

Village of Shorewood Hills Tax Incremental District No. 4

Financial Statements and
Supplementary Information

December 31, 2022

Village of Shorewood Hills Tax Incremental District No. 4

Table of Contents
December 31, 2022

| | <u>Page</u> |
|--|-------------|
| Accountants' Compilation Report | 1 |
| Financial Statements | |
| Tax Incremental District No. 4 – Balance Sheet | 2 |
| Tax Incremental District No. 4 – Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments | 3 |
| Tax Incremental District No. 4 – Historical Summary of Sources, Uses and Status of Funds | 4 |
| Compiled Notes to Financial Statements | 5 |
| Supplementary Information | |
| Tax Incremental District No. 4 – Detailed Schedule of Sources, Uses and Status of Funds | 9 |
| Tax Incremental District No. 4 – Detailed Schedule of Capital Expenditures | 11 |

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. 4 (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. 4

Balance Sheet
December 31, 2022

| | Capital Projects Fund |
|--|--------------------------------------|
| Assets | |
| Cash | \$ 350,599 |
| Taxes receivable | <u>309,099</u> |
| Total assets | <u><u>\$ 659,698</u></u> |
| Liabilities, Deferred Inflows of Resources and Fund Balance | |
| Liabilities | |
| Accounts Payable | <u>\$ 11</u> |
| Total liabilities | <u>11</u> |
| Deferred Inflows of Resources | |
| Unearned tax revenue | <u>309,099</u> |
| Fund Balance | |
| Restricted | <u>350,588</u> |
| Total fund balance | <u>350,588</u> |
| Total liabilities, deferred inflows of resources and fund balance | <u><u>\$ 659,698</u></u> |

See notes to financial statements

Village of Shorewood Hills Tax Incremental District No. 4

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

| | <u>Year Ended</u> | <u>From Date of Creation</u> |
|--|-----------------------|----------------------------------|
| Project Costs | | |
| Capital expenditures | \$ - | \$ 386,304 |
| Professional services, planning, engineering, other | 8,691 | 509,721 |
| Administration (in-house) | 30,505 | 182,147 |
| Developer payments | 91,284 | 1,538,988 |
| Debt issuance costs | - | 9,194 |
| Interest and fiscal charges | 33,988 | 328,515 |
| | <hr/> | <hr/> |
| Total project costs | 164,468 | 2,954,869 |
| | <hr/> | <hr/> |
| Project Revenues | | |
| Tax increments | 302,515 | 2,090,448 |
| Intergovernmental revenues | 126 | 5,152 |
| Investment income | - | 2 |
| Miscellaneous revenues | - | 122,552 |
| Premium on long-term debt | - | 34,805 |
| | <hr/> | <hr/> |
| Total project revenues | 302,641 | 2,252,959 |
| | <hr/> | <hr/> |
| Net costs recoverable (recovered) through tax increments, December 31, 2022 | <u>\$ (138,173)</u> | <u>\$ 701,910</u> |
| | <hr/> | <hr/> |
| Reconciliation of Recoverable Costs | | |
| G.O. debt | | \$ 1,052,498 |
| Less fund balance | | (350,588) |
| | | <hr/> |
| Net costs recoverable through tax increments, December 31, 2022 | | <u>\$ 701,910</u> |

See notes to financial statements

Village of Shorewood Hills Tax Incremental District No. 4

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 | \$ 302,515 | \$ 2,090,448 |
| Intergovernmental revenues | 126 | 5,152 |
| Investment income | - | 2 |
| Miscellaneous revenues | - | 122,552 |
| Long-term debt issued | - | 1,803,672 |
| Premium on long-term debt | - | 34,805 |
| | <hr/> | <hr/> |
| Total sources of funds | 302,641 | 4,056,631 |
| | <hr/> | <hr/> |
| Uses of Funds | | |
| Capital expenditures | - | 386,304 |
| Professional services, planning, engineering, other | 8,691 | 509,721 |
| Administration (in-house) | 30,505 | 182,147 |
| Developer payments | 91,284 | 1,538,988 |
| Debt issuance costs | - | 9,194 |
| Interest and fiscal charges | 33,988 | 328,515 |
| Principal on long-term debt | 116,315 | 751,174 |
| | <hr/> | <hr/> |
| Total uses of funds | 280,783 | 3,706,043 |
| | <hr/> | <hr/> |
| Total uses of funds over uses of funds | 21,858 | 350,588 |
| | <hr/> | <hr/> |
| Beginning Fund Balance | 328,730 | - |
| | <hr/> | <hr/> |
| Ending Fund Balance | \$ 350,588 | \$ 350,588 |
| | <hr/> <hr/> | <hr/> <hr/> |

See notes to financial statements

Village of Shorewood Hills Tax Incremental District No. 4

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. 4 (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. 4. The accompanying financial statements reflect all the significant operations of the Village of Shorewood Hill's Tax Incremental District No. 4. 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's Tax Incremental District No. 4. The summary statements were prepared from data recorded in the following funds and the Village's long-term debt:

Tax Incremental District No. 4 - Capital Projects Fund

Detailed descriptions of the purpose of these funds and long-term debt can be found in the Village 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.

Original Project Plan

| | <u>Creation Date</u> | <u>Last Date to Incur Project Costs</u> | <u>Last Year to Collect Increment</u> |
|-----------|----------------------|---|---------------------------------------|
| TID No. 4 | January 1, 2010 | January 19, 2025 | 2030 |

Village of Shorewood Hills Tax Incremental District No. 4

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. 4

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, 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 District's expenditures will be retired by tax increments accumulated by the TID No. 4 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. Corp Purpose Bonds | 05/06/2009 | 11/01/2024 | 2.00-4.00 % | \$ 50,000 | \$ 50,000 | \$ - |
| 2012 G.O. Corp Purpose Bonds | 05/16/2012 | 03/01/2027 | 2.00-2.50 | 117,000 | 73,008 | 43,992 |
| 2013 Taxable G.O. Bonds | 06/10/2013 | 05/01/2030 | 2.00-3.55 | 909,401 | 425,042 | 484,359 |
| 2015 G.O. Promissory Notes | 06/08/2015 | 05/01/2025 | 1.50-2.50 | 101,786 | 66,073 | 35,713 |
| 2017 G.O. Promissory Notes | 05/03/2017 | 05/01/2024 | 2.00-3.00 | 220,485 | 92,051 | 128,434 |
| 2019 G.O. Promissory Notes | 11/13/2019 | 11/01/2028 | 3.00-4.00 | 405,000 | 45,000 | 360,000 |
| Total | | | | <u>\$ 1,803,672</u> | <u>\$ 751,174</u> | <u>\$ 1,052,498</u> |

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

| Calendar Year: | Principal | Interest | Total |
|----------------|---------------------|-------------------|---------------------|
| 2023 | \$ 128,406 | \$ 27,940 | \$ 156,346 |
| 2024 | 145,045 | 23,752 | 168,797 |
| 2025 | 142,327 | 19,158 | 161,485 |
| 2026 | 174,360 | 14,025 | 188,385 |
| 2027 | 180,860 | 9,033 | 189,893 |
| 2028-2030 | 281,500 | 10,380 | 291,880 |
| Total | <u>\$ 1,052,498</u> | <u>\$ 104,288</u> | <u>\$ 1,156,786</u> |

Village of Shorewood Hills Tax Incremental District No. 4

Notes to Financial Statements

December 31, 2022

4. Developer Payments

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 100 apartment units and a commercial development. Developer payments for the year ended December 31, 2022 were \$91,284.

5. Municipal Revenue Obligation

In 2014, the Village of Shorewood Hills issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$900,000 and is payable to the developer solely from tax increments collected from a specific portion of the development of the District.

Payments are scheduled through the year 2030 and carry an interest rate of 5%. The obligation does not constitute a charge upon any funds of the Village of Shorewood Hills. In the event that 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 \$557,549.

Village of Shorewood Hills Tax Incremental District No. 4Detailed Schedule of Sources, Uses and Status of Funds
From Date of Creation through December 31, 2022

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|---------------|---------------|---------------|---------------|----------------|------------------|----------------|----------------|
| Sources of Funds | | | | | | | | |
| Tax increments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 125,805 |
| Investment income | - | - | - | - | 1 | - | 1 | - |
| Intergovernmental revenues | - | - | - | 810 | 1,186 | 874 | 584 | 198 |
| Miscellaneous revenues | - | - | - | - | 47,597 | - | 29,498 | 26,731 |
| Long-term debt issued | - | 50,000 | - | - | 117,000 | 909,401 | - | 101,786 |
| Premium on long-term debt | - | - | - | - | 2,260 | 2,593 | - | - |
| | <u>-</u> | <u>50,000</u> | <u>-</u> | <u>810</u> | <u>168,044</u> | <u>912,868</u> | <u>30,083</u> | <u>254,520</u> |
| Total sources of funds | - | 50,000 | - | 810 | 168,044 | 912,868 | 30,083 | 254,520 |
| Uses of Funds | | | | | | | | |
| Capital expenditures | - | - | - | - | 141,922 | 27,464 | 853 | - |
| Professional services, planning, engineering, other Administration (in-house) | 31,329 | 18,891 | 31,344 | 6,566 | 71,266 | 48,199 | 37,892 | 42,132 |
| Developer payments | - | - | - | - | - | 900,000 | - | - |
| Debt issuance costs | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | 2,330 | 1,519 | 3,214 | 16,121 | 37,577 | 26,916 |
| Principal on long-term debt | - | - | 1,807 | 2,410 | 3,012 | 8,628 | 43,973 | 54,473 |
| | <u>31,329</u> | <u>18,891</u> | <u>35,481</u> | <u>10,495</u> | <u>219,414</u> | <u>1,000,412</u> | <u>120,295</u> | <u>123,521</u> |
| Total uses of funds | 31,329 | 18,891 | 35,481 | 10,495 | 219,414 | 1,000,412 | 120,295 | 123,521 |

Village of Shorewood Hills Tax Incremental District No. 4

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 | \$ 240,720 | \$ 252,620 | \$ 356,013 | \$ 227,566 | \$ 290,162 | \$ 295,047 | \$ 302,515 | \$ 2,090,448 | \$ 10,116,065 |
| Investment income | - | - | - | - | - | - | - | 2 | 137,212 |
| Intergovernmental revenues | 191 | 121 | 123 | 687 | 126 | 126 | 126 | 5,152 | - |
| Miscellaneous revenues | - | 18,726 | - | - | - | - | - | 122,552 | - |
| Long-term debt issued | - | 220,485 | - | 405,000 | - | - | - | 1,803,672 | 6,837,952 |
| Premium on long-term debt | 2,910 | 8,278 | - | 18,764 | - | - | - | 34,805 | - |
| Total sources of funds | 243,821 | 500,230 | 356,136 | 652,017 | 290,288 | 295,173 | 302,641 | 4,056,631 | 17,091,229 |
| Uses of Funds | | | | | | | | | |
| Capital expenditures | - | 189,991 | 21,994 | - | 4,080 | - | - | 386,304 | 2,425,666 |
| Professional services, planning, engineering, other | 31,281 | 53,333 | 9,417 | 66,731 | 35,324 | 17,325 | 8,691 | 509,721 | 289,000 |
| Administration (in-house) | 20,578 | 21,362 | 24,513 | 26,147 | 27,039 | 32,003 | 30,505 | 182,147 | - |
| Developer payments | 91,284 | 91,284 | 91,284 | 91,284 | 91,284 | 91,284 | 91,284 | 1,538,988 | 3,800,000 |
| Debt issuance costs | - | - | - | 9,194 | - | - | - | 9,194 | - |
| Interest and fiscal charges | 28,739 | 32,338 | 30,018 | 39,334 | 39,535 | 36,886 | 33,988 | 328,515 | 3,072,147 |
| Principal on long-term debt | 64,052 | 86,320 | 68,543 | 90,035 | 102,085 | 109,521 | 116,315 | 751,174 | 6,837,952 |
| Total uses of funds | 235,934 | 474,628 | 245,769 | 322,725 | 299,347 | 287,019 | 280,783 | 3,706,043 | 16,424,765 |
| Fund balance, December 31, 2022 | | | | | | | | \$ 350,588 | |

Village of Shorewood Hills Tax Incremental District No. 4

Detailed Schedule of Capital Expenditures

From Date of Creation through December 31, 2022

| | <u>Actual</u> | <u>Project Plan Estimate</u> |
|-------------------------------------|-----------------------------|--------------------------------------|
| University Avenue bike/ped overpass | \$ - | \$ 600,000 |
| Roads and utilities improvements | 386,304 | 250,000 |
| Site development costs | - | 100,000 |
| Discretionary payments | - | 100,000 |
| Other capital costs | - | 1,375,666 |
| | <u> </u> | <u> </u> |
| Total capital expenditures | <u>\$ 386,304</u> | <u>\$ 2,425,666</u> |