

**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, 2014 and  
From the Date of Creation Through December 31, 2014

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

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As of and for the Year Ended December 31, 2014 and  
From the Date of Creation Through December 31, 2014

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ACCOUNTANTS' COMPILATION REPORT

To the City Council  
City of Waterloo  
Waterloo, Wisconsin

We have compiled 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, 2014 and from the date of creation through December 31, 2014. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the 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, 2014, and the changes in its financial position 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. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary 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 statement in an appropriate operational, economical, or historical context.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
March 4, 2015

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

COMPILED  
BALANCE SHEET  
As of December 31, 2014

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	<u>Capital Projects Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 664,599
Taxes receivable	190,636
Due from component unit	22,412
Advance to city funds	<u>768,358</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,646,005</u>
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
Deferred Inflows of Resources	
Unearned revenue	<u>\$ 190,636</u>
Fund Balance	
Restricted	<u>1,455,369</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 1,646,005</u>

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, 2014 and  
From the Date of Creation Through December 31, 2014

	Year Ended	From Date of Creation
<b>PROJECT COSTS</b>		
Capital expenditures	\$ -	\$ 1,264,793
Administration	7,515	82,041
Debt issuance costs	-	22,176
Interest and fiscal charges	21,917	183,938
Total Project Costs	29,432	1,552,948
<b>PROJECT REVENUES</b>		
Tax increments	181,516	998,453
Intergovernmental	243,572	1,521,016
Interest income	1,959	3,848
Total Project Revenues	427,047	2,523,317
<b>NET COSTS RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS – DECEMBER 31, 2014</b>		
	\$ (397,615)	\$ (970,369)
<b>RECONCILIATION OF RECOVERABLE COSTS</b>		
G.O. debt		\$ 485,000
Less: Fund balance		(1,455,369)
<b>NET COSTS RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS – DECEMBER 31, 2014</b>		
		\$ (970,369)

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, 2014 and  
From the Date of Creation Through December 31, 2014

	<u>Year Ended</u>	<u>From Date of Creation</u>
<b>SOURCES OF FUNDS</b>		
Tax increments	\$ 181,516	\$ 998,453
Intergovernmental	243,572	1,521,016
Interest income	1,959	3,848
Long-term debt issued	-	760,000
Total Sources of Funds	<u>427,047</u>	<u>3,283,317</u>
<b>USES OF FUNDS</b>		
Capital expenditures	-	1,264,793
Administration	7,515	82,041
Debt issuance costs	-	22,176
Principal on long-term debt	50,000	275,000
Interest and fiscal charges	<u>21,917</u>	<u>183,938</u>
Total Uses of Funds	<u>79,432</u>	<u>1,827,948</u>
<b>Excess of sources of funds over uses of funds</b>	347,615	1,455,369
BEGINNING FUND BALANCE	<u>1,107,754</u>	<u>-</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 1,455,369</u>	<u>\$ 1,455,369</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, 2014 and  
From the Date of Creation Through December 31, 2014

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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, 2014 and  
From the Date of Creation Through December 31, 2014

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

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

**Original Project Plan**

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

**1<sup>st</sup> Plan Amendment**

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

**2<sup>nd</sup> Plan Amendment**

	<u>Adoption Date</u>	<u>Last Date to Incur Project Costs</u>
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, 2014 and  
From the Date of Creation Through December 31, 2014

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

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***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.

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**NOTE 2 – CASH AND TEMPORARY INVESTMENTS**

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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  
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014 and  
From the Date of Creation Through December 31, 2014

**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.

	Original Amount Borrowed	Repaid	Balance 12-31-14
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	\$ 275,000	\$ 485,000
Totals	\$ 760,000	\$ 275,000	\$ 485,000

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

Calendar Year	Principal	Interest	Totals
2015	\$ 55,000	\$ 19,970	\$ 74,970
2016	55,000	17,770	72,770
2017	60,000	15,570	75,570
2018	60,000	13,110	73,110
2019	60,000	10,650	70,650
2020-2022	195,000	16,380	211,380
Totals	\$ 485,000	\$ 93,450	\$ 578,450

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

COMPILED  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014 and  
From the Date of Creation Through December 31, 2014

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**NOTE 4 – ADVANCES TO CITY FUNDS**

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TIF District No. 1 is advancing funds to the capital projects fund, TIF District No. 2, TIF District No. 3 and TIF District No. 4 to cover additional expenditures incurred by the funds. No repayment schedules have been determined for the advances.

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**NOTE 5 – INCREMENT SHARING**

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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, 2014, 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.

**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, 2014

	2005	2006	2007	2008 (Restated)	2009	2010	2011	2012	2013	2014	Totals	Project Plan Estimate
<b>SOURCES OF FUNDS</b>												
Tax increments	\$ -	\$ -	\$ 79,352	\$ 85,678	\$ 75,927	\$ 138,482	\$ 141,081	\$ 147,570	\$ 148,847	\$ 181,516	\$ 998,453	\$ 2,917,793
Intergovernmental	-	-	203,219	311,819	140,582	138,745	149,240	183,497	150,342	243,572	1,521,016	999,616
Interest income	-	-	-	-	-	-	-	-	1,889	1,959	3,848	633,319
Long-term debt issued	-	-	760,000	-	-	-	-	-	-	-	760,000	1,265,000
Total Sources of Funds	-	-	1,042,571	397,497	216,509	277,227	290,321	331,067	301,078	427,047	3,283,317	5,815,728
<b>USES OF FUNDS</b>												
Capital expenditures	14,332	-	683,921	202,823	7,133	100,000	48,593	25,060	182,931	-	1,264,793	3,213,500
Administration	-	524	16,892	6,617	1,765	1,650	28,158	11,184	7,736	7,515	82,041	29,900
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	275,000	1,265,000
Interest and fiscal charges	-	-	-	28,375	29,368	28,243	26,930	25,430	23,675	21,917	183,938	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	1,827,948	6,467,366
FUND BALANCE – DECEMBER 31, 2014											\$ 1,455,369	

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, 2014

<b>Projects Included in Original Project Plan</b>	<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	-	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	73,653	104,000
Municipal administrative	-	15,000
TID creation	<u>14,332</u>	<u>15,000</u>
Subtotal	<u>760,520</u>	<u>1,376,000</u>
 <b>Additional Projects Identified in Project Plan Amendments</b>		
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><u>\$ 1,264,793</u></u>	 <u><u>\$ 3,213,500</u></u>

See accountants' compilation report.