

City of Waukesha Tax Incremental District No. 14

Financial Statements and
Supplementary Information

January 15, 2022

City of Waukesha Tax Incremental District No. 14

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Independent Auditors' Report

To the City Council of
City of Waukesha

Opinion

We have audited 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 Waukesha's Tax Incremental District No. 14 (District) as of January 15, 2022 and from the date of creation through January 15, 2022, and the related notes to the financial statements.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of District and the net project costs to be recovered through tax increments as of January 15, 2022 and the sources, uses and status of funds from the date of creation through January 15, 2022, in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the District from the creation date through 2005, which included sources of funds of \$1,907,835 and uses of funds of \$1,738,666. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the District from the creation date through 2005, are based solely on the report of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the transactions of the City of Waukesha's Tax Incremental District No.14 and do not purport to, and do not, present fairly the financial position of the City of Waukesha, Wisconsin, as of January 15, 2022, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated February 28, 2022 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.

Baker Tilly US, LLP

Milwaukee, Wisconsin
February 28, 2022

City of Waukesha Tax Incremental District No. 14

Balance Sheet
January 15, 2022

	Debt Service Fund
Assets	
Cash and investments	<u>\$ 7,778,568</u>
Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ 17,500
Due to City for affordable housing	1,958,993
Due to City	2,931,955
Due to other taxing units	<u>2,839,220</u>
Total liabilities	<u>7,747,668</u>
Fund Balances	
Restricted	<u>30,900</u>
Total liabilities and fund balances	<u>\$ 7,778,568</u>

City of Waukesha Tax Incremental District No. 14

Historical Summary of Project Costs, Project Revenues
and Net Cost to be Recovered Through Tax Increments
From the Date of Creation Through January 15, 2022

Project Costs

Capital expenditures	\$ 7,772,632
Administration	440,734
Interest and fiscal charges	2,532,203
Debt issuance costs	51,000
Refunding costs	129,718
Discount on long-term debt	54,780
Assessment refunds	87,323
Developer contributions	650,000
Transfer to City for affordable housing	<u>1,958,993</u>
Total project costs	<u>13,677,383</u>

Project Revenues

Tax increments	18,516,271
Exempt computer aid	223,186
Intergovernmental	32,406
Investment income	292,025
Sale of property	73,280
Miscellaneous revenues	174,069
Premium on long-term debt	<u>137,321</u>
Total project revenues	<u>19,448,558</u>

Refund payable to overlying districts 5,771,175

Net cost to be recovered through
tax increments, January 15, 2022 \$ -

Reconciliation of Recoverable Costs

G.O. debt	\$ 30,900
Less fund balance	<u>(30,900)</u>

Net cost recovered through
tax increments, January 15, 2022 \$ -

City of Waukesha Tax Incremental District No. 14

Historical Summary of Sources, Uses and Status of Funds
From the Date of Creation Through January 15, 2022

Sources of Funds

Tax increments	\$ 18,516,271
Exempt computer aid	223,186
Intergovernmental	32,406
Investment income	292,025
Sale of property	73,280
Miscellaneous revenues	174,069
Premium on long-term debt	137,321
Long-term debt issued	9,650,000
Proceeds of refunding bonds	<u>2,535,000</u>

Total sources of funds 31,633,558

Uses of Funds

Capital expenditures	7,772,632
Administration	440,734
Interest and fiscal charges	2,531,303
Debt issuance costs	51,000
Refunding costs	129,718
Discount on long-term debt	54,780
Assessment refunds	87,323
Developer contributions	650,000
Payment to escrow agent	2,505,000
Principal on long-term debt	9,650,000
Transfer to City for affordable housing	<u>1,958,993</u>

Total uses of funds 25,831,483

Refund to overlying districts 5,771,175

Fund balance, January 15, 2022 \$ 30,900

City of Waukesha Tax Incremental District No. 14

Notes to Financial Statements
January 15, 2022

1. Summary of Significant Accounting Policies

The accounting policies of the City of Waukesha's Tax Incremental District No. 14 (the TID or District) conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Waukesha 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. 14. The accompanying financial statements reflect all the significant operations of the City of Waukesha's Tax Incremental District No. 14. The accompanying financial statements do not include the full presentation of the City of Waukesha.

Description of Fund Structure and Long-Term Debt

This report contains the financial information of the City of Waukesha's Tax Incremental District No. 14. The summary statements were prepared from data recorded in the Debt Service and Capital Project Funds.

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 improvements 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 23 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	Termination Date
TID No. 14	March 26, 2003	March 2, 2021

City of Waukesha Tax Incremental District No. 14

Notes to Financial Statements

January 15, 2022

Adoption Date

Plan Amendment #1

TID No. 14 April 15, 2008

Plan Amendment #2

TID No. 14 October 21, 2008

Plan Amendment #3

TID No. 14 September 18, 2012

Plan Amendment #4

TID No. 14 July 1, 2014

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 deferred revenue or a reservation of 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.

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.

City of Waukesha Tax Incremental District No. 14

Notes to Financial Statements

January 15, 2022

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 of Waukesha, maintains separate and common cash and investment accounts at the same financial institutions utilized by the City of Waukesha. Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the City of Waukesha 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 of Waukesha. 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.

City of Waukesha Tax Incremental District No. 14

Notes to Financial Statements

January 15, 2022

<u>Title of Issue</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Repaid</u>	<u>Balance 01-15-22</u>
2004 Bond Anticipation Note	07/08/2004	10/01/2007	3.375 %	\$ 1,875,000	\$ 1,875,000	\$ -
2007 G.O. Notes	05/21/2007	10/01/2016	3.75-4.25	25,000	25,000	-
2007 Refunding Bonds	05/15/2007	10/01/2019	4.00-4.75	1,885,000	1,885,000	-
2008 Taxable G.O. Notes	08/05/2008	10/01/2017	4.65-5.40	3,860,000	3,860,000	-
2009 Taxable G.O. Notes	07/28/2009	10/01/2018	2.00-3.75	1,375,000	1,375,000	-
2011 G.O. Notes	08/09/2011	10/01/2020	1.00-5.30	520,000	520,000	-
2013 G.O. Promissory Notes	05/07/2013	10/01/2022	2.00-4.00	110,000	80,000	30,000
2015 A G.O. Promissory Notes	05/12/2015	10/01/2020	2.00-4.00	725,000	725,000	-
2015 D G.O. Promissory Notes	05/12/2015	10/01/2017	.65-2.70	1,435,000	1,435,000	-
2016 A G.O. Promissory Notes	05/10/2016	10/01/2019	2.00	375,000	375,000	-
Total				<u>\$ 12,185,000</u>	<u>\$ 12,155,000</u>	<u>\$ 30,000</u>

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

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>\$ 30,000</u>	<u>\$ 900</u>	<u>\$ 30,900</u>

\$30,900 is available in the debt service fund to service the debt shown.

Refund to Overlying Districts

The refund to overlying districts is calculated based on increments collected in excess of project costs using the ratio of tax levies in the 2021 tax roll as follows:

Waukesha County	\$ 504,376
City of Waukesha	2,931,955
Waukesha Schools	2,244,366
Waukesha Technical College	<u>90,478</u>
Total	<u>\$ 5,771,175</u>

In addition, the District is holding a fund balance of \$30,900 to cover future debt service payable.

Affordable Housing Transfer

The District's closure was delayed by one year in accordance with Section 66.1105 (6) (g) of Wisconsin State Statutes and increment earned during this additional year was used to fund the affordable housing program.

S U P P L E M E N T A R Y I N F O R M A T I O N

City of Waukesha Tax Incremental District No. 14

Detailed Schedule of Sources, Uses and Status of Funds
From the Date of Creation Through January 15, 2022

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Sources of Funds							
Tax increments	\$ -	\$ 1,187	\$ 31,578	\$ 50,390	\$ 53,746	\$ 85,473	\$ 109,608
Exempt computer aid	-	3,899	-	273	258	248	188
Intergovernmental	-	-	-	29,957	2,449	-	-
Investment income	3,418	9,331	6,438	26,774	15,409	9,478	3,555
Sale of property	-	-	-	40,075	33,205	-	-
Miscellaneous revenues	-	-	-	-	-	-	-
Premium on long-term debt	15,000	-	-	2,557	-	22,302	-
Long-term debt issued	1,875,000	-	-	1,910,000	3,860,000	1,375,000	-
Proceeds of refunding bonds	-	-	-	-	-	-	-
Total sources of funds	<u>1,893,418</u>	<u>14,417</u>	<u>38,016</u>	<u>2,060,026</u>	<u>3,965,067</u>	<u>1,492,501</u>	<u>113,351</u>
Uses of Funds							
Capital expenditures	1,434,612	170,883	102,359	(4,320)	1,588,806	2,750,579	344,216
Administration	12,843	30,175	783	11,040	47,521	39,794	29,370
Interest and fiscal charges	-	79,523	63,281	55,957	108,343	305,772	323,466
Debt issuance costs	3,130	-	-	99	8,800	2,769	-
Refunding costs	-	-	-	26,609	-	-	-
Discount on long-term debt	7,500	-	-	200	30,880	11,000	-
Assessment refunds	-	-	-	-	-	-	-
Developer contributions	-	-	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-	-
Principal on long-term debt	-	-	-	1,875,000	-	-	-
Transfer to city for affordable housing	-	-	-	-	-	-	-
Total uses of funds	<u>1,458,085</u>	<u>280,581</u>	<u>166,423</u>	<u>1,964,585</u>	<u>1,784,350</u>	<u>3,109,914</u>	<u>697,052</u>

City of Waukesha Tax Incremental District No. 14

Detailed Schedule of Sources, Uses and Status of Funds
From the Date of Creation Through January 15, 2022

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Sources of Funds							
Tax increments	\$ 895,338	\$ 985,316	\$ 1,164,425	\$ 1,423,356	\$ 1,489,530	\$ 1,589,833	\$ 1,670,828
Exempt computer aid	18,425	14,614	12,312	18,485	13,570	8,345	7,571
Intergovernmental	-	-	-	-	-	-	-
Investment income	3,239	3,651	(112)	(257)	3,247	6,486	13,177
Sale of property	-	-	-	-	-	-	-
Miscellaneous revenues	-	90,119	83,950	-	-	-	-
Premium on long-term debt	36,437	-	16,390	-	36,366	8,269	-
Long-term debt issued	520,000	-	110,000	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	2,160,000	375,000	-
Total sources of funds	<u>1,473,439</u>	<u>1,093,700</u>	<u>1,386,965</u>	<u>1,441,584</u>	<u>3,702,713</u>	<u>1,987,933</u>	<u>1,691,576</u>
Uses of Funds							
Capital expenditures	734,270	-	112,651	32,099	6,477	-	-
Administration	27,530	2,847	60,725	7,164	3,150	13,096	21,761
Interest and fiscal charges	316,150	163,833	447,678	278,501	159,707	89,833	54,659
Debt issuance costs	1,237	-	1,390	724	28,092	4,461	-
Refunding costs	-	-	-	-	96,715	6,394	-
Discount on long-term debt	5,200	-	-	-	-	-	-
Assessment refunds	-	-	-	-	-	-	-
Developer contributions	-	-	650,000	-	-	-	-
Payment to escrow agent	-	-	-	-	2,130,000	375,000	-
Principal on long-term debt	310,000	-	1,925,000	1,050,000	1,105,000	1,185,000	1,020,000
Transfer to city for affordable housing	-	-	-	-	-	-	-
Total uses of funds	<u>1,394,387</u>	<u>166,680</u>	<u>3,197,444</u>	<u>1,368,488</u>	<u>3,529,141</u>	<u>1,673,784</u>	<u>1,096,420</u>

City of Waukesha Tax Incremental District No. 14

Detailed Schedule of Sources, Uses and Status of Funds

From the Date of Creation Through January 15, 2022

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u>	<u>Project Plan Estimate</u>
Sources of Funds							
Tax increments	\$ 1,693,271	\$ 1,641,606	\$ 1,823,338	\$ 1,877,784	\$ 1,929,664	\$ 18,516,271	\$ 9,762,333
Exempt computer aid	7,682	19,516	29,329	39,142	29,329	223,186	-
Intergovernmental	-	-	-	-	-	32,406	-
Investment income	38,511	73,101	50,145	26,434	-	292,025	-
Sale of property	-	-	-	-	-	73,280	-
Miscellaneous revenues	-	-	-	-	-	174,069	-
Premium on long-term debt	-	-	-	-	-	137,321	-
Long-term debt issued	-	-	-	-	-	9,650,000	-
Proceeds of refunding bonds	-	-	-	-	-	2,535,000	-
Total sources of funds	<u>1,739,464</u>	<u>1,734,223</u>	<u>1,902,812</u>	<u>1,943,360</u>	<u>1,958,993</u>	<u>31,633,558</u>	<u>9,762,333</u>
Uses of Funds							
Capital expenditures	-	-	-	500,000	-	7,772,632	7,731,290
Administration	34,570	22,963	26,912	30,990	17,500	440,734	150,000
Interest and fiscal charges	33,050	26,550	23,200	1,800	-	2,531,303	4,749,229
Debt issuance costs	91	91	58	58	-	51,000	250,580
Refunding costs	-	-	-	-	-	129,718	-
Discount on long-term debt	-	-	-	-	-	54,780	-
Assessment refunds	87,323	-	-	-	-	87,323	-
Developer contributions	-	-	-	-	-	650,000	2,822,096
Payment to escrow agent	-	-	-	-	-	2,505,000	-
Principal on long-term debt	325,000	120,000	705,000	30,000	-	9,650,000	-
Transfer to city for affordable housing	-	-	-	-	1,958,993	1,958,993	-
Total uses of funds	<u>480,034</u>	<u>169,604</u>	<u>755,170</u>	<u>562,848</u>	<u>1,976,493</u>	<u>25,831,483</u>	<u>15,703,195</u>
Refund payable to overlying districts						<u>5,771,175</u>	
Fund balance, January 15, 2022						<u>\$ 30,900</u>	

City of Waukesha Tax Incremental District No. 14

Detailed Schedule of Capital Expenditures

From the Date of Creation Through January 15, 2022

	<u>Actual</u>	<u>Project Plan Estimate</u>
Planning, legal, consulting and engineering	\$ -	\$ 484,000
Street and other site improvements	7,772,632	6,673,800
Storm sewers	-	270,400
Water works	-	162,090
Sanitary sewers	-	141,000
	<hr/>	<hr/>
Total capital expenditures	<u>\$ 7,772,632</u>	<u>\$ 7,731,290</u>

Independent Auditors' Report on Compliance

To the City Council of
City of Waukesha

We have audited the accompanying 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. 14 as of January 15, 2022 and from the date the district was created through January 15, 2022 and have issued our report thereon dated February 28, 2022. We did not audit the financial statements of the District from the creation date through December 31, 2005. Those financial statements were audited by other auditors whose report thereon has been furnished to us. In addition, the other auditors reported on the District's compliance with Wisconsin State Statutes Section 66.1105 and the project plan from the creation date through December 31, 2005.

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 City Common Council, management, and the overlapping taxing districts and is not intended to be, and should not be, used by anyone other than the specified parties.

Baker Tilly US, LLP

Milwaukee, Wisconsin
February 28, 2022