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

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CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 3

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From the Date of Creation Through December 31, 2018

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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, 2018 and from the date of creation through December 31, 2018, 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, 2018, 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 30, 2019

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CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 3

COMPILED
BALANCE SHEET
As of December 31, 2018

	Capital Projects Fund
ASSETS	
Taxes receivable	$ 18,973
TOTAL ASSETS	$ 18,973
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities	
Accounts payable	$ 17,442
Advances from city funds	623,048
Total Liabilities	640,490
Deferred Inflows of Resources	
Unearned revenue	18,973
Fund Balance	
Unassigned (deficit)	(640,490)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 18,973

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

	Year Ended	From Date of Creation
PROJECT COSTS		
Capital expenditures	$ 479,941	$ 548,022
Professional services - planning, engineering, other	67,985	151,404
Developer incentives	-	1,100,887
Interest on advances	1,620	11,017
Total Project Costs	549,546	1,811,330
PROJECT REVENUES		
Tax increments	31,104	130,432
Exempt computer aid	312	2,125
Total Project Revenues	31,416	132,557
NET COSTS RECOVERABLE THROUGH TAX INCREMENTS – DECEMBER 31, 2018	$ 518,130	$ 1,678,773
RECONCILIATION OF RECOVERABLE COSTS		
G.O. Debt		$ 1,038,283
Plus: Negative fund balance		640,490
NET COSTS RECOVERABLE THROUGH TAX INCREMENTS – DECEMBER 31, 2018		$ 1,678,773

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

	Year Ended	From Date of Creation
SOURCES OF FUNDS		
Tax increments	$ 31,104	$ 130,432
Exempt computer aid	312	2,125
Long-term debt issued	-	1,038,283
Total Sources of Funds	31,416	1,170,840
USES OF FUNDS		
Capital expenditures	479,941	548,022
Professional services - planning, engineering, other	67,985	151,404
Developer incentives	-	1,100,887
Interest on advances	1,620	11,017
Total Uses of Funds	549,546	1,811,330
Excess (deficiency) of sources of funds over uses of funds	(518,130)	(640,490)
BEGINNING FUND BALANCE (DEFICIT)	(122,360)	-
ENDING FUND BALANCE (DEFICIT)	$ (640,490)	$ (640,490)

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

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

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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.

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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.

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CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 3

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

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 12-31-18
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. Final maturity is September 1, 2021.	$ 1,038,283	$ -	$ 1,038,283
Totals	$ 1,038,283	$ -	$ 1,038,283

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

Calendar Year	Principal	Interest	Totals
2019	$ 314,668	$ 61,006	$ 375,674
2020	356,317	19,359	375,676
2021	367,298	8,377	375,675
Totals	$ 1,038,283	$ 88,742	$ 1,127,025

NOTE 4 – ADVANCES FROM CITY FUNDS

TIF District No. 1 and the General Fund are 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 these advances. Interest on the TIF District No. 1 advance is being charged at 1%. No interest was charged on the General Fund advance in 2018.

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.

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NOTE 5 – GUARANTEED REVENUE (cont.)

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.

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.

No shortfall payments have been required on either of these agreements.

NOTE 6 – DEVELOPER PAYMENTS

Per Note 5, the City of Waterloo has entered into a developer agreement with HIEP, LLC. Under the agreement, the City 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 2018.

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SUPPLEMENTAL INFORMATION

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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, 2018

	2012	2013	2014	2015	2016	2017	2018	Totals	Project Plan Estimate
SOURCES OF FUNDS									
Tax increments	$ -	$ -	$ 5,416	$ 43,391	$ 26,841	$ 23,680	$ 31,104	$ 130,432	$ 3,157,659
Exempt computer aid	-	-	-	915	590	308	312	2,125	-
Investment income	-	-	-	-	-	-	-	-	5,049
Long-term debt issued	-	-	-	-	-	1,038,283	-	1,038,283	2,165,000
Total Sources of Funds	-	-	5,416	44,306	27,431	1,062,271	31,416	1,170,840	5,327,708
USES OF FUNDS									
Capital expenditures	5,241	-	-	41,000	285	21,555	479,941	548,022	1,575,000
Professional services - planning, engineering, other	17,581	4,034	10,586	1,731	7,271	42,216	67,985	151,404	104,500
Developer incentives	162,000	-	-	-	-	938,887	-	1,100,887	462,000
Principal on long-term debt	-	-	-	-	-	-	-	-	2,165,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	984,088
Interest on advances	-	1,889	1,959	1,963	1,784	1,802	1,620	11,017	-
Total Uses of Funds	184,822	5,923	12,545	44,694	9,340	1,004,460	549,546	1,811,330	5,290,588
FUND BALANCE (DEFICIT) – DECEMBER 31, 2018								$ (640,490)	

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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, 2018

	Actual	Project Plan Estimate
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	501,496	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	139,736	14,500
TOTAL CAPITAL, DEVELOPER INCENTIVE AND PROFESSIONAL SERVICE EXPENDITURES	$ 1,800,313	$ 2,141,500

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See accountants' compilation report.