

**City of Madison
Tax Incremental District No. 54**

Financial Statements and
Supplementary Information

December 31, 2024

City of Madison Tax Incremental District No. 54

Table of Contents
December 31, 2024

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Tax Incremental District No. 54 - Balance Sheet	4
Tax Incremental District No. 54 - Historical Summary of Project Costs, Project Revenues and Net Cost to Be Recovered Through Tax Increments	5
Tax Incremental District No. 54 - Historical Summary of Sources, Uses and Status of Funds	6
Notes to Financial Statements	7
Supplementary Information	
Tax Incremental District No. 54 - Detailed Schedule of Sources, Uses and Status of Funds	11
Tax Incremental District No. 54 - Detailed Schedule of Capital, Administration and Professional Services Expenditures and Developer Payments	12
Independent Auditors' Report on Other Legal and Regulatory Requirements	13

Independent Auditors' Report

To the Common Council of
City of Madison

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 Madison's Tax Incremental District No. 54 (the 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 financial statements referred to above present fairly, in all material respects, the financial position of the District and the net project costs to be 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 Madison, 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 an opinion 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 July 17, 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
July 17, 2025

City of Madison Tax Incremental District No. 54

Balance Sheet
December 31, 2024

	Capital Projects Fund
Assets	
Taxes receivable	\$ 70,491
Prepaid items	38
Total assets	<u>\$ 70,529</u>
Liabilities, Deferred Inflows of Resources and Fund Balance (Deficit)	
Liabilities	
Accounts payable	\$ 12,500
Accrued liabilities	1,541
Advances from City capital project fund	2,174,225
Total liabilities	<u>2,188,266</u>
Deferred Inflows of Resources	
Unearned revenue	<u>70,491</u>
Fund Balance (Deficit)	
Unassigned (deficit)	<u>(2,188,228)</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 70,529</u>

See notes to financial statements

City of Madison Tax Incremental District No. 54

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

Project Costs

Capital expenditures	\$ 462,500
Administration (in-house)	60,043
Professional services: planning, engineering, other	39,726
Developer payments	<u>7,919,000</u>
Total project costs	<u>8,481,269</u>

Project Revenues

Miscellaneous revenues	<u>43,041</u>
Total project revenues	<u>43,041</u>
Net cost to be recovered through tax increments, December 31, 2024	<u><u>\$ 8,438,228</u></u>

Reconciliation of Recovered Costs

G.O. debt	\$ 6,250,000
Add fund balance deficit	<u>2,188,228</u>
Net cost recovered through tax increments, December 31, 2024	<u><u>\$ 8,438,228</u></u>

City of Madison Tax Incremental District No. 54

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

Sources of Funds

Miscellaneous revenues	\$ 43,041
Long-term debt issued	<u>6,250,000</u>
Total sources of funds	<u>6,293,041</u>

Uses of Funds

Capital expenditures	462,500
Administration (in-house)	60,043
Professional services: planning, engineering, other	39,726
Developer payments	<u>7,919,000</u>
Total uses of funds	<u>8,481,269</u>

Fund Balance (Deficit), December 31, 2024	<u><u>\$ (2,188,228)</u></u>
--	-------------------------------------

City of Madison Tax Incremental District No. 54

Notes to Financial Statements
December 31, 2024

1. Summary of Significant Accounting Policies

The accounting policies of the City of Madison's Tax Incremental District No. 54 (the District) conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Madison (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 City fund and long-term debt:

Capital Projects Fund

Detailed description 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 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>
Tax Incremental District No. 54	January 1, 2023	July 25, 2045	2051

Plan Amendment

	<u>Adoption Date</u>	<u>Last Date to Incur Project Costs</u>	<u>Last Year to Collect Increment</u>
Amendment 1	July 2, 2024	July 25, 2045	2051

City of Madison Tax Incremental District No. 54

Notes to Financial Statements
December 31, 2024

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.

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 Madison Tax Incremental District No. 54

Notes to Financial Statements

December 31, 2024

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

All general obligation notes payable are backed by the full faith and credit of the City. Notes borrowed to finance District expenditures will be retired by tax increments accumulated by the District's capital projects fund. 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 12/31/2024
G.O. Promissory Notes	09/05/2024	10/01/2034	4.00-5.00 %	\$ 6,250,000	\$ -	\$ 6,250,000
Total				\$ 6,250,000	\$ -	\$ 6,250,000

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

Calendar Year	Principal	Interest	Total
2025	\$ 626,990	\$ 302,003	\$ 928,993
2026	626,990	250,311	877,301
2027	626,990	218,961	845,951
2028	626,990	187,612	814,602
2029	626,990	156,262	783,252
2030	626,990	124,913	751,903
2031	622,014	99,833	721,847
2032	622,014	74,953	696,967
2033	622,016	50,072	672,088
2034	622,016	25,192	647,208
Total	\$ 6,250,000	\$ 1,490,112	\$ 7,740,112

4. Advances From City Capital Project Fund

The City's capital project fund advances funds to the District when the District is in a negative cash position. No repayment schedule has been established and no interest has been charged. The advance balance as of December 31, 2024 is \$2,174,225.

City of Madison Tax Incremental District No. 54

Notes to Financial Statements

December 31, 2024

5. Guaranteed Revenue

The City of Madison has entered into a development agreement with Roth Street I LP. The agreement guarantees that Roth Street I LP. shall pay the difference between the guaranteed tax increment and the tax increment actually levied. The guarantee obligation shall terminate when the City of Madison has collected from the tax increment generated from the District, been paid under this agreement the full amount of the project costs of not less than \$3,465,000. The City of Madison has entered into a similar agreement with Roth Street II LP and Vermillion Madison Development LLC, in the amounts of \$2,785,000 and \$1,669,000, respectively.

6. Tax Abatements

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City of Madison, through its Tax Incremental Districts (TIDs), has entered into tax abatement agreements with developers in the form of tax incremental financing incentives to stimulate economic development. The abatements are authorized through the TID project plans. The City of Madison disburses loans to developers. The developer guarantees a certain amount of increment each year. The developers pay property taxes as they become due, and if they generate the guaranteed increment, an equal amount of loan balance is forgiven. It is anticipated that these loans will be forgiven and therefore an allowance of \$7,919,000 has been established for the entire amount of outstanding loans. Details of loans disbursed and loans forgiven are as follows:

Developer Name	Loans Disbursed During 2024	Loans Forgiven During 2024	Balance Remaining as of 12/31/24
Roth Street I LP	\$ 3,465,000	\$ -	\$ 3,465,000
Roth Street II LP	2,785,000	-	2,785,000
Vermillion Madison Development LLC	1,669,000	-	1,669,000
Total	<u>\$ 7,919,000</u>	<u>\$ -</u>	<u>\$ 7,919,000</u>

City of Madison Tax Incremental District No. 54

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

	2023	2024	Total	Project Plan Estimate
Sources of Funds				
Tax increments	\$ -	\$ -	\$ -	\$ 24,157,000
Miscellaneous revenues	34,600	8,441	43,041	-
Long-term debt issued	-	6,250,000	6,250,000	18,947,000
Total sources of funds	<u>34,600</u>	<u>6,258,441</u>	<u>6,293,041</u>	<u>43,104,000</u>
Uses of Funds				
Capital expenditures	-	462,500	462,500	10,528,000
Administration (in-house)	33,415	26,628	60,043	500,000
Professional services: planning, engineering, other	18,659	21,067	39,726	-
Developer payments	-	7,919,000	7,919,000	7,919,000
Interest and fiscal charges on long-term debt	-	-	-	5,210,000
Principal on long-term debt	-	-	-	18,947,000
Total uses of funds	<u>52,074</u>	<u>8,429,195</u>	<u>8,481,269</u>	<u>43,104,000</u>
Fund Balance (Deficit), December 31, 2024			<u>\$ (2,188,228)</u>	

City of Madison Tax Incremental District No. 54

Detailed Schedule of Capital, Administration and Professional Service Expenditures
and Developer Payments

From the Date of Creation Through December 31, 2024

	Actual	Project Plan Estimate
Capital, administration and professional service expenditures, and developer payments:		
Roth St	\$ -	\$ 945,000
Sherman Ave	-	495,000
New N/S Multi-Use Path	-	2,370,000
Sanitary Sewer Fordem to E Johnson	-	714,000
Park Improvements	-	2,114,000
Vermillion Site (1617 Sherman)	1,669,000	1,669,000
Business Improvement Grants	337,500	850,000
Façade Grants	-	290,000
Commercial Ownership Assistance Grant Program	-	1,750,000
Small Cap TIF	125,000	1,000,000
Development Loans	6,250,000	6,250,000
Administration and professional services	99,769	500,000
Total	<u>\$ 8,481,269</u>	<u>\$ 18,947,000</u>

Independent Auditors' Report on Other Legal and Regulatory Requirements

To the Common Council of
City of Madison

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 Madison, Wisconsin's Tax Incremental District No. 54 (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 July 17, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In connection with our audit, we noted that the District failed to comply with the following requirement of Wisconsin State Statutes Section 66.1105:

1. The City of Madison's public hearing notice did not include a notice that the City intends to provide grants as a part of the creation of the District.

Our audit was not directed primarily toward obtaining knowledge as to whether the District failed to comply with Wisconsin State Statutes Section 66.1105, insofar as it relates to accounting matters. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding 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 Common 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
July 17, 2025