

**RIVERVIEW TOWERS, LLC**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**RIVERVIEW TOWERS, LLC**  
December 31, 2015 and 2014

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## INDEPENDENT AUDITORS' REPORT

To the Members  
Riverview Towers, LLC  
Wausau, Wisconsin

We have audited the accompanying financial statements of Riverview Towers, LLC, which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, members' equity, and cash flows for the years then ended, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors consider internal control relevant to the Company'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 Company'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.



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverview Towers, LLC as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 14 and 15 is presented for purposes of additional analysis and is 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Schnitzler SC*

Certified Public Accountants

Green Bay, Wisconsin  
February 23, 2016

# **FINANCIAL STATEMENTS**

**RIVERVIEW TOWERS, LLC**  
**Balance Sheets**  
**December 31, 2015 and 2014**

	2015	2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents		
Operations	\$ 34,446	\$ 58,858
Security deposits	46,563	46,423
Reserves		
Replacement reserve	91,054	44,772
Operating reserve	429,383	427,883
ACC reserve	202,647	201,737
Accounts receivable		
Tenants	552	300
Other	22,220	46,813
Prepaid expenses	9,312	11,569
<b>Total current assets</b>	<b>836,177</b>	<b>838,355</b>
Property and equipment, net	9,496,648	9,819,379
Intangible assets, net	36,906	90,287
<b>Total assets</b>	<b>\$ 10,369,731</b>	<b>\$ 10,748,021</b>
<b>Liabilities and Members' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 21,923	\$ 17,051
Due to related parties		
Management fee payable	2,086	2,573
Asset management fee payable	8,195	-
Accrued payroll	-	19,064
Accrued compensated absences	6,881	7,081
Payment in lieu of taxes	36,862	35,090
Tenant security deposits payable	42,057	44,765
Prepaid rent	25	-
<b>Total current liabilities</b>	<b>118,029</b>	<b>125,624</b>
<b>Long-term liabilities</b>		
Long-term debt	3,250,000	3,250,000
Accrued interest payable	107,519	53,750
Accrued compensated absences	11	-
<b>Total long-term liabilities</b>	<b>3,357,530</b>	<b>3,303,750</b>
<b>Total liabilities</b>	<b>3,475,559</b>	<b>3,429,374</b>
<b>Members' equity</b>	<b>6,894,172</b>	<b>7,318,647</b>
<b>Total liabilities and members' equity</b>	<b>\$ 10,369,731</b>	<b>\$ 10,748,021</b>

See Notes to Financial Statements.

**RIVERVIEW TOWERS, LLC**  
**Statements of Operations**  
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Rental income	\$ 468,452	\$ 462,403
Operating subsidy	55,499	100,615
Other	22,385	32,008
Interest	<u>2,800</u>	<u>2,208</u>
<b>Total revenues</b>	<u>549,136</u>	<u>597,234</u>
<b>Expenses</b>		
Administrative	195,915	218,592
Tenant services	10,308	11,000
Utilities	99,831	111,499
Maintenance and operations	160,801	165,658
Protective services	2,615	2,440
Insurance	19,957	24,116
Payment in lieu of taxes	36,862	35,090
Collection losses	850	61
General	12,815	19,070
Interest	53,769	53,750
Depreciation and amortization	<u>379,888</u>	<u>329,295</u>
<b>Total expenses</b>	<u>973,611</u>	<u>970,571</u>
<b>Net loss</b>	<u>\$ (424,475)</u>	<u>\$ (373,337)</u>

See Notes to Financial Statements.

**RIVERVIEW TOWERS, LLC**  
**Statements of Members' Equity**  
For the Years Ended December 31, 2015 and 2014

	<u>Riverview Towers MM, LLC</u>	<u>National Equity Fund, Inc.</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at January 1, 2014,	\$ 174,981	\$ 1,227,470	\$ -	\$ 1,402,451
Contributions	-	6,289,533	-	6,289,533
Net loss	-	-	(373,337)	(373,337)
Net loss allocated to members	<u>(37)</u>	<u>(373,300)</u>	<u>373,337</u>	<u>-</u>
Balance at December 31, 2014	174,944	7,143,703	-	7,318,647
Net loss	-	-	(424,475)	(424,475)
Net loss allocated to members	<u>(43)</u>	<u>(424,432)</u>	<u>424,475</u>	<u>-</u>
Balance at December 31, 2015	<u>\$ 174,901</u>	<u>\$ 6,719,271</u>	<u>\$ -</u>	<u>\$ 6,894,172</u>

See Notes to Financial Statements.

**RIVERVIEW TOWERS, LLC**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Operating Activities</b>		
Receipts		
Rental income	\$ 464,667	\$ 464,585
Operating subsidy	80,105	114,441
Other	22,385	45,758
Interest	<u>2,787</u>	<u>2,200</u>
Total receipts	<u>569,944</u>	<u>626,984</u>
Disbursements		
Administrative	(114,531)	(156,933)
Employee salaries and wages	(166,432)	(129,064)
Tenant services	(10,308)	(11,000)
Utilities	(102,153)	(108,575)
Maintenance and operations	(88,893)	(88,449)
Protective services	(2,615)	(2,440)
Insurance	(8,722)	(37,654)
Payment in lieu of taxes	(35,090)	(29,078)
General	<u>(13,004)</u>	<u>(20,872)</u>
Total disbursements	<u>(541,748)</u>	<u>(584,065)</u>
Net cash provided by operating activities	<u>28,196</u>	<u>42,919</u>
<b>Investing Activities</b>		
Deposits to replacement reserve	(46,282)	(44,772)
Deposits to operating reserve	(1,500)	(435,083)
Withdrawals from operating reserve	-	7,200
Deposits to ACC reserve	(910)	(201,737)
Purchases of property and equipment	<u>(3,776)</u>	<u>(2,092,627)</u>
Net cash used in investing activities	<u>(52,468)</u>	<u>(2,767,019)</u>
<b>Financing Activities</b>		
Proceeds from issuance of short-term construction note	-	1,315,584
Principal payments on short-term construction note	-	(5,021,816)
Contributions received from member	<u>-</u>	<u>6,289,533</u>
Net cash provided by financing activities	<u>-</u>	<u>2,583,301</u>
Decrease in cash	(24,272)	(140,799)
Cash and cash equivalents - beginning of year	<u>105,281</u>	<u>246,080</u>
Cash and cash equivalents - end of year	<u>\$ 81,009</u>	<u>\$ 105,281</u>
<b>Reconciliation of cash and cash equivalents</b>		
Operations	\$ 34,446	\$ 58,858
Security deposits	<u>46,563</u>	<u>46,423</u>
	<u>\$ 81,009</u>	<u>\$ 105,281</u>

See Notes to Financial Statements.

	<u>2015</u>	<u>2014</u>
Reconciliation of net loss to net cash flows provided by operating activities		
Net loss	\$ (424,475)	\$ (373,337)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	379,888	329,295
Collection losses written off	850	61
Changes in operating assets and liabilities:		
Accounts receivable - tenants	(1,102)	564
Accounts receivable - other	24,593	27,568
Prepaid expenses	2,257	(3,776)
Accounts payable - trade	4,872	(5,963)
Accounts payable - related party	7,708	(10,135)
Accrued payroll	(19,064)	19,064
Accrued compensated absences	(189)	(1,802)
Interest payable	53,769	53,750
Payment in lieu of taxes	1,772	6,012
Tenant security deposits payable	(2,708)	1,677
Prepaid rent	<u>25</u>	<u>(59)</u>
Net cash provided by operating activities	<u>\$ 28,196</u>	<u>\$ 42,919</u>
Supplementary schedule of cash flow activities		
Interest paid, \$0 and \$54,925 capitalized, respectively	<u>\$ -</u>	<u>\$ 65,663</u>

**RIVERVIEW TOWERS, LLC**  
Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

A. Nature of business

Riverview Towers, LLC (the Company) was organized in 2011 under the laws of the State of Wisconsin to modernize and operate a ten-story, 149-unit public housing rental project, known as Riverview Towers, for elderly and disabled residents of low- and very low-income, located at 500 Grand Avenue, Wausau, Wisconsin. The Company is managed by the Community Development Authority (CDA) of the City of Wausau, Wisconsin, which is the sole owner of the Company's managing member, Riverview Towers MM, LLC (RVTMM). The units underwent substantial rehabilitation during 2013 and were placed in service by the end of that year. Rehabilitation continued into 2014 to complete corridors and other finishing work. The project is subject to a Consolidated Annual Contributions Contract with the U.S. Department of Housing and Urban Development (HUD). Of the 149 public housing units, 148 units are also subject to the rules and requirements of the Low-Income Housing Tax Credit program under Internal Revenue Code Section 42.

The Company is 99.99% owned by National Equity Fund, Inc. (NEF) and .01% owned by RVTMM. Operating profits and losses and the tax credits are allocated based upon ownership. Both members have limited liability with respect to the expenses, liabilities and obligations of the Company, except that RVTMM, as managing member, has guaranteed certain payments to NEF, the investor member, if the Company fails to qualify for a specified amount of tax credits during the term of the tax credit guaranty agreement.

B. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

C. Basis of accounting

The financial statements of the Company have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

D. Cash and cash equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

E. Accounts receivable

Accounts receivable due from tenants are stated at the amount management expects to collect from outstanding balances based on an evaluation of uncollected accounts. Bad debts are provided for using the allowance method. As of December 31, 2015 and 2014, management considered the entire receivable balance to be collectible and deemed an allowance as not necessary.

Other accounts receivable consists of an operating subsidy due from HUD of \$22,130 and \$46,736 and accrued interest of \$90 and \$77 as of December 31, 2015 and 2014, respectively.

**RIVERVIEW TOWERS, LLC**  
Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

F. Fair value of financial instruments

All cash, cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued liabilities approximate fair value at December 31, 2015 and 2014, respectively.

G. Impairment of long-lived assets

When events or conditions warrant, the Company evaluates the recoverability of long-lived assets and considers whether these assets are impaired. The Company assesses the recoverability of these assets based on several factors, including management's intention with respect to these assets and their projected undiscounted cash flows. If projected undiscounted cash flows are less than the carrying amount of the respective assets, the Company adjusts the carrying amounts of such assets to their estimated fair value. Based on management's evaluation, there was no impairment loss recognized for the years ended December 31, 2015 and 2014, respectively.

H. Property and equipment

The Company follows the CDA's policy whereby personal property items having a useful life of more than one year and a value of at least \$500 are capitalized. Except for appliances which are also capitalized, all expenditures for personal property valued under the threshold and for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Property and equipment is valued at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

I. Accrued payroll and compensated absences

The Company has been allocated its portion of employee salaries and wages, and related earned compensated absences by CDA, which follows the City of Wausau's policies on vacation and sick leave. Vacation benefits accrue at various rates based on employees' years of continuous service. Unused benefits may accumulate up to a maximum number of hours ranging from 120 to 280 annually. Benefits vest after six months of service and are paid out at the time of voluntary separation if the employee is in good standing and has given ten working days written notice.

Regular full-time employees earn sick leave at a rate of 3.6923 hours per bi-weekly pay period up to a maximum of 133 days (1,064 hours). Regular part-time employees earn sick leave at a rate of 1.85 hours per bi-weekly pay period up to a maximum of 66 days (528 hours). Employees earn sick leave immediately upon starting employment and must have six days of paid time in a pay period in order to earn sick leave during that pay period. When an employee retires, up to one hundred percent of the sick leave remaining in the employee's accumulated sick leave account may be converted to its monetary value and used to pay premiums towards the hospital and surgical program then in effect for the employee. The percentage of sick leave remaining in the employee's accumulated sick leave that is convertible is based on a formula which takes into consideration an employee's age and length of service.

J. Tenant security deposits payable

The Company requires tenants to pay a security deposit equal to one month's rent. Security deposits due to tenants are reflected as a liability in the accompanying balance sheets.

**RIVERVIEW TOWERS, LLC**  
Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Advertising**

The Company expenses advertising and marketing costs as they are incurred. Total advertising costs were \$3,641 and \$3,366 for the years ended December 31, 2015 and 2014, respectively.

**L. Income taxes**

The Company has elected to be taxed as a partnership under the provisions of the Internal Revenue Code and comparable state regulations. Under these provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, the proportionate share of the Company's taxable income flows through to its members.

Penalties and interest assessed by income taxing authorities are included in operating expenses, if applicable. The Company had no interest and penalties related to income taxes for the years ended December 31, 2015 and 2014.

**M. Subsequent events**

The Company has evaluated events and transactions for potential recognition or disclosure in the financial statements through February 23, 2016, the date on which the financial statements were available to be issued.

**NOTE 2 - OPERATING AGREEMENT**

The Company is subject to an operating agreement between its members. A non-deferred developer fee totaling \$900,000 was paid in installments to the developers, Gorman & Company, Inc. and CDA, as specified within the operating agreement. Upon reaching stabilized occupancy which was attained in early 2014, the Company was required to establish and maintain an operating reserve, an Annual Contributions Contract (ACC) reserve, and a project replacement reserve. All reserves were established and properly funded as follows:

	<u>Replacement Reserve</u>	<u>Operating Reserve</u>	<u>ACC Reserve</u>
Balance - beginning of year	\$ 44,772	\$ 427,883	\$ 201,737
Deposits	46,044	-	-
Interest earned	238	1,500	910
Withdrawals	<u>-</u>	<u>-</u>	<u>-</u>
Balance - end of year	<u>\$ 91,054</u>	<u>\$ 429,383</u>	<u>\$ 202,647</u>

Additionally, the Company is required to pay an annual fee to NEF for asset management services to be rendered to the Company. The fee is subject to an annual increase of 3%. Asset management fees expensed were \$8,195 and \$8,223 for 2015 and 2014, respectively. Amounts of \$8,195 and \$0 are accrued on the accompanying balance sheets as asset management fee payable as of December 31, 2015 and 2014, respectively.

**RIVERVIEW TOWERS, LLC**  
Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

The Company maintains its bank accounts at several banks in the Wausau area. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per insured depository institution. Additionally, amounts held at Integrity First Bank in excess of FDIC coverage are collateralized by securities pledged in the amount of \$401,994. The Company's cash deposits may exceed these limits at times during the year. The Company has not experienced any losses on these accounts. Management believes the Company is not exposed to any significant credit risk on cash.

**NOTE 4 - PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Land improvements	\$ 17,560	\$ 17,560
Buildings and improvements	10,043,201	10,043,201
Furniture, fixtures and equipment	<u>262,595</u>	<u>258,820</u>
	10,323,356	10,319,581
Less accumulated depreciation	<u>826,708</u>	<u>500,202</u>
Property and equipment, net	<u>\$ 9,496,648</u>	<u>\$ 9,819,379</u>

Depreciation expense for 2015 and 2014 totaled \$326,507 and \$324,344, respectively.

**NOTE 5 - INTANGIBLE ASSETS**

Intangible assets consist of tax credit fees paid to Wisconsin Housing and Economic Development Authority in the amount of \$47,114, and loan financing fees paid to BMO Harris Bank, N.A. in the amount of \$54,313. The tax credit fees are being amortized over 15 years and the loan financing fees were fully expensed during 2015. Total amortization expense for the years ended December 31, 2015 and 2014 was \$53,381 and \$4,951, respectively.

**NOTE 6 - CAPITALIZED INTEREST**

The Company capitalizes interest on the financing of major fixed asset additions in accordance with generally accepted accounting principles. Total interest costs were \$53,769 and \$108,675 during 2015 and 2014, respectively. Of these amounts, interest costs of \$-0- and \$54,925 were capitalized during the years ended December 31, 2015 and 2014, respectively.

**RIVERVIEW TOWERS, LLC**  
Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 7 - RELATED PARTY TRANSACTIONS**

The Company has entered into an agreement with CDA as management agent for the Company. The term of the agreement is for two years and expires on August 31, 2016. Fees for management agent services are calculated at the rate of 6% of total monthly gross receipts. Total fees incurred were \$29,334 and \$28,919, with \$2,086 and \$2,573 accrued at December 31, 2015 and 2014, respectively, as management fee payable in the accompanying balance sheets.

A ground lease agreement exists between the Company and CDA whereby the Company is leasing the apartment building and all parking spaces from CDA for the purpose of rehabilitating, equipping and developing the 149-unit facility. The agreement terminates on the latest to occur of (a) expiration of the minimum period during which the public housing units are required by law to be operated as public housing; or (b) the expiration of 75 years from the date the project becomes available for occupancy. The fixed rent is \$1, which was paid upon execution of the lease and closing of the first mortgage financing for construction of the project. All other monies paid, such as for maintenance of the building and grounds, utility services to common areas of the building and property, reasonable building security services and other operating expenses, are considered to be additional rent. No additional rent was paid during the years ended December 31, 2015 and 2014.

In addition, a lease agreement exists between the Company and CDA whereby the Company is leasing the maintenance building and land from CDA for the purpose of maintaining the public housing building and grounds known as Riverview Towers. The term of this lease expires on December 31, 2088. The fixed rent is \$1. All other monies paid, such as for maintenance of the building and grounds, utility services to common areas of the building and property, reasonable building security services and other operating expenses, are considered to be the responsibility of the Company.

**NOTE 8 - LONG-TERM DEBT**

The Company's long-term debt consisted of the following at December 31:

	2015	2014
2.0%, construction second mortgage payable to CDA, with payments commencing one year from date project placed in service assuming available project cash flows, amortizing over 40 years from the in-service date, collateralized by an open-end leasehold mortgage and a security agreement, maturing in 2054.	\$ 2,500,000	\$ 2,500,000
0.5%, affordable housing program loan payable to CDA, with payments of principal and interest sufficient to amortize the loan over 40 years assuming available project cash flows, collateralized by an open-end junior leasehold mortgage and a security agreement maturing in September, 2052.	<u>750,000</u>	<u>750,000</u>
	<u>\$ 3,250,000</u>	<u>\$ 3,250,000</u>

The above notes are supported by mortgage, security and regulatory agreements.

**RIVERVIEW TOWERS, LLC**  
Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 9 - RETIREMENT PLAN**

Employees are covered under the State of Wisconsin Retirement System as part of the City of Wausau, Wisconsin. The employer's portion of the current annual contribution was paid by the Company and totaled \$11,377 and \$11,877 for the years ended December 31, 2015 and 2014, respectively.

**NOTE 10 - CONTINGENCY**

An Affordable Housing Program Retention/Repayment Agreement dated September 26, 2012 was entered into among BMO Harris Bank N.A., CDA and the Company. BMO Harris Bank N.A. disbursed the proceeds of an Affordable Housing Program (AHP) grant in the amount of \$750,000 from Federal Home Loan Bank of Chicago (FHLB) to CDA for use in connection with the construction and rehabilitation of the project. The Company must comply with the AHP provisions of the Financial Institution's Reform, Recovery and Enforcement Act of 1989 for a term of 15 years from the date of project completion (the retention period), at which time the recapture agreement terminates. Such provisions include managing and operating the property as rental housing for very low income households and providing compliance information as required by FHLB during the term of the agreement. In an event of default under the agreement, the Company and CDA will repay that portion of the grant that may be recaptured by BMO Harris Bank N.A. and FHLB.

## **SUPPLEMENTARY INFORMATION**

**RIVERVIEW TOWERS, LLC**  
**Schedules of Operating Expenses**  
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Administrative</b>		
Administrative salaries	\$ 74,059	\$ 71,968
Administrative employee benefits	44,929	44,135
Advertising and marketing	3,641	3,366
Staff training	1,616	1,980
Travel and mileage	1,439	2,494
Office	8,480	13,899
Accounting and auditing	13,484	34,597
Other administrative and sundry	2,001	2,254
Telephone	2,331	1,937
Management fee	29,334	28,919
Compliance fees	6,406	4,820
Asset management fee	8,195	8,223
	<u>\$ 195,915</u>	<u>\$ 218,592</u>
<b>Tenant services</b>		
Recreation and other	\$ 5,068	\$ 4,293
Tenant store	5,240	6,707
	<u>\$ 10,308</u>	<u>\$ 11,000</u>
<b>Utilities</b>		
Water	\$ 5,613	\$ 4,545
Electricity	53,927	47,994
Gas	31,663	51,952
Sewer	7,277	7,008
Other	1,351	-
	<u>\$ 99,831</u>	<u>\$ 111,499</u>
<b>Maintenance and operations</b>		
Maintenance labor	\$ 73,309	\$ 76,160
Maintenance employee benefits	37,513	37,008
Maintenance materials	12,609	12,453
Heating and cooling	710	2,813
Snow removal	500	1,002
Elevator maintenance	6,005	5,479
Landscape and grounds	3,606	2,830
Electrical	388	3,885
Plumbing	-	175
Extermination	7,944	9,173
Janitorial	4,188	-
Other contract costs	7,922	8,251
Garbage and trash removal	6,107	6,429
	<u>\$ 160,801</u>	<u>\$ 165,658</u>
<b>Protective services</b>		
Contract costs	<u>\$ 2,615</u>	<u>\$ 2,440</u>

**RIVERVIEW TOWERS, LLC**  
**Schedules of Operating Expenses, Continued**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Insurance</b>		
Property	\$ 8,354	\$ 8,751
Liability	9,384	12,449
Workers compensation	1,733	2,430
Other	<u>486</u>	<u>486</u>
	<u>\$ 19,957</u>	<u>\$ 24,116</u>
 <b>General</b>		
Compensated absences	\$ (189)	\$ (1,802)
Extraordinary maintenance	6,300	9,167
Other	<u>6,704</u>	<u>11,705</u>
	<u>\$ 12,815</u>	<u>\$ 19,070</u>
 <b>Depreciation and amortization</b>		
Depreciation	\$ 326,507	\$ 324,344
Amortization of tax credit fees	3,141	3,141
Amortization of loan financing fees	<u>50,240</u>	<u>1,810</u>
	<u>\$ 379,888</u>	<u>\$ 329,295</u>

**RIVERVIEW TOWERS, LLC**  
**MANAGEMENT COMMUNICATIONS**  
**DECEMBER 31, 2015**

To the Members  
Riverview Towers, LLC  
Wausau, Wisconsin

We have audited the financial statements of Riverview Towers, LLC for the year ended December 31, 2015, and have issued our report thereon dated February 23, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated November 12, 2015. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Consideration of Internal Control*

In planning and performing our audit of the financial statements of the Company as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. To the best of our knowledge, all significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciable lives of property and equipment is based on analysis of the expected useful lives of the assets. We evaluated the key factors and assumptions and the consistency of the key factors and assumptions used to development the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The amortization period for tax credit fees is based on the related period over which tax credits will be calculated and claimed by the members. We evaluated the key factors and assumptions used to develop the estimated amortization period and determined that it is reasonable in relation to the financial statements taken as a whole.

The accrual for compensated absences is based on employees' years of service and pay rates as of the end of the calendar year. We evaluated the key factors and assumptions used to develop the estimate and the consistency of applying those factors and assumptions and determined that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter February 23, 2016. The management representation letter follows this communication.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and, to the best of our knowledge, our responses were not a condition to our retention.

*Supplementary Information*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This communication, which does not affect our report dated February 23, 2016 on the financial statements of the Company, is intended solely for the information and use of the Members and management of Riverview Towers, LLC, and is not intended to be, and should not be, used by anyone other than these specified parties.



Certified Public Accountants

Green Bay, Wisconsin  
February 23, 2016

## **APPENDIX**



February 23, 2016

Schenck SC  
P. O. Box 23819  
Green Bay, WI 54305-3819

This representation letter is provided in connection with your audit of the financial statements of Riverview Towers, LLC, which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 23, 2016, the following representations made to you during your audit.

#### **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 12, 2015, including our responsibility for the preparation and fair presentation of the financial statements.
- The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

- Significant assumptions we used in making accounting estimates, including the depreciable lives of fixed assets and others measured at fair value, are reasonable. In this regard –
  - The measurement processes used by management in determining accounting estimates is appropriate and consistent.
  - The assumptions used appropriately reflect management's intent and ability to carry out specific courses of action.
  - The disclosures related to accounting estimates are complete and appropriate.
  - No subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
- Receivables recorded in the financial statements represent valid claims against debtors for charges arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
- Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements have been properly disclosed.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We are in agreement with the adjusting journal entry you have proposed, and it has been posted to the Company's accounts.
- We are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigations, claims or assessments.
- Material concentrations have been properly disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the Company is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

#### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the Company from whom you determined it necessary to obtain audit evidence.

- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the Company and involves:
  - Management,
  - Employees who have significant roles in processing transactions or safeguarding assets, or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the Company's financial statements communicated by employees, former employees, analysts, regulators or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you the identity of the Company's related parties and all the related party relationships and transactions of which we are aware.
- The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as made known to you and disclosed in the notes to the financial statements.
- We acknowledge our responsibility for presenting the supplementary information in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

Wausau Community Development Authority,



Russell Wilson, Board Chairman



Ann Werth, Executive Director  
Managing Member Representative