City of Waterloo
Tax Incremental District No. 2

Financial Statements and
Supplementary Information

December 31, 2025

City of Waterloo Tax Incremental District No. 2

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Accountants' Compilation Report

To the City Council of
City of Waterloo

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, 2025 and from the date of creation through December 31, 2025, 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, 2025, 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.

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.

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. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. 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.

Baker Tilly US, LLP

Madison, Wisconsin
April 14, 2026

City of Waterloo Tax Incremental District No. 2

Balance Sheet
December 31, 2025

		Capital Projects Fund
Assets		
Cash and investments	$	860,700
Taxes receivable		64,714
Accounts receivable		19,733
Advances to other funds		34,250
Total assets	$	979,397
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	$	4,353
Deferred Inflows of Resources		
Unearned revenue		64,714
Fund Balance		
Restricted		910,330
Total liabilities, deferred inflows of resources and fund balance	$	979,397

See notes to financial statements

City of Waterloo Tax Incremental District No. 2

Historical Summary of Project Costs, Project Revenues and
Net Cost to Be Recovered Through Tax Increments
Year Ended December 31, 2025 and From the Date of Creation Through December 31, 2025

	Year Ended	From the Date of Creation
Project Costs		
Capital expenditures	$ 664	$ 698,117
Administration (in-house)	15,380	121,081
Developer incentives	-	1,407,414
Professional services, planning, engineering, other	22,133	662,607
Interest and fiscal charges	-	124,553
Total project costs	38,177	3,013,772
Project Revenues		
Tax increments	162,649	722,145
Exempt computer aid	783	10,360
Intergovernmental grants	7,078	603,395
Subsidy from TIF No. 1	-	1,716,472
Transfers from other funds	-	4
Sale of property	-	34,900
Developer guarantees	46,986	725,102
Miscellaneous revenues	-	111,724
Total project revenues	217,496	3,924,102
Net cost recoverable (recovered) through tax increments, December 31, 2025	$ (179,319)	$ (910,330)

See notes to financial statements

City of Waterloo Tax Incremental District No. 2

Historical Summary of Sources, Uses and Status of Funds
Year Ended December 31, 2025 and From the Date of Creation Through December 31, 2025

	Year Ended	From the Date of Creation
Sources of Funds		
Tax increments	$ 162,649	$ 722,145
Exempt computer aid	783	10,360
Intergovernmental grants	7,078	603,395
Subsidy from TIF No. 1	-	1,716,472
Transfers from other funds	-	4
Sale of property	-	34,900
Developer guarantees	46,986	725,102
Miscellaneous revenues	-	111,724
Long-term debt issued	-	958,893
Total sources of funds	217,496	4,882,995
Uses of Funds		
Capital expenditures	664	698,117
Administration (in-house)	15,380	121,081
Developer incentives	-	1,407,414
Professional services, planning, engineering, other	22,133	662,607
Interest and fiscal charges	-	124,553
Principal on long-term debt	-	958,893
Total uses of funds	38,177	3,972,665
Excess of sources of funds over uses of funds	179,319	910,330
Beginning Fund Balance	731,011	-
Ending Fund Balance	$ 910,330	$ 910,330

See notes to financial statements

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 (the City) 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 the District. The accompanying financial statements reflect all the significant operations of the District. The accompanying financial statements do not include the full presentation of the City.

Description of Fund Structure and Long-Term Debt

This report contains the financial information of the District. The summary statements were prepared from data recorded in the following fund and the City's long-term debt:

Capital Projects Fund TIF District No. 2

Detailed descriptions of the purpose of this fund and long-term debt can be found in the City'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. 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

Plan Amendment

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

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.

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.

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.

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.

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.

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.

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 as an individual municipality, and, accordingly, the amount of insured funds is not determinable for the District.

3. Long-Term Debt

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. 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 12/31/2025
State Trust Fund Loan	07/01/2013	05/15/2023	2.75 %	$ 900,000	$ 900,000	$ -
Bank Loan	08/02/2021	06/01/2031*	1.99	58,893	58,893	-
Total				$ 958,893	$ 958,893	$ -

* This debt issuance was split between multiple funds within the City. The due date of the overall issuance is June 1, 2031; however, the District's portion was paid off in full on June 1, 2024.

4. Advances to Other Funds

The District is advancing funds ($34,250) to TIF No. 5. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since TIF No. 5's inception. No interest is being charged and no repayment schedule has been established.

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. 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 totaling $1,716,472 started in 2017 and ended in 2019 after the dissolution of the Donor District.

6. 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 the District with two parcels located adjacent to the District or within a ½ mile radius of the District. 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 the District, as well as create additional jobs in the City.

The following are the six property components and the status as of December 31, 2025:

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, $60,552 in 2019, $101,291 in 2020, $96,900 in 2021, $85,389 in 2022, $87,574 in 2023, $22,619 in 2024 and $27,253 in 2025. 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. The total developer-guaranteed amount is $3,050,460 between the revenue years of 2017-2038.

On December 10, 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. This difference equated to $12,076 in 2021 (paid in 2020), $19,397 in 2022, $19,833 in 2023, $18,462 in 2024 and $19,733 in 2025. Any developer subsidy not paid will bear an interest rate of 18.0% per year until paid. This agreement was amended on December 17, 2020, see following page for details.

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.

On December 17, 2020, the City entered into a developer agreement with Rediscovered LLC (Lang Group) and Joshua Wurzburger, relating to the corporate office at 575 W. Madison Street. The City approved the sale of this property from Rediscovered LLC to Joshua Wurzburger. With the sale, Joshua Wurzburger assumes the responsibility of Rediscovered LLC under the original developer agreement dated December 10, 2013.

7. 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 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.

Related to the developer agreement dated December 17, 2020, the City paid $388,000 to Rediscovered LLC to fulfill the mortgage loan guarantee related to the sale of the property located at 575 W. Madison Street.

City of Waterloo Tax Incremental District No. 2

Detailed Schedule of Sources, Uses and Status of Funds
Year Ended December 31, 2025 and From the Date of Creation Through December 31, 2025

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total	Project Plan Estimate
Sources of Funds																	
Tax increments	$ -	$ -	$ 1,976	$ -	$ -	$ -	$ 45,628	$ 60,894	$ 43,357	$ 51,248	$ 81,308	$ 124,528	$ 51,857	$ 98,700	$ 162,649	$ 722,145	$ 6,662,540
Exempt computer aid	-	-	1,053	803	798	706	754	765	783	783	783	783	783	783	783	10,360	-
Intergovernmental grants	-	-	-	-	-	-	-	21,780	530,082	2,036	3,423	34,924	2,036	2,036	7,078	603,395	-
Investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	106,054
Subsidy from TIF No. 1	-	-	-	-	-	-	404,465	789,860	522,147	-	-	-	-	-	-	1,716,472	900,000
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	4	-	-	-	-	4	-
Sale of property	-	-	-	-	-	-	1,100	-	-	3,800	30,000	-	-	-	-	34,900	-
Developer guarantees	-	-	-	-	-	-	73,725	60,361	60,552	32,013	198,191	104,786	107,407	41,081	46,986	725,102	-
Miscellaneous revenues	1,000	1,000	94,410	8,318	1,002	-	-	-	5,994	-	-	-	-	-	-	111,724	1,000
Long-term debt issued	-	-	900,000	-	-	-	-	-	-	-	58,893	-	-	-	-	958,893	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	89,880	372,602	265,021	162,083	142,600	217,496	4,882,995	10,314,594
Uses of Funds																	
Capital expenditures	1,491	-	208,221	51,744	2,263	194,997	76,056	2,380	-	19,099	104,296	15,288	14,643	6,975	664	698,117	1,830,000
Administration (in-house)	-	-	-	-	-	-	-	-	-	26,581	26,581	25,000	12,750	14,789	15,380	121,081	-
Developer incentives	-	-	800,000	-	150,000	-	-	69,414	-	388,000	-	-	-	-	-	1,407,414	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	17,643	8,273	36,173	41,436	27,254	22,133	662,607	338,793
Interest and fiscal charges	-	-	-	17,427	22,388	20,216	17,874	15,524	13,110	10,657	6,528	829	-	-	-	124,553	1,327,091
Principal on long-term debt	-	-	-	85,923	80,962	83,134	85,475	87,826	90,240	92,693	293,747	58,893	-	-	-	958,893	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	554,673	439,425	136,183	68,829	49,018	38,177	3,972,665	9,480,884
Fund Balance, December 31, 2025																$ 910,330	

City of Waterloo Tax Incremental District No. 2

Detailed Schedule of Capital, Developer Incentive and Professional Service Expenditures
Year Ended December 31, 2025 and From the Date of Creation Through December 31, 2025

	Actual	Project Plan Estimate
Original Project Plan		
Development incentives	$ 800,000	$ 1,120,000
Downtown property improvements	288,387	80,000
Signage and way finding	-	15,000
Riverfront/parking improvements	273,433	130,000
Professional services	210,188	178,793
Utility improvements	-	100,000
TID creation and administration	20,000	25,000
Amended Project Plan		
Developer incentives	607,414	2,220,000
Demolition	75,387	100,000
Public infrastructure	60,910	520,000
Revolving loan	-	350,000
Professional services	432,419	135,000
Utility improvements	-	535,000
Total capital, developer incentive and professional service expenditures	$ 2,768,138	$ 5,508,793