

**Biele Place Apartments  
(Contract Number 80-RHC-032)  
A Project of the Capitol Area Development Authority**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**June 30, 2017 and 2016**

---

**Biele Place Apartments  
(Contract Number 80-RHC-032)  
A Project of the Capitol Area Development Authority**

Index

	<u>Page</u>
Independent Auditor's Report	2
Basic Financial Statements	
Statements of Net Position	4
Statements of Revenues, Expenses and Changes in Net Position	5
Statements of Cash Flows	7
Notes to the Financial Statements	9
Supplementary Information	
Supplementary Information Required by the California Department of Housing and Community Development	15
Annual Report Sponsor Certification	17
Annual Report Reserve Balances and Supplementary Information	18
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20

Independent Auditor's Report

Board of Directors  
Capitol Area Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Biele Place Apartments (Contract Number 80-RHC-032) (the "Project"), a project of the Capitol Area Development Authority ("Authority"), which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position 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 financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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 the Biele Place Apartments as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Emphasis of Matter*

As described in Note 1, the financial statements present only the financial position and changes in financial position of the Project and do not purport to, and do not, present fairly, the financial position of the Authority as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Other Matters*

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Project as a whole. The accompanying supplementary information on pages 15 to 19 as required by the California Department of Housing and Community Development 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Sacramento, California  
December 7, 2017

**Biele Place Apartments  
(Contract Number 80-RHC-032)  
A Project of the Capitol Area Development Authority**

**Statements of Net Position  
June 30, 2017 and 2016**

	<u>Assets</u>	
	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 82,902	\$ 21,887
Residential accounts receivable	2,518	1,472
Restricted cash and cash equivalents - tenant security deposits	<u>12,418</u>	<u>11,463</u>
Total current assets	<u>97,838</u>	<u>34,822</u>
Noncurrent assets		
Restricted cash and cash equivalents - replacement reserve	<u>117,138</u>	<u>56,549</u>
Capital assets		
Building and Improvements	1,242,587	1,242,587
Less accumulated depreciation	<u>(1,216,110)</u>	<u>(1,204,782)</u>
Total capital assets	<u>26,477</u>	<u>37,805</u>
Total noncurrent assets	<u>143,615</u>	<u>94,354</u>
Total assets	<u><u>\$ 241,453</u></u>	<u><u>\$ 129,176</u></u>
	<u>Liabilities</u>	
Current liabilities		
Accounts payable	\$ 2,316	\$ 3,545
Unearned revenue - prepaid rent	428	2,360
Due to HCD	13,157	50,448
Tenant security deposits	<u>12,418</u>	<u>11,463</u>
Total current liabilities	<u>28,319</u>	<u>67,816</u>
Total liabilities	<u><u>\$ 28,319</u></u>	<u><u>\$ 67,816</u></u>
	<u>Net Position</u>	
Net investment in capital assets	\$ 26,477	\$ 37,805
Restricted for replacement reserve	117,138	56,549
Unrestricted	<u>69,519</u>	<u>(32,994)</u>
Total net position	<u><u>\$ 213,134</u></u>	<u><u>\$ 61,360</u></u>

See Notes to Financial Statements.

**Biele Place Apartments**  
**(Contract Number 80-RHC-032)**  
**A Project of the Capitol Area Development Authority**

**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2017 and 2016**

	2017	2016
Operating revenues		
Rental revenue, net	\$ 150,228	\$ 150,454
HCD annuities	37,291	(18,608)
Coin-operated laundry	1,982	1,932
Miscellaneous	240	2,807
	189,741	136,585
Operating expenses		
Payroll		
Salaries and benefits	38,850	39,138
Administrative		
Legal and accounting services	4,200	4,850
Management fee	22,200	21,550
Media	636	600
	27,036	27,000
Utilities	25,283	23,977
Operating and maintenance		
Supplies	9,433	3,524
Service contracts	16,518	13,780
Courtesy patrol	2,520	2,400
Decorating and painting	3,482	3,349
Repairs and maintenance	14,423	22,637
	46,376	45,690
Insurance and taxes		
Insurance	7,395	8,491
Property taxes	721	647
	8,116	9,138
Depreciation	11,328	10,798
	156,989	155,741
Operating income (loss)	32,752	(19,156)

**Biele Place Apartments**  
**(Contract Number 80-RHC-032)**  
**A Project of the Capitol Area Development Authority**

**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Nonoperating revenues (expenses)		
CADA Annuity	118,000	-
Interest income	<u>1,022</u>	<u>795</u>
Total nonoperating revenues, net	<u>119,022</u>	<u>795</u>
Change in net position	151,774	(18,361)
Net position, beginning	<u>61,360</u>	<u>79,721</u>
Net position, end	<u>\$ 213,134</u>	<u>\$ 61,360</u>

See Notes to Financial Statements.

**Biele Place Apartments**  
**(Contract Number 80-RHC-032)**  
**A Project of the Capitol Area Development Authority**

**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	2017	2016
Cash flows from operating activities		
Rental receipts	\$ 147,250	\$ 150,841
Other receipts	2,222	4,739
Tenant security deposits received	8,910	2,780
Payroll and related costs	(38,850)	(39,138)
Administrative	(27,036)	(27,000)
Utilities	(25,283)	(23,977)
Operating and maintenance	(47,605)	(43,220)
Tenant security deposits paid	(7,955)	(2,805)
Insurance and taxes	(8,116)	(9,138)
	3,537	13,082
Net cash provided by operating activities		
Cash flows from noncapital financing activities		
CADA annuity	118,000	-
	118,000	-
Net cash provided by noncapital financing activities		
Cash flows from investing activities		
Interest receipts	1,022	795
	1,022	795
Net cash provided by investing activities		
Net increase in cash and cash equivalents	122,559	13,877
Cash and cash equivalents, beginning	89,899	76,022
Cash and cash equivalents, end	\$ 212,458	\$ 89,899



**Biele Place Apartments**  
**(Contract Number 80-RHC-032)**  
**A Project of the Capitol Area Development Authority**

**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	2017	2016
Reconciliation to the statements of net position		
Cash and cash equivalents	\$ 82,902	\$ 21,887
Restricted cash and cash equivalents		
Tenant security deposits	12,418	11,463
Replacement reserve	117,138	56,549
Total cash and cash equivalents	\$ 212,458	\$ 89,899
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 32,752	\$ (19,156)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	11,328	10,798
Changes in assets and liabilities		
Residential accounts receivable	(1,046)	(396)
Prepaid expenses	-	48
Accounts payable	(1,229)	2,422
Unearned revenue -prepaid rent	(1,932)	783
Due to HCD	(37,291)	18,608
Tenant security deposits	955	(25)
Net cash provided by operating activities	\$ 3,537	\$ 13,082

See Notes to Financial Statements.

**Biele Place Apartments  
(Contract Number 80-RHC-032)  
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements  
June 30, 2017 and 2016**

**Note 1 - Organization and summary of significant accounting policies**

**General**

Biele Place Apartments ("Project") is a 35-unit apartment complex located in downtown Sacramento, California. It provides housing for eligible low-income families under the State of California Department of Housing and Community Development ("HCD") Rental Housing Construction Program ("RHCP"). This program provides long-term financing to construct the housing project and monthly annuities to fund operating deficits. The operating subsidy agreement with HCD expired in the prior year and there are no program excess payments incurred during the year ended June 30, 2017. The Authority is in negotiation with HCD to enter into a new regulatory agreement and until a such new agreement is executed, the Project is not eligible to a subsidy or make withdrawals from the replacement reserve. As of the date of this report, no agreement has been executed by the Authority and HCD.

In accordance with a regulatory agreement dated December 30, 1982, the Capitol Area Development Authority ("Authority") manages the Project. The Authority is a joint powers agency with a Board of Directors comprised of appointees of the City of Sacramento ("City") and the State of California. The accompanying financial statements are not intended to present fairly the financial position or changes in financial position and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America ("GAAP").

**Basis of presentation**

The Project is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows occur. The Project distinguishes operating from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Project's ongoing operations. The principal operating revenue of the Project is rental income from tenants of its housing units. This revenue is recognized on the financial statements net of vacancy loss, low income subsidies, and loss to leases. Operating expenses for the Project include payroll expenses for employee services, administrative expenses, utilities expenses, operating and maintenance expenses, insurance and taxes expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Project's policy to use restricted resources first, then unrestricted resources as needed.

**Cash, cash equivalents and restricted cash and cash equivalents**

The Project participates in the City's external investment pool. The City Treasurer pools cash and other City funds and invests to maximize income consistent with safe and prudent investment practices within the guidelines of the City's investment policy. The City, as a charter city, has adopted its own investment guidelines to guide investment of City funds by the Treasurer. These guidelines are consistent with the requirements of California Government Code Section 53601. The City Council provides regulatory oversight of the City's investment pool and reviews its investment policy on a quarterly basis. The estimated fair value of investments in the pool is based on quoted market prices. However, the value of the pool shares in the City's investment pool that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Project's position in the pool. The City's investment pool is unrated and the weighted average maturity is 1.38 years and 1.88 years as of June 30, 2017 and 2016, respectively. At June 30, 2017 and 2016, the majority of the Project's cash and cash equivalents and restricted cash and cash

**Biele Place Apartments**  
**(Contract Number 80-RHC-032)**  
**A Project of the Capitol Area Development Authority**

**Notes to Financial Statements**  
**June 30, 2017 and 2016**

equivalents are invested in the City's investment pool. Detailed disclosures, including investment policies and associated risk policies, regarding the Project's cash and investments are included in the notes to the Authority's basic financial statements.

For purposes of the statements of cash flows, the Authority considers cash and cash equivalents to include all pooled cash and investments, including restricted account balances, as these pooled balances have the general characteristic of a demand deposit account. Restricted cash and cash equivalents includes the replacement reserve and tenant security deposits.

**Resident accounts receivable**

Resident accounts receivable are due from tenants and reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2017 and 2016, there is no allowance for doubtful accounts.

**Capital assets**

Capital assets, which are defined by the Authority as assets with an initial, individual cost of more than \$3,000 and an estimated useful life beyond one year, are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over an estimated useful life of between 5 to 30 years. Maintenance and repair costs are expensed as incurred. The Project does not own the land, only the building on the land and therefore there are no nondepreciable capital assets disclosed.

**Impairment of capital assets**

The Authority reviews the capital assets of the Project for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of June 30, 2017, there has been no impairment of the capital assets.

**Rental income**

The Project's rental property is generally leased to tenants under one year non-cancelable operating leases. Rental income is recognized as rents become due. Rental payments received in advance are recorded as unearned revenue.

**Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

**Note 2 - Tenant security deposits**

The Project collects security deposits from tenants at the inception of the tenant lease. These deposits, which are reported in these financial statements as restricted cash, are refundable to the tenants to the extent there are no unpaid rents or damages to the housing unit. Tenant security deposits held as of June 30, 2017 and 2016 amounted to \$12,418 and \$11,463, respectively.

**Biele Place Apartments  
(Contract Number 80-RHC-032)  
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements  
June 30, 2017 and 2016**

**Note 3 - Capital assets**

Information on additions and disposals of capital assets is presented below:

	<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
Capital assets not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Buildings and improvements	1,242,587	-	-	1,242,587
Less accumulated depreciation for Buildings and improvements	<u>(1,204,782)</u>	<u>(11,328)</u>	<u>-</u>	<u>(1,216,110)</u>
Capital assets being depreciated, net	<u>37,805</u>	<u>(11,328)</u>	<u>-</u>	<u>26,477</u>
Capital assets, net	<u>\$ 37,805</u>	<u>\$ (11,328)</u>	<u>\$ -</u>	<u>\$ 26,477</u>
	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
Capital assets not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Buildings and improvements	1,242,587	-	-	1,242,587
Less accumulated depreciation for Buildings and improvements	<u>(1,193,984)</u>	<u>(10,798)</u>	<u>-</u>	<u>(1,204,782)</u>
Capital assets being depreciated, net	<u>48,603</u>	<u>(10,798)</u>	<u>-</u>	<u>37,805</u>
Capital assets, net	<u>\$ 48,603</u>	<u>\$ (10,798)</u>	<u>\$ -</u>	<u>\$ 37,805</u>

**Note 4 - Replacement reserve**

The replacement reserve account reported in these financial statements as restricted cash is funded monthly to provide for future major additions, repairs or replacements. The replacement reserve activity for the years ended June 30 is as follows:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 56,549	\$ 58,244
Other deposits	16,202	-
Interest earned	996	665
Required deposits	43,391	6,100
Authorized expenses	<u>-</u>	<u>(8,460)</u>
Ending balance	<u>\$ 117,138</u>	<u>\$ 56,549</u>

**Biele Place Apartments  
(Contract Number 80-RHC-032)  
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements  
June 30, 2017 and 2016**

**Note 5 - Program payments**

As stated in Note 1, the HCD RHCP provides operating funds to the Project to cover the operating costs not covered by rental revenues. In the case the Project operates at a surplus, the net surplus is remitted to HCD or deposited to the replacement reserve subject to HCD approval.

For the fiscal years ended June 30, 2017 and 2016, the revenues exceeded the qualifying costs by \$0 and \$13,298 respectively, and such amounts have been expensed. During the years ended June 30, 2017 and 2016, HCD notified the Authority that prior years' unexpended payments of \$0 and \$5,310, respectively, are due back to HCD and such amounts have also been expensed. Net unexpended program payments are reported as Due to HCD on the Project's statements of net position. The agreement with HCD expired during the year ended June 30, 2016 and there are no amounts due to or due from HCD for the year ended June 30, 2017. As of June 30, 2017 and 2016, the Project owes HCD annuities payable of \$13,157 and \$50,448, respectively, and such amounts will be either paid to HCD or with HCD approval deposited into the replacement reserve. During the year ended June 30, 2017, HCD approved that a portion of the Due to HCD amounting to \$37,291 be deposited into the replacement reserve account. The account activities are as follows at June 30:

	<u>2017</u>	<u>2016</u>
Due to HCD, beginning	\$ 50,448	\$ 31,840
Excess cash deposited to replacement reserve	(37,291)	-
Excess program payments to HCD		
Amounts due to HCD for the current year	-	13,298
Excess payments due to HCD per audit	-	5,310
	<u>          </u>	<u>          </u>
Due to HCD, end	<u>\$ 13,157</u>	<u>\$ 50,448</u>

**Note 6 - Leased property**

The land on which the Project is located is owned by the State of California. On August 29, 1980, a 60-year operating lease was entered into between the Authority and the State of California. This lease is without cost, therefore, it is not reflected in these financial statements.

The State of California or the Authority may terminate the lease at any time by giving 60 days' notice. Should this lease be terminated, the developmental ground lease will be honored by the State of California on behalf of the Authority.

**Biele Place Apartments  
(Contract Number 80-RHC-032)  
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements  
June 30, 2017 and 2016**

**Note 7 - Subsequent events**

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date, require disclosure in the accompanying notes. Management evaluated the activity of the Project through December 7, 2017, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

## **Supplementary Information**

**Biele Place Apartments  
(Contract Number 80-RHC-032)  
A Project of the Capitol Area Development Authority**

**Supplementary Information Required by HCD  
Year Ended June 30, 2017**

<u>Account No.</u>		
	Operating revenues	
5120	Rent revenue	\$ 150,228
5121	Tenant assistance payments	-
		<hr/>
	Rental revenue	150,228
		<hr/>
	HCD annuities	
	Excess program payments revenue	37,291
		<hr/>
	Net HCD annuities	37,291
		<hr/>
	Other revenues	
5910	Coin-operated laundry	1,982
5190	Miscellaneous	240
		<hr/>
	Total operating revenues	189,741
		<hr/>
	Operating expenses	
	Payroll	
6330	Manager salaries	24,161
6331	Manager rent fee unit	6,611
6510	Janitor payroll	8,078
		<hr/>
	Total payroll	38,850
		<hr/>
6340	Legal	-
6350	Accounting services	4,200
6320	Management fee	22,200
6210	Media	636
		<hr/>
	Total administrative	27,036
		<hr/>
	Utilities	
6450	Electricity	2,784
6452	Gas	3,545
6453	Water/Sewer	17,952
6525	Garbage	1,002
		<hr/>
	Total utilities	25,283
		<hr/>



**Biele Place Apartments  
(Contract Number 80-RHC-032)  
A Project of the Capitol Area Development Authority**

**Supplementary Information Required by HCD  
Year Ended June 30, 2017**

	Operating and maintenance	
6515	Services and supplies	9,433
6530	Courtesy patrol	2,520
6517	Janitor and Cleaning Contracts	16,518
6537	Grounds Contract	-
6560	Decorating and painting	3,482
6545	Elevator Maintenance	-
6541	Repairs Material	-
6590	Misc. Ops. And Maint. Expense	-
6591	Major Construction Expense	<u>14,423</u>
	Total operating and maintenance	<u>46,376</u>
	Insurance and taxes	
6729	Insurance	7,395
6710	Property taxes	<u>721</u>
	Total insurance and taxes	<u>8,116</u>
	Depreciation	<u>11,328</u>
	Total operating expenses	<u>156,989</u>
	Operating income (loss)	<u>32,752</u>
	Non-operating revenues	
5400	CADA annuity	118,000
5410	Interest income	<u>1,022</u>
	Change in net position	<u>151,774</u>
	Net position, beginning	<u>61,360</u>
	Net position, end	<u><u>\$ 213,134</u></u>

**Insurance**

Insurance premiums are current as of June 30, 2017. The annual renewal policy was paid before the due date.

---

Project Name: Biele Place

Contract #: 80-RHC-032

Sponsor's Name: Capitol Area Development Authority

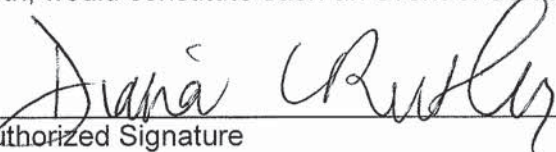
Project Fiscal Year: 2016-2017

The sponsor must send one copy of this *Annual Report Sponsor Certification* along with the annual *Audited Financial Statements* to the Department of Housing and Community Development within ninety (90) days (or within the period of time specified in the Regulatory Agreement, if different) after the end of the project fiscal year. The *Annual Report Sponsor Certification* must have original signatures. Please note that if additional information is required for a specific program's *annual reporting requirement*, that information must accompany the *Annual Audited Financial Statements* as a separate attachment. The *Annual Report* includes the *Sponsor Certification*, the *Audited Financial Statements* and all other annual reporting documents.

---

**Sponsor Certification**

It is hereby certified that all of the representations made by the sponsor in the Regulatory Agreement and the financial disclosures contained in the *Annual Report* are true and correct, and that there is not any condition, event, or act which would constitute an event of default there under, or which with notice, passage of time, or both, would constitute such an event of default.

  
\_\_\_\_\_  
Authorized Signature

Diana Rutley  
\_\_\_\_\_  
Printed Name

Property Manager  
\_\_\_\_\_  
Title

12/1/2017  
\_\_\_\_\_  
Date



Explanation of other Withdrawals:

ADDITIONAL REQUESTED INFORMATION FOR FY:

2016-2017

ITEM	YES	NO	DATES PAID AND COMMENTS
1. <b>Operating Reserves:</b> Funded monthly? If not, how often?			Not Applicable
2. <b>Replacement Reserves:</b> Funded monthly? If not, how often?	X		
3. <b>Security Deposit Acct. :</b> Bal. equal to/greater than security deposit liability plus interest? Explain if "No".			Not Applicable
4. <b>Taxes:</b> Paid current, on time & no late fees incurred?	X		
5. <b>Insurance:</b> Is coverage according to Regulatory Agreement?	X		
6. <b>Insurance:</b> Paid current and the renewal policy paid on time?	X		
7. <b>Required Debt Service:</b> Paid current & always paid by due date?			Not Applicable
8. <b>Debt:</b> Has additional indebtedness been incurred? (If "YES", explain what, when and with whom.)		X	
9. <b>Other Reserve Account?:</b> Name other reserve accounts, how funded, who controls them and their purpose.			Not Applicable
10. <b>Account Insurance:</b> Are all accounts insured by Federal Gov't?	X		

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Board of Directors  
Capitol Area Development Authority  
Sacramento, California

We have audited, in accordance with the 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, the financial statements of Biele Place Apartments (Contract Number 80-RHC-032) (the "Project"), a project of the Capitol Area Development Authority (Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Project's basic financial statements, and have issued our report thereon dated December 7, 2017.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
December 7, 2017

COHN  REZNICK  
ACCOUNTING • TAX • ADVISORY

Independent Member of Nexia International

[cohnreznick.com](http://cohnreznick.com)