

CITY OF MADISON

Madison, Wisconsin

PARKSIDE PROJECT FUND

(Project No. WI-39-H200-021)

An Enterprise Fund of the Community Development
Authority of the City of Madison, Wisconsin
(A Component Unit of the City of Madison, Wisconsin)

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2016

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Community Development Authority of the City of Madison
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the Parkside Project Fund, an enterprise fund of the Community Development Authority of the City of Madison (CDA), a component unit of the City of Madison, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Parkside Project Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Parkside Project Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Commissioners
Community Development Authority of the City of Madison

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parkside Project Fund as of December 31, 2016, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Parkside Project Fund and do not purport to, and do not, present fairly the financial position of the Community Development Authority of the City of Madison (CDA), a component unit of the City of Madison, Wisconsin, as of December 31, 2016, and the changes in financial position, or 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.

Other Matters

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 as a whole. The supplemental 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 supplemental information is fairly stated in all material respects, in relation to the financial statements as a whole.

To the Board of Commissioners
Community Development Authority of the City of Madison

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2017 on our consideration of the CDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CDA's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 28, 2017

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

STATEMENT OF NET POSITION
As of December 31, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Accounts receivable	\$ 4,145
Prepaid items	<u>4,901</u>
Total Current Assets	<u>9,046</u>
RESTRICTED ASSETS	
Cash and investments - tenant security deposits	22,978
Due From Other Governmental Units	
Residual receipts account	44,401
Replacement reserve account	378,067
Real estate tax escrow account	<u>23,259</u>
Total Restricted Assets	<u>468,705</u>
CAPITAL ASSETS	
Capital assets	4,455,473
Less: Accumulated depreciation	<u>(3,582,193)</u>
Net Capital Assets	<u>873,280</u>
TOTAL ASSETS	<u>1,351,031</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related amount	<u>152,338</u>
Total Deferred Outflows of Resources	<u>152,338</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,503,369</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 18,602
Accrued liabilities	15,963
Unearned revenue	2,190
Current portion mortgage notes	202,532
Current portion of advances from other funds	1,893
Due to primary government	84,778
Accrued compensated absences	9,138
Other liabilities	<u>29,984</u>
Total Current Liabilities	<u>365,080</u>
NONCURRENT LIABILITIES	
Mortgage notes	198,025
Net pension liability	29,190
Accrued compensated absences	36,552
Advances from primary government	<u>19,479</u>
Total Noncurrent Liabilities	<u>283,246</u>
Total Liabilities	<u>648,326</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related amount	<u>61,787</u>
Total Deferred Inflows of Resources	<u>61,787</u>
NET POSITION	
Net investment in capital assets	472,723
Restricted for residual receipts	44,401
Restricted for asset replacement/maintenance	378,067
Restricted for real estate taxes	23,259
Unrestricted (deficit)	<u>(125,194)</u>
Total Net Position	<u>793,256</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 1,503,369</u></u>

See accompanying notes to financial statements.

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Year Ended December 31, 2016

OPERATING REVENUES	
Charges for services	\$ 372,791
Other revenues	<u>23,097</u>
Total Operating Revenues	<u>395,888</u>
OPERATING EXPENSES	
Salaries and wages	273,722
Employee benefits	49,453
Materials and supplies	47,062
Purchased services	276,675
Interagency charges	9,826
Payment in lieu of taxes	28,585
Depreciation	<u>125,092</u>
Total Operating Expenses	<u>810,415</u>
Operating Loss	<u>(414,527)</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental grants	508,566
Investment income	5,071
Interest and amortization expenses	<u>(36,341)</u>
Total Nonoperating Revenues (Expenses)	<u>477,296</u>
Change in Net Position	62,769
NET POSITION – Beginning of Year	<u>730,487</u>
NET POSITION – END OF YEAR	<u><u>\$ 793,256</u></u>

See accompanying notes to financial statements.

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 390,068
Cash paid to vendors for services	(319,103)
Cash paid to employees for services	(344,886)
Tax equivalent paid	<u>(28,585)</u>
Net Cash Flows From Operating Activities	<u>(302,506)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Intergovernmental grants	508,566
Security deposits	2,059
Deficit cash implicitly financed	84,778
Deposits with governmental agencies	(27,110)
Repayment of advance to primary government	<u>(1,733)</u>
Net Cash Flows From Noncapital Financing Activities	<u>566,560</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income received	<u>5,071</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest paid	(37,075)
Principal paid	(189,348)
Repayment of advance from other funds	<u>(50,000)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(276,423)</u>

Net Increase in Cash and Cash Equivalents (7,298)

CASH AND CASH EQUIVALENTS – Beginning of Year 30,276

CASH AND CASH EQUIVALENTS – END OF YEAR \$ 22,978

RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating loss	\$ (414,527)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation	125,092
Changes in assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable	(2,240)
Prepaid items	1,140
Accounts payable	13,319
Accrued liabilities	14,036
Pension related amount	(35,746)
Other current liabilities	<u>(3,580)</u>

NET CASH FLOWS FROM OPERATING ACTIVITIES \$ (302,506)

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES: None

See accompanying notes to financial statements.

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

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As of and for the Year Ended December 31, 2016

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**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Parkside Project Fund is a separate enterprise fund of the Community Development Authority (CDA) of the City of Madison, Wisconsin, which is a component unit of the City of Madison, Wisconsin. The financial statements of the Parkside Project Fund have been prepared in conformity with generally accepted accounting principles. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies are described below.

The Parkside Project Fund is an individual fund of the Community Development Authority (CDA) of the City of Madison, Wisconsin which is combined with other individual funds administered by the CDA to form the component unit totals reported in the basic financial statements of the City of Madison, Wisconsin.

The Parkside Project Fund provides housing assistance service to properties within the City of Madison. This enterprise fund is managed by the Community Development Authority of the City of Madison (CDA).

The Parkside Project Fund operates under service rules which are established by the U.S. Department of Housing and Urban Development (HUD) and the Wisconsin Housing and Economic Development Authority (WHEDA). Rents charged and rental assistance received are regulated by HUD and WHEDA.

B. DESCRIPTION OF FUND STRUCTURE

The accounts of the CDA are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses. The following fund type is used to account for the operations of the Parkside Project Fund.

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The measurement focus of the Parkside Project Fund is the flow of economic resources. Under this concept, revenues and expenses are matched using the accrual basis of accounting. All capital assets are capitalized at historical cost and depreciated over their useful lives.

The financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

The Parkside Project Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Parkside Project Fund's principal ongoing operations. The principal operating revenues of the Parkside Project Fund are charges to customers for rent and services. Operating expenses for the Parkside Project Fund include the cost services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows all highly liquid investments with an initial maturity of three months or less when acquired are considered to be cash equivalents.

E. RECEIVABLES

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for uncollectibles is necessary at year-end.

F. PREPAID ITEMS

Certain payments to vendors reflect costs applicable for future accounting periods and are recorded as prepaid items in the financial statements.

G. RESTRICTED ASSETS

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

H. CAPITAL ASSETS

Capital assets are stated at original cost, which includes materials, labor, overhead costs and an allowance for funds used during construction.

Depreciation expense is computed at straight-line rates over the estimated useful lives of the assets.

A summary of capital assets and useful lives are as follows:

Land	\$ 200,271	N/A
Land Improvements	79,125	15 years
Buildings	4,043,450	20 - 40 years
Machinery and equipment	112,944	5 - 10 years
Intangible assets	<u>19,683</u>	
 Total	 <u>\$ 4,455,473</u>	

I. DEFERRED OUTFLOWS OF RESOURCES

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

J. COMPENSATED ABSENCES

City of Madison employees provide the necessary staffing to operate the CDA operations. These employees receive benefits according to the City of Madison's policies.

All vested vacation and sick leave pay is accrued when incurred.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2016 are determined on the basis of current salary rates.

K. LONG-TERM OBLIGATIONS

All long-term obligations, which consist of mortgage notes and compensated absences, are recorded in the Parkside Project Fund.

L. DEFERRED INFLOWS OF RESOURCES

A deferred inflow of resources represents an acquisition of net position that applies to a future period, and therefore, will not be recognized as an inflow of resources (revenue) until that future time.

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

M. EQUITY CLASSIFICATIONS

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definitions of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the Parkside Project Fund’s policy to use restricted resources first, then unrestricted resources as they are needed.

N. INCOME TAXES

The Parkside Project Fund is a part of the City of Madison CDA and is exempt from income taxes.

O. REAL ESTATE TAXES

The Parkside Project Fund makes payments in lieu of taxes to the City of Madison based on 10% of rental income less utility expenses.

NOTE 2 – DEPOSITS AND INVESTMENTS

Investment of CDA funds is restricted by state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, or by the University of Wisconsin Hospitals and Clinics Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The City of Madison maintains a cash and investments pool which is available to the Parkside Project Fund. At December 31, 2016, the Parkside Project Fund's share of these cash and investments totaled \$0.

NOTE 3 – RESTRICTED ASSETS

TENANT SECURITY DEPOSITS

The tenant security deposits are maintained in an interest bearing savings account. These funds are restricted to reimbursements of tenants' security deposits.

RESIDUAL RECEIPTS ACCOUNT

The Parkside Project Fund is required to remit (annually) all cash remaining, if any, after the payment of all expenses, establishment of all required escrows and reserves and provision for allowable distributions, to a residual receipts reserve account. Remittance of residual receipts occurs upon approval of year-end financial statements by WHEDA. These residual receipts are under the control of WHEDA and can be disbursed only at WHEDA's discretion.

REPLACEMENT ACCOUNT

The replacement account is a cash fund held in trust by WHEDA. Disbursements from this fund are restricted to replacement of the building's structural elements or mechanical equipment and may be made only upon approval of WHEDA. Monthly deposits were made into this fund in 2016.

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 – RESTRICTED ASSETS (cont.)

REAL ESTATE TAX ESCROW ACCOUNT

Monthly deposits are required to accumulate reserves for real estate taxes.

Following is a list of restricted assets at December 31, 2016:

Tenant security deposits	\$	22,978
Due from other governmental units:		
Residual receipts account		44,401
Replacement account		378,067
Real estate tax escrow account		<u>23,259</u>
Total Restricted Assets	\$	<u><u>468,705</u></u>

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land and land improvements	\$ 279,396	\$ -	\$ -	\$ 279,396
Buildings and building improvements	4,043,450	-	-	4,043,450
Machinery and equipment	112,944	-	-	112,944
Intangible assets	<u>19,683</u>	-	-	<u>19,683</u>
Total Capital Assets	<u>4,455,473</u>	-	-	<u>4,455,473</u>
Less: Accumulated depreciation for				
Land improvements	34,287	5,275	-	39,562
Buildings and building improvements	3,305,876	115,630	-	3,421,506
Machinery and equipment	97,255	4,187	-	101,442
Intangible assets	<u>19,683</u>	-	-	<u>19,683</u>
Total Accumulated Depreciation	<u>3,457,101</u>	<u>125,092</u>	-	<u>3,582,193</u>
Net Capital Assets	<u>\$ 998,372</u>	<u>\$ (125,092)</u>	<u>\$ -</u>	<u>\$ 873,280</u>

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 5 – LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds and Notes Payable					
Mortgage notes	\$ 589,905	\$ -	\$ 189,348	\$ 400,557	\$ 202,532
Total Bonds and Notes Payable	<u>\$ 589,905</u>	<u>\$ -</u>	<u>\$ 189,348</u>	<u>\$ 400,557</u>	<u>\$ 202,532</u>

MORTGAGE NOTES

Mortgage notes are payable only from revenues derived from the operation of the Parkside Project Fund.

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Balance 12-31-2016</u>
Housing mortgage note	08/12/77	12/01/18	6.75%	\$ 3,085,241	<u>\$ 400,557</u>

Debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 202,532	\$ 21,962
2018	<u>198,025</u>	<u>5,632</u>
Totals	<u>\$ 400,557</u>	<u>\$ 27,594</u>

NOTE 6 – LEASES

The Parkside Project Fund does not have any material capital or operating leases at December 31, 2016.

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 7 – EMPLOYEES' RETIREMENT SYSTEM

The Parkside Project Fund of the CDA participates in the same employee retirement system as the CDA. Information related specifically to Wisconsin Retirement System for the Parkside Project Fund is unavailable. See the employees' retirement system note in the CDA's basic financial statements for further details.

NOTE 8 – RISK MANAGEMENT

The Parkside Project Fund of the CDA participates in the same risk pools as the City of Madison. Information related specifically to the Parkside Project Fund is unavailable. See the risk management note in the City of Madison's basic financial statements for further details.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

The CDA has entered into a Regulatory Agreement with the Wisconsin Housing and Economic Development Authority (WHEDA). The Regulatory Agreement contains, among other things, restrictions on the conveyance, transfer or encumbrance of any of the project property, assumption of additional indebtedness and assignment of rights to manage or receive the rents and profits of the property.

The development provides housing pursuant to Section 8 of the United States Housing Act of 1974. Rentals are subsidized by the federal government through a housing assistance payments contract between WHEDA and the CDA. The contract, which expires September 1, 2018, provides for maximum annual assistance payments of \$416,126. Total assistance payments received in 2016 from WHEDA were \$416,126.

The Parkside Project Fund has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

NOTE 10 – RELATED PARTIES

The administration and operation of the Parkside Project Fund is performed by employees of the City of Madison. The Parkside Project Fund pays the city for these services, as well as other allocated costs.

SUPPLEMENTARY INFORMATION

ANNUAL SCHEDULE OF ASSETS for Multifamily Projects

Project Name: Parkside Project Fund

Period Beginning: 1/1/16 thru: 12/31/16

Project Number: WI 39-H200-021

	Description of Account	ID	Account	Amount	Totals
1100 CURRENT ASSETS	Cash - Operations		1120		
	Construction Cash Account		1121		
	Cash - Entity		1125		
	Tenant Accounts Receivable		1130	4,145	
	Allowance for Doubtful Accounts (deduct)		1131		
	Accounts Receivable - WHEDA _{SM}		1135		
	Accounts and Notes Receivable - Operations		1140		
	Accounts and Notes Receivable - Entity		1145		
	Accounts Receivable - Interest		1160		
	Interest Reduction Payment Receivable		1165		
	Short Term Investments - Operations		1170		
	Short Term Investments - Entity		1175		
	Miscellaneous Current Assets		1190		
	Insurance Escrow		1312		
	Real Estate Tax or PILOT Escrow		1311	23,259	
		TOTAL CURRENT ASSETS		1100	
1191	Tenant Security Deposits - RESTRICTED ASSET		1191		\$22,978
1200 PREPAID EXPENSES	Miscellaneous Prepaid Expenses		1200		\$4,901
1300 FUNDED RESERVES	Escrow Deposits		1310		
	Reserve for Replacements		1320	\$378,067	
	Other Reserve		1330		
	Residual Receipts Reserve		1340	44,401	
	Management Improvement and Operating Plan		1381		
	Development Cost Escrow (DCE)		1390		
	FHA Insurance Reserve		1392		
	Total Funded Reserves		1300		
1400 FIXED ASSETS	Land		1410	\$200,271	
	Buildings		1420	4,043,450	
	Building Equipment (portable)		1440		
	Furniture for Project/Tenant Use		1450		
	Furnishings		1460		
	Office Furniture and Equipment		1465		
	Maintenance Equipment		1470	112,944	
	Motor Vehicles		1480		
	Miscellaneous Fixed Assets		1490	98,808	
	Gross Fixed Assets		1400		\$4,455,473
1495 ALLOWANCE ACCOUNTS	Accumulated Depreciation		1495	\$3,582,193	
	Total Accumulated Depreciation			\$3,582,193	
	Net Fixed Assets		1400		\$873,280
1500 INVESTMENTS	Investments - Operations		1510		
	Investments - Entity		1515		
	Intangible Assets		1520		
	Miscellaneous Other Assets		1590	152,338	
	TOTAL OTHER ASSETS		1500		\$152,338
	TOTAL ASSETS		1000		\$1,503,369

ANNUAL SCHEDULE OF LIABILITIES AND EQUITY for Multifamily Projects**Project Name: Parkside Project Fund****Period Beginning: 1/1/16****thru: 12/31/16****Project Number: WI 39-H200-021**

	Description of Account	Account	Amount	Totals
2100	Bank Overdraft - Operations	2105		
CURRENT	Accounts Payable-30 Days	2109		
LIABILITIES	Accounts Payable - Operations	2110	\$18,602	
	Accounts Payable - Construction/Development	2111		
	Accounts Payable-Project Improvements Items	2112		
	Accounts Payable - Entity	2113		
	Accounts Payable-236 Excess Income Due HUD	2115		
	Accounts Payable-WHEDA _{SM} /HUD	2116		
	Accrued Wages Payable	2120		
	Accrued Payroll Taxes Payable	2121	15,963	
	Accrued Management Fee Payable	2123		
	Accrued Interest Payable - Section 236	2130		
	Accrued Interest Payable - First Mortgage	2131		
	Accrued Interest Payable - Second Mortgage	2132		
	Accrued Interest Payable - Other Loans & Notes(Surplus Cash)	2133		
	Accrued Interest Payable - Other Loans and Notes	2134		
	Accrued Interest Payable - Flexible Subsidy Loan	2135		
	Accrued Interest Payable - Capital Improvement Loan	2136		
	Accrued Interest Payable - Operating Loss Loan	2137		
	Accrued Real Estate & Property Tax Payable	2150		
	Short Term Notes Payable	2160		
	Mortgage Payable - First Mortgage (Short Term)	2170	202,532	
	Mortgage Payable - Second Mortgage (Short Term)	2172		
	Other Loans and Notes Payable, Surplus Cash (Short Term)	2173		
	Other Loans and Notes (Short Term)	2174	1,893	
	Flexible Subsidy Loan Payable (Short Term)	2175		
	Capital Improvement Loan Payable (Short Term)	2176		
	Operating Loss Loan Payable (Short Term)	2177		
	Utility Allowances	2180		
	Miscellaneous Current Liabilities/Preservation Fee	2190	162,709	
	Current Liabilities			\$401,699
2191	Tenant Security Deposits - CONTRA ASSET	2191		\$22,978
2200 PREPAID	Prepaid Revenue	2210		\$2,190
REVENUES				
	TOTAL CURRENT LIABILITIES	2122		\$426,867
2300	Notes Payable - Long Term	2310		
LONG-TERM	Notes Payable - Surplus Cash	2311		
LIABILITIES	Mortgage Payable - First Mortgage	2320	\$198,025	
	Mortgage Payable - Second Mortgage	2322		
	Other Loans and Notes Payable - Surplus Cash	2323		
	Other Loans and Notes Payable	2324		
	Flexible Subsidy Loan Payable	2325		
	Capital Improvement Loan Payable	2326		
	Operating Loss Loan Payable	2327		
	Miscellaneous Long Term Liabilities	2390	85,221	
	Total Long Term Liabilities	2300		\$283,246
	TOTAL LIABILITIES	2000		\$710,113
3033 TOTAL	Total Equity/Retained Earnings	3033	\$793,256	
EQUITY				
	TOTAL LIABILITIES and EQUITY/RETAINED EARNINGS	2033		\$1,503,369

SCHEDULE OF PROFIT AND LOSS for Multifamily Projects**Project Name: Parkside Project Fund****Project Number: WI 39-H200-021****Period Beginning: 1/1/16 thru: 12/31/16****Year:**

	Description of Account	Acct. No.	Amount	Totals
5100 RENTAL REVENUE	Rent Revenue - Gross Potential	5120	327,688	
	Tenant Assistance Payments	5121	508,566	
	Rent Revenue - Commercial/Stores @ 100%	5140	73,910	
	Rent Revenue - Garage/Parking @ 100%	5170		
	Flexible Subsidy Revenue	5180		
	Miscellaneous Rent Revenue	5190		
	Excess Rent	5191		
	Rent Revenue/Insurance	5192		
	Special Claims Revenue	5193		
	Retained Excess Income	5194		
		Total Rent Revenue Potential	5100	
5200 VACANCIES	Apartment Vacancies	5220	28,807	
	Stores/Commercial Vacancies or Concessions	5240		
	Rental Concessions	5250		
	Garage/Parking Vacancies or Concessions	5270		
	Miscellaneous	5290		
		Total Vacancies or Concessions	5200	
	Net Rental Revenue (Rent Revenue less Vacancies)	5152		881,357
5300	Total Service Income	5300		0
5400 FINANCIAL REVENUE	Financial Revenue - Project Operations	5410		
	Revenue from Investments-Residual Receipts	5430	546	
	Revenue from Investments-Replacement Reserve	5440	4,219	
	Revenue from Investments-Miscellaneous	5490	306	
		Total Financial Revenue	5400	
5900 MISC. REVENUE	Laundry/Vending Income (Net)	5910		
	Tenant Charges	5920		
	Miscellaneous Revenue	5990	23,097	
		Total Miscellaneous Revenue	5900	
	Total Revenue	5000		909,525
6200 RENT EXPENSE	Conventions and Meetings	6203		
	Management Consultants	6204		
	Advertising/Marketing Expense	6210		
	Other Rent Expense	6250		
		Total Rent Expense		
6300 ADMIN. EXPENSES	Office Salaries	6310	85,300	
	Office Expenses	6311	6,334	
	Office or Model Apartment Rent	6312		
	Management Fee - Residential Rents	6320		
	Management Fee - Commercial Rents	6321		
	Management Fee - Miscellaneous Income	6322		
	Manager/Superintendent Salaries	6330		
	Administrative Rent-free Unit	6331		
	Legal Expense-project only	6340		
	Audit Expense-project only	6350	7,200	
	Bookkeeping Fees/Accounting Services	6351	8,550	
	Bad Debt Expense	6370		
	Miscellaneous Administrative Expense	6390	5,686	
		Total Administrative Expense		113,070
6200 + 6300	Total Rent & Administrative Expense	6263		113,070
6400 UTILITIES EXPENSE	Fuel Oil	6420		
	Electricity	6450	45,998	
	Water	6451	12,651	
	Gas	6452	16,451	
	Sewer	6453	11,843	
		Total Utilities Expense	6400	

	Description of Account	Acct. No.	Amount	Totals
6500 OPERATING & MAINTENANCE EXPENSE	Payroll	6510	188,422	
	Supplies	6515	11,308	
	Contracts	6520		
	Operating and Maintenance Rent Free Unit	6521		
	Garbage & Trash Removal	6525	11,459	
	Security Payroll/Contract (incl. taxes and benefits)	6530	11,194	
	Security Rent Free Unit	6531		
	Heating/Cooling Repairs & Maintenance	6546		
	Snow Removal	6548		
	Vehicle/Maintenance Equipment Operation & Repairs	6570	2,202	
	Misc. Operating & Maintenance Expense	6590	154,340	
		Total Operating & Maintenance Expense	6500	
6900	Total Service Expense	6900		0
6700 TAXES AND INSURANCE	Real Estate & Personal Property Taxes	6710	28,585	
	Payroll Taxes (Project's Share)	6711	20,254	
	Property & Liability Insurance (Hazard)	6720	12,920	
	Fidelity Bond Insurance	6721		
	Workmen's Compensation	6722		
	Health Insurance and Other Employee Benefits	6723	29,200	
	Miscellaneous Taxes, Licenses, Permits and Insurance	6790		
		Total Taxes and Insurance	6700	
3220	Replacement Reserve Deposits as Required by WHEDA _{SM}	3220		
	Total Operating Expenses			669,897
	Net Operating Income (NOI)			239,628
6800 FINANCIAL EXPENSE	Interest on Mortgage Payable	6820	36,341	
	Interest on Notes Payable (Long Term)	6830		
	Interest on Notes Payable (Short Term)	6840		
	Mortgage Insurance Premium/Service Charge	6850	15,426	
	Miscellaneous Financial Expense/Preservation Fee	6890		
		Total Financial Expense	6800	
	Total Expenses of Operations Before Depreciation	6000		721,664
	Profit or (Loss) Before Depreciation	5060		187,861
6600	Depreciation Expense (Total)	6600		125,092
	Amortization Expense	6610		
	Operating Profit or Loss	5060		62,769
7100 CORPORATE OR MORTGAGOR EXPENSE	Officer's Salaries	7110		
	Legal Expense	7120		
	Federal, State and Other Income Taxes	7130		
	Interest Income	7140		
	Interest on Notes Payable	7141		
	Interest on Mortgage Payable	7142		
	Other Expense	7190		
		Net Entity Expenses	7100	
	NET PROFIT OR (LOSS)	3250		62,769
TOTAL PRINCIPAL PAYMENTS	WHEDA First Mortgage	9910		189,348
	Second Mortgage	9911		
	Other Mortgage(s)	9912		50,000
	Reserve releases to reimburse items expensed on this schedule.	9920		
	Capital expenditures paid from project operations and expensed on this schedule.	9930		

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

TENANT ACCOUNTS RECEIVABLE, DUE FROM OTHER GOVERNMENTAL UNITS,
REAL ESTATE TAX ESCROW ACCOUNT, AND TENANT SECURITY DEPOSITS
As of December 31, 2016

	Number of Tenants	Amount Past Due
TENANT ACCOUNTS RECEIVABLE		
Delinquent 30 days and under	12	\$ 1,135
Delinquent 31-60 days	4	1,026
Delinquent over 60 days	4	1,984
Vacated tenants	-	-
Total Tenant Accounts Receivable		\$ 4,145

REAL ESTATE TAX ESCROW ACCOUNT

Mortgage escrow deposits of \$23,259 at December 31, 2016 are to be used for the payment of 2016 real estate taxes of \$28,585. The above amount was confirmed by the Wisconsin Housing & Economic Development Authority.

TENANT SECURITY DEPOSITS

Tenant security deposits of \$22,978 at December 31, 2016 are maintained in an interest bearing account.

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

REPLACEMENT RESERVE ACCOUNT
As of December 31, 2016

REPLACEMENT RESERVE ACCOUNT

Deposits are required monthly.

The funds are provided in cash and held by the Wisconsin Housing & Economic Development Authority to be used for the replacement of property.

Below is an analysis of the activity in the reserve for replacements:

Account balance – beginning of year	\$ 350,196
Deposits	23,652
Interest earned	<u>4,219</u>
Account Balance – End of Year, Confirmed by Mortgagee	<u>\$ 378,067</u>

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

SCHEDULE OF CHANGES IN CAPITAL ASSET ACCOUNTS
For the Year Ended December 31, 2016

	Capital Assets			Accumulated Depreciation				
	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
Building and building improvements	\$ 4,043,450	\$ -	\$ -	\$ 4,043,450	\$ 3,305,876	\$ 115,630	\$ -	\$ 3,421,506
Machinery and equipment	112,944	-	-	112,944	97,255	4,187	-	101,442
Intangibles	19,683	-	-	19,683	19,683	-	-	19,683
Land and land improvements	<u>279,396</u>	<u>-</u>	<u>-</u>	<u>279,396</u>	<u>34,287</u>	<u>5,275</u>	<u>-</u>	<u>39,562</u>
TOTALS	<u>\$ 4,455,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,455,473</u>	<u>\$ 3,457,101</u>	<u>\$ 125,092</u>	<u>\$ -</u>	<u>\$ 3,582,193</u>

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

ACCOUNTS PAYABLE DUE WITHIN 30 DAYS AND ACCRUED REAL ESTATE TAXES
As of December 31, 2016

ACCOUNTS PAYABLE \$ 18,602

ACCRUED REAL ESTATE TAXES

<u>Basis for Accrual</u>	<u>Period Covered</u>	<u>Date Due</u>	<u>Amount Accrued</u>
2016 Real Estate Tax Bills	1/1/16 to 12/31/16	1/31/17	<u>\$ -</u>

This was paid to the City of Madison in 2016.

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

COMPUTATION OF SURPLUS CASH AND RESIDUAL RECEIPTS
As of December 31, 2016

ASSETS	
Project cash on hand	\$ -
Memo - Tenant Security Deposits	<u>\$ 22,978</u>
Real estate tax escrow	<u>23,259</u>
Total Current Assets	<u>23,259</u>
LIABILITIES	
Accounts payable	18,602
Prepaid rents	2,190
Miscellaneous accrued expenses	<u>32,394</u>
Memo - Tenant Security Deposits	<u>\$ 22,978</u>
Total Current Liabilities	<u>53,186</u>
SURPLUS (DEFICIT) CASH	<u>\$ (29,927)</u>

**CITY OF MADISON
COMMUNITY DEVELOPMENT AUTHORITY
PARKSIDE PROJECT FUND**

INDEPENDENT AUDITOR INFORMATION
As of December 31, 2016

Baker Tilly Virchow Krause, LLP

Lead Auditor: Carla A. Gogin, CPA, Partner

Manager: Vasvi R. Joshi, CPA

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