

Village of Shorewood Hills Tax Incremental District No. 3

Financial Statements and
Supplementary Information

December 31, 2022

Village of Shorewood Hills Tax Incremental District No. 3

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Accountants' Compilation Report

To the Village Board of
Village of Shorewood Hills

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 Shorewood Hills' Tax Incremental District No. 3 (District) as of and for the year ended December 31, 2022 and from the date of creation through December 31, 2022, 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 Shorewood Hills as of December 31, 2022, 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 US, LLP

Madison, Wisconsin
June 13, 2023

Village of Shorewood Hills Tax Incremental District No. 3

Balance Sheet
December 31, 2022

	Capital Projects Fund
Assets	
Cash and investments	\$ 6,108,312
Taxes receivable	<u>856,088</u>
Total assets	<u><u>\$ 6,964,400</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balance	
Liabilities	
Accounts payable	\$ 1,193,192
Accrued liabilities	<u>300</u>
Total liabilities	<u>1,193,492</u>
Deferred Inflows of Resources	
Unearned tax revenue	<u>856,088</u>
Total deferred inflows of resources	<u>856,088</u>
Fund Balance	
Restricted	<u>4,914,820</u>
Total fund balance	<u>4,914,820</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 6,964,400</u></u>

See notes to financial statements

Village of Shorewood Hills Tax Incremental District No. 3

Historical Summary of Project Costs, Project Revenues

and Net Cost to be Recovered Through Tax Increments

Year Ended December 31, 2022 and From Date of Creation Through December 31, 2022

	Year Ended	From Date of Creation
Project Costs		
Capital expenditures	\$ 1,229,800	\$ 6,797,686
Professional services, planning, engineering, other	31,012	1,355,914
Administration (in-house)	30,655	182,680
Developer payments	262,778	3,407,732
Debt issuance costs	109,998	179,656
Interest and fiscal charges	154,426	1,684,202
	<hr/>	<hr/>
Total project costs	1,818,669	13,607,870
	<hr/>	<hr/>
Project Revenues		
Tax increments	1,036,397	7,210,919
Intergovernmental revenues	131,337	1,092,132
Investment income	-	2,486
Miscellaneous revenues	-	212,153
Premium on long-term debt	262,916	443,069
	<hr/>	<hr/>
Total project revenues	1,430,650	8,960,759
	<hr/>	<hr/>
Net costs recoverable through tax increments, December 31, 2022	<u>\$ 388,019</u>	<u>\$ 4,647,111</u>
	<hr/>	<hr/>
Reconciliation of Recoverable (Recovered) Costs		
G.O. debt		\$ 9,561,931
Less fund balance		<u>(4,914,820)</u>
		<hr/>
Net costs recoverable through tax increments, December 31, 2022		<u>\$ 4,647,111</u>
		<hr/>

See notes to financial statements

Village of Shorewood Hills Tax Incremental District No. 3

Historical Summary of Sources, Uses and Status of Funds

Year Ended December 31, 2022 and From Date of Creation Through December 31, 2022

	Year Ended	From Date of Creation
Sources of Funds		
Tax increments	\$ 1,036,397	\$ 7,210,919
Intergovernmental revenues	131,337	1,092,132
Investment income	-	2,486
Miscellaneous revenues	-	212,153
Long-term debt issued	5,500,000	14,102,553
Refunding debt issued	5,355,000	5,355,000
Premium on long-term debt	262,916	443,069
	<hr/>	<hr/>
Total sources of funds	12,285,650	28,418,312
	<hr/>	<hr/>
Uses of Funds		
Capital expenditures	1,229,800	6,797,686
Professional services, planning, engineering, other	31,012	1,355,914
Administration (in-house)	30,655	182,680
Developer payments	262,778	3,407,732
Debt issuance costs	109,998	179,656
Interest and fiscal charges	154,426	1,684,202
Principal on long-term debt	6,043,227	9,895,622
	<hr/>	<hr/>
Total uses of funds	7,861,896	23,503,492
	<hr/>	<hr/>
Excess of sources of funds	4,423,754	4,914,820
	<hr/>	<hr/>
Fund Balance, Beginning	491,066	-
	<hr/>	<hr/>
Fund Balance, Ending	\$ 4,914,820	\$ 4,914,820
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See notes to financial statements

Village of Shorewood Hills Tax Incremental District No. 3

Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies

The accounting policies of the Village of Shorewood Hills' Tax Incremental District No. 3 (the District) conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The Village of Shorewood Hills 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. 3. The accompanying financial statements reflect all the significant operations of the Village of Shorewood Hills' Tax Incremental District No. 3. The accompanying financial statements do not include the full presentation of the Village of Shorewood Hills.

Description of Fund Structure and Long-Term Debt

This report contains the financial information of the Village of Shorewood Hills' Tax Incremental District No. 3. The summary statements were prepared from data recorded in the following funds and the Village's long-term debt:

Tax Incremental District No. 3 - Capital Projects Fund

Detailed descriptions of the purpose of these funds and long-term debt can be found in the Village of Shorewood Hills' 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 Shorewood Hills. Project costs may be incurred up to five years before the unextended termination date of the District. In 2021, the District was approved an extension of three years.

Original Project Plan

	<u>Creation Date</u>	<u>Last Date to Incur Project Costs</u>	<u>Last Year to Collect Increment</u>
TID No. 3	January 1, 2008	September 15, 2023	2031

Plan Amendment

	<u>Adoption Date</u>	<u>Last Date to Incur Project Costs</u>
Amendment 1	January 19, 2010	September 15, 2023
Amendment 2	March 28, 2016	September 15, 2023
Amendment 3	July 19, 2021	September 15, 2023

Village of Shorewood Hills Tax Incremental District No. 3

Notes to Financial Statements
December 31, 2022

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 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.

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.

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.

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.

Village of Shorewood Hills Tax Incremental District No. 3

Notes to Financial Statements
December 31, 2022

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 Shorewood Hills, maintains separate and common cash and investment accounts at the same financial institutions utilized by the Village of Shorewood Hills. Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the Village of Shorewood Hills as 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 Village of Shorewood Hills. Notes and bonds borrowed to finance the Districts' expenditures will be retired by tax increments accumulated by the TID No. 3 fund. If those revenues are not sufficient, payments will be made by future tax levies.

Title of Issue	Date of Issue	Due Date	Interest Rate	Original Indebtedness	Repaid	Balance 12/31/2022
2009 G.O. Promissory Notes	05/06/09	11/01/18	2.00-3.25 %	\$ 195,000	\$ 195,000	\$ -
2009 G.O. Corp Purpose Bonds	05/06/09	11/01/24	2.00-4.00	365,000	365,000	-
2010 G.O. Corp Purpose Bonds	07/12/10	05/01/30	1.10-5.50	970,000	970,000	-
2012 G.O. Corp Purpose Bonds	05/16/12	03/01/27	2.00-2.50	508,000	316,991	191,009
2013 Taxable G.O. Bonds	06/10/13	05/01/30	2.00-3.55	2,121,935	991,757	1,130,178
2013 G.O. Refunding Bonds	08/05/13	05/01/30	2.00-4.00	1,150,000	545,000	605,000
2015 G.O. Promissory Notes	06/08/15	05/01/25	1.50-2.50	443,103	313,925	129,178
2017 G.O. Promissory Notes	05/03/17	05/01/24	2.00-3.00	149,515	87,949	61,566
2019 G.O. Promissory Notes	01/07/19	05/01/28	3.00-4.00	1,845,000	510,000	1,335,000
2019 G.O. Promissory Notes	11/19/19	05/01/29	2.00-3.00	855,000	100,000	755,000
2022 G.O Refunding Bonds	05/02/22	05/01/37	3.00-5.00	5,355,000	-	5,355,000
Total				<u>\$ 13,957,553</u>	<u>\$ 4,395,622</u>	<u>\$ 9,561,931</u>

Village of Shorewood Hills Tax Incremental District No. 3

Notes to Financial Statements
December 31, 2022

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

	<u>Principal</u>	<u>Interest</u>
Calendar Year:		
2023	\$ 761,132	\$ 430,563
2024	894,954	302,140
2025	887,564	269,564
2026	885,640	235,448
2027	919,141	201,325
2028-2032	3,058,500	551,497
2032-2037	<u>2,155,000</u>	<u>165,375</u>
Total	<u>\$ 9,561,931</u>	<u>\$ 2,155,912</u>

Note Anticipation Note

On April 6, 2022, the Village issued a \$6,250,000 Note Anticipation Note (NAN), to mature on October 6, 2022. \$5,500,000 of the NAN was allocated to TID No. 3. The Village issued the 2022 G.O. Refunding Bonds on May 2, 2022 refunding the Note Anticipation Note, and allocating \$5,355,000 of the proceeds to TID No. 3 to pay off the NAN using proceeds and the debt premium issued.

4. Developer Payments

The Village of Shorewood Hills has entered into a developer agreement with 700 University Bay Drive, LLC. Under the agreement, the developer agreed to remove a blighted structure and build 54 apartment units, 9 of which are designated affordable housing and a commercial development. Developer payments for the year ended December 31, 2022 were \$206,929.

The Village of Shorewood Hills has entered into a developer agreement with Flad Development and Investment Corp. Under the agreement, the developer agreed to remove a blighted structure and build 38 apartment units and a commercial development. Developer payments for the year ended December 31, 2022 were \$55,849.

5. Municipal Revenue Obligation

In 2015, the Village of Shorewood Hills issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$2,100,000 and is payable to the developer solely from tax increments collected from a specific portion of the development of the District.

Payments are scheduled from 2017 through the year 2029 and carry an interest rate of 5%. The obligation does not constitute a charge upon any funds of the Village of Shorewood Hills. If future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the Village of Shorewood Hills. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end was \$1,623,150.

In 2016, the Village of Shorewood Hills issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$495,000 and is payable to the developer solely from tax increments collected from a specific portion of the development of the District.

Village of Shorewood Hills Tax Incremental District No. 3

Notes to Financial Statements
December 31, 2022

Payments are scheduled from 2018 through the year 2029 and carry an interest rate of 5%. The obligation does not constitute a charge upon any funds of the Village of Shorewood Hills. If future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the Village of Shorewood Hills. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end was \$305,114.

Village of Shorewood Hills Tax Incremental District No. 3

Detailed Schedule of Sources, Uses and Status of Funds
 From Date of Creation Through December 31, 2022

	2008	2009	2010	2011	2012	2013	2014	2015
Sources of Funds								
Tax increments	\$ -	\$ -	\$ 12,955	\$ 189,349	\$ 408,701	\$ 239,524	\$ 312,931	\$ 469,540
Intergovernmental revenues	-	-	4,275	22,009	19,294	19,126	72,715	135,887
Investment income	-	-	17	182	848	786	653	-
Miscellaneous revenues	-	-	-	280	-	-	929	16,116
Long-term debt issued	-	560,000	970,000	-	508,000	3,271,935	-	443,103
Refunding debt issued	-	-	-	-	-	-	-	-
Premium on long-term debt	-	-	-	-	9,815	9,913	-	-
Total sources of funds	-	560,000	987,247	211,820	946,658	3,541,284	387,228	1,064,646
Uses of Funds								
Capital expenditures	-	61,734	460,516	667,226	113,932	696,790	642,653	5,165
Professional services, planning, engineering, other	113,107	105,583	95,245	209,920	111,216	173,187	81,103	115,374
Administration (in-house)	-	-	-	-	-	-	-	-
Developer payments	-	-	-	-	-	2,100,000	-	-
Debt issuance costs	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	24,575	68,797	62,729	121,570	179,824	143,970
Principal on long-term debt	-	-	28,193	67,590	81,988	106,372	240,722	280,222
Total uses of funds	113,107	167,317	608,529	1,013,533	369,865	3,197,919	1,144,302	544,731
Fund balance, December 31, 2022								

Village of Shorewood Hills Tax Incremental District No. 3

Detailed Schedule of Sources, Uses and Status of Funds
 From Date of Creation Through December 31, 2022

	2016	2017	2018	2019	2020	2021	2022	Total	Project Plan Estimate
Sources of Funds									
Tax increments	\$ 466,663	\$ 520,907	\$ 708,155	\$ 957,353	\$ 889,312	\$ 999,132	\$ 1,036,397	\$ 7,210,919	\$ 16,252,217
Intergovernmental revenues	17,421	132,175	133,497	137,038	131,888	135,470	131,337	1,092,132	-
Investment income	-	-	-	-	-	-	-	2,486	186,366
Miscellaneous revenues	-	20,668	-	-	107,812	66,348	-	212,153	-
Long-term debt issued	-	149,515	-	2,700,000	-	-	5,500,000	14,102,553	8,050,500
Refunding debt issued	-	-	-	-	-	-	5,355,000	5,355,000	-
Premium on long-term debt	21,545	5,613	-	133,267	-	-	262,916	443,069	-
Total sources of funds	505,629	828,878	841,652	3,927,658	1,129,012	1,200,950	12,285,650	28,418,312	24,489,083
Uses of Funds									
Capital expenditures	370,824	25,440	60,956	1,948,405	118,496	395,749	1,229,800	6,797,686	5,550,500
Professional services, planning, engineering, other	158,509	14,431	66,640	26,073	28,481	26,033	31,012	1,355,914	226,000
Administration (in-house)	20,579	21,361	24,513	26,162	27,340	32,070	30,655	182,680	192,850
Developer payments	-	31,670	220,596	283,131	253,414	256,143	262,778	3,407,732	3,215,000
Debt issuance costs	-	-	-	69,658	-	-	109,998	179,656	-
Interest and fiscal charges	159,450	141,076	128,071	174,085	169,567	156,062	154,426	1,684,202	4,782,485
Principal on long-term debt	340,643	503,375	341,152	879,660	452,457	530,021	6,043,227	9,895,622	8,050,500
Total uses of funds	1,050,005	737,353	841,928	3,407,174	1,049,755	1,396,078	7,861,896	23,503,492	22,017,335
Fund balance, December 31, 2022								<u>\$ 4,914,820</u>	

Village of Shorewood Hills Tax Incremental District No. 3

Detailed Schedule of Capital Expenditures

From Date of Creation Through December 31, 2022

	Actual	Project Plan Estimate
Land acquisition and assembly	\$ 326,228	\$ 750,000
Site development costs	-	100,000
Marshall Court utilities reconstruction	783,454	530,000
Marshall Court road reconstruction	1,853,843	553,000
University Avenue reconstruction	2,260,008	820,000
Marshall Court/University Avenue traffic signal	72,697	150,000
Purdue Street improvements	278,856	-
Bury power lines	-	400,000
New sidewalk connections	279,791	150,000
University Bay Drive improvements	523,988	300,000
University Bay Drive bike path overpass	-	1,000,000
Bicycle/pedestrian path	238,474	247,500
Public transportation amenities	16,693	200,000
Shorewood Boulevard/University Avenue improvements	-	200,000
Stormwater management improvements	163,654	100,000
Discretionary payments	-	50,000
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Total capital expenditures	\$ 6,797,686	\$ 5,550,500