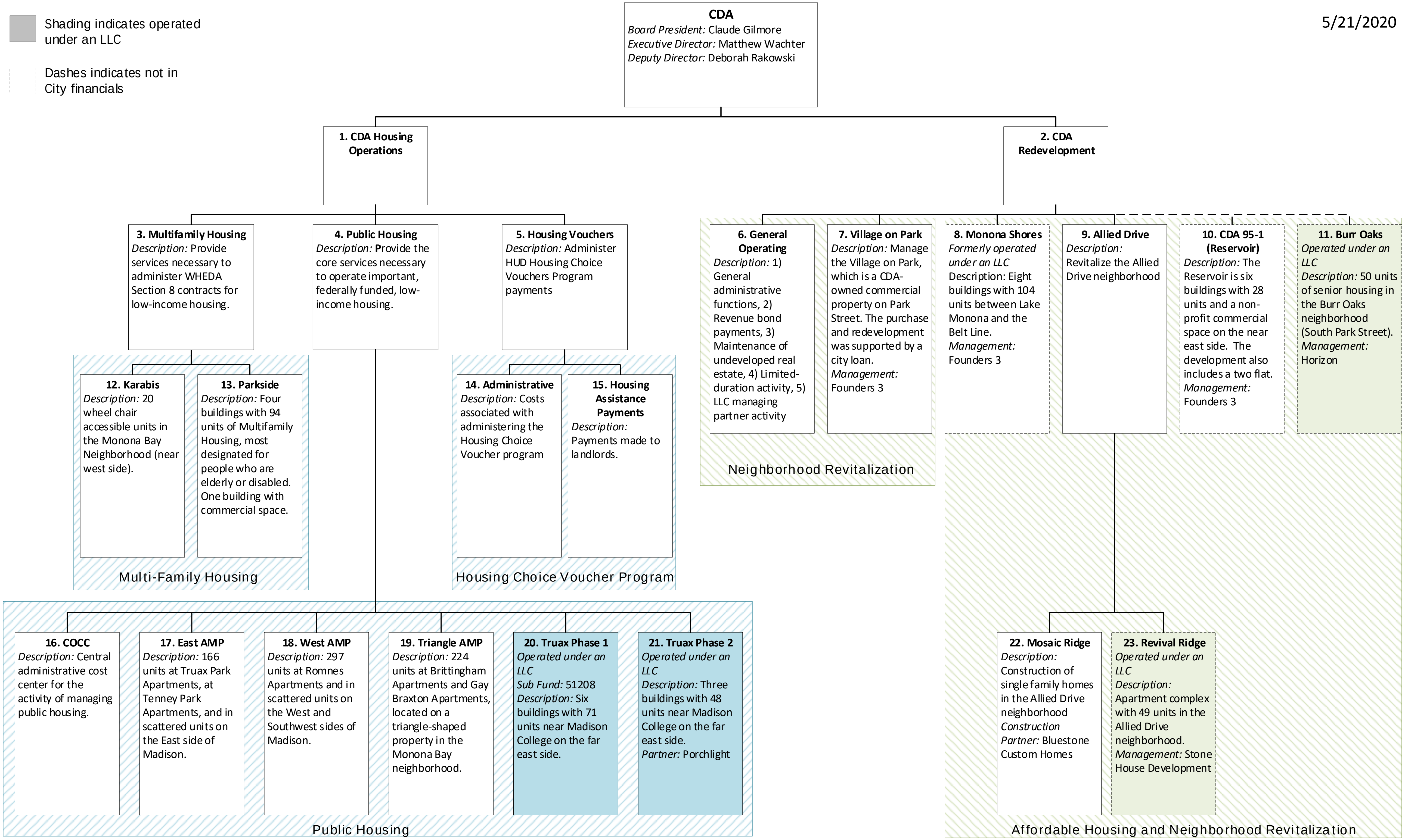
5/21/2020


Shading indicates operated under an LLC
Dashes indicates not in City financials
CDA
Board President: Claude Gilmore
Executive Director: Matthew Wachter
Deputy Director: Deborah Rakowski
1. CDA Housing Operations
2. CDA Redevelopment
3. Multifamily Housing
Description: Provide services necessary to administer WHEDA Section 8 contracts for low-income housing.
4. Public Housing
Description: Provide the core services necessary to operate important, federally funded, low-income housing.
5. Housing Vouchers
Description: Administer HUD Housing Choice Vouchers Program payments
6. General Operating
Description: 1) General administrative functions, 2) Revenue bond payments, 3) Maintenance of undeveloped real estate, 4) Limited-duration activity, 5) LLC managing partner activity
7. Village on Park
Description: Manage the Village on Park, which is a CDA-owned commercial property on Park Street. The purchase and redevelopment was supported by a city loan.
Management: Founders 3
8. Monona Shores
Formerly operated under an LLC
Description: Eight buildings with 104 units between Lake Monona and the Belt Line.
Management: Founders 3
9. Allied Drive
Description: Revitalize the Allied Drive neighborhood
10. CDA 95-1 (Reservoir)
Description: The Reservoir is six buildings with 28 units and a non-profit commercial space on the near east side. The development also includes a two flat.
Management: Founders 3
11. Burr Oaks
Operated under an LLC
Description: 50 units of senior housing in the Burr Oaks neighborhood (South Park Street).
Management: Horizon
Neighborhood Revitalization
12. Karabis
Description: 20 wheel chair accessible units in the Monona Bay Neighborhood (near west side).
13. Parkside
Description: Four buildings with 94 units of Multifamily Housing, most designated for people who are elderly or disabled. One building with commercial space.
Multi-Family Housing
14. Administrative
Description: Costs associated with administering the Housing Choice Voucher program
15. Housing Assistance Payments
Description: Payments made to landlords.
Housing Choice Voucher Program
16. COCC
Description: Central administrative cost center for the activity of managing public housing.
17. East AMP
Description: 166 units at Truax Park Apartments, at Tenney Park Apartments, and in scattered units on the East side of Madison.
18. West AMP
Description: 297 units at Romnes Apartments and in scattered units on the West and Southwest sides of Madison.
19. Triangle AMP
Description: 224 units at Brittingham Apartments and Gay Braxton Apartments, located on a triangle-shaped property in the Monona Bay neighborhood.
20. Truax Phase 1
Operated under an LLC
Sub Fund: 51208
Description: Six buildings with 71 units near Madison College on the far east side.
21. Truax Phase 2
Operated under an LLC
Description: Three buildings with 48 units near Madison College on the far east side.
Partner: Porchlight
Public Housing
22. Mosaic Ridge
Description: Construction of single family homes in the Allied Drive neighborhood
Construction Partner: Bluestone Custom Homes
23. Revival Ridge
Operated under an LLC
Description: Apartment complex with 49 units in the Allied Drive neighborhood.
Management: Stone House Development
Affordable Housing and Neighborhood Revitalization

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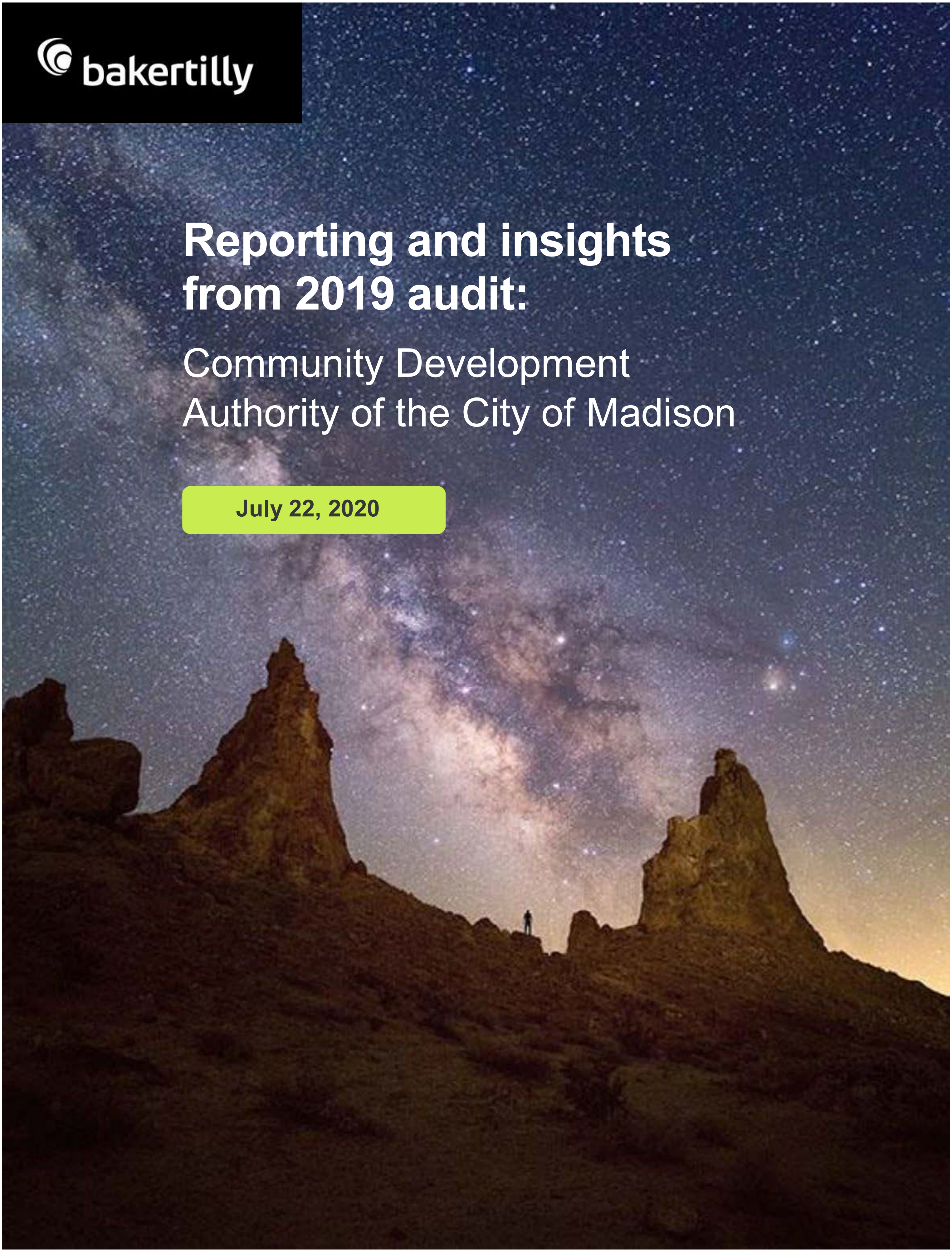
Reporting and insights from 2019 audit:

Community Development Authority of the City of Madison

July 22, 2020



Executive summary

We have completed our audit of the financial statements of Community Development Authority (CDA) of the City of Madison for the year December 31, 2019, and have issued our report thereon dated July 22, 2020. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of the CDA's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas the CDA should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Carla Gogin, Partner: Carla.Gogin@bakertilly.com or +1 (608) 240 2460
- Vasvi Joshi, Senior Manager: Vasvi.Joshi@bakertilly.com or +1 (608) 240 2453

Sincerely,

Baker Tilly Virchow Krause, LLP

Carla A Gogin

Carla Gogin, Partner

Vasvi Joshi

Vasvi Joshi, Senior Manager

Table of contents

THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

Audit objectives

Audit objectives

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the CDA's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the CDA Board:
  - Are free from material misstatement
  - Present fairly, in all material respects, and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards*
- Considering internal control over compliance with requirements that could have a direct and material effect on major federal and major state programs to design tests of both controls and compliance with identified requirements
- Forming and expressing an opinion based on our audit in accordance with OMB's *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and *State Single Audit Guidelines* about the entity's compliance with requirements described in the *OMB Compliance Supplement* and *State Single Audit Guidelines* that could have a direct and material effect on each of its major federal and state programs.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the CDA Board, including:

- Qualitative aspects of Community Development Authority of the City of Madison's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant difficulties encountered
- Disagreements with management
- Corrected and uncorrected misstatements
- Internal control matters
- Significant estimates
- Other findings or issues arising from the audit

Management's responsibilities

Management		Auditor
	Prepare and fairly present the financial statements	Our audit does not relieve management or those charged with governance of their responsibilities
	Establish and maintain effective internal control over financial reporting and compliance with laws, regulations, contracts and grants	An audit includes consideration of internal control over financial reporting, but not an expression of an opinion on those controls
	Compliance with the types of requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines*	While our audit provides a reasonable basis for our opinion on compliance, it does not provide a legal determination on compliance with those requirements.
	Provide us with written representations at the conclusion of the audit	See Appendix B for a copy of management's representations

Audit status

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of the Community Development Authority of the City of Madison and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Community Development Authority of the City of Madison current year results.

Implementation of GASB No. 88 certain disclosures related to debt

During the current year, your government implemented GASB Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The standard requires additional footnote disclosures, which have been included in your financial statements.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

Other key areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other key areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension and OPEB liabilities	Long-term debt
Capital assets including infrastructure	Net position calculations	Financial reporting and required disclosures

Internal control matters

We considered the CDA's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements. We are not expressing an opinion on the effectiveness of the CDA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We identified the following deficiency as a material weakness.

- **Financial Statement Close Process**

Properly designed systems of internal control provide your organization with the ability to process and record accurate monthly and year-end transactions and annual financial reports.

Our audit includes a review and evaluation of the internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

- There is adequate staffing to prepare financial reports throughout the year and at year-end.
- Material misstatements are identified and corrected during the normal course of duties.
- Complete and accurate financial statements, including footnotes, are prepared.
- Complete and accurate schedule of expenditures of federal and state awards is prepared.
- Financial reports are independently reviewed for completeness and accuracy.

Our evaluation of the internal controls over financial reporting has identified control deficiencies that are considered material weakness surrounding the preparation of financial statements and footnotes, and an independent review of financial reports.

Management has not prepared financial statements that are in conformity with generally accepted accounting principles.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the CDA are described in Note 1 to the financial statements. As described in Note 1, the CDA changed accounting policies related to Direct Borrowing and Direct Placement by adopting GASB No. 88 in 2019. Accordingly, the accounting change has been retrospectively applied to the prior period presented.We noted no transactions entered into by the CDA during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Net pension liability and related deferrals	Evaluation of information provided by the Wisconsin Retirement System	Reasonable in relation to the financial statements as a whole
Allowance for doubtful accounts	Evaluation of historical revenues and loss levels with the analysis on collectability of individual amounts	Reasonable in relation to the financial statements as a whole
Net/Total OPEB liability and related deferrals	Key assumptions set by management with the assistance of a third party actuary	Reasonable in relation to the financial statements as a whole
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole

  There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the CDA or that otherwise appear to be unusual due to their timing, size or nature.

Other information in documents containing audited financial statements

The CDA's audited financial statements are "general purpose" financial statements. General purpose financial statements consist of the basic financial statements that can be used by a broad group of people for a broad range of activities. Once we have issued our audit report, we have no further obligation to update our report for events occurring subsequent to the date of our report. The CDA can use the audited financial statements in other client prepare documents, such as official statements related to the issuance of debt, without our acknowledgement. Unless we have been engaged to perform services in connection with any subsequent transaction requiring the inclusion of our audit report, as well as to issue an auditor's acknowledgment letter, we have neither read the document nor performed subsequent event procedures in order to determine whether or not our report remains appropriate.

Difficulties encountered during the audit

We encountered no significant difficulties in dealing with management and completing our audit.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The Appendix includes copies of other material written communications, including a copy of the management representation letter.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial, and to communicate accumulated misstatements to management. There were no misstatements identified.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

We will issue a separate document which contains the results of our audit procedures to comply with the Uniform Guidance and *State Single Audit Guidelines.*

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the CDA's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

Group audits

The Community Development Authority of the City of Madison's financial statements include information that was audited by other auditors as follows:

- Monona Shores and CDA 95-1, Enterprise Funds of the CDA, and the aggregate discretely presented component units of the CDA, as of December 31, 2019 and for the year then ended, completed by SVA Certified Public Accountants, S.C.

In addition, if we had any concerns about the quality of work of the other auditors, if there were any limitations related to the group audit or if there was any fraud or suspected from involving group management, component management, employees who have significant roles in group-wide controls or others in which material misstatement of the group financial statements has or may have resulted from fraud we would be required to report those to you. We have not identified any circumstances that are required to be reported.

Independence

We are not aware of any relationships between Baker Tilly and the CDA that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audit in connection with the CDA's related parties.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the CDA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information which accompanies the financial statements but is not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Municipal advisory services
- Risk assessment
- PCI compliance assistance

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

Accounting changes relevant to the CDA

Accounting changes relevant to the CDA

Future accounting standards updates

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases	✓	12/31/22*
89	Accounting for Interest Incurred before the End of a Construction Period	✓	12/31/21*
90	Majority Equity Interests and amendment of GASB Statements No. 14 and No. 61	✓	12/31/20*
91	Conduit Debt	✓	12/31/2*
92	Omnibus 2020	✓	12/31/22*
93	Replacement of Interfund Bank Offered Rates	✓	12/31/22*
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	✓	12/31/23

*The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Gui*dance, with the exception of Statement No. 87 which was postponed by one and a half years. The effective date reflected above is the required revised implementation date.

Further information on upcoming GASB pronouncements

Preparing for the new lease standard

GASB's new single model for lease accounting will be effective for the upcoming year. This standard will require governments to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard will result in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources.

We recommend the Community Development Authority of the City of Madison review this standard and start planning now as to how this will affect your financial reporting. We recommend that you begin by completing an inventory of all contracts that might meet the definition of a lease. The contract listing should include key terms of the contracts such as:

- Description of contract
- Underlying asset
- Contract term
- Options for extensions and terminations
- Service components, if any
- Dollar amount of lease

In addition, the Community Development Authority of the City of Madison should begin to establish a lease policy to address the treatment of common lease types, including a dollar threshold for each lease. We are available to discuss this further and help you develop an action plan.

Learn more about GASB 87.

Planning for the new conduit debt reporting

Conduit debt includes arrangements where there are three separate parties involved including a third party that is obligated for payment, a debt holder or lender and an issuing party which is often a government. This standard provides additional criteria for identifying and classifying conduit debt with the intent of providing consistency in how the debt is recorded and reported in governmental financial statements. The Community Development Authority of the City of Madison should identify any existing debt arrangements involving third party obligors and evaluate how those arrangements will be reported under the new standard in order to determine the potential impact of this standard on future financial reporting.

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Trending challenges for organizations

Trending challenges for organizations

Management and the governing body of the Community Development Authority of the City of Madison must keep the future in mind as they evaluate strategies to achieve future growth. Keeping a balance between risk and sustainability is key, and organizations need to think beyond their immediate needs to their long term goals. Economic uncertainty, coupled with key risk areas and fast paced technology change, make strategic planning complex. Begin the discussion with your management team to find your path to your future.

2020 strategic risks for boards

Evaluating and mitigating the greatest risks

Public sector organizations face a multitude of internal and external risks in an evolving landscape. Risks can stem from strategy, finances, legal situations, operations, regulatory compliance, information technology, economic environment, and/or fraud, waste and abuse.

By employing a risk assessment, areas with the greatest needs and highest risks are evaluated. Then a risk mitigation plan can be developed and deployed.

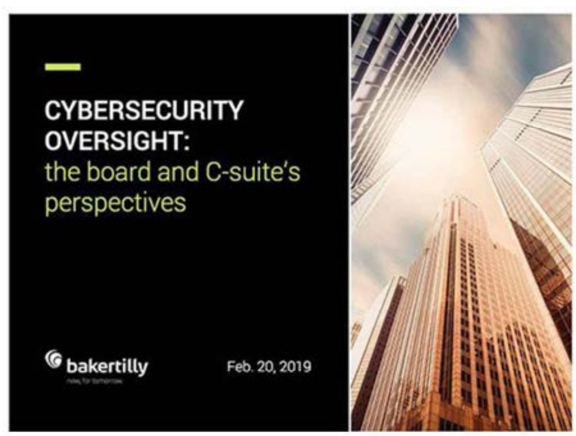
Learn about risk assessment types, tools and strategies.

Cybersecurity

Operational reporting on cybersecurity effectiveness

As boards engage management in cybersecurity risk discussions, directors should expect management to produce reports on the effectiveness of the organization's cybersecurity-risk management program. Management can (and should) collect and analyze relevant performance measures and metrics to determine if cybersecurity safeguards and controls are operating as intended, and whether any corrective action should be taken to strengthen management's risk-mitigation approaches. While not an exhaustive list, some key processes on which management should report include these:

- Incident management
- Risk management and governance
- Independent assurance on the cybersecurity program



WATCH: On demand webinar about board governance over cybersecurity.

Learn more about cybersecurity risk management.

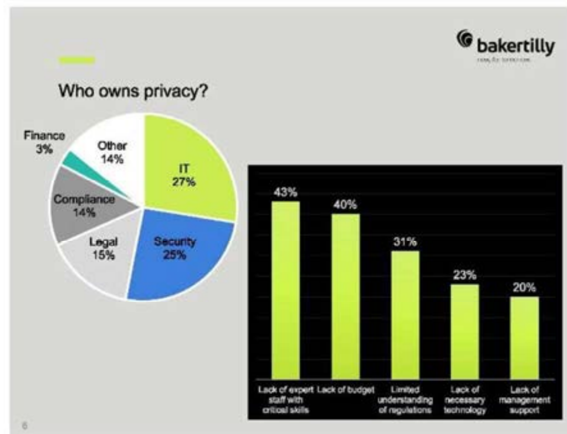
Data privacy

Elevating privacy risks to the forefront of board agendas

Organizations around the world are still scrambling to comply with the General Data Protection Regulation in the European Union, which went into effect in May 2018. While the data privacy regulatory environment changes rapidly, organizations can take proactive steps to ensure that they stay informed of the existing regulations and of those developing on the near horizon.

Adequate oversight remains a key part of staying on top of data privacy developments. Some regulations specify oversight requirements, and can depend on the type of the organization, the quantity and type of personal data processed, and the locations where operations take place. In many cases, a data protection officer (DPO) must lead the effort. Since the DPO is responsible for overseeing practices related to data protection strategy and implementation, having one in place early on will help ensure that the privacy program is comprehensive and consistent.

Learn more about [data privacy risk management](#).



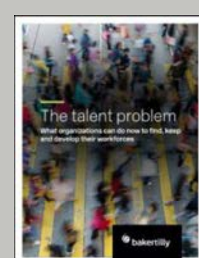
[WATCH: On demand webinar about a risk-based approach to oversight, compliance and management of privacy](#)

The talent problem

Establishing a lifeline for your shifting workforce

Employee recruitment and retention challenges are an all too common struggle in the public sector:

- Aging workers with institutional knowledge retire
- High demand for small qualified candidate pool
- Perception of geographic disadvantages
- Wage/benefit competition with private sector
- Lean operations exclude investments in recruitment, on-the-job training and technology
- Unclear growth and career advancement tracks



Download

Sustainable organizations must have a robust workforce development and succession planning program. Learn how to get started and incorporate a workforce/succession planning program with existing operational practices.

Innovation

Anticipating disruptive innovation and digital transformation

To stay competitive and relevant in a rapidly changing business landscape, organizations in every industry must navigate an increasingly disruptive, technology-enabled environment. Companies that do not address and embrace new and emerging technologies will be less competitive or may even face obsolescence.

Given these challenges to companies, what does innovation mean in this era of digital transformation? Innovation now involves finding the right problems worth solving; building new offerings, business models, and experiences; and generating value at scale for customers.

Furthermore, the rapid digital transformation of advanced technologies such as blockchain, robotic process automation (RPA), and artificial intelligence (AI) now portend similar effects in industries from financial services and healthcare to communications and manufacturing. Boards must become knowledgeable about these digital disruption trends in order to be able to conduct meaningful oversight that management can use successfully as the company embraces new technologies.

Learn more about innovation opportunities.

Anticipating Disruptive Innovation and Digital Transformation

To stay competitive and relevant in a rapidly changing business landscape, organizations in every industry must navigate an increasingly disruptive, technology-enabled environment.

Read the blog post.

Public sector executive recruitment

Navigating recruitments and smart hiring

Competing for top executive talent in the public sector space takes industry knowledge, familiarity with the general applicant pool and experience navigating recruitments. Search consultants draw upon their understanding of organizational management and human resources to serve as a successful agent for government entities. In turn, public sector organizations can adopt a foundational understanding about search firms to ensure optimal collaboration on hiring opportunities.

Read the three part series to learn what your entity should be thinking about and how Baker Tilly can help.

Three part series on public sector executive recruitment

Navigate the changing workforce landscape with confidence, read the executive recruitment series.

1. Five myths about search firms
2. Recruiting for difficult positions
3. Hiring recommendations for government entities

Operational and organizational sustainability

Aligning resources with strategy

As new demands confront the public sector industry, it's easy to solve an immediate problem instead of pausing to take a holistic view. Rippling inefficiencies, increasing financial pressures, taxing staff resources and plummeting constituent satisfaction can pile atop organizations already facing pressure to improve efficiency, effectiveness, relevance and financial viability.

An operational review follows a systematic, strategic approach to understanding an entity's operations and performance. Opportunities to improve processes, bolster internal controls and reduce costs are uncovered in order to realign organizational resources and strategic objectives.

Learn invaluable methods for executing an operational review while maintaining day-to-day operations.

COVID-19 Risks and ongoing response

Staying nimble and resilient during unprecedented disruption

COVID-19 has challenged all organizations and the effects continue to unfold. It is critical that management and governing bodies stay nimble to respond to direct and indirect effects of this disruption on operations, cash flow, and people. Some best practices to consider include:

- Establish mechanisms to track COVID-19 related expenses, lost revenues or delayed revenues
- Monitor cash flow projections and seek short term liquidity help
- Create a policy and forms for compliance with Family First Coronavirus Response Act
- Compare anticipated results to bond covenants and track any continuing disclosure items
- Re-evaluate TIF projections with revised development scenarios
- Develop a strategy for leading your community through the crisis

Learn about public sector Coronavirus resources, including the latest news on business continuity and cash flow management, Federal stimulus and tax developments, and more.

Appendix A: Client service team

Client service team

Carla Gogin, CPA

Partner

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Associate

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megan.shuda@bakertilly.com

Appendix B: Management representation letter

CommunityDevelopment**Authority**

Madison Municipal Building, Suite 161
215 Martin Luther King Jr. Boulevard
Madison, Wisconsin 53703
ph (608)266.4675 fx (608)264.9291
email housing@cityofmadison.com
mail P.O. Box 1785, Madison, WI 53701-1785

July 22, 2020

Baker Tilly Virchow Krause, LLP
Ten Terrace Court
P.O. Box 7398
Madison, WI 53707-7398

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of the Community Development Authority of the City of Madison as of December 31, 2019 and for the year then ended for the purpose of expressing opinions as to whether the financial statements 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 and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.

2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the CDA and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

3) We acknowledge our responsibility 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.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, if any, are reasonable.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

7) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

8) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and state awards.

9) There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.

10) Guarantees, whether written or oral, under which the CDA is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of Board of Commissioners of the CDA or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) We have not completed an assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    a) Management,

    b) Employees who have significant roles in internal control, or

    c) Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

15) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16) We have disclosed to you all known related parties and all the related party relationships and transactions of which we are aware.

Other

17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

18) We have a process to track the status of audit findings and recommendations.

19) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

20) The CDA has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

21) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

22) There are no:

    a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.

    b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.

    c) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

    d) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

23) In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.

    a) Financial statement preparation

    b) Risk assessment

    c) Municipal advisory services

d) PCI compliance assistance

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

24) The Community Development Authority of the City of Madison has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

25) The Community Development Authority of the City of Madison has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

26) The financial statements include all component units.

27) The financial statements properly classify all funds and activities.

28) All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

29) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.

30) The Community Development Authority of the City of Madison has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.

31) Provisions for uncollectible receivables, if any, have been properly identified and recorded.

32) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

33) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.

34) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

35) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).

36) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

37) We have appropriately disclosed the Community Development Authority of the City of Madison's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.

38) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

39) With respect to the supplementary information, (SI):

   a) We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

   b) If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

40) We assume responsibility for, and agree with, the findings of specialists in evaluating the other postemployment benefit liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.

41) We assume responsibility for, and agree with, the information provided by the Wisconsin Retirement System as audited by the Legislative Audit Bureau relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.

42) We have implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and believe that all liabilities, deferred outflows and deferred inflows have been identified and properly classified in the financial statements and any other required classifications and RSI have been computed in compliance with the Standard.

43) Any direct borrowings, direct placements, line of credit or debt default clauses have been identified and properly disclosed.

44) With respect to federal and state award programs:

   a) We are responsible for understanding and complying with and have complied with the requirements of the Single Audit Act Amendments of 1996, *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)*, State Single Audit Guidelines,* including requirements relating to preparation of the schedule of expenditures of federal and state awards (SEFSA).

   b) We acknowledge our responsibility for presenting the SEFSA in accordance with the requirements of the Uniform Guidance and the State Single Audit Guidelines, and we believe the SEFSA, including its form and content, is fairly presented in accordance with the Uniform Guidance and the *State Single Audit Guidelines*. The methods of measurement and presentation of the SEFSA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFSA.

c) If the SEFSA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFSA no later than the date we issue the SEFSA and the auditors' report thereon.

d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and the *State Single Audit Guidelines* and included in the SEFSA, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

e) We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal and state program.

f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provide reasonable assurance that we are administering our federal and state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.

g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal or state agencies or pass-through entities relevant to the programs and related activities.

h) We have received no requests from a federal or state agency to audit one or more specific programs as a major program.

i) We have complied with the direct and material compliance requirements(except for noncompliance disclosed to you) including when applicable, those set forth in the OMB Compliance Supplement and the State Single Audit Guidelines, relating to federal and state awards and have identified and disclosed to you all amounts questioned and any know noncompliance with the direcr and material compliance requirements of federal and state awards..

j) We have disclosed any communications from grantors and pass-through entitiesdisclosed to you results of our including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation agreements, and internal or external monitoring that directly relate to the objectives of the compliance audit, if any, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.

m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

n) We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.

o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

p) We are not aware of any instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.

r) Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

s) The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.

t) We have charged costs to federal and state awards in accordance with applicable cost principles.

u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and the *State Single Audit Guidelines* and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.

v) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

w) We are responsible for preparing and implementing a corrective action plan for each audit finding.

x) We have disclosed to you all contracts or other agreements with our service organizations, and we have disclosed to you all communications from the service organization relating to noncompliance at the service organizations.

Sincerely,

Community Development Authority of the City of Madison

Signed: ______________________

Deborah Rakowski, Deputy Director

Signed: ______________________

Signed: Randy Whitehead

Appendix C: Two-way communication regarding your audit

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.

b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:

   - Identify types of potential misstatements.
   - Consider factors that affect the risks of material misstatement.
   - Design tests of controls, when applicable, and substantive procedures.

c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits performed in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards, OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*.

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards*, the Uniform Guidance, [and the *State Single Audit Guidelines*,] our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and the Uniform Guidance, and the *State Single Audit Guidelines*, in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

e. Your financial statements contain components, as defined by auditing standards generally accepted in the United States of America, which we also audit.

f. In connection with our audit, we intend to place reliance on the audit of the financial statements of Monona Shores and CDA 95-1, enterprises fund of the CDA, and aggregate discretely presented component units of the CDA as of December 31, 2020 and for the year then ended, completed by SVA Certified Public Accountants, S.C.All necessary conditions have been met to allow us to make reference to the component auditors.

We are very interested in your views regarding certain matters. Those matters are listed here:

a. We typically will communicate with your top level of management unless you tell us otherwise.

b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.

c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.

d. We anticipate that the Community Development Authority of the City of Madison will receive an unmodified opinion on its financial statements.

e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?

f. Have you had any significant communications with regulators or grantor agencies?

g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness, and actions of the governing body concerning:

a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?

b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of October-December, and sometimes early January. Our final financial fieldwork is scheduled during the spring to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

bakertilly

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, 2019

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, 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
City of Madison CDA
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, 2019, 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 Monona Shores, a major fund, and CDA 95-1, a non-major fund which represents 13 percent, 9 percent, and 6 percent respectively, of the assets, net position and revenues of the business-type activities or 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 Monona Shores, CDA 95-1 and 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 Monona Shores, CDA 95-1 and the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards.*

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 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 report 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, Wisconsin, as of December 31, 2019 and the respective 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information 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.

Supplementary Information

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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and is 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 supplementary information is 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 July 22, 2020 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 solely 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 the effectiveness of the Community Development Authority of the City of Madison's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Community Development Authority of the City of Madison's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
July 22, 2020

COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For Year Ended December 31, 2019

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 and deferred outflows of resources, minus liabilities and deferred inflows of resources, 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".

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 expenditures. The CDA's functions for this statement are Housing Projects and Community development.

FUND FINANCIAL STATEMENTS

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The CDA consists exclusively of Proprietary Funds. Proprietary funds utilize the full accrual basis of accounting. The Proprietary 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 related 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 and economic development; to redevelop, rehabilitate, and construct housing properties; and to 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

THE CDA'S FUNDS (cont.)

The CDA issues lease revenue bonds in the context of TIF. The CDA owns the property that is then leased to the City, which the City then leases it to a private developer. 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.

<u>Housing Voucher Fund</u>- 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.

<u>The Villager Fund</u>- This fund accounts for the activities of The Village on Park, a retail and commercial center located on Madison's south side that was purchased by the CDA in 2004 and substantially rehabilitated in 2009-2012.

<u>Monona Shores Fund</u>- This fund accounts for the activities of Monona Shores apartments. This was a tax credit project that resided on the financial statements as a component unit until the end of 2015. The property was acquired by the CDA per the agreements from when the project was established in 1995.

<u>Allied Drive Fund</u>- This fund accounts for the activities in the neighborhood revitalization project in the Allied Drive area.

<u>Other Non-Major Funds</u>- In addition to the major funds above, the CDA also maintains the following non-major funds.

<u>Karabis Fund</u>: This fund accounts for activities related to a 20-unit housing development for disabled individuals ("Karabis"). This property is operated pursuant to the HUD Multifamily program. HUD subsidizes the rents through monthly housing assistance payments pursuant to a project-based Section 8 contract with The Wisconsin Housing and Economic Development Authority (WHEDA).

<u>Parkside Fund</u>: This fund accounts for activities related to a 95-unit housing development for elderly and disabled individuals ("Parkside"). This property is operated pursuant to the HUD Multifamily program. HUD subsidizes the rents through monthly housing assistance payments pursuant to a project-based Section 8 contract with WHEDA.

OVERVIEW OF THE FINANCIAL STATEMENTS

THE CDA'S FUNDS (cont.)

HUD Projects Fund-East: This fund is part of the Low Rent Public Housing Program and accounts for 166 housing units in multiple locations on the City's east side. Under the Low Rent Public Housing Program, the CDA rents units that it owns to low-income households. The Low Rent 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 Low Rent Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to CDA properties operated as Low Rent Public Housing pursuant to contracts with HUD.

HUD Projects Fund-West: This fund is part of the Low Rent Public Housing Program and accounts for the operation of 297 housing units in multiple locations on the City's west side. Under the Low Rent Public Housing Program, the CDA rents units that it owns to low-income households. The Low Rent 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 Low Rent Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements properties CDA properties operating as Low Rent Public Housing pursuant to contracts with HUD.

HUD Projects Fund-Triangle: This fund is part of the Low Rent Public Housing Program and accounts for the operation of 224 housing units in the City's central area. Under the Low Rent Public Housing Program, the CDA rents units that it owns to low-income households. The Low Rent 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 Low Rent Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to CDA properties operated as Low Rent Public Housing pursuant to contracts with HUD.

OVERVIEW OF THE FINANCIAL STATEMENTS

THE CDA'S FUNDS (cont.)

HUD Subsidy: This fund is used as a pass-thru fund to move HUD subsidy from the CDA to Truax Park Redevelopment Phase 1, LLC ("Truax Phase 1") and Truax Park Development Phase 2, LLC ("Truax Phase 2). Truax Phase 1 (71 units) and Truax Phase 2 (48 units) were formerly operated as Low Rent Public Housing before they were redeveloped pursuant to mixed finance transactions approved by HUD that utilizing a Section 42 Low Income Housing Tax Credit allocation to fund the redevelopment/replacement of Low Rent Public Housing units in the East Amp. The properties reside on the CDA's financial statements as component units.

CDA 95-1: The CDA is the owner of thirty (30) apartments and a small amount of office space (CDA 95-1). Twenty-eight (28) apartments and the commercial space are on East Dayton Street and two (2) apartments are in one building on North Blount Street. CDA 95-1 is also known as The Reservoir and is financed with two loans to the CDA from the Wisconsin Housing and Economic Development Authority and two loans to the CDA from the City of Madison. The property is managed by a third party management company. Prior to 2013, the operations of CDA 95-1 were carried in the CDA's General Fund. In 2013, the operations were separated and reported separately in the CDA 95-1 Fund.

Internal Service Fund-In addition to the major and non-major 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 Low Rent Public Housing Program, the Section 8 Voucher Program, Karabis, and Parkside.

FINANCIAL HIGHLIGHTS AND ANALYSIS

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

	Business-type Activities 2019	Business-type Activities 2018
Current and Other Assets	$ 18,587,474	$ 18,367,240
Capital Assets	31,657,417	32,889,086
Total Assets	50,244,891	51,256,326
Deferred Outflows of Resources	1,683,848	892,616
Long-term Liabilities	14,253,431	16,610,588
Other Liabilities	4,303,270	3,804,008
Total Liabilities	18,556,701	20,414,596
Deferred Inflows of Resources	908,572	987,496
Net Position		
Net Investment in Capital Assets	22,048,768	21,893,510
Restricted	-	481,564
Unrestricted	10,414,698	8,371,776
Total Net Position	$ 32,463,466	$ 30,746,850

FINANCIAL HIGHLIGHTS AND ANALYSIS (cont.)

COMMUNITY DEVELOPMENT AUTHORITY OF THE CITY OF MADISON'S STATEMENT OF ACTIVITIES

	Business-type Activities 2019	Business-type Activities 2018
Revenues		
Program Revenues		
Charges for services	$ 6,519,532	$ 6,137,675
Operating grants and contributions	19,763,724	16,276,070
Capital grants and contributions	-	-
General Revenues		
Investment income	233,446	291,007
Interest on capital leases	100,799	210,148
Miscellaneous	65,583	32,802
Total Revenues	26,683,084	22,947,702
Expenses		
Community Development	1,989,714	2,163,275
Housing projects	22,976,574	21,769,789
Total Expenses	24,966,468	23,933,064
Increase/Decrease in Net Position	1,716,616	(985,365)
Beginning Net Position (As Restated)*	30,746,850	31,732,212*
Ending Net Position	$ 32,463,466	$ 30,746,850

The CDA's total Net Position increased by $1,716,616 during 2019. Since the CDA engages only in Business-type Activities, the increase is all in the category of Business-type Net Position. Net Position was $30.7 million and $32.4 million for 2018 and 2019, respectively. The financial highlights of each project are discussed below:

FINANCIAL HIGHLIGHTS AND ANALYSIS (cont.)

General Operating Fund- There was an increase in Net Position in the amount of $180,829. There was limited operational activity in this fund in 2019 consisting of normal operations and debt payments.

The CDA sold a property on Tree Lane for $550,000 as part of a development program for senior housing. The property was original purchased using a combination of CDA reserves ($550,000) and City land acquisition funds ($250,000) in 2016 (Legistar File 42905). There are no outstanding CDA liabilities associated with this property following the sale.

The CDA Board authorized fund transfers to the CDA General Operating Fund from the Allied Drive Fund ($176,000) and the Village on Park ($10,000). The purpose of the transfers was to account for an anticipated cash shortfall in the 2020 budget as a result of closing a debt service reserve ($525,000), paying a note to the City of Madison associated with CDA 95-1 ($371,000), and higher personnel costs. Transfers to the General Fund are permitted, with Board approval, under Policy 500.67.

Allied Drive Fund- The CDA has developed a 49 unit apartment building on Allied Drive that is owned by Allied Drive Redevelopment, LLC ("Revival Ridge"). The CDA is the managing member of Allied Drive Redevelopment, LLC. As part of the development, the CDA made a loan in the amount of $1.3 million to Allied Drive Redevelopment, LLC to fund construction. The loan is secured by a first mortgage on the property. The CDA borrowed $1.3 million from a local bank and used the proceeds to fund its loan to Allied Drive Redevelopment, LLC. The principal and interest payments from Allied Drive Redevelopment, LLC are used to make the contractual payments on the loan from the local bank to the CDA. Allied Drive Redevelopment, LLC is reported as a component unit of the CDA; however, the debt from Allied Drive Redevelopment, LLC to the CDA is reported as an asset in the CDA's financial statements and the loan from the local bank is reported as a liability on the CDA financial statements.

The property continues to be well occupied and perform in accordance with expectations

During 2019, the CDA continued to develop single-family homes at the south end of Allied Drive ("Mosaic Ridge"). There were originally 24 lots in the development, but two lots were combined resulting in 23 lots. At the end of 2019, 9 lots had been sold, 2 lots were being used for model homes, and 12 lots were unsold. It is unclear what effect COVID-19 and the associated economic impacts will have on lot sales in 2020.

The Village on Park- 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. Three adjacent parcels were added to the property. The property was substantially renovated between 2009 and 2012. The renovations were funded through GO borrowing from the City, which is being repaid from property operations.

FINANCIAL HIGHLIGHTS AND ANALYSIS (cont.)

The majority of the vacancy is in the north building and is not available for lease due to parking constraints. Major tenants include the University of Wisconsin, Dane County Human Services, Madison Dane County Public Health, Dane County Parent Council (aka Reach Dane), Lanes Bakery, Uncle Joes, and Yue Wah Foods.

After giving notice, Madison College vacated its roughly 12,000 square foot space at the end of 2019 to move into its new campus. A new lease has been signed with UW-Madison for the former Madison College space. UW-Madison will begin to occupy the space in 2020 after improvements have been completed in July 2020. Securing a tenant for this significant space has added stability to the property's outlook.

Reach Dane occupies roughly 12,000 square feet in the roughly 30,000 square foot north building of the property. Reach Dane has acquired a building in south Madison in 2020 and will be leaving the north building at the end of the year. The mechanical, electrical, and plumbing systems in the north building are near the end of their useful life and could require significant capital investments to keep the building open. The CDA anticipates having a discussion about the future of the north building this year.

Repayment to the City of Madison for funds used in the redevelopment of the property continues to be a significant expense at the Village on Park. In 2020, the debt service payments are budgeted at $783,597, which is 44 percent of anticipated property income. Annual debt service payments are expected to drop to $600,000 in 2023 when one of the loans is retired.

Monona Shores Apartments- Monona Shores Apartments is a 104-unit apartment development on the City's south side. The CDA is the sole owner of the property and entered into a PILOT agreement with the City of Madison in 2015, under which the CDA agrees to make annual PILOT payment to the City in the approximate amount of $40,000. The property was 97% occupied as of December 31, 2019 and reported a net operating income of $49,634 and cash flow after debt service of $728,621. See Monona Shores audited financial statements for more detailed financial information.

FINANCIAL HIGHLIGHTS AND ANALYSIS (cont.)

- HUD Projects East AMP- The net position of the East AMP Fund decreased by $268,401. The total net position is $3,431,500. There was approximately $32,000 in Capital assets created through Capital grant funding. Average occupancy for the year was 95%.

- HUD Projects West AMP- The net position of the West AMP Fund increased by $234,258 to a total of $2,893,921. The increase was a result of a slight increase in revenues and a slight decrease in costs. There were approximately $435,000 in capital assets created through Capital grant funding. Average occupancy for the year was 96%.

- HUD Projects Triangle AMP- The net position of the Triangle AMP Fund increased by $174,572 to a total of $2,027,490. The increase was an improvement of $78,000 from the previous year, which was primarily due to an increase in federal grant awards. Average occupancy for the year was 98%.

- HUD Projects Central Cost Center- The net position of the Central Cost Center Fund increased by $318,480 to a total of $1,125,149.

- HUD Projects Fund Capital Fund Grant Program- In 2019, $1,122,886 was received under this grant program. These funds were used for public housing physical improvements and permitted operating expenses.

- HUD Projects Fund Service Coordinator Grants- $245,979 was received in 2019 under this grant program. These programs provide service coordination services to CDA residents to help them improve their economic self-sufficiency and move out of Public Housing or help them age safely in place.

- Karabis- The net position of the Karabis Fund increased by $22,546 in 2019. The net position in this fund is $1,402,218. The increase was due to increased revenues in operations.

- Parkside – The net position of the Parkside Fund increased by $157,461 in 2019. This increased the net asset total to $1,159,985. The increase was due to increased efficiencies in operations.

- Section 8 Program – The net position of the Housing Choice Voucher program increased by $977,710 to a total of $1,051,929. Intergovernmental grants from the Department of Housing and Urban Development to support the program increased from $13.2 million in 2018 to $16.3 million in 2019. The Section 8 Voucher program supported an average of 1,709 Households per month at an average housing assistance payment of $675 per unit in 2019. In 2018, the program supported an average of 1,702 housing units per month at an average housing assistance payment of $658 per unit. In 2019, the CDA followed the advice of HUD and took a conservative approach to managing the HCV utilization.

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

At the end of 2019, the CDA had $31.6 million invested in a variety of capital assets as reflected in the following schedule. This represents a net decrease (additions, deductions and depreciation) of $1,231,669 or 3.7% from the end of the previous year.

CDA-WIDE
CHANGE IN CAPITAL ASSETS

	2019	2018
Beginning Balance	$ 32,889,086	$ 34,301,291
Additions	1,898,167	1,641,529
Deletions and Adjustments	(1,238,893)	(1,451,388)
Depreciation	(1,890,943)	(1,602,346)
Ending Balance	$ 31,657,417	$ 32,889,086

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

LONG-TERM DEBT

During 2019, the CDA's long-term debt decreased by $1.9 million due to principal payoffs on existing debt.

CDA-WIDE
CHANGE IN OUTSTANDING DEBT – 2019

	Beginning Balance	Increases	Decreases	Ending Balance
Revenue bonds	$ 4,720,000	$ -	$ 1,530,000	$ 3,190,000
Mortgage notes	3,190,849	-	258,527	2,932,322
Other loans/notes	2,703,731	-	99,030	2,604,701
Premiums	90,190	-	45,095	45,095
Total Long-Term Debt	$ 10,704,770	$ -	$ 1,932,652	$ 8,772,118

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

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 is set by the Federal government on an annual basis. Cuts in these programs would have a significant impact on the CDA and the residents it serves. HUD funding for Low Rent Public Housing operating subsidy, Capital Improvements Funds, Section 8 Voucher Administration, and Section 8 Voucher Housing Assistance Payments was stable in 2019.
- In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States, including to areas impacting the CDA. The CDA's evaluation of the effects of these events is ongoing; however we anticipate this situation could impact investment valuations and decreased investment income, declines in revenues such as federal/state aids, rental income, increase in delinquencies or uncollectible accounts receivable or loans receivable, increased costs related to pensions, insurance, labor (sick time or overtime), etc.

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, 2019

	Primary Government Business-type Activities	Component Units
ASSETS		
Current Assets		
Cash and investments	$ 7,870,100	$ 477,404
Accounts receivable	77,381	299,766
Interest receivable	29,064	-
Current portion of leases receivable from primary government - City of Madison	1,570,000	-
Due from other governmental units	175,493	-
Prepaid items	1,198,912	419,692
Restricted Assets		
Cash and investments	-	2,015,635
Total Current Assets	10,920,950	3,212,497
Noncurrent Assets		
Capital Assets		
Land	10,042,461	862,243
Construction in progress	457,889	-
Land improvements	985,202	741,023
Buildings and improvements	70,127,118	34,653,980
Machinery and equipment	1,940,718	1,234,390
Intangibles	43,937	-
Less: Accumulated depreciation	(51,939,908)	(10,145,942)
Net Capital Assets	31,657,417	27,345,694
Other Assets		
Restricted Assets		
Cash and investments	1,022,176	-
Deposits	14,000	-
Long-term receivables	3,688,848	-
Leases receivable	2,941,500	-
Financing costs, net	-	82,032
Tax credit fees, net	-	214,516
Total Other Assets	7,666,524	296,548
Total Noncurrent Assets	39,323,941	27,642,242
Total Assets	50,244,891	30,854,739
DEFERRED OUTFLOWS OF RESOURCES		
Other post employment benefit amounts	33,955	-
Pension related amounts	1,649,893	-
Total Deferred Outflows of Resources	1,683,848	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 51,928,739	$ 30,854,739

See accompanying notes to financial statements.

	Primary Government Business-type Activities	Component Units
LIABILITIES		
Current Liabilities		
Accounts payable	$ 257,883	$ 58,234
Accrued liabilities	419,134	1,575,000
Unearned revenue	170,801	539,252
Current portion of long-term debt	2,279,775	124,538
Current portion of advances from primary government - City of Madison	694,709	-
Accrued compensated absences	93,105	-
Other liabilities	387,863	514,194
Development fee payable	-	171,676
Total Current Liabilities	4,303,270	2,982,894
Long-Term Liabilities Net of Current Maturities		
Mortgage notes	2,664,195	8,585,116
Revenue bonds	1,620,000	-
Other loans	2,163,053	-
Net Pension Liability	584,975	
Accrued compensated absences	413,201	-
Unamortized premium	45,095	-
Other postemployment benefits	618,835	-
Advance from primary government - City of Madison	6,144,077	-
Total Long-Term Liabilities Net of Current Maturities	14,253,431	8,585,116
Total Liabilities	18,556,701	11,568,010
DEFERRED INFLOWS OF RESOURCES		
Other post employment benefit amounts	59,953	-
Pension related amounts	848,619	-
Total Deferred Inflows of Resources	908,572	-
NET POSITION		
Net investment in capital assets	22,048,768	18,636,040
Unrestricted	10,414,698	650,689
Total Net Position	32,463,466	19,286,729
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 51,928,739	$ 30,854,739

See accompanying notes to financial statements.

COMMUNITY DEVELOPMENT AUTHORITY OF THE CITY OF MADISON

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Primary Government: Net (Expenses) Revenues and Changes in Net Position	Component Units
Primary Government						
Business-type activities						
Community development	$ 1,989,714	$ 1,791,522	$ -	$ -	$ (198,192)	$ -
Housing projects	22,976,754	4,728,010	19,763,724	-	1,514,980	-
Total Business-type Activities	$ 24,966,468	$ 6,519,532	$ 19,763,724	$ -	1,316,788	-
Component Units -						
Housing Projects	$ 3,349,407	$ 1,754,212	$ 410,677	$ -	-	(1,184,518)
General revenues						
Investment income					233,446	4,976
Interest on capital leases					100,799	-
Miscellaneous					65,583	-
Total General Revenues					399,828	4,976
Change in net position					1,716,616	(1,179,542)
NET POSITION – Beginning of Year					30,746,850	20,466,271
NET POSITION – END OF YEAR					$ 32,463,466	$ 19,286,729

See accompanying notes to financial statements.

COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of December 31, 2019

	Business-type Activities - Enterprise Funds							Business-type Activities - Internal Service Fund
	General Operating Fund	Housing Voucher Fund	Villager Fund	Allied Drive Fund	Monona Shores	Nonmajor Enterprise Funds	Totals	Central Cost Center Fund
ASSETS								
Current Assets								
Cash and investments	$ 334,693	$ 429,448	$ 660,755	$ 380,171	$ 659,092	$ 4,104,959	$ 6,569,118	$ 1,300,982
Accounts receivable	-	-	2,237	-	37,116	38,028	77,381	-
Interest receivable	26,464	-	-	2,600	-	-	29,064	-
Current portion of leases receivable from primary government - City of Madison	1,570,000	-	-	-	-	-	1,570,000	-
Due from other governmental units	-	39,230	-	-	-	136,263	175,493	-
Prepaid items	95	1,114,784	6,549	58	32,511	42,899	1,196,896	2,016
Total Current Assets	1,931,252	1,583,462	669,541	382,829	728,719	4,322,149	9,617,952	1,302,998
Noncurrent Assets								
Property, Plant and Equipment								
Land	576,512	-	4,580,151	2,254,453	173,501	2,457,844	10,042,461	-
Construction in progress	-	-	-	420,889	-	37,000	457,889	-
Land improvements	-	-	-	-	580,129	405,073	985,202	-
Buildings and improvements	-	-	18,834,835	-	10,921,469	40,370,814	70,127,118	-
Machinery and equipment	-	61,018	-	-	560,033	1,312,273	1,933,324	7,394
Intangibles	-	-	-	-	-	43,937	43,937	-
Less: Accumulated depreciation	-	(38,171)	(6,693,408)	-	(7,997,105)	(37,203,830)	(51,932,514)	(7,394)
Net Property, Plant and Equipment	576,512	22,847	16,721,578	2,675,342	4,238,027	7,423,111	31,657,417	-
Other Assets								
Restricted Assets								
Cash and investments	524,500	30,012	-	-	69,529	398,135	1,022,176	-
Deposits	-	-	-	-	10,500	3,500	14,000	-
Long-term receivables	1,270,622	-	-	2,418,226	-	-	3,688,848	-
Leases receivable	1,095,500	-	-	-	-	1,846,000	2,941,500	-
Total Other Assets	2,890,622	30,012	-	2,418,226	80,029	2,247,635	7,666,524	-
Total Noncurrent Assets	3,467,134	52,859	16,721,578	5,093,568	4,318,056	9,670,746	39,323,941	-
Total Assets	$ 5,398,386	$ 1,636,321	$ 17,391,119	$ 5,476,397	$ 5,046,775	$ 13,992,895	$ 48,941,893	$ 1,302,998
DEFERRED OUTFLOWS OF RESOURCES								
Other post employment benefit amounts	-	13,462	-	-	-	18,413	31,875	2,080
Pension related amounts	131,411	445,477	12,930	5,216	-	902,560	1,497,594	152,299
Total Deferred outflows of Resources	131,411	458,939	12,930	5,216	-	920,973	1,529,469	154,379

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds							Business-type Activities - Internal Service Fund
	General Operating Fund	Housing Voucher Fund	Villager Fund	Allied Drive Fund	Monona Shores	Nonmajor Enterprise Funds	Totals	Central Cost Center Fund
LIABILITIES								
Current Liabilities								
Accounts payable	$ 169	$ 13,541	$ 2,412	$ 84	$ 27,752	$ 205,999	$ 249,957	$ 7,926
Accrued liabilities	24,753	49,150	61,804	322	59,646	139,088	334,763	84,371
Due to other funds	-	-	-	-		-	-	-
Unearned revenue	-	-	70,000	-	25,421	75,380	170,801	-
Current portion of mortgage notes	-	-	-	-	173,205	94,922	268,127	-
Current portion of revenue bonds	1,570,000	-	-	-	-	-	1,570,000	-
Current portion of other loans	68,333	-	-	28,315	-	345,000	441,648	-
Current portion of advances from primary government - City of Madison	5,002	12,076	642,509	-	-	27,730	687,317	7,392
Accrued compensated absences	823	41,644	-	-	-	46,066	88,533	4,572
Other liabilities	-	31,690	15,780	-	69,507	270,886	387,863	-
Total Current Liabilities	1,669,080	148,101	792,505	28,721	355,531	1,205,071	4,199,009	104,261
Long-Term Debt Net of Current Maturities								
Mortgage notes	-	-	-	-	2,516,240	147,955	2,664,195	-
Revenue bonds	1,620,000	-	-	-	-	-	1,620,000	
Other loans	795,003	-	-	711,621	-	656,429	2,163,053	-
Net pension liability	51,716	155,044	4,865	2,080	-	316,524	530,229	54,746
Accrued compensated absences	3,654	184,816	-	-	-	204,440	392,910	20,291
Unamortized premium	45,095	-	-	-	-	-	45,095	-
Other post-employment benefits	-	245,345	-	-	-	335,585	580,930	37,905
Due to other funds	-	-	-	-	-	-	-	-
Advances from primary government - City of Madisor	277,997	61,066	5,627,414	-	-	140,222	6,106,699	37,378
Total Long-Term Debt	2,793,465	646,271	5,632,279	713,701	2,516,240	1,801,155	14,103,111	150,320
Total Liabilities	4,462,545	794,372	6,424,784	742,422	2,871,771	3,006,226	18,302,120	254,581
DEFERRED INFLOWS OF RESOURCES								
Other post employment benefit amounts	-	23,768	-	-	-	32,515	56,283	3,670
Pension related amounts	86,666	225,191	4,383	1,874	-	456,528	774,642	73,977
Total Deferred Inflows of Resources	86,666	248,959	4,383	1,874	-	489,043	830,925	77,647
NET POSITION								
Net investment in capital assets	576,512	22,847	11,046,680	2,675,342	1,548,582	6,178,805	22,048,768	-
Unrestricted (deficit)	404,074	1,029,082	(71,798)	2,061,975	626,422	5,239,794	9,289,549	1,125,149
TOTAL NET POSITION	$ 980,586	$ 1,051,929	$ 10,974,882	$ 4,737,317	$ 2,175,004	$ 11,418,599	$ 31,338,317	$ 1,125,149

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, 2019

	Business-type Activities - Enterprise Funds							Business-type Activities - Internal Service Fund
	General Operating Fund	Housing Voucher Fund	Villager Fund	Allied Drive Fund	Monona Shores	Nonmajor Enterprise Funds	Totals	Central Cost Center Fund
OPERATING REVENUES								
Charges for services	$ -	$ -	$ 1,775,204	$ -	$ 1,197,490	$ 3,328,662	$ 6,301,356	$ 572,893
Other revenue	-	-	16,318	-	42,633	159,225	218,176	-
Total Operating Revenues	-	-	1,791,522	-	1,240,123	3,487,887	6,519,532	572,893
OPERATING EXPENSES								
Operation and maintenance	120,363	15,354,157	594,133	17,906	744,474	4,960,856	21,791,889	483,679
Depreciation	-	2,539	647,628	-	446,015	794,761	1,890,943	-
Taxes	-	-	70,000	-	-	218,586	288,586	-
Total Operating Expenses	120,363	15,356,696	1,311,761	17,906	1,190,489	5,974,203	23,971,418	483,679
Operating Income (Loss)	(120,363)	(15,356,696)	479,761	(17,906)	49,634	(2,486,316)	(17,451,886)	89,214
NONOPERATING REVENUES (EXPENSES)								
Investment income	29,157	18,347	8,639	59,463	845	88,235	204,686	28,760
Interest on capital lease	100,799	-	-	-	-	-	100,799	-
Interest and amortization	(70,955)	(3,147)	(152,660)	(38,007)	(89,601)	(35,644)	(390,014)	(1,926)
Intergovernmental grants	-	16,312,469	-	-	-	3,117,862	19,430,331	333,393
Loss on sale of assets	(2,085)	-	-	(275,977)	-	-	(278,062)	-
Miscellaneous revenues	58,276	6,737	-	-	-	-	65,013	570
Miscellaneous expenses	-	-	-	-	-	(282,731)	(282,731)	(131,531)
Total Nonoperating Revenue (Expenses)	115,192	16,334,406	(144,021)	(254,521)	(88,756)	2,887,722	18,850,022	229,266
Income (Loss) Before Transfers	(5,171)	977,710	335,740	(272,427)	(39,122)	401,406	1,398,136	318,480
TRANSFERS IN	186,000	-	-	-	-	-	186,000	-
TRANSFERS OUT	-	-	(10,000)	(176,000)	-	-	(186,000)	-
CHANGE IN NET POSITION	180,829	977,710	325,740	(448,427)	(39,122)	401,406	1,398,136	318,480
NET POSITION – Beginning of Year	799,757	74,219	10,649,142	5,185,744	2,214,126	11,017,193	29,940,181	806,669
NET POSITION – END OF YEAR	$ 980,586	$ 1,051,929	$ 10,974,882	$ 4,737,317	$ 2,175,004	$ 11,418,599	$ 31,338,317	$ 1,125,149

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, 2019

	Business-type Activities - Enterprise Funds							Business-type Activities - Internal Service Fund
	General Operating Fund	Housing Voucher Fund	Villager Fund	Allied Drive Fund	Monona Shores	Nonmajor Enterprise Funds	Totals	Central Cost Center Fund
CASH FLOWS FROM OPERATING ACTIVITIES								
Received from customers	$ -	$ -	$ 1,795,737	$ -	$ 1,247,518	$ 3,506,076	$ 6,549,331	$ 572,893
Paid to suppliers for goods and services	(42,082)	(14,246,647)	(574,293)	(14,370)	(784,603)	(2,988,650)	(18,650,645)	(188,181)
Paid to employees for services	(32,949)	(961,567)	(27,694)	(7,215)	-	(1,791,524)	(2,820,949)	(304,617)
Paid to city for tax equivalent	-	-	(70,000)	-	-	(218,586)	(288,586)	-
Net Cash Flows From Operating Activities	(75,031)	(15,208,214)	1,123,750	(21,585)	462,915	(1,492,684)	(15,210,849)	80,095
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Deposits (refunds)	-	(1,531)	15,780	-	-	9,075	23,324	-
Intergovernmental grants	-	16,273,939	-	-	-	3,040,434	19,314,373	333,393
Deficit cash implicitly financed (repaid)	(536,800)	(622,724)	-	-	-	1,159,524	-	-
Collection of long-term receivable	-	-	-	44,030	-	-	44,030	-
Debt retired	(1,598,333)	-	-	-	-	-	(1,598,333)	-
Repayment of advance from primary government	(5,000)	(11,003)	-	-		(25,263)	(41,266)	(6,734)
Interest paid	(127,736)	(3,147)	-	-	-	(7,929)	(138,812)	(1,926)
Lease payment received	1,530,000	-	-	-	-	-	1,530,000	-
Interest on lease received	112,561	-	-	-	-	-	112,561	-
Transfers in (out)	331,351	-	(10,000)	(176,000)	-	-	145,351	-
Other nonoperating items	126,014	6,736	(9,967)	-	-	(283,264)	(160,481)	(130,958)
Net Cash Flows From Noncapital Financing Activities	(167,943)	15,642,270	(4,187)	(131,970)	-	3,892,577	19,230,747	193,775
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Debt retired	-	-	-	(29,391)	(167,444)	(92,389)	(289,224)	-
Interest paid	-	-	(155,746)	(37,842)	(90,587)	(19,090)	(303,265)	-
Acquisition and construction of capital assets	-	(25,386)	(28,175)	(538,790)	-	(716,784)	(1,309,135)	-
Sale of assets	548,218	-	-	373,594	-	-	921,812	-
Repayment of advance from primary government	-	-	(642,509)	-	-	-	(642,509)	-
Net Cash Flows From Capital and Related Financing Activities	548,218	(25,386)	(826,430)	(232,429)	(258,031)	(828,263)	(1,622,321)	-
CASH FLOWS FROM INVESTING ACTIVITIES								
Investment income	29,449	18,347	8,639	59,463	845	88,235	204,978	28,760
Net Cash Flows From Investing Activities	29,449	18,347	8,639	59,463	845	88,235	204,978	28,760
Net Increase (Decrease) in Cash and Cash Equivalents	334,693	427,017	301,772	(326,521)	205,729	1,659,865	2,602,555	302,630
CASH AND CASH EQUIVALENTS - Beginning of Year	524,500	32,443	358,983	706,692	522,892	2,843,229	4,988,739	998,352
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 859,193	$ 459,460	$ 660,755	$ 380,171	$ 728,621	$ 4,503,094	$ 7,591,294	$ 1,300,982

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds							Business-type Activities - Internal Service Fund
	General Operating Fund	Housing Voucher Fund	Villager Fund	Allied Drive Fund	Monona Shores	Nonmajor Enterprise Funds	Totals	Central Cost Center Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES								
Operating income (loss)	$ (120,363)	$ (15,356,696)	$ 479,761	$ (17,906)	$ 49,634	$ (2,486,316)	$ (17,451,886)	$ 89,214
Adjustments to reconcile operating income (loss) to net cash flows from operating activities								
Depreciation	-	2,539	647,628	-	446,015	794,761	1,890,943	-
Change in assets, deferred outflows, liabilities and deferred inflows								
Receivables	-	-	4,215	-	8,755	(6,284)	6,686	-
Prepaid items and other assets	275	19,614	(6,397)	21	(32,511)	(3,087)	(22,085)	(611)
Accounts payable	(631)	(58)	2,092	(731)	(1,456)	(1,426)	(2,210)	(4,350)
Accrued liabilities	(5,617)	51,935	(1,296)	(2,318)	(4,219)	72,817	111,302	(13,216)
Other post employment benefit	-	27,141	-	-	-	22,870	50,011	(2,136)
Pension related amounts	51,305	47,311	(2,253)	(651)	-	89,498	185,210	11,194
Unearned revenue	-	-	-	-	(3,303)	24,483	21,180	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (75,031)	$ (15,208,214)	$ 1,123,750	$ (21,585)	$ 462,915	$ (1,492,684)	$ (15,210,849)	$ 80,095
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION								
Cash and investments	$ 334,693	$ 429,448	$ 660,755	$ 380,171	$ 659,092	$ 4,104,959	$ 6,569,118	$ 1,300,982
Restricted cash and investments - current and noncurrent	524,500	30,012	-	-	69,529	398,135	1,022,176	-
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 859,193	$ 459,460	$ 660,755	$ 380,171	$ 728,621	$ 4,503,094	$ 7,591,294	$ 1,300,982

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

None

See accompanying notes to financial statements.

COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON

COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
As of December 31, 2019

	Allied Drive Redevelopment, LLC	Truax Park Redevelopment, Phase I, LLC	Burr Oaks Senior Housing, LLC	Truax Park Redevelopment, Phase 2, LLC	Totals
ASSETS					
Current Assets					
Cash and investments	$ 119,623	$ -	$ 334,713	$ 23,068	$ 477,404
Accounts receivable	418	146,568	2,766	150,014	299,766
Prepaid items	358,276	12,081	8,535	40,800	419,692
Restricted assets					
Cash and investments	461,584	775,486	459,949	318,616	2,015,635
Total Current Assets	939,901	934,135	805,963	532,498	3,212,497
Noncurrent Assets					
Property, Plant and Equipment					
Land	401,396	71,000	302,980	86,867	862,243
Land improvements	165,436	191,117	253,476	130,994	741,023
Buildings and improvements	8,181,766	13,100,047	5,641,276	7,730,891	34,653,980
Machinery and equipment	455,763	240,052	319,634	218,941	1,234,390
Less: Accumulated depreciation	(3,603,961)	(3,994,459)	(1,612,573)	(934,949)	(10,145,942)
Net Property, Plant and Equipment	5,600,400	9,607,757	4,904,793	7,232,744	27,345,694
Other Assets					
Financing costs, net	-	-	34,967	47,065	82,032
Tax credit fees, net	29,529	63,792	35,572	85,623	214,516
Total Other Assets	29,529	63,792	70,539	132,688	296,548
Total Noncurrent Assets	5,629,929	9,671,549	4,975,332	7,365,432	27,642,242
TOTAL ASSETS	$ 6,569,830	$ 10,605,684	$ 5,781,295	$ 7,897,930	$ 30,854,739

See accompanying notes to financial statements.

	Allied Drive Redevelopment, LLC	Truax Park Redevelopment, Phase I, LLC	Burr Oaks Senior Housing, LLC	Truax Park Redevelopment, Phase 2, LLC	Totals
LIABILITIES					
Current Liabilities					
Accounts payable	$ 14,381	$ 11,932	$ 300	$ 31,621	$ 58,234
Accrued liabilities	212,627	1,190,902	110,496	60,975	1,575,000
Unearned revenue	41,823	470,580	18,704	8,145	539,252
Current portion of mortgage notes	46,053	57,022	21,463	-	124,538
Other liabilities	312,158	135,291	19,511	47,234	514,194
Development fee payable	-	58,735	-	112,941	171,676
Total Current Liabilities	627,042	1,924,462	170,474	260,916	2,982,894
Long-Term Debt Net of Current Maturities					
Mortgage notes	2,372,185	3,278,542	1,415,101	1,519,288	8,585,116
Total Long-Term Debt Net of Current Maturities	2,372,185	3,278,542	1,415,101	1,519,288	8,585,116
Total Liabilities	2,999,227	5,203,004	1,585,575	1,780,204	11,568,010
NET POSITION					
Net investment in capital assets	3,182,162	6,272,193	3,468,229	5,713,456	18,636,040
Unrestricted (deficit)	388,441	(869,513)	727,491	404,270	650,689
Total Net Position	3,570,603	5,402,680	4,195,720	6,117,726	19,286,729
TOTAL LIABILITIES AND NET POSITION	$ 6,569,830	$ 10,605,684	$ 5,781,295	$ 7,897,930	$ 30,854,739

See accompanying notes to financial statements.

COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNITS
For the Year Ended December 31, 2019

	Allied Drive Redevelopment, LLC	Truax Park Redevelopment, Phase I, LLC	Burr Oaks Senior Housing, LLC	Truax Park Redevelopment, Phase 2, LLC	Totals
OPERATING REVENUES					
Charges for services	$ 618,021	$ 399,594	$ 433,645	$ 230,045	$ 1,681,305
Other revenue	11,562	47,009	8,621	5,715	72,907
Total Operating Revenues	629,583	446,603	442,266	235,760	1,754,212
OPERATING EXPENSES					
Operation and maintenance	480,095	564,488	355,757	404,142	1,804,482
Depreciation	341,864	442,132	176,151	221,033	1,181,180
Total Operating Expenses	821,959	1,006,620	531,908	625,175	2,985,662
Operating Loss	(192,376)	(560,017)	(89,642)	(389,415)	(1,231,450)
NONOPERATING REVENUES (EXPENSES)					
Investment income	2,453	890	351	1,282	4,976
Interest and amortization	(111,238)	(166,568)	(74,725)	(11,214)	(363,745)
Intergovernmental grants	-	226,374	-	184,303	410,677
Total Nonoperating Revenue (Expenses)	(108,785)	60,696	(74,374)	174,371	51,908
CHANGE IN NET POSITION	(301,161)	(499,321)	(164,016)	(215,044)	(1,179,542)
NET POSITION – Beginning of Year	3,871,764	5,902,001	4,359,736	6,332,770	20,466,271
NET POSITION – END OF YEAR	$ 3,570,603	$ 5,402,680	$ 4,195,720	$ 6,117,726	$ 19,286,729

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, 2019

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 thirteen individual funds which provide community development and housing assistance services to properties within the City of Madison.

The reporting entity consists of the CDA and its component units. Component units are legally separate organizations for which the CDA is financially accountable or other organizations for which the nature and significance of their relationship with the CDA are such that their exclusion would cause the reporting entity's financial statements to be misleading. The CDA is financially accountable if: (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the CDA, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the CDA. Certain legally separate, tax exempt organizations should also be reported as a component unit 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 CDA, its component units, or its constituents; (2) the CDA or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the CDA, or its component units, is entitled to, or has the ability to otherwise access, are significant to the CDA.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the CDA using the blending method if it meets any one of the following criteria: (1) the CDA and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the CDA and the component unit have substantively the same governing body and management of the CDA has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the CDA rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the CDA.

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Units

The CDA is the managing member in four real estate limited liability companies (LLC) as of December 31, 2019. 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 CDA exclusively, or almost exclusively and, therefore, are shown as discretely presented component units.

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.

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.

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Units (cont.)

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, Wells Fargo 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.

Truax Park Development Phase 2, LLC

Truax Park Development, Phase 2, LLC was organized on January 18, 2012, as a limited liability company under the Wisconsin Limited Liability Company Act (the Act). The company was formed to construct and operate a three building, 48-unit apartment complex for low-income families which includes approximately 1,500 square feet of office space. The office space is utilized by the CDA for which there is no lease agreement and no rent exchanged for the use of the space. The project, located in Madison, Wisconsin, is called Truax Park Development, Phase 2 and qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The buildings were placed in service from July 2015 through October 2015.

Truax Park Development, Phase 2, LLC consists of one managing member, the CDA, and one investor 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 Truax Park Development, Phase 2, LLC.

Separately issued financial statements of the Truax Park Development, Phase 2, LLC may be obtained from Truax Park Development, Phase 2, LLC's office.

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

B. BASIC FINANCIAL STATEMENTS

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 uses 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 – used to account for and report the CDA's primary operating activities.
Housing Voucher Fund – used to account for and report the operations of the Housing Voucher program.
Villager Fund – used to account for and report the operations of Villager Mall project.
Allied Drive Fund – used to account for and report the operations of the Allied Drive project.
Monona Shores Fund – used to account for and report the operations of the New Monona Shores project.

The CDA reports the following nonmajor enterprise funds:

Karabis Fund – used to account for and report the operations of the Karabis project.
Parkside Project Fund – used to account for and report the operations of the Parkside project.
East Housing Fund – used to account for and report the operations of HUD projects at East location.
West Housing Fund – used to account for and report the operations of HUD projects at West location.
Triangle Housing Fund – used to account for and report the operations of HUD projects at Triangle location.
HUD Subsidy Fund – used to account for and report the HUD subsidy passed through to Truax Redevelopment, Phase I, LLC.
CDA 95-1 – used to account for and report the operations of the reservoir and two Flats projects.

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

B. BASIC FINANCIAL STATEMENTS (cont.)

Internal Service funds are used to account for and report 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.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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.

In March 2018, the GASB issued statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. This standard was implemented January 1, 2019.

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, 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.
b. Bonds or securities of any county, CDA, 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.
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.

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Credit Risk (cont.)

> 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.

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. 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.

3. Prepaid Items

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

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

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.

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 $10,000 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 acquisition 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/amortization 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/ amortization reflected in the statement of net position. Depreciation/amortization is provided over the assets' estimated useful lives using the straight-line and declining-balance methods of depreciation/ amortization. The range of estimated useful lives by type of asset is as follows:

	Years
Land Improvements	15
Buildings and Improvements	20 - 40
Machinery and Equipment	5 - 10
Intangibles	2 - 10

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets (cont.)

Rental property of Allied Drive Redevelopment, LLC, Truax Park Redevelopment, Phase I, LLC, Burr Oaks Senior Housing, LLC, and Truax Park Development, Phase 2, 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:

	Years
Improvements	15 - 20
Buildings	27.5 - 98
Furnishings and Equipment	5 - 12

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.

6. Property Held for Resale

Property held for resale consists of land and improvements and is valued at lower of cost of acquisition, demolition and site improvements, or fair value less cost to sell.

7. Other Assets

Long-term receivables include funds advanced to the component unit LLC's, notes receivable 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.

8. Deferred Outflows of Resources

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

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. 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, 2019 are determined on the basis of current salary rates and include salary related payments.

10. Unearned Revenue

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

11. 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.

Bond premiums and discounts are amortized over the life of the issue using the effective interest method. The balance at year end for premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position.

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, 2019 is approximately $189,224,033, made up of six series.

12. Deferred Inflows of Resources

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

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

13. 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.

14. Pension

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS’ fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. Other Post-employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OEPB, and OPEB expense, information about the fiduciary net position of the CDA OPEB Plan and additions to/deductions from the CDA OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by the City OPEB Plan. For this purpose, the CDA OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

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	$ 8,892,276	$ 8,948,043	Custodial credit
Total Cash and Investments	$ 8,892,276	$ 8,948,043	

Reconciliation to financial statements	
Per statement of net position	
Unrestricted cash and investments	$ 7,870,100
Restricted cash and investment - noncurrent	1,022,176
Total Cash and Investments	$ 8,892,276

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 amounts (interest-bearing and noninterest bearing). 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 deposits.

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 CDA's deposits may not be returned to the CDA.

As of December 31, 2019, the CDA had $519,194 uninsured and uncollateralized.

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.

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

A. DEPOSITS AND INVESTMENTS (cont.)

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, 2019, are as follows:

Allied Drive Redevelopment, LLC

Cash and Investments	
Unrestricted	$ 119,623
Restricted	
Tenants' security deposits	45,181
Replacement reserve	19,622
Mortgage escrow deposits	5,287
Operating reserve	391,494
Total Cash and Investments	$ 581,207

Truax Park Redevelopment, Phase I, LLC

Cash and Investments	
Restricted	
Operating and ACC Reserve	$ 775,486
Total Cash and Investments	$ 775,486

Burr Oaks Senior Housing, LLC

Cash and Investments	
Unrestricted	$ 334,713
Restricted	
Tenants' security deposits	20,535
Real estate tax escrow	45,998
Insurance escrow	6,575
Operating reserve	249,584
Replacement reserve	137,257
Total Cash and Investments	$ 794,662

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

A. DEPOSITS AND INVESTMENTS (cont.)

Component Units (cont.)

Truax Park Development, Phase 2, LLC

Cash and Investments	
Unrestricted	$ 23,068
Restricted	
Tenants' security deposits	6,000
Replacement reserve	54,100
Operating reserve	158,057
ACC reserve	100,459
Total Cash and Investments	$ 341,684
Total Component Unit's Cash and Investments	$ 2,493,039

Reconciliation to Financial Statements	
Per Statement of Net Position	
Cash and investments	$ 477,404
Restricted cash and investments	2,015,635
Total Cash and Investments	$ 2,493,039

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

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.

At the end of the current fiscal year, *unearned revenue* in the proprietary funds were as follows:

	Unearned
Villager Fund	
Rent payments received not yet due	$ 70,000
Monona Shores Fund	
Rent payments received not yet due	25,421
Nonmajor Enterprise Funds	
Rent payments received not yet due	75,380
Total Unearned Revenue	$ 170,801

Long-Term Receivables

The long-term receivables consist of the following:

General Operating Fund	
Notes receivable – Truax Park Redevelopment, Phase I, LLC	$ 622,622
Notes receivable – Burr Oaks, LLC	385,000
Notes receivable – Movin' Out Mortgage	200,000
Notes receivable	63,000
Total	$ 1,270,622
Allied Drive Fund	
Notes receivable – Allied Drive Redevelopment, LLC	$ 2,418,226

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

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

C. RESTRICTED ASSETS

1. GENERAL OPERATING FUND

Debt Service Reserve Account, Series 2013

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

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

Debt service reserve account, Series 2013	$ 524,500

2. HOUSING VOUCHER FUND

At December 31, 2019, Housing voucher fund held tenant funds for self-sufficiency program as restricted cash in the amount of $30,012.

3. MONONA SHORES FUND

At December 31, 2019, Monona Shores held tenant security deposits as restricted cash in the amount of $69,529.

4. NONMAJOR FUNDS

At December 31, 2019, CDA 95-1 maintained the following restricted escrow deposit as required by the agreement with Wisconsin Housing and Economic Development Authority (WHEDA).

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 2019.

Following is a list of restricted assets for the nonmajor funds:

Cash and Investments	
Tenants' security deposits	$ 222,636
Due From Other Governmental Units	
Replacement account	175,499
Total	$ 398,135

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

C. RESTRICTED ASSETS (cont.)

4. NONMAJOR FUNDS (cont.)

Component Units

Following is a list of restricted assets at December 31, 2019:

Tenants' security deposits	$ 71,716
Tax and insurance escrow	52,573
Operating and ACC reserve	1,675,080
Replacement reserve	210,979
Mortgage escrow deposits	5,287
Total Restricted Assets	$ 2,015,635

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

CDA

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated/amortized				
Land	$ 10,225,150	$ 467,172	$ (649,861)	$ 10,042,461
Construction in progress	612,831	434,090	(589,032)	457,889
Total Capital Assets Not Being Depreciated/Amortized	10,837,981	901,262	(1,238,893)	10,500,350
Capital assets being depreciated/amortized				
Land improvements	985,202	-	-	985,202
Buildings and improvements	69,165,345	961,773	-	70,127,118
Machinery and equipment	1,905,586	35,132	-	1,940,718
Intangible assets	43,937	-	-	43,937
Total Capital Assets Being Depreciated/Amortized	72,100,070	996,905	-	73,096,975
Less: Accumulated depreciation for				
Land improvements	(797,114)	(24,642)	-	(821,756)
Buildings and improvements	(47,525,058)	(1,785,802)	-	(49,310,860)
Machinery and equipment	(1,682,856)	(80,499)	-	(1,763,355)
Intangible assets	(43,937)	-	-	(43,937)
Total Accumulated Depreciation	(50,048,965)	(1,890,943)		(51,939,908)
Total Capital Assets Being Depreciated/Amortized	22,051,105	(894,038)	-	21,157,067
Total Capital Assets	$ 32,889,086	$ 7,224	$ (1,238,893)	$ 31,657,417

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

D. CAPITAL ASSETS (cont.)

CDA (cont.)

Depreciation/amortization expense was charged to functions as follows:

Proprietary Funds

Community development	$ 647,628
Housing projects	1,243,315
Total	$ 1,890,943
Enterprise funds	$ 1,890,943

Component Units

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	165,436	-	-	165,436
Buildings	8,181,766	-	-	8,181,766
Furnishings and equipment	413,341	42,422	-	455,763
Total Capital Assets Being Depreciated	8,760,543	42,422	-	8,802,965
Less: Accumulated depreciation	(3,262,097)	(341,864)	-	(3,603,961)
Total Capital Assets Being Depreciated	5,498,446	(299,442)	-	5,199,004
Total Capital Assets	$ 5,899,842	$ (299,442)	$ -	$ 5,600,400

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	71,000	-	-	71,000
Capital assets being depreciated				
Land improvements	191,117	-	-	191,117
Buildings and improvements	13,100,047	-	-	13,100,047
Furnishings and equipment	240,052	-	-	240,052
Total Capital Assets Being Depreciated	13,531,216	-	-	13,531,216
Less: Accumulated depreciation	(3,552,327)	(442,132)	-	(3,994,459)
Total Capital Assets Being Depreciated	9,978,889	(442,132)	-	9,536,757
Total Capital Assets	$ 10,049,889	$ (442,132)	$ -	$ 9,607,757

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	3,692	-	253,476
Buildings and improvements	5,622,663	18,613	-	5,641,276
Furnishings and equipment	319,634	-	-	319,634
Total Capital Assets Being Depreciated	6,192,081	22,305	-	6,214,386
Less: Accumulated depreciation	(1,436,422)	(176,151)	-	(1,612,573)
Total Capital Assets Being Depreciated	4,755,659	(153,846)	-	4,601,813
Total Capital Assets	$ 5,058,639	$ (153,846)	$ -	$ 4,904,793

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

D. CAPITAL ASSETS (cont.)

Component Units (cont.)

Truax Park Development, Phase 2, LLC

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	$ 86,867	$ -	$ -	$ 86,867
Capital assets being depreciated				
Land improvements	130,994	-	-	130,994
Buildings and improvements	7,727,975	2,916	-	7,730,891
Furnishings and equipment	218,941	-	-	218,941
Total Capital Assets Being Depreciated	8,077,910	2,916	-	8,080,826
Less: Accumulated depreciation	(717,651)	(221,033)	3,735	(934,949)
Total Capital Assets Being Depreciated	7,360,259	(218,117)	3,735	7,145,877
Total Capital Assets	$ 7,447,126	$ (218,117)	$ 3,735	$ 7,232,744

E. INTERFUND TRANSFERS

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General operating	Allied drive	$ 176,000	Cover future deficit balances
General operating	Villager	10,000	Cover future deficit balances
	Total Fund Financial Statements	186,000	
	Less: Fund eliminations	186,000	
Total Government-wide Statement of Activities		$ -	

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2019 was as follows:

CDA

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable:					
Revenue bonds	$ 4,720,000	$ -	$ 1,530,000	$ 3,190,000	$ 1,570,000
Mortgage notes - direct	3,190,849	-	258,527	2,932,322	268,127
Other loans/notes* - direct	2,703,731	-	99,030	2,604,701	441,648
Premiums	90,190	-	45,095	45,095	-
Subtotal	10,704,770	-	1,932,652	8,772,118	2,279,775
Accrued compensated absences	444,817	156,950	95,461	506,306	93,105
Advances from primary government – City of Madison	7,529,295	-	690,509	6,838,786	694,709
Total Long-Term Liabilities	$ 18,678,882	$ 156,950	$ 2,718,622	$ 16,117,210	$ 3,067,589

*Beginning balance was adjusted to reclassify $26,000 of accrued interest.

In addition to the liabilities above, information on the net pension liability (asset) is provided in Note III.A and information on the total OPEB liability (asset) is provided in Note III.D.

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 lease revenue bonds issued in 2013 and 2019. 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 65% of gross revenues. Total principal and interest remaining to be paid on the bonds is $3,327,835. Principal and interest paid excluding refunded portion for the current year and total revenues were $1,642,853 and $1,718,232, respectively.

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Revenue debt payable at December 31, 2019 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Indebted-ness	Balance 12/31/19
General Operating Fund					
Lease revenue bonds	1/1/13	3/1/20	3.00%	$ 5,245,000	$ 785,000
Lease revenue refunding bonds	2/26/19	10/1/22	2.0-2.7%	3,960,000	2,405,000
Total Revenue Debt					$ 3,190,000

Debt service requirements to maturity are as follows:

	Revenue Debt	
Years	Principal	Interest
2020	$ 1,570,000	$ 73,155
2021	800,000	42,540
2022	820,000	22,140
Totals	$ 3,190,000	$ 137,835

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

F. 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, 2019 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Indebted-ness	Balance 12/31/19
CDA 95-1 Fund					
Housing mortgage note	6/1/92	6/1/22	4.00%	$ 2,283,492	$ 242,877
Monona Shores					
Housing mortgage note	5/17/01	5/1/31	N/A	213,067	213,067
Housing mortgage note	8/26/16	9/1/21	3.48%	3,000,000	2,476,378
Total Monona Shores					2,689,445
Total Mortgage Notes					$ 2,932,322

Debt service requirements to maturity are as follows:

	Mortgage Notes – Direct Borrowing	
Years	Principal	Interest
2020	$ 268,127	$ 92,688
2021	2,401,962	62,151
2022	49,166	498
2023	15,536	-
2024	26,633	-
2025 - 2029	133,165	-
2030 - 2031	37,733	-
Totals	$ 2,932,322	$ 155,337

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Loans/Notes

The following loans and notes are payable to the City of Madison related to the Madison Mutual Housing Association ("MMHA") 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.

Other loans/notes payable at December 31, 2019 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Indebted-ness	Balance 12/31/19
General Operating Fund					
CDBG Home loan (1)	12/14/10	N/A	N/A	$ 385,000	$ 385,000
Affordable Housing trust loan (1)	10/29/10	12/15/26	Variable*	1,025,000	478,336
			Total General Operating Fund		863,336
Allied Drive Fund					
Promissory note (3)	12/30/11	5/1/37	4.0%	1,255,000	739,936
Parkside Project Fund					
Promissory note (2)	8/28/18	N/A	N/A	400,000	400,000
West Housing Fund					
Promissory note (2)	10/20/97	N/A	N/A	60,000	60,000
CDA 95-1					
Section 17 loans	Various	N/A	N/A	103,000	85,000
UDAG loan	6/5/87	6/20	5.0%	345,000	345,000
WHEDA WRAP note	Unknown	6/22	N/A	Unknown	111,429
			Total CDA 95-1		541,429
Total Other Loans/Notes					$ 2,604,701

* Interest is based on the rates of the City of Madison's investment portfolio yield plus 25 basis points, as calculated using the average yield for the previous 12 months.

(1) – Contains clauses that in the event of default, entire balance shall become immediately due and payable and a delinquency charge equal to 12% per annum on unpaid balance will be applicable.

(2) – Contains clauses that in the event of default, a delinquency charge equal to 12% per annum on unpaid balance will be applicable.

(3) – Contains clauses that in the event of default, interest rate shall be increased by adding 5% point margin and borrower shall be charged 5% of the unpaid portion.

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Loans/Notes (cont.)

Debt service requirements to maturity are as follows:

	Other Loans/Notes – Direct Borrowing	
Years	Principal	Interest
2020	$ 441,648	$ 33,899
2021	98,085	32,461
2022	210,923	31,053
2023	100,968	29,578
2024	102,432	28,115
2025 – 2029	333,340	114,400
2030 – 2034	247,853	63,215
2035 – 2037	139,452	8,377
Totals	$ 1,674,701	$ 341,098

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 $523,864. A repayment schedule for the advances to the Villager Fund in the original amount of $8,650,000, $1,350,000 and $750,000, and for an advance to the General Operating Fund in the original amount of $50,000 have been established.

Years	Principal	Interest
2020	$ 647,511	$ 142,738
2021	647,511	125,568
2022	647,511	109,748
2023	512,482	93,926
2024	512,482	82,157
2025 – 2029	2,482,425	239,046
2030 – 2031	865,000	25,710
Totals	$ 6,314,922	$ 818,893

Other Debt Information

Estimated payments of the compensated absences liability, are not included in the debt service repayment schedules. The compensated absences liability, attributable to the 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 repayment schedules. These debts are subject to various redemption provisions.

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

F. LONG-TERM OBLIGATIONS (cont.)

Component Units

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Allied Drive Redevelopment, LLC Mortgage notes	$ 2,462,268	$ -	$ 44,030	$ 2,418,238	$ 46,053
Truax Park Redevelopment, Phase I, LLC Mortgage notes	3,391,216	-	55,652	3,335,564	57,022
Burr Oaks Senior Housing, LLC Mortgage notes	1,456,750	-	20,186	1,436,564	21,463
Truax Park Development, Phase 2, LLC Mortgage notes	1,519,288	-	-	1,519,288	-
Totals	$ 8,829,522	$ -	$ 119,868	$ 8,709,654	$ 124,538

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 payments of $6,359, including interest at 4.50%; due January 1, 2042, 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 $2,600 as of December 31, 2019; interest expense totaled $32,117 for the year ended December 31, 2019.	$ 693,374
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; interest expense totaled $11,760 for the year ended December 31, 2019.	392,000

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

F. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Allied Drive Redevelopment, LLC (cont.)

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 in 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 $210,027 as of December 31, 2019; interest expense totaled $59,979 for the year ended December 31, 2019.	$	1,332,864
Totals	$	2,418,238

Truax Park Redevelopment, Phase I, LLC

Mortgage notes payable consist of the following:

CDA; nonrecourse 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 $799,823 as of December 31, 2019; interest expense totaled $101,762 for the period ended December 31, 2019.	$	1,846,000
CDA; nonrecourse mortgage payable; due in annual installments of $76,000 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 $3,269 as of December 31, 2019; interest expense totaled $20,056.		622,622
CDA; nonrecourse 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 $137,949 as of December 31, 2019; interest expense was $15,440.		400,000

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

F. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

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

CDA; nonrecourse mortgage note payable in the amount of $466,942; 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 $129,187 as of December 31, 2019; interest expense was $18,678.	$ 466,942
Totals	$ 3,335,564

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; nonrecourse; 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.	$ 1,051,564
CDA; HOME loan; in an amount not to exceed $385,000; subordinated second mortgage note payable; noninterest bearing loan; due the earliest of December 31, 2040 or the sale, transfer, or discontinuance of the permitted use of the property; nonrecourse; collateralized by a mortgage on the rental property, including the assignment of rents thereon.	385,000
Totals	$ 1,436,564

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

F. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Truax Park Development, Phase 2, LLC

Mortgage notes payable consist of the following:

CDA; nonrecourse, noninterest bearing mortgage note payable in the amount of $911,288 due to the extent and priority provided in the operating agreement with the remainder of all outstanding principal due in one installment on December 3, 2054; collateralized by a mortgage on the project's rental property.	$ 911,288
CDA (AHP loan); nonrecourse, noninterest bearing mortgage note payable in the amount of $288,000; due to the extent and priority provided in the operating agreement with the remainder of all outstanding principal due in one installment on December 3, 2054; collateralized by a mortgage on the project's rental property.	288,000
City of Madison (HOME loan), an affiliate of the managing member; nonrecourse, noninterest bearing mortgage note payable in the amount not to exceed $280,000; due November 21, 2054; collateralized by a mortgage on the project's rental property.	280,000
CDA; nonrecourse mortgage note payable under a land lease; 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 December 3, 2054, together with interest at 2.91%, compounded annually; collateralized by a mortgage on the project's rental property; accrued interest was $4,748 as of December 31, 2019; interest expense totaled $1,265 for the period ended December 31, 2019.	40,000
Totals	$ 1,519,288

Debt service principal requirements to maturity are as follows:

Years	
2020	$ 124,538
2021	129,746
2022	135,189
2023	140,880
2024	146,830
Thereafter	8,032,471
Totals	$ 8,709,654

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

G. LEASE DISCLOSURES

General Operating Fund

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 2018A.

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 2013.

The CDA does not have any other material capital or operating leases at December 31, 2019.

The annual lease payments by the City of Madison to the CDA on the leases are as follows:

	2018 Issue		2013 Issue	
	Principal	Interest	Principal	Interest
2020	$ 785,000	$ 61,380	$ 260,500	11,775
2021	800,000	42,540	-	-
2022	820,000	22,140	-	-
Totals	$ 2,405,000	$ 126,060	$ 260,500	$ 11,775

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.

H. NET POSITION

Net position reported on the government-wide statement of net position at December 31, 2019 includes the following:

Business-Type Activities

Net investment in capital assets	
Land	$ 10,042,461
Construction in progress	457,889
Other capital assets, net of accumulated depreciation	21,157,067
Less: Capital related long-term debt outstanding	(9,608,649)
Total	$ 22,048,768

NOTE III – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees initially employed by a participating WRS employer on or after July 1, 2011 and 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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at http://etf.wi.gov/publications/cafr.htm.

Vesting. 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.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement participants, if hired on or before 12/31/2016) are entitled to retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings period. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at age 55 (50 for protective occupations) and receive an actuarially reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

NOTE III – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2009	(2.1)	(42.0)
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees 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.

During the reporting period, the WRS recognized $171,829 in contributions from the CDA.

NOTE III – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Contributions (cont.)

Contribution rates for the plan year reported as of December 31, 2019 are:

Employee Category	Employee	Employer
General (Executives & Elected Officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the CDA reported a liability of $584,975 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The CDA's proportion of the net pension liability was based on the CDA's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the CDA's proportion was 0.016442567%, which was an increase of .000001001% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the CDA recognized pension expense of $392,153.

At December 31, 2019, the CDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 470,422	$ 838,647
Changes of actuarial assumptions	109,675	-
Net differences between projected and actual earnings on pension plan investments	889,052	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	9,972
Employer contributions subsequent to the measurement date	180,744	-
Totals	$ 1,649,893	$ 848,619

NOTE III – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont.)

$180,744 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2020	$ 224,273
2021	54,435
2022	98,298
2023	243,524

Actuarial assumptions. The total pension asset in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset)	December 31, 2018
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*:	1.9%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

NOTE III – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49%	8.1%	5.5%
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
Variable Fund Asset Class			
U.S. Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.5%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

Single discount rate. A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long term bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE III – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Sensitivity of the CDA's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the CDA's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the CDA's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
CDA's proportionate share of the net pension liability (asset)	$ 2,324,752	$ 584,975	$ (708,684)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at http://etf.wi.gov/publications/cafr.htm.

At December 31, 2019, the CDA reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

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

The CDA has entered into a Regulatory Agreement with the Wisconsin Housing and Economic Development Authority (WHEDA) 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 was assigned and has assumed a LURA with WHEDA as a condition to receiving an allocation of low-income housing tax credits for Monona Shores. Under this agreement, the fund 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. The CDA is obligated to certify tenant eligibility.

NOTE III – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

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 renews every September 1, provides for maximum annual assistance payments of $393,985. Total assistance payments received from WHEDA were $393,985 during 2019.

The CDA was assigned and has assumed a regulatory agreement with WHEDA for the CDA95-1 fund, which places occupancy restrictions on rents charged and the minimum set aside of units which shall be occupied by individuals or families whose income meets the requirements as described in the regulatory agreement. The agreement expires when the WHEDA and WHEDA WRAP loans are paid in full.

The CDA was assigned and has assumed a regulatory agreement with the City of Madison for the CDA95-1 fund, which places occupancy restrictions on rents charged and the minimum set aside of units which shall be occupied by individuals or families whose income meets the requirements as described in the regulatory agreement. The CDA is obligated to certify tenant eligibility.

The CDA has entered into a payment in lieu of taxes (PILOT) agreement with the City of Madison (the City) under which the CDA agrees to make annual PILOT payments to the City in the amount of $10,000 beginning in 2019 and ending with 2029. The PILOT agreement shall terminate on the day before the respective January 1st of the year during which the City determines that CDA 95-1 no longer qualifies for property tax exemption or termination of ownership of CDA 95-1 by the CDA. PILOT expense totaled $10,000 for the year ended December 31, 2019.

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.

Component Units

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 $37,087 for the year ended December 31, 2019.

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 $34,036 for the period ended December 31, 2019. Of this amount, $7,500 has been deferred as of December 31, 2019.

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.

Truax Park Development, Phase 2, LLC

Truax Park Development, Phase 2, LLC anticipates entering into a LURA with WHEDA as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, Truax Park Development, Phase 2, 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 Development, Phase 2, 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 Development, Phase 2, LLC is obligated to certify tenant eligibility.

NOTE III – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Truax Park Development, Phase 2, LLC (cont.)

In connection with the mortgage note payable to the City of Madison, Truax Park Development, Phase 2, LLC is subject to a HOME loan development agreement and LURA which specifies that there shall be eight (8) 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) for Dane County, Wisconsin, adjusted for family size. Certain rent limits also apply to these units. The HOME loan development agreement and LURA are in force until 20 years after the date of project completion.

In connection with the AHP loan with the CDA, Truax Park Development, Phase 2, LLC is subject to an AHP Retention/Recapture Agreement that requires the project to maintain certain affordability requirements for 48 units for a period of 15 years. Certain rent limits also apply to these units. Of these 48 units, 29 are restricted to tenants whose annual income is equal to or less than 50% of area median income and remaining 19 units are restricted to tenants whose annual income is equal to or less than 60% of area median income.

Truax Park Development, Phase 2, LLC and the CDA entered into a sub-management agreement with Porchlight, Inc. Pursuant to the terms of the property management agreement between the company and the CDA, the CDA delegated certain management responsibilities with respect to the 8 units in a separate building to Porchlight, Inc. Truax Park Development, Phase 2, LLC is obligated to pay a monthly fee equal to the lesser of $500 or the net cash flow received from the operation of the project. The agreement shall be in effect from October 1, 2015 until the 15th anniversary of the last day of the month in which first occupancy of the project shall occur. After the initial term and each successive renewal term, the agreement shall be deemed renewed automatically for a one-year period. Sub-management fees incurred totaled $6,000 for the period ended December 31, 2019.

Truax Park Development, Phase 2, 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 8 certificates for future residents of the project. Under terms of the Program, each household that holds a certificate pays no more than 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.

NOTE III – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS

General Information About the OPEB Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement participants, if hired on or before 12/31/2016) are entitled to retirement benefit based on a formula factor, their average earnings, and creditable service.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Employees covered by benefit terms. At December 31, 2019, the following employees were covered by the benefit terms:

Plan members	31
Inactive plan members or beneficiaries currently receiving benefit payments	4
	35

NOTE III – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS

Total OPEB Liability

The CDA's total liability of $618,835 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.70%
Salary increases	3.20%
Healthcare cost trend rates	7.50% Initially reduced by decrements to an ultimate of 4.5% after 7 years
Retirees' share of benefit-related costs	100%
Discount rate	3.26%

The discount rate was based on the yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018.

Other assumptions are based on a city-determined analysis of past trends and future expectations.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at January 1, 2019	$ 570,966
Changes for the year:	
Service cost	33,038
Interest	24,250
Changes of benefit terms	-
Changes in assumptions	38,805
Differences between expected and actual experience	(19,977)
Benefit payments	(28,247)
Net changes	47,869
Balances at December 31, 2019	$ 618,835

NOTE III – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

Changes in the Total OPEB Liability (cont.)

Changes of assumptions and other inputs reflect a change in the discount rate from 4.11 percent in 2018 to 3.26 percent in 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the CDA, as well as what the CDA's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (4.26%) than the current discount rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
CDA's Total OPEB liability	$ 668,869	$ 618,835	$ 573,512

Sensitivity of the CDA's total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the CDA, as well as what the CDA's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.5% decreasing to 6.5%) or 1-percentage-point higher (7.5% increasing to 8.5%) than the current healthcare cost trend rates:

	1% Decrease (7.50% Decreasing to 6.50%)	Healthcare Cost Trend Rates	1% Increase (7.50% Increasing to 8.50%)
CDA Total OPEB liability	$ 558,257	$ 618,835	$ 690,724

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

CDA Information

For the year ended December 31, 2019, the CDA recognized OPEB expense of $56,754. At December 31, 2019, the CDA reported deferred inflows and deferred outflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Differences between expected and actual experience	$ -	$ 51,216
Changes of assumptions	33,955	8,737
Total	$ 33,955	$ 59,953

NOTE III – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

Changes in the Total OPEB Liability (cont.)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended December 30:	Deferred Outflows of Resources and Deferred Inflows of Resources (Net)
2020	$ (4,726)
2021	(4,726)
2022	(4,726)
2023	(4,726)
2024	(4,726)
Thereafter	(2,368)

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.

Rental payments received during 2019 from Public Health – Madison and Dane County, a related party, were $424,027.

Component Units

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 $347,667 as of December 31, 2019. The ground lease expense totaled $4,000 for the year ended December 31, 2019.

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 $256,161 as of December 31, 2019. Managing member management fees expensed totaled $26,879 for the year ended December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

E. RELATED PARTIES (cont.)

Component Units (cont.)

Allied Drive Redevelopment, LLC (cont.)

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 $6,451 as of December 31, 2019. Asset management fees expenses totaled $6,451 for the year ended December 31, 2019.

Truax Park Redevelopment, Phase I, LLC

Accounts Receivable

Included in accounts receivable are amounts due from the CDA for reimbursable expenses related to the service coordinator totaling $1,099 as of December 31, 2019.

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 regard 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 $226,374 were earned during the year ended December 31, 2019. Included in accounts receivable are related party operating subsidies receivable of $142,662 as of December 31, 2019.

Development Completion Guaranty

Under terms of the operating agreement, the managing member is obligated to complete the required rehabilitation of the project. In the event Truax Park Redevelopment, Phase 1, LLC lacks sufficient funds from the member capital contributions and proceeds from the construction and permanent mortgages to pay for the rehabilitation costs, the managing member is obligated to provide such funds to the company in the form of an unsecured loan. Any loans under this agreement shall not bear interest and shall be payable in accordance with the operating agreement. The development completion guaranty loan was $112,586 as of December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

E. RELATED PARTIES (cont.)

Component Units (cont.)

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

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 $58,735 as of December 31, 2019.

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 $19,980 for the period ended December 31, 2019.

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 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 $65,361 as of December 31, 2019. Asset management fees incurred totaled $8,994 for the year ended December 31, 2019.

Burr Oaks Senior Housing, LLC

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. The annual fee is payable from cash flow as defined in the operating agreement. The fee shall increase by 3% per annum. Asset management fees incurred totaled $9,225 for the year ended December 31, 2019. Accrued asset management fees included in other accrued expenses on the balance sheet were $9,225 as of December 31, 2019.

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. The annual fee is payable from cash flow as defined in the operating agreement. The fee shall increase by 3% per annum. Asset management fees incurred totaled $9,225 for the year ended December 31, 2019. Accrued asset management fees included in other accrued expenses on the balance sheet were $9,225 as of December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

E. RELATED PARTIES (cont.)

Component Units (cont.)

Burr Oaks Senior Housing, LLC (cont.)

Purchase Option Agreement

For one year after the close of the 15 year compliance period (right of first refusal period), Burr Oaks Senior Housing, LLC may not sell the property to any third party that has made a bona fide purchase offer, without first offering the managing member the right of first refusal to purchase the property. Burr Oaks Senior Housing, LLC shall offer the property to the managing member at a price equal to the greater of $100 or the sum of Burr Oaks Senior Housing, LLC's outstanding debt plus an amount sufficient to enable Burr Oaks Senior Housing, LLC to make liquidation distributions pursuant to the operating agreement.

Burr Oaks Senior Housing, LLC has granted the managing member an option to purchase the investor member's membership interest in Burr Oaks Senior Housing, LLC for a 24 month period after the end of the right of first refusal period. The option price to purchase will be the balance of all unpaid amounts due to the investor member plus the greater of $100, plus the amount of Burr Oaks Senior Housing, LLC's outstanding debt, plus an amount sufficient to make termination distributions pursuant to the operating agreement or the fair market value of the investor member's interest in Burr Oaks Senior Housing, LLC.

Truax Park Development, Phase 2, LLC

Regulatory and Operating (R&O) Agreement

Truax Park Development, Phase 2, LLC has entered into an R&O Agreement with the CDA. Provisions of the agreement require Truax Park Development, Phase 2, LLC to maintain 40 units as public housing units. With regard to the public housing units, the CDA is to pay operating subsidies to Truax Park Development, Phase 2, LLC equal to project expenses less income received from tenants residing in the public housing units. The agreement will expire 40 years from the date the project first became available for occupancy, with the potential to be extended for an additional 10 years. Operating subsidies totaling $184,303 were earned during the year ended December 31, 2019. Included in accounts receivable are related party operating subsidies receivable of $136,367 as of December 31, 2019.

Development Completion Guaranty

The operating agreement requires the managing member to fund operating deficits during the stabilization period, as defined in the operating agreement, in the form of interest-free development advances, repayable only from available cash flow as defined in the operating agreement. The development completion guaranty loan was $26,552 as of December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

E. RELATED PARTIES (cont.)

Component Units (cont.)

Truax Park Development, Phase 2, LLC (cont.)

Development Fee

Truax Park Development, Phase 2, LLC has entered into a development agreement with the CDA. The agreement provides for the payment of a development fee of $112,941, which has been capitalized into the cost of the buildings. The fee is payable from future capital contributions and available cash flow as defined in the operating agreement. The unpaid balance of the development fee is to be paid by the managing member on the thirteenth anniversary of the project's completion date. The payment by the managing member is to be treated as a development fee advance and shall be non-interest bearing and payable solely from cash flow, capital proceeds or upon dissolution of Truax Park Development, Phase 2, LLC. Development fee payable was $112,941 as of December 31, 2019.

Property Management Agreement

Truax Park Development, Phase 2, LLC has entered into a property management agreement with CDA under which Truax Park Development, Phase 2, 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 fee expense totaled $11,293 during the period ended December 31, 2019.

Asset Management Fee

Truax Park Development, Phase 2, LLC is obligated to pay the investor member an annual asset management fee in the initial amount of $4,800, increasing by 10% on each fifth anniversary (prorated fee of $1,320 in the first year). 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 $20,520 as of December 31, 2019. Asset management fees incurred totaled $4,800 for the year ended December 31, 2019.

Operating Deficit Guaranty

Under the operating agreement, the managing member is required to fund operating deficits from and after stabilization period until the last to occur of: (1) the fifth anniversary of the end of the lease-up period of (2) the fifth anniversary of the end of the stabilization period. The expiration of the managing member's obligation to make operating deficit advances shall be extended by one year for each fiscal year during the period when the project's required expense coverage ratio is less than 105% and thereafter until such time the operating reserve equals or exceeds $145,267. During this period, operating deficit advances funded by the managing member are to be treated as capital contributions and are limited to $270,000. Any such advances shall be non-interest bearing and are only repayable from available cash flow as defined in the operating agreement. There were no operating deficit advances as of December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

E. RELATED PARTIES (cont.)

Component Units (cont.)

Truax Park Development, Phase 2, LLC (cont.)

Sale Administration Fee

In accordance with the operating agreement, the sale administration fee is to be payable to the managing member in lieu of a third-party broker fee for providing services related to arranging and executing a sale of the project to an unrelated third-party buyer. The fee amount would be an amount mutually agreed upon by the managing member and the investor member.

F. INVOLUNTARY CONVERSION

In 2019, Truax Park Development, Phase 2, LLC received insurance proceeds totaling $29,781 for fire damage to one building. The remaining insurance proceeds to be received in 2020 total $10,818 and are included in accounts receivable as of December 31, 2019. This event resulted in the involuntary conversion of part of the building to cash proceeds received from the insurance company to cover the loss. The difference between the proceeds received from the insurance company and the net book value of the damaged building resulted in a gain on involuntary conversion of $1,651 for the year ended December 31, 2019. The total cost to repair the damaged building was $45,599 which was capitalized into rental property during 2019.

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

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Gui*dance, with the exception of Statement No. 87 which was postponed by one and a half years.

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFOMATION

COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2019

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/15	0.01596426%	$ (392,124)	$ 2,131,088	18.40%	102.74%
12/31/16	0.01613057%	262,120	2,237,306	11.72%	98.20%
12/31/17	0.01611899%	132,859	2,220,313	5.98%	99.12%
12/31/18	0.01621912%	(481,564)	2,271,038	21.20%	102.93%
12/31/19	0.01644257%	584,975	2,301,605	25.42%	96.45%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2019

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	$ 157,204	$ 157,204	$ -	$ 2,237,306	7.03%
12/31/16	157,746	157,746	-	2,220,313	7.10%
12/31/17	169,849	169,849	-	2,271,038	7.48%
12/31/18	173,813	173,813	-	2,301,605	7.55%
12/31/19	180,744	180,744	-	2,560,588	7.06%

COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF CHANGES IN EMPLOYER'S TOTAL OTHER POST EMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS
December 31, 2019

Total OPEB Liability	**2019**	**2018**
Service cost	$ 33,038	$ 40,885
Interest	24,250	22,021
Changes of benefit terms	-	-
Differences between expected and actual experience	(19,977)	(45,317)
Changes of assumptions	38,805	(11,735)
Benefit payments	(28,247)	(24,971)
Net Change in Total OPEB Liability	47,869	(19,117)
Total OPEB Liability - Beginning	570,966	590,083
Total OPEB Liability - Ending	$ 618,835	$ 570,966
Covered payroll	$ 2,489,055	$ 2,750,141
Total OPEB liability as a percentage of covered payroll	24.86%	20.76%

Notes to Schedule:

Benefit changes. There were no changes of benefit terms.

Change of assumptions:

Discount Rate - The discount rate has been updated from 4.11% to 3.26% in the December 31, 2019 valuation.

Health Care and Subsidy Trend Rates - An update in the health care and subsidy trend rates from an initial rate of 8.00% decreasing by 0.50% annually to an ultimate rate of 4.50% to an initial rate of 7.50% decreasing by 0.50% annually to an ultimate rate of 4.50% for the December 31, 2019 valuation.

Valuation date:
January 1, 2019 with results actuarially projected on a "no gain/no loss" basis to get to the December 31, 2019 measurement date. Liabilities as of January 1, 2019 are based on actuarial valuation date of January 1, 2019 with no adjustments

Methods and assumptions used to determine total OPEB liability:

Actuarial cost method	Entry age normal
Amortization method	Average remaining member service life
Amortization period	8 years
Asset valuation method	Not applicable
Inflation	2.7 percent
Healthcare cost trend rates	7.5 percent initial, decreasing 0.5 percent every year to an ultimate rate of 4.5 percent
Salary increases	3.20 percent average, including inflation
Investment rate of return	Not applicable
Retirement age	Based upon rates from the December 31, 2017 actuarial valuation for the Wisconsin Retirement System (WRS)
Mortality	Assumed life expectancies were based on RPH-2018 Total Dataset Mortality Table fully generational using scale MP-2018

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Other Information:
The CDA implemented GASB Statement No. 75 in 2018. Information prior to 2018 is not available.

WISCONSIN RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The CDA is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

SUPPLEMENTARY INFORMATION

COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
As of December 31, 2019

ASSETS	Karabis Fund	Parkside Project Fund	East Housing Fund
Current Assets			
Cash and investments	$ 1,220,765	$ 515,514	$ 485,128
Accounts receivable	8	5,048	8,111
Due from other governmental units	5,761	27,442	39,616
Prepaid items	1,685	10,746	4,659
Total Current Assets	1,228,219	558,750	537,514
Property, Plant and Equipment			
Land	22,698	200,271	310,162
Land improvements	162,843	86,875	119,860
Buildings and improvements	955,112	4,532,825	10,340,269
Machinery and equipment	17,484	112,944	409,833
Intangibles	-	19,683	8,084
Construction In progress	-	-	32,050
Less: Accumulated depreciation	(967,869)	(3,862,046)	(9,816,633)
Net Property, Plant and Equipment	190,268	1,090,552	1,403,625
Other Assets			
Restricted cash and investments	5,551	24,007	53,404
Deposits	-	-	-
Lease receivable	-	-	1,846,000
Total Other Assets	5,551	24,007	1,899,404
Total Assets	1,424,038	1,673,309	3,840,543
DEFERRED OUTFLOWS OF RESOURCES			
Other post employment benefit related amounts	234	36	7,440
Pension related amounts	86,691	156,253	205,174
Total Deferred Outflows of Resources	86,925	156,289	212,614

West Housing Fund	Triangle Housing Fund	CDA 95-1	Totals
$ 670,621	$ 1,139,350	$ 73,581	$ 4,104,959
7,348	5,605	11,908	38,028
35,057	28,387	-	136,263
15,105	10,704	-	42,899
728,131	1,184,046	85,489	4,322,149
1,200,372	482,652	241,689	2,457,844
-	-	35,495	405,073
12,972,375	9,727,931	1,842,302	40,370,814
382,467	263,508	126,037	1,312,273
8,084	8,086	-	43,937
-	4,950	-	37,000
(11,969,903)	(9,442,562)	(1,144,817)	(37,203,830)
2,593,395	1,044,565	1,100,706	7,423,111
89,469	50,205	175,499	398,135
-	-	3,500	3,500
-	-	-	1,846,000
89,469	50,205	178,999	2,247,635
3,410,995	2,278,816	1,365,194	13,992,895
6,594	4,109	-	18,413
299,393	155,049	-	902,560
305,987	159,158	-	920,973

COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
As of December 31, 2019

LIABILITIES	Karabis Fund	Parkside Project Fund	East Housing Fund
Current Liabilities			
Accounts payable	$ 6,125	$ 17,402	$ 67,536
Accrued liabilities	5,997	15,883	18,933
Unearned revenue	1,274	13,248	15,525
Current portion of mortgage notes	-	-	-
Current portion of other loans	-	-	-
Current portion of advances from primary government - City of Madison	457	2,498	7,933
Accrued compensated absences	2,183	4,819	20,036
Other liabilities	5,551	31,799	53,401
Total Current Liabilities	21,587	85,649	183,364
Long-Term Debt Net of Current Maturities			
Mortgage notes	-	-	-
Other loans	-	400,000	-
Net pension liability	32,505	59,662	66,144
Accrued compensated absences	9,687	21,387	88,921
Other post-employment benefits	4,261	660	135,596
Advances from primary government - City of Madison	2,310	12,632	40,117
Total Long-Term Debt	48,763	494,341	330,778
Total Liabilities	70,350	579,990	514,142
DEFERRED INFLOWS OF RESOURCES			
Other post employment benefit related amounts	411	63	13,141
Pension related amounts	37,984	89,560	94,374
Total Deferred Inflows of Resources	38,395	89,623	107,515
NET POSITION			
Net investment in capital assets	190,268	690,552	1,403,625
Unrestricted	1,211,950	469,433	2,027,875
TOTAL NET POSITION	$ 1,402,218	$ 1,159,985	$ 3,431,500

West Housing Fund	Triangle Housing Fund	CDA 95-1	Totals
$ 65,993	$ 44,288	$ 4,655	$ 205,999
33,842	17,340	47,093	139,088
21,379	21,545	2,409	75,380
-	-	94,922	94,922
-	-	345,000	345,000
12,035	4,807	-	27,730
14,300	4,728	-	46,066
93,820	63,069	23,246	270,886
241,369	155,777	517,325	1,205,071
-	-	147,955	147,955
60,000	-	196,429	656,429
106,844	51,369	-	316,524
63,463	20,982	-	204,440
120,188	74,880	-	335,585
60,857	24,306	-	140,222
411,352	171,537	344,384	1,801,155
652,721	327,314	861,709	3,006,226
11,644	7,256	-	32,515
158,696	75,914	-	456,528
170,340	83,170	-	489,043
2,533,395	1,044,565	316,400	6,178,805
360,526	982,925	187,085	5,239,794
$ 2,893,921	$ 2,027,490	$ 503,485	$ 11,418,599

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, 2019

	Karabis Fund	Parkside Project Fund	East Housing Fund
OPERATING REVENUES			
Charges for services	$ 88,524	$ 401,732	$ 648,003
Other revenue	4,525	12,577	22,451
Total Operating Revenues	93,049	414,309	670,454
OPERATING EXPENSES			
Operation and maintenance	299,622	641,671	1,162,795
Depreciation	17,766	65,554	228,571
Taxes	5,450	30,795	43,794
Total Operating Expenses	322,838	738,020	1,435,160
Operating Income (Loss)	(229,789)	(323,711)	(764,706)
NONOPERATING REVENUES (EXPENSES)			
Investment income	25,048	11,581	11,628
Interest and amortization	(119)	(677)	(2,282)
Intergovernmental grants	227,406	470,268	486,959
Miscellaneous expenses	-	-	-
Total Nonoperating Revenue (Expenses)	252,335	481,172	496,305
CHANGE IN NET POSITION	22,546	157,461	(268,401)
NET POSITION – Beginning of Year	1,379,672	1,002,524	3,699,901
NET POSITION – END OF YEAR	$ 1,402,218	$ 1,159,985	$ 3,431,500

	West Housing Fund	Triangle Housing Fund	HUD Subsidy Fund	CDA 95-1	Totals
	$ 1,087,637	$ 794,723	$ -	$ 308,043	$ 3,328,662
	65,632	48,738	-	5,302	159,225
	1,153,269	843,461	-	313,345	3,487,887
	1,751,812	954,720	-	150,236	4,960,856
	302,466	120,872	-	59,532	794,761
	81,932	56,615	-	-	218,586
	2,136,210	1,132,207	-	209,768	5,974,203
	(982,941)	(288,746)	-	103,577	(2,486,316)
	13,516	21,354	-	5,108	88,235
	(3,555)	(1,296)	-	(27,715)	(35,644)
	1,207,238	443,260	282,731	-	3,117,862
	-	-	(282,731)	-	(282,731)
	1,217,199	463,318	-	(22,607)	2,887,722
	234,258	174,572	-	80,970	401,406
	2,659,663	1,852,918	-	422,515	11,017,193
	$ 2,893,921	$ 2,027,490	$ -	$ 503,485	$ 11,418,599

COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2019

	Karabis Fund	Parkside Project Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	$ 93,183	$ 418,095
Paid to suppliers for goods and services	(203,677)	(300,547)
Paid to employees for services	(101,820)	(309,512)
Paid to city for tax equivalent	(5,450)	(30,795)
Net Cash Flows From Operating Activities	(217,764)	(222,759)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Deposits (refunds)	478	(1,470)
Intergovernmental grants	233,793	451,963
Deficit cash implicitly financed	1,159,524	-
Repayment of advance to primary government	(416)	(2,276)
Interest on advance	(119)	(677)
Other nonoperating items	-	(421)
Net Cash Flows From Noncapital Financing Activities	1,393,260	447,119
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt retired	-	-
Interest paid	-	-
Acquisition and construction of capital assets	-	(225,815)
Net Cash Flows From Capital and Related Financing Activities	-	(225,815)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	25,048	11,581
Net Cash Flows From Investing Activities	25,048	11,581
Net Increase (Decrease) in Cash and Cash Equivalents	1,200,544	10,126
CASH AND CASH EQUIVALENTS - Beginning of Year	25,772	529,395
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,226,316	$ 539,521

East Housing Fund	West Housing Fund	Triangle Housing Fund	HUD Subsidy Fund	CDA 95-1	Totals
$684,971	$1,161,356	$847,281	$ -	$301,190	$ 3,506,076
(740,613)	(957,707)	(648,260)	-	(137,846)	(2,988,650)
(409,132)	(694,297)	(276,763)	-	-	(1,791,524)
(43,794)	(81,932)	(56,615)	-	-	(218,586)
(508,568)	(572,580)	(134,357)	-	163,344	(1,492,684)
6,899	3,869	(701)	-	-	9,075
448,546	1,175,797	447,604	282,731	-	3,040,434
-	-	-	-	-	1,159,524
(7,228)	(10,964)	(4,379)	-	-	(25,263)
(2,282)	(3,555)	(1,296)	-	-	(7,929)
-	-	(112)	(282,731)	-	(283,264)
445,935	1,165,147	441,116	-	-	3,892,577
-	-	-	-	(92,389)	(92,389)
-	-	-	-	(19,090)	(19,090)
(32,050)	(435,207)	(4,950)	-	(18,762)	(716,784)
(32,050)	(435,207)	(4,950)	-	(130,241)	(828,263)
11,628	13,516	21,354	-	5,108	88,235
11,628	13,516	21,354	-	5,108	88,235
(83,055)	170,876	323,163	-	38,211	1,659,865
621,587	589,214	866,392	-	210,869	2,843,229
$ 538,532	$ 760,090	$ 1,189,555	$ -	$ 249,080	$ 4,503,094

COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2019

	Karabis Fund	Parkside Project Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Operating income (loss)	$ (229,789)	$ (323,711)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation	17,766	65,554
Change in assets, deferred outflows, liabilities and deferred inflows		
Accounts receivable	(8)	(4,404)
Prepaid items	(130)	(151)
Accounts payable	(489)	1,990
Accrued liabilities	(5,398)	(866)
Other post employment benefits related amounts	1,135	660
Pension related amounts	(997)	29,978
Unearned revenue	146	8,191
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (217,764)	$ (222,759)

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

None

East Housing Fund	West Housing Fund	Triangle Housing Fund	HUD Subsidy Fund	CDA 95-1	Totals
$ (764,706)	$ (982,941)	$ (288,746)	$ -	$ 103,577	$ (2,486,316)
228,571	302,466	120,872	-	59,532	794,761
10,267	(1,103)	425	-	(11,461)	(6,284)
(1,345)	(649)	(812)	-	-	(3,087)
(9,176)	23,981	(21,154)	-	3,422	(1,426)
32,167	21,039	16,907	-	8,968	72,817
(7,393)	14,808	13,660	-	-	22,870
(1,207)	40,633	21,091	-	-	89,498
4,254	9,186	3,400	-	(694)	24,483
$ (508,568)	$ (572,580)	$ (134,357)	$ -	$ 163,344	$ (1,492,684)

Allied Drive Redevelopment, LLC

Financial Report

December 31, 2019

SVA | Certified Public Accountants, S.C.
Tax, Audit and Business Strategy

ALLIED DRIVE REDEVELOPMENT, LLC

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

To the Members
Allied Drive Redevelopment, LLC
Madison, Wisconsin

We have audited the accompanying financial statements of Allied Drive Redevelopment, LLC, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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 the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Allied Drive Redevelopment, LLC as of December 31, 2019 and 2018, and the results of its operations, changes in members' equity, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, in 2019, the entity adopted new accounting standards. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information (schedules of project operating expenses) shown on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

February 24, 2020

ALLIED DRIVE REDEVELOPMENT, LLC

BALANCE SHEETS

December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 119,623	$ 77,795
Restricted cash	461,584	481,677
Accounts receivable	418	147
Prepaid ground lease	347,667	351,667
Prepaid expenses	10,609	11,414
Rental property under land lease, net	5,600,400	5,899,842
Tax credit fees, net	29,529	36,911
TOTAL ASSETS	$ 6,569,830	$ 6,859,453
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Mortgage notes payable	$ 2,418,238	$ 2,462,268
Accounts payable	14,381	17,181
Accrued interest	212,627	187,530
Accrued expenses	267,218	239,643
Tenants' security deposits payable	44,940	44,435
Prepaid rents	41,823	36,632
Total liabilities	2,999,227	2,987,689
MEMBERS' EQUITY	3,570,603	3,871,764
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 6,569,830	$ 6,859,453

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

ALLIED DRIVE REDEVELOPMENT, LLC
STATEMENTS OF OPERATIONS
Years ended December 31, 2019 and 2018

	2019	2018
Revenues:		
Rental income	$ 618,660	$ 590,835
Vacancies and concessions	(639)	(1,737)
Other revenue	11,562	9,916
Total revenues	629,583	599,014
Rental expenses:		
Rent and administrative	127,462	126,552
Utilities	63,011	60,006
Operating and maintenance	160,270	172,645
Ground lease	4,000	4,000
Taxes and insurance	92,022	89,326
Total rental expenses	446,765	452,529
Net rental income	182,818	146,485
Financial income (expense):		
Interest income	2,453	2,162
Interest expense	(103,856)	(105,797)
Total financial income (expense)	(101,403)	(103,635)
Income before other expenses	81,415	42,850
Other expenses:		
Depreciation	341,864	336,577
Amortization	7,382	7,382
Managing member management fee	26,879	26,096
Asset management fee	6,451	6,263
Total other expenses	382,576	376,318
Net loss	$ (301,161)	$ (333,468)

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

ALLIED DRIVE REDEVELOPMENT, LLC

STATEMENTS OF MEMBERS' EQUITY

Years ended December 31, 2019 and 2018

	Managing member	Investor member	Total
Balances, December 31, 2017	$ (227)	$ 4,205,459	$ 4,205,232
Net loss	(33)	(333,435)	(333,468)
Balances, December 31, 2018	(260)	3,872,024	3,871,764
Net loss	(30)	(301,131)	(301,161)
Balances, December 31, 2019	$ (290)	$ 3,570,893	$ 3,570,603
Ownership percentages	0.01%	99.99%	100.00%

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

ALLIED DRIVE REDEVELOPMENT, LLC

STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (301,161)	$ (333,468)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	341,864	336,577
Amortization	7,382	7,382
Amortization of prepaid ground lease	4,000	4,000
Increase (decrease) in cash due to changes in:		
Accounts receivable	(271)	495
Prepaid expenses	805	356
Accounts payable	(2,800)	4,383
Accrued interest	25,097	(26,099)
Accrued real estate taxes	0	(58,880)
Accrued expenses	27,575	26,691
Tenants' security deposits payable	505	1,560
Prepaid rents	5,191	1,919
Net cash provided by (used in) operating activities	108,187	(35,084)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of rental property	(42,422)	(46,718)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage notes payable	(44,030)	(42,096)
Change in cash, cash equivalents, and restricted cash	21,735	(123,898)
Cash, cash equivalents, and restricted cash:		
Beginning	559,472	683,370
Ending	$ 581,207	$ 559,472
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO BALANCE SHEET		
Cash and cash equivalents	$ 119,623	$ 77,795
Restricted cash	461,584	481,677
Total cash, cash equivalents, and restricted cash	$ 581,207	$ 559,472
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest	$ 78,759	$ 131,896

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

NOTE A – Nature of business and significant accounting policies

Nature of business

Allied Drive Redevelopment, LLC (the company), 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.

The company consists of one managing member and one investor member 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 company shall be operated in a manner consistent with its treatment as a partnership for federal and state income tax purposes. Therefore, the financial statements do not include the personal or corporate assets and liabilities of the members, including their obligations for income taxes on their distributive shares of the net income of the company or their rights to refunds on its net loss, nor any provision for income tax expense.

The company's operating agreement states that the company shall be dissolved upon the occurrence of specific events which are described in the agreement.

A summary of significant accounting policies follows:

Allocation of income/loss and tax credits

Income or loss of the company is allocated .01% to Community Development Authority of the City of Madison (CDA), the managing member and 99.99% to NEF Assignment Corporation, the investor member. The company is expected to generate low-income housing tax credits which will be allocated in the same manner. Allocation of gain or loss from a sale of the project, if applicable, is subject to different terms as described in the operating agreement.

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.

Cash and cash equivalents

For purposes of reporting cash flows, the company 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 company due to restrictions placed on it.

The company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

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

Accounts receivable and revenue recognition

The company 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 not interest bearing. A receivable is considered past due if payments have not been received by the company for 5 days. Accounts receivable are written off when management determines an account is uncollectible, based on its history of past write-offs, collections, and current credit conditions. Accounts are generally written off as uncollectible upon move-out after applying any available tenant security deposits to the outstanding balance. A late payment fee of $35 is charged for accounts 5 days past due.

Rental revenue is recognized when earned. The project leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis. Other revenue consists of various tenant charges and other services and is recognized when the service is complete.

Rental property

Rental property is stated at cost. Depreciation of rental property is computed on the straight-line and declining balance methods based upon the following estimated useful lives of the assets:

	Years
Sitework	15
Buildings	27.5
Furnishings and equipment	5

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.

Impairment of long-lived assets

The company reviews long-lived assets, including rental property and intangible assets, 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.

Tax credit fees

In connection with obtaining an allocation of low-income housing tax credits, the company paid fees totaling $110,732 to the Wisconsin Housing and Economic Development Authority (WHEDA). The company is amortizing these fees using the straight-line method over the related tax credit compliance period of 15 years.

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

New accounting standards adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which replaces numerous requirements in U.S. GAAP related to revenue recognition, including industry-specific requirements, and provides entities with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2019. The entity's only revenue subject to this new accounting standard is included in other revenue. The adoption of this new standard has no effect on how other revenue is recognized in the financial statements for the years ended December 31, 2019 and 2018.

In November 2016, FASB issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when recording the beginning and ending total amounts shown on the statement of cash flows.

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2019 and retrospectively apply the amendments to all periods presented. As a result, net cash provided by operating activities previously reported decreased $62,549 and net cash used in investing activities previously reported increased $7,268 for the year ended December 31, 2018 to exclude the change in restricted cash.

In August 2016, FASB issued Accounting Standards Update (ASU) No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on the classification of eight cash flow issues to reduce the existing diversification in practice. Specific cash flow issues addressed in this ASU that could apply to the entity include a) debt prepayment or debt extinguishment costs; b) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; c) proceeds from the settlement of insurance claims; and d) separately identifiable cash flows and application of the predominance principle.

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2019 and retrospectively apply the amendments to all periods presented. The adoption of this new standard did not impact the entity's statements of cash flows.

Subsequent events

These financial statements have not been updated for subsequent events occurring after February 24, 2020, which is the date these financial statements were available to be issued. The company has no responsibility to update these financial statements for events and circumstances occurring after this date.

NOTE B – Restricted cash

Restricted cash is comprised of the following:

	2019	2018
Tenants' security deposits	$ 45,181	$ 44,557
Replacement reserve	19,622	42,724
Mortgage escrow deposits	5,287	4,962
Operating reserve	391,494	389,434
	$ 461,584	$ 481,677

Replacement reserve

The company's operating agreement requires the company to make monthly deposits to the replacement reserve initially equal to $300 per unit per year, and increased annually by 3%. Disbursements are restricted to capital improvements and repairs of the project. Disbursements in excess of $5,000 per month will require written approval of the managing member and asset manager. Any funds remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement.

	2019	2018
Balance, beginning	$ 42,724	$ 51,622
Annual deposits	19,276	18,715
Approved withdrawals	(42,550)	(27,751)
Interest earned	172	138
Balance, ending	$ 19,622	$ 42,724

Operating reserve

The company's operating agreement requires the company to fund and maintain an operating reserve on or before the investor member's third equity installment in the amount of $328,555. Any excess amount remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement. If the balance in the operating reserve falls below $187,903, the company is obligated to replenish the operating reserve from cash flow or the proceeds of sales or refinancing. Disbursements require the approval of the managing member and the asset manager.

	2019	2018
Balance, beginning	$ 389,434	$ 387,804
Interest earned	2,060	1,630
Balance, ending	$ 391,494	$ 389,434

NOTE C – Rental property under land lease, net

Rental property under land lease, net is comprised of the following:

	2019	2018
Non-depreciable land improvements	$ 401,396	$ 401,396
Sitework	165,436	165,436
Buildings	8,181,766	8,181,766
Furnishings and equipment	455,763	413,341
	9,204,361	9,161,939
Less accumulated depreciation	3,603,961	3,262,097
	$ 5,600,400	$ 5,899,842

NOTE D -- Mortgage notes payable

Mortgage notes payable consist of the following:

	2019	2018
CDA; original amount of $1,255,091; recourse until the three-year anniversary of the expiration of the compliance period; monthly payments of $6,359, including interest at 4.50%; due January 1, 2042, 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 $2,600 and $2,765 as of December 31, 2019 and 2018, respectively; interest expense totaled $32,117 and $34,058 for the years ended December 31, 2019 and 2018, respectively.	$ 693,374	$ 737,404
Balance carried forward	693,374	737,404

NOTE D – Mortgage notes payable (Continued)

	2019	2018
Balance brought forward	$ 693,374	$ 737,404
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 the project reaches stabilized 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 assignment of rents and security agreement; interest expense totaled $11,760 for each of the years ended December 31, 2019 and 2018.	392,000	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 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 $210,027 and $184,765 as of December 31, 2019 and 2018, respectively; interest expense totaled $59,979 for each of the years ended December 31, 2019 and 2018.	1,332,864	1,332,864
	$ 2,418,238	$ 2,462,268

NOTE D – Mortgage notes payable (Continued)

Repayment of principal on the mortgage notes payable as of December 31, 2019, is as follows:

Year ending December 31,		
2020	$	46,053
2021		48,168
2022		50,381
2023		52,695
2024		55,116
Thereafter		2,165,825
	$	2,418,238

NOTE E -- Members' capital contributions

The managing member has made their required capital contribution of $100. The investor member has made their required capital contributions totaling $7,514,874 as of December 31, 2019.

NOTE F – Related-party transactions

Ground lease

The company 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. Prepaid ground lease was $347,667 and $351,667 as of December 31, 2019 and 2018, respectively. Ground lease expense totaled $4,000 for each of the years ended December 31, 2019 and 2018.

Managing member management fee

The operating agreement provides for the company 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 $256,161 and $229,282 as of December 31, 2019 and 2018, respectively. Managing member management fees totaled $26,879 and $26,096 for the years ended December 31, 2019 and 2018, respectively.

Asset management fee

The operating agreement provides for the company 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 $6,451 and $6,263 as of December 31, 2019 and 2018, respectively. Asset management fees totaled $6,451 and $6,263 for the years ended December 31, 2019 and 2018, respectively.

NOTE G – Company profits and losses and distributions

Distributable cash flow, as defined by the company agreement, is allocated .01% to the managing member and 99.99% to the investor member.

Gain, if any, from a sale or exchange or other disposition of the property owned by the company is allocable as follows:

1. If the investor member's capital account has a negative balance prior to the distribution of any sale or refinancing proceeds, 99.99% to the investor member and 0.01% to the managing member until the investor member's negative balance reaches zero.

2. 99.99% to the investor member and 0.01% to the managing member until the investor member's capital account balance equals the projected tax liabilities as defined in the operating agreement.

3. The remainder of such gain, if any, 99.99% to the investor member and .01% to the managing member.

There were no distributions made during the years ended December 31, 2019 and 2018.

NOTE H – Commitments and contingencies

Land Use Restriction Agreement (LURA)

The company has entered into a LURA with WHEDA as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, the company 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 the company 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. The company is obligated to certify tenant eligibility.

Management fee

The company has entered into a management agreement with Stone House Development, Inc. Under the agreement, the company is obligated to pay a management fee of 6% of gross project rents collected. Management fees incurred totaled $37,087 and $35,383 for the years ended December 31, 2019 and 2018, respectively.

SUPPLEMENTARY INFORMATION

ALLIED DRIVE REDEVELOPMENT, LLC

SCHEDULES OF PROJECT OPERATING EXPENSES

Years ended December 31, 2019 and 2018

	2019	2018
RENT AND ADMINISTRATIVE		
Advertising	$ 513	$ 597
Office expense	23,551	23,091
Manager credit	16,440	16,440
Management fees	37,087	35,383
Professional fees - legal	134	0
Professional fees - audit	7,600	6,700
Bad debt expense	(327)	566
Manager salaries	41,395	43,114
Miscellaneous rent and administrative	1,069	661
TOTAL RENT AND ADMINISTRATIVE	$ 127,462	$ 126,552
UTILITIES		
Electric	$ 14,535	$ 18,253
Water	14,887	9,807
Gas	17,557	17,616
Sewer	16,032	14,330
TOTAL UTILITIES	$ 63,011	$ 60,006
OPERATING AND MAINTENANCE		
Payroll	$ 37,310	$ 39,676
Supplies	32,467	32,755
Contracts	44,804	49,652
Garbage and trash removal	15,965	11,714
Security and fire safety	10,577	18,131
Heating and cooling repair and maintenance	6,472	9,065
Snow removal	12,675	11,652
TOTAL OPERATING AND MAINTENANCE	$ 160,270	$ 172,645
GROUND LEASE	$ 4,000	$ 4,000
TAXES AND INSURANCE		
Real estate tax	$ 63,372	$ 60,233
Payroll taxes	7,418	7,736
Property and liability insurance	13,878	14,760
Employee benefits	7,354	6,597
TOTAL TAXES AND INSURANCE	$ 92,022	$ 89,326

March 13, 2020

Deb Rakowski
Burr Oaks Senior Housing, LLC
c/o CDA of the City of Madison
Madison Municipal Building, Room 161
215 Martin Luther King Jr. Blvd.
Madison , WI 53703

Curt Peerenboom
c/o Horizon Management Services, Inc.
5201 East Terrace Drive, Suite 300
Madison, WI 53718

This letter includes a summary of our comments and suggestions with respect to financial, administrative and other matters that came to our attention during the course of our audit engagement. These matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of improving accounting controls and other financial practices and procedures. This letter also includes a brief summary of our responsibilities regarding considerations of fraud and internal control in the performance of our audit engagement. In addition, this letter summarizes certain matters required to be communicated to you under professional standards in your oversight responsibilities for the entity's financial reporting process.

Financial information presented in this letter was derived from the entity's financial statements which were audited by us, and such financial information should be read in conjunction with those financial statements and our report thereon.

Required Communications

Professional standards require that we provide you with certain information related to our audit. This required communication is attached to this letter as Exhibit A.

Consideration of internal control and fraud

Fraud Considerations

As described in our engagement letter, we planned and performed our audit to obtain reasonable assurance about whether the financial statements were free of material misstatements, whether from errors, fraudulent reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. An audit is not designed to provide absolute assurance, and because we do not perform a detailed testing of all transactions, there is a risk that material misstatements may exist and not be detected by us. An audit is also not designed to detect immaterial misstatements or violations of laws or regulations that do not have a direct and material effect on the financial statements.

Internal Control Considerations

As described in our engagement letter, our audit included obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or identify deficiencies in internal control, that is, significant deficiencies in the design or operation of internal control. However, we would communicate to you internal control matters that are required to be communicated under professional standards. Our findings are presented in the internal control communication attached to this letter as Exhibit B.

Conclusion

We would like to thank you and your employees for the assistance provided to us in the performance of our engagement. We hope we have provided you with valuable information during the course of our engagement.

This information is intended solely for the information and use of management, the members, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Douglas K. Berry

Douglas K. Berry, CPA, CGMA
Principal
SVA Certified Public Accountants, S.C.
P: 608.826.2225
berryd@sva.com

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Encl.

Exhibit A: Required Communications

We have audited the financial statements of Burr Oaks Senior Housing, LLC for the year ended December 31, 2019, and have issued our report thereon dated March 13, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 15, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Burr Oaks Senior Housing, LLC are described in Note A to the financial statements. As described in Note A, the entity changed accounting policies related to revenue recognition and the presentation of restricted cash in the statement of cash flows by adopting FASB Accounting Standards Update No. 2014-09 and 2016-18, respectively, in 2019. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. In addition, the company adopted ASU No. 2016-15 which had no effect on the partnership's financial statements. No other new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the useful lives of depreciable assets and the related depreciation methods, as described in Note A, are based on historical factors and industry practice. We evaluated the key factors and assumptions used to develop the estimated useful lives and related depreciation methods in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures of the Land Use Restriction Agreement and the HOME Program Contract

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letters dated March 13, 2020. Copies of these letters are included as Exhibit C.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplementary Information Accompanying the Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles the method of preparing it has not changed from the prior period; and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Exhibit B: Internal Control Communication

In planning and performing our audit of the financial statements of Burr Oaks Senior Housing, LLC as of and for the year ended December 31, 2019 in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, members, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

Exhibit C

Signed Management Representation Letters

SVA Certified Public Accountants, S.C.
P.O. Box 44966
Madison, WI 53744-4966

Dear Sir or Madam:

This representation letter is provided in connection with your audits of the financial statements of Burr Oaks Senior Housing, LLC which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 15, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

3. We acknowledge our responsibility 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. The measurement process used in determining accounting estimates is appropriate and consistent.

6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.

9. Material concentrations have been properly disclosed in accordance with U.S. GAAP. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

10. Guarantees, whether written or oral, under which the entity is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

11. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit or similar arrangements have been properly disclosed.

12. Amounts of contractual obligations for construction and/or purchase of real property, equipment, other assets, and intangibles have been property disclosed.

13. All liabilities which are subordinated to any other actual or possible liabilities of Burr Oaks Senior Housing, LLC have been properly disclosed.

14. All leases and material amounts of rental obligations under long-term leases have been properly disclosed.

15. Burr Oaks Senior Housing, LLC has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

16. Receivables recorded in the financial statements represent valid claims against tenants and other parties for rent or other charges arising on or before the balance sheet dates.

Information Provided

17. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters. Among other things, relevant information may include completeness and availability of all minutes of the meetings of the members, or summaries of actions of recent meetings for which minutes have not yet been prepared as well as communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

    b. Additional information that you have requested from us for the purpose of the audit.

c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

18. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

19. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

20. We have no knowledge of any fraud or suspected fraud that affects Burr Oaks Senior Housing, LLC and involves:

    a. Management

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

21. We have no knowledge of any allegations of fraud or suspected fraud affecting Burr Oaks Senior Housing, LLC's financial statements communicated by employees, former employees, analysts, regulators, or others.

22. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

23. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

24. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

25. Except as made known to you and disclosed in the notes to the financial statements, the entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

26. Burr Oaks Senior Housing, LLC does not have any Variable Interest Entities as of December 31, 2019 and 2018 that will require disclosure or consolidation as a result of adopting the provisions of U.S.GAAP.

27. We acknowledge our responsibility for presenting the supplementary schedules of other revenue and expenses in accordance with U.S. GAAP, and we believe the supplementary schedules of other revenue and expenses, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and

presentation of the supplementary schedules of other revenue and expenses have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

28. In regard to your services to prepare the financial statements and related notes as well as tax return preparation services performed by you, we have:

    a. Assumed all management responsibilities.

    b. Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.

    c. Evaluated the adequacy and results of the services performed.

    d. Accepted responsibility for the results of the services.

29. We have managed this entity in compliance with:

    a. Section 42 requirements.

    b. Land Use Restriction Agreement.

    c. HOME Loan Agreement

    d. Mortgage and other long-term debt arrangements.

30. We are responsible for compliance with Internal Revenue Code (IRC) Section 42 requirements. We acknowledge that we have not requested that you perform audit procedures or give an opinion on our tenant files or compliance with IRC Section 42 rules and regulations.

31. As managing member of Burr Oaks Senior Housing, LLC, I hereby certify that for the period from January 1, 2019 through the date of this letter except as disclosed to you, there have been no:

    a. Amendments to the operating agreement.

    b. Sales or purchases of membership interests.

    c. Acquisitions of other properties.

    d. Changes in managing member.

    e. New employment and other contracts with the members.

f. Company guarantees of the obligations of others.

g. The pledging of Burr Oaks Senior Housing, LLC's assets and/or revenue as collateral for the obligations of others.

h. Authorization for the members to borrow funds for Burr Oaks Senior Housing, LLC, to enter into restrictive covenants on behalf of Burr Oaks Senior Housing, LLC, and to pledge Burr Oaks Senior Housing, LLC's assets and/or revenue as collateral for the loans.

i. Distributions to the members.

j. Amendments to or new management contracts.

k. Refinancing of long-term debt.

l. Matters that would have a significant effect on the financial statements for the years ended December 31, 2019 and 2018.

The above representations related to your audits are made to you as of March 13 2020, the date of your audit report.

Sincerely,

Burr Oaks Senior Housing, LLC

Matthew Wachter, Executive Director
Community Development Authority of the City of Madison, Managing Member

SVA Certified Public Accountants, S.C.
P.O. Box 44966
Madison, WI 53744-4966

Dear Sir or Madam:

This representation letter is provided in connection with your audits of the financial statements of Burr Oaks Senior Housing, LLC which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits:

Financial Statements

1. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

2. We acknowledge our responsibility 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.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. The measurement process used in determining accounting estimates is appropriate and consistent.

5. As management agent, all related party relationships and transactions of which we are aware have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

7. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.

8. Material concentrations have been properly disclosed in accordance with U.S. GAAP. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

9. Receivables recorded in the financial statements represent valid claims against tenants and other parties for rent or other charges arising on or before the balance sheet dates.

Information Provided

10. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters. Among other things, relevant information may include communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of any fraud or suspected fraud that affects Burr Oaks Senior Housing, LLC and involves:

    a. Management

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

14. We have no knowledge of any allegations of fraud or suspected fraud affecting Burr Oaks Senior Housing, LLC's financial statements communicated by employees, former employees, analysts, regulators, or others.

15. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

16. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

17. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

18. We acknowledge that you have orally communicated to us certain deficiencies in internal control that were not considered significant and certain other matters.

19. We acknowledge our responsibility for presenting the supplementary schedules of other revenue and expenses in accordance with U.S. GAAP, and we believe the supplementary schedules of other revenue and expenses, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary schedules of other revenue and expenses have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

20. In regard to your services to prepare the financial statements and related notes, we have:

    a. Assumed all management responsibilities.

    b. Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.

    c. Evaluated the adequacy and results of the services performed.

    d. Accepted responsibility for the results of the services.

21. We have managed this entity in compliance with:

    a. Section 42 requirements.

    b. Land Use Restriction Agreement.

    c. HOME Loan Agreement.

    d. Mortgage and other long-term debt arrangements.

22. As management agent, we are responsible for compliance with Internal Revenue Code (IRC) Section 42 requirements. We acknowledge that we have not requested that you perform audit procedures or give an opinion on our tenant files or compliance with IRC Section 42 rules and regulations.

The above representations related to your audits are made to you as of 3/13 2020, the date of your audit report.

Sincerely,

Horizon Management Services, Inc., Management Agent for Burr Oaks Senior Housing, LLC

Curt Peerenboom, CFO
Horizon Management Services, Inc.

Burr Oaks Senior Housing, LLC

Financial Report

December 31, 2019

SVA | Certified Public Accountants, S.C.
Tax, Audit and Business Strategy

BURR OAKS SENIOR HOUSING, LLC

CONTENTS

SVA
1221 John Q. Hammons Drive, Madison, WI 53717 • P: 608.831.8181 • F: 608.831.4243 • sva.com

INDEPENDENT AUDITOR'S REPORT

To the Members
Burr Oaks Senior Housing, LLC
Madison, Wisconsin

We have audited the accompanying financial statements of Burr Oaks Senior Housing, LLC, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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 the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Burr Oaks Senior Housing, LLC as of December 31, 2019 and 2018, and the results of its operations, changes in members' equity, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, in 2019, the entity adopted new accounting standards. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of other revenue and expenses shown on pages 15 – 16, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

March 13, 2020

BURR OAKS SENIOR HOUSING, LLC

BALANCE SHEETS

December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 334,713	$ 350,944
Restricted cash	459,949	443,728
Accounts receivable	2,766	4,035
Prepaid expenses	8,535	8,476
Rental property, net	4,904,793	5,058,639
Tax credit fees, net	35,572	40,654
TOTAL ASSETS	$ 5,746,328	$ 5,906,476
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	$ 1,401,597	$ 1,417,387
Accounts payable	300	1,246
Accrued interest	5,389	5,493
Accrued real estate taxes	50,244	47,777
Other accrued expenses	54,863	37,103
Prepaid rents	18,704	18,070
Tenants' security deposits payable	19,511	19,664
Total liabilities	1,550,608	1,546,740
MEMBERS' EQUITY	4,195,720	4,359,736
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 5,746,328	$ 5,906,476

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

BURR OAKS SENIOR HOUSING, LLC
STATEMENTS OF OPERATIONS
Years ended December 31, 2019 and 2018

	2019	2018
Revenues:		
Rental income	$ 436,270	$ 426,388
Vacancies and concessions	(2,625)	(2,786)
Other revenue	8,621	8,590
Total revenues	442,266	432,192
Rental expenses:		
Administrative	89,012	79,277
Utilities	40,511	40,231
Operating and maintenance	103,132	85,783
Taxes and insurance	62,957	60,681
Total rental expenses	295,612	265,972
Net rental income	146,654	166,220
Financial income (expense):		
Interest income	351	233
Interest expense	(69,643)	(70,931)
Total financial income (expense)	(69,292)	(70,698)
Income before other expenses	77,362	95,522
Other expenses:		
Depreciation	176,151	184,845
Amortization	5,082	5,081
Asset management fees	18,450	17,912
Total other expenses	199,683	207,838
Net loss	$ (122,321)	$ (112,316)

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

BURR OAKS SENIOR HOUSING, LLC

STATEMENTS OF MEMBERS' EQUITY

Years ended December 31, 2019 and 2018

	Managing member	Investor member	Total
Balances, December 31, 2017	$ (14)	$ 4,508,538	$ 4,508,524
Distributions	(4)	(36,468)	(36,472)
Net loss	(11)	(112,305)	(112,316)
Balances, December 31, 2018	(29)	4,359,765	4,359,736
Distributions	(4)	(41,691)	(41,695)
Net loss	(12)	(122,309)	(122,321)
Balances, December 31, 2019	$ (45)	$ 4,195,765	$ 4,195,720
Percentage interest	0.01%	99.99%	100%

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

BURR OAKS SENIOR HOUSING, LLC

STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (122,321)	$ (112,316)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	176,151	184,845
Amortization	5,082	5,081
Amortization of debt issuance costs	4,396	4,477
Increase (decrease) in cash due to changes in:		
Accounts receivable	1,269	(519)
Prepaid expenses	(59)	(45)
Accounts payable	(946)	961
Accrued interest	(104)	(97)
Accrued real estate taxes	2,467	(1,719)
Other accrued expenses	17,760	300
Prepaid rents	634	(1,108)
Tenants' security deposits payable	(153)	224
Net cash provided by operating activities	84,176	80,084
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of rental property	(22,305)	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage notes payable	(20,186)	(18,985)
Distributions	(41,695)	(36,472)
Net cash used in financing activities	(61,881)	(55,457)
Change in cash, cash equivalents, and restricted cash	(10)	24,627
Cash, cash equivalents, and restricted cash:		
Beginning	794,672	770,045
Ending	$ 794,662	$ 794,672
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO BALANCE SHEET		
Cash and cash equivalents	$ 334,713	$ 350,944
Restricted cash	459,949	443,728
Total cash, cash equivalents, and restricted cash	$ 794,662	$ 794,672
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest	$ 65,351	$ 66,551

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

NOTE A – Nature of business and significant accounting policies

Nature of business

Burr Oaks Senior Housing, LLC (the company), 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.

Under the operating agreement dated December 14, 2010, the company consists of two members with the following ownership:

Community Development Authority (CDA) of the City of Madison (managing member)	0.01%
Wells Fargo Affordable Housing Community Development Corporation (investor member)	99.99%
	100.00%

The company consists of one managing member and one investor member, 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 company shall be operated in a manner consistent with its treatment as a partnership for federal and state income tax purposes. Therefore, the accompanying financial statements do not include the personal or corporate assets and liabilities of the members, their obligation for income taxes on their distributive shares of the net income of the company or their rights to refunds on its net loss, nor any provision for income tax expense.

The operating agreement states that the company shall be dissolved on or before December 31, 2053.

A summary of significant accounting policies follows:

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.

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

Cash and cash equivalents

For purposes of reporting cash flows, the company 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 project due to restrictions placed on it.

The company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable and revenue recognition

The company 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 company leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis. Other revenue consists of various tenant charges and other services and is recognized when the service is complete.

Rental property

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

	Years
Land improvements	15
Building and improvements	10 - 40
Furnishings and equipment	5 - 12

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.

Impairment of long-lived assets

The company reviews long-lived assets, including rental property and intangible assets, 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.

Debt issuance costs

Debt issuance costs totaled $67,276. The company is amortizing these costs into interest expense using the effective interest method over 16 years, the life of the permanent mortgage described in Note D.

Amortized costs included in interest expense amounted to $4,396 and $4,477 for the years ended December 31, 2019 and 2018, respectively.

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

Tax credit fees

In connection with obtaining an allocation of low-income housing tax credits, the company has paid fees totaling $76,225 to the Wisconsin Housing and Economic Development Authority (WHEDA). The company is amortizing these fees on the straight-line method over the related tax credit compliance period of 15 years.

New accounting standards adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which replaces numerous requirements in U.S. GAAP related to revenue recognition, including industry-specific requirements, and provides entities with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2019. The entity's only revenue subject to this new accounting standard is included in other revenue. The adoption of this new standard has no effect on how other revenue is recognized in the financial statements for the years ended December 31, 2019 and 2018.

In November 2016, FASB issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when recording the beginning and ending total amounts shown on the statement of cash flows.

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2019 and retrospectively apply the amendments to all periods presented. As a result, net cash provided by operating activities previously reported increased $1,084 and net cash used in investing activities previously reported increased $17,620 for the year ended December 31, 2018 to exclude the change in restricted cash.

In August 2016, FASB issued Accounting Standards Update (ASU) No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on the classification of eight cash flow issues to reduce the existing diversification in practice. Specific cash flow issues addressed in this ASU that could apply to the entity include a) debt prepayment or debt extinguishment costs; b) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; c) proceeds from the settlement of insurance claims; and d) separately identifiable cash flows and application of the predominance principle.

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

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2019 and retrospectively apply the amendments to all periods presented. The adoption of this new standard did not impact the entity's statements of cash flows.

Subsequent events

These financial statements have not been updated for subsequent events occurring after March 13, 2020, which is the date these financial statements were available to be issued. The company has no responsibility to update these financial statements for events and circumstances occurring after this date.

NOTE B – Restricted cash

Restricted cash is comprised of the following:

	2019	2018
Tenants' security deposits	$ 20,535	$ 20,486
Real estate tax escrow	45,998	48,049
Insurance escrow	6,575	6,554
Operating reserve	249,584	249,614
Replacement reserve	137,257	119,025
	$ 459,949	$ 443,728

Operating reserve

The operating agreement requires the company to establish an operating reserve of at least $167,000. Funds from the operating reserve may be used to pay for operating or other expenses with the consent of the investor member.

	2019	2018
Balance, beginning	$ 249,614	$ 249,614
Deposits	0	0
Interest earned	134	0
Bank service charges	(164)	0
Balance, ending	$ 249,584	$ 249,614

NOTE B – Restricted cash (Continued)

Replacement reserve

The operating agreement requires the company to establish and maintain a replacement reserve account commencing the earlier of December 10, 2012 or closing on the permanent loan described in Note D. Monthly deposits are required in an amount equal to $300 per unit per year for the first year, increasing by 3% each twelve-month period thereafter. Disbursements are restricted to fund capital improvements or any other use approved by the investor member.

	2019	2018
Balance, beginning	$ 119,025	$ 101,405
Monthly deposits	17,956	17,433
Interest earned	276	187
Withdrawals	0	0
Balance, ending	$ 137,257	$ 119,025

NOTE C – Rental property, net

Rental property, net is comprised of the following:

	2019	2018
Land	$ 302,980	$ 302,980
Land improvements	253,476	249,784
Building and improvements	5,641,276	5,622,663
Furnishings and equipment	319,634	319,634
	6,517,366	6,495,061
Less accumulated depreciation	1,612,573	1,436,422
	$ 4,904,793	$ 5,058,639

NOTE D – Mortgage notes payable, net

Mortgage notes payable, net consists of the following:

	2019	2018
Impact C.I.L., LLC (Impact); permanent mortgage note payable; original loan amount of $1,170,000; 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; unamortized debt issuance costs associated with this note totaled $34,967 and $39,363 as of December 31, 2019 and 2018, respectively.	$ 1,051,564	$ 1,071,750
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	385,000
Total mortgage notes payable	1,436,564	1,456,750
Less unamortized debt issuance costs	34,967	39,363
	$ 1,401,597	$ 1,417,387

Repayment of principal on the mortgage notes payable as of December 31, 2019, is as follows:

Year ending December 31,	
2020	$ 21,463
2021	22,821
2022	24,264
2023	25,799
2024	27,431
Thereafter	1,314,786
	$ 1,436,564

NOTE E -- Capital contributions

The company's managing member is required to make contributions totaling $100. As of December 31, 2019 and 2018, the managing member has made the contribution. The investor member is required to make installment contributions totaling $5,581,942. As of December 31, 2019 and 2018, the investor member has contributed the entire amount. The maximum increase in the investor member's required capital contribution allowed under the operating agreement is $250,000. Additional equity totaling $52,407 was contributed by the investor member in a previous year.

NOTE F – Related-party transactions

Asset management fees

The company is obligated to pay an annual cumulative asset management fee in the initial amount of $7,500 to the managing member. The annual fee is payable from cash flow as defined in the operating agreement. The fee shall increase by 3% per annum. Asset management fees incurred totaled $9,225 and $8,956 for the years ended December 31, 2019 and 2018, respectively. Accrued asset management fees included in other accrued expenses on the balance sheets were $9,225 and $8,956 as of December 31, 2019 and 2018, respectively.

The company is obligated to pay an annual cumulative asset management fee in the initial amount of $7,500 to the investor member. The annual fee is payable from cash flow as defined in the operating agreement. The fee shall increase by 3% per annum. Asset management fees incurred totaled $9,225 and $8,956 for the years ended December 31, 2019 and 2018, respectively. Accrued asset management fees included in other accrued expenses on the balance sheets were $9,225 and $8,956 as of December 31, 2019 and 2018, respectively.

Purchase option agreement

For one year after the close of the 15 year compliance period (right of first refusal period), the company may not sell the property to any third party that has made a bona fide purchase offer, without first offering the managing member the right of first refusal to purchase the property. The company shall offer the property to the managing member at a price equal to the greater of $100 or the sum of the company's outstanding debt plus an amount sufficient to enable the company to make liquidation distributions pursuant to the operating agreement.

The company has granted the managing member an option to purchase the investor member's membership interest in the company for a 24-month period after the end of the right of first refusal period. The option price to purchase will be the balance of all unpaid amounts due to the investor member plus the greater of $100 plus the amount of the company's outstanding debt plus an amount sufficient to make termination distributions pursuant to the operating agreement or the fair market value of the investor member's interest in the company.

NOTE G -- Commitments and contingencies

Property management fee

The company 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 $34,036 and $33,432 for the years ended December 31, 2019 and 2018, respectively. Of this amount, $7,500 has been deferred as of December 31, 2019 and 2018, and is included in other accrued expenses on the balance sheets.

Land Use Restriction Agreement (LURA)

The company has entered into a LURA with WHEDA as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, the company 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 the company 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. The company is obligated to certify tenant eligibility.

HOME program agreement

The managing member received $385,000 from the City of Madison through the HOME program. This amount was subsequently loaned to the company by the managing member (see Note D). The company 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.

Project Based Housing Assistance Payments Contract

The company 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 the U.S. Department of Housing and Urban Development (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 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.

SUPPLEMENTARY INFORMATION

BURR OAKS SENIOR HOUSING, LLC
SCHEDULES OF OTHER REVENUE AND EXPENSES
Years ended December 31, 2019 and 2018

	2019	2018
Other revenue:		
Laundry	$ 1,879	$ 1,895
Tenant charges	5,562	5,840
Other	1,180	855
Total other revenue	$ 8,621	$ 8,590
Administrative:		
Advertising/marketing	$ 5,273	$ 3,658
Credit bureau expense	136	52
Office expense	9,490	9,351
Manager salaries	22,995	20,570
Property management fees	34,036	33,432
Legal fees	154	0
Audit and accounting fees	7,450	6,900
Bad debt expense	4,447	993
Miscellaneous	2,781	2,071
State housing compliance fees	2,250	2,250
Total administrative	$ 89,012	$ 79,277
Utilities:		
Electricity	$ 19,670	$ 19,993
Water and sewer	12,876	12,314
Natural gas/oil	7,965	7,924
Total utilities	$ 40,511	$ 40,231
Operating and maintenance:		
Maintenance salaries	$ 20,033	$ 19,479
Security contract	2,251	839
Snow removal	8,293	7,562
Repairs and maintenance contracts	52,881	35,841
HVAC repairs and maintenance	5,281	4,496
Trash removal	6,701	5,245
Supplies	7,692	12,321
Total operating and maintenance	$ 103,132	$ 85,783

BURR OAKS SENIOR HOUSING, LLC
SCHEDULES OF OTHER REVENUE AND EXPENSES (Continued)
Years ended December 31, 2019 and 2018

	2019	2018
Taxes and insurance:		
Real estate taxes	$ 50,244	$ 47,777
Property insurance	11,435	11,450
Sales tax	1,278	1,454
Total taxes and insurance	$ 62,957	$ 60,681
Interest expense:		
Interest expense - Impact	$ 65,247	$ 66,454
Debt issuance costs amortization	4,396	4,477
Total interest expense	$ 69,643	$ 70,931

SVA

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April 30, 2020

Board of Commissioners
CDA 95-1, a business-type activity-enterprise fund (the fund)
c/o CDA of the City of Madison
Madison Municipal Building, Room 161
215 Martin Luther King Jr. Blvd
Madison, WI 53703

Jess Vento
Founders 3 Real Estate Services
252 East Highland Ave
Milwaukee, WI 53202

This letter includes a summary of our comments and suggestions with respect to financial, administrative and other matters that came to our attention during the course of our audit engagement. These matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of improving accounting controls and other financial practices and procedures. This letter also includes a brief summary of our responsibilities regarding considerations of fraud and internal control in the performance of our audit engagement. In addition, this letter summarizes certain matters required to be communicated to you under professional standards in your oversight responsibilities for the fund's financial reporting process.

Recommendations and suggestions

Tenant security deposits

Tenant security deposit cash should be maintained in a segregated account, the amount of which should at all times equal or exceed the tenant security deposit liability. We recommend a segregated tenant security deposit cash account be set up to sufficiently cover the amount of the tenant security deposit liability.

Interest payments – UDAG note payable

During our audit, we noted interest was significantly less than our expectations as a result of interest payments not made monthly on the UDAG note payable. We recommend management obtain all underlying loan documents on loans outstanding to ensure payments are made timely and in accordance with the underlying loan agreements.

Required communications

Professional standards require that we provide you with certain information related to our audit. This required communication is attached to this letter as Exhibit A.

Consideration of internal control and fraud

Fraud Considerations

As described in our engagement letter, we planned and performed our audit to obtain reasonable assurance about whether the financial statements were free of material misstatements, whether from errors, fraudulent reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the fund or to acts by management or employees acting on behalf of the fund. An audit is not designed to provide absolute assurance, and because we do not perform a detailed testing of all transactions, there is a risk that material misstatements may exist and not be detected by us. An audit is also not designed to detect immaterial misstatements or violations of laws or regulations that do not have a direct and material effect on the financial statements.

Internal Control Considerations

As described in our engagement letter, our audit included obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or identify deficiencies in internal control, that is, significant deficiencies in the design or operation of internal control. However, we would communicate to you internal control matters that are required to be communicated under professional standards. Our findings are presented in the internal control communication attached to this letter as Exhibit B.

Conclusion

We would like to thank you and your employees for the assistance provided to us in the performance of our engagement. We hope we have provided you with valuable information during the course of our engagement.

This information is intended solely for the information and use of management, the Board of Commissioners, and others within the Community Development Authority (CDA), and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Sheri Springer, CPA

Sheri L. Springer, CPA
Senior Manager
SVA Certified Public Accountants, S.C.
P: 608-826-2531
springers@sva.com

pfx\15418.2\1400.02\end of audit commun ltr

Encl.

Exhibit A: Required Communications

We have audited the financial statements of CDA 95-1, a business-type activity-enterprise fund (the fund) for the year ended December 31, 2019, and have issued our report thereon dated April 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 13, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CDA 95-1 are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the fund during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the useful lives of depreciable assets and the related depreciation methods, as described in Note A, are based on historical factors and industry practice. We evaluated the key factors and assumptions used to develop the estimated useful lives and related depreciation methods in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures of the PILOT Agreement and Regulatory Agreement in the notes to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 30, 2020. A copy of this letter is included as Exhibit C.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the fund's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the fund's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplementary Information Accompanying the Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles; the method of preparing it has not changed from the prior period; and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Exhibit B: Internal Control Communication

In planning and performing our audit of the financial statements of CDA 95-1, a business-type activity-enterprise fund of the CDA (the fund) as of and for the year ended December 31, 2019 in accordance with auditing standards generally accepted in the United States of America, we considered the fund's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Board of Commissioners, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

Exhibit C

Signed Management Representation Letter

SVA Certified Public Accountants, S.C.
P.O. Box 44966
Madison, WI 53744-4966

Dear Sir or Madam:

This representation letter is provided in connection with your audit of the financial statements of CDA 95-1 (a business-type activity-enterprise fund of the Community Development Authority of the City of Madison (CDA)) which comprise the statement of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 7, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

3. We acknowledge our responsibility 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.   The measurement process used in determining accounting estimates is appropriate and consistent.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to, or disclosure in, the financial statements.

8. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10. Material concentrations have been properly disclosed in accordance with U.S. GAAP. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

11. Guarantees, whether written or oral, under which the entity is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

12. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line of credit or similar arrangements, have been properly recorded or disclosed in the financial statements.

13. Amounts of contractual obligations for construction and/or purchase of real property, equipment, other assets, and intangibles have been property disclosed.

14. All liabilities which are subordinated to any other actual or possible liabilities of CDA 95-1 have been properly disclosed.

15. All leases and material amounts of rental obligations under long-term leases have been properly disclosed.

16. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet dates.

Information Provided

17. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources. Among other things, relevant information may include completeness and availability of all minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared as well as communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

18. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

19. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

20. We have no knowledge of any fraud or suspected fraud that affects CDA 95-1 and involves:

    a. Management

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

21. We have no knowledge of any allegations of fraud or suspected fraud affecting CDA 95-1's financial statements communicated by employees, former employees, grantors, regulators, or others.

22. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws, regulations, contracts, or grant agreements, or abuse whose effects should be considered when preparing financial statements.

23. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

24. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government - Specific

25. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

26. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

27. CDA 95-1 has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or equity.

28. We are responsible for compliance with the provisions of laws, regulations, contracts, and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

29. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

30. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

31. We have identified and disclosed to you all instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

32. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

33. Except as made known to you and disclosed in the notes to the financial statements, the CDA has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

34. The fund has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

35. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34, as amended.

36. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balances (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

37. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

38. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

39. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and if applicable, depreciated or amortized.

40. We acknowledge our responsibility for presenting the supplemental information required by the Wisconsin Housing and Economic Development Authority (WHEDA) in accordance with U.S. GAAP, and we believe the supplemental information required by WHEDA, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplemental information required by WHEDA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

41. In regard to your services to prepare the financial statements and related notes as well as depreciation schedule maintenance services performed by you, we have:

    a. Assumed all management responsibilities.

    b. Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.

    c. Evaluated the adequacy and results of the services performed.

    d. Accepted responsibility for the results of the services.

The above representations related to your audit are made to you as of 4/30/ 2020, the date of your audit report.

Sincerely,

CDA 95-1

Matthew Wachter, Executive Director
Community Development Authority of the City of Madison

Jess Vento, Director Property Accounting
Founders 3 Real Estate Services, Management Agent

CDA 95-1

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

Financial Report

December 31, 2019

SVA | Certified Public Accountants, S.C.
Tax, Audit and Business Strategy

CDA 95-1

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

CONTENTS

CDA 95-1
(A Business -Type Activity-Enterprise Fund of the Community Development Authority of the City of Madison)

C O N T E N T S (Continued)

SVA
1221 John Q. Hammons Drive, Madison, WI 53717 • P: 608.831.8181 • F: 608.831.4243 • sva.com

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 CDA 95-1, 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, 2019, 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 the 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 fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CDA 95-1, a business-type activity-enterprise fund of the Community Development Authority of the City of Madison, as of December 31, 2019, 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 CDA 95-1 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, 2019, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information required by the Wisconsin Housing and Economic Development Authority (WHEDA) shown on pages 15 – 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

April 30, 2020

Lead auditor: Sheri Springer, CPA
SVA Certified Public Accountants, S.C.
ID #39-1203191
Phone number: (608) 831-8181

CDA 95-1

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

STATEMENT OF NET POSITION

December 31, 2019

ASSETS	
Current Assets	
Cash and cash equivalents	$ 73,581
Restricted cash	175,499
Accounts receivable	11,908
Total Current Assets	260,988
Noncurrent Assets	
Net Capital Assets	1,100,706
Deposit	3,500
Total Noncurrent Assets	1,104,206
TOTAL ASSETS	$ 1,365,194
LIABILITIES	
Current Liabilities	
Accounts payable	$ 4,655
Accrued expenses	2,468
Accrued PILOT	10,000
Accrued interest	34,625
Unearned revenue	2,409
Tenants' security deposits payable	23,246
Current portion of long-term debt	439,922
Total Current Liabilities	517,325
Long-Term Liabilities	
Mortgage notes payable, net of current maturities	344,384
NET POSITION	
Net investment in capital assets	316,400
Unrestricted	187,085
Total Net Position	503,485
TOTAL LIABILITIES AND NET POSITION	$ 1,365,194

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

CDA 95-1

(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, 2019

Operating revenues:	
Rental income	$ 308,043
Other revenues	5,302
Total operating revenues	313,345
Operating expenses:	
Rent and administrative	35,939
Utilities	21,536
Operating and maintenance	78,872
PILOT, taxes and insurance	13,889
Depreciation	59,532
Total operating expenses	209,768
Operating income	103,577
Non-operating revenues (expenses)	
Interest income	5,108
Interest expense	(27,715)
Total non-operating revenues (expenses)	(22,607)
Change in net position	80,970
Net position, beginning	422,515
Net position, ending	$ 503,485

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

CDA 95-1

(A Business-Type Activity-Enterprise Fund of the Community Development Authority of the City of Madison)
STATEMENT OF CASH FLOWS
Year ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	$ 301,190
Paid to suppliers for goods and services	(137,846)
Net cash provided by operating activities	163,344
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt retired	(92,389)
Interest paid	(19,090)
Acquisition of capital assets	(18,762)
Net cash used in financing activities	(130,241)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	5,108
Change in cash and cash equivalents	38,211
Cash and cash equivalents:	
Beginning	210,869
Ending	$ 249,080
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents	$ 73,581
Restricted cash	175,499
Cash and cash equivalents, ending	$ 249,080
RECONCILIATION OF CHANGE IN OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 103,577
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	59,532
Change in assets and liabilities:	
Accounts receivable	(11,461)
Deposit	(3,500)
Accounts payable	3,422
Accrued PILOT	10,000
Accrued expenses	2,468
Unearned revenue	(694)
Tenants' security deposits payable	0
Net cash provided by operating activities	$ 163,344

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

NOTE A – Summary of significant accounting policies

Reporting entity

CDA 95-1 (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 29-unit, low-income housing project called The Reservoir and a 2-unit, low-income housing project called Two Flats, located in Madison, Wisconsin, and was placed in service in 1987.

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 activities that have characteristics of non-exchange transactions such as most federal, state, and local grants and subsidies. Non-operating revenue also 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 low-rent housing program. Under the low-rent housing program, the CDA owns and operates housing units. 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.

NOTE A – Summary of significant accounting policies (Continued)

Cash and cash equivalents

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 not interest bearing. A receivable is considered past due if payments have not been received by the fund after 5 days. Accounts receivable are written-off when management determines an account is uncollectible, based on its history of past write-offs, collections, and current credit conditions. Accounts receivable are written-off only after the tenant vacates the unit. A late payment fee of $30 or $35 is charged for accounts 5 days past due.

Rental revenue is recognized when earned. The fund leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis. 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 capital assets is computed using straight-line and declining-balance methods based upon the following estimated useful lives of the assets:

	Years
Land improvements	15
Buildings and improvements	27.5 - 40
Furnishings and equipment	5 - 7

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.

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, land improvements, buildings and improvements, and furnishings and equipment 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 April 30, 2020, 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 and restricted cash

The fund's cash and cash equivalents and restricted cash as of December 31, 2019 were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Deposits	$ 73,581	$ 74,707	Custodial credit risk
Cash held by WHEDA	175,499	175,499	N/A
Total Cash and Cash Equivalents	$ 249,080	$ 250,206	

Reconciliation to financial statements:

Per statement of net position	
Cash and cash equivalents	$ 73,581
Restricted cash	175,499
Total cash and cash equivalents and restricted cash	$ 249,080

NOTE B – Cash and cash equivalents and restricted cash (Continued)

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, 2019, none of the fund's total bank balance of $250,206 was exposed to custodial credit risk as uninsured and uncollateralized.

Replacement reserve

In connection with the WHEDA mortgage note described in Note D, the fund has entered into a replacement reserve and security agreement with WHEDA that requires the fund to make monthly deposits of $583 (or such amount as may be required by WHEDA pursuant to the agreement) into a replacement reserve. Withdrawals from the reserve require the consent of WHEDA.

As discussed in Note F, WHEDA requires the fund to remit one-half of all cash remaining, if any, after the establishment of all required escrows and reserves and the payment of all expenses to the reserve for replacements on an annual basis.

NOTE C – Capital assets, net

The balance of and changes in capital assets as of and for the year ended December 31, 2019 is summarized as follows:

	December 31, 2018	Additions	Deletions	December 31, 2019
Capital assets not being depreciated				
Land	$ 241,689	$ 0	$ 0	$ 241,689
Total capital assets not being depreciated	241,689	0	0	241,689
Capital assets being depreciated:				
Buildings and improvements	1,833,286	9,016	0	1,842,302
Land improvements	35,495	0	0	35,495
Furniture and equipment	116,291	9,746	0	126,037
Total capital assets being depreciated	1,985,072	18,762	0	2,003,834
Accumulated depreciation	(1,085,285)	(59,532)	0	(1,144,817)
Total capital assets being depreciated, net	899,787	(40,770)	0	859,017
Total capital assets, net	$ 1,141,476	$ (40,770)	$ 0	$ 1,100,706

NOTE D – Long-term debt

	Beginning Balance 2018	Increases	Decreases	Ending Balance 2019	Amounts Due Within One Year
Mortgage notes payable:					
WHEDA	$ 333,960	$ 0	$ 91,083	$ 242,877	$ 94,922
WHEDA WRAP	112,735	0	1,306	111,429	0
UDAG	345,000	0	0	345,000	345,000
Section 17	85,000	0	0	85,000	0
Total long-term debt	$ 876,695	$ 0	$ 92,389	$ 784,306	$ 439,922

NOTE D – Long-term debt (Continued)

Mortgage notes payable consist of the following:

Wisconsin Housing and Economic Development Authority (WHEDA); monthly payments of $8,565, including interest at 4.0%; due June 2022; collateralized by a first mortgage on the rental property and the assignment of leases, rentals, issues, profits, and proceeds; prepayment of the note in full is allowed.	$	242,877
WHEDA WRAP; nonrecourse; non-interest bearing; mortgage note payable requiring 50% of the fund's annual surplus cash as defined in the agreement to be applied to the outstanding principal. The note is due June 2022; collateralized by a first mortgage on the rental property and the assignment of leases, rentals, issues, profits, and proceeds; prepayment of the note in full is allowed.		111,429
City of Madison Urban Development Action Grant (UDAG) Capital Revolving Fund; nonrecourse; monthly payments of interest only at 5.0%; due June 2020; the note is secured by the fund's rental property and is subordinated to the fund's notes payable to WHEDA; principal due in full June 2020. Interest expense was $17,250 for the year ended December 31, 2019; accrued interest was $34,625 as of December 31, 2019.		345,000
City of Madison Section 17; four mortgage notes payable; nonrecourse; non-interest bearing; due upon sale of the property or assignment of owner's investment in the rental property; the note is secured by the rental property and is subordinated to the fund's mortgage notes payable to WHEDA and UDAG.		85,000
Total long-term debt		784,306
Less current maturities of long-term debt		(439,922)
Total long-term debt, less current maturities	$	344,384

NOTE D – Long-term debt (Continued)

Future maturities of principal and interest on long-term debt as of December 31, 2019 are as follows:

	Principal	Interest
2020	$ 439,922	$ 7,862
2021	98,789	3,994
2022	160,595	498
2023	0	0
2024	0	0
Thereafter	85,000	0
	$ 784,306	$ 12,354

NOTE E -- Commitments and contingencies

Regulatory Agreement

The CDA was assigned and has assumed a Regulatory Agreement with WHEDA which places occupancy restrictions on rents charged and the minimum set aside of units which shall be occupied by individuals or families whose income meets the requirements as described in the Regulatory Agreement. The agreement expires when the WHEDA and WHEDA WRAP loans (Note D) are paid in full.

Payment in Lieu of Taxes (PILOT)

The CDA has entered into a PILOT Agreement 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 $10,000 beginning in 2019 and ending with 2029. The PILOT Agreement shall terminate on the day before the respective January 1st of the year during which the City determines that CDA 95-1 no longer qualifies for property tax exemption or termination of ownership of CDA 95-1 by the CDA. PILOT expense totaled $10,000 for the year ended December 31, 2019.

NOTE E -- Commitments and contingencies (Continued)

Uncertainty

Subsequent to December 31, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), 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 April 30, 2020, management believes that a material impact on the fund's financial position and results of future operations is reasonably possible.

NOTE F – Cash Flow Restriction

Pursuant to the debt agreements described in Note D, the fund is prohibited from paying any distributions to the owner. At the end of each fiscal year, the fund is required to deposit one-half of its surplus cash, as defined in the regulatory agreement, into the reserve for replacements. The balance of the surplus cash is applied to the outstanding balance of the WHEDA WRAP note payable described in Note D.

SUPPLEMENTARY INFORMATION

CDA 95-1

WHEDA Project No. 007/001193
SUPPLEMENTAL INFORMATION REQUIRED BY WHEDA
December 31, 2019

ACCOUNTS AND NOTES RECEIVABLE (OTHER THAN FROM TENANTS)

Accounts receivable, related party	$ 8,993

DELINQUENT TENANTS' ACCOUNTS RECEIVABLE

	Number of tenants	Amount past due
Delinquent 0 to 30 days	9	$ 2,041
Delinquent 31 to 60 days	3	815
Delinquent 61 to 90 days	2	30
Delinquent over 90 days	1	29
		$ 2,915

DISTRIBUTIONS

None.

PARTNERSHIP CASH AND RESERVE FUNDS NOT HELD BY WHEDA

None.

CDA 95-1

WHEDA Project No. 007/001193
SUPPLEMENTAL INFORMATION REQUIRED BY WHEDA (Continued)
December 31, 2019

RELATED PARTY TRANSACTIONS

None.

COMPUTATION OF SURPLUS CASH

CURRENT ASSETS				
Project cash on hand			$	73,581
Accounts receivable, related party				8,993
MEMO - Tenants' security deposits	$	0		
Total current assets				82,574
CURRENT LIABILITIES				
Accounts payable				4,655
Prepaid rents				2,409
Accrued management fees				1,101
Other accrued expenses				1,367
Unfunded tenants' security deposits payable				23,246
Accrued PILOT				10,000
MEMO - Tenants' security deposits payable	$	23,246		
Total current liabilities				42,778
SURPLUS CASH			$	39,796

Wisconsin Housing and Economic Development Authority					FORM 600AL (Rev. 10/02)
ANNUAL SCHEDULE OF ASSETS for Multifamily Projects					
Project Name: CDA 95-1					
Period Beginning: January 1, 2019 through December 31, 2019			Project Number:		007/001193
	Description of Account	ID	Account	Amount	Totals
1100	Cash - Operations		1120	73,581	
CURRENT	Construction Cash		1121		
ASSETS	Cash - Entity		1125		
	Tenant Accounts Receivable		1130	2,915	
	Allowance for Doubtful Accounts (deduct)		1131		
	Accounts Receivable - WHEDA		1135		
	Accounts and Notes Receivable - Other		1140	8,993	
	Accounts and Notes Receivable - Entity		1145		
	Accounts Receivable - Interest		1160		
	Interest Reduction Payment Receivable		1165		
	Short Term Investments - Operations		1170		
	Short Term Investments - Entity		1175		
	Miscellaneous Current Assets		1190		
	Insurance Escrow		1312		
	Real Estate Tax or PILOT Escrow		1311		
	TOTAL CURRENT ASSETS		**1100**		85,489
1191	Tenant Security Deposits - RESTRICTED ASSET		1191		0
1200 PREPAID	Miscellaneous Prepaid Expenses		1200	0	
EXPENSES	**Total Prepaid Expenses**				0
1300	Escrow Deposits		1310		
FUNDED	Reserve for Replacements		1320	175,499	
RESERVES	Other Reserve - Operating Reserve		1330		
	Residual Receipts Reserve		1340		
	Management Improvement and Operating Plan		1381		
	Development Cost Escrow (DCE)		1390		
	FHA Insurance Reserve		1392		
	Total Funded Reserves		**1300**		175,499
1400	Land		1410	241,689	
FIXED	Buildings		1420	1,842,302	
ASSETS	Building Equipment (portable)		1440		
	Furniture for Project/Tenant Use		1450		
	Furnishings		1460	126,037	
	Office Furniture and Equipment		1465		
	Maintenance Equipment		1470		
	Motor Vehicles		1480		
	Miscellaneous Fixed Assets - LAND IMPROVEMENTS		1490	35,495	
	Gross Fixed Assets		**1400**	2,245,523	
1495	Accumulated Depreciation		1495	1,144,817	
ALLOWANCE					
ACCOUNTS	Total Accumulated Depreciation			1,144,817	
	Net Fixed Assets		**1400**		1,100,706
1500	Investments - Operations		1510		
INVESTMENTS	Investments - Entity		1515		
	Intangible Assets - Tax credit fees, net of amort		1520	0	
	Miscellaneous Other Assets -Deposit		1590	3,500	
	TOTAL OTHER ASSETS		**1500**		3,500
	TOTAL ASSETS		**1000**		1,365,194

Wisconsin Housing and Economic Development Authority					FORM 600AL (Rev. 10/02)
ANNUAL SCHEDULE OF LIABILITIES AND EQUITY for Multifamily Projects					
Project Name: CDA 95-1					
Period Beginning: January 1, 2019 through December 31, 2019			**Project Number:**		**007/001193**
	Description of Account	ID	Account	Amount	Totals
2100	Bank Overdraft - Operations		2105		
CURRENT	Accounts Payable-30 Days		2109	4,655	
LIABILITIES	Accounts Payable - Operations		2110		
	Accounts Payable - Construction/Development		2111		
	Accounts Payable-Project Improvements Items		2112		
	Accounts Payable - Entity		2113		
	Accounts Payable-236 Excess Income Due HUD		2115		
	Accounts Payable-WHEDA/HUD		2116		
	Accrued Wages Payable		2120		
	Accrued Payroll Taxes Payable		2121		
	Accrued Management Fee Payable		2123	1,101	
	Accrued Interest Payable - Section 236		2130		
	Accrued Interest Payable - First Mortgage		2131		
	Accrued Interest Payable - Second Mortgage		2132		
	Accrued Interest Payable - Other Loans & Notes (Surplus Cash)		2133		
	Accrued Interest Payable - Other Loans and Notes		2134	34,625	
	Accrued Interest Payable - Flexible Subsidy Loan		2135		
	Accrued Interest Payable - Capital Improvement Loan		2136		
	Accrued Interest Payable - Operating Loss Loan		2137		
	Accrued Real Estate & Property Tax Payable		2150	10,000	
	Short Term Notes Payable		2160		
	Mortgage Payable - First Mortgage (Short Term)		2170	94,922	
	Mortgage Payable - Second Mortgage (Short Term)		2172		
	Other Loans and Notes Payable, Surplus Cash (Short Term)		2173		
	Other Loans and Notes (Short Term)		2174	345,000	
	Flexible Subsidy Loan Payable (Short Term)		2175		
	Capital Improvement Loan Payable (Short Term)		2176		
	Operating Loss Loan Payable (Short Term)		2177		
	Utility Allowances		2180		
	Miscellaneous Current Liabilities - Other Accrued expenses		2190	1,367	
	TOTAL CURRENT LIABILITIES				491,670
2191	Tenant Security Deposits - CONTRA ASSET		2191		23,246
2200 PREPAID	Prepaid Revenue		2210	2,409	
REVENUES					
	Total Current Liabilities		**2122**		517,325
2300	Notes Payable - Long Term		2310	85,000	
	Notes Payable - Surplus Cash		2311		
LONG-TERM	Mortgage Payable - First Mortgage		2320	147,955	
LIABILITIES	Mortgage Payable - Second Mortgage		2322	111,429	
	Other Loans and Notes Payable - Surplus Cash		2323		
	Other Loans and Notes Payable		2324		
	Flexible Subsidy Loan Payable		2325		
	Capital Improvement Loan Payable		2326		
	Operating Loss Loan Payable		2327		
	Miscellaneous Long Term Liabilities		2390		
	Total Long Term Liabilities		**2300**		344,384
	TOTAL LIABILITIES		**2000**		861,709
3033 TOTAL	Total Equity/Retained Earnings		3033	503,485	
EQUITY					
	TOTAL LIABILITIES and EQUITY/RETAINED EARNINGS		**2033**		1,365,194

Wisconsin Housing and Economic Development Authority				FORM 800 (Rev. 12/05)
SCHEDULE OF PROFIT AND LOSS for Multifamily Projects				
Project Name: CDA 95-1		Project Number:		007/001193
Period Beginning: January 1, 2019 through December 31, 2019		YEAR	2019	
	Description of Account	Acct. No.	Amount	Totals
5100	Rent Revenue - Gross Potential	5120	308,043	
RENTAL	Tenant Assistance Payments	5121		
INCOME	Rent Revenue - Commercial/Stores @ 100%	5140		
	Rent Revenue - Garage/Parking @ 100%	5170		
	Flexible Subsidy Revenue	5180		
	Miscellaneous Rent Revenue	5190		
	Excess Rent	5191		
	Rent Revenue/Insurance	5192		
	Special Claims Revenue	5193		
	Retained Excess Income	5194		
	Total Rent Revenue Potential	**5100**		308,043
5200	Apartment Vacancies	5220		
VACANCIES	Stores/Commercial Vacancies or Concessions	5240		
	Rental Concessions	5250		
	Garage/Parking Vacancies or Concessions	5270		
	Miscellaneous	5290		
	Total Vacancies or Concessions	**5200**		
	Net Rental Revenue (Rent Revenue less Vacancies)	**5152**		308,043
5300	Total Service Income	**5300**		
5400	Financial Revenue - Project Operations	5410	256	
FINANCIAL	Revenue from Investments-Residual Receipts	5430		
INCOME	Revenue from Investments-Replacement Reserve	5440	4,852	
	Revenue from Investments-Operating Reserve	5490		
	Total Financial Revenue	**5400**		5,108
5900	Laundry/Vending Income (Net)	5910	3,215	
MISC.	Tenant Charges	5920	550	
REVENUE	Miscellaneous Revenue	5990	1,537	
	Total Miscellaneous Revenue	**5900**		5,302
	Total Revenue	**5000**		318,453
6200	Conventions and Meetings	6203		
RENT	Management Consultants	6204		
EXPENSE	Advertising/Marketing Expense	6210	8	
	Other Rent Expense	6250		
	Total Rent Expense		8	
6300	Office Salaries	6310		
ADMIN.	Office Expenses	6311	980	
EXPENSES	Office or Model Apartment Rent	6312		
	Management Fee - Residential Rents	6320	13,676	
	Management Fee - Commercial Rents	6321		
	Management Fee - Miscellaneous Income	6322		
	Manager/Superintendent Salaries	6330	14,880	
	Administrative Rent-free Unit	6331		
	Legal Expense-project only	6340		
	Audit Expense-project only	6350	5,700	
	Bookkeeping Fees/Accounting Services	6351		
	Bad Debt Expense	6370		
	Miscellaneous Administrative Expense	6390	695	
	Total Administrative Expense		35,931	
6200 + 6300	**Total Rent & Administrative Expense**	**6263**		35,939
6400	Fuel Oil	6420		
UTILITIES	Electricity	6450	6,374	
EXPENSE	Water & Sewer	6451	11,315	
	Gas	6452	3,847	
	Sewer	6453		
	Total Utilities Expense	**6400**		21,536

Project Name: CDA 95-1			Project Number:	007/001193
	Description of Account	Acct. No.	Amount	Totals
6500	Payroll	6510	36,317	
OPERATING &	Supplies	6515	334	
MAINTENANCE	Contracts	6520	15,838	
EXPENSE	Operating and Maintenance Rent Free Unit	6521		
	Garbage & Trash Removal	6525	3,781	
	Security Payroll/Contract (incl. taxes and benefits)	6530		
	Security Rent Free Unit	6531		
	Heating/Cooling Repairs & Maintenance	6546	4,218	
	Snow Removal	6548	17,745	
	Vehicle/Maintenance Equipment Operation & Repairs	6570		
	Misc. Operating & Maintenance Expense	6590	639	
	Total Operating & Maintenance Expense	**6500**		78,872
6900	**Total Service Expense**	**6900**		
6700	Real Estate & Personal Property Taxes	6710	10,000	
TAXES AND	Payroll Taxes (Project's Share)	6711		
INSURANCE	Property & Liability Insurance (Hazard)	6720	3,889	
	Fidelity Bond Insurance	6721		
	Workmen's Compensation	6722		
	Health Insurance and Other Employee Benefits	6723		
	Miscellaneous Taxes, Licenses, Permits and Insurance	6790		
	Total Taxes and Insurance	**6700**		13,889
3220	Replacement Reserve Deposits as Required by WHEDA	3220	**MEMO ONLY**	8,307
	Total Operating Expenses			150,236
	Net Operating Income (NOI)			168,217
6800	Interest on Mortgage Payable	6820	27,715	
FINANCIAL	Interest on Notes Payable (Long Term)	6830		
EXPENSE	Interest on Notes Payable (Short Term)	6840		
	Mortgage Insurance Premium/Service Charge	6850		
	Miscellaneous Financial Expense	6890		
	Total Financial Expense	**6800**		27,715
	Total Expenses of Operations Before Depreciation	**6000**		177,951
	Profit or (Loss) Before Depreciation	**5060**		140,502
6600	Depreciation Expense	6601		59,532
DEPR/AMORT	Amortization Expense	6610		0
	Operating Profit or Loss	**5060**		80,970
7100	Officer's Salaries	7110		
CORPORATE	Legal Expense	7120		
OR	Federal, State and Other Income Taxes	7130		
MORTGAGOR	Interest Income	7140		
EXPENSE	Interest on Notes Payable	7141		
	Interest on Mortgage Payable	7142		
	Other Expense	7190		
	Net Entity Expenses	**7100**		
	NET PROFIT OR (LOSS)	**3250**		80,970
TOTAL	WHEDA First Mortgage	9910		91,083
PRINCIPAL	Second Mortgage	9911		1,306
PAYMENTS	Other Mortgage	9912		0
Reserve releases to reimburse items expensed on this schedule.		9920		0
Capital expenditures paid from project operations and expensed on this schedule.		9930		0

CDA 95-1

WHEDA Project No. 007/001193
SCHEDULE OF PROFIT AND LOSS (Continued)
Year ended December 31, 2019

MISCELLANEOUS EXPENSE ACCOUNTS OVER 1% OF CATEGORY

MISCELLANEOUS ADMINISTRATIVE EXPENSE (Account #6390)		
Bank service charges	$	183
Tenant screening		160
Miscellaneous		352
TOTAL MISCELLANEOUS ADMINISTRATIVE EXPENSE	$	695

CDA 95-1

WHEDA Fund No. 007/001193

CERTIFICATION BY OWNER OF MORTGAGOR

December 31, 2019

I hereby certify that I have examined the accompanying financial statements and supplemental data of CDA 95-1 and, to the best of my knowledge and belief, the same are complete and accurate.

4/30/2020

By: Matt Wachter, Executive Director
Community Development Authority of the City of Madison
Owner

Date

ID #39-1858655

CDA 95-1
WHEDA Fund No. 007/001193
CERTIFICATION BY MANAGEMENT AGENT
December 31, 2019

I hereby certify that I have examined the accompanying financial statements and supplemental data of CDA 95-1 and, to the best of my knowledge and belief, the same are complete and accurate.

By: Jess Vento, Director of Property Accounting
Founders 3 Real Estate Services
252 East Highland Ave
Milwaukee, WI 53202

4/30/2020
Date

ID #39-1833308

SVA
1221 John Q. Hammons Drive, Madison, WI 53717 • P: 608.831.8181 • F: 608.831.4243 • www.sva.com

December 3, 2019

Deborah Rakowski
c/o CDA of the City of Madison
215 Martin Luther King Jr Blvd., Suite 161
Madison, WI 53703

We are engaged to audit the financial statements of each of the entities listed in Exhibit A for the year ending December 31, 2019. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 3, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we will consider the internal control of each of the entities listed in Exhibit A. Such considerations will be solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit on approximately February 18, 2020, and issue our report on approximately February 28, 2020. Lynn Heslinga is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

This information is intended solely for the use of the members and management of each of the entities listed in Exhibit A and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Lynn C Heslinga

Lynn C. Heslinga, CPA
Senior Manager
SVA Certified Public Accountants, S.C.
P: 608-826-2384
heslingal@sva.com

Exhibit A

Entity Name	Supplementary Information
Truax Park Redevelopment, Phase I, LLC	Yes
Truax Park Development, Phase 2, LLC	Yes

Truax Park Redevelopment, Phase I, LLC

Financial Report

December 31, 2019

SVA | Certified Public Accountants, S.C.
Tax, Audit and Business Strategy

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

CONTENTS

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

C O N T E N T S (Continued)

SVA
1221 John Q. Hammons Drive, Madison, WI 53717 • P: 608.831.8181 • F: 608.831.4243 • www.sva.com

INDEPENDENT AUDITOR'S REPORT

To the Members
Truax Park Redevelopment, Phase I, LLC
Madison, Wisconsin

We have audited the accompanying financial statements of Truax Park Redevelopment, Phase I, LLC, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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 the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Truax Park Redevelopment, Phase I, LLC as of December 31, 2019 and 2018, and the results of its operations, changes in members' equity, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, in 2019, the entity adopted new accounting standards. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, including the schedules of project operating expenses required by the investor member shown on page 18 and the supplemental information required by the Wisconsin Housing and Economic Development Authority (WHEDA) shown on pages 19 – 25, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

February 26, 2020

Lead auditor: Lynn C. Heslinga, CPA
SVA Certified Public Accountants, S.C.
ID #39-1203191
Phone number: (608) 831-8181

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

BALANCE SHEETS

December 31, 2019 and 2018

	2019	2018
ASSETS		
Restricted cash	$ 775,486	$ 745,955
Accounts receivable, tenants	2,807	6,671
Accounts receivable, related party	143,761	173,534
Prepaid expenses	12,081	12,973
Rental property, net	9,607,757	10,049,889
Tax credit fees, net	63,792	74,424
TOTAL ASSETS	$ 10,605,684	$ 11,063,446
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Mortgage notes payable	$ 3,335,564	$ 3,391,216
Development completion guaranty loan	112,586	112,586
Deferred revenue	465,555	490,949
Development fee payable	58,735	58,735
Accounts payable	11,932	20,765
Accrued interest	1,070,228	934,640
Accrued expenses	120,674	117,383
Tenants' security deposits payable	22,705	21,050
Prepaid rents	5,025	14,121
Total liabilities	5,203,004	5,161,445
MEMBERS' EQUITY	5,402,680	5,902,001
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 10,605,684	$ 11,063,446

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

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

STATEMENTS OF OPERATIONS

Years ended December 31, 2019 and 2018

	2019	2018
Revenues:		
Rental income	$ 422,918	$ 403,015
Operating subsidies	226,374	334,666
Vacancies and concessions	(23,324)	(27,277)
Other revenue	21,615	29,993
Total revenues	647,583	740,397
Rental expenses:		
Rent and administrative	127,403	134,588
Utilities	69,490	67,999
Operating and maintenance	243,647	262,735
Taxes and insurance	114,954	114,082
Total rental expenses	555,494	579,404
Net rental income	92,089	160,993
Financial income (expense):		
Interest income	890	2,575
Interest expense	(155,936)	(153,673)
Total financial income (expense)	(155,046)	(151,098)
Income (loss) before other income (expenses)	(62,957)	9,895
Other income (expenses):		
Amortization of deferred revenue	25,394	25,394
Depreciation	(442,132)	(442,134)
Amortization	(10,632)	(10,631)
Asset management fee	(8,994)	(8,733)
Total other income (expenses)	(436,364)	(436,104)
Net loss	$ (499,321)	$ (426,209)

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

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

STATEMENTS OF MEMBERS' EQUITY
Years ended December 31, 2019 and 2018

	Managing member	Investor member - MS Shared Investment Fund I, LLC	Investor member - NEF Assignment Corporation	Total
Balances, December 31, 2017	$ (267)	$ 569,281	$ 5,759,196	$ 6,328,210
Net loss	(42)	(38,487)	(387,680)	(426,209)
Balances, December 31, 2018	(309)	530,794	5,371,516	5,902,001
Net loss	(50)	(45,089)	(454,182)	(499,321)
Balances, December 31, 2019	$ (359)	$ 485,705	$ 4,917,334	$ 5,402,680
Ownership percentages	0.01%	9.03%	90.96%	100.000%

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

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (499,321)	$ (426,209)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	442,132	442,134
Amortization	10,632	10,631
Amortization of deferred revenue	(25,394)	(25,394)
Increase (decrease) in cash due to changes in:		
Accounts receivable, tenants	3,864	491
Accounts receivable, related party	29,773	96,850
Prepaid expenses	892	(10,920)
Accounts payable	(8,833)	(11,245)
Accrued interest	135,588	131,682
Accrued expenses	3,291	31,201
Accrued real estate taxes	0	(34,696)
Tenants' security deposits payable	1,655	60
Prepaid rents	(9,096)	12,806
Net cash provided by operating activities	85,183	217,391
CASH FLOWS FROM INVESTING ACTIVITIES	0	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage notes payable	(55,652)	(54,031)
Change in cash, cash equivalents, and restricted cash	29,531	163,360
Cash, cash equivalents, and restricted cash:		
Beginning	745,955	582,595
Ending	$ 775,486	$ 745,955
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO BALANCE SHEET		
Cash and cash equivalents	$ 0	$ 0
Restricted cash	775,486	745,955
Total cash, cash equivalents, and restricted cash	$ 775,486	$ 745,955
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest	$ 20,348	$ 21,991

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

NOTE A – Nature of business and significant accounting policies

Nature of business

Truax Park Redevelopment, Phase I, LLC (the company), 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. The company completed rehabilitation of the 6 buildings on various dates from March through December of 2011.

The company consists of one managing member, the Community Development Authority of the City of Madison (CDA), and two investor members, 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 company shall be operated in a manner consistent with its treatment as a partnership for federal and state income tax purposes. Therefore, the financial statements do not include the personal or corporate assets and liabilities of the members, including their obligations for income taxes on their distributive shares of the net income of the company or their rights to refunds on its net loss, nor any provision for income tax expense.

The company's operating agreement states that the company shall be dissolved upon the occurrence of specific events which are described in the agreement.

A summary of significant accounting policies follows:

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.

Cash and cash equivalents

For purposes of reporting cash flows, the company 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 company due to restrictions placed on it.

The company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

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

Accounts receivable and revenue recognition

The company 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 company leases apartments to eligible applicants under operating leases which are substantially all on a yearly or monthly basis. Other revenue consists of various tenant charges and other services and is recognized when the service is complete.

Rental property

Rental property is stated at cost. Depreciation of rental property is computed on the straight-line and declining balance methods based upon the following estimated useful lives of the assets:

	Years
Land and buildings under capital lease	98
Land improvements	15
Buildings and improvements	20 - 27.5
Furnishings and equipment	5

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.

It is the company's policy to include amortization expense on assets acquired under capital leases with depreciation expense on owned assets.

Impairment of long-lived assets

The company reviews long-lived assets, including rental property and intangible assets, 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.

Tax credit fees

In connection with obtaining an allocation of low-income housing tax credits, the company paid fees totaling $159,479 to the Wisconsin Housing and Economic Development Authority (WHEDA). The company is amortizing these fees on the straight-line method over the related tax credit compliance period of 15 years.

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

Deferred revenue

Governmental agencies have provided grant funding to the company to encourage the development of affordable housing. The company has received funds under the Tax Credit Exchange Program (TCEP) (see Note I). The deferred revenue relating to these grants is recognized as revenue in the statements of operations (shown as amortization of deferred revenue) under the straight-line method over the estimated useful lives of the underlying assets acquired.

Current vulnerability due to certain concentrations

The project's operations are concentrated in the low-income, public housing residential real estate market. In addition, the project operates in a heavily regulated environment. The operations of the project are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies including, but not limited to CDA under the Regulatory & Operating Agreement (R&O Agreement) and HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by CDA or HUD. Such changes may occur with little or inadequate funding to pay for the related cost, including additional administrative burden to comply with a change.

New accounting standards adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which replaces numerous requirements in U.S. GAAP related to revenue recognition, including industry-specific requirements, and provides entities with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2019. The entity's only revenue subject to this new accounting standard is included in other revenue. The adoption of this new standard has no effect on how other revenue is recognized in the financial statements for the years ended December 31, 2019 and 2018.

In November 2016, FASB issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when recording the beginning and ending total amounts shown on the statement of cash flows.

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

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2019 and retrospectively apply the amendments to all periods presented. As a result, net cash used in investing activities previously reported decreased $163,360 for the year ended December 31, 2018 to exclude the change in restricted cash.

In August 2016, FASB issued Accounting Standards Update (ASU) No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on the classification of eight cash flow issues to reduce the existing diversification in practice. Specific cash flow issues addressed in this ASU that could apply to the entity include a) debt prepayment or debt extinguishment costs; b) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; c) proceeds from the settlement of insurance claims; and d) separately identifiable cash flows and application of the predominance principle.

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2019 and retrospectively apply the amendments to all periods presented. The adoption of this new standard did not impact the entity's statements of cash flows.

Subsequent events

These financial statements have not been updated for subsequent events occurring after February 26, 2020, which is the date these financial statements were available to be issued. The company has no responsibility to update these financial statements for events and circumstances occurring after this date.

NOTE B – Restricted cash

Restricted cash is comprised of the following:

	2019	2018
Operating and ACC reserve	$ 775,486	$ 745,955

Annual Contributions Contract (ACC) reserve

The operating agreement and R&O Agreement requires the company to fund an ACC reserve equal to $350,000 upon the receipt of the investor members' third installment of their capital contributions. Disbursements are to be used to pay operating and debt service deficits that directly result from the reduction or loss of the ACC operating subsidy. Funds may only be withdrawn with the approval of the managing member and asset manager. Any funds remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement. The ACC reserve is currently being held in the same bank account as the operating reserve.

NOTE B – Restricted cash (Continued)

Operating reserve

The operating agreement and R&O Agreement require the company to fund and maintain an operating reserve in the amount of $232,360 upon the receipt of the investor members' third installment of their capital contributions. Any excess amount remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement. If the balance in the operating reserve falls below $232,360, the company is obligated to replenish the operating reserve from cash flow or the proceeds of sales or refinancing. Disbursements require the approval of the managing member and the asset manager. The operating reserve is currently being held in the same bank account as the ACC reserve. The required deposits for the replacement reserve were made to the same bank account that holds the operating and ACC reserves in 2019.

	2019	2018
Balance, beginning	$ 745,955	$ 582,595
Annual deposits – replacement reserve	26,196	25,433
Additional deposits – replacement reserve	3,195	137,777
Interest earned	140	150
Balance ending	$ 775,486	$ 745,955

Replacement reserve

The operating agreement and R&O Agreement require the company to make monthly deposits to the replacement reserve initially equal to $300 per unit per year, and increasing annually by 3%. Disbursements are restricted to capital improvements and repairs of the project. Disbursements in excess of $5,000 per month will require written approval of the managing member and asset manager. Any funds remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement.

The balance of the replacement reserve per the requirements above would be $189,407 and $163,210 as of December 31, 2019 and 2018, respectively. The required deposits for the replacement reserve were made in 2019 to the same bank account that holds the operating and ACC reserves. See disclosure on operating reserve above.

NOTE C – Rental property, net

Rental property, net is comprised of the following:

	2019	2018
Land and buildings under capital lease	$ 1,846,000	$ 1,846,000
Land improvements	191,117	191,117
Buildings and improvements	11,325,047	11,325,047
Furnishings and equipment	240,052	240,052
	13,602,216	13,602,216
Less accumulated depreciation	3,994,459	3,552,327
	$ 9,607,757	$ 10,049,889

NOTE D -- Mortgage notes payable

Mortgage notes payable consists of the following:

	2019	2018
CDA; non-recourse mortgage note payable under the capital lease described in Note E; due in one installment on October 29, 2050, together with interest at 4.00%, compounded annually; collateralized by a mortgage on the project's rental property; accrued interest was $799,823 and $698,061 as of December 31, 2019 and 2018, respectively; interest expense totaled $101,762 and $97,848 for the years ended December 31, 2019 and 2018, respectively.	$ 1,846,000	$ 1,846,000
CDA; non-recourse mortgage note payable; annual installments of $76,000 through October 29, 2025, including interest at 3% per annum; balloon payment of all outstanding principal and accrued interest due on October 28, 2026; collateralized by a mortgage on the project's rental property; accrued interest was $3,269 and $3,561 as of December 31, 2019 and 2018, respectively; interest expense totaled $20,056 and $21,708 for the years ended December 31, 2019 and 2018, respectively.	622,622	678,274
Balance carried forward	2,468,622	2,524,274

NOTE D – Mortgage notes payable (Continued)

	2019	2018
Balance brought forward	$ 2,468,622	$ 2,524,274
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 $137,949 and $122,509 as of December 31, 2019 and 2018, respectively; interest expense totaled $15,440 for each of the years ended December 31, 2019 and 2018.	400,000	400,000
CDA; non-recourse mortgage note payable in the amount of $466,942; 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 $129,187 and $110,509 as of December 31, 2019 and 2018, respectively; interest expense totaled $18,678 and $18,677 for the years ended December 31, 2019 and 2018, respectively.	466,942	466,942
	$ 3,335,564	$ 3,391,216

NOTE D – Mortgage notes payable (Continued)

Repayment of principal on the mortgage notes payable as of December 31, 2019, is as follows:

Year ending December 31,		
2020	$	57,022
2021		58,757
2022		60,544
2023		62,385
2024		64,283
Thereafter		3,032,573
	$	3,335,564

NOTE E -- Capital lease

The company has entered into a capital lease agreement with the CDA dated October 29, 2010, to operate and manage the project during the term of the capital lease in accordance with all applicable public housing requirements. Rental property recorded under this non-cancellable capital lease consists of:

Land	$	71,000
Buildings		1,775,000
Total	$	1,846,000

In accordance with accounting principles generally accepted in the United States, the land and buildings are capitalized as a single unit and amortized over the lease term of 98 years. Accumulated depreciation on the land and building under the capital lease was $172,670 and $153,833 as of December 31, 2019 and 2018, respectively.

Base rent under the lease was payable in a single installment of $1,846,000 on October 29, 2010. The balance of unpaid base rent accrues interest at 4.00%, compounded annually (See Note D). Payments made by the company shall be applied first to accrued interest and then against the unpaid base rent amount. The base rent and all accrued interest thereon is due October 28, 2050. The capital lease obligation is secured by a mortgage note as described in Note D. The lease expires October 28, 2108.

NOTE F – Members' capital contributions

The managing member is required to make capital contributions of $100 and the investor members are required to make capital contributions totaling $9,758,907. The members have made the required capital contributions as of December 31, 2019.

NOTE G – Related-party transactions

Accounts receivable

Included in accounts receivable, related party are amounts due from the City of Madison, an affiliate of the managing member, for project funds held by the City of Madison totaling $0 and $19,306 as of December 31, 2019 and 2018, respectively.

Included in accounts receivable, related party are amounts due from the CDA for reimbursable expenses related to the service coordinator totaling $1,099 and $2,409 as of December 31, 2019 and 2018, respectively.

Regulatory and Operating Agreement

The company has entered into an R&O Agreement with the CDA. Provisions of the agreement require the company to maintain 47 units as public housing units. With regards to the public housing units, the CDA is to pay operating subsidies to the company equal to project expenses less income received from tenants residing in the public housing units. 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 $226,374 and $334,666 were earned during the years ended December 31, 2019 and 2018, respectively. Included in accounts receivable, related party are operating subsidies receivable of $142,662 and $151,819 as of December 31, 2019 and 2018, respectively

Development completion guaranty

Under terms of the operating agreement, the managing member is obligated to complete the required rehabilitation of the project. In the event the company lacks sufficient funds from the member capital contributions and proceeds from the construction and permanent mortgages to pay for the rehabilitation costs, the managing member is obligated to provide such funds to the company in the form of an unsecured loan. Any loans under this agreement shall not bear interest and shall be payable in accordance with the operating agreement. The development completion guaranty loan was $112,586 as of December 31, 2019 and 2018.

Development fee

The company 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 the company in an amount equal to the unpaid portion of the development fees, as defined in the operating agreement. Development fee payable was $58,735 as of December 31, 2019 and 2018.

NOTE G – Related-party transactions (Continued)

Property management agreement

The company has entered into a property management agreement with the CDA under which the company 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 $19,980 and $18,787 for the years ended December 31, 2019 and 2018, respectively.

Asset management fee

The company 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 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 $65,361 and $56,367 as of December 31, 2019 and 2018, respectively. Asset management fees incurred totaled $8,994 and $8,733 for the years ended December 31, 2019 and 2018, respectively.

NOTE H – Company profits and losses and distributions

Distributable cash flow, as defined by the company agreement, is allocated .01% to the managing member and 99.99% to the investor members.

Gain, if any, from a sale or exchange or other disposition of the property owned by the company is allocable as follows:

1. If the investor members' capital accounts have a negative balance prior to the distribution of any sale or refinancing proceeds, 99.99% to the investor members and 0.01% to the managing member until the investor members' negative balance reaches zero.

2. 99.99% to the investor members and 0.01% to the managing member until the investor members' capital account balance equals the projected tax liabilities as defined in the operating agreement.

3. The remainder of such gain, if any, 99.99% to the investor members and .01% to the managing member.

There were no distributions made during the years ended December 31, 2019 and 2018.

NOTE I -- Commitments and contingencies

Land Use Restriction Agreement (LURA)

The company has entered into a LURA with WHEDA as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, the company 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 the company 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 company is obligated to certify tenant eligibility.

TCEP

The company has entered into a TCEP Subaward Agreement (Subaward Agreement) with WHEDA. Under the Subaward Agreement, the company received grant funds totaling $698,333 pursuant to Section 1602 of the American Recovery and Reinvestment Act of 2009. If the company 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.

Project Based Housing Assistance Payments Contract

The company 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 no more than 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.

SUPPLEMENTARY INFORMATION

TRUAX PARK REDEVELOPMENT, PHASE I, LLC
SUPPLEMENTAL INFORMATION REQUIRED BY INVESTOR MEMBER
Years ended December 31, 2019 and 2018

SCHEDULES OF PROJECT OPERATING EXPENSES

	2019	2018
RENT AND ADMINISTRATIVE		
Office salaries	$ 81,734	$ 83,012
Office expense	9,709	11,311
Property management fees	19,980	18,787
Professional fees - audit	9,520	8,450
Bad debt expense	0	4,779
Miscellaneous rent and administrative	6,460	8,249
TOTAL RENT AND ADMINISTRATIVE	$ 127,403	$ 134,588

	2019	2018
UTILITIES		
Electric	$ 15,742	$ 18,697
Water	23,729	20,289
Gas	14,272	14,756
Sewer	15,747	14,257
TOTAL UTILITIES	$ 69,490	$ 67,999

	2019	2018
OPERATING AND MAINTENANCE		
Payroll	$ 98,218	$ 84,134
Supplies	27,643	43,744
Contracts	93,477	98,281
Garbage and trash removal	10,428	9,937
Security services	1,000	17,547
Snow removal	719	266
Vehicle/maintenance equipment repairs	11,966	8,459
Miscellaneous operating and maintenance	196	367
TOTAL OPERATING AND MAINTENANCE	$ 243,647	$ 262,735

	2019	2018
TAXES AND INSURANCE		
Real estate taxes	$ 38,752	$ 44,109
Payroll taxes	13,324	11,214
Property and liability insurance	21,702	21,276
Health insurance and other employee benefits	41,176	37,483
TOTAL TAXES AND INSURANCE	$ 114,954	$ 114,082

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

WHEDA Project No. 5495
SUPPLEMENTAL INFORMATION REQUIRED BY WHEDA
December 31, 2019

ACCOUNTS AND NOTES RECEIVABLE (OTHER THAN FROM REGULAR TENANTS)

Accounts receivable, related party - CDA	$ 1,099
Accounts receivable, ACC subsidy, related party	142,662
	$ 143,761

DELINQUENT TENANTS' ACCOUNTS RECEIVABLE

	Number of tenants	Amount past due
Delinquent 30 days	14	$ 2,807
Delinquent 31 to 60 days	0	0
Delinquent 61 to 90 days	0	0
Delinquent over 90 days	0	0
		$ 2,807

DISTRIBUTIONS

None.

PARTNERSHIP CASH AND RESERVE FUNDS NOT HELD BY WHEDA

	Operating & ACC reserve
Balance, beginning	$ 745,955
Deposits - replacement reserve deposits	29,391
Interest earned	140
Balance, ending	$ 775,486

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

WHEDA Project No. 5495
SUPPLEMENTAL INFORMATION REQUIRED BY WHEDA (Continued)
December 31, 2019

RELATED PARTY TRANSACTIONS

Development fee		
Beginning balance		$ 58,735
Payments		0
Ending balance		$ 58,735
Asset management fee		
Beginning accrual		$ 56,367
Current year expense		8,994
Fee paid		0
Ending accrual		$ 65,361
Property management fee		
Beginning accrual		$ 0
Current year expense		19,980
Fee paid		(19,980)
Ending accrual		$ 0

COMPUTATION OF SURPLUS CASH

CURRENT ASSETS		
Accounts receivable, related party		$ 143,761
MEMO - Tenants' security deposits	$ 0	
Total current assets		143,761
CURRENT LIABILITIES		
MEMO - Tenants' security deposits	$ 22,705	
Accounts payable		11,932
Accrued interest		3,269
Accrued expenses		55,313
Underfunded tenants' security deposits		22,705
Prepaid rents		5,025
Total current liabilities		98,244
SURPLUS CASH		$ 45,517

Wisconsin Housing and Economic Development Authority				FORM 600AL (Rev. 10/02)	
ANNUAL SCHEDULE OF ASSETS for Multifamily Projects					
Project Name:	**TRUAX PARK REDEVELOPMENT, PHASE I, LLC**				
Period Beginning	**January 1, 2019 through December 31, 2019**		**Project Number:**		**5495**
	Description of Account	ID	Account	Amount	Totals
1100	Cash - Operations		1120		
CURRENT	Construction Cash		1121		
ASSETS	Cash - Entity		1125		
	Tenant Accounts Receivable		1130	2,807	
	Allowance for Doubtful Accounts (deduct)		1131		
	Accounts Receivable - WHEDA		1135		
	Accounts and Notes Receivable - Operations		1140	143,761	
	Accounts and Notes Receivable - Entity		1145		
	Accounts Receivable - Interest		1160		
	Interest Reduction Payment Receivable		1165		
	Short Term Investments - Operations		1170		
	Short Term Investments - Entity		1175		
	Miscellaneous Current Assets		1190		
	Insurance Escrow		1312		
	Real Estate Tax or PILOT Escrow		1311		
	TOTAL CURRENT ASSETS		**1100**		146,568
1191	Tenant Security Deposits - RESTRICTED ASSET		1191		
1200 PREPAID	Miscellaneous Prepaid Expenses		1200	12,081	
EXPENSES	**Total Prepaid Expenses**				12,081
1300	Escrow Deposits		1310		
FUNDED	Reserve for Replacements		1320		
RESERVES	Other Reserve		1330		
	Residual Receipts Reserve		1340		
	Management Improvement and Operating Plan		1381		
	Development Cost Escrow (DCE)		1390		
	FHA Insurance Reserve		1392		
	Total Funded Reserves		**1300**		0
1400	Land - Land & building under capital lease		1410	1,846,000	
FIXED	Buildings		1420	11,325,047	
ASSETS	Building Equipment (portable)		1440		
	Furniture for Project/Tenant Use		1450		
	Furnishings		1460	240,052	
	Office Furniture and Equipment		1465		
	Maintenance Equipment		1470		
	Motor Vehicles		1480		
	Miscellaneous Fixed Assets - Land Improvements		1490	191,117	
	Gross Fixed Assets		**1400**	13,602,216	
1495	Accumulated Depreciation		1495	3,994,459	
ALLOWANCE					
ACCOUNTS	Total Accumulated Depreciation			3,994,459	
	Net Fixed Assets		**1400**		9,607,757
1500	Investments - Operations		1510		
INVESTMENTS	Investments - Entity		1515		
	Intangible Assets - Tax credit fees, net of amortization		1520	63,792	
	Miscellaneous Other Assets - ACC & operating reserves		1590	775,486	
	TOTAL OTHER ASSETS		**1500**		839,278
	TOTAL ASSETS		**1000**		10,605,684

Wisconsin Housing and Economic Development Authority					FORM 600AL (Rev. 10/02)
ANNUAL SCHEDULE OF LIABILITIES AND EQUITY for Multifamily Projects					
Project Name:	**TRUAX PARK REDEVELOPMENT, PHASE I, LLC**				
Period Beginning January 1, 2019 through December 31, 2019			**Project Number:**		**5495**
	Description of Account	ID	Account	Amount	Totals
2100	Bank Overdraft - Operations		2105		
CURRENT	Accounts Payable-30 Days		2109		
LIABILITIES	Accounts Payable - Operations		2110	11,932	
	Accounts Payable - Construction/Development		2111		
	Accounts Payable-Project Improvements Items		2112		
	Accounts Payable - Entity		2113	124,096	
	Accounts Payable-236 Excess Income Due HUD		2115		
	Accounts Payable-WHEDA/HUD		2116		
	Accrued Wages Payable		2120		
	Accrued Payroll Taxes Payable		2121	2,206	
	Accrued Management Fee Payable		2123		
	Accrued Interest Payable - Section 236		2130		
	Accrued Interest Payable - First Mortgage		2131	3,269	
	Accrued Interest Payable - Second Mortgage		2132		
	Accrued Interest Payable - Other Loans & Notes (Surplus Cash)		2133	1,066,959	
	Accrued Interest Payable - Other Loans and Notes		2134		
	Accrued Interest Payable - Flexible Subsidy Loan		2135		
	Accrued Interest Payable - Capital Improvement Loan		2136		
	Accrued Interest Payable - Operating Loss Loan		2137		
	Accrued Real Estate & Property Tax Payable		2150		
	Short Term Notes Payable		2160		
	Mortgage Payable - First Mortgage (Short Term)		2170	57,022	
	Mortgage Payable - Second Mortgage (Short Term)		2172		
	Other Loans and Notes Payable, Surplus Cash (Short Term)		2173		
	Other Loans and Notes (Short Term)		2174		
	Flexible Subsidy Loan Payable (Short Term)		2175		
	Capital Improvement Loan Payable (Short Term)		2176		
	Operating Loss Loan Payable (Short Term)		2177		
	Utility Allowances		2180		
	Miscellaneous Current Liabilities - Other accrued exp & CM of def rev		2190	78,501	
	TOTAL CURRENT LIABILITIES				1,343,985
2191	Tenant Security Deposits - CONTRA ASSET		2191		22,705
2200 PREPAID REVENUES	Prepaid Revenue		2210	5,025	
	Total Current Liabilities		**2122**		1,371,715
2300	Notes Payable - Long Term		2310		
	Notes Payable - Surplus Cash		2311		
LONG-TERM	Mortgage Payable - First Mortgage		2320	565,600	
LIABILITIES	Mortgage Payable - Second Mortgage		2322		
	Other Loans and Notes Payable - Surplus Cash		2323	2,712,942	
	Other Loans and Notes Payable		2324		
	Flexible Subsidy Loan Payable		2325		
	Capital Improvement Loan Payable		2326		
	Operating Loss Loan Payable		2327		
	Miscellaneous LT Liabilities - Dev completion grnty loan / deferred revenue		2390	552,747	
	Total Long Term Liabilities		**2300**		3,831,289
	TOTAL LIABILITIES		**2000**		5,203,004
3033 TOTAL EQUITY	Total Equity/Retained Earnings		3033	5,402,680	
	TOTAL LIABILITIES and EQUITY/RETAINED EARNINGS		**2033**		10,605,684

Wisconsin Housing and Economic Development Authority				FORM 800 (Rev. 12/05)
SCHEDULE OF PROFIT AND LOSS for Multifamily Projects				
Project Name:	TRUAX PARK REDEVELOPMENT, PHASE I, LLC	Project Number:		5495
Period Beginning January 1, 2019 through December 31, 2019		Year:	2019	
	Description of Account	Acct. No.	Amount	Totals
5100	Rent Revenue - Gross Potential	5120	422,918	
RENTAL	Tenant Assistance Payments	5121	226,374	
INCOME	Rent Revenue - Commercial/Stores @ 100%	5140		
	Rent Revenue - Garage/Parking @ 100%	5170		
	Flexible Subsidy Revenue	5180		
	Miscellaneous Rent Revenue	5190		
	Excess Rent	5191		
	Rent Revenue/Insurance	5192		
	Special Claims Revenue	5193		
	Retained Excess Income	5194		
	Total Rent Revenue Potential	**5100**		649,292
5200	Apartment Vacancies	5220	23,324	
VACANCIES	Stores/Commercial Vacancies or Concessions	5240		
	Rental Concessions	5250		
	Garage/Parking Vacancies or Concessions	5270		
	Miscellaneous	5290		
	Total Vacancies or Concessions	**5200**		23,324
	Net Rental Revenue (Rent Revenue less Vacancies)	**5152**		625,968
5300	Total Service Income	5300		0
5400	Financial Revenue - Project Operations	5410		
FINANCIAL	Revenue from Investments-Residual Receipts	5430		
INCOME	Revenue from Investments-Replacement Reserve	5440		
	Revenue from Investments-Miscellaneous	5490	890	
	Total Financial Revenue	**5400**		890
5900	Laundry/Vending Income (Net)	5910		
MISC.	Tenant Charges	5920	5,706	
REVENUE	Miscellaneous Revenue	5990	41,303	
	Total Miscellaneous Revenue	**5900**		47,009
	Total Revenue	**5000**		673,867
6200	Conventions and Meetings	6203		
RENT	Management Consultants	6204		
EXPENSE	Advertising/Marketing Expense	6210		
	Other Rent Expense	6250		
	Total Rent Expense		0	
6300	Office Salaries	6310	81,734	
ADMIN.	Office Expenses	6311	9,709	
EXPENSES	Office or Model Apartment Rent	6312		
	Management Fee - Residential Rents	6320	19,980	
	Management Fee - Commercial Rents	6321		
	Management Fee - Miscellaneous Income	6322		
	Manager/Superintendent Salaries	6330		
	Administrative Rent-free Unit	6331		
	Legal Expense-project only	6340		
	Audit Expense-project only	6350	9,520	
	Bookkeeping Fees/Accounting Services	6351		
	Bad Debt Expense	6370		
	Miscellaneous Administrative Expense	6390	6,460	
	Total Administrative Expense		127,403	
6200 + 6300	**Total Rent & Administrative Expense**	**6263**		127,403
6400	Electricity	6450	15,742	
UTILITIES	Water & Sewer	6451	23,729	
EXPENSE	Gas	6452	14,272	
	Sewer	6453	15,747	
	Total Utilities Expense	**6400**		69,490

Project Name:	TRUAX PARK REDEVELOPMENT, PHASE I, LLC		Project Number:	5495
	Description of Account	Acct. No.	Amount	Totals
6500 OPERATING & MAINTENANCE EXPENSE	Payroll	6510	98,218	
	Supplies	6515	27,643	
	Contracts	6520	93,477	
	Operating and Maintenance Rent Free Unit	6521		
	Garbage & Trash Removal	6525	10,428	
	Security Payroll/Contract (incl. taxes and benefits)	6530	1,000	
	Security Rent Free Unit	6531		
	Heating/Cooling Repairs & Maintenance	6546		
	Snow Removal	6548	719	
	Vehicle/Maintenance Equipment Operation & Repairs	6570	11,966	
	Misc. Operating & Maintenance Expense	6590	196	
	Total Operating & Maintenance Expense	**6500**		243,647
6900	**Total Service Expense**	**6900**		0
6700 TAXES AND INSURANCE	Real Estate & Personal Property Taxes	6710	38,752	
	Payroll Taxes (Project's Share)	6711	13,324	
	Property & Liability Insurance (Hazard)	6720	21,702	
	Fidelity Bond Insurance	6721		
	Workmen's Compensation	6722		
	Health Insurance and Other Employee Benefits	6723	41,176	
	Miscellaneous Taxes, Licenses, Permits and Insurance	6790		
	Total Taxes and Insurance	**6700**		114,954
3220	Replacement Reserve Deposits as Required by WHEDA	3220	**Memo only**	0
	Total Operating Expenses			555,494
	Net Operating Income (NOI)			118,373
6800 FINANCIAL EXPENSE	Interest on Mortgage Payable	6820	155,936	
	Interest on Notes Payable (Long Term)	6830		
	Interest on Notes Payable (Short Term)	6840		
	Mortgage Insurance Premium/Service Charge	6850		
	Miscellaneous Financial Expense	6890		
	Total Financial Expense	**6800**		155,936
	Total Expenses of Operations Before Depreciation	**6000**		711,430
	Profit or (Loss) Before Depreciation	**5060**		(37,563)
6600	Depreciation Expense	6601		442,132
	Amortization Expense	6610		10,632
	Operating Profit or Loss	5060		(490,327)
7100 CORPORATE OR MORTGAGOR EXPENSE	Officer's Salaries	7110		
	Legal Expense	7120		
	Federal, State and Other Income Taxes	7130		
	Interest Income	7140		
	Interest on Notes Payable	7141		
	Interest on Mortgage Payable	7142		
	Other Expense	7190	8,994	
	Net Entity Expenses	**7100**		8,994
	NET PROFIT OR (LOSS)	**3250**		(499,321)
TOTAL PRINCIPAL PAYMENTS	WHEDA First Mortgage	9910		0
	Second Mortgage	9911		0
	Other Mortgage(s)	9912		55,652
Reserve releases to reimburse items expensed on this schedule.		9920		0
Capital expenditures paid from project operations and expensed on this schedule.		9930		0

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

WHEDA Project No. 5495
SCHEDULE OF PROFIT AND LOSS (Continued)
Year ended December 31, 2019

MISCELLANEOUS EXPENSE ACCOUNTS OVER 1% OF CATEGORY

MISCELLANEOUS ADMINISTRATIVE EXPENSE (Account #6390)		
Conferences and training	$	3,092
WHEDA monitoring fees		3,195
Memberships		173
TOTAL MISCELLANEOUS ADMINISTRATIVE EXPENSE	$	6,460

OTHER EXPENSE (Account #7190)		
Asset management fee	$	8,994

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

WHEDA Project No. 5495
CERTIFICATION BY MANAGING MEMBER OF MORTGAGOR
December 31, 2019

I hereby certify that I have examined the accompanying financial statements and supplemental information of Truax Park Redevelopment, Phase I, LLC and, to the best of my knowledge and belief, the same are complete and accurate.

2-26-20

By: Matt Wachter, Executive Director
Community Development Authority of the
City of Madison, Managing Member

Date

ID #39-6006968

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

WHEDA Project No. 5495
CERTIFICATION BY MANAGEMENT AGENT
December 31, 2019

I hereby certify that I have examined the accompanying financial statements and supplemental information of Truax Park Redevelopment, Phase I, LLC and, to the best of my knowledge and belief, the same are complete and accurate.

2-26-20

By: Matt Wachter, Executive Director
Community Development Authority of the
City of Madison, Management Agent

Date

ID #39-6006968

Truax Park Development, Phase 2, LLC

Financial Report

December 31, 2019

SVA | Certified Public Accountants, S.C.
Tax, Audit and Business Strategy

TRUAX PARK DEVELOPMENT, PHASE 2, LLC

CONTENTS

SVA

1221 John Q. Hammons Drive, Madison, WI 53717 • P: 608.831.8181 • F: 608.831.4243 • sva.com

INDEPENDENT AUDITOR'S REPORT

To the Members
Truax Park Development, Phase 2, LLC
Madison, Wisconsin

We have audited the accompanying financial statements of Truax Park Development, Phase 2, LLC, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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 the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Truax Park Development, Phase 2, LLC as of December 31, 2019 and 2018, and the results of its operations, changes in members' equity, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, in 2019, the entity adopted new accounting standards. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of project expenses shown on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

March 2, 2020

Lead auditor: Lynn C. Heslinga, CPA
SVA Certified Public Accountants, S.C.
ID #39-1203191
Phone number: (608) 831-8181

TRUAX PARK DEVELOPMENT, PHASE 2, LLC

BALANCE SHEETS

December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 23,068	$ 14,520
Restricted cash	318,616	309,279
Accounts receivable	150,014	136,405
Prepaid land lease	37,960	38,368
Prepaid expenses	2,840	746
Rental property on leased land, net	7,232,744	7,447,126
Tax credit fees, net	85,623	94,186
TOTAL ASSETS	$ 7,850,865	$ 8,040,630
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	$ 1,472,223	$ 1,470,875
Development completion guaranty loan	26,552	26,552
Development fee payable	112,941	112,941
Accounts payable	31,621	13,206
Accrued interest	6,051	4,748
Accrued expenses	49,025	46,347
Accrued real estate taxes	5,899	5,530
Tenants' security deposits payable	20,682	21,307
Prepaid rents	8,145	6,354
Total liabilities	1,733,139	1,707,860
MEMBERS' EQUITY	6,117,726	6,332,770
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 7,850,865	$ 8,040,630

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

TRUAX PARK DEVELOPMENT, PHASE 2, LLC

STATEMENTS OF OPERATIONS

Years ended December 31, 2019 and 2018

	2019	2018
Revenues:		
Rental income	$ 231,106	$ 224,962
Operating subsidies	184,303	149,341
Vacancies and concessions	(1,061)	(1,200)
Other revenue	4,064	2,978
Total revenues	418,412	376,081
Rental expenses:		
Administrative	102,304	84,848
Utilities	66,593	69,112
Operating and maintenance	143,880	114,157
Land lease	408	408
Taxes and insurance	86,157	85,263
Total rental expenses	399,342	353,788
Net rental income	19,070	22,293
Financial income (expense):		
Interest income	1,282	885
Interest expense	(2,651)	(2,613)
Total financial income (expense)	(1,369)	(1,728)
Income before other income (expenses)	17,701	20,565
Other income (expenses):		
Depreciation	(221,033)	(221,644)
Amortization	(8,563)	(8,562)
Asset management fee	(4,800)	(4,800)
Gain on involuntary conversion	1,651	0
Total other income (expenses)	(232,745)	(235,006)
Net loss	$ (215,044)	$ (214,441)

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

TRUAX PARK DEVELOPMENT, PHASE 2, LLC

STATEMENTS OF MEMBERS' EQUITY

Years ended December 31, 2019 and 2018

	Managing member	Investor member	Total
Balances, December 31, 2017	$ 652	$ 6,546,559	$ 6,547,211
Net loss	(21)	(214,420)	(214,441)
Balances, December 31, 2018	631	6,332,139	6,332,770
Net loss	(22)	(215,022)	(215,044)
Balances, December 31, 2019	$ 609	$ 6,117,117	$ 6,117,726
Ownership percentages	0.01%	99.99%	100.000%

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

TRUAX PARK DEVELOPMENT, PHASE 2, LLC

STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (215,044)	$ (214,441)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	221,033	221,644
Amortization of debt issuance costs	1,348	1,348
Amortization of tax credit fees	8,563	8,562
Amortization of prepaid land lease	408	408
Gain on involuntary conversion	(1,651)	0
Increase (decrease) in cash due to changes in:		
Accounts receivable	(13,609)	33,115
Prepaid expenses	(2,094)	(128)
Accounts payable	18,415	(1,329)
Accrued interest	1,303	1,265
Accrued expenses	2,678	16,293
Accrued real estate taxes	369	(53,360)
Tenants' security deposits payable	(625)	429
Prepaid rents	1,791	1,868
Net cash provided by operating activities	22,885	15,674
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of rental property	(45,599)	0
Insurance proceeds from involuntary conversion	40,599	0
Net cash used in investing activities	(5,000)	0
CASH FLOWS FROM FINANCING ACTIVITIES	0	0
Change in cash, cash equivalents, and restricted cash	17,885	15,674
Cash, cash equivalents, and restricted cash:		
Beginning	323,799	308,125
Ending	$ 341,684	$ 323,799
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO BALANCE SHEET		
Cash and cash equivalents	$ 23,068	$ 14,520
Restricted cash	318,616	309,279
Total cash, cash equivalents, and restricted cash	$ 341,684	$ 323,799

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

NOTE A – Nature of business and significant accounting policies

Nature of business

Truax Park Development, Phase 2, LLC (the company), was organized on January 18, 2012, as a limited liability company under the Wisconsin Limited Liability Company Act (the Act). The company was formed to construct and operate a three building, 48-unit apartment complex for low-income families which includes approximately 1,500 square feet of office space (the project). The office space is utilized by the Community Development Authority of the City of Madison (CDA) for which there is no lease agreement and no rent exchanged for the use of the space. The project, located in Madison, Wisconsin, is called Truax Park Development, Phase 2 and qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The buildings were placed in service from July 2015 through October 2015.

The company consists of one managing member, the CDA, and one investor 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 company shall be operated in a manner consistent with its treatment as a partnership for federal and state income tax purposes. Therefore, the financial statements do not include the personal or corporate assets and liabilities of the members, including their obligations for income taxes on their distributive shares of the net income of the company or their rights to refunds on its net loss, nor any provision for income tax expense.

The company's operating agreement states that the company shall be dissolved upon the occurrence of specific events which are described in the agreement.

A summary of significant accounting policies follows:

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.

Cash and cash equivalents

For purposes of reporting cash flows, the company 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 company due to restrictions placed on it.

The company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

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

Accounts receivable and revenue recognition

The company 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 company leases apartments to eligible applicants under operating leases which are all on a month to month basis. Other revenue consists of various tenant charges and other services and is recognized when the service is complete.

Rental property

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

	Years
Land improvements	20
Buildings and improvements	40
Furnishings and equipment	10

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.

Impairment of long-lived assets

The company reviews long-lived assets, including rental property and intangible assets, 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.

Debt issuance costs

Debt issuance costs incurred by the company totaled $53,243. The company is amortizing these costs into interest expense using the straight line method over 39.5 years, the life of the related mortgage.

Amortized costs included in interest expense amounted to $1,348 for each of the years ended December 31, 2019 and 2018.

Tax credit fees

In connection with obtaining an allocation of low-income housing tax credits, the company paid fees totaling $128,435. The company is amortizing these fees on the straight-line method over the related tax credit compliance period of 15 years.

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

Current vulnerability due to certain concentrations

The project's operations are concentrated in the low-income, public housing residential real estate market. In addition, the project operates in a heavily regulated environment. The operations of the project are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies including, but not limited to the CDA under the Regulatory & Operating Agreement (R&O Agreement) and HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the CDA or HUD. Such changes may occur with little or inadequate funding to pay for the related cost, including additional administrative burden to comply with a change.

New accounting standards adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which replaces numerous requirements in U.S. GAAP related to revenue recognition, including industry-specific requirements, and provides entities with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2019. The entity's only revenue subject to this new accounting standard is included in other revenue. The adoption of this new standard has no effect on how other revenue is recognized in the financial statements for the years ended December 31, 2019 and 2018.

In November 2016, FASB issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when recording the beginning and ending total amounts shown on the statement of cash flows.

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2019 and retrospectively apply the amendments to all periods presented. As a result, net cash used in investing activities previously reported decreased $9,140 for the year ended December 31, 2018 to exclude the change in restricted cash.

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

In August 2016, FASB issued Accounting Standards Update (ASU) No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on the classification of eight cash flow issues to reduce the existing diversification in practice. Specific cash flow issues addressed in this ASU that could apply to the entity include a) debt prepayment or debt extinguishment costs; b) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; c) proceeds from the settlement of insurance claims; and d) separately identifiable cash flows and application of the predominance principle.

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2019 and retrospectively apply the amendments to all periods presented. The adoption of this new standard did not impact the entity's statements of cash flows.

Subsequent events

These financial statements have not been updated for subsequent events occurring after March 2, 2020, which is the date these financial statements were available to be issued. The company has no responsibility to update these financial statements for events and circumstances occurring after this date.

NOTE B – Restricted cash

Restricted cash is comprised of the following:

	2019	2018
Tenants' security deposits	$ 6,000	$ 6,000
Replacement reserve	54,100	45,613
Operating reserve	158,057	157,537
ACC reserve	100,459	100,129
	$ 318,616	$ 309,279

NOTE B – Restricted cash (Continued)

Replacement reserve

The operating agreement and R&O Agreement require the company to make monthly deposits to the replacement reserve initially equal to $300 per unit per year (commencing November 1, 2015), and increasing 10% each fifth anniversary. Following the six month anniversary of the replacement reserve commencement date and whenever the reserve is below at least six monthly installments of the annual replacement reserve then payable, the company shall deposit funds from cash flow into the reserve in the priority as set forth in the operating agreement. Withdrawals are restricted to fund repairs, capital expenditures or any other use approved by the investor member.

	2019	2018
Balance, beginning	$ 45,613	$ 31,200
Annual deposits	14,400	14,400
Interest earned	40	13
Bank fees	(10)	0
Withdrawals	(5,943)	0
	$ 54,100	$ 45,613

Annual Contributions Contract (ACC) reserve

The operating agreement and R&O Agreement requires the company to fund an ACC reserve equal to $100,000 upon the receipt of the investor member's third installment of their capital contributions. Disbursements are to be used to pay operating expenses of the public housing units. Funds may only be withdrawn with the approval of the investor member. Withdrawals shall be replenished from cash flow in the priority as set forth in the operating agreement until the reserve is equal to $100,000. Any funds remaining at the end of the compliance period shall be distributed to the managing member.

	2019	2018
Balance, beginning	$ 100,129	$ 99,961
Interest earned	330	168
	$ 100,459	$ 100,129

NOTE B – Restricted cash (Continued)

Operating reserve

The operating agreement and R&O Agreement require the company to fund and maintain an operating reserve in the amount of $145,267 upon the receipt of the investor member's third installment of their capital contributions. If the balance in the operating reserve falls below $145,267, the company is obligated to replenish the operating reserve from cash flow in the priority set forth in the operating agreement. Disbursements require the approval of the investor member.

	2019	2018
Balance, beginning	$ 157,537	$ 157,178
Interest earned	520	359
	$ 158,057	$ 157,537

NOTE C – Rental property on leased land, net

Rental property on leased land, net is comprised of the following:

	2019	2018
Non-depreciable land preparation costs and improvements	$ 86,867	$ 86,867
Land improvements	130,994	130,994
Buildings and improvements	7,730,891	7,727,975
Furnishings and equipment	218,941	218,941
	8,167,693	8,164,777
Less accumulated depreciation	934,949	717,651
	$ 7,232,744	$ 7,447,126

NOTE D – Mortgage notes payable, net

Mortgage notes payable, net consists of the following:

	2019	2018
CDA; non-recourse, non-interest bearing mortgage note payable in the amount of $911,288; due to the extent and priority provided in the operating agreement with the remainder of all outstanding principal due in one installment on December 3, 2054; collateralized by a mortgage on the project's rental property; unamortized debt issuance costs associated with this note was $47,065 and $48,413 as of December 31, 2019 and 2018, respectively.	$ 911,288	$ 911,288
CDA (AHP loan); non-recourse, non-interest bearing mortgage note payable in the amount of $288,000; due to the extent and priority provided in the operating agreement with the remainder of all outstanding principal due in one installment on December 3, 2054; collateralized by a mortgage on the project's rental property.	288,000	288,000
City of Madison (HOME loan), an affiliate of the managing member; non-recourse, non-interest bearing mortgage note payable in the amount not to exceed $280,000; due November 21, 2054; collateralized by a mortgage on the project's rental property.	280,000	280,000
CDA; non-recourse mortgage note payable under the land lease described in Note E; 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 December 3, 2054, together with interest at 2.91%, compounded annually; collateralized by a mortgage on the project's rental property; accrued interest was $6,051 and $4,748 as of December 31, 2019 and 2018, respectively; interest expense totaled $1,303 and $1,265 for the years ended December 31, 2019 and 2018, respectively.	40,000	40,000
Total mortgage notes payable	1,519,288	1,519,288
Less unamortized debt issuance costs	47,065	48,413
	$ 1,472,223	$ 1,470,875

NOTE D – Mortgage notes payable, net (Continued)

Repayment of principal on the mortgage notes payable as of December 31, 2019, is as follows:

Year ending December 31,	
2020	$ 0
2021	0
2022	0
2023	0
2024	0
Thereafter	1,159,288
	$ 1,519,288

NOTE E -- Land lease

The company has entered into a land lease with the CDA which required a one-time rental fee of $40,000 (see Note D) and an additional one-time rental fee of $98 representing $1 annual rental payment for the 98-year term of the lease. The term of the lease began on December 4, 2014, and ends on December 3, 2112, unless terminated earlier in accordance with the land lease agreement. Prepaid land lease was $37,960 and $38,368 as of December 31, 2019 and 2018, respectively. Land lease expense totaled $408 for each of the years ended December 31, 2019 and 2018.

NOTE F – Members' capital contributions

The managing member is required to make capital contributions of $712. The managing member has made the required contributions as of December 31, 2019. The investor member is required to make capital contributions totaling $7,153,018. The investor member has made the required contributions as of December 31, 2019.

NOTE G – Related-party transactions

Accounts receivable

Included in accounts receivable are amounts due from the City of Madison, an affiliate of the managing member, for project funds held by the City of Madison totaling $0 and $19,078 as of December 31, 2019 and 2018, respectively.

NOTE G – Related-party transactions (Continued)

Regulatory and Operating Agreement

The company has entered into an R&O Agreement with the CDA. Provisions of the agreement require the company to maintain 40 units as public housing units. With regards to the public housing units, the CDA is to pay operating subsidies to the company equal to project expenses less income received from tenants residing in the public housing units. The agreement will expire 40 years from the date the project first became available for occupancy, with the potential to be extended for an additional 10 years. Operating subsidies totaling $184,303 and $149,341 were earned during the years ended December 31, 2019 and 2018, respectively. Included in accounts receivable are operating subsidies receivable of $136,367 and $114,883 as of December 31, 2019 and 2018, respectively.

Development completion guaranty

The operating agreement requires the managing member to fund operating deficits during the stabilization period, as defined in the operating agreement, in the form of interest-free development advances, repayable only from available cash flow as defined in the operating agreement. The development completion guaranty loan was $26,552 as of December 31, 2019 and 2018.

Development fee

The company has entered into a development agreement with the CDA. The agreement provides for the payment of a development fee of $112,941 which has been capitalized into the cost of the buildings. The fee is payable from future capital contributions and available cash flow as defined in the operating agreement. The unpaid balance of the development fee is to be paid by the managing member on the thirteenth anniversary of the project's completion date. The payment by the managing member is to be treated as a development fee advance and shall be non-interest bearing and payable solely from cash flow, capital proceeds or upon dissolution of the company. Development fee payable was $112,941 as of December 31, 2019 and 2018.

Property management agreement

The company has entered into a property management agreement with the CDA under which the company 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 fee expense totaled $11,293 and $11,248 for the years ended December 31, 2019 and 2018, respectively.

Asset management fee

The company is obligated to pay the investor member an annual asset management fee in the initial amount of $4,800, increasing by 10% on each fifth anniversary beginning in 2015. 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 $20,520 and $15,720 as of December 31, 2019 and 2018, respectively. Asset management fees incurred totaled $4,800 for each of the years ended December 31, 2019 and 2018.

NOTE G – Related-party transactions (Continued)

Operating deficit guaranty

Under the operating agreement, the managing member is required to fund operating deficits from and after the stabilization period until the last to occur of (1) the fifth anniversary of the end of the lease-up period or (2) the fifth anniversary of the end of the stabilization period. The expiration of the managing member's obligation to make operating deficit advances shall be extended by one year for each fiscal year during the period when the project's required expense coverage ratio is less than 105% and thereafter until such time the operating reserve equal or exceeds $145,267. During this period, operating deficit advances funded by the managing member are to be treated as capital contributions and are limited to $270,000. Any such advances shall be non-interest bearing and are only repayable from available cash flow as defined in the operating agreement. There were no operating deficit advances as of December 31, 2019 and 2018.

Sale administration fee

In accordance with the operating agreement, the sale administration fee is to be payable to the managing member in lieu of a third-party broker fee for providing services related to arranging and executing a sale of the project to and unrelated third party buyer. The fee amount would be an amount mutually agreed upon by the managing member and the investor member.

NOTE H – Company profits and losses and distributions

Generally, all profits and losses are allocated to the managing member and investor member 0.01%, and 99.99%, respectively. Cash flow available for distribution is distributed as defined in the operating agreement. Profits and losses arising from the sale, refinancing or other disposition of all or substantially all of the company's assets will be specially allocated based on the respective members' capital account balances, as prioritized in the operating agreement. Additionally, the operating agreement provides for other instances in which a special allocation of profits and losses and distributions may be required.

NOTE I – Commitments and contingencies

Land Use Restriction Agreement (LURA)

The company entered into a LURA with the Wisconsin Housing Economic and Development Authority (WHEDA) as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, the company 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 the company 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. The company is obligated to certify tenant eligibility.

NOTE I – Commitments and contingencies (Continued)

HOME loan development agreement

In connection with the mortgage note payable to the City of Madison described in Note D, the company is subject to a HOME loan development agreement and LURA which specifies that there shall be eight (8) 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) for Dane County, Wisconsin, adjusted for family size. Certain rent limits also apply to these units. The HOME loan development agreement and LURA are in force until 20 years after the date of project completion.

Affordable Housing Program (AHP)

In connection with the AHP loan with the CDA described in Note D, the company is subject to an AHP Retention/Recapture Agreement that requires the project to maintain certain affordability requirements for 48 units for a period of 15 years. Certain rent limits also apply to these units. Of these 48 units, 29 are restricted to tenants whose annual income is equal to or less than 50% of area median income and the remaining 19 units are restricted to tenants whose annual income is equal to or less than 60% of area median income.

Sub-management agreement

The company and the CDA entered into a sub-management agreement with Porchlight, Inc. Pursuant to the terms of the property management agreement between the company and the CDA (see Note G), the CDA delegated certain management responsibilities with respect to the 8 units in a separate building to Porchlight, Inc. The company is obligated to pay a monthly fee equal to the lesser of $500 or the net cash flow received from the operation of the project. The agreement shall be in effect from October 1, 2015 until the 15th anniversary of the last day of the month in which first occupancy of the project shall occur. After the initial term and each successive renewal term, the agreement shall be deemed renewed automatically for a one-year period. Sub-management fees incurred totaled $6,000 and $6,027 for the years ended December 31, 2019 and 2018, respectively.

Project Based Housing Assistance Payments Contract

The company 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 8 certificates for future residents of the project. Under terms of the Program, each household that holds a certificate pays no more than 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.

NOTE J – Involuntary conversion

In 2019, the company received insurance proceeds totaling $29,781 for fire damage to one building. The remaining insurance proceeds to be received in 2020 total $10,818 and are included in accounts receivable as of December 31, 2019. This event resulted in the involuntary conversion of part of the building to cash proceeds received from the insurance company to cover the loss. The difference between the proceeds from the insurance company and the net book value of the damaged building resulted in a gain on involuntary conversion of $1,651 for the year ended December 31, 2019. The total cost to repair the damaged building was $45,599 which was capitalized into rental property during 2019.

SUPPLEMENTARY INFORMATION

TRUAX PARK DEVELOPMENT, PHASE 2, LLC
SUPPLEMENTAL INFORMATION REQUIRED BY U.S. BANK
Years ended December 31, 2019 and 2018

SCHEDULES OF PROJECT EXPENSES

	2019	2018
ADMINISTRATIVE		
Office salaries	$ 57,871	$ 50,616
Office expense	5,308	5,153
Management fees	17,293	17,275
Professional fees - audit	9,298	7,990
Professional fees - bookkeeping/accounting	26	249
Professional fees - other	0	512
Bad debts	9,440	0
Miscellaneous rent and administrative	3,068	3,053
TOTAL ADMINISTRATIVE	$ 102,304	$ 84,848
UTILITIES		
Electric	$ 27,745	$ 30,274
Water	17,702	16,860
Gas	6,280	5,991
Sewer	14,866	15,987
TOTAL UTILITIES	$ 66,593	$ 69,112
OPERATING AND MAINTENANCE		
Payroll	$ 36,750	$ 29,620
Supplies	21,213	21,227
Contracts	59,055	31,434
Garbage and trash removal	15,647	15,344
Security services	1,551	9,960
Vehicle and maintenance equipment repairs	8,678	6,201
Snow removal	577	188
Miscellaneous operating and maintenance	409	183
TOTAL OPERATING AND MAINTENANCE	$ 143,880	$ 114,157
TAXES AND INSURANCE		
Real estate taxes	$ 32,583	$ 31,191
Payroll taxes	7,078	5,308
Property and liability insurance	25,003	33,297
Workmen's compensation	191	123
Health insurance and other employee benefits	21,302	15,344
TOTAL TAXES AND INSURANCE	$ 86,157	$ 85,263
INTEREST EXPENSE		
Interest on mortgage - CDA	$ 1,303	$ 1,265
Amortization of debt issuance costs	1,348	1,348
TOTAL INTEREST EXPENSE	$ 2,651	$ 2,613