

**VILLAGE OF MCFARLAND
TAX INCREMENTAL DISTRICT NO. 4**
McFarland, Wisconsin

COMPILED
FINANCIAL STATEMENTS

From the Date of Creation Through December 31, 2012

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

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From the Date of Creation Through December 31, 2012

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ACCOUNTANTS' COMPILATION REPORT

To the Village Board
Village of McFarland
McFarland, 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 McFarland's Tax Incremental District No. 4 ("district") as of and for the year ended December 31, 2012 and from the date of creation through December 31, 2012. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the 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 McFarland as of December 31, 2012, 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 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. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

Management has omitted the management's discussion and analysis that is required to be presented for purposes of additional analysis. Such missing information although not a required part of the financial statements is required by accounting principles generally accepted in the United States of America and is considered 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
April 16, 2013

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

COMPILED
BALANCE SHEET
As of December 31, 2012

	Capital Projects Fund
ASSETS	
Cash and Investments	\$ 281
Loans receivable	<u>43,750</u>
TOTAL ASSETS	<u>\$ 44,031</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accrued liabilities	\$ 281
Deferred revenues	43,750
Advances from village funds (TIF District No. 3)	<u>410,208</u>
Total Liabilities	<u>454,239</u>
Fund Balance	
Unassigned (deficit)	<u>(410,208)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 44,031</u>

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

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

COMPILED
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Year Ended December 31, 2012
and From Date of Creation Through December 31, 2012

	Year Ended	From Date of Creation
PROJECT COSTS		
Capital expenditures	\$ -	\$ 430,932
Administration	36,089	176,835
Interest on advance	598	4,050
Interest and fiscal charges	11,475	50,988
Total Project Costs	48,162	662,805
PROJECT REVENUES		
Intergovernmental	822	2,063
Debt premium	-	5,534
Total Project Revenues	822	7,597
 NET COSTS RECOVERABLE THROUGH TAX INCREMENTS – DECEMBER 31, 2012		
	\$ 47,340	\$ 655,208
 RECONCILIATION OF RECOVERABLE COSTS		
G.O. Debt outstanding		\$ 245,000
Add: Deficit fund balance		410,208
 NET COSTS RECOVERABLE THROUGH TAX INCREMENTS – DECEMBER 31, 2012		
		\$ 655,208

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

COMPILED
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Year Ended December 31, 2012
and From Date of Creation Through December 31, 2012

	<u>Year Ended</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Intergovernmental	\$ 822	\$ 2,063
Debt premium	-	5,534
Long-term debt issued	-	270,000
Total Sources of Funds	<u>822</u>	<u>277,597</u>
USES OF FUNDS		
Capital expenditures	-	430,932
Administration	36,089	176,835
Interest on advance	598	4,050
Interest and fiscal charges	11,475	50,988
Principal on long term debt	<u>25,000</u>	<u>25,000</u>
Total Uses of Funds	<u>73,162</u>	<u>687,805</u>
Excess (deficiency) of sources of funds over uses of funds	(72,340)	(410,208)
FUND BALANCE (DEFICIT) - Beginning of Period	<u>(337,868)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - DECEMBER 31, 2012	<u>\$ (410,208)</u>	<u>\$ (410,208)</u>

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

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

NOTES TO FINANCIAL STATEMENTS
From the Date of Creation Through December 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. DESCRIPTION OF FUND STRUCTURE AND LONG-TERM DEBT

This report contains the financial information of the Village of McFarland'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:

- General Fund
- Capital Projects Fund

Detailed descriptions of the purpose of these funds and long-term debt can be found in the Village of McFarland'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 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 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 municipality 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 McFarland. Project costs may be incurred up to five years before the unextended termination date of the district.

<u>Original Project Plan</u>	<u>Creation Date</u>	<u>Last Date to Incur Project Costs</u>	<u>Last Year to Collect Increment</u>
TID No. 4	1/14/08	1/14/2030	2035

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

NOTES TO FINANCIAL STATEMENTS
From the Date of Creation Through December 31, 2012

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 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 MCFARLAND
TAX INCREMENTAL DISTRICT NO. 4**

NOTES TO FINANCIAL STATEMENTS
From the Date of Creation Through December 31, 2012

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. There were no significant claims or judgments at year end.

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

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

NOTES TO FINANCIAL STATEMENTS
From the Date of Creation Through December 31, 2012

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 McFarland. Notes and bonds borrowed to finance the district's expenditures will be retired by tax increments accumulated by the Tax Incremental District No. 4 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 12-31-12</u>
2008 G.O. Promissory Notes	12/15/08	12/01/18	4.00 - 4.25%	\$ 270,000	\$ 25,000	\$ 245,000

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>
2013	\$ 25,000	\$ 10,413	\$ 35,413
2014	40,000	9,350	49,350
2015	40,000	7,650	47,650
2016	40,000	5,950	45,950
2017	50,000	4,250	54,250
2018	50,000	2,125	52,125
Totals	<u>\$ 245,000</u>	<u>\$ 39,738</u>	<u>\$ 284,738</u>

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

NOTES TO FINANCIAL STATEMENTS
From the Date of Creation Through December 31, 2012

NOTE 4 – ADVANCES FROM VILLAGE FUNDS

TIF District No. 3 is advancing funds to TIF District No. 4. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. No repayment schedule has been determined for the advances. TIF District No. 3 is charging the TIF District interest on the advance based on the average outstanding advance balance during the year at a floating interest rate. The interest charged for 2012 was \$598 at a rate of 0.16%.

Below is a table showing the cumulative results of the advance:

	<u>Advance (including interest)</u>	<u>Cumulative</u>
2007*	\$ 14,650	\$ 14,650
2008*	77,419	92,069
2009	145,224	237,293
2010	54,344	291,637
2011	46,231	337,868
2012	<u>72,340</u>	410,208
Total	<u>\$ 410,208</u>	

*In 2007 and 2008, the advance to TIF District No. 4 was from the General Fund.

NOTE 5 – LOANS RECEIVABLE

At December 31, 2012, the district had outstanding loans receivable from developers totaling \$43,750. The loans are recorded as receivables by the district and repayments are recorded as a reduction of the receivable. All repayments are current. The loans are not considered to be project costs and are not reflected in the recoverable cost schedule.

SUPPLEMENTAL INFORMATION

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

COMPILED
DETAILED SCHEDULE OF SOURCES, USES, AND STATUS OF FUNDS
From Date of Creation Through December 31, 2012

	2007	2008	2009	2010	2011	2012	Totals	Project Plan Estimate
SOURCES OF FUNDS								
Tax increments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 822	\$ -	\$ 8,855,191
Intergovernmental	-	-	-	730	511	-	2,063	-
Investment income	-	-	-	-	-	-	-	100,000
Debt premium	-	5,534	-	-	-	-	5,534	5,534
Long-term debt issued	-	270,000	-	-	-	-	270,000	270,000
Total Sources of Funds	-	275,534	-	730	511	822	277,597	9,230,725
USES OF FUNDS								
Capital expenditures	14,472	318,700	97,760	-	-	-	430,932	7,320,000
Administration	178	22,003	40,694	43,044	34,827	36,089	176,835	1,500,000
Interest on advance	-	1,668	789	555	440	598	4,050	50,000
Interest and fiscal charges	-	5,534	11,029	11,475	11,475	11,475	50,988	90,725
Principal on long-term debt	-	-	-	-	-	25,000	25,000	270,000
Total Uses of Funds	14,650	347,905	150,272	55,074	46,742	73,162	687,805	9,230,725
Excess (deficiency) of sources of funds over uses of funds	(14,650)	(72,371)	(150,272)	(54,344)	(46,231)	(72,340)	(410,208)	
Fund Balance - Beginning of Period (Deficit)	-	(14,650)	(87,021)	(237,293)	(291,637)	(337,868)	-	
FUND BALANCE - END OF PERIOD (DEFICIT)	\$ (14,650)	\$ (87,021)	\$ (237,293)	\$ (291,637)	\$ (337,868)	\$ (410,208)	\$ (410,208)	

See accountants' compilation report.

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

COMPILED
DETAILED SCHEDULE OF CAPITAL EXPENDITURES
From Date of Creation Through December 31, 2012

	<u>Actual</u>	<u>Project Plan Estimate</u>
Anthony Street improvements	\$ -	\$ 70,000
Bashford/Exchange Street intersection improvements (rail improvements)	99,952	300,000
Traffic signals Bashford and Exchange	-	150,000
Farwell Street water main improvements	210,676	100,000
Stormwater improvements/engineering	-	200,000
District-wide specialty landscaping, lighting, pedestrian amenities	-	500,000
Contingency	-	250,000
Redevelopment funding	67,500	5,600,000
Administration, planning and legal	<u>52,804</u>	<u>150,000</u>
 TOTAL CAPITAL EXPENDITURES	 <u>\$ 430,932</u>	 <u>\$ 7,320,000</u>

See accountants' compilation report.