

City of Waterloo Tax Incremental District No. 3

Financial Statements and
Supplementary Information

December 31, 2023

City of Waterloo Tax Incremental District No. 3

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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. 3 (the District) as of and for the year ended December 31, 2023 and from the date of creation through December 31, 2023, 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, 2023, 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

Milwaukee, Wisconsin
April 15, 2024

City of Waterloo Tax Incremental District No. 3

Balance Sheet

December 31, 2023

	Capital Projects Fund
Assets	
Cash and investments	\$ 62,681
Taxes receivable	<u>84,753</u>
Total assets	<u><u>\$ 147,434</u></u>
Deferred Inflows of Resources and Fund Balance	
Deferred Inflows of Resources	
Unearned revenue	<u>\$ 84,753</u>
Fund Balance	
Restricted	<u>62,681</u>
Total deferred inflows of resources and fund balance	<u><u>\$ 147,434</u></u>

See notes to financial statements

City of Waterloo Tax Incremental District No. 3

Historical Summary of Project Costs, Project Revenues
and Net Cost to be Recovered Through Tax Increments

Year Ended December 31, 2023 and From the Date of Creation Through December 31, 2023

	Year Ended	From the Date of Creation
Project Costs		
Capital expenditures	\$ -	\$ 570,941
Professional services, planning, engineering, other	2,627	179,899
Developer incentives	-	1,100,887
Interest and fiscal charges	40,553	236,204
Debt issuance costs	-	68,775
Interest on advances	-	11,017
Total project costs	43,180	2,167,723
Project Revenues		
Tax increments	74,902	488,000
Exempt computer aid	320	3,725
Intergovernmental grants	221	63,952
Sale of property	-	530
Developer guarantees	31,973	129,197
Total project revenues	107,416	685,404
Net costs recoverable (recovered) through tax increments, December 31, 2023	\$ (64,236)	\$ 1,482,319
Reconciliation of Recoverable Costs		
G.O. debt		\$ 1,545,000
Less fund balance		(62,681)
Net costs recoverable through tax increments, December 31, 2023		\$ 1,482,319

See notes to financial statements

City of Waterloo Tax Incremental District No. 3

Historical Summary of Sources, Uses and Status of Funds

Year Ended December 31, 2023 and From Date of Creation Through December 31, 2023

	Year Ended	From Date of Creation
Sources of Funds		
Tax increments	\$ 74,902	\$ 488,000
Exempt computer aid	320	3,725
Intergovernmental grants	221	63,952
Sale of property	-	530
Developer guarantees	31,973	129,197
Long-term debt issued	-	3,682,898
Total sources of funds	107,416	4,368,302
Uses of Funds		
Capital expenditures	-	570,941
Professional services, planning, engineering, other	2,627	179,899
Developer incentives	-	1,100,887
Interest and fiscal charges	40,553	236,204
Debt issuance costs	-	68,775
Interest on advances	-	11,017
Principal on long-term debt	70,000	2,137,898
Total uses of funds	113,180	4,305,621
Excess (deficiency) of sources of funds over uses of funds	(5,764)	62,681
Beginning Fund Balance	68,445	-
Ending Fund Balance	\$ 62,681	\$ 62,681

See notes to financial statements

City of Waterloo Tax Incremental District No. 3

Notes to Financial Statements

December 31, 2023

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 (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 Tax Incremental District No. 3. The accompanying financial statements reflect all the significant operations of the City's Tax Incremental District No. 3. 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 City'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'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. Project costs may be incurred up to five years before the unextended termination date of the District.

Original Project Plan

	<u>Creation Date</u>	<u>Last Date to Incur Project Costs</u>	<u>Last Year to Collect Increment</u>
TID No. 3	January 1, 2012	April 19, 2027	2038

During 2020, the District had its life extended by 6 years as allowable under the provisions of Wisconsin Statute Section 66.1105.

City of Waterloo Tax Incremental District No. 3

Notes to Financial Statements

December 31, 2023

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.

City of Waterloo Tax Incremental District No. 3

Notes to Financial Statements

December 31, 2023

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 or utility revenues, as applicable.

Title of Issue	Original Indebtedness	Repaid	Balance 12/31/2023
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. This was refunded during 2020.	919,615	919,615	-
2020 Promissory Note dated May 28, 2020 with an interest rate of 1.4% to 2.35%. Total amount borrowed was \$920,000, of which 780,000 was for TIF No. 3. Final maturity is May 1, 2030.	780,000	180,000	600,000
2020 Refunding Bonds dated May 28, 2020 with an interest rate of 2.6% to 3.2%. Total amount borrowed was \$945,000 of which 100% was for TIF No. 3. Final maturity is May 1, 2037.	945,000	-	945,000
Total	\$ 3,682,898	\$ 2,137,898	\$ 1,545,000

City of Waterloo Tax Incremental District No. 3

Notes to Financial Statements

December 31, 2023

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

Calendar Year	Principal	Interest	Total
2024	\$ 75,000	\$ 39,320	\$ 114,320
2025	80,000	37,923	117,923
2026	85,000	36,355	121,355
2027	85,000	34,655	119,655
2028	90,000	32,818	122,818
2029-2033	535,000	128,999	663,999
2034-2037	595,000	37,730	632,730
Total	<u>\$ 1,545,000</u>	<u>\$ 347,800</u>	<u>\$ 1,892,800</u>

4. 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. For 2023, the shortfall payment equated to \$31,973, which was paid by year-end. The cumulative shortfall payments related to this agreement earned over the life of the District is \$129,197.

5. Developer Payments

Per Note 4, 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 4, 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.

City of Waterloo Tax Incremental District No. 3

Detailed Schedule of Sources, Uses and Status of Funds
From Date of Creation Through December 31, 2023

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total	Project Plan Estimate
Sources of Funds														
Tax increments	\$ -	\$ -	\$ 5,416	\$ 43,391	\$ 26,841	\$ 23,680	\$ 31,104	\$ 18,973	\$ 89,163	\$ 87,858	\$ 86,672	\$ 74,902	\$ 488,000	\$ 3,157,659
Exempt computer aid	-	-	-	915	590	308	312	320	320	320	320	320	3,725	-
Intergovernmental grants	-	-	-	-	-	-	-	62,282	904	324	221	221	63,952	-
Sale of property	-	-	-	-	-	-	-	-	530	-	-	-	530	-
Developer guarantees	-	-	-	-	-	-	-	20,000	27,272	23,107	26,845	31,973	129,197	-
Investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	5,049
Long-term debt issued	-	-	-	-	-	1,038,283	-	919,615	1,725,000	-	-	-	3,682,898	2,165,000
Total sources of funds	-	-	5,416	44,306	27,431	1,062,271	31,416	1,021,190	1,843,189	111,609	114,058	107,416	4,368,302	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	8,209	4,139	6,440	2,627	179,899	104,500
Developer incentives	162,000	-	-	-	-	938,887	-	-	-	-	-	-	1,100,887	462,000
Debt issuance costs	-	-	-	-	-	-	-	-	68,775	-	-	-	68,775	-
Interest and fiscal charges	-	-	-	-	-	-	-	61,890	49,855	42,338	41,568	40,553	236,204	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	919,615	50,000	60,000	70,000	2,137,898	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	1,046,454	96,477	108,008	113,180	4,305,621	5,290,588
Fund Balance, December 31, 2023													\$ 62,681	

City of Waterloo Tax Incremental District No. 3

Detailed Schedule of Capital, Developer Incentive and Professional Service Expenditures
From the Date of Creation Through December 31, 2023

	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 amd job creation, loans and cash grants	938,887	200,000
Engineering, Portland Road & Adjacent	11,668	40,000
Street and utilities, 333 Portland Road & Adjacent	524,415	750,000
Loans and cash grants, 333 Portland Road & Adjacent	-	100,000
Engineering, Waldo Parcel	-	50,000
Street and utilities, Waldo Parcel	-	800,000
Loan forgiveness	41,000	-
Professional services, planning, engineering, other	168,231	14,500
Total capital, developer incentive and professional service expenditures	<u>\$ 1,851,727</u>	<u>\$ 2,141,500</u>