

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

Financial Report

December 31, 2020

# **VILLAGE ON PARK**

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

## **C O N T E N T S**

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## INDEPENDENT AUDITOR'S REPORT

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

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, 2020, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Village on Park, a business-type activity-enterprise fund of the Community Development Authority of the City of Madison, as of December 31, 2020, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 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, 2020, 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.

## **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 25, 2021

## 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, 2020

<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 603,720
Accounts receivable	6,812
Prepaid expenses	<u>1,815</u>
Total Current Assets	612,347
Noncurrent Assets	
Net Capital Assets	<u>16,313,813</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 16,926,160</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 5,182
Accrued expenses	28,319
Accrued PILOT	70,000
Accrued interest	31,030
Unearned revenue	40,920
Tenants' security deposits payable	19,060
Current portion of advances from primary government - City of Madison	<u>642,509</u>
Total Current Liabilities	837,020
Long-Term Liabilities	
Advances from primary government - City of Madison	<u>4,984,905</u>
Total Liabilities	5,821,925
<b>NET POSITION</b>	
Net investment in capital assets	10,686,399
Unrestricted	<u>417,836</u>
Total Net Position	<u>11,104,235</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 16,926,160</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 REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended December 31, 2020

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Operating revenues:	
Rental income	\$ 1,499,899
Vacancies and concessions	(30,292)
Other revenues	<u>162,137</u>
Total operating revenues	1,631,744
Operating expenses:	
Rent and administrative	103,923
Utilities	107,330
Operating and maintenance	414,841
PILOT, taxes and insurance	91,260
Depreciation	<u>650,712</u>
Total operating expenses	<u>1,368,066</u>
Operating income	263,678
Non-operating revenues (expenses)	
Interest income	2,521
Interest expense	<u>(136,846)</u>
Total non-operating revenues (expenses)	<u>(134,325)</u>
Change in net position	129,353
Net position, beginning	<u>10,974,882</u>
Net position, ending	<u><u>\$ 11,104,235</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, 2020

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#### CASH FLOWS FROM OPERATING ACTIVITIES

Received from customers	\$ 1,671,369
Paid to suppliers for goods and services	<u>(704,381)</u>
Net cash provided by operating activities	966,988

#### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Repayment of advance from primary government	(642,509)
Interest paid	(141,088)
Acquisition of capital assets	<u>(242,947)</u>
Net cash used in capital and related financing activities	(1,026,544)

#### CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>2,521</u>
Change in cash and cash equivalents	(57,035)
Cash and cash equivalents:	
Beginning	<u>660,755</u>
Ending	<u><u>\$ 603,720</u></u>

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

Operating income	\$ 263,678
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	650,712
Change in assets and liabilities:	
Accounts receivable	(4,575)
Prepaid expenses	4,734
Accounts payable	2,770
Accrued expenses	1,787
Unearned revenue	40,920
Tenants' security deposits payable	3,280
Pension related amounts	<u>3,682</u>
Net cash provided by operating activities	<u><u>\$ 966,988</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)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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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.

**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, 2020

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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.

Rental revenue is recognized when earned. The fund leases commercial space to various tenants under operating leases (see Note E). Other revenue consists of various tenant charges and other services and is recognized when the service is complete.

#### 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>
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.

#### Impairment of long-lived assets

The fund reviews long-lived 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. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

## 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, 2020

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

##### 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 25, 2021, 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, 2020 were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Deposits	\$ 603,720	\$ 619,595	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.

##### Custodial credit risk

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, 2020, \$369,595 of the fund's total bank balance of \$619,595 was exposed to custodial credit risk as uninsured and uncollateralized.

**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, 2020

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**NOTE C -- Capital assets, net**

The balance of and changes in capital assets as of and for the year ended December 31, 2020 is summarized as follows:

	December 31, 2019	Additions	Deletions	December 31, 2020
Capital assets not being depreciated				
Land	\$ 4,580,151	\$ 0	\$ 0	\$ 4,580,151
Total capital assets not being depreciated	4,580,151	0	0	4,580,151
Capital assets being depreciated:				
Buildings and improvements	18,834,835	242,947	0	19,077,782
Total capital assets being depreciated	18,834,835	242,947	0	19,077,782
Accumulated depreciation	(6,693,408)	(650,712)	0	(7,344,120)
Total capital assets being depreciated, net	12,141,427	(407,765)	0	11,733,662
Total capital assets, net	<u>\$ 16,721,578</u>	<u>\$ (407,765)</u>	<u>\$ 0</u>	<u>\$ 16,313,813</u>

**NOTE D -- Long-term debt**

	Beginning Balance 2019	Increases	Decreases	Ending Balance 2020	Amounts Due Within One Year
Advances from primary government – City of Madison:					
2011 Advance	\$ 5,190,000	\$ 0	\$ 432,500	\$ 4,757,500	\$ 432,500
2012 Advance	404,949	0	134,983	269,966	134,983
2018 Advance	674,974	0	75,026	599,948	75,026
Total advances from primary government – City of Madison:	<u>\$ 6,269,923</u>	<u>\$ 0</u>	<u>\$ 642,509</u>	<u>\$ 5,627,414</u>	<u>\$ 642,509</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, 2020

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#### NOTE D -- Long-term debt (Continued)

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 1.98% (paid semi-annually); due October 1, 2031;	\$ 4,757,500
2012 Advance; in the original amount of \$1,350,000; annual payments of \$134,983, including interest at 4.00% (paid semi-annually); due October 1, 2022;	269,966
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;	<u>599,948</u>
	<u>\$ 5,627,414</u>

Future maturities of principal and interest on long-term debt as of December 31, 2020 are as follows:

	Principal	Interest
2021	\$ 642,509	\$ 124,118
2022	642,509	108,497
2023	507,483	92,877
2024	507,483	81,307
2025	507,483	69,738
2026 – 2030	2,387,447	184,897
2031	<u>432,500</u>	<u>8,570</u>
	<u>\$ 5,627,414</u>	<u>\$ 670,004</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, 2020

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#### NOTE E -- Commercial rental revenue

Commercial rental revenue is earned pursuant to contractual agreements classified as operating leases that expire at various intervals from approximately 1 to 10 years. Under the terms of the lease agreements, the fund receives monthly rental payments in varying amounts, increasing annually.

Future minimum lease payments to be received are as follows:

Year ending December 31,

2021	\$ 1,488,817
2022	1,076,411
2023	945,595
2024	487,394
2025	156,583
Thereafter	<u>1,201</u>
	<u>\$ 4,156,001</u>

#### 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, 2020.

##### Uncertainty

In March 2020, the World Health Organization (WHO) characterized the coronavirus disease (COVID-19) as a global pandemic. Since that time, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the fund as of May 25, 2021, management believes that a material impact on the fund's financial position and results of future operations is reasonably possible.