Department budget. Nor is any Department authorized to over expend any line item without Council approval. No authority is implied to authorize a purchase to be made from an account other than where it normally would be charged without Committee or Council approval. Nothing in this policy prevents a Department Head from sending a purchase to a Council Committee for review even if not required.

2. **DEFINITIONS USED IN THIS POLICY**

- a) *Capital Works Projects* - See Wisconsin State Statutes Section 62.15 and 66.29.
- b) *Bids* - A formal process that involves publication of the fact that the City wants vendors to respond to a set of written specifications in a formal manner. The City may use a prequalification process. The City accepts the lowest qualified bid, or rejects all bids.
- c) *Committee* - Means the appropriate Council Committee for approving the purchase.
- d) *Emergency Situation* - Any situation in which life or property is at risk unless some action is taken or the capacity of a city department to function efficiently is substantially affected.
- e) *Normal Operating Expense* - An expense that is made on a consistent basis annually or more frequently, i.e. purchase of tires, vehicle repairs, paper, etc. These purchases are necessary for the routine operation of the Department.

CITY OF WATERTOWN

POLICY / PROCEDURE

SUBJECT: <p style="text-align: center;">PURCHASING POLICY</p>	ISSUED: <p style="text-align: center;">May 6, 1997</p>	RES. NO.: <p style="text-align: center;">6102</p>
	SUPERSEDES: <p style="text-align: center;">None</p>	PAGE: 2 OF: 4

- f) *Not Within Budget Authorization* - Defined as either; a) an expense that is not specifically listed in the approved budget document, or b) exceeds the approved budget amount.

- g) *Obtain Quotes* - An attempt will be made to get a minimum of three (3) quotes. Each quote will include all charges for the service/material to include set-up, transportation, etc. If less than three (3) quotes are obtained, a record of the reason will be kept. A standardized quote form will be used.

- h) *Qualification Based Selection Process* - A selection process whereby the Department selects a particular vendor, usually of professional services, based on predetermined criteria and negotiates a contract with this vendor. This process is outlined and supported by the American Institute of Architects.

- i) *Quotes* - A process that asks vendors to respond to either written and/or verbal specifications by procedures established by the City. This process may require the vendor to respond in written format or verbally as the department deems appropriate. Negotiations may continue after review of the proposal. The City reserves the right to select the vendor that is in the best interest of the City.

3. PROCESS

The purchasing process involves a four prong approach. Answers to these questions will determine which route will be taken.

- a) Is the expense a purchase of professional services? If "no", refer to 3(b). If "yes" is expense over \$10,000? If "no" refer to Council Committee for approval. If "yes" use qualification based selection process and refer to Council Committee for recommendation with Council approval.

- b) Is the purchase a Public Works project as defined by Wisconsin Statutes Section 62.15 and 66.29? If "yes" refer to Section 4. If "no" refer to 3(c).

- c) Is expenditure within budget authorization? If "yes" refer to section 5. If "no" refer to 3(d).

CITY OF WATERTOWN

POLICY / PROCEDURE

SUBJECT: <p style="text-align: center;">PURCHASING POLICY</p>	ISSUED: <p style="text-align: center;">May 6, 1997</p>	RES. NO.: <p style="text-align: center;">6102</p>
	SUPERSEDES: <p style="text-align: center;">None</p>	PAGE: 3 OF: 4

d) Is expenditure a normal operating expense? If "yes" the Department Head makes the purchase. If "no" refer to section 6.

4. A PUBLIC WORKS EXPENDITURE

Wisconsin State Statutes Section 62.15 and 66.29 will help define whether this is the appropriate procedure for these purchases. If this expense does not fall within these statutes, please refer back to section 3(c).

- a) Is expenditure greater than \$10,000? If "yes" follow a formal bid process to include publication and formal written specifications. The Committee and Council will approve. If "no" refer to 4(b).
- b) Is expense between \$5,000 and \$10,000 inclusive? If "yes" Committee reviews contract and approves subject to City Attorney review and publication of intent to contract. If "no" refer to 4(c).
- c) Department Head obtains quotes and determines if expense is within budget authorization. If "yes" Department Head enters into contract after City Attorney review. If "no" these quotes are forwarded to the Committee for their approval.

5. EXPENSE WHICH IS WITHIN BUDGET AUTHORIZATION

- a) Is expense less than \$5,000? If "yes" Department Head obtains quotes and makes purchase. If "no" refer to 5(b).
- b) Is expense less than \$10,000? If "yes" Department Head obtains quotes and Committee approves purchase. If "no" Department Head obtains quotes and presents these quotes to the appropriate Council Committee for a recommendation and subsequent Council approval.

CITY OF WATERTOWN

POLICY / PROCEDURE

SUBJECT: PURCHASING POLICY	ISSUED: May 6, 1997	RES. NO.: 6102
	SUPERSEDES: None	PAGE: 4 OF: 4

6. AN EXPENSE THAT IS NOT WITHIN BUDGET AUTHORIZATION

- a) Is expense an overrun of the budget amount? If "yes" refer to (6)(a)(1). If "no" refer to 6(b).
1. Is expense within the lesser of 20% of budget amount or \$1,000? If "no" Committee recommends and Council approves purchase. If "yes" refer to 6(a)(2).
 2. Is account under budget? If "yes" Department Head obtains quotes and makes purchase after review by Mayor. If "no" Committee recommends and Council approves purchase.
- b) Is expense due to an emergency situation? If "yes" Mayor and Department Head make purchase or arrange for rental of equipment if available and/or appropriate. Resulting requests for supplemental appropriations and fund transfers shall be directed to the Finance Committee for recommendation and Council approval. If "no" refer to 6(b)(1).
1. Is expenditure normal operating? If "yes" Department Head makes purchase. If "no" refer to 6(b)(2).
 2. Is expense less than \$1,000? If "yes" Department Head obtains quotes and makes purchase after review by Mayor. If "no" refer to 6(b)(3).
 3. Is expense less than \$10,000? If "yes" Department Head obtains quotes and submits to Committee for their review and approval. If "no" Department Head obtains quotes and submits to Committee for their recommendation for subsequent Council approval.

RESOLUTION

Sponsor: Mayor Smith
From: Finance Committee

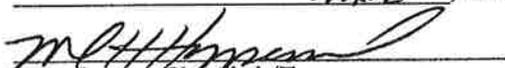
WHEREAS, it was deemed desirable to modify paragraph 5 (b) of the City Purchasing Policy to allow Finance Committee approval of used car purchases that are within the budget authorization; and

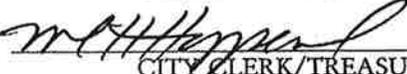
WHEREAS, the Finance Committee has reviewed the proposed modification and recommends approval.

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the City of Watertown that paragraph 5 (b) of the City Purchasing Policy is modified to read as follows:

- b) Is expense less than \$10,000 or a used vehicle purchase? If "yes" Department Head obtains quotes and Committee approves purchase. If "no" Department Head obtains quotes and presents these quotes to the appropriate Council Committee for a recommendation and subsequent Council approval.

This is to certify that I have compared the attached copy with the original record now on file in my office and that the same is a correct transcript thereof and of the whole thereof. In Testimony Whereof, I have hereunto subscribed my name and affixed the seal of the City of Watertown this 17th day of mar, 1999.


City Clerk/Treasurer

ADOPTED 16 MARCH 1999

CITY CLERK/TREASURER

APPROVED 17 MARCH 1999

MAYOR

**A RESOLUTION TO REAUTHORIZE THE SEPTEMBER 16, 2014 RESOLUTION
AMENDING THE MAY 21, 1997 RESOLUTION KNOWN AS,
“PURCHASING POLICY,”
CREATING PARAGRAPH 5(C) OF THE CITY PURCHASING POLICY,
“TAXPAYERS BENEFIT”**

Sponsor: Ald. Ken Berg
Committee: Public Works Commission

WHEREAS, many “local businesses” in the City of Watertown are struggling financially for a variety of reasons, some of which are local economic factors or conditions unique to our City; and,

WHEREAS, The City of Watertown has a fiduciary responsibility entrusted with the care of tax monies and property of the Citizen Taxpayers of Watertown, and the conduct of good government to ensure and promote the economic viability of the City; and,

WHEREAS, citizens directly gain a Taxpayers Benefit by having local businesses prosper. These businesses contribute to the City’s property tax base, provide local employment, and contribute to the overall economic prosperity and vitality of the City which in turn attracts other new business; and,

WHEREAS, buying locally promotes a sense of community, since most people who work at local businesses live locally. Therefore, buying from these businesses, helps your neighbors keep their jobs, which benefits the whole community; and,

WHEREAS, in consideration of the aforesaid, it is deemed desirable to modify paragraph 5 of the City Purchasing Policy in accordance with the initiatives stated herein to allow approval of expenditures for the purchase of goods and services within budget authorization after application of the Tax Payer Benefit Deduct as described below; and,

WHEREAS, the Public Works Commission previously recommended, and, the Common Council adopted, the same purchasing policy as effected herein, which was in effect from September 16, 2014 through September 16, 2016; and,

WHEREAS, the Public Works Commission has reviewed the foregoing proposed modification and recommends reauthorization and approval;

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the City of Watertown that paragraph 5(c) of the City Purchasing Policy is created to read as follows:

- * * *
- SECTION 1.**
- 5. EXPENSE WHICH IS WITHIN BUDGET AUTHORIZATION**
- * * *

c) That with respect to every expense constituting a purchase of any good or service that is not subject to Wis. 62.15(1), Stats., wherein, additionally, such expenditure to result from the purchase is within budget authorization as required under the May 6, 1997 Purchasing Policy herein, and otherwise conforms to the procedure under paragraphs 5 a) and b) above, the competitive bidding, award and all procedures administered in connection therewith shall conform as follows when one or more local businesses participate in the competitive process:

1. Include in the bid solicitation and any other procurement document or communication notice in substantially the following form: *"It should be noted that the City of Watertown has a local bidders benefit policy, the details of which may be obtained from the City Clerk's office."* The policy, generally known as the Taxpayer Benefit, will be used in the evaluation of bids or quotes, along with unit costs to be applied under the local bidder's benefit formula as described below.
2. On the bid or quote summary for each local business competitor list first the base bid or quote amount. On a separate line item labeled "Taxpayers Benefit" list an amount calculated at 1.5% of the local competitor's base bid or quote which is then deducted to establish the cumulative total for Bid or Quote Comparison Amount. For competitive bids or quotes under \$5,000.00 being solicited, the Taxpayer Benefit Deduct shall be 2%, while all competitive bidding or quotes of \$5,000.00 or more shall have a Taxpayer Benefit Deduct of 1.5% of the local competitor's base bid or quote. Where one or more local businesses are competing for the successful bid or quote, the lowest responsible bid or quote shall prevail. In addition, where the local business competes with a business that is not a local business in a bid or quote process, the lowest responsible bid or quote shall prevail, after the Taxpayer Benefit Deduct has been applied.

(EXAMPLE ONLY):

BIDDERS	AMOUNT
Watertown Cars	Base Bid
	\$55,000.00
	1.5% Taxpayer Benefit Deduct
	\$825.00
	Bid Comparison Amount
	\$54,175.00
A QUOTE	AMOUNT
Watertown painting services proposal	Base Quote
	\$4,295.00
	2% Taxpayer Benefit Deduct
	\$85.90
	Quote Comparison Amount
	\$4,209.10
* * *	

SECTION 2. For the purposes of this Resolution, a "local business" shall mean a business organized under the laws of the State of Wisconsin as confirmed by records maintained by the Wisconsin Department of Financial Institutions and physically situated within the corporate limits of the City of Watertown.

SECTION 3. The Resolution adopting the City Purchasing Policy issued May 6, 1997 and all provisions thereof shall remain in full force and effect in all respects thereunder subject only to the aforescribed amendment offered under this, the February 21, 2017 Resolution reauthorizing the September 16, 2014 Resolution amending the City Purchasing Policy issued May 6, 1997.

SECTION 4. This City purchasing policy known as the "Taxpayers Benefit" shall not apply to any purchase reliant in whole or part upon State or federally regulated, encumbered, or, otherwise sourced, funding.

[END]

This is to certify that I have compared the attached copy with the original record now on file in my office and that the same is a correct transcript thereof and of the whole thereof. In Testimony Whereof, I have hereunto subscribed my name and affixed the seal of the City of Watertown this 9th day of Feb, 2017.

Cynthia D. Ryzneck
City Clerk/Treasurer

ADOPTED Feb. 21, 2017
Cynthia D. Ryzneck
CITY CLERK/TREASURER
APPROVED Feb. 21, 2017
John David
MAYOR

Item 5A

Dawn Gunderson to provide hand-outs as early as possible, may be at the committee start time.

Item 5C

Reports for Districts 2, 3 & 4 consist of
a one page project summaries and
the draft audit findings for the same

District: TIF 2

Start Year: 1-Jan-11 Last Year Proj Costs 21-Jul-33 Last Year Increment 2039

	Year	Income Fund Source	Expenses Use of Funds	Over/(Under) Revenue	Over/(Under) TIF Life
ACTUAL	2011	\$ 1,000	\$ 23,110	\$ (22,110)	\$ (22,110)
	2012	\$ 1,000	\$ 83,986	\$ (82,986)	\$ (105,096)
	2013	\$ 997,439	\$ 1,211,314	\$ (213,875)	\$ (318,971)
	2014	\$ 9,121	\$ 209,288	\$ (200,167)	\$ (519,138)
	2015	\$ 1,800	\$ 314,413	\$ (312,613)	\$ (831,751)
	2016	\$ 706	\$ 301,700	\$ (300,994)	\$ (1,132,745)
	2017	\$ 525,672	\$ 197,900	\$ 327,772	\$ (804,973)
	2018	\$ 933,660	\$ 196,416	\$ 737,244	\$ (67,729)
	2019	\$ 1,162,915	\$ 148,233	\$ 1,014,682	\$ 946,953
PROJECTED	2020	\$ 236,302	\$ 129,931	\$ 106,371	\$ 1,053,324
	2021	\$ 306,534	\$ 130,000	\$ 176,534	\$ 1,229,858
	2022	\$ 307,586	\$ 130,000	\$ 177,586	\$ 1,407,444
	2023	\$ 308,646	\$ 130,000	\$ 178,646	\$ 1,586,090
	2024	\$ 309,714	\$ 90,019	\$ 219,695	\$ 1,805,785
	2025	\$ 310,789	\$ 89,505	\$ 221,284	\$ 2,027,069
	2026	\$ 311,873	\$ 158,581	\$ 153,292	\$ 2,180,361
	2027	\$ 312,965	\$ 158,581	\$ 154,384	\$ 2,334,745
	2028	\$ 314,065	\$ 158,581	\$ 155,484	\$ 2,490,229
	2029	\$ 315,173	\$ 158,581	\$ 156,592	\$ 2,646,821
	2030	\$ 316,289	\$ 158,581	\$ 157,708	\$ 2,804,529
	2031	\$ 317,414	\$ 158,581	\$ 158,833	\$ 2,963,362
	2032	\$ 318,548	\$ 158,581	\$ 159,967	\$ 3,123,329
	2033	\$ 319,690	\$ 158,581	\$ 161,109	\$ 3,284,438
	2034	\$ 320,840	\$ 26,581	\$ 294,259	\$ 3,578,697
	2035	\$ 321,999	\$ 26,581	\$ 295,418	\$ 3,874,115
	2036	\$ 323,167	\$ 26,581	\$ 296,586	\$ 4,170,701
	2037	\$ 324,343	\$ 26,581	\$ 297,762	\$ 4,468,463
	2038	\$ 325,529	\$ 26,581	\$ 298,948	\$ 4,767,411
2039	\$ 325,529	\$ 26,581	\$ 298,948	\$ 5,066,359	

Parcels in TIF 2: 575 W Madison St, Hawthorne & Stone,

TOTALS THRU 2019 \$ 3,633,313 \$ 2,686,360 \$ 946,953

Notes:

- 2013-Debt Issuane-State Trust Fund Loan - (900K), RR Donn Income - (94 K)
- 2013- Developer and Cap Expense (1.06 m) - H & S, RR Donnelly Bldg
- 2014- Debt payment (104 K), Cap Exp- H& S (52 K)
- 2015- Debt payment (104 K), Monroe St Apt (150 K), Other Façade Grants (52 K)
- 2016-Debt Payment (104 K), Canal & Riverwalk (195 K)
- 2017-TIF 1 Subsidy (404 K), Tax Increment (46 K0, Developer Agreement (74 K)
- 2017-Debt Payment (104 K), 203 E Madison (49 K), Riverwalk (25 K)
- 2018-TIF 1 Subsidy (789 K), Tax Increment (61 K), Flood Grant (22 K), Dev Agree (62 K)
- 2018-Debt Payment (104 K), Redsicover Bldg Imp/HVAC (71 K), CDA (6 K)
- 2019-WEDC Grant (522 K), Dev Agree (61 K), TIF 1 (522 K), Tax Increment (44 K), Impact Fee's (6 K)
- 2019-Debt Payment (104 K), CDA (25 K)

CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 2
Waterloo, Wisconsin

COMPILED
FINANCIAL STATEMENTS

Including Accountants' Compilation Report

As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

DRAFT

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 2**

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ACCOUNTANTS' COMPILATION REPORT

To the City Council
City of Waterloo
Waterloo, Wisconsin

Management is responsible for the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments and Historical Summary of Sources, Uses, and Status of Funds of the City of Waterloo's Tax Incremental District No. 2 ("district") as of and for the year ended December 31, 2019 and from the date of creation through December 31, 2019, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the *Accounting and Review Services Committee* of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

As discussed in Note 1, the financial statements present only the transactions of the district and do not purport to, and do not, present fairly the financial position of the City of Waterloo as of December 31, 2019, the changes in its financial position, or, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economical, or historical context.

Madison, Wisconsin
March 6, 2020

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
BALANCE SHEET
As of December 31, 2019

	Capital Projects Fund
ASSETS	
Cash and investments	\$ 946,953
Taxes receivable	<u>51,248</u>
TOTAL ASSETS	<u>\$ 998,201</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Deferred Inflows of Resources	
Unearned revenue	\$ <u>51,248</u>
Fund Balance	
Restricted	<u>946,953</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 998,201</u>

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

	<u>Year Ended</u>	<u>From Date of Creation</u>
PROJECT COSTS		
Capital expenditures	\$ -	\$ 537,152
Developer incentives	-	1,019,414
Professional services - planning, engineering, other	44,883	509,695
Interest and fiscal charges	<u>13,110</u>	<u>106,539</u>
Total Project Costs	<u>57,993</u>	<u>2,172,800</u>
PROJECT REVENUES		
Tax increments	43,357	151,855
Exempt computer aid	783	5,662
Intergovernmental grants	530,082	551,862
Subsidy from TIF No. 1	522,147	1,716,472
Sale of property	-	1,100
Developer guarantees	60,552	194,638
Miscellaneous revenues	<u>5,994</u>	<u>111,724</u>
Total Project Revenues	<u>1,162,915</u>	<u>2,733,313</u>
NET COST TO BE RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS – DECEMBER 31, 2019		
	<u>\$ (1,104,922)</u>	<u>\$ (560,513)</u>
RECONCILIATION OF RECOVERABLE COSTS		
G.O. debt		\$ 386,440
Less: Fund balance		<u>(946,953)</u>
NET COST TO BE RECOVERABLE THROUGH TAX INCREMENTS – DECEMBER 31, 2019		
		<u>\$ (560,513)</u>

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

	<u>Year Ended</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Tax increments	\$ 43,357	\$ 151,855
Exempt computer aid	783	5,662
Intergovernmental grants	530,082	551,862
Subsidy from TIF No. 1	522,147	1,716,472
Sale of property	-	1,100
Developer guarantees	60,552	194,638
Miscellaneous revenues	5,994	111,724
Long-term debt issued	-	900,000
Total Sources of Funds	<u>1,162,915</u>	<u>3,633,313</u>
USES OF FUNDS		
Capital expenditures	-	537,152
Developer incentives	-	1,019,414
Professional services - planning, engineering, other	44,883	509,695
Interest and fiscal charges	13,110	106,539
Principal on long-term debt	<u>90,240</u>	<u>513,560</u>
Total Uses of Funds	<u>148,233</u>	<u>2,686,360</u>
Excess of sources of funds over uses of funds	1,014,682	946,953
BEGINNING FUND BALANCE (DEFICIT)	<u>(67,729)</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 946,953</u>	<u>\$ 946,953</u>

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Waterloo's Tax Incremental District No. 2 (the "district") conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Waterloo has implemented accounting principles generally accepted in the United States of America to the extent they apply in determining the scope of the activity of Tax Incremental District No. 2. The accompanying financial statements reflect all the significant operations of the City of Waterloo's Tax Incremental District No. 2. The accompanying financial statements do not include the full presentation of the City of Waterloo.

A. DESCRIPTION OF FUND STRUCTURE AND LONG-TERM DEBT

This report contains the financial information of the City of Waterloo's Tax Incremental District No. 2. The summary statements were prepared from data recorded in the following fund and the city's long-term debt:

Capital Projects Fund

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

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

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

The statutes allow the district to collect tax increments until the net project cost has been fully recovered, or until 27 years after the creation date, whichever occurs first. Project costs uncollected at the dissolution date are absorbed by the City of Waterloo. Project costs may be incurred up to five years before the unextended termination date of the district.

Original Project Plan

	Creation Date	Last Date to Incur Project Costs	Last Year to Collect Increment
TID No. 2	January 1, 2011	July 21, 2033	2039

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. DESCRIPTION OF FUND STRUCTURE AND LONG-TERM DEBT (cont.)

Plan Amendment

	Adoption Date	Last Date to Incur Project Costs
TID No. 2	December 5, 2013	July 21, 2033

B. BASIS OF ACCOUNTING

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

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

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

C. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. MEASUREMENT FOCUS

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

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. PROJECT PLAN BUDGET

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

F. LONG-TERM DEBT

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

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

G. CLAIMS AND JUDGMENTS

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

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

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

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

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

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 3 – LONG-TERM DEBT

A. GENERAL OBLIGATION DEBT

All general obligation notes and bonds payable are backed by the full faith and credit of the City of Waterloo. Notes and bonds borrowed to finance the district's expenditures will be retired by tax increments accumulated by the district. If those revenues are not sufficient, payments will be made by future tax levies.

Title of Issue	Date of Issue	Due Date	Interest Rate	Original Indebtedness	Repaid	Balance 12-31-19
State Trust Fund Loan	07/01/13	05/15/23	2.75%	\$ 900,000	\$ 513,560	\$ 386,440

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

Calendar Year	Principal	Interest	Totals
2020	\$ 92,693	\$ 10,656	\$ 103,349
2021	95,271	8,078	103,349
2022	97,891	5,458	103,349
2023	100,585	2,766	103,351
Totals	\$ 386,440	\$ 26,958	\$ 413,398

NOTE 4 – INCREMENT SHARING

As allowable under TIF statutes, the district may share positive TIF increments. In 2011, the common council and joint review board approved sharing increments from TIF District No. 1 (donor district) to TIF District No. 2 (donee district). Transfers will be reflected as recoverable costs in the donor district, and as project revenues in the donee district. Transfers were approved to begin in 2012. TIF increment sharing is valid for the life of the donor district or the recipient district, whichever date comes first, and the life of the donor district may not be extended. Transfers between districts are subject to various conditions in the statutes. Transfers started in 2017, and during 2019 additional transfers of \$522,147 were made, bringing the total to \$1,716,472.

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 5 – GUARANTEED REVENUE

In 2013, the city acquired multiple parcels (“properties”) for \$1 as part of one transaction with the WP Carey Corporation. The bulk of the acreage is located in TIF No. 2 with two parcels located adjacent to TIF No. 2 or within a ½ mile radius of TIF No. 2. The property owner, WP Carey Corporation, was thirteen years into a seventeen year lease-back arrangement with the RR Donnelley Corporation, the lease-holder.

Both corporations were seeking to exit the city. Provisions in the long-term lease-back arrangement permitted a “one-time only, all-in-one” sale of the properties during the term of the lease. As such, a sale could only occur if all of the properties were sold in one transaction.

During 2013, the city purchased the properties for \$1. The properties had been sitting vacant in the city for numerous years with no interested buyers until the city offered to buy the properties in one transaction and break them into separate components. The city purchased the property with the intent to divide it into six (6) components and sell to developers to generate additional tax base in TIF No. 2, as well as create additional jobs in the city.

The following are the six property components and the status as of December 31, 2019:

1. Warehouse 1 was sold to a local business for \$1 in 2013.
2. Warehouse 2 was also sold to a local business for \$1 in 2013.
3. Warehouse 3 (275 S. Jackson) was sold to a recycling company in 2013 for approximately \$8,400.
4. The Corporate Office (575 W. Madison) was sold in January 2014 for \$1.
5. The parking lot (217 N. Monroe) which was the last piece of property was sold during March 2016 for \$1.
6. The Printing Plant (333 W. Madison) was sold in December 2014 for \$1.

The city entered into a developer agreement with Hawthorn & Stone, Inc. on June 25, 2013. For each revenue year beginning with revenue year 2016, the developer guarantees that the tax increment generated by the parcel during the revenue year should equal or exceed the guaranteed TIF revenue for the revenue year. If the city receives less than the guaranteed TIF revenue for the revenue year then the developer shall pay to the city an amount equal to the difference. This difference equated to \$73,725 in 2017, \$60,361 in 2018, and \$60,552 in 2019, and was paid in full to the district by year-end. Any developer subsidy not paid will bear an interest rate of 6.0% per year until paid. As a part of the developer agreement, the developer shall also employ not less than three (3) full time employment positions at the facilities. The original developer agreement was amended in 2018 which resulted in changes to the developer guaranteed amounts.

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 5 – GUARANTEED REVENUE (cont.)

On December 11, 2013, the city entered into a developer agreement with Lang Group, LLC relating to the corporate office at 575 W. Madison Street. For each revenue year beginning with revenue year 2016, the developer guarantees that the tax increment generated by the parcel during the revenue year should equal or exceed the guaranteed TIF revenue for the revenue year. If the city receives less than the guaranteed TIF revenue for the revenue year then the developer shall pay to the city an amount equal to the difference. Any developer subsidy not paid will bear an interest rate of 18.0% per year until paid. No shortfall payments have been required on this agreement.

On March 23, 2015, the city entered into a developer agreement with Movin' Out Waterloo MM, LLC relating to 217 N. Monroe Street. As part of the agreement for each revenue year beginning with revenue year 2018, the developer guarantees that the tax increment generated by the parcel during the revenue year should equal or exceed the guaranteed TIF revenue for the revenue year. If the city receives less than the guaranteed TIF revenue for the revenue year then the developer shall pay to the city an amount equal to the difference. Any developer subsidy not paid will bear an interest rate of 18.0% per year until paid. No shortfall payments have been required on this agreement.

NOTE 6 – DEVELOPER PAYMENTS

As part of the amended developer agreement with Hawthorn & Stone, Inc., the city promises to pay the developer, subject to certain terms and conditions, the amount of \$1,182,362. The city is obligated to make these payments before September 30 of each Revenue Year, commencing with Revenue Year 2024. The obligation ceases upon the earlier of (i) the expiration of the term of the TIF district, or (ii) payment of the sum of \$1,182,362. The city paid out an \$800,000 contribution related to this agreement during 2013.

The city paid a \$150,000 contribution to Movin' Out Waterloo MM, LLC during 2015 which was derived from the proceeds of a WEDC grant.

The city paid a \$69,414 contribution to Rediscovered LLC during 2018 which was derived from the proceeds of a WEDC grant.

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
DETAILED SCHEDULE OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2019

	2011	2012	2013	2014	2015	2016	2017	2018	2019	Totals	Project Plan Estimate
SOURCES OF FUNDS											
Tax increments	\$ -	\$ -	\$ 1,976	\$ -	\$ -	\$ -	\$ 45,628	\$ 60,894	\$ 43,357	\$ 151,855	\$ 6,662,540
Exempt computer aid	-	-	1,053	803	798	706	754	765	783	5,662	-
Intergovernmental grants	-	-	-	-	-	-	-	21,780	530,082	551,862	-
Investment income	-	-	-	-	-	-	-	-	-	-	106,054
Subsidy from TIF No. 1	-	-	-	-	-	-	404,465	789,860	522,147	1,716,472	900,000
Sale of property	-	-	-	-	-	-	1,100	-	-	1,100	-
Developer guarantees	-	-	-	-	-	-	73,725	60,361	60,552	194,638	-
Miscellaneous revenues	1,000	1,000	94,410	8,318	1,002	-	-	-	5,994	111,724	1,000
Long-term debt issued	-	-	900,000	-	-	-	-	-	-	900,000	2,645,000
Total Sources of Funds	1,000	1,000	997,439	9,121	1,800	706	525,672	933,660	1,162,915	3,633,313	10,314,594
USES OF FUNDS											
Capital expenditures	1,491	-	208,221	51,744	2,263	194,997	76,056	2,380	-	537,152	1,830,000
Developer incentives	-	-	800,000	-	150,000	-	-	69,414	-	1,019,414	3,340,000
Professional services - planning, engineering, other	21,619	83,986	203,093	54,194	58,800	3,353	18,495	21,272	44,883	509,695	338,793
Interest and fiscal charges	-	-	-	17,427	22,388	20,216	17,874	15,524	13,110	106,539	1,327,091
Principal on long-term debt	-	-	-	85,923	80,962	83,134	85,475	87,826	90,240	513,560	2,645,000
Total Uses of Funds	23,110	83,986	1,211,314	209,288	314,413	301,700	197,900	196,416	148,233	2,686,360	9,480,884
FUND BALANCE – DECEMBER 31, 2019										\$ 946,953	

See accountants' compilation report.

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
DETAILED SCHEDULE OF CAPITAL, DEVELOPER INCENTIVE, AND
PROFESSIONAL SERVICE EXPENDITURES
From the Date of Creation Through December 31, 2019

	Actual	Project Plan Estimate
<u>Original Project Plan</u>		
Development incentives	\$ 800,000	\$ 1,120,000
Downtown property improvements	190,712	80,000
Signage and way finding	-	15,000
Riverfront/parking improvements	271,053	130,000
Professional services	210,188	178,793
Utility improvements	-	100,000
TID creation and administration	20,000	25,000
<u>Amended Project Plan</u>		
Developer incentives	219,414	2,220,000
Demolition	75,387	100,000
Public infrastructure	-	520,000
Revolving loan	-	350,000
Professional services	279,507	135,000
Utility improvements	-	535,000
TOTAL CAPITAL, DEVELOPER INCENTIVE, AND PROFESSIONAL SERVICE EXPENDITURES	\$ 2,066,261	\$ 5,508,793

See accountants' compilation report.

District: **TIF 3**

Start Year: **Jan 1,2012** Last Year Proj Costs **24-Apr-27** Last Year Increment **2032**

	Year	Income Fund Source	Expenses Use of Funds	Over/(Under) Revenue	Over/(Under) TIF Life
ACTUAL	2012	\$ -	\$ 184,822	\$ (184,822)	\$ (184,822)
	2013	\$ -	\$ 5,923	\$ (5,923)	\$ (190,745)
	2014	\$ 5,416	\$ 12,545	\$ (7,129)	\$ (197,874)
	2015	\$ 44,306	\$ 44,694	\$ (388)	\$ (198,262)
	2016	\$ 27,431	\$ 9,340	\$ 18,091	\$ (180,171)
	2017	\$ 1,062,271	\$ 1,004,460	\$ 57,811	\$ (122,360)
	2018	\$ 31,416	\$ 549,546	\$ (518,130)	\$ (640,490)
	2019	\$ 1,021,190	\$ 1,130,172	\$ (108,982)	\$ (749,472)
PROJECTED	2020	\$ 851,472	\$ 1,669,087	\$ (817,615)	\$ (1,567,087)
	2021	\$ 102,403	\$ 650	\$ 101,753	\$ (1,465,334)
	2022	\$ 102,403	\$ 650	\$ 101,753	\$ (1,363,581)
	2023	\$ 102,403	\$ 650	\$ 101,753	\$ (1,261,828)
	2024	\$ 102,403	\$ 650	\$ 101,753	\$ (1,160,075)
	2025	\$ 102,403	\$ 650	\$ 101,753	\$ (1,058,322)
	2026	\$ 102,403	\$ 650	\$ 101,753	\$ (956,569)
	2027	\$ 102,403	\$ 650	\$ 101,753	\$ (854,816)
	2028	\$ 102,403	\$ 650	\$ 101,753	\$ (753,063)
	2029	\$ 102,403	\$ 650	\$ 101,753	\$ (651,310)
	2030	\$ 102,403	\$ 650	\$ 101,753	\$ (549,557)
	2031	\$ 102,403	\$ 650	\$ 101,753	\$ (447,804)
	2032	\$ 102,403	\$ 650	\$ 101,753	\$ (346,051)

Parcels in TIF 3: ABE MFG, REGIS RUBBER, 333 PORTLAND RD

TOTALS THRU 2019 \$ 3,248,308 \$ 4,610,589 \$ (749,472)

Notes:

- 2012-Lot 8/9 Eastside Bus Park-162K of Expense
- 2015-McLain Write off Expense from TIF 1 (41K)
- 2017-ABE, Intial debt issued (1,038 K) and Developer Incentives Expensed (981 K)
- 2018-Krause Excavating (350 K) for Commercial. 333 Portland Rd (110 K). Waterloo Util (13 K) for Comm Ave
- 2019-Paid off 2017 debt issuance (1,038), new debt issuance (919 K), WEDC Grant (62K)
- 2019-333 Portland Rd & Cell Tower Expense (29 K)

CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 3
Waterloo, Wisconsin

COMPILED
FINANCIAL STATEMENTS

Including Accountants' Compilation Report

As of and for the Year Ended December 31, 2019 and
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DRAFT

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

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ACCOUNTANTS' COMPILATION REPORT

To the City Council
City of Waterloo
Waterloo, Wisconsin

Management is responsible for the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments and Historical Summary of Sources, Uses, and Status of Funds of the City of Waterloo's Tax Incremental District No. 3 ("district") as of and for the year ended December 31, 2019 and from the date of creation through December 31, 2019, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the *Accounting and Review Services Committee* of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

As discussed in Note 1, the financial statements present only the transactions of the district and do not purport to, and do not, present fairly the financial position of the City of Waterloo as of December 31, 2019, the changes in its financial position, or, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economical, or historical context.

Madison, Wisconsin
March 6, 2020

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

COMPILED
BALANCE SHEET
As of December 31, 2019

	<u>Capital Projects Fund</u>
ASSETS	
Taxes receivable	\$ <u>89,163</u>
TOTAL ASSETS	<u>\$ 89,163</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities	
Advances from city fund	\$ <u>749,472</u>
Deferred Inflows of Resources	
Unearned revenue	<u>89,163</u>
Fund Balance	
Unassigned (deficit)	<u>(749,472)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 89,163</u>

See accompanying notes to financial statements and accountants' compilation report.

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

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

	Year Ended	From Date of Creation
PROJECT COSTS		
Capital expenditures	\$ 22,919	\$ 570,941
Professional services - planning, engineering, other	7,080	158,484
Developer incentives	-	1,100,887
Interest and fiscal charges	61,890	61,890
Interest on advances	-	11,017
Total Project Costs	91,889	1,903,219
PROJECT REVENUES		
Tax increments	18,973	149,405
Exempt computer aid	320	2,445
Intergovernmental grants	62,282	62,282
Developer guarantees	20,000	20,000
Total Project Revenues	101,575	234,132
NET COSTS RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS – DECEMBER 31, 2019	\$ (9,686)	\$ 1,669,087
RECONCILIATION OF RECOVERABLE COSTS		
G.O. debt		\$ 919,615
Plus: Negative fund balance		749,472
NET COSTS RECOVERABLE THROUGH TAX INCREMENTS – DECEMBER 31, 2019		\$ 1,669,087

See accompanying notes to financial statements and accountants' compilation report.

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

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

	<u>Year Ended</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Tax increments	\$ 18,973	\$ 149,405
Exempt computer aid	320	2,445
Intergovernmental grants	62,282	62,282
Developer guarantees	20,000	20,000
Long-term debt issued	919,615	1,957,898
Total Sources of Funds	<u>1,021,190</u>	<u>2,192,030</u>
USES OF FUNDS		
Capital expenditures	22,919	570,941
Professional services - planning, engineering, other	7,080	158,484
Developer incentives	-	1,100,887
Interest and fiscal charges	61,890	61,890
Interest on advances	-	11,017
Principal on long-term debt	1,038,283	1,038,283
Total Uses of Funds	<u>1,130,172</u>	<u>2,941,502</u>
Excess (deficiency) of sources of funds over uses of funds	(108,982)	(749,472)
BEGINNING FUND BALANCE (DEFICIT)	<u>(640,490)</u>	-
ENDING FUND BALANCE (DEFICIT)	<u>\$ (749,472)</u>	<u>\$ (749,472)</u>

See accompanying notes to financial statements and accountants' compilation report.

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

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Waterloo's Tax Incremental District No. 3 (the "district") conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Waterloo has implemented accounting principles generally accepted in the United States of America to the extent they apply in determining the scope of the activity of Tax Incremental District No. 3. The accompanying financial statements reflect all the significant operations of the City of Waterloo's Tax Incremental District No. 3. The accompanying financial statements do not include the full presentation of the City of Waterloo.

A. DESCRIPTION OF FUND STRUCTURE AND LONG-TERM DEBT

This report contains the financial information of the City of Waterloo's Tax Incremental District No. 3. The summary statements were prepared from data recorded in the following fund and the city's long-term debt:

Capital Projects Fund

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

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

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

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

Original Project Plan

	Creation Date	Last Date to Incur Project Costs	Last Year to Collect Increment
TID No. 3	January 1, 2012	April 24, 2027	2032

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

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. BASIS OF ACCOUNTING

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

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

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

C. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. MEASUREMENT FOCUS

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

E. PROJECT PLAN BUDGET

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

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

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. LONG-TERM DEBT

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

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

G. CLAIMS AND JUDGMENTS

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

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

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

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

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

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

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 3 – LONG-TERM DEBT

A. GENERAL OBLIGATION DEBT

All general obligation notes and bonds payable are backed by the full faith and credit of the City of Waterloo. Notes and bonds borrowed to finance the district's expenditures will be retired by tax increments accumulated by the TIF No. 3 fund. If those revenues are not sufficient, payments will be made by future tax levies or utility revenues, as applicable.

	Original Amount Borrowed	Repaid	Balance 12-31-19
2017 Promissory Note dated September 1, 2017 with an interest rate of 3%. Total amount borrowed was \$1,038,283, of which 100% was for TIF No. 3. This was refunded during 2019 with the issuance below.	\$ 1,038,283	\$ 1,038,283	\$ -
2019 Refunding Note dated September 6, 2019 with an interest rate of 3.55%. Total amount borrowed was \$919,615, of which 100% was for TIF No. 3. Final maturity is September 1, 2032.	919,615	-	919,615
Totals	\$ 1,957,898	\$ 1,038,283	\$ 919,615

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

Calendar Year	Principal	Interest	Totals
2020	\$ 57,022	\$ 32,127	\$ 89,149
2021	58,631	30,518	89,149
2022	60,760	28,389	89,149
2023	62,967	26,182	89,149
2024	65,254	23,895	89,149
2025-2029	363,585	82,160	445,745
2030-2032	251,396	16,051	267,447
Totals	\$ 919,615	\$ 239,322	\$ 1,158,937

NOTE 4 – ADVANCES FROM CITY FUND

The General Fund is advancing funds to the district. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. No repayment schedule has been determined for this advance. No interest was charged on the General Fund advance in 2019.

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

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 5 – GUARANTEED REVENUE

On July 27, 2012, TIF District No. 3 entered into a development agreement with Regius Rubber, LLC and Pappy's Property, LLC. The agreement guarantees that the developers shall pay the difference between the guaranteed tax increment and the tax increment actually levied on an annual basis.

The developer agreed to construct a facility in TIF District No. 3 so that the fair market value starting January 1, 2013 would never be less than \$648,825. If the development generates less than \$648,825 in fair market value, the developer will owe the city an amount equal to the difference between the actual tax increment generated by the fair market value as assessed and equalized and the sum of the tax increment that should have been generated by the fair market value had the aforesaid value of \$648,825 been attained. No shortfall payments have been required on this agreement.

On August 31, 2017, TIF District No. 3 entered into a development agreement with HIEP, LLC. The agreement guarantees that the developers shall pay the difference between the guaranteed tax increment and the tax increment actually levied on an annual basis.

The developer agreed to construct a 25,000 sq. ft. manufacturing and research facility in TIF District No. 3 with an assessable value of no less than \$3,500,000. If the development generates less than \$3,500,000 in fair market value, the developer will owe the city an amount equal to the difference between the actual tax increment generated by the fair market value as assessed and equalized and the sum of the tax increment that should have been generated by the fair market value had the aforesaid value of \$3,500,000 been attained. The developer paid the district \$20,000 during 2019 related to the shortfall provisions of this agreement.

NOTE 6 – DEVELOPER PAYMENTS

Per Note 5, TIF District No. 3 has entered into a developer agreement with Regius Rubber, LLC. Under the agreement, the district gave the developer \$162,000 in 2012 in exchange for building the new facility noted above.

Per Note 5, TIF District No. 3 has entered into a developer agreement with HIEP, LLC. Under the agreement, the district gave the developer both a cash and land contribution in 2017 in exchange for building the new facility noted above. Developer payments for the year ended December 31, 2017 related to this agreement were \$676,400 in cash and \$262,487 in land contribution. No developer payments were made in either 2018 or 2019.

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

COMPILED
DETAILED SCHEDULE OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2019

	2012	2013	2014	2015	2016	2017	2018	2019	Totals	Project Plan Estimate
SOURCES OF FUNDS										
Tax increments	\$ -	\$ -	\$ 5,416	\$ 43,391	\$ 26,841	\$ 23,680	\$ 31,104	\$ 18,973	\$ 149,405	\$ 3,157,659
Exempt computer aid	-	-	-	915	590	308	312	320	2,445	-
Intergovernmental grants	-	-	-	-	-	-	-	62,282	62,282	-
Developer guarantees	-	-	-	-	-	-	-	20,000	20,000	-
Investment income	-	-	-	-	-	-	-	-	-	5,049
Long-term debt issued	-	-	-	-	-	1,038,283	-	919,615	1,957,898	2,165,000
Total Sources of Funds	-	-	5,416	44,306	27,431	1,062,271	31,416	1,021,190	2,192,030	5,327,708
USES OF FUNDS										
Capital expenditures	5,241	-	-	41,000	285	21,555	479,941	22,919	570,941	1,575,000
Professional services - planning, engineering, other	17,581	4,034	10,586	1,731	7,271	42,216	67,985	7,080	158,484	104,500
Developer incentives	162,000	-	-	-	-	938,887	-	-	1,100,887	462,000
Interest and fiscal charges	-	-	-	-	-	-	-	61,890	61,890	984,088
Interest on advances	-	1,889	1,959	1,963	1,784	1,802	1,620	-	11,017	-
Principal on long-term debt	-	-	-	-	-	-	-	1,038,283	1,038,283	2,165,000
Total Uses of Funds	184,822	5,923	12,545	44,694	9,340	1,004,460	549,546	1,130,172	2,941,502	3,125,588
FUND BALANCE (DEFICIT) – DECEMBER 31, 2019									\$ (749,472)	

See accountants' compilation report.

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

COMPILED
DETAILED SCHEDULE OF CAPITAL, DEVELOPER INCENTIVE AND
PROFESSIONAL SERVICE EXPENDITURES
From the Date of Creation Through December 31, 2019

	<u>Actual</u>	<u>Project Plan Estimate</u>
Lot 8 & 9 - Eastside Business Park - Cash Grant	\$ 162,000	\$ 162,000
Lot 8 & 9 - Eastside Business Park - Municipal Fees/Charges	5,526	5,000
Environmental Remediation - 333 Portland Rd & Adjacent	-	20,000
Business Expansion & Job Creation - Loans & Cash Grants	938,887	200,000
Engineering - Portland Road & Adjacent	11,668	40,000
Street & Utilities - 333 Portland Road & Adjacent	524,415	750,000
Loans & Cash Grants 333 Portland Road & Adjacent	-	100,000
Engineering - Waldo Parcel	-	50,000
Street & Utilities - Waldo Parcel	-	800,000
Loan Forgiveness	41,000	-
Professional services - planning, engineering, other	<u>146,816</u>	<u>14,500</u>
 TOTAL CAPITAL, DEVELOPER INCENTIVE AND PROFESSIONAL SERVICE EXPENDITURES	 <u>\$ 1,830,312</u>	 <u>\$ 2,141,500</u>

See accountants' compilation report.

District: **TIF 4**

Start Year: **1-Jan-14** Last Year Proj Costs **5-Dec-28** Last Year Increment **2034**

	Year	Income Fund Source	Expenses Use of Funds	Over/(Under) Revenue	Over/(Under) TIF Life
ACTUAL	2013	\$ -	\$ 12,500	\$ (12,500)	\$ (12,500)
	2014	\$ -	\$ 3,000	\$ (3,000)	\$ (15,500)
	2015	\$ -	\$ 650	\$ (650)	\$ (16,150)
	2016	\$ -	\$ 650	\$ (650)	\$ (16,800)
	2017	\$ 16,146	\$ 774	\$ 15,372	\$ (1,428)
	2018	\$ 22,240	\$ 638	\$ 21,602	\$ 20,174
	2019	\$ 21,491	\$ 249	\$ 21,242	\$ 41,416
PROJECTED	2020	\$ 22,236	\$ 650	\$ 21,586	\$ 63,002
	2021	\$ 22,236	\$ 650	\$ 21,586	\$ 84,588
	2022	\$ 22,236	\$ 650	\$ 21,586	\$ 106,174
	2023	\$ 22,236	\$ 650	\$ 21,586	\$ 127,760
	2024	\$ 22,236	\$ 650	\$ 21,586	\$ 149,346
	2025	\$ 22,236	\$ 650	\$ 21,586	\$ 170,932
	2026	\$ 22,236	\$ 650	\$ 21,586	\$ 192,518
	2027	\$ 22,236	\$ 650	\$ 21,586	\$ 214,104
	2028	\$ 22,236	\$ 650	\$ 21,586	\$ 235,690
	2029	\$ 22,236	\$ 650	\$ 21,586	\$ 257,276
	2030	\$ 22,236	\$ 650	\$ 21,586	\$ 278,862
	2031	\$ 22,236	\$ 650	\$ 21,586	\$ 300,448
	2032	\$ 22,236	\$ 650	\$ 21,586	\$ 322,034
	2033	\$ 22,236	\$ 650	\$ 21,586	\$ 343,620
	2034	\$ 22,236	\$ 650	\$ 21,586	\$ 365,206

Parcels in TIF 4: Dollar General

TOTALS THRU 2019 \$ 104,349.00 \$ 19,761.00 \$ 41,416.00

PROJECT PLAN EST. \$ 1,063,433.00 \$ 1,031,850.00

OVER/(UNDER) PLAN \$ (959,084.00) \$ (1,012,089.00)

If district closed in 19. Dollars to Taxing Authority

City	MATC	School	Jefferson County
\$ 15,324	\$ 1,657	\$ 17,809	\$ 6,627

CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 4
Waterloo, Wisconsin

COMPILED
FINANCIAL STATEMENTS

Including Accountants' Compilation Report

As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

DRAFT

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 4**

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As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

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ACCOUNTANTS' COMPILATION REPORT

To the City Council
City of Waterloo
Waterloo, Wisconsin

Management is responsible for the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments and Historical Summary of Sources, Uses, and Status of Funds of the City of Waterloo's Tax Incremental District No. 4 ("district") as of and for the year ended December 31, 2019 and from the date of creation through December 31, 2019, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the *Accounting and Review Services Committee* of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economical, or historical context.

Madison, Wisconsin
March 6, 2020

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 4**

COMPILED
BALANCE SHEET
As of December 31, 2019

	<u>Capital Projects Fund</u>
ASSETS	
Cash and investments	\$ 41,416
Taxes receivable	<u>25,891</u>
TOTAL ASSETS	<u>\$ 67,307</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Deferred Inflows of Resources	
Unearned revenue	<u>\$ 25,891</u>
Fund Balance	
Restricted	<u>41,416</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 67,307</u>

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 4**

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

	Year Ended	From Date of Creation
PROJECT COSTS		
Capital expenditures	\$ -	\$ 225
Professional services - planning, engineering, other	<u>249</u>	<u>18,236</u>
Total Project Costs	<u>249</u>	<u>18,461</u>
PROJECT REVENUES		
Tax increments	21,170	59,095
Exempt computer aid	<u>321</u>	<u>782</u>
Total Project Revenues	<u>21,491</u>	<u>59,877</u>
NET COSTS RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS – DECEMBER 31, 2019	<u>\$ (21,242)</u>	<u>\$ (41,416)</u>

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 4**

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

	<u>Year Ended</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Tax increments	\$ 21,170	\$ 59,095
Exempt computer aid	<u>321</u>	<u>782</u>
Total Sources of Funds	<u>21,491</u>	<u>59,877</u>
USES OF FUNDS		
Capital expenditures	-	225
Professional services - planning, engineering, other	<u>249</u>	<u>18,236</u>
Total Uses of Funds	<u>249</u>	<u>18,461</u>
Excess of sources of funds over uses of funds	21,242	41,416
BEGINNING FUND BALANCE	<u>20,174</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 41,416</u>	<u>\$ 41,416</u>

See accompanying notes to financial statements and accountants' compilation report.

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 4**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Waterloo's Tax Incremental District No. 4 (the "district") conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Waterloo has implemented accounting principles generally accepted in the United States of America to the extent they apply in determining the scope of the activity of Tax Incremental District No. 4. The accompanying financial statements reflect all the significant operations of the City of Waterloo's Tax Incremental District No. 4. The accompanying financial statements do not include the full presentation of the City of Waterloo.

A. DESCRIPTION OF FUND STRUCTURE AND LONG-TERM DEBT

This report contains the financial information of the City of Waterloo's Tax Incremental District No. 4. The summary statements were prepared from data recorded in the following fund and the city's long-term debt:

Capital Projects Fund

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

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

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

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

Original Project Plan

	Creation Date	Last Date to Incur Project Costs	Last Year to Collect Increment
TID No. 4	January 1, 2014	December 5, 2028	2034

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 4**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. BASIS OF ACCOUNTING

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

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

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

C. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. MEASUREMENT FOCUS

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

E. PROJECT PLAN BUDGET

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

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 4**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019 and
From the Date of Creation Through December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. LONG-TERM DEBT

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

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

G. CLAIMS AND JUDGMENTS

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

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

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

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

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

NOTE 3 – DEVELOPER PAYMENTS

None.

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 4**

COMPILED
DETAILED SCHEDULE OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2019

	2013	2014	2015	2016	2017	2018	2019	Totals	Project Plan Estimate
SOURCES OF FUNDS									
Tax increments	\$ -	\$ -	\$ -	\$ -	\$ 15,917	\$ 22,008	\$ 21,170	\$ 59,095	\$ 631,728
Exempt computer aid	-	-	-	-	229	232	321	782	-
Investment income	-	-	-	-	-	-	-	-	1,705
Long-term debt issued	-	-	-	-	-	-	-	-	430,000
Total Sources of Funds	-	-	-	-	16,146	22,240	21,491	59,877	1,063,433
USES OF FUNDS									
Capital expenditures	-	-	-	-	-	-	-	-	373,000
Professional services - planning, engineering, other	12,500	3,000	650	650	774	638	249	18,461	40,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	188,850
Principal on long-term debt	-	-	-	-	-	-	-	-	430,000
Total Uses of Funds	12,500	3,000	650	650	774	638	249	18,461	1,031,850
FUND BALANCE – DECEMBER 31, 2019								\$ 41,416	

See accountants' compilation report.

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 4**

COMPILED
DETAILED SCHEDULE OF CAPITAL AND
PROFESSIONAL SERVICE EXPENDITURES
From the Date of Creation Through December 31, 2019

	Actual	Project Plan Estimate
<u>Original Project Plan</u>		
Development incentives	\$ -	\$ 5,000
Revolving loan	-	290,000
Buy Local campaign	-	12,000
Signage and wayfindings	-	1,000
Professional services	18,461	40,000
Utility improvements	-	65,000
	-	-
TOTAL CAPITAL AND PROFESSIONAL SERVICES EXPENDITURES	\$ 18,461	\$ 413,000

See accountants' compilation report.