

**VILLAGE OF HARTLAND
TAX INCREMENTAL DISTRICT NO. 4**

Hartland, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2015 and From the Date of
Creation Through December 31, 2015

**VILLAGE OF HARTLAND
TAX INCREMENTAL DISTRICT NO. 4**

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From the Date of Creation Through December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Village Board
Village of Hartland
Hartland, Wisconsin

Report on the Financial Statements

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 Village of Hartland's Tax Incremental District No. 4 as of December 31, 2015 and from the date of creation through December 31, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village of Hartland's preparation and fair presentation of the financial statements 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 Village of Hartland's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Village Board
Village of Hartland

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Village of Hartland's Tax Incremental District No. 4 and the net project costs to be recovered through tax increments as of December 31, 2015 and the sources, uses, and status of funds from the date of creation through December 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note , the financial statements present only the transactions of Village of Hartland's Tax Incremental District No.4 and do not purport to, and do not, present fairly the financial position of the Village of Hartland, as of December 31, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the financial statements. Such 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, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Hartland's Tax Incremental District No. 4's financial statements. The supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information are fairly stated in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated October 17, 2016 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.



Milwaukee, Wisconsin
October 17, 2016

Village of Hartland
TAX INCREMENTAL DISTRICT #4
100 Percent Expenditure Audit
Management's Discussion and Analysis
(Unaudited)

The management of the Village of Hartland offers this narrative overview and analysis of the Village of Hartland's financial activities for Tax Incremental District #4 ("TIF #4") to and through the fiscal year ended December 31, 2015. This audit is required under State Law by reaching 100 percent of the planned expenditures in the District. Readers of these financial statements are encouraged to consider the information presented here in conjunction with the additional information presented on the following pages.

In 2008, the Village of Hartland created a new downtown redevelopment tax incremental financing district. The timing of the creation of TIF #4 was challenging and its size was almost immediately reduced (2011) to mitigate the value loss it experienced. While it recovered some of its value and despite a significant redevelopment on E. Capitol Drive, other properties in TIF #4 had lost value and there was no positive value on which to calculate an increment. In 2015, the Village again reduced the size of TIF #4 to include only the two properties that received funding through TIF #4, which have experienced a major increase in value. By doing so, TIF #4 will begin to have positive increment and will cover the cost of the loans made by TIF #4 to support the redevelopment.

Pursuant to Section 66.1105 (6m) of the Wisconsin Statutes, municipalities are required to conduct audits of their various tax incremental districts at specific intervals including twelve (12) months after the end of the expenditure period. While TIF #4 has not reached this date (July 21, 2030), it has completed the expenditure of funds as it relates to projects described in the Project Plan as amended. TIF #4 is a portion of one of the eleven individual governmental funds maintained by the Village of Hartland. More information about the Village's governmental and other funds is available annually in the Village of Hartland Financial Statements.

Overview of the Financial Statements

The information in this discussion and analysis is intended to serve as a discussion and introduction to the Village of Hartland TIF #4 basic financial statements. These statements are comprised of a Balance Sheet, an Historical Summary of Project Costs, Project Revenues and Net Costs to be Recovered Through Tax Increments, and an Historical Summary of Sources, Uses and Status of Funds as well as Notes and related Supplemental Information. Information in these financial statements and audit are presented to include all activity from creation of TIF #4 through December 31, 2015.

Financial Highlights

- ❖ As shown on the balance sheet, at the end of 2015, TIF #4 maintained assets in the amount of \$224,028 against a fund deficit of \$649,220. The assets, which comprise the principal balance of loans made in the District and taxes received but not yet available, will be used to offset or reduce TIF #4 deficit, which is advanced to the District by the Village's General Fund.
- ❖ The Historical Summary of Project Costs, Project Revenues and Net Costs to be Recovered Through Tax Increments on page 6 identifies the costs accumulated by TIF #4 from its date of creation to December 31, 2015. Total costs to date of the District are \$686,220, which are reduced by payments received for exempt computer aid and by interest on the loans made to the developer.

Village of Hartland
TAX INCREMENTAL DISTRICT #4
100 Percent Expenditure Audit
Management's Discussion and Analysis (cont.)
(Unaudited)

- ❖ The most significant uses of funds in the TIF #4 were related to the purchase and demolition of property in TIF #4 (\$416,672) and the loaning of funds to the Developer (\$217,000) as an incentive and aid to redevelopment efforts.
- ❖ The developer loans were made in 2010 (\$77,000) and 2012 (\$140,000). The loans were refinanced by the Village in 2013. Payments on the loans resume in 2017 with repayment due in twelve years with a variable interest rate between 0.5% and 2.20%.

Economic and Other Factors

As noted above, the Village of Hartland created TIF #4 in 2008. The economic events occurring subsequent to TIF #4's creation led to an amendment in 2011 to reduce the size of TIF #4. While property values in TIF #4 recovered some, lost value for the majority of TIF #4 continued to negatively offset the increased value realized by a significant redevelopment on E. Capitol Drive. No positive value existed on which to calculate an increment. In 2015, the Village again reduced the size of TIF #4 to include only the two properties that were redeveloped and received funding through the TIF #4. By doing so, TIF #4's incremental value became positive and began to generate tax incremental payments that were received in 2015 for the 2016 fiscal year, which is reflected in these financial statements as "Unearned Taxes" in the amount of \$9,077. While TIF #4 will begin to generate incremental taxes, under the Development Agreements approved in TIF #4, the taxes collected will be first used to reduce the developer's loan payments and will reduce the Village's costs second. It is expected that the taxes to be received over the life of TIF #4 will only cover the cost of the loans leaving a deficit in TIF #4 of approximately \$400,000.

Of importance is the fact that the reduction of TIF #4 in 2015 was made in connection with the creation of a new mixed use tax increment financing district (TIF #6) to support a mixed use redevelopment on E. Capitol Drive in the downtown. The new TIF #6 was created out of a subset of properties that were previously in TIF #4 including the Village-owned properties that were purchased under TIF #4. Although these properties were purchased and intended to be used to support development in TIF #4, they were actually used in TIF #6. Based on accounting rules and State law, there is no means to transfer the cost from TIF #4 to TIF #6 and, as such, the \$416,672 cost associated with the properties remains a liability of TIF #4. TIF #4 is not expected to cover this liability with incremental taxes it will collect over its life. However, it is expected that TIF #6 will be able to eliminate this loss over its life.

Requests for Information

This financial report is designed to provide a general overview of the Village of Hartland's finances. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Village of Hartland Finance Director, 210 Cottonwood Avenue, Hartland, WI 53029.

**VILLAGE OF HARTLAND
TAX INCREMENTAL DISTRICT NO. 4**

**BALANCE SHEET
As of December 31, 2015**

	<u>Special Revenue Fund</u>
ASSETS	
Cash and investments	\$ -
Loan receivable	214,951
Taxes receivable	<u>9,077</u>
Total Assets	<u>\$ 224,028</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities	
Advance from Village general fund	<u>\$ 649,220</u>
Deferred inflows of resources	
Unavailable revenue	214,951
Unearned taxes	<u>9,077</u>
Total Deferred Inflows of Resources	<u>224,028</u>
 Fund Balance (Deficit)	
Unassigned	<u>(649,220)</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)	 <u><u>\$ 224,028</u></u>

See accompanying notes to financial statements.

**VILLAGE OF HARTLAND
TAX INCREMENTAL DISTRICT NO. 4**

HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES AND NET COST TO BE
RECOVERED THROUGH TAX INCREMENTS

From the Date of Creation Through December 31, 2015

PROJECT COSTS

Developer incentive - forgivable loan	\$ 217,000
Property acquisition & demolition	416,672
Administration	27,710
Planning	21,768
Contingency	<u>3,070</u>
Total Costs	<u>686,220</u>

PROJECT REVENUES

Exempt Computer Aid	25,900
Interest on loan	<u>11,100</u>
Total Revenues	<u>37,000</u>

**NET COSTS TO BE RECOVERED THROUGH
TAX INCREMENTS - DECEMBER 31, 2015**

\$ (649,220)

Reconciliation of Recoverable Costs
Plus: Fund balance deficit

(649,220)

**NET COSTS TO BE RECOVERED THROUGH
TAX INCREMENTS - DECEMBER 31, 2015**

\$ (649,220)

**VILLAGE OF HARTLAND
TAX INCREMENTAL DISTRICT NO. 4**

**HISTORICAL SUMMARY OF SOURCES, USES AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2015**

SOURCES OF FUNDS	
Exempt Computer Aid	\$ 25,900
Loan interest	11,100
Total Sources of Funds	<u>37,000</u>
USES OF FUNDS	
Developer incentive - forgivable loan	217,000
Property acquisition & demolition	416,672
Administration	27,710
Planning	21,768
Contingency	3,070
Total Uses of Funds	<u>686,220</u>
FUND BALANCE (DEFICIT) - DECEMBER 31, 2015	\$ <u>(649,220)</u>

See accompanying notes to financial statements.

**VILLAGE OF HARTLAND
TAX INCREMENTAL DISTRICT NO. 4**

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and
From the Date of Creation Through December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Hartland's 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 Hartland 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 Hartland's Tax Incremental District No. 4. The accompanying financial statements do not indicate the full presentation of the Village of Hartland.

A. DESCRIPTION OF FUND STRUCTURE AND ACCOUNT GROUP STRUCTURE

This report contains the financial information of the Village of Hartland's Tax Incremental District No. 4. The summary statements were prepared from data recorded in the Village of Hartland's special revenue – TIF fund.

Detailed descriptions of the purpose of this fund can be found in the Village of Hartland's 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 Hartland. 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. 4	July 21, 2008	July 21, 2030	2035

Plan Amendment

	Adoption Date	Last Date to Incur Project Costs
TID No. 4	September 26, 2011	July 21, 2030
TID No. 4	June 22, 2015	July 21, 2030

VILLAGE OF HARTLAND TAX INCREMENTAL DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and
From the Date of Creation Through December 31, 2015

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 deferred 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.

F. 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. There were no significant claims or judgments at December 31, 2015.

**VILLAGE OF HARTLAND
TAX INCREMENTAL DISTRICT NO. 4**

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and
From the Date of Creation Through December 31, 2015

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 Hartland, 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 Village of Hartland as an individual municipality and, accordingly, the amount of insured funds is not determinable for the district.

NOTE 3 – LOANS RECEIVABLE

At December 31, 2015 the district had an outstanding loan receivable from a developer totaling \$214,951. The loan is recorded as receivable and unavailable revenue by the district. The proceeds of the loan distributed to the developer has been recorded as a project cost and is reflected in the recoverable cost schedule. Principal and interest (variable) on the loan is payable annually beginning on December 1, 2017 and maturing on December 1, 2028.

NOTE 4 – ADVANCE FROM VILLAGE GENERAL FUND

The Village of Hartland's general fund is advancing funds to the District. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. The Village of Hartland is not charging the district interest on the advance. No repayment schedule has been established.

SUPPLEMENTAL INFORMATION

**Tax Incremental Financing District
No. 4 – Detailed Schedule of Sources,
Uses, and Status of Funds Follows**

**VILLAGE OF HARTLAND
TAX INCREMENTAL DISTRICT NO. 4**

DETAILED SCHEDULE OF SOURCES, USES AND STATUS OF FUNDS
From the Date of Creation Through December 31, 2015

	2009	2010	2011	2012	2013	2014	2015	Totals	Project Plan Estimate
SOURCES OF FUNDS									
Exempt Computer Aid	\$ -	\$ 8,593	\$ 6,885	\$ 5,245	\$ 2,079	\$ 1,992	\$ 1,106	\$ 25,900	\$ -
Loan interest	-	-	6,131	4,969	-	-	-	11,100	-
Total Sources Of Funds	-	8,593	13,016	10,214	2,079	1,992	1,106	37,000	-
USES OF FUNDS									
Developer incentive - forgivable loan	\$ -	\$ 77,000	\$ -	\$ 140,000	\$ -	\$ -	\$ -	\$ 217,000	\$ 550,000
Capital expenditures	-	-	-	-	-	-	-	-	130,000
Property acquisition & demolition	1,185	272,287	-	-	-	-	143,200	416,672	450,000
Administration	9,117	150	1,400	150	1,700	2,538	12,655	27,710	10,000
Planning	-	1,794	19,211	763	-	-	-	21,768	15,000
Contingency	3,070	-	-	-	-	-	-	3,070	25,000
Total Uses of Funds	13,372	351,231	20,611	140,913	1,700	2,538	155,855	686,220	1,180,000
FUND BALANCE - DECEMBER 31, 2015								<u>\$ (649,220)</u>	

**VILLAGE OF HARTLAND
TAX INCREMENTAL DISTRICT NO. 4**

DETAILED SCHEDULE OF CAPITAL EXPENDITURES
From the Date of Creation Through December 31, 2015

	Actual	Project Plan Estimate
Capital Expenditures:		
Utility relocation	\$ -	\$ 30,000
Street amenities	-	50,000
Alley/river improvements	-	50,000
TOTAL CAPITAL EXPENDITURES	<u>\$ -</u>	<u>\$ 130,000</u>

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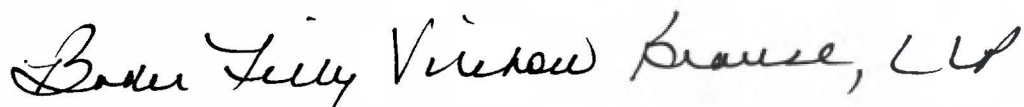
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the Village Board
Village of Hartland
Hartland, Wisconsin

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 Village of Hartland, Wisconsin Tax Incremental District No. 4 (the "district") as of December 31, 2015 and from the date the district was created through December 31, 2015 and have issued our report thereon dated October 17, 2016. 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 Village board, management, and the overlapping taxing districts and is not intended to be, and should not be, used by anyone other than the specified parties.



Milwaukee, Wisconsin
October 17, 2016