

**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, 2017

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

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As of and for the Year Ended December 31, 2017

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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's, 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, 2017, 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.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parkside Project Fund's as of December 31, 2017, 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, 2017, 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2018 on our consideration of the Parkside Project Fund'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 Parkside Project Fund's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
June 20, 2018

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

STATEMENT OF NET POSITION  
As of December 31, 2017

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<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
<b>CURRENT ASSETS</b>	
Accounts receivable	\$ 1,346
Due from other governmental units	18,762
Prepaid items	<u>4,606</u>
Total Current Assets	<u>24,714</u>
<b>RESTRICTED ASSETS</b>	
Cash and investments - tenant security deposits	24,819
Due From Other Governmental Units	
Residual receipts account	45,127
Replacement reserve account	408,135
Real estate tax escrow account	<u>50,373</u>
Total Restricted Assets	<u>528,454</u>
<b>CAPITAL ASSETS</b>	
Capital assets	4,455,473
Less: Accumulated depreciation	<u>(3,707,286)</u>
Net Capital Assets	<u>748,187</u>
<b>TOTAL ASSETS</b>	<u>1,301,355</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related amount	<u>107,020</u>
Total Deferred Outflows of Resources	<u>107,020</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,408,375</u>

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<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 18,392
Accrued liabilities	17,471
Due to other funds	123,759
Unearned revenue	4,187
Current portion mortgage notes	198,025
Current portion of advances from other funds	2,073
Accrued compensated absences	10,340
Other liabilities	<u>40,440</u>
Total Current Liabilities	<u>414,687</u>
<b>NONCURRENT LIABILITIES</b>	
Net pension liability	14,790
Accrued compensated absences	41,358
Other post-employment benefits	204
Advances from primary government	<u>17,406</u>
Total Noncurrent Liabilities	<u>73,758</u>
Total Liabilities	<u>488,445</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related amount	<u>48,834</u>
Total Deferred Inflows of Resources	<u>48,834</u>
<b>NET POSITION</b>	
Net investment in capital assets	550,162
Restricted for residual receipts	45,127
Restricted for asset replacement/maintenance	408,135
Restricted for real estate taxes	50,373
Unrestricted (deficit)	<u>(182,701)</u>
Total Net Position	<u>871,096</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b><u>\$ 1,408,375</u></b>

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, 2017

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<b>OPERATING REVENUES</b>	
Charges for services	\$ 368,857
Other revenues	<u>26,552</u>
Total Operating Revenues	<u>395,409</u>
 <b>OPERATING EXPENSES</b>	
Salaries and wages	285,432
Employee benefits	117,605
Materials and supplies	60,382
Purchased services	238,772
Interagency charges	10,595
Payment in lieu of taxes	27,937
Depreciation	<u>125,092</u>
Total Operating Expenses	<u>865,815</u>
 Operating Loss	 <u>(470,406)</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Intergovernmental grants	562,567
Investment income	7,402
Interest and amortization expenses	<u>(21,723)</u>
Total Nonoperating Revenues (Expenses)	<u>548,246</u>
 Change in Net Position	 77,840
 NET POSITION – Beginning of Year	 <u>793,256</u>
 NET POSITION – END OF YEAR	 <u>\$ 871,096</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, 2017

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 400,205
Cash paid to vendors for services	(309,664)
Cash paid to employees for services	(377,352)
Tax equivalent paid	<u>(27,937)</u>
Net Cash Flows From Operating Activities	<u>(314,748)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Intergovernmental grants	543,805
Security deposits	1,842
Deficit cash implicitly financed	38,981
Deposits with governmental agencies	(58,208)
Repayment of advance to primary government	(1,893)
Interest on advance	(760)
Other nonoperating items	<u>8,915</u>
Net Cash Flows From Noncapital Financing Activities	<u>532,682</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment income received	<u>7,402</u>
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Interest paid	(20,963)
Principal paid	<u>(202,532)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(223,495)</u>

**Net Increase in Cash and Cash Equivalents** 1,841

CASH AND CASH EQUIVALENTS – Beginning of Year 22,978

**CASH AND CASH EQUIVALENTS – END OF YEAR** \$ 24,819

**RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

Operating loss	\$ (470,406)
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	2,799
Prepaid items	295
Accounts payable	(210)
Accrued liabilities	7,516
Other post employment benefits	204
Pension related amount	17,965
Unearned revenue	<u>1,997</u>

**NET CASH FLOWS FROM OPERATING ACTIVITIES** \$ (314,748)

**NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:** None

See accompanying notes to financial statements.

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

INDEX TO NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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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, 2017

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**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, 2017

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

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***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***

Security deposits from tenants and escrow deposits as required by the Parkside Project Fund Regulatory Agreement with WHEDA are presented as restricted assets.

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

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

**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, 2017 are determined on the basis of current salary rates.

**K. LONG-TERM OBLIGATIONS**

All long-term obligations, which consist of mortgage notes, net pension liability, other post-employment benefits, 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, 2017

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

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***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.

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**NOTE 2 – DEPOSITS AND INVESTMENTS**

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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.
- 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, 2017

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**NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)**

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- 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, 2017, the Parkside Project Fund's share of these cash and investments totaled \$0.

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**NOTE 3 – RESTRICTED ASSETS**

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***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 2017.

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

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

**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, 2017:

Tenant security deposits	\$ 24,819
Due from other governmental units:	
Residual receipts account	45,127
Replacement account	408,135
Real estate tax escrow account	<u>50,373</u>
 Total Restricted Assets	 <u><u>\$ 528,454</u></u>

**NOTE 4 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2017 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	39,563	5,275	-	44,838
Buildings and building improvements	3,421,506	115,630	-	3,537,136
Machinery and equipment	101,442	4,187	-	105,629
Intangible assets	<u>19,683</u>	-	-	<u>19,683</u>
Total Accumulated Depreciation	<u>3,582,194</u>	<u>125,092</u>	-	<u>3,707,286</u>
 Net Capital Assets	 <u><u>\$ 873,279</u></u>	 <u><u>\$ (125,092)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 748,187</u></u>

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

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

**NOTE 5 – LONG-TERM DEBT**

Long-term debt activity for the year ended December 31, 2017 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	\$ 400,557	\$ -	\$ 202,532	\$ 198,025	\$ 198,025
Total Bonds and Notes Payable	<u>\$ 400,557</u>	<u>\$ -</u>	<u>\$ 202,532</u>	<u>\$ 198,025</u>	<u>\$ 198,025</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 12-31-2017</u>
Housing mortgage note	08/12/77	12/01/18	6.75%	\$ 3,085,241	<u>\$ 198,025</u>

Debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 198,025	\$ 5,632
Totals	<u>\$ 198,025</u>	<u>\$ 5,632</u>

**NOTE 6 – LEASES**

The Parkside Project Fund does not have any material capital or operating leases at December 31, 2017.

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

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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**NOTE 7 – EMPLOYEES' RETIREMENT SYSTEM**

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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.

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**NOTE 8 – RISK MANAGEMENT**

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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.

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**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

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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 \$419,122. Total assistance payments received in 2017 from WHEDA were \$419,122.

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.

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**NOTE 10 – RELATED PARTIES**

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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: 1/1/17 thru: 12/31/17**

**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	1,346	
	Allowance for Doubtful Accounts (deduct)		1131		
	Accounts Receivable - WHEDA <sub>SM</sub>		1135		
	Accounts and Notes Receivable - Operations		1140	18,762	
	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	50,373	
		<b>TOTAL CURRENT ASSETS</b>		<b>1100</b>	
1191	Tenant Security Deposits - RESTRICTED ASSET		1191		\$24,819
1200 PREPAID EXPENSES	Miscellaneous Prepaid Expenses		1200		\$4,606
1300 FUNDED RESERVES	Escrow Deposits		1310		
	Reserve for Replacements		1320	\$408,135	
	Other Reserve		1330		
	Residual Receipts Reserve		1340	45,127	
	Management Improvement and Operating Plan		1381		
	Development Cost Escrow (DCE)		1390		
	FHA Insurance Reserve		1392		
	<b>Total Funded Reserves</b>		<b>1300</b>		
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	
	<b>Gross Fixed Assets</b>		<b>1400</b>		\$4,455,473
1495 ALLOWANCE ACCOUNTS	Accumulated Depreciation		1495	\$3,707,286	
	Total Accumulated Depreciation			\$3,707,286	
	<b>Net Fixed Assets</b>		<b>1400</b>		\$748,187
1500 INVESTMENTS	Investments - Operations		1510		
	Investments - Entity		1515		
	Intangible Assets		1520		
	Miscellaneous Other Assets		1590	107,020	
	<b>TOTAL OTHER ASSETS</b>		<b>1500</b>		\$107,020
	<b>TOTAL ASSETS</b>		<b>1000</b>		\$1,408,375

**ANNUAL SCHEDULE OF LIABILITIES AND EQUITY for Multifamily Projects****Project Name: Parkside Project Fund****Period Beginning: 1/1/17 thru: 12/31/17****Project Number: WI 39-H200-021**

	Description of Account	Account	Amount	Totals
2100 CURRENT LIABILITIES	Bank Overdraft - Operations	2105		
	Accounts Payable-30 Days	2109		
	Accounts Payable - Operations	2110	\$18,392	
	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 <sub>SM</sub> /HUD	2116		
	Accrued Wages Payable	2120	14,466	
	Accrued Payroll Taxes Payable	2121	3,005	
	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	198,025	
	Mortgage Payable - Second Mortgage (Short Term)	2172		
	Other Loans and Notes Payable, Surplus Cash (Short Term)	2173		
	Other Loans and Notes (Short Term)	2174	2,073	
	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	199,141		
	<b>Current Liabilities</b>			\$435,102
2191	Tenant Security Deposits - CONTRA ASSET	2191		\$24,232
2200 PREPAID REVENUES	Prepaid Revenue	2210		\$4,187
	<b>TOTAL CURRENT LIABILITIES</b>	<b>2122</b>		\$463,521
2300 LONG-TERM LIABILITIES	Notes Payable - Long Term	2310		
	Notes Payable - Surplus Cash	2311		
	Mortgage Payable - First Mortgage	2320	\$0	
	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	73,758	
		<b>Total Long Term Liabilities</b>	<b>2300</b>	
	<b>TOTAL LIABILITIES</b>	<b>2000</b>		\$537,279
3033 TOTAL EQUITY	Total Equity/Retained Earnings	3033	\$871,096	
	<b>TOTAL LIABILITIES and EQUITY/RETAINED EARNINGS</b>	<b>2033</b>		\$1,408,375

**SCHEDULE OF PROFIT AND LOSS for Multifamily Projects****Project Name: Parkside Project Fund****Project Number: WI 39-H200-021****Period Beginning: 1/1/17 thru: 12/31/17****Year:**

	Description of Account	Acct. No.	Amount	Totals
5100 RENTAL REVENUE	Rent Revenue - Gross Potential	5120	334,268	
	Tenant Assistance Payments	5121	562,567	
	Rent Revenue - Commercial/Stores @ 100%	5140	76,130	
	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		
	<b>Total Rent Revenue Potential</b>	<b>5100</b>		972,965
5200 VACANCIES	Apartment Vacancies	5220	41,541	
	Stores/Commercial Vacancies or Concessions	5240		
	Rental Concessions	5250		
	Garage/Parking Vacancies or Concessions	5270		
	Miscellaneous	5290		
		<b>Total Vacancies or Concessions</b>	<b>5200</b>	
	<b>Net Rental Revenue (Rent Revenue less Vacancies)</b>	<b>5152</b>		931,424
5300	<b>Total Service Income</b>	<b>5300</b>		0
5400 FINANCIAL REVENUE	Financial Revenue - Project Operations	5410		
	Revenue from Investments-Residual Receipts	5430	725	
	Revenue from Investments-Replacement Reserve	5440	6,296	
	Revenue from Investments-Miscellaneous	5490	381	
		<b>Total Financial Revenue</b>	<b>5400</b>	
5900 MISC. REVENUE	Laundry/Vending Income (Net)	5910		
	Tenant Charges	5920		
	Miscellaneous Revenue	5990	26,552	
		<b>Total Miscellaneous Revenue</b>	<b>5900</b>	
	<b>Total Revenue</b>	<b>5000</b>		965,378
6200 RENT EXPENSE	Conventions and Meetings	6203		
	Management Consultants	6204		
	Advertising/Marketing Expense	6210		
	Other Rent Expense	6250		
		<b>Total Rent Expense</b>		
6300 ADMIN. EXPENSES	Office Salaries	6310	116,348	
	Office Expenses	6311	12,307	
	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	9,496	
	<b>Total Administrative Expense</b>		153,901	
6200 + 6300	<b>Total Rent &amp; Administrative Expense</b>	<b>6263</b>		153,901
6400 UTILITIES EXPENSE	Fuel Oil	6420		
	Electricity	6450	47,129	
	Water	6451	12,360	
	Gas	6452	18,647	
	Sewer	6453	11,356	
		<b>Total Utilities Expense</b>	<b>6400</b>	

	Description of Account	Acct. No.	Amount	Totals
6500 OPERATING & MAINTENANCE EXPENSE	Payroll	6510	169,084	
	Supplies	6515	13,304	
	Contracts	6520		
	Operating and Maintenance Rent Free Unit	6521		
	Garbage & Trash Removal	6525	12,244	
	Security Payroll/Contract (incl. taxes and benefits)	6530	7,842	
	Security Rent Free Unit	6531		
	Heating/Cooling Repairs & Maintenance	6546		
	Snow Removal	6548		
	Vehicle/Maintenance Equipment Operation & Repairs	6570	7,319	
	Misc. Operating & Maintenance Expense	6590	113,515	
		<b>Total Operating &amp; Maintenance Expense</b>	<b>6500</b>	
6900	<b>Total Service Expense</b>	<b>6900</b>		0
6700 TAXES AND INSURANCE	Real Estate & Personal Property Taxes	6710	27,937	
	Payroll Taxes (Project's Share)	6711	21,148	
	Property & Liability Insurance (Hazard)	6720	13,054	
	Fidelity Bond Insurance	6721		
	Workmen's Compensation	6722		
	Health Insurance and Other Employee Benefits	6723	96,457	
	Miscellaneous Taxes, Licenses, Permits and Insurance	6790		
		<b>Total Taxes and Insurance</b>	<b>6700</b>	
3220	Replacement Reserve Deposits as Required by WHEDA <sub>SM</sub>	3220		
	<b>Total Operating Expenses</b>			725,297
	<b>Net Operating Income (NOI)</b>			240,081
6800 FINANCIAL EXPENSE	Interest on Mortgage Payable	6820	21,723	
	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		
		<b>Total Financial Expense</b>	<b>6800</b>	
	<b>Total Expenses of Operations Before Depreciation</b>	<b>6000</b>		762,446
	<b>Profit or (Loss) Before Depreciation</b>	<b>5060</b>		202,932
6600	Depreciation Expense (Total)	6600		125,092
	Amortization Expense	6610		
	<b>Operating Profit or Loss</b>	<b>5060</b>		77,840
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		
		<b>Net Entity Expenses</b>	<b>7100</b>	
	NET PROFIT OR (LOSS)	3250		77,840
TOTAL PRINCIPAL PAYMENTS	WHEDA First Mortgage	9910		202,532
	Second Mortgage	9911		
	Other Mortgage(s)	9912		0
	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, 2017

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	<u>Number of Tenants</u>	<u>Amount Past Due</u>
<b>TENANT ACCOUNTS RECEIVABLE</b>		
Delinquent 30 days and under	9	\$ 962
Delinquent 31-60 days	3	301
Delinquent over 60 days	3	83
Vacated tenants	-	<u>-</u>
 Total Tenant Accounts Receivable		 <u>\$ 1,346</u>

**REAL ESTATE TAX ESCROW ACCOUNT**

Mortgage escrow deposits of \$50,373 at December 31, 2017 are to be used for the payment of 2017 real estate taxes of \$27,937 and 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 \$24,819 at December 31, 2017 are maintained in an interest bearing account.

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

REPLACEMENT RESERVE ACCOUNT  
As of December 31, 2017

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**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	\$ 378,067
Deposits	23,772
Interest earned	<u>6,296</u>
Account Balance – End of Year, Confirmed by Mortgagee	<u>\$ 408,135</u>

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

SCHEDULE OF CHANGES IN CAPITAL ASSET ACCOUNTS  
For the Year Ended December 31, 2017

	Capital Assets			Accumulated Depreciation				
	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Building and building improvements	\$ 4,043,450	\$ -	\$ -	\$ 4,043,450	\$ 3,421,506	\$ 115,630	\$ -	\$ 3,537,136
Machinery and equipment	112,944	-	-	112,944	101,442	4,187	-	105,629
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>39,563</u>	<u>5,275</u>	<u>-</u>	<u>44,838</u>
<b>TOTALS</b>	<u>\$ 4,455,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,455,473</u>	<u>\$ 3,582,194</u>	<u>\$ 125,092</u>	<u>\$ -</u>	<u>\$ 3,707,286</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, 2017

ACCOUNTS PAYABLE \$ 18,392

**ACCRUED REAL ESTATE TAXES**

<u>Basis for Accrual</u>	<u>Period Covered</u>	<u>Date Due</u>	<u>Amount Accrued</u>
2017 Real Estate Tax Bills	1/1/17 to 12/31/17	1/31/18	<u>\$ -</u>

This was paid to the City of Madison in 2017.

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

COMPUTATION OF SURPLUS CASH AND RESIDUAL RECEIPTS  
As of December 31, 2017

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<b>ASSETS</b>	
Project cash on hand	\$ -
Memo - Tenant Security Deposits	<u>\$ 24,819</u>
Real estate tax escrow	<u>50,373</u>
Total Current Assets	<u>50,373</u>
<b>LIABILITIES</b>	
Accounts payable	18,392
Prepaid rents	4,187
Miscellaneous accrued expenses	<u>43,432</u>
Memo - Tenant Security Deposits	<u>\$ 24,819</u>
Total Current Liabilities	<u>66,011</u>
SURPLUS (DEFICIT) CASH	<u>\$ (15,638)</u>

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

INDEPENDENT AUDITOR INFORMATION  
As of December 31, 2017

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Baker Tilly Virchow Krause, LLP

Lead Auditor: Carla A. Gogin, CPA, Partner

Manager: Vasvi R. Joshi, CPA

P.O. Box 7398

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