

**COMMUNITY DEVELOPMENT
AUTHORITY OF THE
CITY OF MADISON**

(A Component Unit of the City of Madison, Wisconsin)
Madison, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2012

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

(A Component Unit of the City of Madison, Wisconsin)

TABLE OF CONTENTS
As of and for the Year Ended December 31, 2012

Independent Auditors' Report	i – iii
Management's Discussion and Analysis	iv – xvi
Financial Statements	
Statement of Net Position	1 – 2
Statement of Activities	3
Statement of Net Position – Proprietary Funds	4 – 5
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	6
Statement of Cash Flows – Proprietary Funds	7 – 8
Statement of Net Position – Component Units	9 – 10
Statement of Revenues, Expenses, and Changes in Net Position – Component Units	11
Notes to Financial Statements	12 – 55
Supplemental Information	
Combining Statement of Net Position – Nonmajor Enterprise Funds	56 – 59
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Enterprise Funds	60 – 61
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	62 – 65

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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Community Development Authority of the City of Madison, a component unit of the City of Madison, Wisconsin, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Community Development Authority of the City of Madison's basic 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. 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. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

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 Community Development Authority of the City of Madison'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 Community Development Authority of the City of Madison'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 reports of other auditors and audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Community Development Authority of the City of Madison, as of December 31, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note I, the Community Development Authority of the City of Madison adopted the provisions of GASB Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective January 1, 2012. Our opinions are not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Community Development Authority of the City of Madison's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects, in relation to the basic 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 25, 2013 on our consideration of the Community Development Authority of the City of Madison'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 Community Development Authority of the City of Madison's internal control over financial reporting and compliance.

Baker Jilly Virchow Krause, WP

Madison, Wisconsin
June 25, 2013

COMMUNITY DEVELOPMENT AUTHORITY OF THE CITY OF MADISON

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) As of and For Year Ended December 31, 2012

The Community Development Authority of the City of Madison's (the "CDA") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the CDA's financial activity, (c) identify changes in the CDA's financial position (its ability to address the next and subsequent years' challenges), and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the CDA's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

CDA-WIDE FINANCIAL STATEMENTS

The CDA-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire CDA.

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the CDA. The statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as net assets, or equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire CDA. Net Position (formerly assets or equity) are reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted: Consists of Net Position that does not meet the definition of "Net Investment in Capital Assets", or "Restricted".

COMMUNITY DEVELOPMENT AUTHORITY OF THE CITY OF MADISON

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and For Year Ended December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

CDA-WIDE FINANCIAL STATEMENTS (cont.)

The CDA-wide financial statements also include a Statement of Activities, which includes a functional breakdown of revenues and expenses. The CDA's functions for this statement are Housing Projects and General Government (Planning and Community and Economic Development).

FUND FINANCIAL STATEMENTS

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds. The CDA consists exclusively of Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized in private sector accounting.

Many of the funds maintained by the CDA are required by the U.S. Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Fund Financial Statements include a Statement of Net Position, which is similar to a Balance Sheet and reports all financial and capital resources by major fund.

Also included in the Fund Financial Statements is a Statement of Revenues, Expenses and Changes in Net Position. This statement is similar to a Statement of Net Income or Loss.

The last statement included in the Fund Financial Statements is a Statement of Cash Flows that discloses net cash provided by, or used for operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

THE CDA'S FUNDS

General Operating Fund-This fund accounts for the operation of the CDA's programs and tools to promote neighborhood revitalization, economic development, downtown revitalization, redevelop, rehabilitate, and construct housing properties, and issue tax-exempt housing revenue and redevelopment bonds. The tax-exempt revenue bonds are used to construct or rehabilitate buildings for rental housing. The tax-exempt bonds are issued through public offering or private placement. Twenty percent of the units are set-aside for lower income households. While the bonds are issued in the CDA's name, the bonds are limited obligations of the CDA, and except to the extent payable from bond proceeds or from credit enhancements described, the bonds are payable solely from, and secured by, revenues derived from payments made under a project contract and mortgage note and related security documents delivered by each developer undertaking a project. The CDA issues lease revenue bonds in the context of TIF, where the CDA owns the property that is then leased to the City which then leases it to a private developer.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and For Year Ended December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS

THE CDA'S FUNDS (cont.)

The lease revenue bonds are limited obligations of the CDA secured by the City's lease payments. A \$3,000 application fee is charged and a one-half of one percent fee of the aggregate amount of the bond issue is collected at bond closing. If the applicant applies for redevelopment bonds, which require the creation of a redevelopment district to accommodate the bond issue, then the above described \$3,000 fee shall be \$5,000. These fees are deposited in the General Operating Fund and will be used, in part, to defray any expenses, including staff time, incurred by the CDA and the City in consideration and issuance of the bonds.

Housing Voucher Fund-This fund includes the Housing Choice Voucher Program. Under the Housing Choice Voucher Program, the CDA administers contracts with independent landlords that own the property. The CDA subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract with HUD. HUD provides Annual Contributions Funding to enable the CDA to structure a lease that sets the participants' rent at 30% of household income.

The Villager Fund-This fund accounts for the activities of The Village on Park, a retail center located on Madison's South Side that was purchased by the CDA in 2004.

Other Nonmajor Funds-In addition to the major funds above, the CDA also maintains the following nonmajor funds.

- Karabis Fund: This fund accounts for activities related to a 20-unit housing project for disabled individuals ("Karabis"). HUD subsidizes the rents through monthly housing assistance payments.
- Parkside Fund: This fund accounts for activities related to a 95-unit housing project for elderly and disabled individuals ("Parkside"). HUD subsidizes the rents through monthly housing assistance payments. The Wisconsin Housing and Economic Development Authority (WHEDA) holds the mortgage on the project. The CDA has a cooperation agreement with WHEDA for the operation of the project.
- Allied Drive Fund: This fund accounts for the activities in the neighborhood revitalization project in the Allied Drive area.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and For Year Ended December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS

THE CDA'S FUNDS (cont.)

HUD Projects Fund-

East:

This fund is part of the Conventional Public Housing Program and accounts for 173 housing units in multiple locations on the City's east side. Under the Conventional Public Housing Program, the CDA rents units that it owns to low-income households.

The Conventional Public Housing Program is operated under an Annual Contributions Contract with HUD, and HUD provides an Operating Subsidy to enable the CDA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the CDA's properties.

HUD Projects Fund-

West:

This fund is part of the Conventional Public Housing Program and accounts for the operation of 293 housing units in multiple locations on the City's west side. Under the Conventional Public Housing Program, the CDA rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract with HUD, and HUD provides an Operating Subsidy to enable the Authority to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the CDA's properties.

HUD Projects Fund-

Triangle:

This fund is part of the Conventional Public Housing Program and accounts for the operation of 220 housing units in the City's central area. Under the Conventional Public Housing Program, the CDA rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract with HUD, and HUD provides an Operating Subsidy to enable the CDA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Internal Service Fund-In addition to the major and nonmajor funds above, the CDA also maintains the following internal service fund.

Central Cost Center: This fund was created as part of the 2008 adaptation of HUD's asset management program. The Central Cost Center contains the costs and revenues associated with managing the Conventional Public Housing Program, the Section 8 Voucher Program, Karabis, and Parkside.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and For Year Ended December 31, 2012

FINANCIAL HIGHLIGHTS AND ANALYSIS

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON'S NET POSITION**

	Business-Type Activities 2012	Business-Type Activities 2011
Current and Other Assets	\$ 45,736,351	\$ 47,216,810
Capital Assets	<u>35,856,247</u>	<u>36,221,985</u>
Total Assets	<u>81,592,598</u>	<u>83,438,795</u>
Current Liabilities	6,021,412	5,812,703
Long-term Liabilities	<u>39,238,133</u>	<u>41,932,833</u>
Total Liabilities	<u>45,259,545</u>	<u>47,745,536</u>
Net Position		
Investment in Capital Assets	23,713,500	24,559,408
Restricted	830,049	828,805
Unrestricted	<u>11,789,504</u>	<u>10,305,046</u>
Total Net Position	<u>\$ 36,333,053</u>	<u>\$ 35,693,259</u>

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and For Year Ended December 31, 2012

FINANCIAL HIGHLIGHTS AND ANALYSIS (cont.)

**COMMUNITY DEVELOPMENT AUTHORITY OF THE
CITY OF MADISON STATEMENT OF ACTIVITIES**

	<u>Business-Type Activities 2012</u>	<u>Business-Type Activities 2011</u>
Revenues		
Program Revenues		
Charges for services	\$ 4,227,335	\$ 4,155,475
Operating grants and contributions	17,422,675	15,338,265
Capital grants and contributions	479	2,643,717
General Revenues		
Investment income	295,756	258,026
Interest on capital leases	994,065	1,855,896
Miscellaneous	1,019,518	428,148
Total Revenues	<u>23,959,828</u>	<u>24,679,527</u>
Expenses		
Community Development	3,362,815	4,196,866
Housing projects	19,957,219	19,223,393
Total Expenses	<u>23,320,034</u>	<u>23,420,259</u>
Increase in Net Position	639,794	1,259,268
Beginning Net Position	<u>35,693,259</u>	<u>34,433,991</u>
Ending Net Position	<u>\$ 36,333,053</u>	<u>\$ 35,693,259</u>

The CDA's total Net Position increased by \$639,794 during 2012. Since the CDA engages only in Business-Type Activities, the increase is all in the category of Business-Type Net Position. Net Position was \$35.7 million and \$36.3 million for 2011 and 2012, respectively. The Net Position changes of each fund are discussed in the specific fund financial highlights presented below:

General Operating Fund-There was a decrease in Net Position in the amount of \$318,479, due in part to selling condominiums at Lake Point for a loss, as well as holding costs associated with those properties. There were no major new projects that affected this fund in 2012.

COMMUNITY DEVELOPMENT AUTHORITY OF THE CITY OF MADISON

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and For Year Ended December 31, 2012

FINANCIAL HIGHLIGHTS AND ANALYSIS (cont.)

Fannie Mae Loan-The CDA secured a line of credit from Fannie Mae in the amount of \$4.1 million in 2005 to fund a portion of the construction of the Lake Point Condominiums (\$1.8 million) and Revival Ridge Apartments (\$1.3 million).

The CDA in turn lent a private developer \$1.8 million for the construction of Lake Point Condominiums. The CDA loan was secured by a first mortgage on the property. The developer defaulted on repayment of the CDA loan and a receiver was appointed in 2008. In September of 2011, the court granted approval of the receivers motion to sell the twelve (12) remaining condominiums to the CDA (free and clear of all liens) pursuant to the CDA's credit bid offer of nearly \$1.2 million. Partial repayment of the Fannie Mae loan was received from the proceeds of condominium sales during and after receivership. In addition, the CDA made a payment of \$300,000 during 2010 from its General Fund. As of December 31, 2011, the CDA owed Fannie Mae more than \$622,000 plus fees and penalties in relation to the Lake Point Condominiums. The balance of the Fannie Mae Loan was due and payable on December 15, 2011. During 2012, the CDA used a line of credit from the City of Madison to repay the outstanding balance of the Fannie Mae loan.

The money borrowed from Fannie Mae for Revival Ridge was lent to Allied Drive Redevelopment, LLC for the construction of the Revival Ridge Apartments. The CDA secured its loan of \$1.3 million with a first mortgage on the property. Prior to the end of 2011, the CDA borrowed \$1.3 million from a local bank and used the proceeds to repay the Revival Ridge portion of the Fannie Mae line of credit. During 2012, Allied Drive Redevelopment, LLC made payments on its first mortgage loan from the CDA in accordance with the loan documents. The principal and interest payments from Allied Drive Redevelopment, LLC were used to make the contractual payments on the loan from the local bank to the CDA.

The Villager Fund-The Village on Park is a 125,000 square foot retail/commercial property in south Madison. It was purchased by the CDA in 2004 for \$9 million with the objective of providing stability and an opportunity for community and economic development. In addition to the existing building, the site contained three out lots for future development. Since the purchase, the CDA has created a master plan for the revitalization of the property, sold one out lot to the Urban League of Greater Madison, completed the first phase of renovations, stabilized operations negotiated the sale of a second outlot to Access Community Health, and commenced the second phase of renovation.

In 2011 the City of Madison advanced \$8.65 million to the CDA to repay third-party debt and fund a portion of the renovations. The CDA is making regular principal and interest payments on the loan from the City. The property is approximately 77% leased. The majority of the vacancy is in the north building and is not available for lease. Major tenants include the University of Wisconsin, Madison Area Technical College, Dane County Human Services, Public Health, Access Community Health, Head Start and a variety of retail outlets, including an Asian grocery.

COMMUNITY DEVELOPMENT AUTHORITY OF THE CITY OF MADISON

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and For Year Ended December 31, 2012

FINANCIAL HIGHLIGHTS AND ANALYSIS (cont.)

During 2012 the CDA executed a Purchase and Sales Agreement with Access Community Health ("Access") for the sale of an outlot at The Village on Park. In early 2013 Access purchased the lot and commenced construction of a 24,000 square foot facility for expanded health, dental and pharmacy services. Upon completion Access will vacate its existing 8,600 square feet in the north building.

In addition, the CDA completed plans for the next phase of the mall rehabilitation which will include the renovation of approximately 7,000 s.f. of existing space for the Asian grocery, the demolition of approximately 14,000 s.f. and the completion of significant site work on the southern end of the site. A letter of intent was executed with the Asian grocery for a 10 year extension of its lease. Other leasing activity included an expansion and extension of the lease with Madison College and a letter of intent for a long term lease of 3,775 s.f. to a restaurant/bakery. The work described above will be funded through a loan from the City of Madison in the amount of \$1,850,000 and will be completed during 2013.

Allied Drive Neighborhood- In May 2006, the City of Madison purchased approximately 11.5 acres of land and buildings on Allied Drive south of Jenewein Road in the City portion of the Allied neighborhood ("Allied Drive Property"). In January 2008, the Common Council authorized a cooperative agreement between the City and the CDA which documents the terms of a master development agreement between the two parties.

With significant neighborhood and community involvement a master plan for the 11.5 acres was created. The master plan includes the construction of affordable apartments and owner occupied housing at varying levels of affordability.

In 2008, the CDA undertook the development of Revival Ridge on a portion of the site. Revival Ridge includes the construction of forty-nine (49) apartments in five buildings. All apartments are affordable to families making less than 60% of area median income (AMI), and 36 apartments have project based section 8 vouchers ("PBVs") which allows residents of those units to pay 30% of their income in rent. The development is owned by Allied Drive Redevelopment, LLC and the CDA is a .01% managing member. Revival Ridge continues to be well occupied and generate positive cash flow.

The CDA lent the partnership approximately \$1.3 million to fund construction. The loan is secured by a first mortgage on the property. In addition, Revival Ridge owes the CDA approximately \$1.7 million in subordinate secondary financing relating to (1) the CDA's sale of the land to Revival Ridge Redevelopment, LLC and (2) infrastructure improvements funded by the City of Madison. The partnership continued to perform as agreed on the loans from the CDA.

During 2012 tax credit equity was used to repay a construction loan of \$4.6 Million and pay the CDA a development fee of \$554,000.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and For Year Ended December 31, 2012

FINANCIAL HIGHLIGHTS AND ANALYSIS (cont.)

During 2012, the CDA continued work on the development of 25 single family homes at the south end of the Allied Drive Property ("Mosaic Ridge"). Affordability will be as follows:

- 8 homes affordable to families at 50% AMI
- 8 homes affordable to families at 50% to 80% of AMI
- 8 homes affordable to families above 80% AMI

Down payment assistance, home buyer education, and credit repair programs have been developed by the CDA to assist lower income buyers in purchasing homes. Work on design, land use approvals, covenants, conditions and restrictions and subsidy programs are continuing.

Truax Park Redevelopment- In 2011, the CDA renovated 71 units of low rent public housing at the Truax Park Public Housing Site. The renovation included new plumbing, electrical, HVAC, interior finishes, and building additions to provide for elevator accessibility and larger living areas in the apartment homes.

The property is owned by Truax Park Redevelopment Phase I, LLC and the CDA is a .01% managing member

Forty-seven (47) of the apartments will continue to be rented as public housing units with residents paying 30% of their income in rent. Twenty-four (24) of the renovated apartments have project based Section 8 Vouchers ("PBVs") and the residents will pay 30% of their income in rent as well; however, HUD rental assistance will make up the difference between the listed rents and the residents payment.

Construction and lease up were completed in 2011. During 2012, approximately \$6.8 million of equity was used to repay all but \$410,000 of the construction loan. Payments are being made as agreed on the remaining debt.

Burr Oaks Senior Housing- In 2011, the CDA completed construction of fifty (50) units of very affordable housing for senior citizens in the Badger/Anne Redevelopment District ("Burr Oaks Senior Housing"). An allocation of Low Income Housing Tax Credits from the Wisconsin Housing and Economic Development Authority ("WHEDA") provided the foundation for the financial structure as outlined below:

Burr Oaks Senior Housing is owned by Burr Oaks Senior Housing, LLC and the CDA is a .01% managing member.

COMMUNITY DEVELOPMENT AUTHORITY OF THE CITY OF MADISON

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and For Year Ended December 31, 2012

FINANCIAL HIGHLIGHTS AND ANALYSIS (cont.)

All of the apartments at Burr Oaks Senior Housing are affordable to residents making less than 60% of the area median income and 30 apartments have Project Based Section 8 Vouchers (PBVs) allowing the resident to pay 30% of his/her income in rent and providing rental assistance from HUD for the difference between the residents payment and the apartment listing rent

During 2012, a construction loan was replaced with long term, fixed rate debt and the CDA received \$220,000 in development fees. The property is well occupied and generating sufficient cash to meet its obligations.

Tax Exempt Bond Issues-During 2012, the CDA was the issuer of bonds for two developments in the City of Madison and received approximately \$179,375 in Issuance Fees.

- HUD Projects East AMP-The net position of the East AMP Fund decreased by \$116,394. This result is \$70,000 worse than the previous year due to a larger subsidy provided to Truax Redevelopment LLC. The total net position is \$4,401,436.
- HUD Projects West AMP-The net position of the West AMP Fund decreased by \$112,564 to a total of \$4,373,411. The decrease was an improvement of \$50,000 over the previous year's pre-transfer result.
- HUD Projects Triangle AMP-The net position of the Triangle AMP Fund decreased by \$22,050 to a total of \$2,326,565. The decrease was almost \$300,000 better than the previous year's decrease.
- HUD Projects Central Cost Center-The net position of the Central Cost Center Fund increased by \$210,700 to a total of \$517,996. The increase was due to improved cash flows at the AMP's.
- HUD Projects Fund Capital Fund Grant Program-In 2012, \$1,414,340 was received under this grant program. These funds were used for Public Housing physical and management improvements.
- HUD Projects Fund Service Coordinator Grant-\$92,610 was received in 2012 under this grant program. This program provides for a contracted services coordinator who assists elderly and disabled CDA residents in accessing services which will help to keep them in Public Housing units.
- Karabis-The net position of the Karabis Fund increased by \$117,285 in 2012. The net position in this fund is \$1,289,051. The increase was due to increased efficiencies in operations, and investment income from the advance to Parkside.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and For Year Ended December 31, 2012

FINANCIAL HIGHLIGHTS AND ANALYSIS (cont.)

- Parkside-The net position of the Parkside Fund increased by \$29,475 in 2012. This increased the net asset total to \$262,015. The increase was due to increased efficiencies in operations.
- Section 8 Program (Housing Voucher Fund)-The net position of the Housing Choice Voucher program increased by \$376,429 to a total of \$1,490,297. Intergovernmental grants from the Department of Housing to support the program increased from \$11.9 million in 2011 to \$13.6 million in 2012. This program supported an average of 1,595 housing units per month in 2012. In 2011, the program supported an average of 1,543 housing units per month.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and For Year Ended December 31, 2012

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

At the end of 2012, the CDA had \$35.8 million invested in a variety of capital assets as reflected in the following schedule. This represents a net decrease (additions, deductions and depreciation) of \$351,628 or 1.0% from the end of the previous year. The major capital asset purchases by the CDA in 2012 were building improvements for the Villager Mall. The schedule below summarizes the capital asset activity:

**CDA-WIDE
CHANGE IN CAPITAL ASSETS**

	2012	2011
Beginning Balance	\$ 36,221,985	\$ 36,462,962
Additions	1,189,727	1,351,309
Deletions	(7,055)	(58,174)
Depreciation	(1,548,410)	(1,534,112)
Ending Balance	\$ 35,856,247	\$ 36,221,985

Additional information on the CDA's capital assets can be found in Note II.D. of this report.

LONG-TERM DEBT

During 2012, the CDA's long-term debt decreased by \$3.2 million due to principal payoffs on existing debt. No new long-term debt was issued in 2012.

**CDA-WIDE
CHANGE IN OUTSTANDING DEBT – 2012**

	Beginning Balance	Increases	Decreases	Ending Balance
Revenue bonds	\$ 29,735,000	\$ -	\$ 2,635,000	\$ 27,100,000
Mortgage notes	2,110,956	-	213,525	1,897,431
Other loans/notes	3,346,621	-	369,636	2,976,985
Total Long-Term Debt	\$ 35,192,577	\$ -	\$ 3,218,161	\$ 31,974,416

Additional information on the CDA's long-term debt can be found in Note II.G of this report.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and For Year Ended December 31, 2012

ECONOMIC FACTORS

Significant economic factors affecting the CDA are as follows:

- Federal funding from the Department of Housing and Urban Development for Conventional Public Housing operating subsidy, Capital Improvements, Section 8 Voucher administrative costs and Section 8 Voucher Housing Assistance Payments greatly affects Housing operations and related capital assets.
 - Inflationary pressure on utility rates, supplies and other costs.
 - Local labor supply and demand, which can affect salary and wage rates.
 - Local and employment trends, which can affect resident incomes and therefore the amount of rental income.
 - Funding from the City of Madison for capital improvements and operations.
-

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the CDA's finances. If you have questions about this report or need any additional information, contact the CDA's Office, Attn: Executive Director, 215 Martin Luther King, Jr. Blvd., Ste. LL-312, Madison, Wisconsin, 53703.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

STATEMENT OF NET POSITION
As of December 31, 2012

	Primary Government		Business- type Activities		Component Units
ASSETS					
Current Assets					
Cash and investments	\$	4,928,409	\$	586,398	
Accounts receivable		174,321		186,495	
Interest receivable		542,201		-	
Current portion of leases receivable from primary government - City of Madison		2,820,000		-	
Due from other governmental units		788,148		-	
Prepaid items		1,024,830		396,158	
Restricted Assets					
Cash and investments		1,472,653		1,160,107	
Total Current Assets		11,750,562		2,329,158	
Noncurrent Assets					
Capital Assets					
Land		12,918,153		921,776	
Construction in progress		1,768,374		-	
Land improvements		304,424		1,162,850	
Buildings and improvements		53,423,497		36,012,860	
Machinery and equipment		1,751,995		1,131,314	
Less: Accumulated depreciation		(34,310,196)		(7,385,680)	
Net Capital Assets		35,856,247		31,843,120	
Other Assets					
Restricted Assets					
Cash and investments		4,093,675		-	
Due from primary government - City of Madison		1,004,346		-	
Due from other governmental units		908,409		-	
Assets held for resale		701,403		-	
Long-term receivables		6,222,717		-	
Leases receivable		20,904,679		-	
Financing costs, net		-		74,108	
Tax credit fees, net		-		290,561	
Total Other Assets		33,835,229		364,669	
Deferred Charges		150,560		-	
Total Noncurrent Assets		69,842,036		32,207,789	
TOTAL ASSETS	\$	81,592,598	\$	34,536,947	

	Primary Government	
	Business- type Activities	Component Units
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 852,876	\$ 240,421
Accrued liabilities	378,724	1,334,438
Due to primary government - City of Madison pooled cash and investments	218,704	-
Unearned revenue	395,333	643,313
Current portion of long-term debt	3,121,939	586,995
Current portion of advances from primary government - City of Madison	567,653	-
Accrued compensated absences	36,637	-
Other liabilities	236,893	277,925
Development fee payable	-	867,466
Liabilities payable from restricted assets		
Accrued liabilities	212,653	-
Total Current Liabilities	<u>6,021,412</u>	<u>3,950,558</u>
Long-Term Liabilities Net of Current Maturities		
Mortgage notes	1,671,029	12,887,496
Revenue bonds	24,280,000	-
Other loans	2,901,448	-
Accrued compensated absences	472,341	-
Other post-employment benefits	156,652	-
Advance from primary government - City of Madison	9,756,663	-
Total Long-Term Liabilities Net of Current Maturities	<u>39,238,133</u>	<u>12,887,496</u>
Total Liabilities	<u>45,259,545</u>	<u>16,838,054</u>
NET POSITION		
Net investment in capital assets	23,713,500	18,368,629
Restricted for debt	830,049	-
Unrestricted (deficit)	11,789,504	(669,736)
Total Net Position	<u>36,333,053</u>	<u>17,698,893</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 81,592,598</u>	<u>\$ 34,536,947</u>

See accompanying notes to financial statements.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		<u>Capital Grants and Contributions</u>	Primary Government	<u>Component Units</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		Net (Expenses) Revenues and Changes in Net Assets	
Primary Government						
Business-type activities						
Community development	\$ 3,362,815	\$ 1,349,876	\$ -	\$ 479	\$ (2,012,460)	\$ -
Housing projects	19,957,219	2,877,459	17,422,675	-	342,915	-
Total Business-type Activities	<u>\$ 23,320,034</u>	<u>\$ 4,227,335</u>	<u>\$ 17,422,675</u>	<u>\$ 479</u>	<u>(1,669,545)</u>	<u>-</u>
Component Units - Housing Projects	<u>\$ 3,945,886</u>	<u>\$ 2,287,749</u>	<u>\$ 188,167</u>	<u>\$ 12,145,028</u>	-	<u>10,675,058</u>
General revenues						
Investment income					295,756	1,824
Interest on capital leases					994,065	-
Miscellaneous					1,019,518	-
Total General Revenues					<u>2,309,339</u>	<u>1,824</u>
Change in net position					639,794	10,676,882
NET POSITION – Beginning of Year					<u>35,693,259</u>	<u>7,022,011</u>
NET POSITION – END OF YEAR					<u>\$ 36,333,053</u>	<u>\$ 17,698,893</u>

See accompanying notes to financial statements.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of December 31, 2012

	Business-type Activities - Enterprise Funds				Totals	Business- type Activities - Internal Service Fund
	General Operating Fund	Housing Voucher Fund	Villager Fund	Nonmajor Enterprise Funds		Central Cost Center Fund
ASSETS						
Current Assets						
Cash and investments	\$ 17,560	\$ 842,678	\$ 1,762,214	\$ 1,965,896	\$ 4,588,348	\$ 340,061
Accounts receivable	9,107	-	142,863	21,064	173,034	1,287
Interest receivable	539,557	-	-	2,644	542,201	-
Current portion of advances to other funds	-	-	-	40,000	40,000	-
Current portion of leases receivable from primary government - City of Madison	2,820,000	-	-	-	2,820,000	-
Due from other governmental units	-	-	-	613,452	613,452	174,696
Prepaid items	1,256	999,995	-	20,781	1,022,032	2,798
Restricted assets						
Cash and investments	<u>1,472,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,472,653</u>	<u>-</u>
Total Current Assets	<u>4,860,133</u>	<u>1,842,673</u>	<u>1,905,077</u>	<u>2,663,837</u>	<u>11,271,720</u>	<u>518,842</u>
Noncurrent Assets						
Property, Plant and Equipment						
Land	818,201	-	5,274,298	6,825,654	12,918,153	-
Construction in progress	-	-	1,768,374	-	1,768,374	-
Land improvements	17,480	-	-	286,944	304,424	-
Buildings and improvements	1,752,643	-	14,423,911	36,990,408	53,166,962	256,535
Machinery and equipment	82,342	50,931	-	1,271,365	1,404,638	347,357
Less: Accumulated depreciation	<u>(770,307)</u>	<u>(42,653)</u>	<u>(2,423,441)</u>	<u>(30,610,527)</u>	<u>(33,846,928)</u>	<u>(463,268)</u>
Net Property, Plant and Equipment	<u>1,900,359</u>	<u>8,278</u>	<u>19,043,142</u>	<u>14,763,844</u>	<u>35,715,623</u>	<u>140,624</u>
Other Assets						
Restricted Assets						
Cash and investments	4,093,675	-	-	-	4,093,675	-
Due from primary government - City of Madison	1,004,346	-	-	-	1,004,346	-
Due from other governmental units	78,360	-	-	830,049	908,409	-
Assets held for resale	701,403	-	-	-	701,403	-
Advances to other funds	-	-	-	140,000	140,000	-
Long-term receivables	3,534,035	-	-	2,688,682	6,222,717	-
Leases receivable	<u>19,058,679</u>	<u>-</u>	<u>-</u>	<u>1,846,000</u>	<u>20,904,679</u>	<u>-</u>
Total Other Assets	<u>28,470,498</u>	<u>-</u>	<u>-</u>	<u>5,504,731</u>	<u>33,975,229</u>	<u>-</u>
Deferred Charges	<u>116,497</u>	<u>-</u>	<u>-</u>	<u>790</u>	<u>117,287</u>	<u>33,273</u>
Total Noncurrent Assets	<u>30,487,354</u>	<u>8,278</u>	<u>19,043,142</u>	<u>20,269,365</u>	<u>69,808,139</u>	<u>173,897</u>
TOTAL ASSETS	<u>\$ 35,347,487</u>	<u>\$ 1,850,951</u>	<u>\$ 20,948,219</u>	<u>\$ 22,933,202</u>	<u>\$ 81,079,859</u>	<u>\$ 692,739</u>

	Business-type Activities - Enterprise Funds					Business- type Activities - Internal Service Fund
	General Operating Fund	Housing Voucher Fund	Villager Fund	Nonmajor Enterprise Funds	Totals	Central Cost Center Fund
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 37,379	\$ 823	\$ 339,708	\$ 467,770	\$ 845,680	\$ 7,196
Accrued liabilities	323,223	-	52,857	2,644	378,724	-
Due to primary government - City of Madison pooled cash and investments	142,628	-	-	76,076	218,704	-
Unearned revenue	56,550	-	315,000	23,783	395,333	-
Current portion of mortgage notes	71,676	-	-	154,726	226,402	-
Current portion of revenue bonds	2,820,000	-	-	-	2,820,000	-
Current portion of other loans	75,537	-	-	-	75,537	-
Current portion of advances from other funds	-	-	-	40,000	40,000	-
Current portion of advances from primary government - City of Madison	-	-	567,653	-	567,653	-
Accrued compensated absences	1,704	11,087	-	17,634	30,425	6,212
Other liabilities	22,406	5,593	-	208,894	236,893	-
Liabilities payable from restricted assets						
Accrued liabilities	212,653	-	-	-	212,653	-
Total Current Liabilities	<u>3,763,756</u>	<u>17,503</u>	<u>1,275,218</u>	<u>991,527</u>	<u>6,048,004</u>	<u>13,408</u>
Long-Term Debt Net of Current Maturities						
Mortgage notes	738,602	-	-	932,427	1,671,029	-
Revenue bonds	24,280,000	-	-	-	24,280,000	-
Other loans	1,883,946	-	-	1,017,502	2,901,448	-
Accrued compensated absences	21,973	142,943	-	227,342	392,258	80,083
Other post-employment benefits	3,299	67,459	-	85,894	156,652	-
Advances from other funds	-	-	-	140,000	140,000	-
Advances from primary government - City of Madison	238,000	132,749	8,999,847	304,815	9,675,411	81,252
Total Long-Term Debt	<u>27,165,820</u>	<u>343,151</u>	<u>8,999,847</u>	<u>2,707,980</u>	<u>39,216,798</u>	<u>161,335</u>
Total Liabilities	<u>30,929,576</u>	<u>360,654</u>	<u>10,275,065</u>	<u>3,699,507</u>	<u>45,264,802</u>	<u>174,743</u>
NET POSITION						
Net investment in capital assets	472,265	8,278	9,475,642	13,616,691	23,572,876	140,624
Restricted for debt	-	-	-	830,049	830,049	-
Unrestricted	3,945,646	1,482,019	1,197,512	4,786,955	11,412,132	377,372
Total Net Position	<u>4,417,911</u>	<u>1,490,297</u>	<u>10,673,154</u>	<u>19,233,695</u>	<u>35,815,057</u>	<u>517,996</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 35,347,487</u>	<u>\$ 1,850,951</u>	<u>\$ 20,948,219</u>	<u>\$ 22,933,202</u>	<u>\$ 81,079,859</u>	<u>\$ 692,739</u>

See accompanying notes to financial statements.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds				Totals	Business- type Activities - Internal Service Fund
	General Operating Fund	Housing Voucher Fund	Villager Fund	Nonmajor Enterprise Funds		Central Cost Center Fund
OPERATING REVENUES						
Charges for services	\$ 300,261	\$ -	\$ 1,349,876	\$ 2,453,888	\$ 4,104,025	\$ 594,701
Other revenue	-	-	-	123,310	123,310	-
Total Operating Revenues	<u>300,261</u>	<u>-</u>	<u>1,349,876</u>	<u>2,577,198</u>	<u>4,227,335</u>	<u>594,701</u>
OPERATING EXPENSES						
Operation and maintenance	506,056	13,256,488	776,390	5,002,343	19,541,277	582,274
Depreciation	47,130	5,375	484,331	997,765	1,534,601	13,809
Taxes	-	-	70,000	162,577	232,577	-
Total Operating Expenses	<u>553,186</u>	<u>13,261,863</u>	<u>1,330,721</u>	<u>6,162,685</u>	<u>21,308,455</u>	<u>596,083</u>
Operating Income (Loss)	<u>(252,925)</u>	<u>(13,261,863)</u>	<u>19,155</u>	<u>(3,585,487)</u>	<u>(17,081,120)</u>	<u>(1,382)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	132,273	11,286	6,328	143,159	293,046	2,710
Interest on capital lease	994,065	-	-	-	994,065	-
Interest and amortization	(1,570,383)	(4,205)	(181,408)	(223,839)	(1,979,835)	(2,573)
Intergovernmental grants	-	13,617,424	-	3,607,038	17,224,462	198,213
Miscellaneous revenues	405,801	13,787	29,749	563,773	1,013,110	6,408
Miscellaneous expenses	(27,789)	-	-	-	(27,789)	-
Total Nonoperating Revenue (Expenses)	<u>(66,033)</u>	<u>13,638,292</u>	<u>(145,331)</u>	<u>4,090,131</u>	<u>17,517,059</u>	<u>204,758</u>
Income (Loss) Before Contributions and Transfers	<u>(318,958)</u>	<u>376,429</u>	<u>(126,176)</u>	<u>504,644</u>	<u>435,939</u>	<u>203,376</u>
CAPITAL CONTRIBUTIONS	479	-	-	-	479	-
TRANSFERS IN	-	-	-	-	-	7,324
TRANSFERS OUT	-	-	-	(7,324)	(7,324)	-
CHANGE IN NET POSITION	(318,479)	376,429	(126,176)	497,320	429,094	210,700
NET POSITION – Beginning of Year	<u>4,736,390</u>	<u>1,113,868</u>	<u>10,799,330</u>	<u>18,736,375</u>	<u>35,385,963</u>	<u>307,296</u>
NET POSITION – END OF YEAR	<u>\$ 4,417,911</u>	<u>\$ 1,490,297</u>	<u>\$10,673,154</u>	<u>\$19,233,695</u>	<u>\$35,815,057</u>	<u>\$ 517,996</u>

See accompanying notes to financial statements.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds				Totals	Business- type Activities - Internal Service Fund
	General Operating Fund	Housing Voucher Fund	Villager Fund	Nonmajor Enterprise Funds		Central Cost Center Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Received from customers	\$ 299,716	\$ -	\$ 1,656,708	\$ 2,649,102	\$ 4,605,526	\$ 593,901
Paid to suppliers for goods and services	(368,050)	(12,398,892)	(776,390)	(3,121,075)	(16,664,407)	(219,024)
Paid to employees for services	(129,483)	(799,289)	-	(1,569,016)	(2,497,788)	(382,340)
Paid to city for tax equivalent	-	-	(70,000)	(162,577)	(232,577)	-
Net Cash Flows From Operating Activities	<u>(197,817)</u>	<u>(13,198,181)</u>	<u>810,318</u>	<u>(2,203,566)</u>	<u>(14,789,246)</u>	<u>(7,463)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Deposits (refunds)	-	-	-	650	650	-
Deposits (refunds) with governmental agencies	(2,143)	-	-	(1,244)	(3,387)	-
Intergovernmental grants	-	13,619,424	-	3,330,455	16,949,879	38,009
Deficit cash implicitly financed (repaid)	134,321	-	-	(156,824)	(22,503)	-
Collection of long-term receivable	8,602	-	-	233,890	242,492	-
Receipt of advance from primary government	-	-	1,350,000	-	8,650,000	-
Repayment of advance from primary government	-	(5,934)	(432,500)	(13,625)	(452,059)	(3,632)
Transfers in (out)	-	-	-	(7,324)	(7,324)	7,324
Other nonoperating items	724,898	13,787	(5,251)	525,665	1,259,099	6,408
Net Cash Flows From Noncapital Financing Activities	<u>865,678</u>	<u>13,627,277</u>	<u>912,249</u>	<u>3,911,643</u>	<u>26,616,847</u>	<u>48,109</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Debt retired	(3,398,172)	-	-	(442,152)	(3,840,324)	-
Interest paid	(1,605,833)	(4,205)	(171,401)	(138,957)	(1,920,396)	(2,573)
Acquisition and construction of capital assets	(35,080)	-	(417,522)	(419,663)	(872,265)	-
Sale of assets held for resale	283,999	-	-	-	283,999	-
Collection of advance to other funds	-	-	-	40,000	40,000	-
Repayment of advance from other funds	-	-	-	(40,000)	(40,000)	-
Capital contributions	479	-	-	-	479	-
Lease payments received	3,700,302	-	-	-	3,700,302	-
Net Cash Flows From Capital and Related Financing Activities	<u>(1,054,305)</u>	<u>(4,205)</u>	<u>(588,923)</u>	<u>(1,000,772)</u>	<u>(2,648,205)</u>	<u>(2,573)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	132,273	11,286	6,328	143,746	293,633	2,710
Net Cash Flows From Investing Activities	<u>132,273</u>	<u>11,286</u>	<u>6,328</u>	<u>143,746</u>	<u>293,633</u>	<u>2,710</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(254,171)	436,177	1,139,972	851,051	9,473,029	40,783
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>5,838,059</u>	<u>406,501</u>	<u>622,242</u>	<u>1,114,845</u>	<u>7,981,647</u>	<u>299,278</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,583,888</u>	<u>\$ 842,678</u>	<u>\$ 1,762,214</u>	<u>\$ 1,965,896</u>	<u>\$ 17,454,676</u>	<u>\$ 340,061</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds				Totals	Business- type Activities - Internal Service Fund
	General Operating Fund	Housing Voucher Fund	Villager Fund	Nonmajor Enterprise Funds		Central Cost Center Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ (252,925)	\$ (13,261,863)	\$ 19,155	\$ (3,585,487)	\$ (17,081,120)	\$ (1,382)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	47,130	5,375	484,331	997,765	1,534,601	13,809
Change in assets and liabilities						
Receivables	(545)	-	306,832	79,079	385,366	(800)
Prepaid items and other assets	(47)	42,482	-	(1,709)	40,726	969
Accounts payable	(16,827)	18,704	-	331,605	333,482	(6,907)
Accrued liabilities	25,397	(2,879)	-	(17,644)	4,874	(13,152)
Unearned revenue	-	-	-	(7,175)	(7,175)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (197,817)</u>	<u>\$ (13,198,181)</u>	<u>\$ 810,318</u>	<u>\$ (2,203,566)</u>	<u>\$ (14,789,246)</u>	<u>\$ (7,463)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION						
Cash and investments	\$ 17,560	\$ 842,678	\$ 1,762,214	\$ 1,965,896	\$ 4,588,348	\$ 340,061
Restricted cash and investments - current and noncurrent	<u>5,566,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,566,328</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,583,888</u>	<u>\$ 842,678</u>	<u>\$ 1,762,214</u>	<u>\$ 1,965,896</u>	<u>\$ 10,154,676</u>	<u>\$ 340,061</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
None						

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

STATEMENT OF NET POSITION
COMPONENT UNITS
As of December 31, 2012

	Monona Shores Redevelopment, LLC	Allied Drive Redevelopment, LLC	Truax Park Redevelopment, Phase I, LLC	Burr Oaks Senior Housing, LLC	Totals
ASSETS					
Current Assets					
Cash and investments	\$ 76,689	\$ 158,361	\$ 2,512	\$ 348,836	\$ 586,398
Accounts receivable	48,514	9,328	128,269	384	186,495
Prepaid items	7,237	385,104	1,641	2,176	396,158
Restricted assets					
Cash and investments	<u>167,635</u>	<u>677,213</u>	<u>21,300</u>	<u>293,959</u>	<u>1,160,107</u>
Total Current Assets	<u>300,075</u>	<u>1,230,006</u>	<u>153,722</u>	<u>645,355</u>	<u>2,329,158</u>
Noncurrent Assets					
Property, Plant and Equipment					
Land	146,400	401,396	71,000	302,980	921,776
Land improvements	572,015	149,934	191,117	249,784	1,162,850
Buildings and improvements	9,125,419	8,181,766	13,086,097	5,619,578	36,012,860
Machinery and equipment	312,514	259,114	240,052	319,634	1,131,314
Less: Accumulated depreciation	<u>(5,077,198)</u>	<u>(1,255,589)</u>	<u>(776,045)</u>	<u>(276,848)</u>	<u>(7,385,680)</u>
Net Property, Plant and Equipment	<u>5,079,150</u>	<u>7,736,621</u>	<u>12,812,221</u>	<u>6,215,128</u>	<u>31,843,120</u>
Other Assets					
Financing costs, net	10,970	-	-	63,138	74,108
Tax credit fees, net	<u>-</u>	<u>81,203</u>	<u>138,215</u>	<u>71,143</u>	<u>290,561</u>
Total Other Assets	<u>10,970</u>	<u>81,203</u>	<u>138,215</u>	<u>134,281</u>	<u>364,669</u>
Total Noncurrent Assets	<u>5,090,120</u>	<u>7,817,824</u>	<u>12,950,436</u>	<u>6,349,409</u>	<u>32,207,789</u>
TOTAL ASSETS	<u>\$ 5,390,195</u>	<u>\$ 9,047,830</u>	<u>\$ 13,104,158</u>	<u>\$ 6,994,764</u>	<u>\$ 34,536,947</u>

See accompanying notes to financial statements.

	Monona Shores Redevelopment, LLC	Allied Drive Redevelopment, LLC	Truax Park Redevelopment, Phase I, LLC	Burr Oaks Senior Housing, LLC	Totals
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 9,212	\$ 38,523	\$ 192,454	\$ 232	\$ 240,421
Accrued liabilities	602,908	380,634	261,033	89,863	1,334,438
Unearned revenue	-	-	643,313	-	643,313
Current portion of mortgage notes	82,463	33,643	456,919	13,970	586,995
Other liabilities	158,918	65,365	20,809	32,833	277,925
Development fee payable	-	-	867,466	-	867,466
Total Current Liabilities	<u>853,501</u>	<u>518,165</u>	<u>2,441,994</u>	<u>136,898</u>	<u>3,950,558</u>
Long-Term Debt Net of Current Maturities					
Mortgage notes	5,511,877	2,655,039	3,179,550	1,541,030	12,887,496
Total Long-Term Debt Net of Current Maturities	<u>5,511,877</u>	<u>2,655,039</u>	<u>3,179,550</u>	<u>1,541,030</u>	<u>12,887,496</u>
Total Liabilities	<u>6,365,378</u>	<u>3,173,204</u>	<u>5,621,544</u>	<u>1,677,928</u>	<u>16,838,054</u>
NET POSITION					
Net investment in capital assets (deficit)	(515,190)	5,047,939	9,175,752	4,660,128	18,368,629
Unrestricted (deficit)	(459,993)	826,687	(1,693,138)	656,708	(669,736)
Total Net Position (Deficit)	<u>(975,183)</u>	<u>5,874,626</u>	<u>7,482,614</u>	<u>5,316,836</u>	<u>17,698,893</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 5,390,195</u>	<u>\$ 9,047,830</u>	<u>\$ 13,104,158</u>	<u>\$ 6,994,764</u>	<u>\$ 34,536,947</u>

See accompanying notes to financial statements.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNITS
For the Year Ended December 31, 2012

	Monona Shores Redevelopment, LLC	Allied Drive Redevelopment, LLC	Truax Park Redevelopment, Phase I, LLC	Burr Oaks Senior Housing, LLC	Totals
OPERATING REVENUES					
Charges for services	\$ 977,444	\$ 483,548	\$ 348,928	\$ 368,793	\$ 2,178,713
Other revenue	52,620	10,675	40,146	5,595	109,036
Total Operating Revenues	<u>1,030,064</u>	<u>494,223</u>	<u>389,074</u>	<u>374,388</u>	<u>2,287,749</u>
OPERATING EXPENSES					
Operation and maintenance	578,755	369,262	414,299	227,485	1,589,801
Depreciation	377,640	343,630	525,123	196,208	1,442,601
Total Operating Expenses	<u>956,395</u>	<u>712,892</u>	<u>939,422</u>	<u>423,693</u>	<u>3,032,402</u>
Operating Income (Loss)	<u>73,669</u>	<u>(218,669)</u>	<u>(550,348)</u>	<u>(49,305)</u>	<u>(744,653)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	135	1,669	2	18	1,824
Interest and amortization	(452,036)	(150,609)	(259,512)	(51,327)	(913,484)
Intergovernmental grants	-	-	188,167	-	188,167
Total Nonoperating Revenue (Expenses)	<u>(451,901)</u>	<u>(148,940)</u>	<u>(71,343)</u>	<u>(51,309)</u>	<u>(723,493)</u>
Income (Loss) Before Contributions	<u>(378,232)</u>	<u>(367,609)</u>	<u>(621,691)</u>	<u>(100,614)</u>	<u>(1,468,146)</u>
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>4,592,083</u>	<u>6,757,342</u>	<u>795,603</u>	<u>12,145,028</u>
CHANGE IN NET POSITION	<u>(378,232)</u>	<u>4,224,474</u>	<u>6,135,651</u>	<u>694,989</u>	<u>10,676,882</u>
NET POSITION (DEFICIT) – Beginning of Year	<u>(596,951)</u>	<u>1,650,152</u>	<u>1,346,963</u>	<u>4,621,847</u>	<u>7,022,011</u>
NET POSITION (DEFICIT) – END OF YEAR	<u>\$ (975,183)</u>	<u>\$ 5,874,626</u>	<u>\$ 7,482,614</u>	<u>\$ 5,316,836</u>	<u>\$ 17,698,893</u>

See accompanying notes to financial statements.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

INDEX TO NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE	<u>Page</u>
I. Summary of Significant Accounting Policies	13
A. Reporting Entity	13
B. Basic Financial Statements	16
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	17
D. Assets, Liabilities, and Net Position or Equity	17
1. Deposits and Investments	17
2. Receivables	19
3. Prepaid Items	19
4. Restricted Assets	19
5. Capital Assets	20
6. Other Assets	21
7. Compensated Absences	21
8. Unearned Revenue	21
9. Long-Term Obligations/Conduit Debt	21
10. Claims and Judgments	21
11. Equity Classifications	22
II. Detailed Notes on All Funds	22
A. Deposits and Investments	22
B. Receivables	25
C. Restricted Assets	26
1. General Operating Fund	26
2. Parkside Project Fund	28
D. Capital Assets	30
E. Interfund Advances and Transfers	33
F. Line of Credit	34
G. Long-Term Obligations	34
H. Lease Disclosures	43
I. Net Position	44
III. Other Information	45
A. Employees' Retirement System	45
B. Risk Management	46
C. Commitments and Contingencies	46
D. Other Postemployment Benefits	49
E. Related Parties	50
F. Subsequent Events	54
G. Effect of New Accounting Standards on Current-Period Financial Statements	55

COMMUNITY DEVELOPMENT AUTHORITY OF THE CITY OF MADISON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The accounting policies of the Community Development Authority (CDA) of the City of Madison, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

This report includes all of the funds of the CDA.

The CDA is a component unit of the City of Madison, Wisconsin. The CDA is comprised of ten individual funds which provide community development and housing assistance services to properties within the City of Madison.

The reporting entity for the CDA consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Discretely presented component units are reported in separate columns in the basic financial statements (see note below for description) to emphasize that component units are legally separate from the primary government.

Discretely Presented Component Units

The CDA is the managing member in four real estate limited liability companies (LLC) as of December 31, 2012. The investor membership interests are held by third parties unrelated to the CDA. As the managing member, the CDA has certain rights and responsibilities which enable it to impose its will on the investor memberships. Additionally, the CDA is financially accountable for the investor memberships as the CDA is legally obligated to fund operating deficits in accordance with terms of the membership agreements. The investor memberships do not serve the primary government exclusively, or almost exclusively and, therefore, are shown as discretely presented component units.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Units (cont.)

Monona Shores Redevelopment, LLC

Monona Shores Redevelopment, LLC was formed on December 10, 1997, as a limited liability company under the Wisconsin Limited Liability Company Act (the Act). It has rehabilitated and is operating a 104-unit, low-income housing project called the New Monona Shores Apartments (the project) located in Madison, Wisconsin. The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The project was placed in service in December 1999.

Monona Shores Redevelopment, LLC consists of one managing member, the Madison Revitalization and Community Development Corporation, and two investor members (Banc One and FNBC Leasing Corporation), each with rights, preferences and privileges as described in the operating agreement. Each member's liability for the debts and obligations of the company shall be limited to the maximum extent permitted by the Act and other applicable law. The Madison Revitalization and Community Development Corporation is 100% owned by the CDA and has a .10% interest in Monona Shores Redevelopment, LLC.

Separately issued financial statements of Monona Shores Redevelopment, LLC may be obtained from Monona Shores Redevelopment, LLC's office.

Allied Drive Redevelopment, LLC

Allied Drive Redevelopment, LLC was organized on January 25, 2008, as a limited liability company under the Wisconsin Limited Liability Company Act (the Act). The company was formed to acquire, construct, and operate a 49-unit apartment complex located in Madison, Wisconsin, called Revival Ridge (the project). The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The buildings were placed in service from June 2009 through September 2009.

Allied Drive Redevelopment, LLC consists of one managing member, the CDA, and one investor member (NEF Assignment Corporation), each with rights, preferences and privileges as described in the amended and restated operating agreement (operating agreement). Each member's liability for the debts and obligations of the company shall be limited to the maximum extent permitted by the Act and other applicable laws. The CDA has .01% interest in Allied Drive Redevelopment, LLC.

Separately issued financial statements of Allied Drive Redevelopment, LLC may be obtained from Allied Drive Redevelopment, LLC's office.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Units (cont.)

Truax Park Redevelopment, Phase I, LLC

Truax Park Redevelopment, Phase I, LLC was organized on March 24, 2009, as a limited liability company under the Wisconsin Limited Liability Company Act (the Act). The company was formed to acquire, rehabilitate, and operate a six building, 71-unit apartment complex located in Madison, Wisconsin, called Truax Park Apartments (the project). The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The original property, including the buildings, common area and land, was acquired under a capital lease dated October 29, 2010. Truax Park Redevelopment, Phase I, LLC completed rehabilitation of the six buildings on various dates from March through December of 2011.

Truax Park Redevelopment, Phase I, LLC consists of one management member, the CDA and two investor members (NEF Assignment Corporation and MS Shared Investment Fund I, LLC), with rights, preferences and privileges as described in the operating statement. Each member's liability for the debts and obligations of the company shall be limited to the maximum extent permitted by the Act and other applicable laws. The CDA has a .01% interest in Truax Park Redevelopment, Phase I, LLC.

Separately issued financial statements of Truax Park Redevelopment, Phase I, LLC may be obtained from Truax Park Redevelopment, Phase I, LLC's office.

Burr Oaks Senior Housing, LLC

Burr Oaks Senior Housing, LLC, a limited liability company, was organized on August 9, 2010, under the Wisconsin Limited Liability Company Act (the Act). It has constructed and is operating a 50-unit project called Burr Oaks Senior Housing (the project) located in Madison, Wisconsin. The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The project was placed in service July 27, 2011.

Burr Oaks Senior Housing, LLC consists of one managing member, the CDA, and one investor member, Wachovia Affordable Housing Community Development Corporation, and a to-be designated corporation as the special member, with rights, preferences and privileges as described in the operating agreement. Each member's liability for the debts and obligations of the company shall be limited to the maximum extent permitted by the Act and other applicable laws. The CDA has a .01% interest in Burr Oaks Senior Housing, LLC.

Separately issued financial statements of Burr Oaks Senior Housing, LLC may be obtained from Burr Oaks Senior Housing, LLC's office.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

B. BASIC FINANCIAL STATEMENTS

In June 2011, the GASB issued Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities. The CDA implemented this standard effective January 1, 2012.

Financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net position, revenues, and expenses.

Major individual enterprise funds are reported as separate columns in the basic financial statements.

Funds are organized as major funds or nonmajor funds within the statements. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the CDA or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenses of that individual enterprise fund are at least 10% of the corresponding total for all funds of that category or type.
- b. In addition, any other enterprise fund that the CDA believes is particularly important to financial statement users may be reported as a major fund.

Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

The CDA reports the following major enterprise funds:

Major Enterprise Funds

- General Operating Fund – accounts for the CDA's primary operating activities.
- Housing Voucher Fund – accounts for the operations of the Housing Voucher program.
- Villager Fund – accounts for the operations of Villager Mall project.

The CDA reports the following nonmajor enterprise funds:

- Karabis Fund – accounts for the operations of the Karabis project.
- Parkside Project Fund – accounts for the operations of the Parkside project.
- Allied Drive Fund – accounts for the operations of the Allied Drive project.
- East Housing Fund – accounts for the operations of HUD projects at East location.
- West Housing Fund – accounts for the operations of HUD projects at West location.
- Triangle Housing Fund – accounts for the operations of HUD projects at Triangle location.

Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the CDA on a cost-reimbursement basis. The Central Cost Center fund is reported as an internal service fund and accounts for the central operations of HUD projects.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

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

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as previously described in this note.

The enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the CDA are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and 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 expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. Deposits and Investments

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

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

- a. Time deposits in any credit union, bank, savings bank or trust company 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, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- 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 CDA follows the investment policy of the City of Madison. That policy contains the following guidelines for allowable investments: obligations of the U.S. Government; obligations of U.S. Government agencies; time deposits (defined as savings accounts or certificates of deposits); and repurchase agreements with a public depository, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the U.S. Government.

Custodial Credit Risk

The City of Madison's investment policy states that funds in excess of insured or guaranteed limits be secured by some form of collateral. The fair market value of all collateral pledged will not be less than 110% of the amount of public funds to be secured at each institution.

Credit Risk

The City of Madison will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer by:

- > Limiting investments to the types of securities listed elsewhere in the Investment Policy.
- > Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City of Madison will do business in accordance with Section V of the Investment Policy.
- > Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Interest Rate Risk

The City of Madison will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in merit interest rates by:

- > Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- > Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with the Investment Policy.

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. Investment income on commingled investments is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

See Note II.A. for further information.

2. Receivables

Accounts receivable have been shown net of an allowance for uncollectible accounts.

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.”

Advances with the City of Madison are reported as other assets or noncurrent liabilities. No repayment schedules have been established.

3. Prepaid Items

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

4. 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.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets

Capital assets are reported in the financial statements. Capital assets are defined by the CDA as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation. The CDA has no infrastructure assets.

Additions to and replacements of capital assets are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to capital assets. The cost of property replaced, retired or otherwise disposed of, is deducted from capital assets and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of revenues, expenses, and changes in net position, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land Improvements	15	Years
Buildings and Improvements	20 – 40	Years
Machinery and Equipment	5 – 10	Years

Rental property of Monona Shores Redevelopment, LLC, Allied Drive Redevelopment, LLC, Truax Park Redevelopment, Phase I, LLC, and Burr Oaks Senior Housing, LLC is stated at cost. Depreciation of rental property is computed principally by the straight-line and declining balance methods based upon the following estimated useful lives of the assets:

Improvements	15	Years
Buildings	27.5 – 98	Years
Furnishings and Equipment	5 – 12	Years

Maintenance and repairs of rental property is charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of rental property, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

6. Other Assets

Long-term receivables include funds advanced to the component unit LLC's, the Lake Point developer, and the balance of the Parkside settlement.

Financing fees are deferred and amortized on the straight-line method over the term of the debt issue.

Tax credit fees are deferred and amortized on the straight-line method over the life of the tax credit compliance period of 15 years.

Debt issuance costs are deferred and amortized over the term of the debt issue.

7. 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, 2012 are determined on the basis of current salary rates and include salary related payments.

8. Unearned Revenue

Funds received under the Tax Credit Exchange Program (TCEP) are deferred and amortized on the straight-line method over the estimated useful lives of the underlying assets acquired.

9. Long-Term Obligations/Conduit Debt

All long-term obligations are reported as liabilities in the financial statements. The long-term obligations consist primarily of notes and bonds payable, and accrued compensated absences.

The CDA has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the CDA. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at December 31, 2012 is approximately \$207,125,000, made up of 10 series.

10. Claims and Judgments

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

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

11. 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 the 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 does not meet the definition of “restricted” or “net investment in capital assets.”

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

NOTE II – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The CDA’s cash and investments at year end were comprised of the following:

	Carrying Value	Statement Balance	Associated Risks
Deposits	\$ 4,733,530	\$ 4,733,530	Custodial credit Credit, concentration of credit
Collateralized investment contract	1,000,000	1,000,000	
Mutual funds	4,542,153	4,542,153	Credit
Petty cash	350	-	N/A
 Total Cash and Investments	 \$ 10,276,033	 \$ 10,275,683	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 4,928,409		
Restricted cash and investments - current	1,472,653		
Restricted cash and investment - noncurrent	4,093,675		
Pooled cash and investments – due to the City of Madison	(218,704)		
 Total Cash and Investments	 \$ 10,276,033		

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS (cont.)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts, and unlimited for noninterest bearing transaction accounts through December 31, 2012. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transaction accounts expired. Therefore, demand deposit amounts (interest-bearing and noninterest bearing) are insured for a total of \$250,000 beginning January 1, 2013. In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the CDA's deposits may not be returned to the CDA.

The CDA does not have any deposits exposed to custodial credit risk.

A portion of the CDA's deposits are invested in a cash and investments pool maintained by the City of Madison government. See the City of Madison's financial statements for further information.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the CDA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The CDA does not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2012, the CDA's investments were rated as follows:

<u>Investment Type</u>	<u>Moody's Investor Service</u>
Mutual funds	AAA

The CDA also had the following investment which is not rated:

Collateralized Investment Contract

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2012, the collateralized investment contract was 18% of the CDA's investment portfolio.

See Note I.D.1. for further information on deposit and investment policies.

Component Units

For financial reporting purposes, the component units consider all investments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash not available to the partnerships due to restrictions placed on it. The cash balances for the component units as of December 31, 2012, are as follows:

Monona Shores Redevelopment, LLC

Cash and Investments		
Unrestricted	\$	76,689
Restricted		
Tenants' security deposits		51,198
Tax and insurance escrow		40,161
Operating reserve		28,950
Replacement reserve		<u>47,326</u>
Total Cash and Investments	\$	<u>244,324</u>

Allied Drive Redevelopment, LLC

Cash and Investments		
Unrestricted	\$	158,361
Restricted		
Tenants' security deposits		39,841
Replacement reserve		42,998
Mortgage escrow deposits		210,738
Operating reserve		<u>383,636</u>
Total Cash and Investments	\$	<u>835,574</u>

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Component Units (cont.)

Truax Park Redevelopment, Phase I, LLC

Cash and Investments		
Unrestricted	\$	2,512
Restricted		
Replacement reserve		<u>21,300</u>
Total Cash and Investments	\$	<u>23,812</u>

Burr Oaks Senior Housing, LLC

Cash and Investments		
Unrestricted	\$	348,836
Restricted		
Tenants' security deposits		17,927
Real estate tax escrow		44,504
Insurance escrow		11,896
Operating reserve		197,637
Replacement reserve		<u>21,995</u>
Total Cash and Investments	\$	<u>642,795</u>

Total Component Unit's Cash and Investments	\$	<u>1,746,505</u>
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Reconciliation to Financial Statements		
Per Statement of Net Position		
Cash and investments	\$	586,398
Restricted cash and investments		<u>1,160,107</u>

Total Cash and Investments	\$	<u>1,746,505</u>
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B. RECEIVABLES

Accounts Receivable

Revenues of the CDA are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are not material.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES (cont.)

Accounts Receivable (cont.)

Proprietary funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *unearned revenue* reported in the proprietary funds was as follows:

	Unearned
General Operating Fund	
Earnest money	\$ 56,550
Villager Fund	
Rent payments received not yet due	315,000
Nonmajor Enterprise Funds	
Rent payments received not yet due	23,783
Total Unearned Revenue	\$ 395,333

Long-Term Receivables

The long-term receivables consist of the following:

General Operating Fund	
Notes receivable – Monona Shores Redevelopment, LLC	\$ 2,082,147
Notes receivable – Truax Park Redevelopment, Phase I, LLC	979,750
Notes receivable – Burr Oaks, LLC	385,000
Parkside settlement receivable	55,279
Notes receivable	31,859
Total	\$ 3,534,035
Allied Drive Fund	
Notes receivable – Allied Drive Redevelopment, LLC	\$ 2,688,682

The long-term receivables are not expected to be collected within the next year.

C. RESTRICTED ASSETS

1. GENERAL OPERATING FUND

Certain proceeds of the \$20,640,000 Taxable Variable Rate Demand Redevelopment Lease Revenue Bonds, Series 1996A, as well as certain other resources which are set aside for debt repayment, are classified as restricted assets.

Bond Account

The bond account is utilized for payment of principal and interest on the bonds.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS (cont.)

1. GENERAL OPERATING FUND (cont.)

Debt Service Reserve Account, Series 1999C

Proceeds of the bonds were placed in a debt service reserve account to be held as security for the bonds.

Certain proceeds of the \$10,870,000 Taxable Redevelopment Lease Revenue Bonds, Series 1999C, as well as certain other revenues, are classified as restricted assets.

Debt Service Reserve Account, Series 2000

Proceeds of the bonds were placed in a debt service reserve account to be held as security for the bonds.

Certain proceeds of the \$6,800,000 Taxable Redevelopment Lease Revenue Bonds, Series 2000, as well as certain other revenues, are classified as restricted assets.

Bond Account

The bond account is utilized for payment of principal and interest on the bonds.

Debt Service Reserve Account, Series 2002

Proceeds of the bonds were placed in a debt service reserve account to be held as security for the bonds.

Certain proceeds of the \$13,175,000 Lease Revenue Refunding Bonds, Series 2002, as well as certain other revenues, are held as a debt service reserve by the primary government as security for the bonds and are classified as restricted assets.

Madison Mutual Housing Authority Accounts

The MMHA property management company maintains a replacement reserve account, as well as other miscellaneous accounts within the general operating fund of the CDA.

Due from Other Governmental Units – Replacement Account

Monthly escrow deposits are required by the Wisconsin Housing and Economic Development Authority (WHEDA) for the reserve for replacements. Disbursements are generally restricted to replacement of structural elements or equipment and may be made only upon approval by WHEDA. Upon satisfaction of the mortgage note payable and WRAP note payable, the balance in this escrow reverts to the benefit to the owner.

In addition, WHEDA requires the project to remit one-half of all cash remaining, if any, after the establishment of all required escrows and reserves and the repayment of all expenses to the reserve for replacements on an annual basis.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS (cont.)

1. GENERAL OPERATING FUND (cont.)

Due from Other Governmental Units – Replacement Account (cont.)

Following is a list of restricted assets for the General Operating Fund:

	12/31/12
Bond account	\$ 1,472,653
Debt service reserve account, Series 1999C	2,064,000
Debt service reserve account, Series 2000	1,028,902
Bond account	296,598
Debt service reserve account, Series 2002	680,000
MMHA accounts	24,175
Due from primary government – debt service reserve	1,004,346
Due from other governmental units – replacement account	78,360
Total	\$ 6,649,034

2. PARKSIDE PROJECT FUND

At December 31, 2012, the Parkside maintained the following restricted escrow deposits as required by the Parkside Project Fund Regulatory Agreement with Wisconsin Housing and Economic Development Authority (WHEDA).

Real Estate Tax Escrow Account

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

Replacement Account

The replacement account is an account held in trust by WHEDA. Disbursements from this account 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 account in 2012.

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.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS (cont.)

2. PARKSIDE PROJECT FUND (cont.)

***Residual Receipts Account* (cont.)**

Following is a list of restricted assets for the Parkside Project Fund.

	12/31/12
Due From Other Governmental Units	
Real Estate Tax Escrow Account	\$ 28,184
Replacement Account	801,488
Residual Receipts Account	377
Total	\$ 830,049

Component Units

Following is a list of restricted assets at December 31, 2012:

Tenants' security deposits	\$ 108,966
Tax and insurance escrow	96,561
Operating reserve	610,223
Replacement reserve	133,619
Mortgage escrow deposits	210,738
Total Restricted Assets	\$ 1,160,107

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

CDA	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 12,918,153	\$ -	\$ -	\$ 12,918,153
Construction in progress	1,177,570	597,859	7,055	1,768,374
Total Capital Assets Not Being Depreciated	14,095,723	597,859	7,055	14,686,527
Capital assets being depreciated				
Land improvements	271,081	33,343	-	304,424
Buildings and improvements	53,063,532	388,550	28,585	53,423,497
Machinery and equipment	1,582,020	169,975	-	1,751,995
Total Capital Assets Being Depreciated	54,916,633	591,868	28,585	55,479,916
Less: Accumulated depreciation for				
Land improvements	(92,833)	(21,405)	-	(114,238)
Buildings and improvements	(31,184,121)	(1,505,908)	(28,585)	(32,661,444)
Machinery and equipment	(1,513,417)	(21,097)	-	(1,534,514)
Total Accumulated Depreciation	(32,790,371)	(1,548,410)	(28,585)	(34,310,196)
Total Capital Assets Being Depreciated	22,126,262	(956,542)	-	21,169,720
Total Capital Assets	\$ 36,221,985	\$ (358,683)	\$ 7,055	\$ 35,856,247

Depreciation expense was charged to functions as follows:

Proprietary Funds

Housing projects	\$ 1,548,410
Enterprise funds	\$ 1,534,601
Internal service fund	13,809
Total	\$ 1,548,410

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Component Units

Monona Shores Redevelopment, LLC

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 146,400	\$ -	\$ -	\$ 146,400
Capital assets being depreciated				
Land improvements	572,015	-	-	572,015
Buildings and improvements	9,125,419	-	-	9,125,419
Furnishings and equipment	312,514	-	-	312,514
Total Capital Assets Being Depreciated	10,009,948	-	-	10,009,948
Less: Accumulated depreciation	(4,699,558)	(377,640)	-	(5,077,198)
Total Capital Assets Being Depreciated	5,310,390	(377,640)	-	4,932,750
Total Capital Assets	\$ 5,456,790	\$ (377,640)	\$ -	\$ 5,079,150

Allied Drive Redevelopment, LLC

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 401,396	\$ -	\$ -	\$ 401,396
Capital assets being depreciated				
Land improvements	149,934	-	-	149,934
Buildings	8,181,766	-	-	8,181,766
Furnishings and equipment	223,768	35,346	-	259,114
Total Capital Assets Being Depreciated	8,555,468	35,346	-	8,590,814
Less: Accumulated depreciation	(911,959)	(343,630)	-	(1,255,589)
Total Capital Assets Being Depreciated	7,643,509	(308,284)	-	7,335,225
Total Capital Assets	\$ 8,044,905	\$ (308,284)	\$ -	\$ 7,736,621

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Component Units (cont.)

Truax Park Redevelopment, Phase I, LLC

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 71,000	\$ -	\$ -	\$ 71,000
Capital Assets Not Being Depreciated	<u>71,000</u>	<u>-</u>	<u>-</u>	<u>71,000</u>
Capital assets being depreciated				
Land improvements	191,117	-	-	191,117
Buildings and improvements	13,086,097	-	-	13,086,097
Furnishings and equipment	<u>240,052</u>	<u>-</u>	<u>-</u>	<u>240,052</u>
Total Capital Assets Being Depreciated	<u>13,517,266</u>	<u>-</u>	<u>-</u>	<u>13,517,266</u>
Less: Accumulated depreciation	<u>(250,922)</u>	<u>(525,123)</u>	<u>-</u>	<u>(776,045)</u>
Total Capital Assets Being Depreciated	<u>13,266,344</u>	<u>(525,123)</u>	<u>-</u>	<u>12,741,221</u>
Total Capital Assets	<u>\$ 13,337,344</u>	<u>\$ (525,123)</u>	<u>\$ -</u>	<u>\$ 12,812,221</u>

Burr Oaks Senior Housing, LLC

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 302,980	\$ -	\$ -	\$ 302,980
Capital assets being depreciated				
Land improvements	249,784	-	-	249,784
Buildings and improvements	5,616,303	3,275	-	5,619,578
Furnishings and equipment	<u>318,406</u>	<u>1,228</u>	<u>-</u>	<u>319,634</u>
Total Capital Assets Being Depreciated	<u>6,184,493</u>	<u>4,503</u>	<u>-</u>	<u>6,188,996</u>
Less: Accumulated depreciation	<u>(80,640)</u>	<u>(196,208)</u>	<u>-</u>	<u>(276,848)</u>
Total Capital Assets Being Depreciated	<u>6,103,853</u>	<u>(191,705)</u>	<u>-</u>	<u>5,912,148</u>
Total Capital Assets	<u>\$ 6,406,833</u>	<u>\$ (191,705)</u>	<u>\$ -</u>	<u>\$ 6,215,128</u>

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND ADVANCES AND TRANSFERS

Advances

The Karabis Fund is advancing funds to the Parkside Project Fund. The amount advanced was determined by the outstanding balance on the 1986 mortgage revenue bonds at the time they were paid off. The Karabis Fund is charging interest at the same rate that was being charged on the 1986 mortgage revenue bonds. A repayment schedule has been established.

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Not Due Within One Year</u>
Karabis Fund	Parkside Project Fund	\$ 180,000	\$ 140,000
Less: Fund eliminations		<u>(180,000)</u>	
Total Interfund Advances– Government Wide Statement of Net Position		<u>\$ -</u>	
	<u>Years</u>	<u>Principal</u>	<u>Interest</u>
	2013	\$ 40,000	\$ 10,575
	2014	45,000	8,225
	2015	45,000	5,581
	2016	<u>50,000</u>	<u>2,938</u>
	Totals	<u>\$ 180,000</u>	<u>\$ 27,319</u>

For the statement of net position, interfund advances which are owed within the business-type activities are netted and eliminated.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND ADVANCES AND TRANSFERS (cont.)

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount
Central Cost Center Fund	Triangle Housing Fund	\$ 7,324
Subtotal Fund Financial Statements		7,324
Less: Fund eliminations		<u>(7,324)</u>
Total Transfers-Government-Wide Statement of Activities		<u>\$ -</u>

For the statement of activities, interfund transfers within business-type activities are netted and eliminated.

F. LINE OF CREDIT

The CDA had a line of credit with the Federal National Mortgage Association (Fannie Mae) in the amount of \$4,100,000. The line of credit was paid in full by December 31, 2012.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Line of Credit	\$ 622,163	\$ -	\$ 622,163	\$ -	\$ -

G. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2012 was as follows:

CDA

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable:					
Revenue bonds	\$ 29,735,000	\$ -	\$ 2,635,000	\$ 27,100,000	\$ 2,820,000
Mortgage notes	2,110,956	-	213,525	1,897,431	226,402
Other loans/notes	3,346,621	-	369,636	2,976,985	75,537
Subtotal	<u>35,192,577</u>	-	<u>3,218,161</u>	<u>31,974,416</u>	<u>3,121,939</u>
Accrued compensated absences	537,046	267,902	295,970	508,978	36,637
Other post-employment benefits	125,234	31,418	-	156,652	-
Advances from primary government – City of Madison	<u>9,430,007</u>	<u>1,350,000</u>	<u>455,691</u>	<u>10,324,316</u>	<u>567,653</u>
Total Long-Term Liabilities	<u>\$ 45,284,864</u>	<u>\$ 1,649,320</u>	<u>\$ 3,969,822</u>	<u>\$ 42,964,362</u>	<u>\$ 3,726,229</u>

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

G. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt

Revenue bonds are payable only from revenues derived from the operation of the responsible fund and from lease payments received from the primary government (see Note II.G.).

The CDA has pledged future lease revenues to repay \$51,485,000 in lease revenue bonds issued in 1996 through 2002. Proceeds from the bonds provided financing for various projects of the City of Madison. The bonds are payable solely from lease revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require 74% of net revenues. Total principal and interest remaining to be paid on the bonds is \$34,063,170. Principal and interest paid for the current year and total revenues were \$4,135,951 and \$4,163,691, respectively.

Revenue debt payable at December 31, 2012 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12/31/12
<u>General Operating Fund</u>					
Lease revenue bonds	12/5/96	1/1/19	3.30 – 5.25%	\$ 20,640,000	\$ 8,870,000
Lease revenue bonds	4/1/99	10/1/22	5.50 – 7.10%	10,870,000	7,545,000
Lease revenue bonds	7/1/00	7/1/20	2.75 – 5.50%	6,800,000	3,970,000
Lease revenue bonds	10/1/02	3/1/20	3.00 – 4.375%	13,175,000	6,715,000
Total Revenue Debt					<u>\$ 27,100,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 2,820,000	\$ 1,385,472
2014	3,010,000	1,256,349
2015	3,235,000	1,111,784
2016	3,455,000	949,104
2017	3,720,000	768,096
2018 – 2022	<u>10,860,000</u>	<u>1,492,365</u>
Totals	<u>\$ 27,100,000</u>	<u>\$ 6,963,170</u>

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

G. LONG-TERM OBLIGATIONS (cont.)

Mortgage Notes

Mortgage notes are payable only from revenues derived from the operation of the responsible fund.

Mortgage notes payable at December 31, 2012 consists of the following:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12/31/12</u>
<u>General Operating Fund</u>					
Housing mortgage note	6/1/92	6/1/22	4.00%	\$ 2,283,492	\$ 810,278
<u>Parkside Project Fund</u>					
Housing mortgage note	8/12/77	12/1/18	6.75%	3,085,241	<u>1,087,153</u>
Total Mortgage Notes					<u>\$ 1,897,431</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Mortgage Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 226,402	\$ 99,761
2014	240,095	86,068
2015	254,659	71,504
2016	270,146	56,017
2017	286,623	39,540
2018 – 2022	<u>619,506</u>	<u>46,396</u>
Totals	<u>\$ 1,897,431</u>	<u>\$ 399,286</u>

Other Loans/Notes

The following loans and notes are payable to the City of Madison related to the Madison Mutual Housing Association property acquired by the CDA in 1996, to the City of Madison related to the Romnes apartments, to the City of Madison related to Truax Park redevelopment and to the City of Madison related to the Burr Oaks Apartments.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

G. LONG-TERM OBLIGATIONS (cont.)

Other Loans/Notes (cont.)

Other loans/notes payable at December 31, 2012 consists of the following:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12/31/12</u>
<u>General Operating Fund</u>					
Section 17 loans	Various	N/A	N/A	\$ 103,000	\$ 85,000
UDAG loan	6/5/87	N/A	5.0%	371,000	371,000
WHEDA WRAP note	Unknown	6/22	N/A	Unknown	161,816
CDBG Home loan	12/14/10	N/A	N/A	385,000	385,000
Affordable Housing trust loan	10/29/10	12/15/26	1.62%	1,025,000	956,667
			Total General Operating Fund		<u>1,959,483</u>
<u>West Housing Fund</u>					
Promissory note	10/20/97	N/A	N/A	60,000	<u>60,000</u>
<u>Allied Drive Fund</u>					
Promissory note	12/30/11	12/30/14	4.0%	1,255,000	<u>957,502</u>
Total Other Loans/Notes					<u><u>\$ 2,976,985</u></u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Allied Drive Promissory Note</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 41,104	\$ 38,096
2014	<u>916,398</u>	<u>39,188</u>
Totals	<u><u>\$ 957,502</u></u>	<u><u>\$ 77,284</u></u>

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

G. LONG-TERM OBLIGATIONS (cont.)

Advances from Primary Government – City of Madison

The City of Madison is advancing funds to the CDA for various purposes. No repayment schedule has been established for outstanding advances in the amount of \$756,816. A repayment schedule for the advances to the Villager Fund in the amount of \$8,650,000 and \$1,350,000 have been established.

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 567,653	\$ 211,428
2014	567,483	200,155
2015	567,483	186,186
2016	567,483	172,217
2017	567,483	158,247
2018 – 2022	2,837,415	583,044
2023 – 2027	2,162,500	299,952
2028 – 2031	<u>1,730,000</u>	<u>85,701</u>
Totals	<u>\$ 9,567,500</u>	<u>\$ 1,896,930</u>

Other Debt Information

Estimated payments of compensated absences and other post employment benefits obligation are not included in the debt service requirement schedules. The compensated absences liability and other post employment benefits obligation attributable to business-type activities will be liquidated by the respective funds where the liabilities are recorded. The WHEDA WRAP note, the City of Madison loans related to MMHA property and the promissory notes are also not included in the debt service requirement schedules. These debts are subject to various redemption provisions.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The CDA believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations and the new market tax credit program.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

G. LONG-TERM OBLIGATIONS (cont.)

Component Units

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Monona Shores Redevelopment, LLC Mortgage notes	\$ 5,670,589	\$ -	\$ 76,249	\$ 5,594,340	\$ 82,463
Allied Drive Redevelopment, LLC Mortgage notes	6,549,955	-	3,861,273	2,688,682	33,643
Truax Park Redevelopment, Phase I, LLC Mortgage notes	9,125,800	1,313,261	6,802,592	3,636,469	456,919
Burr Oaks Senior Housing, LLC Mortgage notes	1,389,417	1,246,519	1,080,936	1,555,000	13,970
Totals	<u>\$ 22,735,761</u>	<u>\$ 2,559,780</u>	<u>\$ 11,821,050</u>	<u>\$ 13,474,491</u>	<u>\$ 586,995</u>

Monona Shores Redevelopment, LLC

Mortgage notes payable consist of the following:

U.S. Bankcorp; nonrecourse; monthly payments of \$28,237, including interest at 7.86%, due June 1, 2016; collateralized by a first mortgage on the rental property and the assignment of leases, rents and profits; prepayment of the note in full is allowed and is subject to a prepayment premium. \$ 3,299,126

Community Development Authority of the City of Madison (CDA), managing member; interest accrues at 8%; compounded annually; annual principal and interest payments of \$79,323 subject to surplus cash, as defined in the operating agreement; due on the earlier of the sale of the project or January 1, 2030; collateralized by a second mortgage on the rental property; interest expense totaled \$186,649 for the year ended December 31, 2012; accrued interest was \$431,241 as of December 31, 2012. 2,082,147

Wisconsin Housing and Economic Development Authority (WHEDA); nonrecourse; non-interest bearing; monthly principal payments beginning on June 1, 2023; due May 1, 2031; collateralized by a third mortgage on the rental property; prepayment of the note is not allowed until May 2023. 213,067

Totals \$ 5,594,340

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

G . LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Allied Drive Redevelopment, LLC

Mortgage notes payable consist of the following:

CDA; original amount of \$1,255,091; recourse until the three-year anniversary of the expiration of the compliance period; monthly interest-only payments at 4.50%; monthly payments of \$6,359, including interest at 4.50%; commence on the first day of the month immediately following the date the company satisfies the conversion requirements (conversion date) listed in operating agreements; due 30 years from the conversion date or any earlier date on which the entire note balance is required to be paid in full, by acceleration or otherwise; the note may be repaid, in whole or in part, at any time; collateralized by a subordinated mortgage on the project's rental property including the assignment of rents and security agreement; accrued interest was \$3,614 as of December 31, 2012; interest expense totaled \$44,040 for the year ended December 31, 2012. \$ 963,818

CDA; original amount of \$760,006; recourse until the three-year anniversary of the expiration of the compliance period; monthly simple interest-only payments at 3.00%; balloon payment of principal and unpaid interest due 30 years from the date of the project reaches established occupancy, or any earlier date on which the entire note balance is required to be paid in full, by acceleration or otherwise; the note may be repaid, in whole or in part, at any time; collateralized by a subordinated mortgage on the project's rental property including the assignments of rents and security agreement; accrued interest was \$1,013 as of December 31, 2012; interest expense totaled \$12,773 for the year ended December 31, 2012. \$ 392,000

CDA; original amount of \$1,705,426; recourse until the three-year anniversary of the expiration of the compliance period; monthly interest payments at 4.50% to the extent that there is excess cash flow available; monthly principal and interest payments commence on the date the project reaches stabilized occupancy to the extent that there is excess cash flow available; due 30 years from the date the project reaches stabilized occupancy, or any earlier on which the entire note balance is required to be paid in full, by acceleration or otherwise; the note may be repaid, in whole or in part, at any time; collateralized by a subordinated mortgage on the project's rental property including the assignment of rents and security agreement; accrued interest was \$204,928 as of December 31, 2012; interest expense totaled \$64,977 for the year ended December 31, 2012. 1,332,864

Totals \$ 2,688,682

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

G . LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Truax Park Redevelopment, Phase I, LLC

Mortgage notes payable consist of the following:

<p>Wisconsin Bank and Trust; construction loan; monthly interest-only payments at 1.00% plus the Prime Rate, as published in the Wall Street Journal, but in no event will the interest rate be less than 5.35% (5.35% as of December 31, 2012); due January 29, 2013; guaranteed by the managing member; collateralized by a mortgage on the project's rental property including the assignment of leases and rents and security agreement.</p>	<p>\$ 410,719</p>
<p>CDA; non-recourse mortgage note payable under a capital lease with the CDA; due in one installment on October 29, 2050, together with interest at 4.00% per annum; collateralized by a mortgage on the project's rental property; accrued interest was \$160,602 as of December 31, 2012; interest expense totaled \$73,840 of which \$0 was capitalized for the period ended December 31, 2012.</p>	<p>1,846,000</p>
<p>CDA; non-recourse mortgage payable; due in annual installments of \$76,000 beginning in October 29, 2012 through October 29, 2025, with a balloon payment of all outstanding principal and accrued interest due on October 28, 2026, together with interest at 3.00% per annum; collateralized by a mortgage on the project's rental property; accrued interest totaled \$5,144 as of December 31, 2012; interest expense totaled \$30,513 of which \$0 was capitalized for the period ended December 31, 2012.</p>	<p>979,750</p>
<p>CDA; non-recourse mortgage note payable in the amount of \$400,000; due to the extent and priority provided in the operating agreement with the remainder of all outstanding principal and accrued interest due in one installment on October 29, 2050, together with interest at 4.00% per annum; collateralized by a mortgage on the project's rental property; accrued interest was \$29,867 as of December 31, 2012; interest expense was \$15,440 of which \$0 was capitalized for the period ended December 31, 2012.</p>	<p><u>400,000</u></p>
<p>Totals</p>	<p><u><u>\$ 3,636,469</u></u></p>

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

G . LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Burr Oaks Senior Housing, LLC

Mortgage notes payable consist of the following:

Impact C.I.L., LLC (Impact), originally funded by Wells Fargo but assigned to Impact on November 27, 2012; permanent mortgage note payable; loan amount of \$1,170,000; beginning January 1, 2013, monthly payments of \$7,128, including interest at 6.15% per annum; due December 1, 2028; non-recourse; subject to a prepayment premium; collateralized by a mortgage, security agreement and fixture financing statement on the rental property, including the assignment of rents and leases	\$ 1,170,000
CDA; HOME loan; in an amount not to exceed \$385,000; subordinated second mortgage note payable; non-interest bearing loan; due the earliest of December 31, 2040 or the sale, transfer, or discontinuance of the permitted use of the property; non-recourse; collateralized by a mortgage on the rental property, including the assignment of rents thereon.	385,000
Totals	\$ 1,555,000

Debt service principal requirements to maturity are as follows:

Years		Amount
2013	\$	586,995
2014		186,830
2015		198,103
2016		3,136,862
2017		110,202
Thereafter		9,255,499
Totals	\$	13,474,491

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

H. LEASE DISCLOSURES

General Operating Fund

The CDA is leasing property to the City of Madison. The annual lease payments to be received will be the same as the CDA's annual debt service payments on the Lease Revenue Bonds, Series 1996A.

The CDA is leasing a parking structure to the City of Madison. The annual lease payments to be received are equal to the CDA's annual debt service payments on the Taxable Redevelopment Lease Revenue Bonds, Series 1999C.

The CDA is leasing a parking ramp to the City of Madison. The annual lease payments to be received are equal to the CDA's annual debt service payments on the Taxable Redevelopment Lease Revenue Bonds, Series 2000.

The CDA is leasing its one-third ownership of the Monona Terrace Convention Center to the City of Madison. The annual lease payments to be received are equal to the CDA's annual debt service payments on the Lease Revenue Refunding Bonds, Series 2002.

The CDA does not have any other material capital or operating leases at December 31, 2012.

The annual lease payments by the city to the CDA on the leases are as follows:

	1996 Issue		1999 Issue	
	Principal	Interest	Principal	Interest
2013	\$ 1,260,000	\$ 398,845	\$ 430,000	\$ 533,220
2014	1,340,000	342,905	490,000	503,550
2015	1,440,000	279,945	555,000	469,495
2016	852,094	68,186	625,000	430,645
2017	-	-	700,000	386,895
2018	-	-	745,000	337,895
2019	-	-	870,000	285,000
2020	-	-	970,000	223,013
2021	-	-	1,075,000	153,900
2022	-	-	521,585	37,163
Totals	<u>\$ 4,892,094</u>	<u>\$ 1,089,881</u>	<u>\$ 6,981,585</u>	<u>\$ 3,360,776</u>

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

H. LEASE DISCLOSURES (cont.)

General Operating Fund (cont.)

	2000 Issue		2002 Issue	
	Principal	Interest	Principal	Interest
2013	\$ 395,000	\$ 198,198	\$ 735,000	\$ 255,209
2014	420,000	181,608	760,000	228,287
2015	450,000	163,128	790,000	199,216
2016	475,000	142,203	815,000	167,906
2017	510,000	118,690	850,000	134,606
2018	540,000	92,680	885,000	99,353
2019	500,000	28,215	920,000	61,550
2020	-	-	960,000	21,000
2021	-	-	-	-
2022	-	-	-	-
	\$ 3,290,000	\$ 924,722	\$ 6,715,000	\$ 1,167,127

East Housing Fund – Nonmajor Fund

The CDA is leasing property to Truax Park Redevelopment, Phase I, LLC in the amount of \$1,846,000. The lease is due in one payment on October 29, 2050. Interest accrues at 4% and compounds annually.

I. NET POSITION

Net position reported on the government-wide statement of net position at December 31, 2012 includes the following:

Business-Type Activities

Net investment in capital assets	
Land	\$ 12,918,153
Construction in progress	1,768,374
Other capital assets, net of accumulated depreciation	21,169,720
Less: Related long-term debt outstanding	<u>(12,142,747)</u>
Total	<u>23,713,500</u>
 Restricted	
Debt	<u>830,049</u>
 Unrestricted	
Total	<u>11,789,504</u>
 Total	<u>\$ 36,333,053</u>

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE III – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible City of Madison employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system (PERS). All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year, and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year, and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Prior to June 29, 2011, covered employees in the General category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2012 are:

	<u>Employee</u>	<u>Employer</u>
General	5.9%	5.9%
Executives and Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

The payroll for the City of Madison employees covered by WRS working on CDA activities for the year ended December 31, 2012 was \$2,048,762; the CDA's total payroll was \$2,102,192. The total required contribution for the year ended December 31, 2012 was \$2,451,036 or 11.9 percent of covered payroll. Of this amount, 100 percent was contributed for the current year. Total contributions for the years ending December 31, 2011 and 2010 were \$208,189 and \$215,146, respectively, equal to the required contributions for each year.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE III – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting an application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

As of December 31, 2012, there was no pension related debt for the CDA.

B. RISK MANAGEMENT

The CDA participates in the same risk pools as the reporting entity. Information related specifically to the CDA is unavailable. See the risk management note in the reporting entity's financial statements for further details.

C. COMMITMENTS AND CONTINGENCIES

The CDA has entered into a Regulatory Agreement with the Wisconsin Housing and Economic Development Authority (WHEDA) for the Parkside Project Fund. 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 CDA provides housing for the Parkside Project Fund 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 \$463,150. Total assistance payments received from WHEDA were \$463,150 during 2012.

The CDA 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.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE III – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units

Monona Shores Redevelopment, LLC

Monona Shores Redevelopment, LLC has entered into a Land Use Restriction Agreement (LURA) with WHEDA as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, Monona Shores Redevelopment, LLC must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under the IRC Section 42. If Monona Shores Redevelopment, LLC fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor members. The project is obligated to certify tenant eligibility.

Monona Shores Redevelopment, LLC has entered into a property management agreement with Broihahn Management & Consulting, LLC. A property management fee of 6% of net rental receipts of the project is payable on a monthly basis. Property management fees incurred under this agreement were \$59,329 for the year ended December 31, 2012.

Monona Shores Redevelopment, LLC (cont.)

Monona Shores Redevelopment, LLC entered into a ground lease agreement with the CDA whereby Monona Shores Redevelopment, LLC is required to pay \$100 annually and all real estate taxes relating to the project until November 2048.

Allied Drive Redevelopment Authority, LLC

Allied Drive Redevelopment Authority, LLC has entered into a LURA with WHEDA as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, Allied Drive Redevelopment Authority, LLC must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under the IRC Section 42. If Allied Drive Redevelopment Authority, LLC fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor members. Allied Drive Redevelopment, LLC is obligated to certify tenant eligibility.

Allied Drive Redevelopment Authority, LLC has entered into a management agreement with Stone House Development, Inc. Under the agreement, Allied Drive Redevelopment, LLC is obligated to pay a management fee of 6% of gross project rents collected. Management fees incurred totaled \$29,117 for the year ended December 31, 2012.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE III – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Truax Park Redevelopment, Phase I, LLC

Truax Park Redevelopment, Phase I, LLC has entered into a LURA with WHEDA as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, Truax Park Redevelopment, Phase I, LLC must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under the IRC Section 42. If Truax Park Redevelopment, Phase I, LLC fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor members. Truax Park Redevelopment, Phase I, LLC is obligated to certify tenant eligibility.

Truax Park Redevelopment, Phase I, LLC has entered into a Tax Credit Exchange Program (TCEP) Subaward Agreement (Subaward Agreement) with WHEDA. Under the Subaward Agreement, Truax Park Redevelopment, Phase I, LLC received grant funds totaling \$698,333 pursuant to Section 1602 of the American Recovery and Reinvestment Act of 2009. If Truax Park Redevelopment, Phase I, LLC fails to continuously comply with the guidelines of the Subaward Agreement, it may be required to refund up to the full amount of the grant funds received and reimburse WHEDA for the costs and fees incurred in connection with the recapture event. As a condition to making the Subaward Agreement, WHEDA required the owner to enter into a corporate guarantee. The Subaward Agreement terminates at the expiration of the low-income housing tax credit compliance period.

Truax Park Redevelopment, Phase I, LLC entered into a Project Based Housing Assistance Payments Contract (the Agreement) with the CDA. The CDA has entered into a Consolidated Annual Contributions Contract with HUD allowing its participation in HUD's Section 8 Project Based Housing Assistance Payments Program (the Program). The Agreement, approved by HUD, authorizes the CDA to set aside on a long-term basis 24 certificates for future residents of the project. Under terms of the Program, each household that holds a certificate pays 30% of its annual income for rents and utilities, provided that the rent and utilities do not exceed the applicable fair market rents (FMR). The agreement may be terminated upon at least 30 days notice if it is determined that the contract units were not meeting HUD requirements. The length of the initial term of the contract is 15 years.

Burr Oaks Senior Housing, LLC

Burr Oaks Senior Housing, LLC entered into a property management agreement with a third party. A management fee in the amount of 8% of the effective gross income (rental and other incidental income received on a cash basis) is payable on a monthly basis. A portion of the monthly management fee equal to 2% of effective gross income shall be deferred without interest and payable only out of available cash flow as defined in the operating agreement. The deferred management fee shall not exceed an annual amount of \$7,500. Management fees incurred under this agreement totaled \$29,951 for the period ended December 31, 2012. Of this amount, \$9,882 has been deferred as of December 31, 2012.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE III – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Burr Oaks Senior Housing, LLC (cont.)

Burr Oaks Senior Housing, LLC has entered into a LURA with WHEDA as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, Burr Oaks Senior Housing, LLC must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If Burr Oaks Senior Housing, LLC fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. Burr Oaks Senior Housing, LLC is obligated to certify tenant eligibility.

The managing member received \$385,000 from the City of Madison through the HOME program. This amount was subsequently loaned to Burr Oaks Senior Housing, LLC by the managing member. Burr Oaks Senior Housing, LLC is subject to a HOME loan agreement and LURA which specifies that there shall be 11 HOME-assisted units in the project. Occupancy of these units is restricted to tenants whose income does not exceed a certain percentage of the published County Median Income (CMI), adjusted for family size. Certain rent limits also apply to these units. The agreement is in force until 20 years after the date of project completion.

Burr Oaks Senior Housing, LLC entered into a Project Based Housing Assistance Payments Contract (the Agreement) with the managing member. The managing member has entered into a Consolidated Annual Contributions Contract with HUD allowing its participation of HUD's Section 8 Project Based Housing Assistance Payments Program (the Program). The Agreement, approved by HUD, authorizes the CDA to set aside certificates for future residents of the project. Under terms of the Program, each household that holds a certificate pays 30% of its annual income for rents and utilities, provided that the rent and utilities do not exceed the CDA's payment standards.

D. OTHER POSTEMPLOYMENT BENEFITS

The City of Madison employees provide the necessary staffing to operate the CDA operations. Upon retirement, these employees receive benefits according to the City of Madison's policies. Other postemployment benefit information related specifically to the CDA is unavailable. See the other postemployment benefits note and required supplementary information in the City of Madison, Wisconsin's financial statements for further details.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE III – OTHER INFORMATION (cont.)

E. RELATED PARTIES

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

Component Units

Monona Shores Redevelopment, LLC

Asset Management Fee

Monona Shores Redevelopment, LLC is obligated to Bank One Neighborhood Development Corporation (BONDC) for a cumulative annual asset management fee in the initial amount of \$3,500. The fee increases 3% each year and is payable quarterly. Asset management fees totaled \$4,989 for the year ended December 31, 2012. Accrued asset management fees included in accrued expenses were \$54,657 as of December 31, 2012.

Incentive Project Management Fee

Monona Shores Redevelopment, LLC is obligated to pay a non-cumulative annual incentive project management fee to the managing member payable only out of cash flow, if any. The annual incentive project management fee shall be equal to 75% of the remaining cash flow as defined in the operating agreement. There was no incentive project management fee incurred for the year ended December 31, 2012.

Operating Deficit Guaranty

Under the terms of the operating agreement, the guarantor and developer, both affiliates of the management member, were required to fund operating deficits up to \$454,444 during the operating guarantor period, which was a 5-year period starting on the date that breakeven operations was met. Funds made available under these guarantees were to be treated as non-interest bearing loans and are to be repaid according to the cash flow priorities set forth in the operating agreement. Operating deficit loans totaled \$80,000 as of December 31, 2012.

Allied Drive Redevelopment, LLC

Ground Lease

Allied Drive Redevelopment, LLC entered into a ground lease with the managing member which required a one-time rental fee of \$392,000. The term of the lease began on December 4, 2008, and ends on December 3, 2106, unless terminated earlier in accordance with the ground lease agreement. The prepaid ground lease was \$375,667 as of December 31, 2012. The ground lease expense totaled \$4,000 for the year ended December 31, 2012.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE III – OTHER INFORMATION (cont.)

E. RELATED PARTIES (cont.)

Component Units (cont.)

Allied Drive Redevelopment, LLC (cont.)

Development Fee

Allied Drive Redevelopment, LLC has entered into a development agreement with the managing member. The entire development fee of \$924,000 has been capitalized into the cost of the buildings. The unpaid portion of the development fee is payable from future capital contributions and available cash flow as defined in the operating agreement. The development fee payable was \$0 as of December 31, 2012.

Managing Member Management Fee

The operating agreement provides for Allied Drive Redevelopment, LLC to pay a cumulative annual managing member management fee to the managing member in the initial amount of \$20,000, increasing annually by 3%. The fee is payable out of cash flow as defined in the operating agreement. Accrued managing member management fees included in accrued expenses were \$83,673 as of December 31, 2012. Managing member management fees expensed totaled \$21,855 for the year ended December 31, 2012.

Asset Management Fee

The operating agreement provides for Allied Drive Redevelopment, LLC to pay a cumulative annual asset management fee to an affiliate of the investor member in the initial amount of \$4,800 increasing annually by 3%. The fee is payable out of cash flow as defined in the operating agreement. Accrued asset management fees included in accrued expenses were \$19,141 as of December 31, 2012. Asset management fees expenses totaled \$5,245 for the year ended December 31, 2012.

Operating Deficit Guarantee

The operating agreement provides for an operating deficit guaranty which requires the managing member to loan Allied Drive Redevelopment, LLC funds required to pay operating deficits incurred during the operating deficit period after funds from the operating reserve have been used. The operating deficit guaranty is limited to \$188,000. The operating deficit period begins on the date the project achieves established occupancy and expires on the later of the date Allied Drive Redevelopment, LLC achieves 36 consecutive months of a debt service coverage ratio of at least 1.15, three years from the achievement of stabilized occupancy or three years after closing of the permanent loan. Any loans under this agreement shall not bear interest and shall be payable from net operating income or sale of refinancing proceeds, as provided in the operating agreement. There were no operating deficit loans to the Allied Drive Redevelopment, LLC as of December 31, 2012.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE III – OTHER INFORMATION (cont.)

E. RELATED PARTIES (cont.)

Component Units (cont.)

Truax Park Redevelopment, Phase I, LLC

Development Fee

Truax Park Redevelopment, Phase I, LLC has entered into a development agreement with the CDA. The agreement provides for the payment of a development fee of \$1,314,342, which has been capitalized into the cost of the buildings. The unpaid portion of the development fee is payable from future capital contributions and available cash flow as defined in the operating agreement. If not paid in full by the twelfth year of the compliance period, it shall be paid from the proceeds of an additional capital contribution from the managing member to Truax Park Redevelopment, Phase I, LLC in an amount equal to the unpaid portion of the development fees, as defined in the operating agreement. The development fee payable was \$867,466 as of December 31, 2012.

Accounts Payable

Included in accounts payable are amounts due to the City of Madison, an affiliate of the managing member, for project funds paid by the City of Madison on behalf of the project totaling \$117,427 as of December 31, 2012.

Regulatory and Operating (R&O) Agreement

Truax Park Redevelopment, Phase I, LLC has entered into an R&O Agreement with the CDA. Provisions of the agreement require Truax Park Redevelopment, Phase I, LLC to maintain 47 units as public housing units. With regards to the public housing units, the CDA is to pay operating subsidies to Truax Park Redevelopment, Phase I, LLC equal to project expenses less project income. The operating subsidy shall terminate no later than January 1, 2051. The agreement will expire upon the earliest to occur of the expiration of 40 years from the date of first occupancy or at the option of the project at the close of the first project year of which the CDA ceases to pay operating subsidies. Operating subsidies totaling \$188,167 were earned during the year ended December 31, 2012. Included in accounts receivable, related party are operating subsidies receivable of \$87,820 as of December 31, 2012.

Property Management Agreement

Truax Park Redevelopment, Phase I, LLC has entered into a property management agreement with CDA under which Truax Park Redevelopment Phase I, LLC is obligated to pay a property management fee equal to 5% of gross residential rents on a monthly basis. The agreement is automatically renewed from year to year unless otherwise terminated. Property management fees totaled \$17,443 for the period ended December 31, 2012.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE III – OTHER INFORMATION (cont.)

E. RELATED PARTIES (cont.)

Component Units (cont.)

Truax Park Redevelopment, Phase I, LLC (cont.)

Asset Management Fee

Truax Park Redevelopment, Phase I, LLC is obligated to pay an affiliate of an investor member an annual asset management fee in the initial amount of \$7,100, increasing annually by 3%. The fee shall begin accruing as of the date of qualified occupancy (December 31, 2011). The fee is payable only out of cash flow as defined in the operating agreement and shall be cumulative and accrued if not paid. Included in accrued expenses are accrued asset management fees of \$7,644 as of December 31, 2012. Asset management fees incurred totaled \$7,313 for the year ended December 31, 2012.

Operating Deficit Guaranty

The operating agreement provides for an operating deficit guaranty which requires the managing member to loan Truax Park Redevelopment, Phase I, LLC funds required to pay operating deficits incurred during the operating deficit period after funds from the operating reserve have been used. The operating deficit guaranty is limited to \$232,360. The operating deficit period begins on the date the project achieves established occupancy and expires on the later of the date the company achieves 36 consecutive months of a debt service coverage ratio of at least 1.15, five years from the achievement of established occupancy or five years after closing of the permanent loan. Any loans under this agreement shall not bear interest and shall be payable from net operating income or sale or refunding proceeds, as provided in the operating agreement. There were no operating deficit loans to Truax Park Redevelopment, Phase I, LLC as of December 31, 2012.

Burr Oaks Senior Housing, LLC

Operating Deficit Guaranty

Under the operating agreement, the managing member is required to fund operating deficits through operating deficit loans. At any time during a minimum of 5 years after receipt of the final equity installment (until November 2017), the managing member's obligation to fund operating deficits through loans continues at an aggregate amount not to exceed \$161,098 in the aggregate. If Burr Oaks Senior Housing, LLC maintains a debt service coverage ratio of 1.2 for any twelve month period commencing with the 4 year anniversary of receipt of the final equity installment, and the operating reserve is fully funded, the managing member's obligation to fund operating deficits will be terminated. All operating deficit loans shall bear interest at the prime rate, compounded annually and be payable from available cash flow as defined in the operating agreement. There were no operating deficit loans as of December 31, 2012.

Land Purchase

Burr Oaks Senior Housing, LLC acquired the land from the managing member for \$300,000 during the period ended December 31, 2011.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE III – OTHER INFORMATION (cont.)

E. RELATED PARTIES (cont.)

Component Units (cont.)

Burr Oaks Senior Housing, LLC (cont.)

Development Fee

Burr Oaks Senior Housing, LLC entered into a development services agreement with HDG and the managing member. The agreement provides for Burr Oaks Senior Housing, LLC to pay a development fee of \$735,000 (\$450,000 to HDG and \$285,000 to the managing member). The fee is payable from investor member capital contributions and mortgage loan proceeds. The development fee payable was \$0 as of December 31, 2012. The development fee has been capitalized into the cost of the building.

Asset Management Fees

Burr Oaks Senior Housing, LLC is obligated to pay an annual cumulative asset management fee in the initial amount of \$7,500 to the managing member commencing in 2012. The annual fee is payable from cash flow as defined in the operating agreement. The fee shall increase by 3% per annum beginning in 2013. Asset management fees incurred totaled \$7,500 for the year ended December 31, 2012. Accrued asset management fees included in other accrued expenses on the balance sheet were \$7,500 as of December 31, 2012.

Burr Oaks Senior Housing, LLC is obligated to pay an annual cumulative asset management fee in the initial amount of \$7,500 to the investor member commencing in 2012. The annual fee is payable from cash flow as defined in the operating agreement. The fee shall increase by 3% per annum beginning in 2013. Asset management fees incurred totaled \$7,500 for the year ended December 31, 2012. Accrued asset management fees included in other accrued expenses on the balance sheet were \$7,500 as of December 31, 2012.

F. SUBSEQUENT EVENTS

On January 1, 2013, the CDA issued lease revenue refunding bonds in the amount of \$5,655,000 with interest rates of .85-1.95%. This amount will be used to current refund the Series 2002 issue.

On January 25, 2013, a second amendment to the amended and restated operating agreement was executed whereby the investor members are to contribute additional equity totaling \$287,577 to Truax Park Redevelopment Phase I, LLC.

The investor members made capital contributions totaling \$444,945. These funds were used to repay the outstanding WCB construction loan and accrued interest and the construction payables owed the general contractor.

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE III – OTHER INFORMATION (cont.)

G. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 65, *Items Previously Reported as Assets and Liabilities*; Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Application of these standards may restate portions of these financial statements.

S U P P L E M E N T A L I N F O R M A T I O N

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
As of December 31, 2012

ASSETS	Karabis Fund	Parkside Project Fund	Allied Drive Fund	East Housing Fund
Current Assets				
Cash and investments	\$ 898,373	\$ -	\$ 326,294	\$ 186,822
Accounts receivable	674	2,166	-	6,048
Interest receivable	2,644	-	-	-
Due from other governmental units	-	-	-	164,564
Current portion of advances to other funds	40,000	-	-	-
Prepaid items	336	1,279	-	6,054
Total Current Assets	<u>942,027</u>	<u>3,445</u>	<u>326,294</u>	<u>363,488</u>
Property, Plant and Equipment				
Land	22,698	200,271	4,560,555	350,162
Land improvements	63,343	79,125	-	127,526
Buildings and improvements	911,362	3,642,212	-	10,138,270
Machinery and equipment	28,423	118,043	-	359,579
Less: Accumulated depreciation	<u>(818,802)</u>	<u>(3,122,393)</u>	<u>-</u>	<u>(8,492,278)</u>
Net Property, Plant and Equipment	<u>207,024</u>	<u>917,258</u>	<u>4,560,555</u>	<u>2,483,259</u>
Other Assets				
Restricted assets				
Due from other governmental units	-	830,049	-	-
Advances to other funds	140,000	-	-	-
Long-term receivable	-	-	2,688,682	-
Lease receivable	-	-	-	1,846,000
Total Other Assets	<u>140,000</u>	<u>830,049</u>	<u>2,688,682</u>	<u>1,846,000</u>
Deferred charges	-	790	-	-
TOTAL ASSETS	<u>\$ 1,289,051</u>	<u>\$ 1,751,542</u>	<u>\$ 7,575,531</u>	<u>\$ 4,692,747</u>

West Housing Fund	Triangle Housing Fund	Totals
\$ 320,746	\$ 233,661	\$ 1,965,896
7,250	4,926	21,064
-	-	2,644
165,326	283,562	613,452
-	-	40,000
7,254	5,858	20,781
<u>500,576</u>	<u>528,007</u>	<u>2,663,837</u>
1,209,316	482,652	6,825,654
6,964	9,986	286,944
12,568,558	9,730,006	36,990,408
469,037	296,283	1,271,365
<u>(9,903,793)</u>	<u>(8,273,261)</u>	<u>(30,610,527)</u>
<u>4,350,082</u>	<u>2,245,666</u>	<u>14,763,844</u>
-	-	830,049
-	-	140,000
-	-	2,688,682
-	-	1,846,000
<u>-</u>	<u>-</u>	<u>5,504,731</u>
-	-	790
<u>\$ 4,850,658</u>	<u>\$ 2,773,673</u>	<u>\$ 22,933,202</u>

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
As of December 31, 2012

LIABILITIES	Karabis Fund	Parkside Project Fund	Allied Drive Fund	East Housing Fund
Current Liabilities				
Accounts payable	\$ 9,432	\$ 68,681	\$ 11,224	\$ 57,896
Accrued liabilities	-	2,644	-	-
Due to primary government - City of Madison pooled cash and investments	-	76,076	-	-
Unearned revenue	-	3,089	-	1,062
Current portion of mortgage notes	-	154,726	-	-
Current portion of advances from other funds	-	40,000	-	-
Accrued compensated absences	375	1,514	-	5,039
Other liabilities	5,920	23,398	-	44,984
Total Current Liabilities	<u>15,727</u>	<u>370,128</u>	<u>11,224</u>	<u>108,981</u>
Long-Term Debt Net of Current Maturities				
Mortgage notes	-	932,427	-	-
Other loans	-	-	957,502	-
Accrued compensated absences	4,839	19,514	-	64,964
Other post-employment benefits	-	-	-	30,160
Advances from other funds	-	140,000	-	-
Advances from primary government - City of Madison	5,022	27,458	-	87,206
Total Long-Term Debt	<u>9,861</u>	<u>1,119,399</u>	<u>957,502</u>	<u>182,330</u>
TOTAL LIABILITIES	<u>25,588</u>	<u>1,489,527</u>	<u>968,726</u>	<u>291,311</u>
NET POSITION				
Net investment in capital assets (deficit)	207,024	(169,895)	4,560,555	2,483,259
Restricted for debt	-	830,049	-	-
Unrestricted (deficit)	1,056,439	(398,139)	2,046,250	1,918,177
Total Net Position	<u>1,263,463</u>	<u>262,015</u>	<u>6,606,805</u>	<u>4,401,436</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,289,051</u>	<u>\$ 1,751,542</u>	<u>\$ 7,575,531</u>	<u>\$ 4,692,747</u>

West Housing Fund	Triangle Housing Fund	Totals
\$ 80,707	\$ 239,830	\$ 467,770
-	-	2,644
-	-	76,076
6,969	12,663	23,783
-	-	154,726
-	-	40,000
6,320	4,386	17,634
<u>79,479</u>	<u>55,113</u>	<u>208,894</u>
<u>173,475</u>	<u>311,992</u>	<u>991,527</u>
-	-	932,427
60,000	-	1,017,502
81,484	56,541	227,342
29,996	25,738	85,894
-	-	140,000
<u>132,292</u>	<u>52,837</u>	<u>304,815</u>
<u>303,772</u>	<u>135,116</u>	<u>2,707,980</u>
<u>477,247</u>	<u>447,108</u>	<u>3,699,507</u>
4,290,082	2,245,666	13,616,691
-	-	830,049
<u>83,329</u>	<u>80,899</u>	<u>4,786,955</u>
<u>4,373,411</u>	<u>2,326,565</u>	<u>19,233,695</u>
<u>\$ 4,850,658</u>	<u>\$ 2,773,673</u>	<u>\$ 22,933,202</u>

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2012

	Karabis Fund	Parkside Project Fund
OPERATING REVENUES		
Charges for services	\$ 72,827	\$ 288,578
Other revenue	5,868	20,170
Total Operating Revenues	78,695	308,748
OPERATING EXPENSES		
Operation and maintenance	90,588	530,438
Depreciation	27,778	108,575
Taxes	4,045	19,202
Total Operating Expenses	122,411	658,215
Operating Income (Loss)	(43,716)	(349,467)
NONOPERATING REVENUES (EXPENSES)		
Investment income	18,593	7,441
Interest and amortization	(159)	(91,913)
Intergovernmental grants	142,567	463,414
Miscellaneous revenues	-	-
Total Nonoperating Revenue (Expenses)	161,001	378,942
Income (Loss) Before Transfers	117,285	29,475
TRANSFERS OUT	-	-
CHANGE IN NET POSITION	117,285	29,475
NET POSITION – Beginning of Year	1,146,178	232,540
NET POSITION – END OF YEAR	\$ 1,263,463	\$ 262,015

Allied Drive Fund	East Housing Fund	West Housing Fund	Triangle Housing Fund	Totals
\$ -	\$ 513,536	\$ 886,360	\$ 692,587	\$ 2,453,888
-	22,472	48,774	26,026	123,310
-	536,008	935,134	718,613	2,577,198
40,612	1,370,519	1,743,369	1,226,817	5,002,343
-	246,870	335,129	279,413	997,765
-	33,146	61,762	44,422	162,577
40,612	1,650,535	2,140,260	1,550,652	6,162,685
(40,612)	(1,114,527)	(1,205,126)	(832,039)	(3,585,487)
115,271	-	-	1,854	143,159
(36,864)	(88,218)	(4,665)	(2,020)	(223,839)
-	1,086,351	1,097,227	817,479	3,607,038
563,773	-	-	-	563,773
642,180	998,133	1,092,562	817,313	4,090,131
601,568	(116,394)	(112,564)	(14,726)	504,644
-	-	-	(7,324)	(7,324)
601,568	(116,394)	(112,564)	(22,050)	497,320
6,005,237	4,517,830	4,485,975	2,348,615	18,736,375
<u>\$ 6,606,805</u>	<u>\$ 4,401,436</u>	<u>\$ 4,373,411</u>	<u>\$ 2,326,565</u>	<u>\$ 19,233,695</u>

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2012

	Karabis Fund	Parkside Project Fund	Allied Drive Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 77,224	\$ 300,914	\$ -
Paid to suppliers for goods and services	(59,309)	(372,797)	-
Paid to employees for services	(26,500)	(106,748)	-
Paid to city for tax equivalent	(4,045)	(19,202)	-
Net Cash Flows From Operating Activities	<u>(12,630)</u>	<u>(197,833)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Deposits (refunds)	-	1,387	(9,772)
Deposits (refunds) with governmental agencies	-	(1,244)	-
Intergovernmental grants	142,567	463,414	-
Deficit cash implicitly financed (repaid)	-	47,574	(204,398)
Collection of long-term receivable	-	-	233,890
Repayment of advance to primary government	(224)	(1,228)	-
Transfers in (out)	-	-	-
Other nonoperating items	-	-	525,665
Net Cash Flows From Noncapital Financing Activities	<u>142,343</u>	<u>509,903</u>	<u>545,385</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	-	(144,654)	(297,498)
Interest paid	(159)	(92,012)	(36,864)
Acquisition and construction of capital assets	(33,343)	(42,845)	-
Collection of advance to other funds	40,000	-	-
Repayment of advance from other funds	-	(40,000)	-
Net Cash Flows From Capital and Related Financing Activities	<u>6,498</u>	<u>(319,511)</u>	<u>(334,362)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	19,180	7,441	115,271
Net Cash Flows From Investing Activities	<u>19,180</u>	<u>7,441</u>	<u>115,271</u>
Net Increase (Decrease) in Cash and Cash Equivalents	155,391	-	326,294
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>742,982</u>	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 898,373</u>	<u>\$ -</u>	<u>\$ 326,294</u>

East Housing Fund	West Housing Fund	Triangle Housing Fund	Totals
\$ 619,728	\$ 935,857	\$ 715,379	\$ 2,649,102
(922,558)	(1,191,504)	(574,907)	(3,121,075)
(431,956)	(530,401)	(473,411)	(1,569,016)
(33,146)	(61,762)	(44,422)	(162,577)
<u>(767,932)</u>	<u>(847,810)</u>	<u>(377,361)</u>	<u>(2,203,566)</u>
1,428	5,364	2,243	650
-	-	-	(1,244)
999,533	1,089,658	635,283	3,330,455
-	-	-	(156,824)
-	-	-	233,890
(3,898)	(5,913)	(2,362)	(13,625)
-	-	(7,324)	(7,324)
-	-	-	525,665
<u>997,063</u>	<u>1,089,109</u>	<u>627,840</u>	<u>3,911,643</u>
-	-	-	(442,152)
(3,237)	(4,665)	(2,020)	(138,957)
(57,766)	(112,209)	(173,500)	(419,663)
-	-	-	40,000
-	-	-	(40,000)
<u>(61,003)</u>	<u>(116,874)</u>	<u>(175,520)</u>	<u>(1,000,772)</u>
-	-	1,854	143,746
-	-	1,854	143,746
168,128	124,425	76,813	851,051
<u>18,694</u>	<u>196,321</u>	<u>156,848</u>	<u>1,114,845</u>
<u>\$ 186,822</u>	<u>\$ 320,746</u>	<u>\$ 233,661</u>	<u>\$ 1,965,896</u>

**COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON**

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2012

	Karabis Fund	Parkside Project Fund	Allied Drive Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (43,716)	\$ (349,467)	\$ (40,612)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Depreciation	27,778	108,575	-
Change in assets and liabilities			
Accounts receivable	(661)	(1,469)	-
Prepaid items	(114)	(363)	-
Accounts payable	4,444	50,247	40,612
Accrued liabilities	449	1,009	-
Unearned revenue	(810)	(6,365)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (12,630)	\$ (197,833)	\$ -

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

None

East Housing Fund	West Housing Fund	Triangle Housing Fund	Totals
\$ (1,114,527)	\$ (1,205,126)	\$ (832,039)	\$ (3,585,487)
246,870	335,129	279,413	997,765
83,720	723	(3,234)	79,079
1,167	(2,049)	(350)	(1,709)
32,448	10,850	193,004	331,605
(17,610)	12,663	(14,155)	(17,644)
-	-	-	(7,175)
<u>\$ (767,932)</u>	<u>\$ (847,810)</u>	<u>\$ (377,361)</u>	<u>\$ (2,203,566)</u>