

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 1**

Waterloo, Wisconsin

COMPILED
FINANCIAL STATEMENTS

Including Accountants' Compilation Report

As of and for the Year Ended December 31, 2016 and
From the Date of Creation Through December 31, 2016

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 1**

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From the Date of Creation Through December 31, 2016

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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. 1 ("district") as of and for the year ended December 31, 2016 and from the date of creation through December 31, 2016, 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, 2016, 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.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
April 9, 2017

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
BALANCE SHEET
As of December 31, 2016

		Capital Projects Fund
ASSETS		
Cash and investments	\$	736,048
Taxes receivable		182,941
Due from other governments		85,130
Due from other funds		16,800
Advance to city funds		1,312,685
TOTAL ASSETS	\$	2,333,604
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$	1,737
Deferred Inflows of Resources		
Unearned revenue		182,941
Unavailable revenue		85,130
Total Deferred Inflows of Resources		268,071
Fund Balance		
Restricted		2,063,796
Total Fund Balances		2,063,796
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$	2,333,604

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

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2016 and
From the Date of Creation Through December 31, 2016

	<u>Year Ended</u>	<u>From Date of Creation</u>
PROJECT COSTS		
Capital expenditures	\$ 247,645	\$ 1,624,417
Administration	6,947	89,638
Professional services	785	785
Debt issuance costs	-	22,176
Interest and fiscal charges	<u>17,700</u>	<u>221,608</u>
Total Project Costs	<u>273,077</u>	<u>1,958,624</u>
PROJECT REVENUES		
Tax increments	209,380	1,398,469
Intergovernmental	306,894	2,167,848
Interest on advances to other funds	1,784	7,595
Transfers In	<u>73,508</u>	<u>73,508</u>
Total Project Revenues	<u>591,566</u>	<u>3,647,420</u>
 NET COSTS RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS – DECEMBER 31, 2016		
	<u>\$ (318,489)</u>	<u>\$ (1,688,796)</u>
 RECONCILIATION OF RECOVERABLE COSTS		
G.O. debt		\$ 375,000
Less: Fund balance		<u>(2,063,796)</u>
 NET COSTS RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS – DECEMBER 31, 2016		
		<u>\$ (1,688,796)</u>

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

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2016 and
From the Date of Creation Through December 31, 2016

	<u>Year Ended</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Tax increments	\$ 209,380	\$ 1,398,469
Intergovernmental	306,894	2,167,848
Interest on advances to other funds	1,784	7,595
Long-term debt issued	-	760,000
Transfers In	<u>73,508</u>	<u>73,508</u>
Total Sources of Funds	<u>591,566</u>	<u>4,407,420</u>
USES OF FUNDS		
Capital expenditures	247,645	1,624,417
Administration	6,947	89,638
Professional services	785	785
Debt issuance costs	-	22,176
Principal on long-term debt	55,000	385,000
Interest and fiscal charges	<u>17,700</u>	<u>221,608</u>
Total Uses of Funds	<u>328,077</u>	<u>2,343,624</u>
Excess of sources of funds over uses of funds	263,489	2,063,796
BEGINNING FUND BALANCE	<u>1,800,307</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 2,063,796</u>	<u>\$ 2,063,796</u>

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

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016 and
From the Date of Creation Through December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Waterloo's Tax Incremental District No. 1 (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. 1. The accompanying financial statements reflect all the significant operations of the City of Waterloo's Tax Incremental District No. 1. 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. 1. 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 improvements costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the district. The tax on the increased value is called a tax increment.

The statutes allow the 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.

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016 and
From the Date of Creation Through December 31, 2016

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

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

Original Project Plan

	Creation Date	Last Date to Incur Project Costs	Last Year to Collect Increment
TID No. 1	January 1, 2005	September 15, 2020	2026

1st Plan Amendment

	Adoption Date	Last Date to Incur Project Costs
TID No. 1	September 20, 2007	September 15, 2020

2nd Plan Amendment

	Adoption Date	Last Date to Incur Project Costs
TID No. 1	July 21, 2011	September 15, 2020

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.

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016 and
From the Date of Creation Through December 31, 2016

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

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.

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.

**CITY OF WATERLOO
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COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016 and
From the Date of Creation Through December 31, 2016

NOTE 2 – CASH AND TEMPORARY INVESTMENTS (cont.)

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.

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 districts' expenditures will be retired by tax increments accumulated by the TIF District fund. If those revenues are not sufficient, payments will be made by future tax levies.

	<u>Original Amount Borrowed</u>	<u>Repaid</u>	<u>Balance 12-31-16</u>
2007 Community Development bonds dated September 26, 2007 with an interest rate of 3.75 – 4.2%. Total amount borrowed was \$760,000, of which 100% was for TIF No. 1. Final maturity is September 1, 2022.	\$ 760,000	\$ 385,000	\$ 375,000
Totals	<u>\$ 760,000</u>	<u>\$ 385,000</u>	<u>\$ 375,000</u>

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

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 60,000	\$ 15,570	\$ 75,570
2018	60,000	13,110	73,110
2019	60,000	10,650	70,650
2020	65,000	8,190	73,190
2021	65,000	5,460	70,460
2022	<u>65,000</u>	<u>2,730</u>	<u>67,730</u>
Totals	<u>\$ 375,000</u>	<u>\$ 55,710</u>	<u>\$ 430,710</u>

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TAX INCREMENTAL DISTRICT NO. 1**

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NOTES TO FINANCIAL STATEMENTS
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From the Date of Creation Through December 31, 2016

NOTE 4 – ADVANCES TO CITY FUNDS

TIF District No. 1 is advancing funds to TIF District No. 2, and TIF District No. 3 to cover additional expenditures incurred by the funds. No repayment schedules have been determined for the advances; however, interest is being charged on the advance to TIF No. 3 at a rate of 1%.

NOTE 5 – 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. As of December 31, 2016, no transfers have been made. 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.

NOTE 6 – DEVELOPER PAYMENTS

None.

SUPPLEMENTAL INFORMATION

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
DETAILED SCHEDULE OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2016

	2005	2006	2007	2008 (Restated)	2009	2010	2011	2012	2013	2014	2015	2016	Totals	Project Plan Estimate
SOURCES OF FUNDS														
Tax increments	\$ -	\$ -	\$ 79,352	\$ 85,678	\$ 75,927	\$ 138,482	\$ 141,081	\$ 147,570	\$ 148,847	\$ 181,516	\$ 190,636	\$ 209,380	\$ 1,398,469	\$ 2,917,793
Intergovernmental	-	-	203,219	311,819	140,582	138,745	149,240	183,497	150,342	243,572	339,938	306,894	2,167,848	999,616
Interest on advances to other funds	-	-	-	-	-	-	-	-	1,889	1,959	1,963	1,784	7,595	633,319
Long-term debt issued	-	-	760,000	-	-	-	-	-	-	-	-	-	760,000	1,265,000
Transfers In	-	-	-	-	-	-	-	-	-	-	-	73,508	73,508	-
Total Sources of Funds	-	-	1,042,571	397,497	216,509	277,227	290,321	331,067	301,078	427,047	532,537	591,566	4,407,420	5,815,728
USES OF FUNDS														
Capital expenditures	14,332	-	683,921	202,823	7,133	100,000	48,593	25,060	182,931	-	111,979	247,645	1,624,417	3,213,500
Administration (in house)	-	524	16,892	6,617	1,765	1,650	28,158	11,184	7,736	7,515	650	6,947	89,638	29,900
Professional services	-	-	-	-	-	-	-	-	-	-	-	785	785	-
Subsidy to TIF No. 2	-	-	-	-	-	-	-	-	-	-	-	-	-	1,520,000
Debt issuance costs	-	-	21,826	350	-	-	-	-	-	-	-	-	22,176	-
Principal on long-term debt	-	-	-	30,000	30,000	35,000	40,000	45,000	45,000	50,000	55,000	55,000	385,000	1,265,000
Interest and fiscal charges	-	-	-	28,375	29,368	28,243	26,930	25,430	23,675	21,917	19,970	17,700	221,608	438,966
Total Uses of Funds	14,332	524	722,639	268,165	68,266	164,893	143,681	106,674	259,342	79,432	187,599	328,077	2,343,624	6,467,366
FUND BALANCE – DECEMBER 31, 2016													\$ 2,063,796	

See accountants' compilation report.

**CITY OF WATERLOO
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
DETAILED SCHEDULE OF CAPITAL EXPENDITURES
From the Date of Creation Through December 31, 2016

Projects Included in Original Project Plan	<u>Actual</u>	<u>Project Plan Estimate</u>
Knowlton Street improvements	\$ 611,095	\$ 241,000
Right of way and easement acquisition	3,501	60,000
STH 19 intersection and turning lanes	357,359	196,000
Area stormwater management	31,000	137,000
Sanitary sewer extension	7,133	52,000
Watermain loop	-	156,000
Relocation of existing utilities	19,806	100,000
Landscaping	-	50,000
Trek property acquisition	-	150,000
Demolition and site preparation	-	100,000
Engineering and contract administration	75,918	104,000
Municipal administrative	-	15,000
TID creation	<u>14,332</u>	<u>15,000</u>
Subtotal	<u>1,120,144</u>	<u>1,376,000</u>
 Additional Projects Identified in Project Plan Amendments		
Briess Property		
TID amendment costs and legal fees	5,005	15,000
Extension of sewer service	142,444	120,000
Improvements to water service	53,700	50,000
Development incentives	-	20,000
Engineering and contract administration	20,193	15,000
Van Holten Property		
Acquisition, demolition, and site preparation	-	100,000
Area stormwater management	-	15,000
Relocation of existing utilities	-	20,000
Development incentives	-	20,000
Engineering and contract administration	-	20,000
Other project costs - CDA contribution	100,000	100,000
Asphalt surfacing for public parking	-	25,000
Economic development services and administration	<u>182,931</u>	<u>1,317,500</u>
Subtotal	<u>504,273</u>	<u>1,837,500</u>
 TOTAL CAPITAL EXPENDITURES	 <u>\$ 1,624,417</u>	 <u>\$ 3,213,500</u>

See accountants' compilation report.