

CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 17
Waukesha, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of December 31, 2015 and From the
Date of Creation Through December 31, 2015

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 17**

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From the Date of Creation Through December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Waukesha
Waukesha, Wisconsin

Report on the Financial Statements

We have audited the accompanying Combined 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 Waukesha's Tax Incremental District No. 17 as of December 31, 2015 and from the date of creation through December 31, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Sources of funds of \$1,026,503 and uses of funds of \$912,682 were incurred between 2007 and 2008. Those amounts were included in the City of Waukesha's basic financial statements as supplemental information which were audited by other auditors. Their reports indicated that their audits were made for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental information was subjected to the auditing procedures applied in their audits of the basic financial statements and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole. Additional audit procedures on those sources of funds and uses of funds have not been performed.

To the Common Council
City of Waukesha

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City of Waukesha's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Waukesha's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of other auditors and except for the effect of such adjustments, if any, as might have been necessary had we performed additional audit procedures on the sources of funds and uses of funds incurred between 2007 and 2008, the financial statements referred to above present fairly, in all material respects, the financial position of City of Waukesha's Tax Incremental District No. 17 and the net project costs to be recovered through tax increments as of December 31, 2015 and the sources, uses, and status of funds from the date of creation through December 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the transactions of City of Waukesha's Tax Incremental District No. 17 and do not purport to, and do not, present fairly the financial position of the City of Waukesha, as of December 31, 2015, and the changes in 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. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

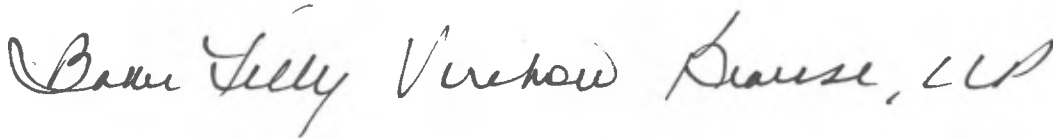
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Waukesha's Tax Incremental District No. 17's financial statements. The detailed schedules of sources, uses and status of funds and the detailed schedule of capital expenditures as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the detailed schedules of sources, uses and status of funds and the detailed schedule of capital expenditures are fairly stated in all material respects, in relation to the financial statements as a whole.

To the Common Council
City of Waukesha

The City of Waukesha's financial statements for the years ended December 31, 2007 - 2008, which are not presented with the accompanying financial statements, were audited by other auditors whose reports expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. Their report on the 2007 - 2008 combining and individual nonmajor fund financial statements stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the years ended December 31, 2007 - 2008, as a whole.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated October 25, 2016 on our tests of its compliance with Wisconsin State Statutes Section 66.1105. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

A handwritten signature in cursive script that reads "Brian Kelly Virehow Bause, CPA". The signature is written in black ink and is positioned above the typed name and date.

Milwaukee, Wisconsin
October 25, 2016

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 17**

COMBINED BALANCE SHEET
As of December 31, 2015

	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
ASSETS		
Cash and investments	\$ 328,490	\$ -
Taxes receivable	462,266	-
Loans receivable	-	60,275
Due from other funds	<u>13,497</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 804,253</u>	<u>\$ 60,275</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 68	\$ 616
Due to other funds	<u>-</u>	<u>13,497</u>
Total Liabilities	<u>68</u>	<u>14,113</u>
Deferred Inflows of Resources		
Unearned revenue	<u>462,266</u>	<u>-</u>
Fund Balances		
Restricted	<u>341,919</u>	<u>46,162</u>
Total Fund Balances	<u>341,919</u>	<u>46,162</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 804,253</u>	<u>\$ 60,275</u>

See accompanying notes to financial statements.

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 17**

HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
From the Date of Creation Through December 31, 2015

PROJECT COSTS

Capital expenditures	\$ 4,458,850
Administration	91,564
Interest and fiscal charges	1,171,446
Debt issuance costs	5,824
Refunding costs	71,885
Discount on long-term debt issued	9,061
Total Project Costs	5,808,630

PROJECT REVENUES

Tax increments	1,543,603
Exempt computer aid	14,670
Intergovernmental revenues	69,929
Investment income	12,673
Sale of property	6
Miscellaneous revenues	175,019
Premium on long-term debt issued	811
Total Project Revenues	1,816,711

NET COST TO BE RECOVERED THROUGH TAX INCREMENTS – DECEMBER 31, 2015	\$ 3,991,919
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Reconciliation of Recoverable Costs	
G.O. Debt	\$ 4,380,000
Less: Fund balance	(388,081)

NET COST TO BE RECOVERED THROUGH TAX INCREMENTS – DECEMBER 31, 2015	\$ 3,991,919
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See accompanying notes to financial statements.

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 17**

**HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2015**

SOURCES OF FUNDS

Tax increments	\$ 1,543,603
Exempt computer aid	14,670
Intergovernmental revenues	69,929
Investment income	12,673
Sale of property	6
Miscellaneous revenues	175,019
Premium on long-term debt issued	811
Long-term debt issued	<u>9,326,929</u>
Total Sources of Funds	<u>11,143,640</u>

USES OF FUNDS

Capital expenditures	4,458,850
Administration	91,564
Interest and fiscal charges	1,171,446
Debt issuance costs	5,824
Refunding costs	71,885
Discount on long-term debt issued	9,061
Refunding principal on long-term debt	4,691,929
Principal on long-term debt	<u>255,000</u>
Total Uses of Funds	<u>10,755,559</u>

FUND BALANCE - DECEMBER 31, 2015 \$ 388,081

See accompanying notes to financial statements.

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 17**

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and
From the Date of Creation Through December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Waukesha's Tax Incremental District No. 17 (the "district") conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Waukesha (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. 17 ("TID No. 17"). The accompanying financial statements reflect all the significant operations of the City of Waukesha's Tax Incremental District No. 17. The accompanying financial statements do not include the full presentation of the City of Waukesha.

A. 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 funds and the city's long-term debt.

TID No. 17 Debt Service Fund
TID No. 17 Capital Projects Fund

Detailed descriptions of the purpose of these funds and long-term debt can be found in the City of Waukesha'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 of Waukesha. Project costs may be incurred up to five years before the unextended termination date of the district.

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 17**

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and
From the Date of Creation Through December 31, 2015

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. 17	January 1, 2007	January 1, 2029	2034

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, liabilities, and deferred inflows of resources 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.

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 17**

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and
From the Date of Creation Through December 31, 2015

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

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. There were no significant claims or judgments at the end of the period.

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 of Waukesha, 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.

NOTE 3 – LONG TERM 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 debt service fund. If those revenues are not sufficient, payments will be made by future tax levies, as applicable.

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 17**

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and
From the Date of Creation Through December 31, 2015

NOTE 3 – LONG TERM DEBT (cont.)

Title of Issue	Date of Issue	Due Date	Interest Rates	Original Indebtedness	Repaid	Balance 12/31/2015
2008 Taxable Note						
Anticipation Notes	8/5/2008	10/1/2011	4.65%	\$ 985,000	\$ 985,000	\$ -
2009A G.O. Notes	7/28/2009	10/1/2018	2.00-3.75%	50,000	25,000	25,000
2010 Taxable Note						
Anticipation Notes	8/10/2010	12/1/2010	0.65%	3,706,929	3,706,929	-
2010D Taxable Refunding Bonds	12/1/2010	10/1/2030	1.10-5.70%	3,585,000	100,000	3,485,000
2011C Taxable Refunding Bonds	8/9/2011	10/1/2026	1.00-5.30%	1,000,000	130,000	870,000
Totals				<u>\$ 9,326,929</u>	<u>\$ 4,946,929</u>	<u>\$ 4,380,000</u>

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

Calendar Year	Principal	Interest	Totals
2016	\$ 125,000	\$ 213,520	\$ 338,520
2017	130,000	210,523	335,523
2018	130,000	206,883	331,883
2019	280,000	202,798	482,798
2020	290,000	192,338	482,338
2021-2025	1,685,000	755,919	2,440,919
2026-2030	1,740,000	295,355	2,035,355
Totals	<u>\$ 4,380,000</u>	<u>\$ 2,077,336</u>	<u>\$ 6,447,336</u>

\$341,919 is available in the TID No. 17 debt service fund to service the debt shown.

NOTE 5 – LOANS RECEIVABLE

At December 31, 2015, the district had outstanding loans receivable totaling \$60,275. The loans are recorded as receivables by the district and repayments are recorded as a reduction of the receivable. All loans are considered deferred, so repayment to the City will not occur until the properties are sold. The loans are not considered to be project costs and are not reflected in the recoverable cost schedule.

NOTE 6 – SUBSEQUENT EVENT

On May 10, 2016, The City issued general obligation promissory notes (Series 2016 A) for TID No. 17 in the amount of \$200,000 with annual interest rates between 2.00-3.00%. This amount will be used for TID No. 17 projects and to refund some outstanding debt.

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 17**

DETAILED SCHEDULE OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2015

	2007	2008	2009	2010
SOURCES OF FUNDS				
Tax increments	\$ -	\$ -	\$ 19,309	\$ 271,072
Exempt computer aid	-	-	1,572	1,561
Intergovernmental revenues	-	-	-	29,929
Investment income	-	1,155	235	4,093
Sale of property	-	-	-	-
Miscellaneous revenues	-	40,348	125,016	8,655
Premium on long-term debt issued	-	-	811	-
Long-term debt issued	-	985,000	50,000	7,291,929
Total Sources of Funds	<u>-</u>	<u>1,026,503</u>	<u>196,943</u>	<u>7,607,239</u>
USES OF FUNDS				
Capital expenditures	-	901,819	71,122	3,254,444
Administration	1,000	5,628	2,442	29,790
Interest and fiscal charges	-	-	53,381	48,018
Debt issuance costs	-	1,134	101	4,376
Refunding costs	-	-	-	56,257
Discount on long-term debt issued	-	3,101	400	5,560
Refunding principal on long-term debt	-	-	-	3,706,929
Principal on long-term debt	-	-	-	-
Total Uses of Funds	<u>1,000</u>	<u>911,682</u>	<u>127,446</u>	<u>7,105,374</u>

FUND BALANCE – DECEMBER 31, 2015

2011	2012	2013	2014	2015	Totals	Project Plan Estimate
\$ 102,453	\$ 30,642	\$ 395,560	\$ 298,372	\$ 426,195	\$ 1,543,603	\$ 14,908,823
1,263	3,816	2,653	2,744	1,061	14,670	-
-	40,000	-	-	-	69,929	-
2,817	1,110	477	611	2,175	12,673	-
2	-	3	1	-	6	-
1,000	-	-	-	-	175,019	-
-	-	-	-	-	811	-
1,000,000	-	-	-	-	9,326,929	-
<u>1,107,535</u>	<u>75,568</u>	<u>398,693</u>	<u>301,728</u>	<u>429,431</u>	<u>11,143,640</u>	<u>14,908,823</u>
150,600	41,270	2,434	22,215	14,946	4,458,850	9,061,060
936	14,655	1,824	18,725	16,564	91,564	267,500
195,105	222,960	218,136	217,730	216,116	1,171,446	5,202,763
-	-	-	213	-	5,824	377,500
15,628	-	-	-	-	71,885	-
-	-	-	-	-	9,061	-
985,000	-	-	-	-	4,691,929	-
5,000	5,000	5,000	120,000	120,000	255,000	-
<u>1,352,269</u>	<u>283,885</u>	<u>227,394</u>	<u>378,883</u>	<u>367,626</u>	<u>10,755,559</u>	<u>14,908,823</u>
					<u>\$ 388,081</u>	

SUPPLEMENTAL INFORMATION

**Tax Incremental Financing District
No. 17 – Detailed Schedule of Sources,
Uses, and Status of Funds** Follows

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 17**

DETAILED SCHEDULE OF CAPITAL EXPENDITURES
From the Date of Creation Through December 31, 2015

	<u>Actual</u>	<u>Project Plan Estimate</u>
Capital Expenditures:		
Planning, legal, consulting and engineering	\$ 218,714	\$ 374,500
Street and other site improvements	385,456	850,000
Park improvements	-	150,000
Environmental remediation	-	125,000
Railroad improvements	-	30,000
Storm sewers	4,407	400,000
Land acquisitions, writedowns, loans, incentives, and special projects	3,717,531	5,350,000
Waterworks	77,085	1,531,560
Sanitary sewers	<u>55,657</u>	<u>250,000</u>
 TOTAL CAPITAL EXPENDITURES	 <u>\$ 4,458,850</u>	 <u>\$ 9,061,060</u>

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the Common Council
City of Waukesha
Waukesha, Wisconsin

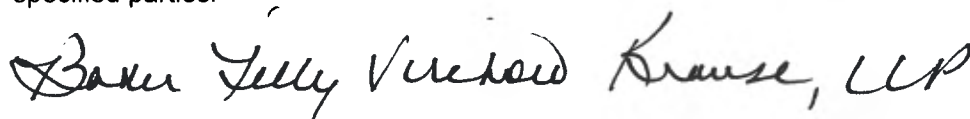
We have audited the accompanying Combined Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments and the related Historical Summary of Sources, Uses and Status of Funds of the City of Waukesha, Wisconsin Tax Incremental District No.17 (the "district") as of December 31, 2015 and from the date of creation through December 31, 15 and have issued our report thereon dated October 25, 2016.

Sources of funds of \$1,026,503 and uses of funds of \$912,682 were incurred between 2007 and 2008. Those amounts were included in the City of Waukesha's basic financial statements as supplemental information which was audited by other auditors. Their reports indicated that their audits were made for the purpose of forming opinions on the basic financial statements as a whole. The supplemental information was subjected to the auditing procedures applied in their audits of the basic financial statements and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole. Additional audit procedures on those sources of funds and uses of funds have not been performed.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the district failed to comply with Wisconsin State Statutes Section 66.1105, insofar as it relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the district's noncompliance with the above-referenced statute, insofar as it relates to accounting matters.

This report is intended solely for the information and use of the Finance Committee, management and the overlapping taxing districts and is not intended to be, and should not be, used by anyone other than the specified parties.



Milwaukee, Wisconsin
October 25, 2016