

**City of Sheboygan
Environmental Tax Incremental
District No. 1**

Financial Statements and
Supplementary Information

August 31, 2024

City of Sheboygan Environmental Tax Incremental District No. 1

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Independent Auditors' Report

To the City Council of
City of Sheboygan

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 Sheboygan's Environmental Tax Incremental District No. 1 (the District) as of August 31, 2024 and from the date of creation through August 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 to be recovered through tax increments as of August 31, 2024 and the sources, uses and status of funds from the date of creation through August 31, 2024, in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the the District from the creation date through December 31, 2013, which included sources of funds of \$4,089,208 and uses of funds of \$4,202,930. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the the District from the creation date through December 31, 2013, are based solely on the report of the other auditors.

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 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's and do not purport to, and do not, present fairly the financial position of the City of Sheboygan, Wisconsin, as of August 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.

Sources of funds of \$844,373 and uses of funds of \$820,581 were incurred between 2014 and 2020. Those amounts were included in the City of Sheboygan's basic financial statements as supplemental information which were audited by other auditors. Their reports indicated that their audits were made for the purpose of forming an opinion on the financial statements as a whole. The supplemental information was subjected to the auditing procedures applied in their audits of the financial statements and, in their opinion, was fairly stated in all material respects in relation to the financial statements as a whole. Additional audit procedures on those sources of funds and uses of funds have not been performed.

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 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 March 20, 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

Milwaukee, Wisconsin
March 20, 2025

City of Sheboygan Environmental Tax Incremental District No. 1

Balance Sheet
August 31, 2024

Assets

| | |
|----------------------|-------------------|
| Cash and investments | \$ 339,113 |
| Total assets | <u>\$ 339,113</u> |

Liabilities and Fund Balance

Liabilities

| | |
|---------------------------------------|----------------|
| Accounts payable | \$ 20,000 |
| Refund payable to the City | 124,039 |
| Refund payable to overlying districts | <u>195,074</u> |
| Total liabilities | <u>339,113</u> |

Fund Balance

| | |
|------------------------------------|-------------------|
| Restricted | <u>-</u> |
| Total fund balance | <u>-</u> |
| Total liabilities and fund balance | <u>\$ 339,113</u> |

See notes to financial statements

City of Sheboygan Environmental Tax Incremental District No. 1

Historical Summary of Project Costs, Project Revenues and

Net Cost to be Recovered Through Tax Increments

From the Date of Creation Through August 31, 2024

Project Costs

| | |
|---|--------------|
| Capital expenditures | \$ 1,511,868 |
| Administration (in-house) | 30,644 |
| Professional services, planning, engineering, other | 81,986 |
| Transfer to Affordable Housing Fund | 88,089 |
| Interest and fiscal charges on long-term debt | 700,144 |
| Interest on advance | 12,077 |

| | |
|---------------------|-----------|
| Total project costs | 2,424,808 |
|---------------------|-----------|

Project Revenues

| | |
|--------------------------|-----------|
| Tax increments | 2,693,128 |
| Intergovernmental grants | 34,781 |
| Investment income | 16,012 |

| | |
|------------------------|-----------|
| Total project revenues | 2,743,921 |
|------------------------|-----------|

| | |
|---|-----------|
| Net cost recovered through tax increments, August 31, 2024 | (319,113) |
|---|-----------|

Refund Payable to City and Overlying Districts

| | |
|--|---------|
| | 319,113 |
|--|---------|

| | |
|---------|------|
| Balance | \$ - |
|---------|------|

City of Sheboygan Environmental Tax Incremental District No. 1

Historical Summary of Sources, Uses and Status of Funds

From the Date of Creation Through August 31, 2024

Sources of Funds

| | |
|--------------------------|------------------|
| Tax increments | \$ 2,693,128 |
| Intergovernmental grants | 34,781 |
| Investment income | 16,012 |
| Long-term debt issued | <u>2,714,180</u> |

| | |
|------------------------|------------------|
| Total sources of funds | <u>5,458,101</u> |
|------------------------|------------------|

Uses of Funds

| | |
|---|------------------|
| Capital expenditures | 1,511,868 |
| Administration (in-house) | 30,644 |
| Professional services, planning, engineering, other | 81,986 |
| Transfer to Affordable Housing Fund | 88,089 |
| Interest and fiscal charges on long-term debt | 700,144 |
| Interest on advance | 12,077 |
| Principal on long-term debt | <u>2,714,180</u> |

| | |
|---------------------|------------------|
| Total uses of funds | <u>5,138,988</u> |
|---------------------|------------------|

| | |
|-------------------------------|---------|
| Fund Balance, August 31, 2024 | 319,113 |
|-------------------------------|---------|

| | |
|--|------------------|
| Refund Payable to City and Overlying Districts | <u>(319,113)</u> |
|--|------------------|

| | |
|---------|--------------------|
| Balance | <u><u>\$ -</u></u> |
|---------|--------------------|

City of Sheboygan Environmental Tax Incremental District No. 1

Notes to Financial Statements
August 31, 2024

1. Summary of Significant Accounting Policies

The accounting policies of the City of Sheboygan's Environmental Tax Incremental District No. 1 (the District) conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Sheboygan (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 Environmental TIF No. 1 Debt Service fund and the City's long-term debt.

Detailed descriptions of the purpose of these funds and long-term debt can be found in the City's basic purpose 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 purpose 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 23 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>Termination Date</u> |
|-----------|----------------------|-------------------------|
| TID No. 1 | August 5, 2002 | August 15, 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.

City of Sheboygan Environmental Tax Incremental District No. 1

Notes to Financial Statements

August 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.

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 Sheboygan Environmental Tax Incremental District No. 1

Notes to Financial Statements

August 31, 2024

3. Long-Term Debt

General Obligation Bond Debt

All general obligation notes and bonds payable are backed by the full faith and credit of City. Notes and bonds borrowed to finance the District's expenditures will be retired by tax increments accumulated by the Debt Service 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 08/31/2024 |
|--------------------------|---------------|------------|---------------|-----------------------|---------------------|--------------------|
| 2002 State Trust Fund | 11/20/2002 | 03/15/2018 | 5.00 % | \$ 1,088,480 | \$ 1,088,480 | \$ - |
| 2003 State Trust Fund | 07/30/2003 | 03/15/2018 | 5.00 | 163,583 | 163,583 | - |
| 2004 State Trust Fund | 01/13/2004 | 03/15/2018 | 5.00 | 302,117 | 302,117 | - |
| 2004 State Trust Fund | 09/29/2004 | 03/15/2020 | 5.00 | 25,000 | 25,000 | - |
| 2010 G.O Refunding Bonds | 06/23/2010 | 04/01/2018 | 2.00-3.80 | 1,135,000 | 1,135,000 | - |
| Total | | | | <u>\$ 2,714,180</u> | <u>\$ 2,714,180</u> | <u>\$ -</u> |

4. Developer Grants

The City has entered into a development agreement with Development 3000, LLC (the Developer). The agreement guarantees that the City will perform up to \$1,700,000 worth of environmental remediation work commencing on August 1, 2002 and concluding on December 31, 2002 for the first phase, and concluding on or before December 31, 2003 for the second phase. The City agrees to consult with the Developer prior to contracting for any such environmental remediation work. The Developer shall construct the retail shopping center on the Northside Gate.

In 2002, there was an Amendment to the Developer Agreement extending the deadline for the City establishing and having the Joint Review Board approval of the District from July 31, 2002 to August 31, 2002.

In 2003, the developer agreement was amendment to decrease the estimated amount of costs from to \$1,781,086 to \$1,763,406.

5. Refund to Overlying Districts

The refund to overlying districts is calculated based on increments collected in excess of project costs using the ratio of tax levies in the 2023 tax roll as follows:

| | |
|-----------------------------|-------------------|
| Sheboygan County | \$ 70,245 |
| City of Sheboygan | 124,039 |
| Sheboygan School | 114,101 |
| Lakeshore Technical College | <u>10,728</u> |
| Total | <u>\$ 319,113</u> |

City of Sheboygan Environmental Tax Incremental District No. 1

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

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-----------|---------|---------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Sources of Funds | | | | | | | | | | | | |
| Tax increments | \$ - | \$ - | \$ - | \$ 182,226 | \$ 165,101 | \$ 153,460 | \$ 142,904 | \$ 137,872 | \$ 139,769 | \$ 154,098 | \$ 137,513 | \$ 126,466 |
| Intergovernmental grants | - | - | - | 7,035 | 4,857 | 3,172 | 2,585 | 1,790 | 1,384 | 1,036 | 689 | 542 |
| Investment income | 1,230 | - | 8 | 2,984 | 3,038 | 1,938 | 1,188 | 390 | 1,396 | 332 | 25 | - |
| Long-term debt issued | 1,158,688 | 93,375 | 327,117 | - | - | - | - | - | 1,135,000 | - | - | - |
| Total sources of funds | 1,159,918 | 93,375 | 327,125 | 192,245 | 172,996 | 158,570 | 146,677 | 140,052 | 1,277,549 | 155,466 | 138,227 | 127,008 |
| Uses of Funds | | | | | | | | | | | | |
| Capital expenditures | 1,116,262 | 395,606 | - | - | - | - | - | - | - | - | - | - |
| Administration (in-house) | - | - | - | - | - | - | - | - | 150 | 400 | 970 | 774 |
| Professional services - planning, engineering, other | 42,683 | 12,560 | 12,134 | 2,303 | - | 12,306 | - | - | - | - | - | - |
| Transfer to Affordable Housing Fund | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges on long-term debt | - | - | 76,852 | 80,275 | 79,531 | 75,392 | 70,862 | 65,718 | 93,660 | 37,833 | 26,920 | 24,270 |
| Interest on advance | - | - | 736 | 2,405 | 1,832 | 498 | 561 | 113 | 50 | 33 | 37 | 24 |
| Principal on long-term debt | - | - | - | - | 71,347 | 94,474 | 99,005 | 104,148 | 1,210,206 | 125,000 | 130,000 | 135,000 |
| Total uses of funds | 1,158,945 | 408,166 | 89,722 | 84,983 | 152,710 | 182,670 | 170,428 | 169,979 | 1,304,066 | 163,266 | 157,927 | 160,068 |

Fund Balance, August 31, 2024
Refund Payable to City and Overlying Districts

Balance

City of Sheboygan Environmental Tax Incremental District No. 1

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total | Project Plan Estimate |
|---|------------|------------|-----------|------------|------------|------------|------------|------------|------------|------------|-----------|--------------|-----------------------------|
| Sources of Funds | | | | | | | | | | | | | |
| Tax increments | \$ 125,955 | \$ 207,201 | \$ 35,105 | \$ 113,880 | \$ 114,765 | \$ 117,895 | \$ 123,103 | \$ 128,400 | \$ 188,998 | \$ 110,328 | \$ 88,089 | \$ 2,693,128 | \$ 2,550,797 |
| Intergovernmental grants | 427 | 377 | 345 | 620 | 629 | 1,617 | 1,656 | 1,696 | 1,656 | 1,656 | 1,012 | 34,781 | - |
| Investment income | - | 674 | - | - | 124 | - | - | - | 21 | 1,661 | 1,003 | 16,012 | - |
| Long-term debt issued | - | - | - | - | - | - | - | - | - | - | - | 2,714,180 | - |
| Total sources of funds | 126,382 | 208,252 | 35,450 | 114,500 | 115,518 | 119,512 | 124,759 | 130,096 | 190,675 | 113,645 | 90,104 | 5,458,101 | 2,550,797 |
| Uses of Funds | | | | | | | | | | | | | |
| Capital expenditures | - | - | - | - | - | - | - | - | - | - | - | 1,511,868 | 1,582,611 |
| Administration (in-house) | 3,650 | 775 | 225 | 150 | 650 | 650 | 650 | 150 | 650 | 300 | 20,500 | 30,644 | 1,500 |
| Professional services - planning, engineering, other | - | - | - | - | - | - | - | - | - | - | - | 81,986 | 96,975 |
| Transfer to Affordable Housing Fund | - | - | - | - | - | - | - | - | - | - | 88,089 | 88,089 | - |
| Interest and fiscal charges on long-term debt | 21,854 | 18,555 | 16,081 | 9,301 | 3,040 | - | - | - | - | - | - | 700,144 | 883,941 |
| Interest on advance | - | - | - | - | - | - | - | 642 | 5,146 | - | - | 12,077 | - |
| Principal on long-term debt | 140,000 | 145,000 | 145,000 | 155,000 | 160,000 | - | - | - | - | - | - | 2,714,180 | - |
| Total uses of funds | 165,504 | 164,330 | 161,306 | 164,451 | 163,690 | 650 | 650 | 792 | 5,796 | 300 | 108,589 | 5,138,988 | 2,565,027 |
| Fund Balance, August 31, 2024 | | | | | | | | | | | | 319,113 | |
| Refund Payable to City and Overlying Districts | | | | | | | | | | | | (319,113) | |
| Balance | | | | | | | | | | | | \$ - | |

City of Sheboygan Environmental Tax Incremental District No. 1

Detailed Schedule of Capital Expenditures

From the Date of Creation Through August 31, 2024

| | <u>Actual</u> | <u>Project Plan Estimate</u> |
|----------------------------|---------------------|--------------------------------------|
| Capital expenditures: | | |
| Environmental remediation | \$ 1,347,637 | \$ 1,382,611 |
| Demolition | <u>164,231</u> | <u>200,000</u> |
| Total capital expenditures | <u>\$ 1,511,868</u> | <u>\$ 1,582,611</u> |

Independent Auditors' Report on Other Legal and Regulatory Requirements

To the City Council of
City of Sheboygan

We have audited the accompanying Combined 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 Sheboygan, Wisconsin, Environment Tax Incremental District No. 1 (the District) as of August 31, 2024 and from the date the District was created through August 31, 2024 and have issued our report thereon dated March 20, 2025. We did not audit the financial statements of the District from the creation date through 2013. Those financial statements were audited by other auditors whose report thereon has been furnished to us. In addition, the other auditors reported on the District's compliance with Wisconsin State Statutes Section 66.1105 and the project plan and amendments from the creation date through 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Sources of funds of \$844,373 and uses of funds of \$820,581 were incurred between 2014 and 2020. Those amounts were included in the City of Sheboygan's basic financial statements as supplemental information which were audited by other auditors. Their reports indicated that their audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information was subjected to the auditing procedures applied in their audits of the basic financial statements and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements taken as a whole. Additional audit procedures on those sources of funds and uses of funds have not been performed.

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 requirements of Wisconsin State Statutes Section 66.1105:

1. The required audit was not conducted within 12 months after 30% of the project expenditures are made as required by State Statutes.
2. The required audit was not conducted within 12 months after the end of the expenditure period as required by State Statutes.

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 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.

A handwritten signature in black ink that reads "Baker Tilly US, LLP".

Milwaukee, Wisconsin
March 20, 2025

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