

**VILLAGE OF SHOREWOOD
TAX INCREMENTAL FINANCING (TIF)
DISTRICT NO. 1**

Shorewood, Wisconsin

**COMPILED
FINANCIAL STATEMENTS**

Including Accountants' Compilation Report

For the Year Ended December 31, 2008 and
From Date of Creation Through December 31, 2008

**VILLAGE OF SHOREWOOD
TAX INCREMENTAL DISTRICT NO. 1**

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From Date of Creation Through December 31, 2008

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ACCOUNTANTS' COMPILATION REPORT

To the Village Board
Village of Shorewood
Shorewood, Wisconsin

We have compiled 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's Tax Incremental District No. 1 as of and for the year ended December 31, 2008 and from the date of creation through December 31, 2008, and the accompanying supplemental information contained on pages 10 through 12, which is presented only for supplemental analysis purposes in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplemental schedules information that is the representation of management. We have not audited or reviewed the accompanying statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

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 as of December 31, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village of Shorewood, Wisconsin has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to supplement, although not be a part of, the financial statements.

Virchow, Krause & Company, LLP

Madison, Wisconsin
April 29, 2009

**VILLAGE OF SHOREWOOD
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
COMBINED BALANCE SHEET
December 31, 2008

	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash and investments	\$ 692,334	\$ -
Taxes receivable	1,338,277	-
Other receivables	15,460	-
Assets held for resale	<u>1,217,584</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 3,263,655</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 36,507	\$ -
Accrued liabilities	382	-
Deferred revenues	<u>1,338,277</u>	<u>-</u>
Total Liabilities	<u>1,375,166</u>	<u>-</u>
Fund Balance		
Unreserved		
Undesignated	<u>1,888,489</u>	<u>-</u>
Total Fund Balance	<u>1,888,489</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,263,655</u>	<u>\$ -</u>

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

**VILLAGE OF SHOREWOOD
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2008
and From the Date of Creation Through December 31, 2008

	<u>Year Ended</u>	<u>From Date of Creation</u>
PROJECT COSTS		
Capital expenditures	\$ 1,440,365	\$ 8,132,325
Engineering	-	272,946
Administration	87,325	495,588
Planning, legal and consulting	288,210	1,330,396
Relocation costs	-	134,707
Interest and fiscal charges	245,785	2,112,753
Debt issuance costs and discount on long-term debt	29,406	181,871
Operating transfer out	15,000	15,000
Total Project Costs	<u>2,106,091</u>	<u>12,675,586</u>
PROJECT REVENUES		
Tax increment	1,327,520	6,798,799
Exempt computer aid	67,617	435,858
Investment income	39,102	381,599
Miscellaneous revenues	35,000	47,640
Premium on long-term debt	-	10,179
Operating transfer in	5,000	5,000
Total Project Revenues	<u>1,474,239</u>	<u>7,679,075</u>
 NET COSTS TO BE RECOVERED THROUGH TAX INCREMENTS – DECEMBER 31, 2008		
	<u>\$ 631,852</u>	<u>\$ 4,996,511</u>
 RECONCILIATION OF RECOVERABLE COSTS		
Long-term debt	\$ 6,885,000	
Less: Fund balance	<u>(1,888,489)</u>	
 NET COSTS TO BE RECOVERED THROUGH TAX INCREMENTS - DECEMBER 31, 2008		
	<u>\$ 4,996,511</u>	

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

**VILLAGE OF SHOREWOOD
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2008
and From the Date of Creation Through December 31, 2008

	<u>Year Ended</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Tax increment	\$ 1,327,520	\$ 6,798,799
Exempt computer aid	67,617	435,858
Investment income	39,102	381,599
Miscellaneous revenues	35,000	47,640
Proceeds from bond anticipation notes	-	9,315,000
Proceeds from long-term debt	3,520,000	7,924,000
Proceeds from capital lease payable	-	2,965,000
Premium on long-term debt	-	10,179
Operating transfer in	5,000	5,000
Total Sources of Funds	<u>4,994,239</u>	<u>27,883,075</u>
USES OF FUNDS		
Capital expenditures	1,440,365	8,132,325
Engineering	-	272,946
Administration	87,325	495,588
Planning, legal and consulting	288,210	1,330,396
Relocation costs	-	134,707
Principal on bond anticipation notes	-	9,315,000
Principal on long-term debt	190,000	1,039,000
Principal on capital lease	430,000	2,965,000
Interest and fiscal charges	245,785	2,112,753
Debt issuance costs and discount on long-term debt	29,406	181,871
Operating transfer out	15,000	15,000
Total Uses of Funds	<u>2,726,091</u>	<u>25,994,586</u>
Excess of sources of funds over uses of funds	2,268,148	1,888,489
BEGINNING FUND BALANCE	<u>(379,659)</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 1,888,489</u>	<u>\$ 1,888,489</u>

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

**VILLAGE OF SHOREWOOD
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Shorewood's Tax Incremental District No. 1 (the "District") conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The Village of Shorewood uses the criteria set forth by the Governmental Accounting Standards Board to determine the scope of the reporting entity of Tax Incremental District No. 1. The accompanying financial statements reflect all the significant operations of the Village of Shorewood's Tax Incremental District No. 1.

A. DESCRIPTION OF FUND AND ACCOUNT GROUP STRUCTURE

This report contains the financial information of the Village of Shorewood's Tax Incremental District No. 1. The summary statements were prepared from data recorded in the following funds and account group:

Debt Service Fund
Capital Projects Fund
General Long-Term Obligations Account Group

Detailed descriptions of the purpose of these funds and account groups can be found in the Village of Shorewood'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 general purpose 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 27 years after the creation date, whichever occurs first. Project costs uncollected at the dissolution date are absorbed by the Village of Shorewood.

	<u>Creation Date</u>	<u>Final Dissolution Date</u>
TIF No. 1	January 1, 1995	2021

**VILLAGE OF SHOREWOOD
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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 village 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 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 disclosures. The related expenditures are recognized when the liabilities are liquidated.

E. PROJECT PLAN BUDGET

The estimated revenues and expenditures of the Districts are adopted in the project plans. Those estimates are for the entire life of the District and may not be comparable to interim results presented in this report.

**VILLAGE OF SHOREWOOD
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not liquidated with expendable available financial resources, a liability is recorded in the long-term debt footnote disclosure. The related expenditure is recognized when the liability is liquidated.

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

NOTE 3 – LONG-TERM DEBT

A. BOND ANTICIPATION NOTES AND GENERAL OBLIGATION DEBT

All general obligation notes and bond anticipation notes payable are backed by the full faith and credit of the Village of Shorewood. 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.

**VILLAGE OF SHOREWOOD
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 3 – LONG-TERM DEBT (cont.)

A. BOND ANTICIPATION NOTES AND GENERAL OBLIGATION DEBT (cont.)

	<u>Original Amount Borrowed</u>	<u>Repaid</u>	<u>Balance 12-31-08</u>
1995 bond anticipation note with interest at 4.5%. Note dated August 15, 1995 and due August 15, 1996.	\$ 1,500,000	\$ 1,500,000	\$ -
1996 bond anticipation note with interest at 4.5%. Notes dated July 1, 1996 and due July 1, 1998.	2,545,000	2,545,000	-
1997 state trust fund loan with interest at 5.75%. Loan dated December 17, 1997 and due March 15, 2007.	254,000	254,000	-
2000 state trust fund loan with interest at 4.75%. Loan dated January 26, 2000 and due March 15, 2004.	165,000	165,000	-
2002 general obligation refunding bonds – TIF with interest at 3.65%. Loan dated March 1, 2002 and due September 1, 2007.	250,000	215,000	-
2003 bond anticipation notes with interest at 2.30%. Loan dated October 1, 2003 and due December 1, 2005.	5,270,000	5,270,000	-
2005 taxable general obligation refunding bonds with interest at 5.10%-5.25%. Bonds dated December 1, 2005 and due March 1, 2015.	2,035,000	370,000	1,665,000
2005 general obligation refunding bonds with interest at 4.00%-4.125%. Bonds dated December 1, 2005 and due March 1, 2021.	1,700,000	-	1,700,000
2008 general obligation community development bonds with interest at 3.15%. Bonds dated February 12, 2008 and due August 1, 2022.	<u>3,520,000</u>	<u>-</u>	<u>3,520,000</u>
Totals	<u>\$ 17,239,000</u>	<u>\$ 10,319,000</u>	<u>\$ 6,885,000</u>

**VILLAGE OF SHOREWOOD
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 3 – LONG-TERM DEBT (cont.)

A. BOND ANTICIPATION NOTES AND GENERAL OBLIGATION DEBT (cont.)

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>
2009	\$ 300,000	\$ 262,158	\$ 562,158
2010	335,000	248,500	583,500
2011	375,000	233,249	608,249
2012	410,000	216,449	626,449
2013	450,000	198,205	648,205
2014-2018	2,715,000	686,834	3,401,834
2019-2022	2,300,000	170,379	2,470,379
Totals	<u>\$ 6,885,000</u>	<u>\$ 2,015,774</u>	<u>\$ 8,300,774</u>

B. LEASE PAYABLE

In 1998, the Village of Shorewood Community Development Authority borrowed \$2,965,000 in Community Development Redevelopment Lease Revenue Refunding Bonds, Series 1998A. The bonds were used to refund the 1996A Bond Anticipation Notes (\$2,545,000) which were issued to pay a portion of the costs in the project plan for TIF No. 1.

This transaction was being recorded as a capital lease. The lease was paid off in 2008.

NOTE 5 – TAX INCREMENT

The tax increment from the 2008 tax roll which will be recorded as revenue in 2009 is:

TID No. 1	<u>\$ 1,338,277</u>
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SUPPLEMENTAL INFORMATION

**Detailed Schedule of Sources, Uses, and
Status of Funds Follows**

**VILLAGE OF SHOREWOOD
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
DETAILED SCHEDULE OF SOURCES, USES, AND STATUS OF FUNDS
From Date of Creation Through December 31, 2008

	1994	1995	1996	1997	1998	1999	2000
SOURCES OF FUNDS							
Tax increment	\$ -	\$ -	\$ -	\$ -	\$ 161,948	\$ 241,976	\$ 236,439
Exempt computer aid	-	-	-	-	-	-	10,928
Investment income	-	47,625	55,000	-	5,770	6,002	15,545
Miscellaneous revenues	-	-	-	-	-	5,000	5,080
Proceeds from bond anticipation notes	-	1,500,000	2,545,000	-	-	-	-
Proceeds from long-term debt	-	-	-	254,000	-	-	165,000
Proceeds from capital lease	-	-	-	-	2,965,000	-	-
Premium on long-term debt	-	-	-	-	-	-	-
Operating transfer in	-	-	-	-	-	-	-
Total Sources of Funds	<u>-</u>	<u>1,547,625</u>	<u>2,600,000</u>	<u>254,000</u>	<u>3,132,718</u>	<u>252,978</u>	<u>432,992</u>
USES OF FUNDS							
Capital expenditures	-	520,888	1,824,735	62,020	51,317	168,023	74,633
Engineering	2,847	128,910	129,760	11,429	-	-	-
Administrative	-	9,296	72,493	11,100	13,247	8,713	15,544
Planning, legal and consulting	18,999	15,840	-	13,721	8,051	30,712	8,818
Relocation costs	-	-	-	-	-	4,043	49,756
Environmental impact studies	-	-	-	-	-	-	-
Developer & Business recruitment	-	-	-	-	-	-	-
Principal on bond anticipation notes	-	-	1,500,000	-	2,545,000	-	-
Principal on long-term debt	-	-	-	-	-	19,303	23,898
Principal on capital lease	-	-	-	-	-	-	-
Interest and fiscal charges	-	25,964	81,053	127,054	171,788	144,047	139,452
Debt issuance costs and discount on long-term debt	-	7,125	21,082	-	57,475	-	-
Operating transfer out	-	-	-	-	-	-	-
Total Uses of Funds	<u>21,846</u>	<u>708,023</u>	<u>3,629,123</u>	<u>225,324</u>	<u>2,846,878</u>	<u>374,841</u>	<u>312,101</u>
FUND BALANCE – END OF YEAR							

2001	2002	2003	2004	2005	2006	2007	2008	Totals	Project Plan Estimate
\$ 357,132	\$ 470,905	\$ 518,232	\$ 609,783	\$ 733,372	\$1,025,336	\$ 1,116,156	\$ 1,327,520	\$ 6,798,799	\$ 3,646,000
14,618	13,057	43,079	104,113	77,440	37,169	67,837	67,617	435,858	-
11,480	-	19,711	37,900	78,216	44,720	20,528	39,102	381,599	-
1,425	-	-	-	585	550	-	35,000	47,640	-
-	-	5,270,000	-	-	-	-	-	9,315,000	-
-	250,000	-	-	3,735,000	-	-	3,520,000	7,924,000	-
-	-	-	-	-	-	-	-	2,965,000	-
-	-	10,179	-	-	-	-	-	10,179	-
-	-	-	-	-	-	-	5,000	5,000	-
<u>384,655</u>	<u>733,962</u>	<u>5,861,201</u>	<u>751,796</u>	<u>4,624,613</u>	<u>1,107,775</u>	<u>1,204,521</u>	<u>4,994,239</u>	<u>27,883,075</u>	<u>3,646,000</u>
56,119	341,559	949,362	424,033	4,811	70,024	2,144,436	1,440,365	8,132,325	20,102,313
-	-	-	-	-	-	-	-	272,946	234,000
2,641	29,636	32,891	28,024	51,832	50,043	82,803	87,325	495,588	345,200
21,296	45,279	87,740	49,724	126,217	350,253	265,536	288,210	1,330,396	530,900
4,050	34,989	36,892	1,759	1,355	1,863	-	-	134,707	80,000
-	-	-	-	-	-	-	-	-	12,000
-	-	-	-	-	-	-	-	-	694,200
-	-	-	-	5,270,000	-	-	-	9,315,000	-
62,978	312,821	75,000	75,000	30,000	35,000	215,000	190,000	1,039,000	-
320,000	335,000	345,000	345,000	380,000	395,000	415,000	430,000	2,965,000	-
146,928	129,834	127,509	200,181	184,267	180,200	208,691	245,785	2,112,753	-
-	4,433	35,850	-	26,500	-	-	29,406	181,871	-
-	-	-	-	-	-	-	15,000	15,000	-
<u>614,012</u>	<u>1,233,551</u>	<u>1,690,244</u>	<u>1,123,721</u>	<u>6,074,982</u>	<u>1,082,383</u>	<u>3,331,466</u>	<u>2,726,091</u>	<u>25,994,586</u>	<u>21,998,613</u>
<u>\$ 1,888,489</u>									

See accountants' compilation report.

**VILLAGE OF SHOREWOOD
TAX INCREMENTAL DISTRICT NO. 1**

COMPILED
DETAILED SUMMARY OF CAPITAL EXPENDITURES
From Date of Creation Through December 31, 2008

	Actual	Project Plan Estimate
Capital Expenditures		
Oakland Avenue reconstruction	\$ 2,676,625	\$ 1,170,000
Capital Drive Reconstruction	-	221,664
Street amenities	2,467,346	7,064,940
Public plazas	-	795,000
Urban landscaping	49,113	25,000
Traffic signals and signs	323,233	-
Specialized maintenance equipment	79,997	80,000
Demolition, alteration, or remodeling of existing buildings	676,880	227,000
Environmental remediation costs	91,238	15,000
Land purchase	1,759,213	1,155,000
Clearing and grading of land	-	30,000
Specific site development costs	-	8,068,709
Bridge replacement	-	250,000
Parking facilities construction	8,680	1,000,000
Total Capital Expenditures	<u>8,132,325</u>	<u>20,102,313</u>
Engineering	272,946	234,000
Administration	495,588	345,200
Planning, legal and consulting	1,330,396	530,900
Relocation costs	134,707	80,000
Environmental impact studies	-	12,000
Developer & Business Recruitment	-	694,200
Principal on bond anticipation note	9,315,000	-
Principal on long-term debt	1,039,000	-
Principal on capital lease	2,965,000	-
Interest and fiscal charges	2,112,753	-
Debt issuance costs and discount on long-term debt	181,871	-
Operating transfer out	15,000	-
TOTALS	<u>\$ 25,994,586</u>	<u>\$ 21,998,613</u>