

City of Sun Prairie Tax Incremental District No. 12

Financial Statements and
Supplementary Information

December 31, 2023

City of Sun Prairie Tax Incremental District No. 12

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Independent Auditors' Report

To the City Council of
City of Sun Prairie

Report on the Audit of the Financial Statements

Opinion

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 City of Sun Prairie's Tax Incremental District No. 12 (District) as of December 31, 2023 and from the date of creation through December 31, 2023, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of District and the net project costs to be recovered through tax increments as of December 31, 2023 and the sources, uses and status of funds from the date of creation through December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the transactions of City of Sun Prairie's Tax Incremental District No. 12 and do not purport to, and do not, present fairly the financial position of the City of Sun Prairie, Wisconsin, as of December 31, 2023, 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.

Responsibilities of Management for the Financial Statements

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 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. 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. 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 supplementary information is 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 September 6, 2024 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.

Baker Tilly US, LLP

Madison, Wisconsin
September 6, 2024

City of Sun Prairie Tax Incremental District No. 12

Balance Sheet
December 31, 2023

	Capital Projects Fund
Assets	
Cash and investments	\$ 353,024
Taxes receivable	<u>323,500</u>
Total assets	<u><u>\$ 676,524</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)	
Liabilities	
Advance from other funds	<u>\$ 544,635</u>
Total liabilities	<u>544,635</u>
Deferred Inflows of Resources	
Unearned revenue	<u>323,500</u>
Total deferred inflows of resources	<u>323,500</u>
Fund Balances (Deficit)	
Unassigned (deficit)	<u>(191,611)</u>
Total fund balances (deficit)	<u>(191,611)</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 676,524</u></u>

See notes to financial statements

City of Sun Prairie Tax Incremental District No. 12

Historical Summary of Project Costs, Project Revenues and
Net Cost to be Recovered Through Tax Increments
From the Date of Creation Through December 31, 2023

Project Costs

Capital expenditures	\$ 4,424,425
Administration (in-house)	36,195
Professional services - planning, engineering, other	184,987
Developer grants	1,614,284
Interest and fiscal charges on long-term debt	905,114
Total project costs	7,165,005

Project Revenues

Tax increments	1,390,741
Investment income	54,688
Miscellaneous revenues	106,965
Total project revenues	1,552,394

Net cost to be recovered through tax increments, December 31, 2023	
	\$ 5,612,611

Reconciliation of Recoverable Costs

G.O. debt	\$ 5,421,000
Add fund balance deficit	191,611

Net cost to be recovered through tax increments, December 31, 2023	
	\$ 5,612,611

City of Sun Prairie Tax Incremental District No. 12

Historical Summary of Sources, Uses and Status of Funds
From the Date of Creation Through December 31, 2023

Sources of Funds

Tax increments	\$ 1,390,741
Investment income	54,688
Miscellaneous revenues	106,965
Long-term debt issued	<u>9,465,536</u>

Total sources of funds	<u>11,017,930</u>
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Uses of Funds

Capital expenditures	4,424,425
Administration (in-house)	36,195
Professional services - planning, engineering, other	184,987
Developer grants	1,614,284
Interest and fiscal charges on long-term debt	905,114
Principal on long-term debt	<u>4,044,536</u>

Total uses of funds	<u>11,209,541</u>
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Fund Balance (Deficit), December 31, 2023	<u><u>\$ (191,611)</u></u>
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City of Sun Prairie Tax Incremental District No. 12

Notes to Financial Statements

December 31, 2023

1. Summary of Significant Accounting Policies

The accounting policies of the City of Sun Prairie's Tax Incremental District (TID) No. 12 (the District) conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Sun Prairie (the City) 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 the District. The accompanying financial statements reflect all the significant operations of the District. The accompanying financial statements do not include the full presentation of the City.

Description of Fund Structure and Long-Term Debt

This report contains the financial information of the District. The summary statements were prepared from data recorded in the following fund and the City's long-term debt:

Tax Incremental District No. 12 - Capital Projects Fund

Detailed descriptions of the purpose of this fund and long-term debt can be found in the City'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 improvement costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the District. The tax on the increased value is called a tax increment.

The statutes allow the District to collect tax increments until the net project cost has been fully recovered or until 20 years after the creation date, whichever occurs first. Project costs uncollected at the dissolution date are absorbed by the City. Project costs may be incurred up to five years before the unextended termination date of the District.

Original Project Plan

	<u>Creation Date</u>	<u>Last Date to Incur Project Costs</u>	<u>Last Year to Collect Increment</u>
TID No. 12	August 2, 2016	August 2, 2031	2037

Plan Amendments

	<u>Adoption Date</u>	<u>Last Date to Incur Project Costs</u>
Amendment 1	April 18, 2017	August 2, 2031
Amendment 2	July 20, 2021	August 2, 2031

City of Sun Prairie Tax Incremental District No. 12

Notes to Financial Statements

December 31, 2023

Basis of Accounting

The modified accrual basis of accounting was followed in the preparation of these statements. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Project costs, other than interest on long-term debt, are recorded when the related fund liability is incurred.

District increments are recorded as revenues in the year due. Intergovernmental aids and grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the District is entitled to the aids.

Other general revenues are recognized when received in cash or when measurable and available under the criteria described above.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus

The measurement focus of all governmental funds is the funds flow concept. Under the funds flow concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as unavailable or unearned revenue or as nonspendable fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are shown in the long-term debt footnote disclosure. The related expenditures are recognized when the liabilities are liquidated.

Project Plan Budget

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

Long-Term Debt

Short-term liabilities are recorded as fund liabilities. All other long-term liabilities are shown in the long-term debt footnote disclosure.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as "Sources of Funds" in the operating statement of the recipient fund. Retirement of these issues is reported as an expenditure in the year in which the debt matures or is repaid, whichever is earlier.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are disclosed in the long-term debt footnote when the related liabilities are incurred.

City of Sun Prairie Tax Incremental District No. 12

Notes to Financial Statements

December 31, 2023

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

3. Long-Term Debt

General Obligation Debt and Financed Purchases

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds borrowed to finance the Districts' expenditures will be retired by tax increments accumulated by the debt service and capital project funds. If those revenues are not sufficient, payments will be made by future tax levies.

Title of Issue	Date of Issue	Due Date	Interest Rate	Original Indebtedness	Repaid	Balance 12/31/2023
2016 general obligation bonds	October 26, 2016	April 1, 2026	2.00-3.00 %	\$ 200,000	\$ 140,000	\$ 60,000
2017 state trust fund loan	August 9, 2017	March 15, 2027	3.50	3,904,536	3,904,536	-
2019A taxable general obligations bonds	February 7, 2019	April 1, 2037	2.70-4.00	3,685,000	-	3,685,000
2022 state trust fund loan	December 27, 2022	April 1, 2036	4.75	1,676,000	-	1,676,000
Total				<u>\$ 9,465,536</u>	<u>\$ 4,044,536</u>	<u>\$ 5,421,000</u>

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

	Principal	Interest	Total
2024	\$ 310,651	\$ 224,419	\$ 535,070
2025	336,712	196,533	533,245
2026	351,544	184,379	535,923
2027	341,604	171,895	513,499
2028	351,740	159,202	510,942
2029-2033	1,998,142	576,214	2,574,356
2034-2037	1,730,607	146,622	1,877,229
Total	<u>\$ 5,421,000</u>	<u>\$ 1,659,264</u>	<u>\$ 7,080,264</u>

City of Sun Prairie Tax Incremental District No. 12

Notes to Financial Statements

December 31, 2023

4. Advances From Other Funds

The City's general fund advanced funds to TID No. 12. No repayment schedules have been determined for the advances. No interest is being charged. The advance balance at year end is as follows:

Receivable Fund	Payable Fund	Amount
General	TID No. 12	\$ 544,635

5. Developer Agreements

TID No. 12

The City entered into an agreement with All American Sports Corp (formerly known as Riddell Sports Group, Inc.). Upon certain conditions, the City was to pay up to \$1,300,000 over eight years beginning in 2017, however, this agreement has been voided and no additional payments will be made. Cumulative payments related to this agreement were \$377,398.

The City entered into a development agreement with Argus Properties, LLC (Argus), related to the construction of a facility for manufacturing with a lease to Quarra Stone Company, LLC. Subject to certain conditions, the City shall provide development incentive grant funding to Argus in an amount up to \$975,000. Such grant funding will be used to pay project costs that exceed \$13,025,000 for a total amount of \$14,000,000. The City made a payment of \$975,000 in 2023 with cumulative payments related to this agreement total \$1,236,886 as of December 31, 2023.

The City entered into a development agreement with Imperial Blades, LLC. Upon conditions in the agreement, the City has agreed to provide incentives to reimburse project costs in the years 2021 through 2027 up to a maximum of \$536,338. No payments have been made under this agreement through December 31, 2023.

City of Sun Prairie Tax Incremental District No. 12

Detailed Schedule of Sources, Uses and Status of Funds

From the Date of Creation Through December 31, 2023

	2016	2017	2018	2019	2020	2021	2022	2023	Total	Project Plan Estimate
Sources of Funds										
Tax increments	\$ -	\$ -	\$ 52,917	\$ 298,589	\$ 234,003	\$ 233,229	\$ 281,098	\$ 290,905	\$ 1,390,741	\$ 14,832,788
Intergovernmental grants	-	-	-	282	-	(282)	-	-	-	-
Investment income	2	627	1,182	2,942	-	-	4,064	45,871	54,688	4,753
Miscellaneous revenues	10,480	8,715	1,078	5	73	69,133	17,435	46	106,965	181,153
Long-term debt issued	200,000	3,904,536	-	3,685,000	-	-	1,676,000	-	9,465,536	12,790,016
Total sources of funds	210,482	3,913,878	55,177	3,986,818	234,076	302,080	1,978,597	336,822	11,017,930	27,808,710
Uses of Funds										
Capital expenditures	127,290	3,899,225	-	-	-	-	365,984	31,926	4,424,425	8,124,968
Administration (in-house)	-	5,964	15,911	14,320	-	-	-	-	36,195	1,017,721
Professional services - planning, engineering, other	25,497	50,271	3,748	3,821	6,187	50,734	27,196	17,533	184,987	-
Developer grants	-	-	-	206,381	-	432,903	-	975,000	1,614,284	2,743,872
Interest and fiscal charges on long-term debt	2,225	4,911	86,321	283,565	132,923	132,323	131,723	131,123	905,114	3,132,133
Principal on long-term debt	-	20,000	401,520	3,543,016	20,000	20,000	20,000	20,000	4,044,536	12,790,016
Total uses of funds	155,012	3,980,371	507,500	4,051,103	159,110	635,960	544,903	1,175,582	11,209,541	27,808,710
Fund Balance (Deficit), December 31, 2023									<u>\$ (191,611)</u>	

Independent Auditors' Report on Other Legal and Regulatory Requirements

To the City Council of
City of Sun Prairie

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 City of Sun Prairie, Wisconsin's Tax Incremental District No. 12 (District) as of December 31, 2023 and from the date the District was created through December 31, 2023 and have issued our report thereon dated September 6, 2024. 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 City Council, management, and the overlapping taxing districts and is not intended to be, and should not be, used by anyone other than the specified parties.

Baker Tilly US, LLP

Madison, Wisconsin
September 6, 2024