

City of Sun Prairie Tax Incremental District No. 11

Financial Statements and
Supplementary Information

December 31, 2024

City of Sun Prairie Tax Incremental District No. 11

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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 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. 11 (District) as of December 31, 2024 and from the date of creation through December 31, 2024, 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 the District and the net project costs recovered through tax increments as of December 31, 2024 and the sources, uses and status of funds from the date of creation through December 31, 2024, 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 the District and do not purport to, and do not, present fairly the financial position of the City of Sun Prairie, Wisconsin, as of December 31, 2024, 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 December 12, 2025 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
December 12, 2025

City of Sun Prairie Tax Incremental District No. 11

Balance Sheet
December 31, 2024

	Capital Projects Fund
Assets	
Taxes receivable	\$ 1,743,183
Due from City General Fund	<u>1,809,018</u>
Total assets	<u><u>\$ 3,552,201</u></u>
Deferred Inflows of Resources and Fund Balance	
Deferred Inflows of Resources	
Unearned revenue	<u>\$ 1,743,183</u>
Total deferred inflows of resources	<u>1,743,183</u>
Fund Balance	
Restricted	<u>1,809,018</u>
Total fund balance	<u>1,809,018</u>
Total deferred inflows of resources and fund balance	<u><u>\$ 3,552,201</u></u>

See notes to financial statements

City of Sun Prairie Tax Incremental District No. 11

Historical Summary of Project Costs, Project Revenues and
Net Cost Recovered Through Tax Increments
From the Date of Creation Through December 31, 2024

Project Costs

Capital expenditures	\$ 557,577
Administration (in-house)	99,397
Professional services - planning, engineering, other	208,667
Developer grants	3,506,109
Interest and fiscal charges on long-term debt	<u>84,688</u>
Total project costs	<u>4,456,438</u>

Project Revenues

Tax increments	5,718,973
Exempt computer and personal property aid	90,491
Investment income	132,309
Miscellaneous revenues	<u>28,683</u>
Total project revenues	<u>5,970,456</u>

Net cost recovered through tax increments, December 31, 2024	<u><u>\$ (1,514,018)</u></u>
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Reconciliation of Recovered Costs

G.O. debt	\$ 295,000
Less fund balance	<u>(1,809,018)</u>

Net cost recovered through tax increments, December 31, 2024	<u><u>\$ (1,514,018)</u></u>
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City of Sun Prairie Tax Incremental District No. 11

Historical Summary of Sources, Uses and Status of Funds
From the Date of Creation Through December 31, 2024

Sources of Funds

Tax increments	\$ 5,718,973
Exempt computer and personal property aid	90,491
Investment income	132,309
Miscellaneous revenues	28,683
Long-term debt issued	<u>555,000</u>
Total sources of funds	<u>6,525,456</u>

Uses of Funds

Capital expenditures	557,577
Administration (in-house)	99,397
Professional services - planning, engineering, other	208,667
Developer grants	3,506,109
Interest and fiscal charges on long-term debt	84,688
Principal on long-term debt	<u>260,000</u>
Total uses of funds	<u>4,716,438</u>

Fund Balance, December 31, 2024

\$ 1,809,018

City of Sun Prairie Tax Incremental District No. 11

Notes to Financial Statements
December 31, 2024

1. Summary of Significant Accounting Policies

The accounting policies of the City of Sun Prairie's Tax Incremental District (TID) No. 11 (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 funds and the City's long-term debt:

Tax Incremental District No. 11 - Capital Projects Fund

Detailed descriptions of the purpose of these funds 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 27 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. 11	January 1, 2015	December 5, 2036	2042

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.

City of Sun Prairie Tax Incremental District No. 11

Notes to Financial Statements
December 31, 2024

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.

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.

City of Sun Prairie Tax Incremental District No. 11

Notes to Financial Statements
December 31, 2024

3. Long-Term Debt

General Obligation Debt

All general obligation bonds payable is backed by the full faith and credit of City. Bonds borrowed to finance the District's expenditures will be retired by tax increments accumulated by the TID 11 capital projects fund. If those revenues are not sufficient, payments will be made by future tax levies or utility revenues, as applicable.

Title of Issue	Date of Issue	Due Date	Interest Rate	Original Indebtedness	Repaid	Balance 12/31/2024
2019A Taxable G.O bonds	02/07/2019	04/01/2029	2.70-4.00 %	\$ 555,000	\$ 260,000	\$ 295,000
Total				<u>\$ 555,000</u>	<u>\$ 260,000</u>	<u>\$ 295,000</u>

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

	Principal	Interest	Total
2025	\$ 55,000	\$ 8,649	\$ 63,649
2026	55,000	6,944	61,944
2027	60,000	5,118	65,118
2028	60,000	3,168	63,168
2029	65,000	1,089	66,089
Total	<u>\$ 295,000</u>	<u>\$ 24,968</u>	<u>\$ 319,968</u>

4. Developer Agreements and Tax Abatements

The City entered into an agreement with Jennings & Woldt Remodeling. Upon certain conditions, the City is to pay incentive payments for a total of twelve years or up to a maximum of \$181,500. The incentive payment is calculated based on 90% of real property tax increment. The City cumulative payments related to this agreement are \$78,187 as of December 31, 2024. This agreement is considered a tax abatement.

The City entered into an agreement with TMA Land, Inc. Upon certain conditions, the City is to pay an annual incentive payment of \$225,000, which is not to exceed \$2,500,000 or 12 payments. If the assessed value for real property is between \$8,000,000 and \$10,000,000, the incentive payment will be prorated. The City cumulative payments related to this agreement are \$1,279,014 as of December 31, 2024. This agreement is considered a tax abatement.

The City entered into an agreement with Patio Pleasures LLC. The incentive payment is calculated based on 80% of real property tax increment up to \$92,556. The City cumulative payments related to this agreement are \$29,479 as of December 31, 2024. This agreement is considered a tax abatement.

The City entered into an agreement with Catalyst on Main. The incentive payment is calculated based on 85.5% of real property tax increment up to \$5,000,000 based on the assessed value from 2020-2037. The City cumulative payments related to this agreement are \$1,347,855 as of December 31, 2024. This agreement is considered a tax abatement.

City of Sun Prairie Tax Incremental District No. 11

Notes to Financial Statements
December 31, 2024

The City entered into a developer agreement with Cohen-Esrey Development Group LLC. Upon completion of the project, the developer may request the City to issue a Municipal Revenue Obligation of \$2,100,000, with interest thereon at a rate of 0%. Any payments due on the Municipal Revenue Obligation shall be payable only to the extent the City has received actual tax increment. In 2023, the City committed to the Municipal Revenue Obligation with payments scheduled through the year 2035. The City cumulative payments related to this agreement are \$187,352 as of December 31, 2024.

The City entered into an agreement with SP Main Street Apartments LLC. Provided that the developer meets the minimum assessed valuation or makes a shortfall payment necessary to reach minimum real estate tax payment and meets the performance standards under Article I, D of the agreement, the City shall provide an annual economic incentive payment. The City cumulative payments related to this agreement are \$373,990 as of December 31, 2024. This agreement is considered a tax abatement.

The City entered into an agreement with J&A Commercial Properties LLC. Upon certain conditions, the City is to pay incentive payments for a total of 12 years or up to a maximum of \$194,900. The incentive payment is calculated based on 90% of real property tax increment. In addition to the incentive payment, the developer is eligible for a one-time reimbursement of costs at a maximum of \$210,232. This one-time reimbursement was paid in 2023. This agreement is considered a tax abatement.

City of Sun Prairie Tax Incremental District No. 11

Detailed Schedule of Sources, Uses and Status of Funds
 From the Date of Creation Through December 31, 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total	Project Plan Estimate
Sources of Funds												
Tax increments	\$ -	\$ -	\$ 50,668	\$ 119,610	\$ 382,167	\$ 585,819	\$ 871,263	\$ 1,187,722	\$ 1,138,961	\$ 1,382,763	\$ 5,718,973	\$ 21,792,145
Exempt computer and personal property aid	-	-	3,112	3,158	3,870	14,037	24,203	14,037	14,037	14,037	90,491	-
Investment income	-	-	-	90	12,585	2,919	401	7,863	42,311	66,140	132,309	-
Miscellaneous revenues	-	-	39	15,115	4	1,024	12,501	-	-	-	28,683	-
Long-term debt issued	-	-	-	-	555,000	-	-	-	-	-	555,000	8,645,000
Total sources of funds	-	-	53,819	137,973	953,626	603,799	908,368	1,209,622	1,195,309	1,462,940	6,525,456	30,437,145
Uses of Funds												
Capital expenditures	-	-	-	-	-	557,577	-	-	-	-	557,577	1,410,000
Administration (in-house)	-	36,019	11,173	15,911	14,320	-	-	1,974	20,000	-	99,397	381,100
Professional services - planning, engineering, other	21,864	20,472	59,610	11,269	2,234	2,656	32,416	17,993	22,937	17,216	208,667	381,100
Developer grants	-	-	-	-	223,666	315,717	637,595	613,058	872,421	843,652	3,506,109	6,700,000
Interest and fiscal charges on long-term debt	-	-	-	-	18,349	16,100	14,738	13,350	11,866	10,285	84,688	5,496,081
Principal on long-term debt	-	-	-	-	-	50,000	50,000	50,000	55,000	55,000	260,000	8,645,000
Total uses of funds	21,864	56,491	70,783	27,180	258,569	942,050	734,749	696,375	982,224	926,153	4,716,438	23,013,281
Fund Balance, December 31, 2024											<u>\$ 1,809,018</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 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. 11 (District) as of December 31, 2024 and from the date the District was created through December 31, 2024 and have issued our report thereon dated December 12, 2025. 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
December 12, 2025