



PUBLIC NOTICE & AGENDA
BELOIT COMMUNITY DEVELOPMENT AUTHORITY
Parker Bluff - 220 Portland Avenue, Beloit, WI 53511
4:30 PM
Wednesday, December 4, 2019

1. CALL TO ORDER AND ROLL CALL
2. PUBLIC COMMENT
3. MINUTES
 - 3.a. Consideration of the minutes of the October 23, 2019 Community Development Authority meeting
[Attachment](#)
4. BELOIT HOUSING AUTHORITY
 - 4.a. Presentation of the October Activity Report (Cole)
[Attachment](#)
 - 4.b. Presentation of the September Financial Report (Cole) To be handed out the meeting
[Attachment](#)
 - 4.c. Presentation of the December 2018 Financial Report (Cole)
[Attachment](#)
 - 4.d. Presentation of the 2018 Audits (Christensen)
[Attachment](#)
5. ECONOMIC DEVELOPMENT
 - 5.a. Consideration of Resolution 2019-30 approving a Release to a Memorandum of Agreement (Christensen)
[Attachment](#)
6. ADJOURNMENT

** Please note that, upon reasonable notice, at least 24 hours in advance, efforts will be made to accommodate the needs of disabled individuals through appropriate aids and services. For additional information to request this service, please contact the City Clerk's Office at 364-6680, 100 State Street, Beloit, WI 53511.

Minutes

Beloit Community Development Authority

Parker Bluff – 220 Portland Avenue, Beloit, WI 53511

October 23, 2019

4:30 P.M.

The regular meeting of the City of Beloit Community Development Authority was held on Wednesday, October 23, 2019 in the Community Room of Parker Bluff Apartments, 220 Portland Avenue.

1. Call to Order and Roll Call

Meeting was called to order by Commissioner Baker at 4:31 PM.

Present: Commissioners Baker, Kenitzer, Leavy and Murray

Absent: Commissioners Ellison and Forbeck

Staff Present: Julie Christensen, Clinton Cole, and Ann Purifoy

2. Public Comment

None

3. Consideration of the Minutes of the Regular Meeting held on September 25, 2019 and the Special Meeting held on October 9, 2019

A motion was made by Commissioner Baker and seconded by Commissioner Murray to approve the minutes of the Regular Meeting held on September 25, 2019 and the Special Meeting held on October 9, 2019. Motion carried unanimously.

4. Beloit Housing Authority:

a. Presentation of the September Activity Report

Clinton Cole, Beloit Housing Authority Director, gave a brief summary of the report.

Clint stated that BHA is making an effort to increase the number of Section 8 voucher holders and plans to issue more vouchers next month. To facilitate this, we will also take a look at revising the current payment standards to enable more voucher-holders to obtain affordable housing in Beloit.

Councilor Leavy asked whether voucher-holders were having a difficult time finding units. Clint said it really varies. Some find units right away, and some need more time to find units. Julie Christensen, CDA Executive Director, expressed concern about rising rents and that some landlords may not want to participate in the Section 8 program because they can get more rent from market-rate tenants. Clinton explained that we had raised the payment standards in the recent past to address the rising rents. However, we have to be careful about increasing payment standards too high because then we can't serve as many people, and our continued funding is based on the number of vouchers we are serving.

b. Presentation of the August Financial Report

Clinton Cole, Beloit Housing Authority Director, gave a brief summary of the report.

Clint explained that since we sold 1238 Elm, the budget looks a lot better. However, it isn't reflected in this month's financial report because we didn't receive that revenue until September. He also mentioned that BHA will consider utilizing existing City services for collection of debts owed to BHA rather than contracting with a third party.

c. Review and Consideration of Resolution 2019-27, Authorizing the Beloit Housing Authority to apply for a Family Self-Sufficiency (FSS) Program Grant

Clinton Cole presented the staff report and recommendation.

Commissioner Murray moved and Commissioner Leavy seconded a motion to approve Resolution 2019-27. Motion carried unanimously.

d. Review and Consideration of Resolution 2019-28, Approving Revision to Beloit Housing Authority's Capitalization Policy

Clinton Cole presented the staff report and recommendation.

Clint reminded the board that the CDA had approved the Capitalization Policy following the HUD monitoring letter. HUD has since reviewed the policy and is requiring some minor changes. This revision involves language to ensure that BHA is a good steward of Federal funds.

Commissioner Baker moved and Commissioner Murray seconded a motion to approve Resolution 2019-28. Motion carried unanimously.

5. **Community and Housing Services**

a. Review and Consideration of Resolution 2019-29, Approving a Lease Agreement Among the Community Development Authority, William T. Mansfield, Jr. Revocable Trust, and Hendricks Commercial Properties, LLC, an Access Easement, and the Acquisition and Sale of Minor Parcels of Land Located on or Near the Broad Street Parking Lot

Julie Christensen, Community Development Director, presented the staff report and recommendation.

Julie indicated that the Lease Agreement is necessary because Hendricks Commercial Properties (HCP) is purchasing 307, 311, and 317 State Street from William Mansfield Revocable Trust. HCP is also requesting an Access Easement in order to maintain access they have behind the buildings. Finally, we are transferring some small portions of land in order to clean up some gaps in the legal descriptions of the properties.

Commissioner Kenitzer expressed concern about approving these items, as he thinks then the next step will be HCP wanting to purchase the Broad Street Parking Lot. Ms.

Christensen explained that it was unlikely that HCP would want to purchase the parking lot, but that it was within the CDA's control as they would have approval over any Offer to Purchase.

Commissioner Leavy moved and Commissioner Murray seconded a motion to approve Resolution 2019-29. Commissioners Baker, Leavy and Murray voted in favor; Commissioner Kenitzer opposed. Motion carried.

6. **Adjournment**

Motion by Commissioner Baker and seconded by Commissioner Leavy to adjourn at 5:15 p.m. Motion carried.

Respectfully submitted, Ann Purifoy

REPORTS AND PRESENTATIONS TO COMMUNITY DEVELOPMENT AUTHORITY



Agenda Number:	4a		
Topic:	October 2019 Activity Report		
Date:	December 4, 2019		
Presenter:	Clinton Cole	Division:	Beloit Housing Authority

Overview/Background Information

Each month, the Housing Authority provides an activity report to the Community Development Authority. This report is for information only.

Key Issues

Public Housing:

At the end of this reporting period there were no public housing vacancies. Eight annual and 14 interim certifications were completed. 19 public housing inspections were completed during this period.

Section 8:

510 vouchers were housed on October 31, 2019, with 27 voucher holders either searching for units or waiting for passed inspections. 12 portable vouchers were paid by BHA, and seven port-in vouchers were administered. 77 Section 8 inspections were completed during this reporting period, and the Housing Specialists completed 65 annual and 46 interim recertifications. 47 applicants were notified during this period.

Conformance with Strategic Plan

Approval of this action would conform with the stated purpose of the following strategic goal:

- Goal #1 - Create and Sustain Safe and Healthy Neighborhoods
- Goal #2 - Create and Sustain a High Performing Organization
- Goal #3 - Create and Sustain Economic and Residential Growth
- Goal #4 - Create and Sustain a High Quality of Life
- Goal #5 - Create and Sustain High Quality Infrastructure and Connectivity
- Goal #6 - Create and Sustain a Positive Image, Enhance Communications and Engage the Community

Sustainability

(If applicable, briefly comment on the sustainable long term impact of this policy or program related to how it will impact both the built and natural environment. Consider whether the policy or program will reduce dependence upon fossil fuels, reduce dependence on chemicals and other manufacturing substances that accumulate in nature, reduce dependence on activities that harm life sustaining eco-systems, and/or meet the hierarchy of present and future human needs fairly and efficiently. Write N/A if not applicable)

N/A

Action Required/Recommendation

No action required. Information only.

Fiscal Note/Budget Impact

All fiscal/budget impacts are noted in the report.

Attachments

October 2019 Activity Report

Section 8 Inspections

77 inspections were completed during this reporting period. 44 were annual inspections, 18 were initial inspections, 14 were reinspections, and there was one special inspection.

Section 8 Activities

New Participants:	10
Annual Recerts:	65
Interim Recerts:	46
Abatements:	5
Unit transfers:	4
Possible Program Violations:	1
End of Program	1
Port outs:	8

Section 8 Briefings

Number Notified:	47
Number Briefed:	0

APPLICATIONS:

Waiting List:	120	Public Housing East
	118	Public Housing West
	212	Parker Bluff
	306	Sec. 8

0 Tenants removed for Repayment Default
0 Tenants removed for unreported income
0 Tenants removed for unauthorized occupants
0 Applicants removed for debts owed
Some applicants are on both lists, some are not
Section 8 waiting list opened 4/4/11

REPORTS AND PRESENTATIONS TO COMMUNITY DEVELOPMENT AUTHORITY



Agenda Number:	4b		
Topic:	September 2019 Financial Report		
Date:	December 4, 2019		
Presenter:	Clinton Cole	Division:	Beloit Housing Authority

Overview/Background Information

Each month, the Housing Authority provides a financial report to the Community Development Authority. This report is for information only.

Key Issues

Attached is the Beloit Housing Authority Financial Statement prepared by the BHA Financial Assistant for the month ending September 30, 2019.

Through the month of September, the Low Income Public Housing (LIPH) program income was \$368,486.07 and the LIPH expenses were \$396,402.20. There was a deficit of \$(27,916.13) in LIPH. The Operating Reserve for LIPH at 2019 Period End is \$5,241,705.33.

Through the month of September, Inflows of revenue from LIPH Grants total \$207,472.66 and related grant expenses total \$207,472.66.

Through the month of September, the Project Based Voucher (PBV) program income was \$89,157.70 and the expenses were \$42,957.15. The PBV had a surplus of \$46,200.55. The PBV Operating Reserve at this Period End is \$119,900.58.

Through the month of September, Phase 1 and Phase 2 program income was \$489,968.80 and the expenses were \$412,089.90. Phase 1 and Phase 2 had a surplus of \$7.79. The Operating Reserve for these programs at this Period End is \$270,152.08.

Through the month of September, the Housing Choice Voucher (HCV) program income was \$2,517,246.58 and expenses were \$2,437,750.13. The HCV program had a surplus of \$9,636.40. The HCV Operating Reserve at this Period End is \$258,061.23.

Debts owed BHA collected to date in 2019: \$22,572.25

TRIP Program: \$19,552.26 Repayments: \$3,019.99

Conformance with Strategic Plan

Approval of this action would conform with the stated purpose of the following strategic goal:

- Goal #1 - Create and Sustain Safe and Healthy Neighborhoods
- Goal #2 - Create and Sustain a High Performing Organization
- Goal #3 - Create and Sustain Economic and Residential Growth
- Goal #4 - Create and Sustain a High Quality of Life
- Goal #5 - Create and Sustain High Quality Infrastructure and Connectivity
- Goal #6 - Create and Sustain a Positive Image, Enhance Communications and Engage the Community

Sustainability

(If applicable, briefly comment on the sustainable long term impact of this policy or program related to how it will impact both the built and natural environment. Consider whether the policy of program will reduce dependence upon fossil fuels, reduce dependence on chemicals and other manufacturing substances that accumulate in nature, reduce dependence on activities that harm life sustaining eco-systems, and/or meet the hierarchy of present and future human needs fairly and efficiently. **Write N/A if not applicable**)

N/A

Action Required/Recommendation

No action required. Information only.

Fiscal Note/Budget Impact

All fiscal/budget impacts are noted in the report.

Attachments

N/A

Consolidated 2019 Budget Report for Beloit Housing Authority - September 2019

	YTD Actual							Annual Board Approved Budget			
	Income	Approved YTD	LIPH	LIPH Grants	PBV	Phase 1 & 2	HCV	Agency Total	LIPH/LLC/PBV	HCV	Total
1 Dwelling Rental	231,279.75				38,755.00	169,952.49		208,707.49	308,373.00		308,373.00
2 Excess Utilities	-							-			-
3 Interest on Unrestricted Fund Investments	902.25	54.29				670.38	1,755.02	2,479.69	770.00	433.00	1,203.00
4 Income - Transfer In from Other Funds	-					50,430.00		50,430.00			-
5 Other Income - Tenants	5,569.50				2,606.30	27,841.78	1,350.00	31,798.08	7,426.00		7,426.00
6 HAP Fraud Recovery & FSS Forfeitures	-	29.00					7,825.30	7,854.30			-
7 Other Income - Bad Debt Collections	-	13,698.76						13,698.76			-
8 Other Income - Laundry/Copy Fees/Misc	35,788.50	12,986.03					28,956.26	41,942.29	47,718.00		47,718.00
9 Other Income - CFP Operation Money	45,000.00	50,229.99						50,229.99	60,000.00		60,000.00
10 Other Income - Sale of Asset Gain/Loss	-				47,796.40			47,796.40			-
11 Admin Fees Earned - HUD	236,634.75						228,497.00	228,497.00		315,513.00	315,513.00
12 Incoming Billable Admin Fees/Oper Sub	206,250.00					241,074.15		241,074.15	275,000.00		275,000.00
13 ROSS/CFP Grant	-		207,472.66								
14 HAP Subsidy	2,095,526.25						2,248,863.00	2,248,863.00		2,794,035.00	2,794,035.00
15 Operating Subsidy	301,929.75	291,488.00						291,488.00	402,573.00		402,573.00
Total Income	3,158,880.75	368,486.07	207,472.66	89,157.70	489,968.80	2,517,246.58	3,464,859.15	1,101,860.00	3,109,981.00	4,211,841.00	
Expenses	Approved YTD	LIPH	LIPH Grant	PBV	Phase 1 & 2	HCV	Agency Total	LIPH/LLC/PBV	HCV	Total	
Administrative Expenses											
16 Admin Salaries	304,665.00	58,054.41	10,287.00	12,747.19	100,518.06	133,531.11	315,137.77	209,528.00	196,692.00	406,220.00	
17 FSS Coordinator Admin Salaries	-		10,623.91				10,623.91			-	
18 Admin Employee Benefits	131,090.25	28,706.81		5,235.25		54,484.21	88,426.27	96,915.00	77,872.00	174,787.00	
19 FSS Coordinator Admin Benefits	-		3,981.98				3,981.98			-	
20 Advertising & Marketing	1,725.00	37.82			52.52		90.34	1,300.00	1,000.00	2,300.00	
21 Legal	2,625.00				1,695.95		1,695.95	3,250.00	250.00	3,500.00	
22 Staff Training	3,750.00		10,092.49				10,092.49	2,500.00	2,500.00	5,000.00	
23 Travel	375.00					41.69	41.69	250.00	250.00	500.00	
24 Accounting Consultants	25,282.50	4,360.00		782.00	8,036.00	4,910.00	18,088.00	26,460.00	7,250.00	33,710.00	
25 Audit Fee	28,500.00	6,432.50			21,765.00	6,432.50	34,630.00	29,000.00	9,000.00	38,000.00	
26 Telephone	9,153.00	1,221.43				1,073.89	2,295.32	5,472.00	6,732.00	12,204.00	
27 Postage	4,875.00	1,664.09					1,664.09	2,145.00	4,355.00	6,500.00	
28 Office Supplies	4,125.00	1,036.64				1,193.79	2,230.43	3,420.00	2,080.00	5,500.00	
29 Memberships & Publications	1,965.00	478.83				408.84	887.67	685.00	1,935.00	2,620.00	
30 Bank Fees	2,400.00				52.81	2,061.40	2,114.21	-	3,200.00	3,200.00	
31 Computer Maintenance	-						-			-	
32 Copier Expenses	4,500.00	2,054.75					2,054.74	4,109.49	2,815.00	6,000.00	
33 Office Equipment Maintenance	-						-	-	-	-	
34 Postage Machine	-					3,198.25	3,198.25			-	
35 Software Maintenance	9,375.00	3,635.66				5,340.99	8,976.65	6,250.00	6,250.00	12,500.00	
36 Outgoing Portable Admin Fees	-						-			-	
37 Sundry Administration/Compliance Fees	7,125.00	(435.00)	1,080.79	4,039.44	10,377.59	1,142.82	16,205.64	9,500.00	-	9,500.00	
38 Port-In HAP Expense	-					26,850.00	26,850.00			-	
39 Management Fees	13,500.00				12,986.03		12,986.03	18,000.00		18,000.00	
40 Eviction & Collection Agent Fees	-					1,714.81	1,714.81	-	-	-	
41 HAP Expense (net fraud recovery to HUD)	-					2,186,828.25	2,186,828.25		-	-	
HAP Overfunding (Underfunding)	-					69,860.05				-	
Maintenance Expenses											
42 Maintenance Salaries	119,355.75	4,960.26		3,468.64	118,822.05		127,250.95	159,141.00		159,141.00	
43 Casual Labor - Maintenance	-						-			-	
44 Maintenance Benefits	41,603.25	377.67		1,344.55			1,722.22	55,471.00		55,471.00	
45 Maintenance Materials & Supplies	16,687.50	90.59		514.22	22,603.25		23,208.06	22,250.00		22,250.00	
46 Plumbing Supplies	-	27.48					27.48			-	
47 Locks, Locksets & Keys	-						-			-	
48 Electrical Supplies	-	74.99		5.00			79.99			-	
49 Painting Supplies	-						-			-	
50 Cleaning Supplies	-	503.91					503.91			-	

51	Equipment Repair Parts	-					-			-	
52	Maintenance Contracted Services	11,379.00	2,286.67	1,418.60	22,033.35		25,738.62	15,172.00		15,172.00	
53	Refuse Removal Services	3,562.50	100.00		3,866.50	690.19	4,656.69	4,750.00		4,750.00	
54	Plumbing Repair Services	1,125.00		1,360.32			1,360.32	1,500.00		1,500.00	
55	Heating/AC Repair Services	2,400.00			4,914.38		4,914.38	3,200.00		3,200.00	
56	Electric Repair Service	375.00	121.24				121.24	500.00		500.00	
57	Window Repair Service	750.00					-	1,000.00		1,000.00	
58	Automotive Repairs/Fuel	3,750.00	2,965.19		1,686.92		4,652.11	5,000.00		5,000.00	
59	Elevator Repair & Maintenance	6,000.00					-	8,000.00		8,000.00	
60	Pest Control Services	4,500.00					-	6,000.00		6,000.00	
61	Cable TV	-			1,461.68		1,461.68	-		-	
62	Answering Service	1,650.00	1,446.45				1,446.45	2,200.00		2,200.00	
63	Misc Contracts	2,250.00					-	3,000.00		3,000.00	
64	Clean/Paint Units	600.00					-	800.00		800.00	
	Utilities Expenses	-									
65	Water/Sewer	16,837.50	968.34	1,352.28	5,560.43		7,881.05	22,450.00		22,450.00	
66	Electricity	18,750.00	4,667.68	714.23	14,957.95		20,339.86	25,000.00		25,000.00	
67	Natural Gas	8,625.00	1,173.47	1,285.44	4,470.19		6,929.10	11,500.00		11,500.00	
	Other Operating Expenses	-									
68	Protective Services Contract	34,050.00	22,970.56		1,098.00		24,068.56	45,400.00		45,400.00	
69	Insurance	31,551.75	5,345.61	2,089.89	20,202.24	2,565.00	30,202.74	38,547.00	3,522.00	42,069.00	
70	PILOT	19,396.50		306.10	14,537.42		14,843.52	25,862.00		25,862.00	
71	Compensated Absences	-					-	-		-	
72	Collection Losses	8,250.00			8,790.75		8,790.75	11,000.00		11,000.00	
73	Replacement Reserves & Debt Pmt-Princ	-					-	-		-	
74	Other General Expense/Asset Mgmt Fees	207,938.25	241,074.15	6,294.00	11,600.83	3,227.65	262,196.63	277,251.00		277,251.00	
75	Casualty Losses - Non Capitalized	-					-	-		-	
76	Capital Expenditures	-		70,746.50			70,746.50	-		-	
77	Transfer In / Out	-		100,659.99			100,659.99	-		-	
	Total Expense	1,116,417.75	396,402.20	207,472.66	42,957.15	412,089.90	2,437,750.13	3,496,672.04	1,162,484.00	326,073.00	1,488,557.00

	LIPH	LIPH Grant	PBV	Phase 1 & 2	HCV	Agency Total	Budget LIPH	Budget HCV	Budget Total
Operating Reserve - FYE 12/31/18	5,269,621.46	-	73,700.03	270,144.29	248,424.83	5,861,890.61	5,613,465.78		5,613,465.78
Change in Operating Reserve FYE 12/31/19 (reserve/deficit)	(27,916.13)	0	46,200.55	7.79	9,636.40	27,928.61	(60,624.00)	2,783,908.00	2,723,284.00
Change in Equity Non Cash Adj				62.60					
Operating Reserve at end Period for 2019	5,241,705.33	0	119,900.58	270,152.08	258,061.23	5,889,819.22	5,552,841.78	2,783,908.00	8,336,749.78
**LIPH Operating Reserve includes \$5,380,074.02 of money unavailable due to tax credit revenue on paper only									
Physical Operating Reserve at end of Period for 2019	(138,368.69)	0	119,900.58	270,152.08	258,061.23	509,745.20			

SECTION 8 Funding Analysis	
HAP	
HAP Funding received from HUD YTD	2,248,863.00
Fraud Recovery/FSS Forfeitures	7,825.30
Restricted Net Asset Interest Earned	-
HAP Payments made YTD	2,186,828.25
Under (Over) spending YTD	69,860.05
HAP Reserve FYE 12/31/18 *	25,600.00
HAP Reserve Balance at end of Period for 2019	95,460.05
ADMIN FEES	
Administrative Funding received from HUD YTD	228,497.00
Income from other funding sources	32,061.28
Administrative Expenses YTD	250,921.88
Under (Over) spending YTD	9,636.40
Admin Fee Reserve FYE 12/31/18	248,424.83
FSS Grant Shortage at end of Period for 2019	-
Admin Fee Reserve Balance at end of Period for 2019	258,061.23

Additional Notes:

REPORTS AND PRESENTATIONS TO COMMUNITY DEVELOPMENT AUTHORITY



Agenda Number:	4c		
Topic:	December 2018 Financial Report		
Date:	December 4, 2019		
Presenter:	Clinton Cole	Division:	Beloit Housing Authority

Overview/Background Information

Each month, the Housing Authority provides a financial report to the Community Development Authority. This report is for information only.

Key Issues

Attached is the Beloit Housing Authority Financial Statement prepared by the BHA Financial Assistant for the month ending December 31, 2018.

Through the month of December, the Low Income Public Housing (LIPH) program income was \$585,310.32 and the LIPH expenses were \$648,142.47. There was a deficit of \$(62,832.15) in LIPH. The Operating Reserve for LIPH at 2018 Period End is \$5,269,621.46

Through the month of December, Inflows of revenue from LIPH Grants total \$234,020.25 and related grant expenses total \$234,020.25.

Through the month of December, the Project Based Voucher (PBV) program income was \$53,491.05 and the expenses were \$32,418.47. The PBV had a surplus of \$21,072.58. The PBV Operating Reserve at this Period End is \$73,700.03.

Through the month of December, Phase 1 and Phase 2 program income was \$593,556.60 and the expenses were \$507,772.46. Phase 1 and Phase 2 had a surplus of 8.58. The Operating Reserve for these programs at this Period End is \$270,144.66.

Through the month of December, the Housing Choice Voucher (HCV) program income was \$3,177,133.08 and expenses were \$3,241,775.11. The HCV program has an administrative fee deficit of \$(10,115.88). The HCV Operating Reserve at this Period End is \$248,424.12.

Conformance with Strategic Plan

Approval of this action would conform with the stated purpose of the following strategic goal:

- Goal #1 - Create and Sustain Safe and Healthy Neighborhoods
- Goal #2 - Create and Sustain a High Performing Organization
- Goal #3 - Create and Sustain Economic and Residential Growth
- Goal #4 - Create and Sustain a High Quality of Life
- Goal #5 - Create and Sustain High Quality Infrastructure and Connectivity
- Goal #6 - Create and Sustain a Positive Image, Enhance Communications and Engage the Community

Sustainability

(If applicable, briefly comment on the sustainable long term impact of this policy or program related to how it will impact both the built and natural environment. Consider whether the policy or program will reduce dependence upon fossil fuels, reduce dependence on chemicals and other manufacturing substances that accumulate in nature, reduce dependence on activities that harm life sustaining eco-systems, and/or meet the hierarchy of present and future human needs fairly and efficiently. **Write N/A if not applicable**)

N/A

Action Required/Recommendation

No action required. Information only.

Fiscal Note/Budget Impact

All fiscal/budget impacts are noted in the report.

Attachments

N/A

Consolidated 2018 Budget Report for Beloit Housing Authority - December 2018

		YTD Actual						Annual Board Approved Budget		
Income	Approved YTD	LIPH	LIPH Grant	PBV	Phase 1 & 2	HCV	Agency Total	LIPH/LLC/PBV	HCV	Total
1 Dwelling Rental	314,159.00			53,475.00	240,918.00		294,393.00	314,159.00		314,159.00
2 Excess Utilities	-						-			-
3 Interest on Unrestricted Fund Investments	1,203.00	955.07			874.29	2,135.26	3,964.62	770.00	433.00	1,203.00
4 Income - Transfer In from Other Funds	-	139,306.06			46,926.24	10.00	186,242.30			-
5 Other Income - Tenants	31,020.00			16.05	35,631.66	961.48	36,609.19	31,020.00		31,020.00
6 HAP Fraud Recovery & FSS Forfeitures	-	28.00			1,540.00	22,869.79	24,437.79			-
7 Other Income - Bad Debt Collections	-	19,156.32			173.30		19,329.62			-
8 Other Income - Laundry/Copy Fees/Misc	47,718.00	17,092.87		-		33,611.55	50,704.42	47,718.00		47,718.00
9 Other Income - CFP Operation Money	30,000.00		234,020.25				234,020.25	30,000.00		30,000.00
10 Other Income - Sale of Asset Gain/Loss	-						-			-
11 Admin Fees Earned - HUD	309,770.00					312,121.00	312,121.00		309,770.00	309,770.00
12 Incoming Billable Admin Fees/Oper Sub	275,000.00				267,493.11		267,493.11	275,000.00		275,000.00
13 HAP Subsidy	2,110,032.00					2,805,424.00	2,805,424.00		2,110,032.00	2,110,032.00
14 Operating Subsidy	375,244.00	408,772.00					408,772.00	375,244.00		375,244.00
Total Income	3,494,146.00	585,310.32	234,020.25	53,491.05	593,556.60	3,177,133.08	4,643,511.30	1,073,911.00	2,420,235.00	3,494,146.00
Expenses	Approved YTD	LIPH	LIPH Grant	PBV	Phase 1 & 2	HCV	Agency Total	LIPH/LLC/PBV	HCV	Total
Administrative Expenses										
15 Admin Salaries	402,897.00	74,730.29	13,716.00	9,830.10	118,474.41	191,171.94	407,922.74	186,433.00	216,464.00	402,897.00
16 FSS Coordinator Admin Salaries	-		40,962.42				40,962.42			-
17 Admin Employee Benefits	194,416.00	43,041.53		4,027.50		82,136.67	129,205.70	92,416.00	102,000.00	194,416.00
18 FSS Coordinator Admin Benefits	-		13,307.69				13,307.69			-
19 Advertising & Marketing	2,300.00	54.99			18.84		73.83	1,300.00	1,000.00	2,300.00
20 Legal	3,500.00				5,931.31		5,931.31	3,250.00	250.00	3,500.00
21 Staff Training	2,500.00	1,325.46	10,571.63			451.99	12,349.08	2,500.00	-	2,500.00
22 Travel	500.00	1,235.00				48.05	1,283.05	250.00	250.00	500.00
23 Accounting Consultants	34,210.00	5,604.00		920.00	10,616.00	5,640.00	22,780.00	28,710.00	5,500.00	34,210.00
24 Audit Fee	30,414.00	11,128.50			19,575.00	11,128.50	41,832.00	24,957.00	5,457.00	30,414.00
25 Telephone	6,451.00	1,334.85				1,213.57	2,548.42	2,940.00	3,511.00	6,451.00
26 Postage	8,200.00	1,887.43					1,887.43	2,700.00	5,500.00	8,200.00
27 Office Supplies	6,420.00	1,671.05				1,904.58	3,575.63	3,420.00	3,000.00	6,420.00
28 Memberships & Publications	2,294.00	107.50				37.50	145.00	1,147.00	1,147.00	2,294.00
29 Bank Fees	2,710.00	5.00			65.25	3,159.04	3,229.29	10.00	2,700.00	2,710.00
30 Computer Maintenance	-						-			-
31 Copier Expenses	5,000.00	2,545.87				2,573.23	5,119.10	2,500.00	2,500.00	5,000.00
32 Office Equipment Maintenance	-						-	-	-	-
33 Postage Machine	-					4,857.70	4,857.70			-
34 Software Maintenance	500.00	655.98				871.48	1,527.46	250.00	250.00	500.00
35 Outgoing Portable Admin Fees	-						-			-
36 Sundry Administration/Compliance Fees	10,500.00	2,022.02		1,133.18	8,816.69	4,215.74	16,187.63	9,500.00	1,000.00	10,500.00
37 HAP Port In Expense	-					31,922.00	31,922.00			-
38 Management Fees	18,000.00				17,092.87		17,092.87	18,000.00		18,000.00
39 Eviction & Collection Agent Fees	-						-	-	-	-
40 HAP Expense (net fraud recovery to HUD)	-					2,882,829.94	2,882,829.94		-	-
HAP Overfunding (Underfunding)	-					(54,526.15)				-
Maintenance Expenses										
41 Maintenance Salaries	123,988.00	6,495.92		1,982.55	162,440.31		170,918.78	123,988.00		123,988.00
42 Casual Labor - Maintenance	-						-			-
43 Maintenance Benefits	50,723.00	1,588.37		1,167.31			2,755.68	50,723.00		50,723.00
44 Maintenance Materials & Supplies	29,000.00	1,045.86	7,850.88	151.03	19,913.54		28,961.31	29,000.00		29,000.00
45 Plumbing Supplies	-	1,590.29		2.99			1,593.28			-
46 Locks, Locksets & Keys	-	99.96					99.96			-
47 Electrical Supplies	-	3,719.98		13.05			3,733.03			-
48 Painting Supplies	-	264.87					264.87			-
49 Cleaning Supplies	-	2,216.50					2,216.50			-
50 Equipment Repair Parts	-						-			-

51	Maintenance Contracted Services	18,500.00	1,887.10	3,960.57	2,174.50	18,365.59		26,387.76	18,500.00		18,500.00
52	Refuse Removal Services	5,050.00				3,905.08		3,905.08	5,050.00		5,050.00
53	Plumbing Repair Services	1,500.00						-	1,500.00		1,500.00
54	Heating/AC Repair Services	3,200.00	79.00		42.68	3,277.98		3,399.66	3,200.00		3,200.00
55	Electric Repair Service	500.00	255.00					255.00	500.00		500.00
56	Window Repair Service	1,000.00						-	1,000.00		1,000.00
57	Automotive Repairs/Fuel	500.00	3,827.51			1,586.50		5,414.01	500.00		500.00
58	Elevator Repair & Maintenance	7,000.00	411.73					411.73	7,000.00		7,000.00
59	Pest Control Services	8,000.00						-	8,000.00		8,000.00
60	Cable TV	-				1,033.00		1,033.00			-
61	Answering Service	2,200.00	2,469.17					2,469.17	2,200.00		2,200.00
62	Misc Contracts	7,000.00						-	7,000.00		7,000.00
63	Clean/Paint Units	800.00						-	800.00		800.00
	Utilities Expenses	-									
64	Water/Sewer	22,410.00	1,267.00		1,532.00	7,593.83		10,392.83	22,410.00		22,410.00
65	Electricity	25,200.00	7,007.79		865.45	18,735.48		26,608.72	25,200.00		25,200.00
66	Natural Gas	11,400.00	1,470.56		1,379.86	4,897.64		7,748.06	11,400.00		11,400.00
	Other Operating Expenses	-									
67	Protective Services Contract	45,400.00	41,159.44			3,206.40		44,365.84	45,400.00		45,400.00
68	Insurance	45,371.00	8,781.37		2,841.84	27,471.12	4,413.72	43,508.05	40,144.00	5,227.00	45,371.00
69	PILOT	26,360.00			1,578.17	20,969.11		22,547.28	26,360.00		26,360.00
70	Compensated Absences	-	8,233.93				5,669.97	13,903.90			-
71	Collection Losses	6,000.00				21,445.52		21,445.52	6,000.00		6,000.00
72	Replacement Reserves & Debt Pmt-Princ	-						-			-
73	Other General Expense/Asset Mgmt Fees	280,950.00	267,615.59			11,130.75	7,529.49	286,275.83	280,950.00		280,950.00
74	Casualty Losses - Non Capitalized	-			2,776.26			2,776.26	-		-
75	Capital Expenditures (CFP) -	-		4,345.00		1,210.24		5,555.24	-		-
76	Transfer In / Out	-	139,306.06	139,306.06				278,612.12			-
	Total Expense	1,452,864.00	648,142.47	234,020.25	32,418.47	507,772.46	3,241,775.11	4,664,128.76	1,097,108.00	355,756.00	1,452,864.00

	LIPH	LIPH Grant	PBV	Phase 1 & 2	HCV	Agency Total	Budget LIPH	Budget HCV	Budget Total
Operating Reserve - FYE 12/31/17	5,343,323.61	-	53,572.45	177,838.77	273,830.00	5,848,564.83	5,574,734.83		5,574,734.83
Change in Operating Reserve FYE 12/31/18 (reserve/deficit)	(62,832.15)	-	21,072.58	8.58	(10,115.88)	(51,866.87)	(23,197.00)	2,064,479.00	2,041,282.00
Change in Equity due to audit entry GASB 75	(10,870.00)		(945.00)		(15,290.00)				
Change in Equity Non Cash Adj				92,297.32					
Operating Reserve at end Period for 2018	5,269,621.46	-	73,700.03	270,144.66	248,424.12	5,796,697.96	5,551,537.83	2,064,479.00	7,616,016.83
**LIPH Operating Reserve includes \$5,380,074.02 of money unavailable due to tax credit revenue on paper only									
Physical Operating Reserve at end of Period for 2018	(110,452.56)	-	73,700.03	270,144.66	248,424.12	1,712,305.13			

SECTION 8 Funding Analysis	
HAP	
HAP Funding received from HUD YTD	2,805,424.00
Fraud Recovery/FSS Forfeitures	22,869.79
Restricted Net Asset Interest Earned	-
HAP Payments made YTD	2,882,829.94
Under (Over) spending YTD	(54,536.15)
HAP Reserve FYE 12/31/17 *	80,136.00
HAP Reserve Balance at end of Period for 2018	25,599.85
ADMIN FEES	
Administrative Funding received from HUD YTD	312,121.00
Income from other funding sources	36,708.29
Administrative Expenses YTD	358,945.17
Under (Over) spending YTD	(10,115.88)
Admin Fee Reserve FYE 12/31/17	273,830.00
Audit Entry due to GASB 75	(15,290.00)
Admin Fee Reserve Balance at end of Period for 2018	248,424.12

Additional Notes:

FSS Grant Tracking	
FSS Grant Funding received from HUD YTD	-
FSS Coordinator Expenses YTD	-
Under (Over) spending YTD	-
FSS Grant Reserve FYE 12/31/14	-
FSS Grant Reserve Balance at end of Period for 2015	-

REPORTS AND PRESENTATIONS TO COMMUNITY DEVELOPMENT AUTHORITY



Agenda Number:	4d		
Topic:	2018 Comprehensive Annual Financial Report for the Community Development Authority and the Financial Reports for the Beloit Apartments Redevelopment-Phase 1, LLC and Phase 2, LLC		
Date:	December 4, 2019		
Presenter:	Julie Christensen	Division:	Beloit Housing Authority

Overview/Background Information

Each year, the Community Development Authority/Housing Authority is audited by Baker Tilley as a component unit of the City of Beloit. The Beloit Apartments Redevelopment - Phase 1, LLC and Beloit Apartments Redevelopment - Phase 2, LLC are audited by SVA. The Department of Housing and Urban Development (HUD) has suggested that we provide copies of the audits to the CDA Board each year.

Key Issues

Baker Tilley Virchow Krause, LLP prepared the City’s audit. Attached are the portions of the 2018 Comprehensive Annual Financial Report (audit) that pertain to the Community Development Authority/Housing Authority.

You will find that the report contains Beloit Housing Authority financial information as well as information on CDA Lease Revenue bonds that have been issued over the years to pay for public improvements in the City’s Tax Increment Finance (TIF) Districts. The CDA is considered a component unit of the City. However, it is a legally separate organization.

Two LLCs (Limited Liability Corporations) were created when we used tax credits to redevelop the public housing units. Financial statements for those two entities are included in the audit as well. You will see that there are several pages on each LLC. A separate audit was prepared for each LLC by SVA. They are also attached.

One of the issues raised by the Baker Tilley auditors was custodial credit risk, which is explained on page 57 and in the Management Issues report attached to the back of the audit. Deposits in banks are insured by the FDIC to a specific level. Custodial credit risk is the risk that in the event of a bank failure, the CDA’s funds may not be returned to the CDA. At this point in time, the CDA has uninsured and uncollateralized funds of \$1,641,224. This would be the amount of funds in the bank that are not insured by FDIC. We will be working with the auditors on this issue in the coming year. The City of Beloit Finance and Administrative Services Director believes this balance may be related to bonds issued for City of Beloit Capital projects and has agreed to work with us to resolve this issue.

Conformance with Strategic Plan

Approval of this agreement would conform with the stated purpose of the following strategic goal:

- Goal #1 - Create and Sustain Safe and Healthy Neighborhoods
- Goal #2 - Create and Sustain a High Performing Organization
- Goal #3 - Create and Sustain Economic and Residential Growth
- Goal #4 - Create and Sustain a High Quality of Life
- Goal #5 - Create and Sustain High Quality Infrastructure and Connectivity
- Goal #6 - Create and Sustain a Positive Image, Enhance Communications and Engage the Community

Sustainability

(If applicable, briefly comment on the sustainable long term impact of this policy or program related to how it will impact both the built and natural environment. Consider whether the policy of program will reduce dependence upon fossil fuels, reduce dependence on chemicals and other manufacturing substances that accumulate in nature, reduce dependence on activities that harm life sustaining eco-systems, and/or meet the hierarchy of present and future human needs fairly and efficiently. **Write N/A if not applicable**)

N/A

Action Required/Recommendation

No action required. Information only.

Fiscal Note/Budget Impact

All fiscal/budget impacts are noted in the report.

Attachments

Baker Tilley audit, Phase 1 audit, and Phase 2 audit

CITY OF BELOIT

Beloit, Wisconsin

COMPREHENSIVE ANNUAL FINANCIAL REPORT

As of and for the Year Ended
December 31, 2018

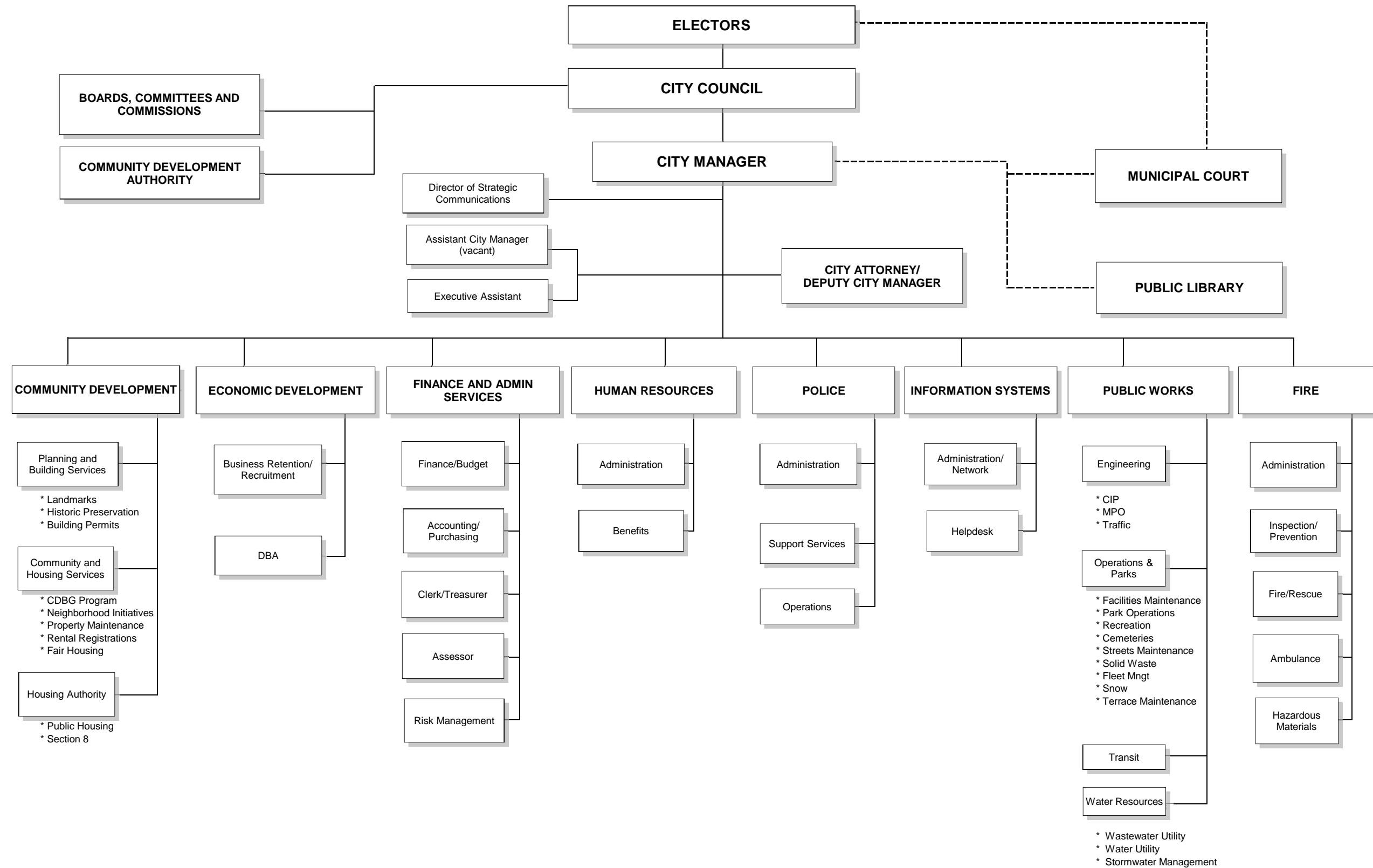
Prepared By:

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

Eric Miller, Director

Dawn DeuVall, Director of Accounting and Purchasing

CITY OF BELOIT, WISCONSIN ORGANIZATIONAL CHART 2018



INDEPENDENT AUDITORS' REPORT

To the City Council
City of Beloit
Beloit, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Beloit, Wisconsin, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Beloit'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 Beloit Public Library Foundation, Inc., or the limited liability corporations (LLCs) presented as component units of the City of Beloit Community Development Authority (CDA). The Beloit Public Library Foundation, Inc. represents 2 percent, 4 percent and under 1 percent, respectively, of the assets, net position and revenues of the discretely presented component units. The LLCs of the CDA represent 72 percent, 67 percent, and 14 percent, respectively, of the assets, net position, and operating revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Beloit Public Library Foundation, Inc., and the limited liability corporations (LLCs) presented as component units of the City of Beloit Community Development Authority (CDA), is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Beloit Public Library Foundation, Inc., and the LLCs of the CDA 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 City of Beloit'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 City of Beloit'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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Beloit, Wisconsin, as of December 31, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the City of Beloit adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective January 1, 2018. Our opinions are not modified with respect to this matter.

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 City of Beloit's basic financial statements. The supplementary information as listed in the table of contents, which includes the schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *Wisconsin State Single Audit Guidelines*, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beloit's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019 on our consideration of the City of Beloit'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 City of Beloit'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 City of Beloit's internal control over financial reporting and compliance.

Baker Tilly Veitchau Krause, LLP

Madison, Wisconsin
June 24, 2019

CITY OF BELOIT

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2018

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government				
City Council, Manager, Attorney	\$ 1,199,584	\$ -	\$ -	\$ -
Finance and Administrative Services	7,678,069	4,891,235	8,707	-
Community Development	2,949,491	126,459	138,003	-
Economic Development	433,082	-	-	-
Public Safety				
Police Services	13,534,636	1,108,601	730	-
Fire Services	9,735,744	36,032	68,932	-
Public works	16,836,734	3,097,658	405,549	1,136,615
Parks, recreation, and education	2,560,159	444,274	291,414	-
Interest and fiscal charges	1,972,300	-	-	-
Total Governmental Activities	56,899,799	9,704,259	913,335	1,136,615
Business-type Activities				
Water	4,957,318	5,883,446	-	91,647
Sewer	9,168,565	7,604,279	-	-
Golf course	386,268	336,207	-	-
Cemeteries	301,207	168,848	-	-
Ambulance	1,261,016	1,477,077	-	-
Storm sewer	978,025	1,119,715	-	-
Transit	2,404,398	214,455	1,184,400	-
Total Business-type Activities	19,456,797	16,804,027	1,184,400	91,647
Total Primary Government	\$ 76,356,596	\$ 26,508,286	\$ 2,097,735	\$ 1,228,262
Component Units - Business-type Activities				
Community Development Authority	\$ 5,413,492	\$ 311,514	\$ 3,667,956	\$ 92,379
Beloit Public Library Foundation, Inc.	85,868	-	19,748	-
Total Component Units	\$ 5,499,360	\$ 311,514	\$ 3,687,704	\$ 92,379

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, tax increment

Property taxes, levied for other

Other taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Gain on sale of property

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in net position

NET POSITION - Beginning (as restated)

NET POSITION - ENDING

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Beloit, Wisconsin (the "City") conform to generally accepted accounting principles 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).

A. REPORTING ENTITY

This report includes all of the funds of the City. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and 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 primary government; (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 primary government. 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 primary government, its component units, or its constituents; (2) the primary government, 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 primary government, or its component units, is entitled to, or had the ability to otherwise access, are significant to the primary government.

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 primary government using the blending method if it meets any one of the following criteria: (1) the primary government and its component unit have substantively the same governing body and a financial benefit or burden relationship exists; (2) the primary government and the component unit have substantially the same governing body and management of the primary government has operational responsibility for the component unit; (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens; or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

Discretely Presented Component Units

City of Beloit Community Development Authority

The government-wide financial statements include the City of Beloit Community Development Authority ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the city council. Wisconsin Statutes provide for circumstances whereby the City can impose their will on the CDA, and also create a potential financial benefit to or burden on the City (see Note IV.J.). As a component unit, the CDA's financial statements are shown as a discrete column (proprietary) in the financial statements. The CDA's financial statements include transactions of two limited liability companies which are used to promote redevelopment of CDA properties. The information presented is for the fiscal year ended December 31, 2018. The CDA does not issue separate financial statements. Additional information may be obtained from the CDA's office.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

G. LEASE DISCLOSURES (cont.)

Lessee – Community Development Authority

The City, through TIF District No. 13, TIF District No. 10 and TIF District No. 6, is obligated to make lease payments to the Community Development Authority of Beloit (CDA) to retire debt issued by the CDA for TIF purposes.

Each lease obligation is directly attributable to the underlying debt issues noted.

Lessee – Capital Asset Capital Leases

The Lease Rental Payments are expressly limited to: (i) tax increments generated by the tax incremental district No. 13, tax incremental district No. 10 and tax incremental district No. 6; (ii) special assessments, as may be levied by the City for eligible projects; (iii) proceeds from a portion of land sales as provided in the Development Agreement by and among the City, the Authority, and the Lease; and (iv) gas and electric reimbursement amounts generated by the tax incremental district No. 13, tax incremental district No. 10 and tax incremental district No. 6 (the “Rental Payments”).

The future minimum lease payments are required as follows:

<u>Calendar Years</u>	<u>TIF No. 13</u>	<u>TIF No. 10</u>	<u>TIF No. 6</u>
2019	\$ 100,816	\$ 2,033,865	\$ 255,438
2020	103,295	1,989,800	-
2021	105,383	758,663	-
2022	107,055	736,194	-
2023	103,433	717,313	-
2024	99,675	706,513	-
2025	95,873	689,069	-
2026	91,980	-	-
Sub-Totals	<u>807,510</u>	<u>7,631,417</u>	<u>255,438</u>
Less: Reserve funds to be applied to final principal payment	(77,156)	(1,645,796)	(88,721)
Less: Amount representing interest	<u>(117,509)</u>	<u>(961,415)</u>	<u>(5,438)</u>
Present Value of Minimum Lease Payments	<u>\$ 612,845</u>	<u>\$ 5,024,206</u>	<u>\$ 161,279</u>
Total TIF No. 13, TIF No. 10, and TIF No. 6			<u>\$ 5,798,330</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

I. RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plan*. The details of the restatement are as follows:

	Governmental Activities	Business type Activities	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Enterprise Funds
Net Position – December 31, 2017 (as reported)	\$ 52,545,745	\$ 67,713,370	\$ 14,458,573	\$ 40,052,063	\$ 8,424,972	\$ 4,897,267
Less: GASB 75 Health OPEB liability	49,602,209	(52,283)	(10,924)	3,428	(13,661)	(31,126)
Less: GASB 75 Life OPEB liability	859,449	256,352	18,411	135,400	-	102,541
Net Position – December 31, 2017 (as restated)	\$ 2,084,087	\$ 67,509,301	\$ 14,451,086	\$ 39,913,235	\$ 8,438,633	\$ 4,825,852
	Internal Service Funds	Community Development Authority				
Net Position (deficit) – December 31, 2017 (as reported)	\$ (1,277,593)	\$ 15,381,958				
Less: GASB 75 Health OPEB liability	-	-				
Less: GASB 75 Life OPEB liability	30,813	27,105				
Net Position (deficit) – December 31, 2017 (as restated)	\$ (1,308,406)	\$ 15,354,853				

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS

This report contains the City of Beloit Community Development Authority (“CDA”), the Beloit Apartments Redevelopment – Phase 1 and 2, LLC’s, component units of the CDA, and the Beloit Public Library Foundation, Inc. (“foundation”) which are included as component units. Financial information is presented as a discrete column in the statement of net position and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

Community Development Authority – Primary Government

a. Basis of Accounting/Measurement Focus

The CDA prepares its financial statements in accordance with generally accepted accounting principles. The accounting records are kept on the accrual basis of accounting and flow of economic resources measurement focus.

b. Cash and Investments

The CDA’s cash and investments (not including its component units) at year-end were comprised of the following:

	Carrying Value	Statement Balance	Associated Risks
Demand deposits	\$ 2,364,102	\$ 2,391,224	Custodial credit risk
Total Cash and Investments	\$ 2,364,102	\$ 2,391,224	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 552,432		
Restricted cash and investments	1,811,670		
Total Cash and Investments	\$ 2,364,102		

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 calculating custodial credit risk.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

b. Cash and Investments (cont.)

Although the CDA has an investment policy, it does not discuss any of the risks below.

Custodial Credit Risk

For 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, 2018, \$1,641,224 of the CDA's total bank balances of \$2,391,224 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 1,641,224</u>
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c. Restricted Assets

Restricted assets at December 31, 2018, consist of the following:

Cash and cash equivalents – bond redemption	\$ 1,811,670
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Net pension asset	<u>93,823</u>
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Total Restricted Assets	<u>\$ 1,905,493</u>
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CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

d Capital Assets

The useful life assigned to buildings is 40 years. Machinery and equipment are assigned useful lives ranging from 5-10 years. The change in capital assets for 2018 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 414,539	\$ -	\$ -	\$ 414,539
Capital assets being depreciated				
Buildings	841,964	4,346	-	846,310
Furniture, equipment, and machinery-dwellings	59,120	-	-	59,120
Furniture, equipment, and machine-administrative	167,196	-	-	167,196
Total Capital Assets Being Depreciated	1,068,280	-	-	1,072,626
Less: Accumulated Depreciation	(730,292)	(24,076)	-	(754,368)
Total Capital Assets, Net of Depreciation	\$ 752,527			\$ 732,797

e. Long-Term Obligations

Lease Revenue Bonds

The CDA has pledged future revenues from the City of Beloit resulting from TIF increments to repay \$24,915,000 in lease revenue bonds issued between 2007-2012. Proceeds from the bonds provided financing for infrastructure improvements and other TIF district investments. The bonds are payable solely from TIF increment revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require 100% of TIF increment lease payments. The total principal and interest remaining to be paid on the bonds is \$8,694,361. Principal and interest paid for the current year and total pledged revenues were both \$3,764,410.

The following is a summary of the lease revenue bond transactions for the year ended December 31, 2018.

	Balance 1-1-18	Increases	Decreases	Balance 12-31-18
Lease revenue bonds	\$ 10,945,000	\$ -	\$ 3,335,000	\$ 7,610,000

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

e. Long-Term Obligations (cont.)

Lease Revenue Bonds (cont.)

Title of Issue	Date of Issue	Due Date	Interest Rates	Original Indebted- Ness	Balance 12-31-18
2007A Lease Revenue Refunding Bonds	2-21-07	3-1-20	3.50-4.20%	\$ 8,915,000	\$ 2,390,000
2007B Lease Revenue Bonds	7-12-07	6-1-19	3.70-4.35	2,015,000	250,000
2008A Lease Revenue Refunding Bonds	6-19-08	3-1-25	4.00-6.75	2,640,000	1,590,000
2009A Lease Revenue Bonds	7-1-09	3-1-25	1.30-5.00	5,340,000	2,690,000
2011B Lease Revenue Bonds	6-27-11	6-1-26	2.90-4.40	1,165,000	690,000
Totals					<u>\$ 7,610,000</u>

Debt service requirements to maturity are as follows:

Calendar Years	Principal	Interest	Totals
2019	\$ 2,065,000	\$ 325,119	\$ 2,390,119
2020	1,855,000	238,095	2,093,095
2021	685,000	179,045	864,045
2022	700,000	143,249	843,249
2023	715,000	105,745	820,745
2024	740,000	66,188	806,188
2025	760,000	24,940	784,940
2026	90,000	1,980	91,980
Totals	<u>\$ 7,610,000</u>	<u>\$ 1,084,361</u>	<u>\$ 8,694,361</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

f. Employee Retirement System

All eligible authority employees participate in the Wisconsin Retirement System (“system”), a cost-sharing defined benefit multiple-employer public employee retirement system (PERS). All authority employees are considered to be City employees. Refer to Note V.A. for details.

g. Postemployment Benefits Other Than Pensions (OPEB)

All eligible authority employees participate in the Local Retiree Life Insurance Fund (LRLIF), a multi-employer defined benefit OPEB plan. All authority employees are considered to be City employees. Refer to Note V.D for details.

h. Lease Disclosures

Refer to Note IV.G.

i. Net Position

Net position at December 31, 2018 includes the following:

Net investment in capital assets		
Land	\$	414,539
Other capital assets, net of accumulated depreciation		318,258
Total Net Investment in Capital Assets		732,797
Restricted		
Low Rent Public Housing		5,257,093
Pension		93,823
Total Restricted		5,350,916
Unrestricted		411,070
Total Net Position	\$	6,494,783

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC

- a. Nature of Business and Significant Accounting Policies

Nature of Business

Beloit Apartments Redevelopment – Phase 1, LLC (the company) was organized on January 14, 2009, as a limited liability company (LLC) formed under the Wisconsin Limited Liability Company Act (the Act). The company was formed to acquire, rehabilitate, and operate a 39 building, 65-unit duplex and single-family home complex located on scattered sites in Beloit, Wisconsin, called Beloit Apartments Redevelopment, Phase 1 (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 and land, was acquired under a capital lease dated September 22, 2010. The company completed the rehabilitation of 14 units on various dates in December 2010 and completed the rehabilitation of the remaining 51 units on various dates from January through July of 2011.

The company consists of one managing member and three investor members, 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 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 perpetual unless sooner terminated in accordance with the operating agreement.

Significant Accounting Policies

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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC (cont.)

- a. Nature of Business and Significant Accounting Policies (cont.)

Significant Accounting Policies (cont.)

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. A receivable is considered past due if payments have not been received by the company for 10 days. Accounts are generally written off when management determines an account is uncollectible. No fee is charged to customers for late payment.

Rental revenue is recognized when earned. The company leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis.

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:

	<u>Years</u>
Land and buildings under capital lease	98
Building improvements	15-40
Land improvements	15
Furnishings and equipment	5

Maintenance and repairs of rental property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of rental property and equipment, 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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC (cont.)

- a. Nature of Business and Significant Accounting Policies (cont.)

Significant Accounting Policies (cont.)

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 \$15,000. The company is amortizing these costs into interest expense on the straight-line method over 39 years and 9 months, the life of the loans. The use of the straight-line method rather than the effective interest method has no material effect on the financial statements.

Amortized costs included in interest expense amounted to \$377 for the year ended December 31, 2018.

Tax Credit Fees

In connection with obtaining an allocation of low-income housing tax credits, the company paid fees totaling \$114,034 to the Wisconsin Housing and Economic Development Authority (WHEDA). The company is amortizing these fees over the related tax credit compliance period of 15 years using the straight-line method.

Unearned Revenue

Governmental agencies have provided grant funding to the company to encourage the development of affordable housing. The company received funds under the Tax Credit Exchange Program (TCEP) (See Note J.h. in this section). The unearned revenue relating to this grant is recognized as other income in the statement of operations (shown as amortization of unearned revenue) under the straight-line method over the estimated useful lives of the underlying assets purchased or constructed.

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 Community Development Authority of the City of Beloit (CDA) under the Regulatory & Operating Agreement (R&O Agreement). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the CDA. Such changes may occur with little or inadequate funding to pay for the related cost, including additional administrative burden to comply with a change.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC (cont.)

- a. Nature of Business and Significant Accounting Policies (cont.)

Significant Accounting Policies (cont.)

Subsequent Events

These financial statements have not been updated for subsequent events occurring after March 20, 2019, 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.

- b. Restricted Cash

Restricted cash is comprised of the following:

Replacement reserve	\$	104,708
Operating reserve		145,790
Tenants' security deposits		<u>31,723</u>
Total	\$	<u>282,221</u>

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 or 10% of the balance in the reserve at such time will require written approval of the investor members. Any funds remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement.

Balance, beginning	\$	81,326
Monthly deposits		23,284
Interest earned		<u>98</u>
Balance, Ending	\$	<u>104,708</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC (cont.)

b. Restricted Cash (cont.)

Operating Reserve

The R&O Agreement and the operating agreement require the company to fund and maintain an operating reserve in the amount of \$100,000. To the extent funds in the reserve fall below the initial deposit, the managing member must replenish the reserve from available cash flow as defined in the operating agreement. Disbursements in excess of \$10,000 or 10% of the then balance of the reserve require written approval from the investor members.

Balance, beginning	\$ 145,645
Interest earned	145
Deposits	-
Balance, Ending	\$ 145,790

c. Rental Property, Net

Rental property, net is comprised of the following:

Land	\$ 11,349
Land and buildings under capital lease	1,950,000
Building improvements	8,397,386
Land improvements	215,575
Furnishings and equipment	265,998
	10,840,308
Less: Accumulated depreciation	2,142,479
Total	\$ 8,697,829

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC (cont.)

d. Mortgage and Other Notes Payable

Mortgage and other notes payable consists of the following:

<p>CDA; managing member; non-recourse mortgage note payable under the capital lease described in Note I.e.; due in one installment on September 21, 2050, together with interest at 4.47% compounded annually; collateralized by a mortgage on the project's rental property; interest expense totaled \$119,913 for the year ended December 31, 2018; accrued interest was \$852,520 as of December 31, 2018.</p>	\$ 1,950,000
<p>CDA; nonrecourse mortgage note in the original amount of \$500,000; noninterest bearing; due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property.</p>	500,000
<p>CDA; nonrecourse mortgage note in the original amount of \$619,253; noninterest bearing; due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property.</p>	430,559
<p>CDA; nonrecourse mortgage note in the original amount of \$350,000; due in one installment on September 23, 2040, together with interest at 4.0% compounded annually; collateralized by a security interest on the project's rental property; interest expense totaled \$17,601 for the year ended December 31, 2018; accrued interest was \$107,624 as of December 31, 2018.</p>	350,000
<p>City of Beloit; nonrecourse mortgage note in the original amount up to \$170,639; noninterest bearing; principal due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property; the mortgage note was not funded as of December 31, 2018.</p>	-
<p style="padding-left: 40px;">Total Long-term Debt</p>	3,230,559
<p>Less: Unamortized debt issuance costs</p>	11,983
<p style="padding-left: 40px;">Total</p>	<u>\$ 3,218,576</u>

CITY OF БЕЛОIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC (cont.)

d. Mortgage and Other Notes Payable (cont.)

Repayment of principal on the mortgage and other notes payable as of December 31, 2018, is as follows:

Years Ending December 31.

2019	\$	-
2020		-
2021		-
2022		-
2023		-
Thereafter		<u>3,230,559</u>
Total	\$	<u>3,230,559</u>

e. Capital Lease

The company has entered into a capital lease agreement with the CDA dated September 22, 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	\$	409,500
Buildings		<u>1,540,500</u>
Total	\$	<u>1,950,000</u>

In accordance with accounting principles generally accepted in the United States of America, the land and building are capitalized as a single unit and amortized over the lease term of 98 years. Accumulated depreciation on the land and buildings under the capital lease was \$164,158 as of December 31, 2018.

Base rent under the lease was payable in a single installment of \$1,950,000 on September 22, 2010. The balance of unpaid base rent accrues interest at 4.47%, compounded annually (see Note J.d. in this section). 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 September 21, 2050. The capital lease obligation is secured by a mortgage note as described in Note J.d. The lease expires September 21, 2108.

In addition to the base rent and related interest payments, the company is obligated to make an annual payment in lieu of taxes (PILOT) to the City of Beloit (see Note J.g. in this section).

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC (cont.)

f. Members' Capital Contributions

The company has one managing member, the CDA, which has a .01% interest, and three investor members, BMO, First National Bank and Trust Company (FNB), and Blackhawk State Bank (BSB) which have 19.998%, 39.996%, and 39.996% interests, respectively.

The CDA is required to make capital contributions of \$100,000. The investor members are required to make capital contributions totaling \$6,439,817. All contributions were made as of December 31, 2018.

g. Related Party Transactions

Accounts Payable

Included in accounts payable are amounts owed to the CDA for reimbursement of operating expenses totaling \$85,795 as of December 31, 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 fees totaled \$4,825 for the period ended December 31, 2018.

Asset Management Fee

The company is obligated to pay BMO an annual asset management fee of \$3,250. The fee is payable solely from cash flow as defined in the operating agreement, is cumulative, and accrues interest at the Prime Rate plus 3% compounded annually.

PILOT

The company and the CDA entered into a PILOT agreement with the City of Beloit, Wisconsin (the City), under which the company will make an annual PILOT payment to the City beginning in 2010 and ending in the final calendar year of the project's compliance period (2025). The PILOT shall be equal to 10% of the difference between the annual tenant's portion of the collected rents for all of the residential rental units in the buildings and the annual utility bills incurred by the company with respect to the project. The PILOT is required for as long as the land and building under capital lease constitutes property of the CDA that is exempt from taxation under the Wisconsin Statutes. PILOT expense incurred and accrued totaled \$9,137 as of December 31, 2018.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC (cont.)

g. Related Party Transactions (cont.)

Operating Deficit Guaranty

The managing member is obligated, after all funds in the operating reserve account have been depleted, to fund operating deficits during the operating deficit guaranty period. The operating deficit guaranty period is defined as the period beginning with the date of achievement of breakeven operations and ending on the later of the third anniversary of the date of achievement of breakeven operations or when the project has maintained the operating reserve target amount of \$100,000 during the compliance period and the project has made all required deposits to the replacement reserve. The obligation to fund operating deficits shall be limited to \$145,000. Such loans are non-interest bearing and repayable solely from available cash flow as defined in the operating agreement. There was no operating deficit loans as of December 31, 2018.

R&O Agreement

The company has entered into an R&O Agreement with the CDA. Provisions of the agreement require the company to maintain all units as public housing units. The CDA is to pay operating subsidies to the company equal to the project expenses less project income. The agreement will expire upon the earliest to occur of the expiration of 40 years from the date of first occupancy (December 2050) 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 \$189,765 were earned during the period ended December 31, 2018. Included in accounts receivable are operating subsidies of \$65,307 as of December 31, 2018.

h. Commitments and Contingencies

Land Use Restriction Agreement (LURA)

The company has entered into a LURA with the Wisconsin Housing and Economic 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's. The company is obligated to certify tenant eligibility.

Tax Credit Exchange Program (TCEP)

The company has entered into a TCEP Subaward Agreement (Subaward Agreement) with WHEDA. Under the Subaward Agreement, the company was awarded and received grant funds totaling \$1,345,125, 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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC

a. Nature of Business and Significant Accounting Policies

Nature of Business

Beloit Apartments Redevelopment – Phase 2, LLC (the company) was organized on March 5, 2010, as a limited liability company (LLC) formed under the Wisconsin Limited Liability Company Act (the Act). The company was formed to acquire, rehabilitate, develop, and operate a 66-unit project comprised of 41 elderly and 25 family residential units, located on scattered sites in Beloit, Wisconsin, called Beloit Apartments Redevelopment – Phase 2, LLC (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 and land, was acquired under a capital lease dated October 14, 2011. The company completed the rehabilitation of the existing structures on various dates from January through May of 2012. The new construction portion of the projects was placed in service on various dates in August and December 2012.

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 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 perpetual unless sooner terminated in accordance with the operating agreement.

Significant Accounting Policies

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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

a. Nature of Business and Significant Accounting Policies (cont.)

Significant Accounting Policies (cont.)

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.

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. A receivable is considered past due if payments have not been received by the company for 10 days. Accounts are generally written off as uncollectible if no payments are received after 30 days. No fee is charged to customers for late payment.

Rental revenue is recognized when earned. The company leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis.

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:

	<u>Years</u>
Land and buildings under capital lease	98
Buildings and improvements	27.5
Land improvements	15
Furnishings and equipment	5

Maintenance and repairs of rental property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of rental property and equipment, 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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

- a. Nature of Business and Significant Accounting Policies (cont.)

Significant Accounting Policies (cont.)

Debt Issuance

Financing costs incurred by the company totaled \$12,000. The company is amortizing these costs into interest expense on the straight-line method over 39 years and 9 months, the life of the loans. The use of the straight-line method rather than the effective interest method has no material effect on the financial statements. Amortized costs included in interest expense amounted to \$302 for the period ended December 31, 2018.

Tax Credit Fees

In connection with obtaining an allocation of low-income housing tax credits from the Wisconsin Housing and Economic Authority (WHEDA), the company incurred fees totaling \$128,263. The company is amortizing these fees over the related tax credit compliance period of 15 years using the straight-line method.

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 Community Development Authority of the City of Beloit (CDA) under the Regulatory & Operating Agreement (R&O Agreement). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the CDA. Such changes may occur with little or inadequate funding to pay for the related cost, including additional administrative burden to comply with a change.

Subsequent Events

These financial statements have not been updated for subsequent events occurring after February 28, 2019, 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.

- b. Restricted Cash

Restricted cash is comprised of the following:

Replacement reserve	\$	137,250
Operating reserve		191,080
ACC reserve		281,591
Tenants' security deposits		<u>22,957</u>
Total	\$	<u>632,878</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

b. Restricted Cash (cont.)

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 in the aggregate in any given month will require written approval of the managing member and the 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.

Balance, beginning	\$	113,478
Deposits		23,642
Interest earned		<u>130</u>
Balance, Ending	\$	<u><u>137,250</u></u>

Operating Reserve

The R&O Agreement and the operating agreement require the company to fund and maintain an operating reserve in the amount of \$190,000 upon receipt of the investor member's third installment of project equity. Any excess amount remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement, subject to consent by any lender or the United States Department of Housing and Urban Development (HUD). If the balance in the operating reserve falls below \$190,000, 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.

Balance, beginning	\$	190,889
Interest earned		<u>191</u>
Balance, Ending	\$	<u><u>191,080</u></u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

b. Restricted Cash (cont.)

Annual Contributions Contract (ACC) Reserve

The operating agreement and R & O Agreement require the company to fund an ACC reserve equal to \$280,000 upon the receipt of the investor member's third installment of project equity. Disbursements are to be used to pay operating and debt service deficits that directly result from the reduction or loss of a reduction in the projected HUD mixed finance subsidies. 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, subject to any required lender or HUD consent, be distributed to the members as provided for in the operating agreement.

Balance, beginning	\$ 281,309
Interest earned	<u>282</u>
Balance, Ending	<u>\$ 281,591</u>

c. Rental Property, Net

Rental property, net is comprised of the following:

Land	\$ 175,397
Land and buildings under capital lease	1,410,000
Buildings and improvements	9,304,835
Land improvements	397,055
Furnishings and equipment	<u>313,808</u>
	11,601,095
Less: Accumulated depreciation	<u>2,665,701</u>
Total	<u>\$ 8,935,394</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

d. Mortgage and Other Notes Payable

Mortgage and other notes payable consists of the following:

CDA; managing member; nonrecourse mortgage note payable under the capital lease described in Note I.e.; due in one installment on October 13, 2051, together with interest at 4.19% compounded annually; collateralized by a mortgage on the project's rental property; interest expense totaled \$76,253 for the year ended December 31, 2018; accrued interest was \$486,151 as of December 31, 2018.	\$ 1,410,000
CDA; nonrecourse mortgage note in the original amount of \$230,074; due in one installment on October 13, 2051, together with interest at 0.50%; collateralized by a mortgage on the project's rental property; interest expense totaled \$1,150 for the year ended December 31, 2018; accrued interest was \$6,519 as of December 31, 2018.	230,074
CDA; nonrecourse mortgage note in the original amount of \$256,500; due in one installment on October 13, 2051, together with interest at 0.50%; collateralized by a mortgage on the project's rental property; interest expense totaled \$1,282 for the year ended December 31, 2018; accrued interest was \$7,588 as of December 31, 2018.	256,500
CDA; nonrecourse mortgage note in the original amount of \$540,000; noninterest bearing; due in one installment on October 13, 2051, collateralized by a mortgage on the project's rental property.	540,000
CDA; nonrecourse mortgage note in the original amount of \$600,000; principal due in one installment on October 13, 2051, together with interest at 0.50%; collateralized by a mortgage on the project's rental property; interest expense totaled \$2,372 for the year ended December 31, 2018; accrued interest was \$13,190 as of December 31, 2018.	<u>474,260</u>
Total Mortgage Notes Payable	2,910,834
Less: Unamortized financing cost	<u>9,887</u>
Total	<u><u>\$ 2,900,947</u></u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

d. Mortgage and Other Notes Payable (cont.)

Repayment of principal on the mortgage and other notes payable as of December 31, 2018, is follows:

Year Ending December 31,

2019	\$	-
2020		-
2021		-
2022		-
2023		-
Thereafter		<u>2,910,834</u>
Total	\$	<u>2,910,834</u>

e. Capital Lease

The company has entered into a capital lease agreement with the CDA dated October 14, 2011, 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	\$	770,000
Buildings		<u>640,000</u>
Total	\$	<u>1,410,000</u>

In accordance with accounting principles generally accepted in the United States of America, the land and building 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 \$104,312 as of December 31, 2018.

Base rent under the lease was payable in a single installment of \$1,410,000 on October 14, 2011. The balance of unpaid base rent accrues interest at 4.19%, compounded annually (see Note J.d. in this section). 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 13, 2051. The capital lease obligation is secured by a mortgage note as described in Note I.d. The lease expires October 13, 2109.

In addition to the base rent and related interest payments, the company is obligated to make an annual payment in lieu of taxes (PILOT) to the City of Beloit, Wisconsin (the City) (see Note J.f. in this section).

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

f. Related Party Transactions

Accounts Payable

Included in accounts payable are amounts owed to the CDA for reimbursement of operating expenses totaling \$35,225 as of December 31, 2018.

Property Management Agreement

The company has entered into a property management agreement with the CDA under which the company is now obligated to pay a property management fee equal to 5% of gross residential rents and ACC operating subsidy received on a monthly basis. The agreement is automatically renewed from year to year unless otherwise terminated. Property management fees totaled \$12,268 for the period ended December 31, 2018.

Asset Management Fee

The company is obligated to pay an affiliate of the investor member, NEF Community Investments, Inc., an annual asset management fee of \$6,600, increasing annually by 3%. The fee is payable solely from cash flow as defined in the operating agreement and shall be cumulative and accrued if not paid. Asset management fees incurred were \$7,881 for the period ended December 31, 2018. Asset management fees accrued and included in accrued expenses were \$7,881 as of December 31, 2018.

Operating Deficit Guaranty

The managing member is obligated, after all funds in the operating reserve account have been depleted, to fund operating deficits during the operating deficit guaranty period. The operating deficit guaranty period is defined as the period beginning with the date of achievement of stabilized occupancy and ending on after achievement of 36 consecutive months with an expense coverage ratio of 1.00 or better commencing on or after the second anniversary of the later of the achievement of stabilized occupancy or repayment in full of the construction loan. The obligation to fund operating deficits shall be limited to \$190,000. Such loans are non-interest bearing and repayable solely from available cash flow as defined in the operating agreement. There was no operating deficit guaranty loans as of December 31, 2018.

R&O Agreement

The company has entered into an R&O Agreement with the CDA. Provisions of the agreement require the company to maintain all units as public housing units. The CDA is to pay operating subsidies to the company equal to the project expenses less project income. 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 \$124,654 were earned during the period ended December 31, 2018. Included in accounts receivables are operating subsidies receivable of \$18,799 as of December 31, 2018.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

f. Related Party Transactions (cont.)

PILOT

The company and the CDA entered into a PILOT agreement with the City, in which the company will make an annual PILOT payment to the City beginning in 2011 and ending in the final calendar year of the project's compliance period (2026). The PILOT shall be equal to 10% of the difference between the annual tenant's portion of the collected rents for all of the residential rental units in the buildings and the annual utility bills incurred by the company with respect to the project. The PILOT is required for as long as the land and building under capital lease constitutes property of the CDA that is exempt from taxation under the Wisconsin Statutes.

g. Company Profits and Losses and Distributions

All profits and losses are allocated .01% to the managing member and 99.99% to the investor member.

Distributable cash flow, as defined by the operating 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. To all members having negative balances in their capital accounts prior to the distribution of any sale or refinancing proceeds, an amount of such gain to increase their negative balance to zero.
2. To all members until their capital account balances are equal to net projected tax liabilities as defined in the company agreement.
3. The remainder of such gain, if any, 99.99% to the investor member and .01% to the managing member.

h. Commitments and Contingencies

Land Use Restriction Agreement (LURA)

The company has entered into a LURA with the Wisconsin Housing and Economic Development Authority 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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

h. Commitments and Contingencies (cont.)

Affordable Housing Program (AHP)

On October 14, 2011, the CDA, on behalf of Beloit Apartments Redevelopment – Phase 2, LLC, entered into an AHP Agreement with The First National Bank and Trust Company (the bank) in the original amount of \$256,500. In connection with the AHP agreement, the CDA and the company entered into a Retention/Recapture Agreement with the bank. As a condition of receiving these funds, the CDA and the company have agreed to make 40 units, 25 units, and 1 unit of the project affordable for and occupied by households whose income does not exceed 50%, 60%, and 80%, respectively, of the county median income (CMI) of Rock County, Wisconsin. The compliance period will terminate 15 years from the date of project completion.

Beloit Public Library Foundation, Inc.

a. Organization

The Beloit Public Library Foundation, Inc., (Foundation) is organized to raise and provide support monies for the Beloit, Wisconsin Public Library (Library).

b. Summary of Significant Accounting Policies

1. The Foundation's financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America as promulgated by the American Institute of Certified Public Accountants.
2. Net position and revenues, support, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net position of the Foundation and changes therein are classified and reported as follows:

Net Position Without Donor Restrictions - Net position without donor restrictions are available for use at the discretion of the Board of Directors and management for general operating purposes. From time to time the Board may designate a portion of this net position for specific purposes which makes them unavailable for use at management's discretion.

Net Position With Donor Restrictions - Net position with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net position is reclassified as net position without donor restrictions and reported in the Statements or Activities as net position released from restrictions. Some net position with donor restrictions include a stipulation the assets be maintained permanently (perpetual in nature) while permitting the Foundation to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

CITY OF БЕЛОIT

COMBINING STATEMENT OF NET POSITION - COMMUNITY DEVELOPMENT AUTHORITY
As of December 31, 2018

	Primary Government					Total Primary Government	Component Units		Totals Before Eliminations	Eliminations	Totals
	Major	Major	Major	Major	Major		Beloit Apartments Redevelopment Phase 1, LLC	Beloit Apartments Redevelopment Phase 2, LLC			
	Section 8 Rental Voucher Program	Low Rent Public Housing	Project Based Vouchers	Administration	Leases Receivable						
ASSETS											
Current Assets											
Cash and investments	\$ 242,826	\$ 96,032	\$ 68,935	\$ 144,639	\$ -	\$ 552,432	\$171,732	\$159,184	\$ 883,348	\$ -	\$ 883,348
Receivables											
Accounts	39,872	7,948	9,079	-	-	56,899	92,099	26,138	175,136	(84,106)	91,030
Lease receivable from Beloit Apartments Redevelopment - Phase 1 - LLC	-	2,800,000	-	-	-	2,800,000	-	-	2,800,000	(2,800,000)	-
Lease receivable from Beloit Apartments Redevelopment - Phase 2 - LLC	-	2,580,074	-	-	-	2,580,074	-	-	2,580,074	(2,580,074)	-
Lease receivable from primary government	-	-	-	-	2,065,000	2,065,000	-	-	2,065,000	-	2,065,000
Due from Beloit Apartments Redevelopment - Phase 1 - LLC	-	85,795	-	-	-	85,795	-	-	85,795	(85,795)	-
Due from Beloit Apartments Redevelopment - Phase 2 - LLC	-	35,225	-	-	-	35,225	-	-	35,225	(35,225)	-
Due from other governmental units	-	21,008	-	-	-	21,008	-	-	21,008	-	21,008
Tax credit fees	-	-	-	-	-	-	53,217	68,408	121,625	-	121,625
Prepaid items	7,421	6,870	-	-	-	14,291	-	1,159	15,450	-	15,450
Total Current Assets	290,119	5,632,952	78,014	144,639	2,065,000	8,210,724	317,048	254,889	8,782,661	(5,585,200)	3,197,461
Noncurrent Assets											
Restricted Assets											
Cash and investments	-	-	-	-	1,811,670	1,811,670	282,221	632,878	2,726,769	-	2,726,769
Net pension asset	53,395	38,129	2,299	-	-	93,823	-	-	93,823	-	93,823
Total Restricted Assets	53,395	38,129	2,299	-	1,811,670	1,905,493	282,221	632,878	2,820,592	-	2,820,592
Capital Assets											
Land	-	344,067	70,472	-	-	414,539	420,849	945,397	1,780,785	(1,179,500)	601,285
Land improvements	-	-	-	-	-	-	215,575	397,055	612,630	-	612,630
Buildings	-	145,533	700,777	-	-	846,310	1,540,500	640,000	3,026,810	(975,520)	2,051,290
Building improvements	-	-	-	-	-	-	8,397,386	9,304,835	17,702,221	-	17,702,221
Machinery, equipment, furnishings and vehicles	16,092	175,318	34,906	-	-	226,316	265,998	313,808	806,122	-	806,122
Less: Accumulated depreciation	(16,092)	(280,198)	(458,078)	-	-	(754,368)	(2,142,479)	(2,665,701)	(5,562,548)	-	(5,562,548)
Total Capital Assets, Net	-	384,720	348,077	-	-	732,797	8,697,829	8,935,394	18,366,020	(2,155,020)	16,211,000
Other Assets											
Lease receivable from primary government	-	-	-	-	3,733,330	3,733,330	-	-	3,733,330	-	3,733,330
Total Noncurrent Assets	53,395	422,849	350,376	-	5,545,000	6,371,620	8,980,050	9,568,272	24,919,942	(2,155,020)	22,764,922
Total Assets	343,514	6,055,801	428,390	144,639	7,610,000	14,582,344	9,297,098	9,823,161	33,702,603	(7,740,220)	25,962,383
DEFERRED OUTFLOWS OF RESOURCES											
Pension related amounts	98,354	66,495	13,438	-	-	178,287	-	-	178,287	-	178,287
OPEB related amounts - life	2,188	1,555	135	-	-	3,878	-	-	3,878	-	3,878
Total Deferred Outflows of Resources	100,542	68,050	13,573	-	-	182,165	-	-	182,165	-	182,165
Total Assets and Deferred Outflows of Resources	444,056	6,123,851	441,963	144,639	7,610,000	14,764,509	9,297,098	9,823,161	33,884,768	(7,740,220)	26,144,548

	Primary Government					Total Primary Government	Component Units		Totals Before Eliminations	Eliminations	Totals
	Major	Major	Major	Major	Major		Beloit Apartments Redevelopment Phase 1, LLC	Beloit Apartments Redevelopment Phase 2, LLC			
	Section 8 Rental Voucher Program	Low Rent Public Housing	Project Based Vouchers	Administration	Leases Receivable						
LIABILITIES											
Current Liabilities											
Accounts payable	\$ 4,248	\$ 24,904	\$ 328	\$ -	\$ -	\$ 29,480	\$ 88,042	\$ 38,912	\$ 156,434	\$ (121,020)	\$ 35,414
Accrued liabilities	10,953	15,827	1,578	-	-	28,358	969,281	533,161	1,530,800	-	1,530,800
Due to Beloit Apartments Redevelopment - Phase 1 - LLC	-	65,307	-	-	-	65,307	-	-	65,307	(65,307)	-
Due to Beloit Apartments Redevelopment - Phase 2 - LLC	-	18,799	-	-	-	18,799	-	-	18,799	(18,799)	-
Due to primary government	-	166,783	-	-	-	166,783	-	-	166,783	-	166,783
Deposits	13,601	35,565	7,525	-	-	56,691	34,400	27,372	118,463	-	118,463
Lease revenue bonds payable	-	-	-	-	2,065,000	2,065,000	-	-	2,065,000	-	2,065,000
Total Current Liabilities	<u>28,802</u>	<u>327,185</u>	<u>9,431</u>	<u>-</u>	<u>2,065,000</u>	<u>2,430,418</u>	<u>1,091,723</u>	<u>599,445</u>	<u>4,121,586</u>	<u>(205,126)</u>	<u>3,916,460</u>
Noncurrent Liabilities											
Compensated absences	21,906	59,757	-	-	-	81,663	-	-	81,663	-	81,663
Mortgage notes payable	-	-	-	-	-	-	2,800,000	2,580,074	5,380,074	(5,380,074)	-
Other notes payable	-	-	-	-	-	-	418,576	320,873	739,449	-	739,449
Net OPEB liability - life	18,949	13,470	1,171	-	-	33,590	-	-	33,590	-	33,590
Lease revenue bonds payable	-	-	-	-	5,545,000	5,545,000	-	-	5,545,000	-	5,545,000
Total Noncurrent Liabilities	<u>40,855</u>	<u>73,227</u>	<u>1,171</u>	<u>-</u>	<u>5,545,000</u>	<u>5,660,253</u>	<u>3,218,576</u>	<u>2,900,947</u>	<u>11,779,776</u>	<u>(5,380,074)</u>	<u>6,399,702</u>
Total Liabilities	<u>69,657</u>	<u>400,412</u>	<u>10,602</u>	<u>-</u>	<u>7,610,000</u>	<u>8,090,671</u>	<u>4,310,299</u>	<u>3,500,392</u>	<u>15,901,362</u>	<u>(5,585,200)</u>	<u>10,316,162</u>
DEFERRED INFLOWS OF RESOURCES											
Unearned revenue	-	-	-	-	-	-	1,066,292	-	1,066,292	-	1,066,292
Pension related amounts	100,004	68,834	9,561	-	-	178,399	-	-	178,399	-	178,399
OPEB related amounts - life	370	263	23	-	-	656	-	-	656	-	656
Total Deferred Inflows of Resources	<u>100,374</u>	<u>69,097</u>	<u>9,584</u>	<u>-</u>	<u>-</u>	<u>179,055</u>	<u>1,066,292</u>	<u>-</u>	<u>1,245,347</u>	<u>-</u>	<u>1,245,347</u>
NET POSITION											
Net investment in capital assets	-	384,720	348,077	-	-	732,797	8,697,829	8,935,394	18,366,020	(2,155,020)	16,211,000
Restricted for grant programs	25,600	5,231,493	-	-	-	5,257,093	-	-	5,257,093	-	5,257,093
Restricted for pensions	53,395	38,129	2,299	-	-	93,823	-	-	93,823	-	93,823
Unrestricted (deficit)	195,030	-	71,401	144,639	-	411,070	(4,777,322)	(2,612,625)	(6,978,877)	-	(6,978,877)
TOTAL NET POSITION	<u>\$ 274,025</u>	<u>\$ 5,654,342</u>	<u>\$ 421,777</u>	<u>\$ 144,639</u>	<u>\$ -</u>	<u>\$ 6,494,783</u>	<u>\$ 3,920,507</u>	<u>\$ 6,322,769</u>	<u>\$ 16,738,059</u>	<u>\$ (2,155,020)</u>	<u>\$ 14,583,039</u>

CITY OF БЕЛОIT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - COMMUNITY DEVELOPMENT AUTHORITY
For the Year Ended December 31, 2018

	Primary Government					Total Primary Government	Component Units		Totals Before Eliminations	Eliminations	Totals
	Major	Major	Major	Major	Major		Beloit	Beloit			
	Section 8 Rental Voucher Program	Low Rent Public Housing	Project Based Vouchers	Administration	Lease Receivable		Apartment Redevelopment Phase 1, LLC	Apartment Redevelopment Phase 2, LLC			
EXPENSES											
Community development	\$ 3,241,904	\$ 603,706	\$ 51,860	\$ -	\$ -	\$ 3,897,470	\$ 502,946	\$ 615,757	\$ 5,016,173	\$ (267,493)	\$ 4,748,680
PROGRAM REVENUES											
Charges for services	-	17,121	53,475	-	-	70,596	95,850	145,068	311,514	-	311,514
Operating grants and contributions	3,117,545	642,791	-	-	-	3,760,336	189,765	124,654	4,074,755	(406,799)	3,667,956
Other revenue	-	-	16	-	-	16	54,086	16,887	70,989	-	70,989
Total Program Revenues	<u>3,117,545</u>	<u>659,912</u>	<u>53,491</u>	<u>-</u>	<u>-</u>	<u>3,830,948</u>	<u>339,701</u>	<u>286,609</u>	<u>4,457,258</u>	<u>(406,799)</u>	<u>4,050,459</u>
Net Revenues (Expenses)	<u>(124,359)</u>	<u>56,206</u>	<u>1,631</u>	<u>-</u>	<u>-</u>	<u>(66,522)</u>	<u>(163,245)</u>	<u>(329,148)</u>	<u>(558,915)</u>	<u>(139,306)</u>	<u>(698,221)</u>
GENERAL REVENUES (EXPENSES)											
Investment income	2,135	955	-	-	429,410	432,500	259	614	433,373	-	433,373
Interest and amortization expense	-	-	-	-	(429,410)	(429,410)	(145,493)	(89,909)	(664,812)	-	(664,812)
Payment to Beloit Apartments Redevelopment - Phase 1 - LLC	-	(23,923)	-	-	-	(23,923)	-	-	(23,923)	23,923	-
Payment to Beloit Apartments Redevelopment - Phase 2 - LLC	-	(115,383)	-	-	-	(115,383)	-	-	(115,383)	115,383	-
Miscellaneous	57,442	19,156	-	-	-	76,598	(3,250)	(7,881)	65,467	-	65,467
Total General Revenue (Expenses)	<u>59,577</u>	<u>(119,195)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,618)</u>	<u>(148,484)</u>	<u>(97,176)</u>	<u>(305,278)</u>	<u>139,306</u>	<u>(165,972)</u>
Revenues (Expenses) Before Contributions	<u>(64,782)</u>	<u>(62,989)</u>	<u>1,631</u>	<u>-</u>	<u>-</u>	<u>(126,140)</u>	<u>(311,729)</u>	<u>(426,324)</u>	<u>(864,193)</u>	<u>-</u>	<u>(864,193)</u>
Capital contributions	-	-	-	-	-	-	638	91,741	92,379	-	92,379
CHANGE IN NET POSITION	<u>(64,782)</u>	<u>(62,989)</u>	<u>1,631</u>	<u>-</u>	<u>-</u>	<u>(126,140)</u>	<u>(311,091)</u>	<u>(334,583)</u>	<u>(771,814)</u>	<u>-</u>	<u>(771,814)</u>
NET POSITION – Beginning of Year (as restated)	<u>338,807</u>	<u>5,717,331</u>	<u>420,146</u>	<u>144,639</u>	<u>-</u>	<u>6,620,923</u>	<u>4,231,598</u>	<u>6,657,352</u>	<u>17,509,873</u>	<u>(2,155,020)</u>	<u>15,354,853</u>
NET POSITION – END OF YEAR	<u>\$ 274,025</u>	<u>\$ 5,654,342</u>	<u>\$ 421,777</u>	<u>\$ 144,639</u>	<u>\$ -</u>	<u>\$ 6,494,783</u>	<u>\$ 3,920,507</u>	<u>\$ 6,322,769</u>	<u>\$ 16,738,059</u>	<u>\$ (2,155,020)</u>	<u>\$ 14,583,039</u>

CITY OF BELOIT

COMBINING STATEMENT OF CASH FLOWS - COMMUNITY DEVELOPMENT AUTHORITY
For the Year Ended December 31, 2018

	Primary Government					Totals
	Major Section 8 Rental Voucher Program	Major Low Rent Public Housing	Major Project Based Vouchers	Major Administration	Major Leases Receivable	
CASH FLOWS FROM OPERATING ACTIVITIES						
Received from customers	\$ 7,173	\$ 21,356	\$ 52,366	\$ -	\$ -	\$ 80,895
Paid to suppliers for goods and services	(3,046,108)	(369,803)	(22,011)	-	-	(3,437,922)
Payments to employees for services	(191,172)	(129,408)	(9,830)	-	-	(330,410)
Net Cash Flows From Operating Activities	<u>(3,230,107)</u>	<u>(477,855)</u>	<u>20,525</u>	<u>-</u>	<u>-</u>	<u>(3,687,437)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Governmental grants received	3,117,545	625,212	-	-	-	3,742,757
Paid to LLC's	-	(139,306)	-	-	-	(139,306)
Received from LLC's	-	(89,545)	-	-	-	(89,545)
Collections on leases receivable	-	-	-	-	3,049,698	3,049,698
Net Cash Flows From Noncapital Financing Activities	<u>3,117,545</u>	<u>396,361</u>	<u>-</u>	<u>-</u>	<u>3,049,698</u>	<u>6,563,604</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES						
Acquisition and construction of capital assets	-	(4,346)	-	-	-	(4,346)
Debt retired	-	-	-	-	(3,335,000)	(3,335,000)
Interest paid	-	-	-	-	(429,410)	(429,410)
Net Cash Flows From Capital and Related Financing Activities	<u>-</u>	<u>(4,346)</u>	<u>-</u>	<u>-</u>	<u>(3,764,410)</u>	<u>(3,768,756)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	2,135	955	-	-	429,410	432,500
Net Cash Flows From Investing Activities	<u>2,135</u>	<u>955</u>	<u>-</u>	<u>-</u>	<u>429,410</u>	<u>432,500</u>
Net Change in Cash and Cash Equivalents	(110,427)	(84,885)	20,525	-	(285,302)	(460,089)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>353,253</u>	<u>180,917</u>	<u>48,410</u>	<u>144,639</u>	<u>2,096,972</u>	<u>2,824,191</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 242,826</u>	<u>\$ 96,032</u>	<u>\$ 68,935</u>	<u>\$ 144,639</u>	<u>\$ 1,811,670</u>	<u>\$ 2,364,102</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (3,241,904)	\$ (586,585)	\$ 1,631	\$ -	\$ -	\$ (3,826,858)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities						
Nonoperating income	57,442	19,156	-	-	-	76,598
Depreciation	131	4,504	19,441	-	-	24,076
Change in assets, deferred outflows, liabilities, and deferred inflows						
Accounts receivable	(21,865)	(880)	(1,448)	-	-	(24,193)
Prepaid items	(7,421)	(6,870)	-	-	-	(14,291)
Pension related deferrals and assets/liabilities	(10,256)	(7,291)	(634)	-	-	(18,181)
OPEB related deferrals and liabilities	17,131	12,178	1,059	-	-	30,368
Accounts payable and accrued liabilities	5,409	89,156	176	-	-	94,741
Due to primary government	-	13,080	-	-	-	13,080
Deposits	(28,774)	(14,303)	300	-	-	(42,777)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (3,230,107)</u>	<u>\$ (477,855)</u>	<u>\$ 20,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,687,437)</u>
NONCASH CAPITAL AND FINANCING ACTIVITIES						
None						

CITY OF BELOIT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the “schedule”) includes the federal and state grant activity of the City of Beloit (the “City”) under programs of the federal and state government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

The reporting entity for the City is based upon criteria established by the Governmental Accounting Standards Board. The City is the primary government according to GASB criteria, while the Beloit Community Development Authority (CDA) is a component unit. Federal and state awards received directly by the CDA are included in this report.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis; i.e., when the revenue has been earned and the liability is incurred.

NOTE 3 – PASS-THROUGH AGENCIES

The following identifies the pass-through agency acronyms used on the schedule of expenditures of federal awards:

WI DOA	Wisconsin Department of Administration
C/ Janesville	City of Janesville, Wisconsin
WI DHS	Wisconsin Department of Health Services
WI HS	Wisconsin Historical Society
WI DOT	Wisconsin Department of Transportation
IL DOT	Illinois Department of Transportation

NOTE 4 – INDIRECT COST RATE

The City has not elected to use the 10% de minimis indirect cost rate.

Beloit Apartments Redevelopment - Phase I, LLC

Financial Report

December 31, 2018

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Members
Beloit Apartments Redevelopment - Phase I, LLC
Beloit, Wisconsin

We have audited the accompanying financial statements of Beloit Apartments Redevelopment - Phase I, LLC, which comprise the balance sheets as of December 31, 2018 and 2017, 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 Beloit Apartments Redevelopment - Phase I, LLC as of December 31, 2018 and 2017, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information required by the Wisconsin Housing and Economic Development Authority (WHEDA) shown on pages 16 – 22, 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

March 20, 2019

Lead auditor: Sheri Springer, CPA
SVA Certified Public Accountants, S.C.
ID #39-1203191
Phone number: (608) 831-8181

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

BALANCE SHEETS

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 171,732	\$ 152,309
Restricted cash	282,221	258,688
Accounts receivable	92,099	22,988
Rental property, net	8,697,829	8,941,056
Tax credit fees, net	53,217	60,819
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 9,297,098</u></u>	<u><u>\$ 9,435,860</u></u>
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 3,218,576	\$ 3,218,199
Deferred revenue	1,066,292	1,099,920
Accounts payable	88,042	18,174
Accrued interest	960,144	822,630
Accrued PILOT	9,137	11,939
Tenants' security deposits payable	34,400	33,400
	<u> </u>	<u> </u>
Total liabilities	5,376,591	5,204,262
MEMBERS' EQUITY	<u>3,920,507</u>	<u>4,231,598</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 9,297,098</u></u>	<u><u>\$ 9,435,860</u></u>

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

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

STATEMENTS OF OPERATIONS

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Rental income	\$ 95,850	\$ 119,682
Operating subsidies	189,765	132,393
Other revenue	<u>20,458</u>	<u>35,274</u>
Total revenues	306,073	287,349
Rental expenses:		
Rent and administrative	98,044	90,635
Utilities	4,480	291
Operating and maintenance	127,886	108,120
Taxes and insurance	<u>26,820</u>	<u>27,172</u>
Total rental expenses	<u>257,230</u>	<u>226,218</u>
Net rental income	48,843	61,131
Financial income (expense):		
Interest income	259	238
Interest expense	<u>(137,891)</u>	<u>(132,082)</u>
Total financial income (expense)	<u>(137,632)</u>	<u>(131,844)</u>
Loss before other income (expenses)	(88,789)	(70,713)
Other income (expenses):		
Amortization of deferred revenue	33,628	33,628
Depreciation	(245,716)	(243,423)
Amortization	(7,602)	(7,602)
Asset management fee	<u>(3,250)</u>	<u>(3,250)</u>
Total other income (expenses)	<u>(222,940)</u>	<u>(220,647)</u>
Net loss	<u>\$ (311,729)</u>	<u>\$ (291,360)</u>

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

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

STATEMENTS OF MEMBERS' EQUITY Years ended December 31, 2018 and 2017

	Managing member	Investor Members			Total
		BMO	FNB	BSB	
Members' equity:					
Balances, December 31, 2016	\$ 99,797	\$ 876,576	\$ 1,753,151	\$ 1,753,151	\$ 4,482,675
Property contributions	40,283	0	0	0	40,283
Net loss	(29)	(58,267)	(116,532)	(116,532)	(291,360)
Balances, December 31, 2017	140,051	818,309	1,636,619	1,636,619	4,231,598
Property contributions	638	0	0	0	638
Net loss	(31)	(62,340)	(124,679)	(124,679)	(311,729)
Balances, December 31, 2018	140,658	755,969	1,511,940	1,511,940	3,920,507
Subscriptions receivable:					
Balances, December 31, 2016	13,625	0	0	0	13,625
Subscriptions receipts	(13,625)	0	0	0	(13,625)
Balances, December 31, 2017 and 2018	0	0	0	0	0
Total members' equity	\$ 140,658	\$ 755,969	\$ 1,511,940	\$ 1,511,940	\$ 3,920,507

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

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

STATEMENTS OF CASH FLOWS Years ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (311,729)	\$ (291,360)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	245,716	243,423
Amortization	7,602	7,602
Amortization of debt issuance costs	377	377
Amortization of deferred revenue	(33,628)	(33,628)
Increase (decrease) in cash due to changes in:		
Tenants' security deposits	(6)	455
Accounts receivable	(69,111)	11,887
Accounts payable	69,868	(47,360)
Accrued expenses	0	(12,056)
Accrued interest	137,514	131,705
Accrued PILOT	(2,802)	3,186
Tenants' security deposits payable	1,000	0
	44,801	14,231
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of rental property	(1,851)	0
Net deposits to replacement reserve	(23,382)	(22,683)
Net deposits to operating reserve	(145)	(146)
	(25,378)	(22,829)
Net cash used in investing activities	(25,378)	(22,829)
Change in cash and cash equivalents	19,423	(8,598)
Cash and cash equivalents:		
Beginning	152,309	160,907
Ending	\$ 171,732	\$ 152,309
SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Rental property contributed as payment of capital subscription	\$ 0	\$ 13,625
Rental property contributed in excess of capital subscription	\$ 638	\$ 40,283

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

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A -- Nature of business and significant accounting policies

Nature of business

Beloit Apartments Redevelopment - Phase I, LLC (the company) was organized on January 14, 2009, as a limited liability company (LLC) formed under the Wisconsin Limited Liability Company Act (the Act). The company was formed to acquire, rehabilitate and operate a 39 building, 65-unit duplex and single family home complex located on scattered sites in Beloit, Wisconsin, called Beloit Apartments Redevelopment, Phase I (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 and land, was acquired under a capital lease dated September 22, 2010. The company completed the rehabilitation of 14 units on various dates in December 2010 and completed the rehabilitation of the remaining 51 units on various dates from January through July of 2011.

The company consists of one managing member and three investor members, 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 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 perpetual unless sooner terminated in accordance with the operating 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.

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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. A receivable is considered past due if payments have not been received by the company for 10 days. Accounts are generally written off when management determines an account is uncollectible. No fee is charged to customers for late payment.

Rental revenue is recognized when earned. The company leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis.

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:

	<u>Years</u>
Land and buildings under capital lease	98
Building improvements	15 - 40
Land improvements	15
Furnishings and equipment	5

Maintenance and repairs of rental property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of rental property and equipment, 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.

Debt issuance costs

Debt issuance costs incurred by the company totaled \$15,000. The company is amortizing these costs into interest expense on the straight-line method over 39 years and 9 months, the life of the loan. The use of the straight-line method rather than the effective interest method has no material effect on the financial statements.

Amortized costs included in interest expense amounted to \$377 for each of the years ended December 31, 2018 and 2017.

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 paid fees totaling \$114,034 to the Wisconsin Housing and Economic Development Authority (WHEDA). The company is amortizing these fees over the related tax credit compliance period of 15 years using the straight-line method.

Deferred revenue

Governmental agencies have provided grant funding to the company to encourage the development of affordable housing. The company received funds under the Tax Credit Exchange Program (TCEP) (see Note H). The deferred revenue relating to this grant is recognized as other income in the statements of operations (shown as amortization of deferred revenue) using the straight-line method over the estimated useful lives of the underlying assets purchased or constructed.

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 Community Development Authority of the City of Beloit (CDA) under the Regulatory & Operating Agreement (R&O Agreement) and the United States Department of Housing and Urban Development (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.

Subsequent events

These financial statements have not been updated for subsequent events occurring after March 20, 2019, 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:

	<u>2018</u>	<u>2017</u>
Replacement reserve	\$ 104,708	\$ 81,326
Operating reserve	145,790	145,645
Tenants' security deposits	<u>31,723</u>	<u>31,717</u>
	<u>\$ 282,221</u>	<u>\$ 258,688</u>

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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, and increasing annually by 3%. Disbursements are restricted to capital improvements and repairs of the project. Disbursements in excess of \$5,000 or 10% of the balance in the reserve at such time will require written approval of the investor members. Any funds remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement.

	<u>2018</u>	<u>2017</u>
Balance, beginning	\$ 81,326	\$ 58,643
Deposits	23,284	22,607
Interest earned	<u>98</u>	<u>76</u>
Balance, ending	<u>\$ 104,708</u>	<u>\$ 81,326</u>

Operating reserve

The R&O Agreement and the operating agreement require the company to fund and maintain an operating reserve in the amount of \$100,000. To the extent funds in the reserve fall below the initial deposit, the managing member must replenish the reserve from available cash flow as defined in the operating agreement. Disbursements in excess of \$10,000 or 10% of the then balance of the reserve require written approval from the investor members.

	<u>2018</u>	<u>2017</u>
Balance, beginning	\$ 145,645	\$ 145,499
Deposits	0	0
Interest earned	<u>145</u>	<u>146</u>
Balance, ending	<u>\$ 145,790</u>	<u>\$ 145,645</u>

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE C -- Rental property, net

Rental property, net is comprised of the following:

	2018	2017
Land	\$ 11,349	\$ 11,349
Land and buildings under capital lease	1,950,000	1,950,000
Building improvements	8,397,386	8,397,386
Land improvements	215,575	215,575
Furnishings and equipment	265,998	263,509
	10,840,308	10,837,819
Less accumulated depreciation	2,142,479	1,896,763
	\$ 8,697,829	\$ 8,941,056

NOTE D -- Mortgage notes payable, net

Mortgage notes payable, net consists of the following:

	2018	2017
CDA, managing member; non-recourse mortgage note payable under the capital lease described in Note E; due in one installment on September 21, 2050, together with interest at 4.47% compounded annually; collateralized by a mortgage on the project's rental property; interest expense totaled \$119,913 and \$114,781 for the years ended December 31, 2018 and 2017, respectively; accrued interest was \$852,520 and \$732,607 as of December 31, 2018 and 2017, respectively; unamortized debt issuance costs associated with this note totaled \$11,983 and \$12,360 as of December 31, 2018 and 2017, respectively.	\$ 1,950,000	\$ 1,950,000
CDA; non-recourse mortgage note in the original amount of \$500,000; non-interest bearing; due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property.	500,000	500,000
CDA; non-recourse mortgage note in the original amount up to \$619,253; non-interest bearing; due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property.	430,559	430,559
Balance carried forward	2,880,559	2,880,559

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE D -- Mortgage notes payable, net (Continued)

	2018	2017
Balance brought forward	\$ 2,880,559	\$ 2,880,559
CDA; non-recourse mortgage note in the original amount of \$350,000; due in one installment on September 23, 2040, together with interest at 4.0% compounded annually; collateralized by a security interest on the project's rental property; interest expense totaled \$17,601 and \$16,924 for the years ended December 31, 2018 and 2017, respectively; accrued interest was \$107,624 and \$90,023 as of December 31, 2018 and 2017, respectively.	350,000	350,000
City of Beloit; non-recourse mortgage note in the original amount up to \$170,639; non-interest bearing; principal due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property; the mortgage note was not funded as of December 31, 2018.	0	0
Total long-term debt	3,230,559	3,230,559
Less: Unamortized debt issuance costs	11,983	12,360
	\$ 3,218,576	\$ 3,218,199

Repayment of principal on the mortgage notes payable as of December 31, 2018, is as follows:

Year ending December 31,

2019	\$	0
2020		0
2021		0
2022		0
2023		0
Thereafter		3,230,559
	\$	3,230,559

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE E -- Capital lease

The company has entered into a capital lease agreement with the CDA dated September 22, 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	\$	409,500
Buildings		<u>1,540,500</u>
Total	\$	<u>1,950,000</u>

In accordance with accounting principles generally accepted in the United States of America, 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 buildings under the capital lease was \$164,158 and \$144,273 as of December 31, 2018 and 2017, respectively.

Base rent under the lease was payable in a single installment of \$1,950,000 on September 22, 2010. The balance of unpaid base rent accrues interest at 4.47%, 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 September 21, 2050. The capital lease obligation is secured by a mortgage note as described in Note D. The lease expires September 21, 2108.

In addition to the base rent and related interest payments, the company is obligated to make an annual payment in lieu of taxes (PILOT) to the City of Beloit (see Note G).

NOTE F -- Members' capital contributions

The company has one managing member, the CDA, which has a .01% interest, and three investor members, BMO, First National Bank and Trust Company (FNB), and Blackhawk State Bank (BSB) which have 19.998%, 39.996% and 39.996% interests, respectively.

The CDA is required to make capital contributions of \$100,000. The investor members are required to make capital contributions totaling \$6,439,817. All members' contributions were made as of December 31, 2018.

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE G -- Related party transactions

Accounts payable

Included in accounts payable are amounts owed to the CDA for reimbursement of operating expenses totaling \$85,795 and \$16,072 as of December 31, 2018 and 2017, respectively.

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 \$4,825 and \$6,065 for the years ended December 31, 2018 and 2017, respectively.

Asset management fee

The company is obligated to pay BMO an annual asset management fee of \$3,250. The fee is payable solely from cash flow as defined in the operating agreement, is cumulative, and accrues interest at the Prime Rate plus 3% compounded annually.

PILOT

The company and the CDA entered into a PILOT agreement with the City of Beloit, Wisconsin (the City), under which the company will make an annual PILOT payment to the City beginning in 2010 and ending in the final calendar year of the project's compliance period (2025). The PILOT shall be equal to 10% of the difference between the annual tenant's portion of the collected rents for all of the residential rental units in the buildings and the annual utility bills incurred by the company with respect to the project. The PILOT is required for as long as the land and buildings under the capital lease constitutes property of the CDA that is exempt from taxation under the Wisconsin Statutes. PILOT expense incurred and accrued totaled \$9,137 and \$11,939 as of and for the years ended December 31, 2018 and 2017, respectively.

Operating deficit guaranty

The managing member is obligated, after all funds in the operating reserve account have been depleted, to fund operating deficits during the operating deficit guaranty period. The operating deficit guaranty period is defined as the period beginning with the date of achievement of breakeven operations and ending on the later of the third anniversary of the date of achievement of breakeven operations or when the project has maintained the operating reserve target amount of \$100,000 during the compliance period and the project has made all required deposits to the replacement reserve. The obligation to fund operating deficits shall be limited to \$145,000. Such loans are non-interest bearing and repayable solely from available cash flow as defined in the operating agreement. There were no operating deficit loans as of December 31, 2018 and 2017.

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE G -- Related party transactions (Continued)

R & O Agreement

The company has entered into an R & O Agreement with the CDA. Provisions of the agreement require the company to maintain all units as public housing units. The CDA is to pay operating subsidies to the company equal to project expenses less project income. The agreement will expire upon the earliest to occur of the expiration of 40 years from the date of first occupancy (December 2050) 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 \$189,765 and \$132,393 were earned during the years ended December 31, 2018 and 2017, respectively. Included in accounts receivable are operating subsidies of \$65,307 and \$3,537 as of December 31, 2018 and 2017, respectively.

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 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 was awarded and received grant funds totaling \$1,345,125, 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.

SUPPLEMENTARY INFORMATION

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

WHEDA LIHTC Project No. 5402
SUPPLEMENTAL INFORMATION REQUIRED BY WHEDA
December 31, 2018

ACCOUNTS AND NOTES RECEIVABLE (OTHER THAN FROM REGULAR TENANTS)

ACC subsidy receivable \$ 65,307

DISTRIBUTIONS

None.

PARTNERSHIP CASH AND RESERVE FUNDS NOT HELD BY WHEDA

	<u>Operating reserve</u>	<u>Replacement reserve</u>
Balance, beginning	\$ 145,645	\$ 81,326
Deposits	0	23,284
Withdrawals	0	0
Interest earned	145	98
Balance, ending	<u><u>\$ 145,790</u></u>	<u><u>\$ 104,708</u></u>

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

WHEDA LIHTC Project No. 5402

SUPPLEMENTAL INFORMATION REQUIRED BY WHEDA (Continued)

December 31, 2018

RELATED PARTY TRANSACTIONS

Asset management fee		
Beginning accrual	\$	0
Current year expense		3,250
Fee paid		<u>(3,250)</u>
Ending accrual	\$	<u>0</u>
Property management fee		
Beginning accrual	\$	0
Current year expense		4,825
Fee paid		<u>(4,825)</u>
Ending accrual	\$	<u>0</u>

COMPUTATION OF SURPLUS CASH

CURRENT ASSETS

Project cash on hand		\$	171,732
ACC subsidy receivable			65,307
MEMO - Tenants' security deposits	\$	31,723	<u> </u>
Total current assets			237,039

CURRENT LIABILITIES

MEMO - Tenants' security deposits payable	\$	34,400	
Accounts payable (due within 30 days)			88,042
Accrued PILOT			9,137
Underfunded tenants' security deposits			<u>2,677</u>
Total current liabilities			<u>99,856</u>

SURPLUS CASH

\$ 137,183

ANNUAL SCHEDULE OF ASSETS for Multifamily Projects

Project Name: BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

Year ended December 31, 2018

Project Number: 5402

	Description of Account	ID	Account	Amount	Totals
1100 CURRENT ASSETS	Cash - Operations		1120	171,732	
	Construction Cash		1121		
	Cash - Entity		1125		
	Tenant Accounts Receivable		1130	26,792	
	Allowance for Doubtful Accounts (deduct)		1131		
	Accounts Receivable - WHEDA		1135		
	Accounts and Notes Receivable - Operations		1140	65,307	
	Accounts and Notes Receivable - Entity		1145		
	Reserve Release Receivable		1160		
	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		1100T		263,831
1191	Tenant Security Deposits - RESTRICTED ASSET		1191		31,723
1200 PREPAID EXPENSES	Miscellaneous Prepaid Expenses		1200	0	
	Total Prepaid Expenses				0
1300 FUNDED RESERVES	Escrow Deposits		1310		
	Reserve for Replacements		1320		
	Other Reserve - Operating reserves		1330		
	Residual Receipts Reserve		1340		
	Management Improvement and Operating Plan		1381		
	Development Cost Escrow (DCE)		1390		
	FHA Insurance Reserve		1392		
	Total Funded Reserves		1300T		0
1400 FIXED ASSETS	Land		1410	11,349	
	Buildings		1420	8,397,386	
	Building Equipment (portable)		1440		
	Furniture for Project/Tenant Use		1450		
	Furnishings		1460	265,998	
	Office Furniture and Equipment		1465		
	Maintenance Equipment		1470		
	Motor Vehicles		1480		
	Miscellaneous Fixed Assets - Land & building under cap lease & land impvts		1490	2,165,575	
	Gross Fixed Assets		1400T	10,840,308	
1495 ALLOWANCE ACCOUNTS	Accumulated Depreciation		1495	2,142,479	
	Total Accumulated Depreciation			2,142,479	
	Net Fixed Assets		1400N		8,697,829
1500 INVESTMENTS	Investments - Operations		1510		
	Investments - Entity		1515		
	Intangible Assets - tax credit fees, net of amort		1520	53,217	
	Misc Other Assets - Replacement and operating reserves		1590	250,498	
	TOTAL OTHER ASSETS		1500T		303,715
	TOTAL ASSETS		1000T		9,297,098

Wisconsin Housing and Economic Development Authority		FORM 600AL (Rev. 10/02)			
ANNUAL SCHEDULE OF LIABILITIES AND EQUITY for Multifamily Projects					
Project Name: BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC					
Year ended December 31, 2018			Project Number: 5402		
	Description of Account	ID	Account	Amount	Totals
2100	Bank Overdraft - Operations		2105		
CURRENT LIABILITIES	Accounts Payable-30 Days		2109		
	Accounts Payable - Operations		2110	88,042	
	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		
	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	960,144	
	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	9,137	
	Short Term Notes Payable		2160		
	Mortgage Payable - First Mortgage (Short Term)		2170		
	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			
Other Accrual		2180			
Miscellaneous Current Liabilities - CM of deferred revenue		2190	33,628		
	TOTAL CURRENT LIABILITIES				1,090,951
2191	Tenant Security Deposits - CONTRA ASSET		2191		34,400
2200 PREPAID REVENUES	Prepaid Revenue		2210		
	Total Current Liabilities		2122T		1,125,351
2300 LONG-TERM LIABILITIES	Notes Payable - Long Term		2310		
	Notes Payable - Surplus Cash		2311		
	Mortgage Payable - First Mortgage		2320		
	Mortgage Payable - Second Mortgage		2322		
	Other Loans and Notes Payable - Surplus Cash		2323		
	Other Loans and Notes Payable		2324	3,218,576	
	Flexible Subsidy Loan Payable		2325		
	Capital Improvement Loan Payable		2326		
	Operating Loss Loan Payable		2327		
	Miscellaneous Long Term Liabilities - Deferred Revenue		2390	1,032,664	
	Total Long Term Liabilities		2300T		4,251,240
	TOTAL LIABILITIES		2000T		5,376,591
3033 TOTAL EQUITY	Total Equity/Retained Earnings		3033	3,920,507	
	TOTAL LIABILITIES and EQUITY/RETAINED EARNINGS		2033T		9,297,098

Wisconsin Housing and Economic Development Authority			FORM 800 (Rev. 12/05)	
SCHEDULE OF PROFIT AND LOSS for Multifamily Projects				
Project Name: BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC		Project Number: 5402		
Year ended December 31, 2018		Year 2018		
	Description of Account	Acct. No.	Amount	Totals
5100 RENTAL INCOME	Rent Revenue - Gross Potential	5120	95,850	
	Tenant Assistance Payments	5121	189,765	
	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	
5200 VACANCIES	Apartment Vacancies	5220		
	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		285,615
5300	Total Service Income	5300		
5400 FINANCIAL INCOME	Financial Revenue - Project Operations	5410	16	
	Revenue from Investments-Residual Receipts	5430		
	Revenue from Investments-Replacement Reserve	5440		
	Revenue from Investments - Miscellaneous	5490	243	
		Total Financial Revenue	5400	
5900 MISC. REVENUE	Laundry/Vending Income (Net)	5910		
	Tenant Charges	5920	18,745	
	Miscellaneous Revenue	5990	35,341	
		Total Miscellaneous Revenue	5900	
	Total Revenue	5000		339,960
6200 RENT EXPENSE	Conventions and Meetings	6203		
	Management Consultants	6204		
	Advertising/Marketing Expense	6210	9	
	Other Rent Expense	6250		
		Total Rent Expense		
6300 ADMIN. EXPENSES	Office Salaries	6310	59,158	
	Office Expenses	6311	454	
	Office or Model Apartment Rent	6312		
	Management Fee - Residential Rents	6320	4,825	
	Management Fee - Commercial Rents	6321		
	Management Fee - Miscellaneous Income	6322		
	Manager/Superintendent Salaries	6330		
	Administrative Rent-free Unit	6331		
	Legal Expense-project only	6340	4,686	
	Audit Expense-project only	6350	10,050	
	Bookkeeping Fees/Accounting Services	6351	5,382	
	Bad Debt Expense	6370	9,584	
	Miscellaneous Administrative Expense	6390	3,896	
		Total Administrative Expense		
6200 + 6300	Total Rent & Administrative Expense	6263		98,044
6400 UTILITIES EXPENSE	Fuel Oil	6420		
	Electricity	6450	2,067	
	Water & Sewer	6451	335	
	Gas	6452	1,238	
	Sewer	6453	840	
		Total Utilities Expense	6400	

Wisconsin Housing and Economic Development Authority			FORM 800 (Rev. 12/05)	
SCHEDULE OF PROFIT AND LOSS for Multifamily Projects				
Project Name: BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC		Project Number: 5402		
	Description of Account	Acct. No.	Amount	Totals
6500 OPERATING & MAINTENANCE EXPENSE	Payroll	6510	105,910	
	Supplies	6515	10,845	
	Contracts	6520	7,902	
	Operating and Maintenance Rent Free Unit	6521		
	Garbage & Trash Removal	6525	940	
	Security Payroll/Contract (incl. taxes and benefits)	6530		
	Security Rent Free Unit	6531		
	Heating/Cooling Repairs & Maintenance	6546	1,313	
	Snow Removal	6548		
	Vehicle/Maintenance Equipment Operation & Repairs	6570	810	
	Misc. Operating & Maintenance Expense	6590	166	
		Total Operating & Maintenance Expense	6500	
6900	Total Service Expense	6900		0
6700 TAXES AND INSURANCE	Real Estate & Personal Property Taxes	6710	9,137	
	Payroll Taxes (Project's Share)	6711		
	Property & Liability Insurance (Hazard)	6720	17,683	
	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	
3220	Replacement Reserve Deposits as Required by WHEDA	3220		0
	Total Operating Expenses			257,230
	Net Operating Income (NOI)			82,730
6800 FINANCIAL EXPENSE	Interest on Mortgage Payable	6820	119,913	
	Interest on Notes Payable (Long Term)	6830	17,601	
	Interest on Notes Payable (Short Term)	6840		
	Mortgage Insurance Premium/Service Charge	6850		
	Miscellaneous Financial Expense	6890	377	
		Total Financial Expense	6800	
	Total Expenses of Operations Before Depreciation	6000		395,121
	Profit or (Loss) Before Depreciation	5060		(55,161)
6600 DEPR/AMORT	Depreciation Expense	6601		245,716
	Amortization Expense	6610		7,602
	Operating Profit or Loss	5060		(308,479)
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	3,250	
		Net Entity Expenses	7100	
	NET PROFIT OR (LOSS)	3250		(311,729)
TOTAL PRINCIPAL PAYMENTS	WHEDA First Mortgage	9910		0
	Second Mortgage	9911		0
	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

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

WHEDA LIHTC Project No. 5402
SCHEDULE OF PROFIT AND LOSS (Continued)
Year ended December 31, 2018

MISCELLANEOUS EXPENSE ACCOUNTS OVER 1% OF CATEGORY

MISCELLANEOUS ADMINISTRATIVE EXPENSE (Account #6390)

WHEDA compliance fees	\$	2,925
Bank charges		65
Miscellaneous		<u>906</u>

TOTAL MISCELLANEOUS ADMINISTRATIVE EXPENSE

\$ 3,896

OTHER EXPENSE (Account #7190)

Asset management fee	\$	<u>3,250</u>
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BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

WHEDA Project No. 5402
 CERTIFICATION BY MANAGING MEMBER OF MORTGAGOR
 December 31, 2018

I hereby certify that I have examined the accompanying financial statements and supplementary information of Beloit Apartments Redevelopment - Phase I, LLC and, to the best of my knowledge and belief, the same are complete and accurate.

By *Julie Christensen*
 Julie Christensen, Executive Director
 Community Development Authority of the City of Beloit
 Managing Member

3/20/19
 Date

ID# 39-6005397

BELOIT APARTMENTS REDEVELOPMENT - PHASE I, LLC

WHEDA Project No. 5402
CERTIFICATION BY MANAGEMENT AGENT
December 31, 2018

I hereby certify that I have examined the accompanying financial statements and supplementary information of Beloit Apartments Redevelopment - Phase I, LLC and, to the best of my knowledge and belief, the same are complete and accurate.

Julie Christensen

3/20/19

By: Julie Christensen, Executive Director
Community Development Authority of the City of Beloit
Governing Body of the Housing Authority of the City of Beloit
Management Agent

Date

ID# 39-6005397

Beloit Apartments Redevelopment - Phase 2, LLC

Financial Report

December 31, 2018

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Members
Beloit Apartments Redevelopment - Phase 2, LLC
Beloit, Wisconsin

We have audited the accompanying financial statements of Beloit Apartments Redevelopment - Phase 2, LLC, which comprise the balance sheets as of December 31, 2018 and 2017, 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 Beloit Apartments Redevelopment - Phase 2, LLC as of December 31, 2018 and 2017, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules of project operating expenses shown on page 17 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 28, 2019

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

BALANCE SHEETS

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 159,184	\$ 133,248
Restricted cash	632,878	609,919
Accounts receivable	26,138	15,455
Prepaid expenses	1,159	648
Rental property, net	8,935,394	9,221,211
Tax credit fees, net	68,408	76,958
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 9,823,161</u>	<u>\$ 10,057,439</u>
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 2,900,947	\$ 2,900,645
Accounts payable	38,912	18,742
Accrued expenses	7,881	8,847
Accrued interest	513,448	432,391
Accrued PILOT	11,832	11,162
Tenants' security deposits payable	27,372	28,300
	<u> </u>	<u> </u>
Total liabilities	3,500,392	3,400,087
MEMBERS' EQUITY	<u>6,322,769</u>	<u>6,657,352</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 9,823,161</u>	<u>\$ 10,057,439</u>

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

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

STATEMENTS OF OPERATIONS

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Rental income	\$ 145,068	\$ 139,039
Operating subsidies	124,654	136,959
Other revenue	<u>16,887</u>	<u>9,395</u>
Total revenues	286,609	285,393
Rental expenses:		
Rent and administrative	103,989	96,457
Utilities	26,746	27,417
Operating and maintenance	85,843	101,925
Taxes and insurance	<u>21,621</u>	<u>19,594</u>
Total rental expenses	<u>238,199</u>	<u>245,393</u>
Net rental income	48,410	40,000
Financial income (expense):		
Interest income	614	593
Interest expense	<u>(81,359)</u>	<u>(78,294)</u>
Total financial income (expense)	<u>(80,745)</u>	<u>(77,701)</u>
Loss before other expenses	(32,335)	(37,701)
Other expenses:		
Depreciation	377,558	420,676
Amortization	8,550	8,550
Asset management fee	<u>7,881</u>	<u>7,651</u>
Total other expenses	<u>393,989</u>	<u>436,877</u>
Net loss	<u>\$ (426,324)</u>	<u>\$ (474,578)</u>

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

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

STATEMENTS OF MEMBERS' EQUITY Years ended December 31, 2018 and 2017

	<u>Managing member</u>	<u>Investor member</u>	<u>Total</u>
Balances, December 31, 2016	\$ 36,738	\$ 7,094,094	\$ 7,130,832
Contribution of Rental Property	1,098	0	1,098
Net loss	<u>(47)</u>	<u>(474,531)</u>	<u>(474,578)</u>
Balances, December 31, 2017	37,789	6,619,563	6,657,352
Contribution of Rental Property	91,741	0	91,741
Net loss	<u>(43)</u>	<u>(426,281)</u>	<u>(426,324)</u>
Balances, December 31, 2018	<u>\$ 129,487</u>	<u>\$ 6,193,282</u>	<u>\$ 6,322,769</u>

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

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

STATEMENTS OF CASH FLOWS

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (426,324)	\$ (474,578)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	377,558	420,676
Amortization	8,550	8,550
Amortization of debt issuance costs	302	302
Increase (decrease) in cash due to changes in:		
Tenants' security deposits	1,286	(12)
Accounts receivable	(10,683)	40,469
Prepaid expenses	(511)	0
Accounts payable	20,170	(45,707)
Accrued expenses	(966)	(24,483)
Accrued interest	81,057	77,992
Accrued PILOT	670	1,703
Tenants' security deposits payable	(928)	575
	<u>50,181</u>	<u>5,487</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net deposits to replacement reserve	(23,772)	(23,063)
Net deposits to operating reserve	(191)	(191)
Net deposits to ACC reserve	(282)	(281)
	<u>(24,245)</u>	<u>(23,535)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>0</u>	<u>0</u>
Change in cash and cash equivalents	25,936	(18,048)
Cash and cash equivalents:		
Beginning	<u>133,248</u>	<u>151,296</u>
Ending	<u>\$ 159,184</u>	<u>\$ 133,248</u>
SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Contribution of Rental Property	<u>\$ 91,741</u>	<u>\$ 1,098</u>

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

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A -- Nature of business and significant accounting policies

Nature of business

Beloit Apartments Redevelopment - Phase 2, LLC (the company) was organized on March 5, 2010, as a limited liability company (LLC) formed under the Wisconsin Limited Liability Company Act (the Act). The company was formed to acquire, rehabilitate/develop and operate a 66-unit project comprised of 41 elderly and 25 family residential units, located on scattered sites in Beloit, Wisconsin, called Beloit Apartments Redevelopment - Phase 2, LLC (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 and land, was acquired under a capital lease dated October 14, 2011. The company completed the rehabilitation of the existing structures on various dates from January through May of 2012. The new construction portion of the project was placed in service on various dates in August and December 2012.

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 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 perpetual unless sooner terminated in accordance with the operating 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.

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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. A receivable is considered past due if payments have not been received by the company for 10 days. Accounts are generally written off as uncollectible if no payments are received after 30 days. No fee is charged to customers for late payment.

Rental revenue is recognized when earned. The company leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis.

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:

	<u>Years</u>
Land and buildings under capital lease	98
Buildings and improvements	27.5
Land improvements	15
Furnishings and equipment	5

Maintenance and repairs of rental property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of rental property and equipment, 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.

Debt issuance costs

Debt issuance costs incurred by the company totaled \$12,000. The company is amortizing these costs into interest expense on the straight-line method over 39 years and 9 months, the life of the loans. The use of the straight-line method rather than the effective interest method has no material effect on the financial statements.

Amortized costs included in interest expense amounted to \$302 for each of the years ended December 31, 2018 and 2017.

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 from the Wisconsin Housing and Economic Development Authority (WHEDA), the company incurred fees totaling \$128,263. The company is amortizing these fees over the related tax credit compliance period of 15 years using the straight-line method.

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 Community Development Authority of the City of Beloit (CDA) under the Regulatory & Operating Agreement (R & O Agreement) and the United States Department of Housing and Urban Development (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.

Subsequent events

These financial statements have not been updated for subsequent events occurring after February 28, 2019, 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:

	<u>2018</u>	<u>2017</u>
Replacement reserve	\$ 137,250	\$ 113,478
Operating reserve	191,080	190,889
ACC reserve	281,591	281,309
Tenants' security deposits	<u>22,957</u>	<u>24,243</u>
	<u>\$ 632,878</u>	<u>\$ 609,919</u>

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 and increasing annually by 3%. Disbursements are restricted to capital improvements and repairs to the project. Disbursements in excess of \$5,000 in the aggregate in any given month will require written approval of the managing member and the 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.

	<u>2018</u>	<u>2017</u>
Balance, beginning	\$ 113,478	\$ 90,415
Deposits	23,642	22,954
Interest earned	<u>130</u>	<u>109</u>
Balance, ending	<u>\$ 137,250</u>	<u>\$ 113,478</u>

Operating reserve

The R & O Agreement and the operating agreement require the company to fund and maintain an operating reserve in the amount of \$190,000 upon receipt of the investor member's third installment of project equity. Any excess amount remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement, subject to consent by any lender or HUD. If the balance in the operating reserve falls below \$190,000, 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.

	<u>2018</u>	<u>2017</u>
Balance, beginning	\$ 190,889	\$ 190,698
Interest earned	<u>191</u>	<u>191</u>
Balance, ending	<u>\$ 191,080</u>	<u>\$ 190,889</u>

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE B -- Restricted cash (Continued)

Annual Contributions Contract (ACC) reserve

The operating agreement and R & O Agreement require the company to fund an ACC reserve equal to \$280,000 upon the receipt of the investor member's third installment of project equity. Disbursements are to be used to pay operating and debt service deficits that directly result from the loss of or a reduction in the projected HUD mixed finance subsidies. 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, subject to any required lender or HUD consent, be distributed to the members as provided for in the operating agreement.

	<u>2018</u>	<u>2017</u>
Balance, beginning	\$ 281,309	\$ 281,028
Interest earned	<u>282</u>	<u>281</u>
Balance, ending	<u>\$ 281,591</u>	<u>\$ 281,309</u>

NOTE C -- Rental property, net

Rental property, net is comprised of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 175,397	\$ 175,397
Land and buildings under capital lease	1,410,000	1,410,000
Buildings and improvements	9,304,835	9,216,173
Land improvements	397,055	397,055
Furnishings and equipment	<u>313,808</u>	<u>310,729</u>
	11,601,095	11,509,354
Less accumulated depreciation	<u>2,665,701</u>	<u>2,288,143</u>
	<u>\$ 8,935,394</u>	<u>\$ 9,221,211</u>

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE D -- Mortgage notes payable, net

Mortgage notes payable, net consists of the following:

	2018	2017
<p>CDA, managing member; non-recourse mortgage note payable under the capital lease described in Note E; due in one installment on October 13, 2051, together with interest at 4.19% compounded annually; collateralized by a mortgage on the project's rental property; interest expense totaled \$76,253 and \$73,187 for the years ended December 31, 2018 and 2017, respectively; accrued interest was \$486,151 and \$409,898 as of December 31, 2018 and 2017, respectively; unamortized debt issuance costs associated with this note totaled \$9,887 and \$10,189 as of December 31, 2018 and 2017, respectively.</p>	\$ 1,410,000	\$ 1,410,000
<p>CDA; non-recourse mortgage note in the original amount of \$230,074; due in one installment on October 13, 2051, together with interest at 0.50%; collateralized by a mortgage on the project's rental property; interest expense totaled \$1,150 and \$1,151 for the years ended December 31, 2018 and 2017, respectively; accrued interest was \$6,519 and \$5,369 as of December 31, 2018 and 2017, respectively.</p>	230,074	230,074
<p>CDA; non-recourse mortgage note in the original amount of \$256,500; due in one installment on October 13, 2051, together with interest at 0.50%; collateralized by a mortgage on the project's rental property; interest expense totaled \$1,282 for each of the years ended December 31, 2018 and 2017; accrued interest was \$7,588 and \$6,306 as of December 31, 2018 and 2017, respectively.</p>	256,500	256,500
<p>CDA; non-recourse mortgage note in the original amount of \$540,000; non-interest bearing; due in one installment on October 13, 2051; collateralized by a mortgage on the project's rental property.</p>	540,000	540,000
<p>Balance carried forward</p>	2,436,574	2,436,574

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE D -- Mortgage notes payable, net (Continued)

	2018	2017
Balance brought forward	\$ 2,436,574	\$ 2,436,574
CDA; non-recourse mortgage note in the amount up to \$600,000; principal due in one installment on October 13, 2051, together with interest at 0.50%; collateralized by a mortgage on the project's rental property; interest expense was \$2,372 for each of the years ended December 31, 2018 and 2017; accrued interest was \$13,190 and \$10,818 as of December 31, 2018 and 2017, respectively.	474,260	474,260
Total mortgage notes payable	2,910,834	2,910,834
Less unamortized debt issuance costs	9,887	10,189
	\$ 2,900,947	\$ 2,900,645

Repayment of principal on the mortgage notes payable as of December 31, 2018, is as follows:

Year ending December 31,

2019	\$	0
2020		0
2021		0
2022		0
2023		0
Thereafter		2,910,834
	\$	2,910,834

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE E -- Capital lease

The company has entered into a capital lease agreement with the CDA dated October 14, 2011, 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	\$	770,000
Buildings		<u>640,000</u>
Total	\$	<u>1,410,000</u>

In accordance with accounting principles generally accepted in the United States of America, the land and buildings are capitalized as a single unit and amortized over the capital lease term of 98 years. Accumulated depreciation on the land and buildings under the capital lease was \$104,312 and \$89,924 as of December 31, 2018 and 2017, respectively.

Base rent under the capital lease was payable in a single installment of \$1,410,000 on October 14, 2011. The balance of unpaid base rent accrues interest at 4.19%, 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 13, 2051. The capital lease obligation is secured by a mortgage note as described in Note D and expires on October 13, 2109.

In addition to the base rent and related interest payments, the company is obligated to make an annual payment in lieu of taxes (PILOT) to the City of Beloit, Wisconsin (the City) (see Note F).

NOTE F -- Related party transactions

Accounts payable

Included in accounts payable are amounts owed to the CDA for reimbursement of operating expenses totaling \$35,225 and \$14,987 as of December 31, 2018 and 2017, respectively.

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 and ACC operating subsidy received on a monthly basis. The agreement is automatically renewed from year to year unless otherwise terminated. Property management fees totaled \$12,268 and \$13,387 for the years ended December 31, 2018 and 2017, respectively.

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE F -- Related party transactions (Continued)

Asset management fee

The company is obligated to pay an affiliate of the investor member, NEF Community Investments, Inc., an annual asset management fee of \$6,600, increasing annually by 3%. The fee is payable solely from cash flow as defined in the operating agreement and shall be cumulative and accrued if not paid. Asset management fees incurred were \$7,881 and \$7,651 for the years ended December 31, 2018 and 2017, respectively. Asset management fees accrued and included in accrued expenses were \$7,881 and \$7,651 as of December 31, 2018 and 2017, respectively.

Operating deficit guaranty

The managing member is obligated, after all funds in the operating reserve account have been depleted, to fund operating deficits during the operating deficit guaranty period. The operating deficit guaranty period is defined as the period beginning with the date of achievement of stabilized occupancy and ending after achievement of 36 consecutive months with an expense coverage ratio of 1.00 or better commencing on or after the second anniversary of the later of the achievement of stabilized occupancy or repayment in full of the construction loan. The obligation to fund operating deficits shall be limited to \$190,000. Such loans are non-interest bearing and repayable solely from available cash flow as defined in the operating agreement. There were no operating deficit guaranty loans as of December 31, 2018 and 2017.

R & O Agreement

The company has entered into an R & O Agreement with the CDA. Provisions of the agreement require the company to maintain all units as public housing units. The CDA is to pay operating subsidies to the company equal to project expenses less project income. 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 \$124,654 and \$136,959 were earned during the years ended December 31, 2018 and 2017, respectively. Included in accounts receivable are operating subsidies receivable of \$18,799 and \$9,689 as of December 31, 2018 and 2017, respectively.

PILOT

The company and the CDA entered into a PILOT agreement with the City, in which the company will make an annual PILOT payment to the City beginning in 2011 and ending in the final calendar year of the project's compliance period (2026). The PILOT shall be equal to 10% of the difference between the annual tenant's portion of the collected rents for all of the residential rental units in the buildings and the annual utility bills incurred by the company with respect to the project. The PILOT is required for as long as the land and buildings under capital lease constitutes property of the CDA that is exempt from taxation under the Wisconsin Statutes.

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE G -- Company profits and losses and distributions

All profits and losses are allocated .01% to the managing member and 99.99% to the investor member.

Distributable cash flow, as defined by the operating 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. To all members having negative balances in their capital accounts prior to the distribution of any sale or refinancing proceeds, an amount of such gain to increase their negative balance to zero.
2. To all members until their capital account balances are equal to net projected tax liabilities as defined in the company agreement.
3. The remainder of such gain, if any, 99.99% to the investor member and .01% to the managing member.

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.

Affordable Housing Program Agreement (AHP)

On October 14, 2011, the CDA, on behalf of Beloit Apartments Redevelopment - Phase 2, LLC, entered into an AHP Agreement with The First National Bank and Trust Company (the bank) in the original amount of \$256,500. In connection with the AHP agreement, the CDA and the company entered into a Retention/Recapture Agreement with the bank. As a condition of receiving these funds, the CDA and the company have agreed to make 40 units, 25 units and one unit of the project affordable for and occupied by households whose income does not exceed 50%, 60% and 80%, respectively, of the county median income (CMI) of Rock County, Wisconsin. The compliance period will terminate 15 years from the date of project completion.

SUPPLEMENTARY INFORMATION

BELOIT APARTMENTS REDEVELOPMENT - PHASE 2, LLC

SCHEDULES OF PROJECT OPERATING EXPENSES

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
RENT AND ADMINISTRATIVE		
Administrative salaries	\$ 59,317	\$ 56,131
Office expenses	309	262
Advertising & marketing	9	0
Property management fees	12,268	13,387
Bookkeeping fees	5,234	5,061
Professional fees - legal	1,246	1,833
Professional fees - audit	9,525	9,304
Bad debts	11,862	6,119
WHEDA compliance fee	2,970	2,970
Other rent and administrative	1,249	1,390
TOTAL RENT AND ADMINISTRATIVE	<u>\$ 103,989</u>	<u>\$ 96,457</u>
UTILITIES		
Electricity	\$ 16,668	\$ 17,271
Water	1,709	1,332
Sewer	4,710	3,957
Natural gas	3,659	4,857
TOTAL UTILITIES	<u>\$ 26,746</u>	<u>\$ 27,417</u>
OPERATING AND MAINTENANCE		
Maintenance salaries	\$ 56,530	\$ 67,407
Maintenance supplies and materials	7,945	5,201
Maintenance contracts	10,464	15,077
Security contract	3,206	4,709
Maintenance equipment repairs	777	0
HVAC maintenance and repairs	1,965	2,598
Trash removal	2,965	3,373
Other operating and maintenance	1,991	3,560
TOTAL OPERATING AND MAINTENANCE	<u>\$ 85,843</u>	<u>\$ 101,925</u>
TAXES AND INSURANCE		
PILOT	\$ 11,832	\$ 11,161
Property and liability insurance	9,789	8,433
TOTAL TAXES AND INSURANCE	<u>\$ 21,621</u>	<u>\$ 19,594</u>

CITY OF BELOIT

REPORTS AND PRESENTATIONS TO CITY COUNCIL



Topic:	Consideration of Resolution 2019-30 Approving Release of Memorandum of Agreement for 1255 Gateway Blvd, 3190 Colley Road, 3230 Colley Road and 3310 Colley Road		
Date:	December 4, 2019		
Presenter:	Julie Christensen	Department:	Economic Development

Overview/Background Information

On August 14, 2002, a Memorandum of Agreement was filed with the Rock County, Wisconsin Register of Deeds which was used to provide notice to the public that MLG Investments 2000 LLC had an option to purchase certain property in the Gateway Business Park.

On December 19, 2012 MLG Investments 2000 LLC signed a Release of Memorandum of Agreement which was filed with the Rock County, Wisconsin Register of Deeds on January 21, 2013 which acknowledged the termination of MLG Investments 2000 LLC's rights under the Memorandum;

It has been requested that the other parties to the Agreement provide full and complete releases to said Memorandum of Agreement.

The attached Release of Memorandum of Agreement provides the necessary release on behalf of the Community Development Authority and permits the City Attorney to make any needed technical modifications to the language of the Release necessary to effectuate the purposes of this Resolution.

Key Issues

See above

Conformance with Strategic Plan

Approval of this action would conform with the stated purpose of the following strategic goal:

- Goal #1 - Create and Sustain Safe and Healthy Neighborhoods
- Goal #2 - Create and Sustain a High Performing Organization
- Goal #3 - Create and Sustain Economic and Residential Growth
- Goal #4 - Create and Sustain a High Quality of Life
- Goal #5 - Create and Sustain High Quality Infrastructure and Connectivity
- Goal #6 - Create and Sustain a Positive Image, Enhance Communications and Engage the Community

Sustainability

(If applicable, briefly comment on the sustainable long term impact of this policy or program related to how it will impact both the built and natural environment. Consider whether the policy or program will reduce dependence upon fossil fuels, reduce dependence on chemicals and other manufacturing substances that accumulate in nature, reduce dependence on activities that harm life sustaining eco-systems, and/or meet the hierarchy of present and future human needs fairly and efficiently. Write N/A if not applicable)

N/A

Action Required/Recommendation

Staff recommends approval of the resolution

Fiscal Note/Budget Impact

No budgetary impact

Attachments

Release of Memorandum of Agreement
Resolution

Revised 05-24-2018

COMMUNITY DEVELOPMENT AUTHORITY

RESOLUTION 2019-30

**RESOLUTION APPROVING RELEASE OF A MEMORANDUM OF AGREEMENT
RELATED TO THE PROPERTIES AT 1255 GATEWAY BLVD, 3190 COLLEY ROAD
3230 COLLEY ROAD AND 3310 COLLEY ROAD**

WHEREAS, on August 14, 2002, a Memorandum of Agreement was filed with the Rock County, Wisconsin Register of Deeds as Document number 1557788 which was used to provide notice to the public that MLG Investments 2000 LLC had an option to purchase certain property in the Gateway Business Park; and

WHEREAS, on December 19, 2012 MLG Investments 2000 LLC signed a Release of Memorandum of Agreement which was filed with the Rock County, Wisconsin Register of Deeds as Document number 1968753 on January 21, 2013 which acknowledged the termination of MLG Investments 2000 LLC's rights under the Memorandum;

WHEREAS, it has been requested that the other parties to the Agreement provide full and complete releases to said Memorandum of Agreement.

NOW, THEREFORE, BE IT RESOLVED that the attached Release of Memorandum of Agreement is hereby approved and the Executive Director is hereby authorized to execute the Release on behalf of the Community Development Authority and take any other necessary action to effectuate the purpose of this Resolution. This approval permits the City Attorney to make any needed technical modifications to the language of the Release necessary to effectuate the purposes of this Resolution.

Adopted this 4th day of December, 2019.

COMMUNITY DEVELOPMENT AUTHORITY

David Baker, Chariman

ATTEST:

Julie Christensen, Executive Director

EXHIBIT A

LEGAL DESCRIPTION

Parcel I: The SW $\frac{1}{4}$ of Section 28, Township 1 North, Range 13 East; City of Beloit, Rock County, Wisconsin. Excepting therefrom 20 acres of equal width from off the west side thereof. Excepting and reserving therefrom 68 feet in equal width off the east side thereof. Except the following described property: That part of the SW $\frac{1}{4}$ of Section 28, T.1.N., R.13E., of the 4th P.M., Town of Turtle, now City of Beloit, Rock County, Wisconsin, described as follows: Beginning at an iron pin on the south line of Section 28, Turtle, 68 feet west of the south quarter corner thereof; thence west on the south line of Section 28, aforesaid, 125 feet to an iron pin; thence N. 1 degree 53' west along a line parallel to and 193 feet west of the north and south centerline of Section 28, 220 feet to an iron pipe; thence east parallel to the south line of Section 28, 125 feet to an iron pipe; thence S. 1 degree 53' E., parallel to the north and south centerline of Section 28, 220 feet. to place of beginning .

Parcel II: Sixty acres of land in the northwest corner of Section 33, Township 1 North, Range 13 East, City of Beloit, Rock County, Wisconsin, described as follows: Commencing at the northwest corner of said Section 33; thence east on the section line, 86 rods; thence south at right angles 57 rods; thence east parallel to the north line of the section; 9 rods; thence south at right angles, 51 rods; thence west parallel to the north line of the section, 95 rods and to the west line of said section; thence north on said section line, 108 rods to the place of beginning.