

**CITY OF WAUKESHA**  
**BUSINESS IMPROVEMENT DISTRICT**  
(A Component Unit of the City of Waukesha)  
Waukesha, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the year ended December 31, 2013

**DRAFT**

**CITY OF WAUKESHA**  
**BUSINESS IMPROVEMENT DISTRICT**  
(A Component Unit of the City of Waukesha)

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As of and for the year ended December 31, 2013

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## INDEPENDENT AUDITORS' REPORT

To the Common Council  
City of Waukesha Business Improvement District  
Waukesha, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of City of Waukesha Business Improvement District, a component unit of the City of Waukesha, Wisconsin, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Waukesha Business Improvement District's basic financial statements as listed in the table of contents.

### ***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. 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.

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 Business Improvement District'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 Business Improvement District'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of City of Waukesha Business Improvement District as of December 31, 2013 and the respective changes in financial position and its cashflows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Common Council  
City of Waukesha Business Improvement District

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the City of Waukesha Common Council approved the termination of the City of Waukesha Business Improvement District effective April 5, 2013. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the City of Waukesha Business Improvement District adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Waukesha Business Improvement District's basic financial statements. The statement of revenues, expenses, and changes in net position - budget and actual as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenues, expenses, and changes in net position - budget and actual is fairly stated in all material respects, in relation to the basic financial statements as a whole.

**Report on Other Legal and Regulatory Requirements**

We have also issued our report dated February 27, 2014 on our tests of the City of Waukesha Business Improvement District's compliance with Wisconsin State Statutes Section 66.1109. 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.

Milwaukee, Wisconsin  
May XX, 2014

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**CITY OF WAUKESHA BUSINESS IMPROVEMENT DISTRICT**

**STATEMENT OF NET POSITION**

As of December 31, 2013

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<b>ASSETS</b>	
Cash and investments	\$ -
Accounts receivable	-
<b>TOTAL ASSETS</b>	<u>\$ -</u>
<b>LIABILITIES</b>	
Unearned revenue	-
Total liabilities	<u>-</u>
<b>NET POSITION</b>	
Unrestricted	<u>\$ -</u>

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See accompanying notes to financial statements.

## CITY OF WAUKESHA BUSINESS IMPROVEMENT DISTRICT

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Year Ended December 31, 2013

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#### OPERATING REVENUES

Assessments	\$ 17,466
Private contributions	1,300
Home Town	16,685
Downtown activities	<u>4,764</u>
Total operating revenues	<u>40,215</u>

#### OPERATING EXPENSES

Management and administration	23,416
Business recruitment, retention, and promotion	4,264
Downtown promotion	197
Downtown environment	542
Home Town	<u>13,485</u>
Total operating expenses	<u>41,904</u>

Operating loss (1,689)

#### NONOPERATING REVENUES (EXPENSES)

Distribution to property owners and City	(235,099)
Investment income	130
Interest on assessments	<u>2,807</u>
Total nonoperating revenues (expenses)	<u>(232,162)</u>

**Change in Net Position** (233,851)

NET POSITION - BEGINNING OF YEAR 233,851

NET POSITION - END OF YEAR \$ -

See accompanying notes to financial statements.  
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**CITY OF WAUKESHA BUSINESS IMPROVEMENT DISTRICT**

STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2013

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 13,169
Cash paid to suppliers for goods and services	(273,092)
Cash payments to employees for services	<u>(3,911)</u>
Net Cash Flow From Operating Activities	<u>(263,834)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment income	<u>2,937</u>
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**Change in Cash and Cash Equivalents** (260,897)

CASH AND CASH EQUIVALENTS - Beginning of Year 260,897

**CASH AND CASH EQUIVALENTS - END OF YEAR** \$ -

**RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

Operating loss	\$ (1,689)
Nonoperating revenues and expenses:	
Distribution to property owners and City	(235,099)
Changes in assets and liabilities	
Special assessments receivable	9,011
Unearned revenue	<u>(36,057)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>\$ (263,834)</u></u>

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See accompanying notes to financial statements.

**CITY OF WAUKESHA  
BUSINESS IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2013

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

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The accounting policies of the City of Waukesha's Business Improvement District (the "District") conform to accounting principles as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Government Auditing Standards Board (GASB).

**A. DESCRIPTION OF REPORTING ENTITY**

This report contains the financial information of the City of Waukesha's Business Improvement District, which is a component unit of the City of Waukesha, Wisconsin.

The District was created under the provisions of Wisconsin Statute Section 66.1109. It is the purpose of that section to authorize municipalities to create one or more business improvement districts to allow businesses within those districts to develop, manage and promote the districts and to establish an assessment method to fund these activities.

The District was a legal entity separate and distinct from the City of Waukesha, Wisconsin. The District was governed by a 13 member board appointed and approved by the City Council. The members served staggered, two-year terms. A majority of the board members owned or occupied real property in the District.

**B. BASIS OF ACCOUNTING/MEASUREMENT FOCUS**

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflow of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective January 1, 2013.

The accounting and financial reporting treatment applied to the district is determined by its measurement focus. The transactions of the district are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations are included on the statement of net position. Net position is segregated into "net investment in capital assets"; "restricted"; and "unrestricted" components.

The statement of net position and statement of revenues, expenses, and changes in net position are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Assessments are levied upon all property within the District and are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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**CITY OF WAUKESHA  
BUSINESS IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2013

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

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**B. BASIS OF ACCOUNTING/MEASUREMENT FOCUS (cont.)**

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to the District members. Operating expenses for the District include salaries and wages, operation and maintenance, business development and promotions. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

**C. SPECIAL ASSESSMENT METHOD**

The District is authorized to levy special assessments to fund its operations. The method of levy is based on assessed valuation of all real property within the district except property used exclusively for residential and manufacturing purposes.

**D. EQUITY CLASSIFICATIONS**

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding any unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**E. CLAIMS AND JUDGMENTS**

Claims and judgments are recorded as expenses when the related liabilities are incurred.

**F. OPERATING PLAN BUDGET**

The budgetary information is derived from the annual operating plan budget and is presented using the same basis of accounting as described in Note 1.B.

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**CITY OF WAUKESHA  
BUSINESS IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2013

**NOTE 2 – TERMINATION OF DISTRICT**

Effective April 5, 2013, the City Common Council and District Board of Directors approved the termination of the District. Upon termination, the District is required to have an audit per Wisconsin State Statute 66.1109 (3) (c). The District is also required to disburse all unspent special assessment monies back to the property owners of the specially assessed properties in the same proportionate share as the last collected special assessment. As of December 31, 2013, the amount of unspent monies remaining in the District was \$235,099. These funds were transferred to the City of Waukesha bank account for distribution. This amount includes not only unspent special assessments monies but also tax levy from the City of Waukesha and excess funds from the various District events that were held throughout the year. It should be noted that all funds were maintained in one bank account.

In accordance with Wisconsin State Statutes and consultation with the City Attorney, City management determined that the unspent monies should be returned to the property owners and the City in the same proportionate share as the last collected special assessment and levy. The last special assessment and levy collected by the District was in 2012.

		Amounts collected in 2012	
Assessment	\$	118,579	83.79%
City Tax Levy		<u>22,942</u>	16.21%
Collected in 2012	\$	<u>141,521</u>	
Allocation of Unspent Funds			
Amount of unspent dollar	\$	235,099	
Less:			
Auditing Fees 2012 (paid by City)		(2,050)	
Auditing Fees 2013 (yet to be paid)		(5,000)	
Payment to WDBA for 2013 Farmers Market (yet to be paid)		(11,200)	
Payment to Bike Alliance for bike racks (yet to be paid)		(7,365)	
Utility Bill (paid by City)		<u>(107)</u>	
Amount to be allocated		209,377	
Returned to Property Owners		(175,435)	83.79%
Returned to City		<u>(33,942)</u>	16.21%
	\$	<u>-</u>	

The refunding of the above unspent monies to the property owners and the City will occur in early 2014.

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**CITY OF WAUKESHA  
BUSINESS IMPROVEMENT DISTRICT**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
NET POSITION – ACTUAL AND BUDGET  
For the Year Ended December 31, 2013

	Actual	Original and Final Budget	Variance
<b>OPERATING REVENUES</b>			
Assessments	\$ 17,466	\$ 139,608	\$ (122,142)
Private contributions	1,300	15,000	(13,700)
Home Town	16,685	-	16,685
Downtown activities	4,764	-	4,764
Total Operating Revenues	<u>40,215</u>	<u>154,608</u>	<u>(114,393)</u>
<b>OPERATING EXPENSES</b>			
Management and administration	23,416	62,500	39,084
Business recruitment, retention and promotion	4,264	63,208	58,944
Downtown promotion	197	16,000	15,803
Downtown environment	542	165,000	164,458
Home town	13,485	-	(13,485)
Total Operating Expenses	<u>41,904</u>	<u>306,708</u>	<u>264,804</u>
Operating Loss	<u>(1,689)</u>	<u>(152,100)</u>	<u>150,411</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Distribution to property owners and City	(235,099)	-	(235,099)
Investment income	130	300	(170)
Interest on assessments	2,807	1,800	1,007
Total Nonoperating Revenues (Expenses)	<u>(232,162)</u>	<u>2,100</u>	<u>(234,262)</u>
<b>CHANGE IN NET POSITION</b>	(233,851)	<u>\$ (150,000)</u>	<u>\$ (83,851)</u>
NET POSITION - Beginning of Year	<u>233,851</u>		
<b>NET POSITION - END OF YEAR</b>	<u>\$ -</u>		

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the City Council  
City of Waukesha Business Improvement District  
Waukesha, Wisconsin

We have audited the financial statements of the City of Waukesha Business Improvement District (District), a component unit of the City of Waukesha, Wisconsin as of and for the year ended December 31, 2013 and have issued our report thereon dated February 27, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance with business improvement district laws and regulations is the responsibility of District management. As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with Wisconsin State Statutes Section 66.1109 and, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance.

This report is intended solely for the information and use of the City of Waukesha City Council and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Milwaukee, Wisconsin  
May XX, 2014

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