

**Village on Park**  
(A Business -Type Activity-Enterprise Fund of the  
Community Development Authority of the City of Madison)

Financial Report

December 31, 2023



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# VILLAGE ON PARK

(A Business -Type Activity-Enterprise Fund of the Community Development Authority of the City of Madison)

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Village on Park, a business-type activity-enterprise fund of the Community Development Authority of the City of Madison, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Village on Park's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Village on Park, a business-type activity-enterprise fund of the Community Development Authority of the City of Madison, as of December 31, 2023, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Village on Park and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter*

As discussed in Note A, the financial statements present only the Village on Park fund, a business-type activity-enterprise fund of the Community Development Authority of the City of Madison, and do not purport to, and do not, present fairly the financial position of the Community Development Authority of the City of Madison as of December 31, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Village on Park's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Village on Park's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Village on Park's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

*SVA Certified Public Accountants, S.C.*

Madison, Wisconsin

May 7, 2024

## VILLAGE ON PARK

(A Business-Type Activity-Enterprise Fund of the Community Development Authority of the City of Madison)

### STATEMENT OF NET POSITION

December 31, 2023

#### ASSETS

##### Current Assets

Cash and cash equivalents	\$ 1,131,607
Accounts receivable	6,253
Accounts receivable, CDA	107,743
Lease receivable, short-term	1,140,620
Prepaid expenses	7,297

Total Current Assets 2,393,520

##### Noncurrent Assets

Net capital assets	16,386,704
Lease receivable, long-term	8,344,672

Total noncurrent Assets 24,731,376

#### TOTAL ASSETS

\$ 27,124,896

#### LIABILITIES

##### Current Liabilities

Accounts payable	\$ 9,240
Accrued expenses	49,012
Accrued interest	20,327
Unearned revenue	7,648
Tenants' security deposits payable	18,360
Current portion of advances from primary government - City of Madison	507,483

Total Current Liabilities 612,070

##### Long-Term Liabilities

Advances from primary government - City of Madison	3,327,430
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Total Liabilities \$ 3,939,500

#### DEFERRED INFLOW OF RESOURCES

\$ 9,117,612

#### NET POSITION

Net investment in capital assets	12,551,791
Unrestricted	1,515,993

Total Net Position 14,067,784

#### TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

\$ 27,124,896

The accompanying notes are an integral part of these financial statements.

## VILLAGE ON PARK

(A Business-Type Activity-Enterprise Fund of the Community Development Authority of the City of Madison)

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended December 31, 2023

Operating revenues:	
Rental income	\$ 1,584,577
Vacancies and concessions	(9,074)
Other revenues	<u>312,595</u>
Total operating revenues	1,888,098
Operating expenses:	
Rent and administrative	94,606
Utilities	60,198
Operating and maintenance	483,926
PILOT, taxes and insurance	100,396
Depreciation	<u>700,745</u>
Total operating expenses	<u>1,439,871</u>
Operating income	448,227
Non-operating revenues (expenses)	
Interest income	117,603
Interest expense	(89,984)
TID reimbursement income	<u>555,131</u>
Total non-operating revenues (expenses)	<u>582,750</u>
Income before transfers	1,030,977
Transfers out	<u>84,000</u>
Change in net position	946,977
Net position, beginning	<u>13,120,807</u>
Net position, ending	<u><u>\$ 14,067,784</u></u>

The accompanying notes are an integral part of these financial statements.

## VILLAGE ON PARK

(A Business-Type Activity-Enterprise Fund of the Community Development Authority of the City of Madison)

### STATEMENT OF CASH FLOWS

Year ended December 31, 2023

#### CASH FLOWS FROM OPERATING ACTIVITIES

Received from customers	\$ 1,857,369
Paid to vendors for goods and services	(798,707)
Net cash provided by operating activities	1,058,662

#### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers out	(84,000)
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#### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Repayment of advance from primary government	(507,483)
Interest paid	(92,876)
Tax Incremental District income from primary government	748,564
Acquisition of capital assets	(863,038)
Net cash used in capital and related financing activities	(714,833)

#### CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	1,602
Change in cash and cash equivalents	261,431
Cash and cash equivalents:	
Beginning	870,176
Ending	\$ 1,131,607

#### RECONCILIATION OF CHANGE IN OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 448,227
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	700,745
Amortization of deferred inflow of resources	(1,585,288)
Change in assets and liabilities:	
Accounts receivable	36,997
Lease receivable	1,518,437
Prepaid expenses	12
Accounts payable	(6,531)
Accrued expenses	(53,062)
Unearned revenue	(875)
Net cash provided by operating activities	\$ 1,058,662

#### SUPPLEMENTAL SCHEDULE(S) OF NONCASH NONCAPITAL FINANCING, CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES

Interest income - leases	\$ 116,001
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The accompanying notes are an integral part of these financial statements.



## VILLAGE ON PARK

(A Business -Type Activity-Enterprise Fund of the Community Development Authority of the City of Madison)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023

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### NOTE A -- Summary of significant accounting policies

#### Reporting entity

Village on Park (the fund) is a business-type activity-enterprise fund of the Community Development Authority of the City of Madison (CDA). The CDA is a component unit of the City of Madison. The fund consists of a retail and commercial center located in Madison, Wisconsin, that was purchased by the CDA in 2004 and substantially rehabilitated in 2009-2012.

#### Measurement focus, basis of accounting and basis of presentation

The financial statements of the fund have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the fund are described below.

The accounts of the fund are organized and operated on the basis of a proprietary fund.

The fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's operations. The principal operating revenues of the fund include activities that have characteristics of exchange transactions, mainly rental income. Operating expenses for the fund include the cost of services provided, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Non-operating revenue includes interest income and Tax Incremental District (TID) reimbursement income from the CDA restricted to capital purchases.

**Proprietary Fund** - The proprietary fund is an *Enterprise Fund* used to account for those operations that are financed and operated in a manner similar to private business or where the CDA has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

**Enterprise Funds** are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of this fund are included on the statement of net position. The enterprise fund is used to account for the activities of the Villager Mall project. Under the Villager Mall project, the CDA owns and operates a retail and commercial center. Financing for the acquisition and rehabilitation of this property was obtained through long-term debt issues. The operations and maintenance are funded principally through tenant rent.

#### Use of estimates

The preparation of financial statements 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.

# VILLAGE ON PARK

(A Business -Type Activity-Enterprise Fund of the Community Development Authority of the City of Madison)

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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### NOTE A -- Summary of significant accounting policies (Continued)

#### Cash and cash equivalents and restricted cash

For purposes of reporting cash flows, the fund considers all investments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash not available to the fund due to restrictions placed on it.

#### Accounts receivable and revenue recognition

The fund utilizes the direct write-off method of accounting for bad debts. The use of this method has no material effect on the financial statements. Accounts receivable are written-off when management determines an account is uncollectible.

The fund has various leases at its commercial rental complex, which generate rental income from tenants (see Note E). The fund has determined that all tenant contracts contain a lease since the tenants have the right to control the use of and obtain substantially all of the economic benefits from the fund's commercial space. Rental revenue is recognized on a straight-line basis over the term of the leases.

In addition to fixed base rents, certain rental income derived from tenant leases is variable. The company includes variable lease payments as "other revenues" on the statement of revenues, expenses and changes in net position in the period in which the changes in facts and circumstances on which the variable lease payments are based occur. Variable lease payments arise from tenant expense reimbursements, which provide for the recovery of all or a portion of the operating expenses, common area maintenance expenses, real estate taxes and insurance.

#### Capital assets

Capital assets are stated at cost. Depreciation of rental property is computed on the straight-line method based upon the following estimated useful lives of the assets:

	<u>Years</u>
Land improvements	20
Buildings and improvements	10-30

Maintenance and repairs of rental property are 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.

All purchases of capital assets in excess of \$5,000, and/or extends the useful life will be capitalized.

# VILLAGE ON PARK

(A Business -Type Activity-Enterprise Fund of the Community Development Authority of the City of Madison)

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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### NOTE A -- Nature of business and significant accounting policies (Continued)

#### Impairment of capital assets

The fund reviews capital assets, including rental property, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. A capital asset generally is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. To date, there have been no such losses.

#### Deferred inflow of resources

Deferred inflow of resources is defined as an acquisition of net position that applies to a future period. Deferred inflow of resources is calculated as the lease receivable plus any payments made at or prior to the commencement of each lease. The deferred inflow continues to be recognized as revenue over the life of the leases.

#### Net position

The fund's net position is subdivided into two categories: 1) net investment in capital assets, and 2) unrestricted. Each component of net position is reported separately on the statements of net position. Net investment in capital assets represents the balance of land and buildings and improvements less accumulated depreciation, net of any related debt incurred in the acquisition of capital assets. The remaining net position, not related to capital assets, is reported as unrestricted.

#### Subsequent events

These financial statements have not been updated for subsequent events occurring after May 7, 2024, which is the date these financial statements were available to be issued. The fund has no responsibility to update these financial statements for events and circumstances occurring after this date.

### NOTE B -- Cash and cash equivalents

The fund's cash and cash equivalents as of December 31, 2023 were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Deposits	\$ 1,131,607	\$ 1,201,716	Custodial credit risk

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) and \$250,000 for demand deposit accounts, which, at times, may exceed federally insured limits. The fund has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash and cash equivalents.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

## VILLAGE ON PARK

(A Business -Type Activity-Enterprise Fund of the Community Development Authority of the City of Madison)

### NOTES TO FINANCIAL STATEMENTS

December 31, 2023

#### NOTE B -- Cash and cash equivalents (Continued)

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

As of December 31, 2023, \$951,716 of the fund's total bank balance of \$1,201,716 was exposed to custodial credit risk as uninsured and uncollateralized.

#### NOTE C -- Capital assets, net

The balance of and changes in capital assets as of and for the year ended December 31, 2023 is summarized as follows:

	December 31, 2022	Additions	Deletions	December 31, 2023
Capital assets not being depreciated				
Land	\$ 4,580,151	\$ 0	\$ 0	\$ 4,580,151
Construction in progress	2,078,677	335,138	(1,755,882)	657,933
Total capital assets not being depreciated	6,658,828	335,138	(1,755,882)	5,238,084
Capital assets being depreciated:				
Buildings and improvements	17,529,850	474,781	0	18,004,631
Land improvements	0	1,520,335	0	1,520,335
Total capital assets being depreciated	17,529,850	1,995,116	0	19,524,966
Accumulated depreciation	(7,675,601)	(700,745)	0	(8,376,346)
Total capital assets being depreciated, net	9,854,249	1,294,371	0	11,148,620
Total capital assets, net	\$ 16,513,077	\$ 1,629,509	\$ (1,755,882)	\$ 16,386,704

# VILLAGE ON PARK

(A Business -Type Activity-Enterprise Fund of the Community Development Authority of the City of Madison)

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### NOTE D -- Long-term debt

	Beginning Balance 2022	Increases	Decreases	Ending Balance 2023	Amounts Due Within One Year
Advances from primary government – City of Madison:					
2011 Advance	\$ 3,892,500	\$ 0	\$ 432,500	\$ 3,460,000	\$ 432,500
2018 Advance	449,896	0	74,983	374,913	74,983
Total advances from primary government – City of Madison:	<u>\$ 4,342,396</u>	<u>\$ 0</u>	<u>\$ 507,483</u>	<u>\$ 3,834,913</u>	<u>\$ 507,483</u>

Advances from primary government – City of Madison consist of the following:

2011 Advance; in the original amount of \$8,650,000;  
annual payments of \$432,500, including interest at  
2.7% (paid semi-annually); due October 1, 2031. \$ 3,460,000

2018 Advance; in the original amount of \$750,000;  
annual payments ranging from \$74,983 to \$75,026,  
including interest at 4.00% (paid semi-annually); due  
October 1, 2028. 374,913

\$ 3,834,913

Future maturities of principal and interest on long-term debt as of December 31, 2023 are as follows:

	Principal	Interest
2024	\$ 507,483	\$ 81,307
2025	507,483	69,738
2026	507,483	58,168
2027	507,483	47,349
2028	507,481	36,530
2029 – 2031	<u>1,297,500</u>	<u>51,420</u>
	<u>\$ 3,834,913</u>	<u>\$ 344,512</u>

## VILLAGE ON PARK

(A Business -Type Activity-Enterprise Fund of the Community Development Authority of the City of Madison)

### NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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#### NOTE E -- Commercial rental revenue

The fund leases space at its commercial rental complex under contractual agreements classified as leases that expire at various intervals from approximately 1 to 10 years, with one or more renewal options available upon expiration of the initial lease term. The exercise of these renewal options is at the sole discretion of the tenants. The terms of the leases expire at various dates between 2024 and 2035.

Variable lease payments arise from tenant expense reimbursements, which provide for the recovery of all or a portion of the operating expenses, common area maintenance expenses, real estate taxes, and insurance. These variable lease payments are not included in the measurement of the lease receivable. The total variable payments are \$217,933 for the year ended December 31, 2023.

The lease-related inflows of resources are as follows:

Lease revenue	\$ 1,584,577
Interest revenue	<u>116,001</u>
	<u>\$ 1,701,289</u>

Future principal and interest payments that are included in the measurement of lease receivable are as follows:

	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,273,621	\$ 103,634
2025	1,143,379	91,928
2026	1,112,804	80,485
2027	1,112,804	68,556
2028	1,108,575	56,078
2029 – 2033	2,859,988	135,127
2034 – 2038	<u>506,440</u>	<u>7,392</u>
	<u>\$ 9,117,612</u>	<u>\$ 543,200</u>

## **VILLAGE ON PARK**

(A Business -Type Activity-Enterprise Fund of the Community Development Authority of the City of Madison)

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2023

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#### **NOTE F -- Commitments and contingencies**

##### **Payment in Lieu of Taxes (PILOT)**

The CDA has a PILOT arrangement with the City of Madison, Wisconsin (the City), under which the CDA agrees to make annual PILOT payments to the City in the amount of \$70,000. The PILOT arrangement shall terminate on the day before the respective January 1st of the year during which the City determines that Village on Park no longer qualifies for property tax exemption or termination of ownership of Village on Park by the CDA. PILOT expense totaled \$70,000 for the year ended December 31, 2023

##### **Construction and engineering contracts**

The fund entered into a construction contract with unrelated third-party contractor on March 12, 2024 for construction of parking lot structure in the amount of \$14,997,402. As of May 7, 2024, total costs incurred under this contract was \$161,562.

#### **NOTE G -- Related-party transactions**

##### **Accounts receivable, CDA**

Accounts receivable, CDA includes amounts due from the CDA for use of TID funds to reimburse capital costs totaling \$107,743 as of December 31, 2023.