

**VILLAGE OF PEWAUKEE
TAX INCREMENTAL DISTRICT NO. 2**

Pewaukee, Wisconsin

COMPILED
FINANCIAL STATEMENTS

Including Accountants' Compilation Report

As of and for the Year Ended December 31, 2018 and
From the Date of Creation Through December 31, 2018

**VILLAGE OF PEWAUKEE
TAX INCREMENTAL DISTRICT NO. 2**

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From the Date of Creation Through December 31, 2018

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ACCOUNTANTS' COMPILATION REPORT

To the Village Board
Village of Pewaukee
Pewaukee, Wisconsin

Management is responsible for the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments and Historical Summary of Sources, Uses, and Status of Funds of the Village of Pewaukee's Tax Incremental District No. 2 ("district") as of and for the year ended December 31, 2018 and from the date of creation through December 31, 2018, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

As discussed in Note 1, the financial statements present only the transactions of the district and do not purport to, and do not, present fairly the financial position of the Village of Pewaukee as of December 31, 2018, the changes in its financial position, or, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the representation of management. This information was subject to our compilation engagement; however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

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

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
March 31, 2019

**VILLAGE OF PEWAUKEE
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
BALANCE SHEET
As of December 31, 2018

	<u>Capital Projects Fund</u>
ASSETS	
Cash	\$ 10,068
Taxes receivable	<u>42,000</u>
TOTAL ASSETS	<u>\$ 52,068</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Deferred Inflows of Resources	
Unearned revenue	<u>42,000</u>
Total Deferred Inflows of Resources	<u>42,000</u>
Fund Balance	
Restricted	<u>10,068</u>
Total Fund Balance	<u>10,068</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 52,068</u>

See accompanying notes to financial statements and accountants' compilation report.

**VILLAGE OF PEWAUKEE
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2018
and From the Date of Creation Through December 31, 2018

	Year Ended	From Date of Creation
PROJECT COSTS		
Capital expenditures	\$ 2,272	\$ 102,146
Professional services	1,251	18,645
Developer grants	-	200,000
Interest and fiscal charges	7,347	18,422
Total Project Costs	10,870	339,213
PROJECT REVENUES		
Tax increments	92,665	156,755
Exempt computer aid	2,099	4,435
Total Project Revenues	94,764	161,190
NET COSTS RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS – DECEMBER 31, 2018		
	\$ (83,894)	\$ 178,023
Reconciliation of Recoverable Costs		
G.O. Debt		\$ 188,091
Less: Fund balance		(10,068)
NET COSTS RECOVERABLE THROUGH TAX INCREMENTS – DECEMBER 31, 2018		
		\$ 178,023

See accompanying notes to financial statements and accountants' compilation report.

**VILLAGE OF PEWAUKEE
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2018
and From the Date of Creation Through December 31, 2018

	<u>Year Ended</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Tax increments	\$ 92,665	\$ 156,755
Exempt computer aid	2,099	4,435
Long-term debt issued	<u>-</u>	<u>200,000</u>
Total Sources of Funds	<u>94,764</u>	<u>361,190</u>
USES OF FUNDS		
Capital expenditures	2,272	102,146
Professional services	1,251	18,645
Developer grants	-	200,000
Interest and fiscal charges	7,347	18,422
Principle on long-term debt	<u>7,819</u>	<u>11,909</u>
Total Uses of Funds	<u>18,689</u>	<u>351,122</u>
Excess of sources of funds over uses of funds	76,075	10,068
BEGINNING FUND BALANCE (DEFICIT)	<u>(66,007)</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 10,068</u>	<u>\$ 10,068</u>

See accompanying notes to financial statements and accountants' compilation report.

**VILLAGE OF PEWAUKEE
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018 and
From the Date of Creation Through December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Pewaukee' Tax Incremental District No. 2 (the "district") conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The Village of Pewaukee 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. 2. The accompanying financial statements reflect all the significant operations of Village of Pewaukee's Tax Incremental District No. 2. The accompanying financial statements do not include the full presentation of the Village of Pewaukee.

A. DESCRIPTION OF FUND STRUCTURE AND LONG-TERM DEBT

This report contains the financial information of the Village of Pewaukee's Tax Incremental District No. 2. The summary statements were prepared from data recorded in the following village funds and the village's long-term debt:

Tax Incremental District No. 2 - Capital Projects Fund

Detailed descriptions of the purpose of these funds and long-term debt can be found in the Village of Pewaukee's basic financial statements.

The data was consolidated for purposes of this report. Therefore, the amounts shown in the accompanying statements may 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 Village of Pewaukee. 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. 2	January 1, 2014	July 15, 2036	2041

**VILLAGE OF PEWAUKEE
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018 and
From the Date of Creation Through December 31, 2018

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.

**VILLAGE OF PEWAUKEE
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018 and
From the Date of Creation Through December 31, 2018

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.

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 Village of Pewaukee, maintains separate and common cash and investment accounts at the same financial institutions utilized by the Village of Pewaukee. Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the Village of Pewaukee as an individual municipality and, accordingly, the amount of insured funds is not determinable for the district.

**VILLAGE OF PEWAUKEE
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018 and
From the Date of Creation Through December 31, 2018

NOTE 3 – LONG-TERM DEBT

A. GENERAL OBLIGATION DEBT

All general obligation notes and bonds payable are backed by the full faith and credit of the Village of Pewaukee. Notes and bonds borrowed to finance the districts' expenditures will be retired by tax increments accumulated by the TID No. 2 fund. If those revenues are not sufficient, payments will be made by future tax levies.

<u>Title of Issue</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Repaid</u>	<u>Balance 12/31/18</u>
2015 State Trust Fund Loan	09/23/15	03/15/35	3.75%	\$ 200,000	\$ 11,909	\$ 188,091
Totals				<u>\$ 200,000</u>	<u>\$ 11,909</u>	<u>\$ 188,091</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>Totals</u>
2019	\$ 8,112	\$ 7,053	\$ 15,165
2020	8,398	6,768	15,166
2021	8,731	6,434	15,166
2022	9,059	6,107	15,166
2023	9,399	5,767	15,166
2024 – 2028	52,524	23,306	75,830
2029 – 2033	63,161	12,669	75,830
2034 – 2035	28,707	1,625	30,332
Totals	<u>\$ 188,091</u>	<u>\$ 69,729</u>	<u>\$ 257,820</u>

NOTE 4 – DEVELOPER AGREEMENT

During 2014 the Village of Pewaukee entered into an agreement for the redevelopment of a parcel of land and improvements within the district. As part of the agreement the Village has issued a State Trust Fund Loan in the amount of \$200,000 and contributed the proceeds to Snail Lake, LLC for assistance with site development costs of properties within the district. The economic development grant is secured by a promissory note signed by the developer in the same amount. The project improvements when completed are guaranteed by the developer to produce tax revenue equal or greater to the guaranteed tax increment required of \$1,350,000.

SUPPLEMENTAL INFORMATION

**VILLAGE OF PEWAUKEE
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
DETAILED SCHEDULE OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2018

	2014	2015	2016	2017	2018	Totals	Project Plan Estimate
SOURCES OF FUNDS							
Tax increments	\$ -	\$ -	\$ 11,767	\$ 52,323	\$ 92,665	\$ 156,755	\$ 1,910,158
Exempt computer aid	-	-	267	2,069	2,099	4,435	-
Investment income	-	-	-	-	-	-	2,919
Proceeds from long-term debt	-	200,000	-	-	-	200,000	1,120,000
Total Sources of Funds	<u>-</u>	<u>200,000</u>	<u>12,034</u>	<u>54,392</u>	<u>94,764</u>	<u>361,190</u>	<u>3,033,077</u>
USES OF FUNDS							
Capital expenditures	-	10,190	10,228	79,456	2,272	102,146	720,000
Professional services	12,229	150	3,123	1,892	1,251	18,645	-
Developer grants	-	200,000	-	-	-	200,000	400,000
Interest and fiscal charges	-	-	-	11,075	7,347	18,422	553,058
Principal on long-term debt	-	-	-	4,090	7,819	11,909	1,120,000
Total Uses of Funds	<u>12,229</u>	<u>210,340</u>	<u>13,351</u>	<u>96,513</u>	<u>18,689</u>	<u>351,122</u>	<u>2,793,058</u>
FUND BALANCE - DECEMBER 31, 2018						<u>\$ 10,068</u>	

See accountants' compilation report.

**VILLAGE OF PEWAUKEE
TAX INCREMENTAL DISTRICT NO. 2**

COMPILED
DETAILED SCHEDULE OF CAPITAL EXPENDITURES
From the Date of Creation Through December 31, 2018

	<u>Actual</u>	<u>Project Plan Estimate</u>
Site remediation	\$ -	\$ 200,000
Pedestrian bridges	102,146	400,000
Downtown redevelopment plan	-	20,000
Public fishing pier replacement	<u>-</u>	<u>100,000</u>
TOTAL CAPITAL EXPENDITURES	<u>\$ 102,146</u>	<u>\$ 720,000</u>

See accountants' compilation report.