

CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 22
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. 22**

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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. 22 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. 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'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.

To the Common Council
City of Waukesha

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City of Waukesha's Tax Incremental District No. 22 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. 22 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. 22'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.

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.



Milwaukee, Wisconsin
October 25, 2016

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 22**

COMBINED BALANCE SHEET
As of December 31, 2015

	Debt Service Fund	Capital Projects Fund
ASSETS		
Cash and investments	\$ 93,443	\$ 35,028
TOTAL ASSETS	<u>\$ 93,443</u>	<u>\$ 35,028</u>
FUND BALANCES		
Restricted	\$ 93,443	\$ 35,028
TOTAL FUND BALANCES	<u>\$ 93,443</u>	<u>\$ 35,028</u>

See accompanying notes to financial statements.

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 22**

**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	\$ 1,000,303
Developer incentives and cash grants	2,000,000
Administration	67,503
Debt issuance costs	<u>36,677</u>
Total Project Costs	<u>3,104,483</u>

PROJECT REVENUES

Tax increments	86,744
Exempt computer aid	4,472
Investment income	2,919
Premium on long-term debt	<u>108,819</u>
Total Project Revenues	<u>202,954</u>

**NET COST TO BE RECOVERED THROUGH
TAX INCREMENTS – DECEMBER 31, 2015**

\$ 2,901,529

Reconciliation of Recoverable Costs

G.O. Debt	\$ 3,030,000
Less: Fund balance	<u>(128,471)</u>

**NET COST TO BE RECOVERED THROUGH
TAX INCREMENTS – DECEMBER 31, 2015**

\$ 2,901,529

See accompanying notes to financial statements.

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 22**

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

SOURCES OF FUNDS

Tax increments	\$ 86,744
Exempt computer aid	4,472
Investment income	2,919
Premium on long-term debt	108,819
Long-term debt issued	<u>3,030,000</u>
Total Sources of Funds	<u>3,232,954</u>

USES OF FUNDS

Capital expenditures	1,000,303
Development incentives and cash grants	2,000,000
Administration	67,503
Debt issuance costs	<u>36,677</u>
Total Uses of Funds	<u>3,104,483</u>

FUND BALANCE - DECEMBER 31, 2015 \$ 128,471

See accompanying notes to financial statements.

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 22**

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. 22 (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. 22 ("TID No. 22"). The accompanying financial statements reflect all the significant operations of the City of Waukesha's Tax Incremental District No. 22. 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. 22 Debt Service Fund
TID No. 22 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 20 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.

Original Project Plan

	Creation Date	Last Date to Incur Project Costs	Last Year to Collect Increment
TID No. 22	January 1, 2013	January 1, 2028	2033

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 22**

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.)

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.

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.

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 22**

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.)

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. 22**

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 12-31-15
2015D Taxable G.O. Notes	5/12/15	10/01/24	.65-2.70%	\$ 2,030,000	\$ -	\$ 2,030,000
2015A G.O. Notes	5/12/15	10/01/24	2.00-4.00%	1,000,000	-	1,000,000
Totals				<u>\$ 3,030,000</u>	<u>\$ -</u>	<u>\$ 3,030,000</u>

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

Calendar Year	Principal	Interest	Total
2016	\$ -	\$ 108,099	\$ 108,099
2017	135,000	77,988	212,988
2018	190,000	76,773	266,773
2019	425,000	74,303	499,303
2020	435,000	65,198	500,198
2021-2024	<u>1,845,000</u>	<u>143,315</u>	<u>1,988,315</u>
Total	<u>\$ 3,030,000</u>	<u>\$ 545,676</u>	<u>\$ 3,575,676</u>

\$93,443 is available in the TID No. 22 debt service fund to service the debt shown.

NOTE 4 – GUARANTEED REVENUE/MUNICIPAL REVENUE OBLIGATION

During 2014, the City of Waukesha entered into an agreement with a developer. The agreement guarantees that the developer shall make a payment in lieu of real property taxes equal to the difference in the amount of real property taxes that would be due and payable to the City in that year based upon the minimum assessed value and the actual assessed value for that calendar year. Payment by the developer is due no later than December 31 of each year in which the minimum assessed value is not realized. In the event that the developer, or a successor owner, fails to make timely payment, interest shall accrue at a rate of 1% per month. This payment is in addition to real property taxes due and owing the City based on the actual assessed value.

In return, the City paid the developer an incentive of \$2,000,000. In addition, the City has a municipal revenue obligation as part of the developer agreement. The amount of the obligation was \$600,000 and is payable to the developer solely from the tax increments collected from a specific portion of the development in TID No. 22. Payments will begin in the year that the minimum assessed value for the site reaches \$13 million and carry an interest rate of 1.00-3.00%. The obligation does not constitute a charge upon any funds of the City. In the event that the future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the City. Since the amount of future payments is contingent on the collection of future TID increments, the obligation is not reported as a liability in the accompanying financial statements. No amounts have been paid on the obligation.

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 22**

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

NOTE 5 – SUBSEQUENT EVENT

On May 10, 2016, The City issued general obligation promissory notes (Series 2016 A) for TID No. 22 in the amount of \$400,000 with annual interest rates between 2.00-3.00%. This amount will be used for TID No. 22 projects.

SUPPLEMENTAL INFORMATION

**Tax Incremental Financing District
No. 22 – Detailed Schedule of Sources,
Uses, and Status of Funds Follows**

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 22**

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

	2014	2015	Totals	Project Plan Estimate
SOURCES OF FUNDS				
Tax increments	\$ -	\$ 86,744	\$ 86,744	\$ 5,080,000
Exempt computer aid	-	4,472	4,472	-
Investment income (loss)	(34)	2,953	2,919	-
Premium on long-term debt	-	108,819	108,819	-
Long-term debt issued	-	3,030,000	3,030,000	-
Total Sources of Funds	<u>(34)</u>	<u>3,232,988</u>	<u>3,232,954</u>	<u>5,080,000</u>
USES OF FUNDS				
Capital expenditures	-	1,000,303	1,000,303	1,650,000
Development incentives and cash grants	-	2,000,000	2,000,000	2,600,000
Administration	28,863	38,640	67,503	50,000
Interest and fiscal charges	-	-	-	780,000
Debt issuance costs	-	36,677	36,677	-
Total Uses of Funds	<u>28,863</u>	<u>3,075,620</u>	<u>3,104,483</u>	<u>5,080,000</u>
FUND BALANCE – DECEMBER 31, 2015			<u>\$ 128,471</u>	

**CITY OF WAUKESHA
TAX INCREMENTAL DISTRICT NO. 22**

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	\$ -	\$ 50,000
Public infrastructure	<u>1,000,303</u>	<u>1,600,000</u>
 TOTAL CAPITAL EXPENDITURES	 <u>\$ 1,000,303</u>	 <u>\$ 1,650,000</u>

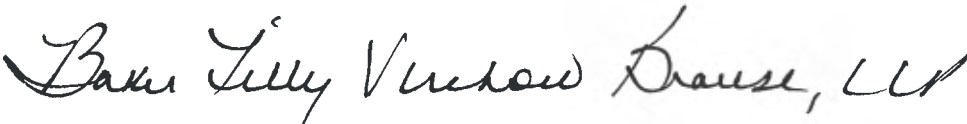
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

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's Tax Incremental District No. 22 ("district") as of December 31, 2015 and from the date the district was created through December 31, 2015 and have issued our report thereon dated October 25, 2016. 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