



December 11, 2020

TO: CADA Board of Directors

SUBJECT: **December 18, 2020, Board Meeting**
AGENDA ITEM 7
AUDITED FINANCIAL STATEMENTS – FISCAL YEAR 2019-2020

CONTACT: Noelle Mussen, Finance Director

RECOMMENDED ACTION:

Staff recommends that the Board, by separate resolutions, accept the following four audited financial reports as prepared and released by CohnReznick:

- ◆ Capitol Area Development Authority
Independent Auditor's Reports FY 2019-2020 (**Attachment 1a**)
- ◆ Somerset Parkside Apartments (Contract Number 80-RHC-007)
Independent Auditor's Reports FY 2019-2020 (**Attachment 1b**)
- ◆ Biele Place Apartments (Contract Number 80-RHC-032)
Independent Auditor's Reports FY 2019-2020 (**Attachment 1c**)
- ◆ Seventeenth Street Commons (Contract Number 99-024-N)
Independent Auditor's Reports FY 2019-2020 (**Attachment 1d**)

BACKGROUND

The attached audited financial reports for Fiscal Year 2019-20 have been prepared in accordance with the interagency agreement between CADA and the City of Sacramento concerning accounting and audit services performed for CADA. In addition to the Independent Auditor's Reports that consolidate the results of all operating funds, including special management funds, three stand-alone reports have been prepared for residential facilities CADA managed under agreements with the Department of Housing and Community Development (HCD) and the California Housing Finance Agency (CalHFA). The HCD properties are Somerset Parkside and Biele Place, and the remaining property, managed under a regulatory agreement with CalHFA, is 17th Street Commons. The HCD and CalHFA regulatory agreements require CADA's audits to include certain supplemental reports and schedules that are not required to be included in standard independent auditor reports. Staff expects CohnReznick to issue an unqualified opinion letter that is incorporated into its report for this year. CohnReznick will attend the December Board meeting to present its findings.

POLICY ISSUES

It should be noted that only three of CADA's four special management properties are currently subject to stand-alone audits (Somerset Parkside, Biele Place, and 17th Street Commons). The financial

position and activities for the fourth special management property, the Fremont Wilshire Apartments, are maintained in separate special management funds but are not presently required to be independently audited on an annual basis.

Audited financial statements are reported in accordance with Generally Accepted Accounting Principles (GAAP). The monthly financial reports that are transmitted to the Board during the year and reviewed with the Operations Committee are presented in a modified "cash flow" format rather than in accordance with GAAP. Both on the revenue and expense side, there are factors that are either included in or excluded from GAAP financials but not in CADA's internal reports. Additionally, Capital Investment Program (CIP) projects (both Major Construction and Development) are budgeted on a multi-year basis and reported separately. Consequently, direct comparison of results between the General Operations monthly financials and the consolidated audited financials requires identification of reconciling factors. The audited financial statements for CADA and the special management funds are included as **Attachments 1a through 1d**. **Attachment 2** identifies "reconciling factors", or differences, between GAAP and Budget Basis financial reporting. **Attachment 3** reflects CADA's General Operations budget-to-actual results for fiscal year 2019 - 2020, exclusive of Capital Investment Program activities. Attachments 1a, 2, and 3 are more fully discussed below. Attachments 1b through 1d are financial reports for three individual buildings that operate under regulatory agreements with other agencies that require them to be submitted annually for their review.

STRATEGIC PLAN

This action addresses CADA's Strategic Plan goal of Fiscal Responsibility.

FINANCIAL IMPACT

Management Discussion and Analysis (Attachment 1a)

A comprehensive overview of financial highlights and the audited financial statements is included in the Management Discussion and Analysis section of the auditor's report where the report consolidates the results of all operating funds.

Statements of Revenues, Expenses and Changes in Fund Net Position (Attachment 1a):

CADA's audited financials reflect positive results for the year, with an increase of \$2,801,138 in its Net Position. This is a \$1,437,652 decrease in Net Position compared to last year. Last year, CADA experienced a \$4,238,790 increase in its net position. The increase of \$2,801,138 in CADA's Net Position consists of Non-Operating Net Revenues of \$5,680,956 less an operating loss of \$2,879,818 from rental and development activities. The primary reason for the decreased positive results in FY 2019-20 compared to FY 2018-19 is an increased financing expense for Biele Place, reduction in Grant Revenue and increases to Development project expenses from the prior year, as described below, offset by increases in Intergovernmental Revenue of Tax Increment

Non-Operating Revenues totaled \$5,680,956, which is a net increase of \$481,121 over last year's revenue of \$5,199,835. This reflects a net increase in Intergovernmental Revenue (including Tax Increment) of \$1,526,123, offset by an increase in financing expenses of \$1,025,000 for Biele Place to recognize the outstanding debt owed to HCD.

CADA's Operating Loss was \$2,879,816, which is \$1,918,771 more than last year's \$961,045 loss. The change is primarily due to increases in total Operating Expense of \$1,535,863, and a decrease in Operating Revenue of \$382,910. Operating Expenses mainly changed in Employee Services and Benefits in the amount of \$529,708, due to staffing a new development manager position and

increases in recognized retirement expenses, and within Development Projects resulting from a \$604,653 increase in expenses, as compared to the prior year, for professional services for the O Street Streetscape project conceptual plan, the 1322 O Courtyard project for finance consulting, and the Dean Transformer project. The decrease in Operating Revenue reflects a net \$160,187 increase in Rental Revenue and a decrease in development project revenue of \$157,742 and grant revenue of \$389,140. These decreases were due to the reimbursements for the R Street Garage and Truitt Dog Park projects being higher in the prior year than in the current year with these projects completing during the fiscal year.

Statements of Cash Flow (Attachment 1a):

Total Cash and Cash Equivalents increased by \$1,428,360 compared to the prior year's increase of \$1,948,293. The positive change in cash flow was due to an increase in cash inflow from investing activities for the repayment of the Fremont News notes of \$850,192, increases in Intergovernmental revenue of \$1,552,891, and a \$291,280 decrease in cash outflow for the Joint Investment for funding to the 1717 S Street project partnership. This was offset by an increase in cash outflow of \$1,043,245 within the development-related and operation receipts, and a \$479,504 increase in cash outflow for capital asset during the year.

Budget Basis to GAAP Basis Net Income Reconciliation (Attachment 2):

Attachment 2 identifies the reconciling factors between the "GAAP Basis of Accounting," which is the required reporting basis for audited financial statements, and CADA's "Budget Basis of Accounting," or "Modified Cash Basis of Accounting," which is the basis for staff's monthly financial reporting to the Board. This attachment is presented as a cash flow report adjusting out inter-fund activity and includes the CIP Budgets which are usually reported separately from the monthly reports. The Audit Reconciliation section shows the differences between the adjusted cash flow report and the audited change in net assets, or net income, reported on the audited financial statements.

The major adjustments between the GAAP Basis and Cash Basis include the following:

- Removal of debt service and debt related transactions from the cash flow expenses because this is a reduction of outstanding debt on the Statement of Net Position, not a yearly expense
- The change in the net pension liability and PERS retirement expense through adjustments to Deferred Inflows/Outflows of Resources Related to Pensions
- The change in the net OPEB liability and OPEB annual expense made through Deferred Inflows/Outflows of Resources Related to OPEB.
- Inclusion of the Allowance for Uncollectibles, or bad debt expenses, which removes an asset and increases expenses to recognize cash spent or an asset not received in the current year or a prior year
- The capitalization of additional expense for the 1717 S Partnership investment within the Statement of Net Position, allowing recognition of this expense as an asset in the year the cash was spent
- Reduction or capitalization of applicable major construction expenses within the Statement of Net Position, net of the related depreciation expense, allowing the recognition of the

capitalized major construction expenses to be over the lifetime of the improved asset and not all in the year the cash was spent

Budget Comparison:

As reflected in **Attachment 3**, CADA's General Operations for FY 2019-2020 were well within budget, ending the year with favorable (positive) variances totaling \$560,249.

ENVIRONMENTAL REVIEW

Not applicable. The recommended action is not a project pursuant to the California Environmental Quality Act (CEQA) guidelines and does not require environmental review.

CONTRACT CONSIDERATIONS

The audit contract with CohnReznick was approved by the Board in June 2016. The contract provides for CohnReznick to provide auditing services for the fiscal years ending 2016 through 2020. Costs of the audit are included in each year's budget.

Attachments:

1. Independent Auditor's Reports FY 2019-2020
 - a. Capitol Area Development Authority
 - b. Somerset Parkside Apartments (Contract Number 80-RHC-007 & LRP)
 - c. Biele Place Apartments (Contract Number 80-RHC-032)
 - d. Seventeenth Street Commons (Contract Number 99-024-N)
2. Reconciliation – Budget Basis to GAAP Net Income
3. General Operations – FY 2019-2020, Budget to Actual

Capitol Area Development Authority

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

June 30, 2020 and 2019

Capitol Area Development Authority

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Capitol Area Development Authority

Board of Directors of the Capitol Area Development Authority

Ann Bailey
Chair

Robert Lagomarsino
Vice-Chair

Steven Maviglio

Randall Winston

Nicholas Avdis

Wendy Saunders
Executive Director

Leyne Milstein
Finance Director
City of Sacramento

Jeffrey Mitchell
Legal Counsel
Kronick Moskowitz
Tiedemann & Girard

John Colville
Treasurer
City of Sacramento

Independent Auditor's Report

To the Board of Directors
of the Capitol Area Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Capitol Area Development Authority ("Authority") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority'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.

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 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 of 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 Authority'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 Authority'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 Capitol Area Development Authority as of June 30, 2020 and 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the cost-sharing defined benefit pension plan schedule of the Authority's proportionate share of the net pension liability, the cost-sharing defined benefit pension plan schedule of the Authority's contributions, the schedule of changes in net OPEB liability and related ratios, and the schedule of OPEB plan contributions identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a required 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated *December 11, 2020* 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 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 Authority'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 Authority's internal control over financial reporting and compliance.



Sacramento, California
December 11, 2020

Capitol Area Development Authority

Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2020 and 2019

As management of the Capitol Area Development Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority and its financial activities for the fiscal years ended June 30, 2020 and 2019.

The Authority was created by a joint powers agreement between the City of Sacramento and the State of California in 1978. The Authority's primary mission is to implement the residential and commercial component of the State's Capitol Area Plan and the City's R Street Corridor Master Plan. Additionally, the Authority contributes to the on-going vibrancy and diversity of the Sacramento urban core by creating a neighborhood at its center that is environmentally, socially and fiscally sustainable through its development activities and by providing professional property management services for the mixed-use, mixed-income properties that it manages. This mission is funded by rental income generated through the Authority's management of state-owned property and with tax increment revenue generated within the Authority's project area. While not a redevelopment agency, the Authority has legislative powers to collect tax increment from development in the project area.

Readers are encouraged to consider the following information in conjunction with the Authority's financial statements.

Financial Highlights

Financial Highlights for the Year Ended June 30, 2020

- During the year, the Authority had revenues of approximately \$15.4 million consisting primarily of \$8.1 million in rental and other revenues, \$6.7 million in tax increment revenue and \$.57 million in other revenue and interest income.
- The Authority had expenses totaling approximately \$12.6 million consisting primarily of \$4.3 million in employee services and benefits, \$4.4 million related to property management operations, \$1.5 million of interest expense on the Authority's debt, \$1.6 million for development projects, and \$.82 million in depreciation expense.
- The Authority expended nearly \$1 million during the year on major construction projects budgeted for the structures that the Authority manages in the Capitol Area, of which \$869,051 was capitalized.
- The net OPEB liability required under Government Accounting Standards Board ("GASB") No. 75 (GASB 75) has decreased by \$716,417 to \$1,427,890 as of June 30, 2020.
- The net pension liability required under GASB No. 68 has increased by \$398,525 to \$4,730,335 as of June 30, 2020.
- The Authority entered into a Development and Disposition Agreement (DDA) in June 2018 for the purchase and development of 87-unit rental to condominium conversion project for Site 21 located at 14th and N Streets. Cresleigh Homes purchased the site with a sale back provision if construction does not start by the summer of 2020.
- In order to ensure it has the financial resources to meet the demands of its mission, the Authority maintains a rolling ten-year financial projection that is reviewed and revised at least annually. A key element of the Authority's approach to managing its financial resources is maintaining a level of net assets sufficient to fund a minimum of six months of operating expenses and to meet projected planning and pre-development demands for development projects. The Authority's \$18.9 million in net position, as of June 30, 2020, meets this objective.

Capitol Area Development Authority

Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2020 and 2019

Financial Highlights for the Year Ended June 30, 2019

- During the year, the Authority had revenues of approximately \$14.3 million consisting primarily of \$8.6 million in rental and other revenues, \$5.2 million in tax increment revenue and \$.46 million in other revenue and interest income.
- The Authority had expenses totaling approximately \$9.1 million consisting primarily of \$3.8 million in employee services and benefits, \$4 million related to property management operations, \$.5 million of interest expense on the Authority's debt, \$1 million for development projects, and \$.7 million in depreciation expense.
- The Authority expended nearly \$780,000 during the year on major construction projects budgeted for the structures that the Authority manages in the Capitol Area, of which \$703,300 was capitalized.
- The net OPEB liability required under Government Accounting Standards Board ("GASB") No. 75 (GASB 75) has decreased by \$64,638 to \$2,144,307 as of June 30, 2019.
- The net pension liability required under GASB No. 68 has decreased by \$102,077 to \$4,331,810 as of June 30, 2019.
- The Authority entered into an Exclusive Negotiating Agreement (ENA) with Cresleigh Homes and then a Development and Disposition Agreement (DDA) in June 2018 for the purchase and development of a for sale 87-unit condominium project for Site 21 located at 14th and N Streets. Construction is estimated to start in the summer of 2020 and be completed in 2022.
- In the R Street Corridor the first phase of streetscape enhancements was completed in January 2012. The second phase of improvements was approved and funded by SACOG with the Authority contributing \$820,000 in matching funds in 2012 with construction completed in August 2015. For phase three construction, the Authority applied for and was awarded a SACOG grant in the amount \$2.9 million with a match of \$1.5 million. Construction of phase three began in September 2017 with construction completed in mid-2019.
- In order to ensure it has the financial resources to meet the demands of its mission, the Authority maintains a rolling ten-year financial projection that is reviewed and revised at least annually. A key element of the Authority's approach to managing its financial resources is maintaining a level of net assets sufficient to fund a minimum of six months of operating expenses and to meet projected planning and pre-development demands for development projects. The Authority's \$16.1 million in net position, as of June 30, 2019, meets this objective.

Overview of the Financial Statements

The Authority's annual report consists of Management's Discussion and Analysis (this section), the basic financial statements, and other supplementary information.

The Authority's basic financial statements include two components: the government-wide financial statements and the notes to the financial statements.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. These statements report on the function of the Authority that is principally supported by property management revenue and intergovernmental revenues.

Capitol Area Development Authority

Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2020 and 2019

The *statements of net position* present information on all of the Authority's assets and deferred outflows of resources ("DOR"), and liabilities and deferred inflows of resources ("DIR"), with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or declining.

The *statements of revenues, expenses, and changes in net position* present information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

Notes to the financial statements: The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Supplementary information: The supplementary information accompanying the basic financial statements provides additional information on the Authority's pension plan and other post-employment benefit plan that is essential to a full understanding of the data provided in the government-wide financial statements.

Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's improving or declining financial position. In the case of the Authority, assets and deferred outflows of resources (DOR) exceeded its liabilities and deferred inflows of resources (DIR) by \$18,952,247 as of June 30, 2020.

Capitol Area Development Authority

**Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2020 and 2019**

**Condensed Statements of
Net Position at June 30, 2020 and 2019**

	2020	2019	Change	
			\$	%
Assets				
Current and other assets	\$ 32,369,970	\$ 29,899,989	\$ 2,469,981	8%
Capital assets, net	<u>8,580,120</u>	<u>8,177,941</u>	<u>402,179</u>	5%
Total assets	<u>\$ 40,950,090</u>	<u>\$ 38,077,930</u>	<u>\$ 2,872,160</u>	8%
Deferred outflows of resources (DOR)				
DOR - Pensions and OPEB	<u>\$ 1,621,272</u>	<u>\$ 1,693,104</u>	<u>\$ (71,832)</u>	-4%
Liabilities				
Current liabilities	\$ 1,878,563	\$ 2,243,703	\$ (365,140)	-16%
Non-current liabilities	<u>20,557,803</u>	<u>20,546,122</u>	<u>11,681</u>	0%
Total liabilities	<u>\$ 22,436,366</u>	<u>\$ 22,789,825</u>	<u>\$ (353,459)</u>	-2%
Deferred inflows of resources (DIR)				
DIR - Pensions and OPEB	<u>\$ 1,182,749</u>	<u>\$ 830,100</u>	<u>\$ 352,649</u>	42%
Net position				
Net investment in capital assets	\$ (6,068,395)	\$ (6,202,742)	\$ 134,347	2%
Restricted for insurance and reserves	1,223,866	1,153,206	70,660	6%
Unrestricted	<u>23,796,776</u>	<u>21,200,645</u>	<u>2,596,131</u>	12%
Total net position	<u>\$ 18,952,247</u>	<u>\$ 16,151,109</u>	<u>\$ 2,801,138</u>	17%

Analysis of Net Position - June 30, 2020:

The Authority's net position increased during the current year by \$2,801,138, as a result of consistent revenue and large growth in intergovernmental revenue offset by the retirement of the two Fremont Mews notes receivable.

A portion of the Authority's net position is invested in capital assets. This category, which increased by \$134,347, consists of the cost basis of assets acquired, less depreciation and related debt, net of unspent proceeds. The increase in the net investment in capital assets category of \$134,347 is the net effect of an increase from the \$402,179 additions in capital assets, and a decrease in the related debt due to debt repayments of \$267,832.

The historical cost of capital assets increased as a result of acquisitions of equipment and improvements to buildings for a total of \$1.2 million. Depreciation expense reduced the carrying value of the total capital assets by \$825,849, for a net increase in the net value of capital assets of \$402,179. Additional information on the Authority's capital assets can be found in Note 6 to the Financial Statements.

Capitol Area Development Authority

**Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2020 and 2019**

**Condensed Statements of Revenue, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2020 and 2019**

	2020	2019	Change	
			\$	%
Revenue				
Operating revenue				
Rental revenue, net	\$ 8,100,143	\$ 7,939,956	\$ 160,187	2%
Other revenue	127,201	670,298	(543,097)	-81%
Non-operating revenue				
Interest income	444,972	462,785	(17,813)	-4%
Intergovernmental	6,754,262	5,228,139	1,526,123	29%
Total revenue	<u>\$ 15,426,578</u>	<u>\$ 14,301,178</u>	<u>\$ 1,125,400</u>	8%
Expenses				
Operating expenses				
Employee services and benefits	\$ 4,336,031	\$ 3,806,323	\$ 529,708	14%
Development projects	1,565,254	960,601	604,653	63%
Other	5,205,877	4,804,375	401,502	8%
Non-operating expenses				
Interest expense	1,517,653	493,776	1,023,877	207%
Other	625	(2,687)	3,312	
Total expenses	<u>12,625,440</u>	<u>10,062,388</u>	<u>2,563,052</u>	25%
Change in net position	2,801,138	4,238,790	(1,437,652)	-34%
Net position, beginning of year	<u>16,151,109</u>	<u>11,912,319</u>	<u>4,238,790</u>	36%
Net position, end of year	<u>\$ 18,952,247</u>	<u>\$ 16,151,109</u>	<u>\$ 2,801,138</u>	17%

The Authority's net position in the current year increased by \$2,801,138 as a result of fiscal year ended June 30, 2020 operations. This represents a \$1,437,652 decrease compared to the prior year due to increases in all expense categories.

Revenue reflects a net increase from the prior year, mainly as a result of the net effect of three revenue sources. Tax increment portion of Intergovernmental revenue increased by \$1,526,123 and reflects a continued increase in property taxes within the Authority's boundaries. Other revenue decreased by \$543,097 mainly due to less funding received during the fiscal year compared to the prior year for reimbursement grant funds for the Truitt dog park from the City of Sacramento and the R Street Garage predevelopment work the Authority is doing on DGS's behalf. Rental rates increased and therefore, gross rental revenue increased by \$452,631, offset by increases of \$292,446 in low-income subsidy, vacancy losses and loss to lease. Interest income decreased as a result of lower investment earnings compared to the prior year on funds held with the City Treasurer and less interest income due to the retirement of the Fremont Mews promissory notes. The overall impact on revenue was an increase of \$1,125,400 in total revenue.

Expenses increased by \$2,563,052 during the fiscal year ended June 30, 2020, largely due to the refinance of the Biele Place project with the California Department of Housing Community Development recognizing the outstanding deferred loan of \$1,025,653, along with increases in all the expense categories, with increases in Employee services and benefits of \$529,708 and Development Projects of \$604,653, mainly due to pension expenses and professional services expenses for the 1717 S Street and the Courtyard project.

Capitol Area Development Authority

**Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2020 and 2019**

**Condensed Statements of
Net Position at June 30, 2019 and 2018**

	2019	2018	Change	
			\$	%
Assets				
Current and other assets	\$ 29,899,989	\$ 27,072,493	\$ 2,827,496	10%
Capital assets, net	<u>8,177,941</u>	<u>8,033,317</u>	<u>144,624</u>	2%
Total assets	<u>\$ 38,077,930</u>	<u>\$ 35,105,810</u>	<u>\$ 2,972,120</u>	8%
Deferred outflows of resources (DOR)				
DOR - Pensions and OPEB	<u>\$ 1,693,104</u>	<u>\$ 1,937,046</u>	<u>\$ (243,942)</u>	100%
Liabilities				
Current liabilities	\$ 2,243,703	\$ 2,717,818	\$ (474,115)	-17%
Non-current liabilities	<u>20,546,122</u>	<u>21,438,509</u>	<u>(892,387)</u>	-4%
Total liabilities	<u>\$ 22,789,825</u>	<u>\$ 24,156,327</u>	<u>\$ (1,366,502)</u>	-6%
Deferred inflows of resources (DIR)				
DIR - Pensions and OPEB	<u>\$ 830,100</u>	<u>\$ 974,210</u>	<u>\$ (144,110)</u>	100%
Net position				
Net investment in capital assets	\$ (6,202,742)	\$ (7,322,055)	\$ 1,119,313	-15%
Restricted for insurance and reserves	1,153,206	1,356,769	(203,563)	-15%
Unrestricted	<u>21,200,645</u>	<u>17,877,605</u>	<u>3,323,040</u>	19%
Total net position	<u>\$ 16,151,109</u>	<u>\$ 11,912,319</u>	<u>\$ 4,238,790</u>	36%

Analysis of Net Position - June 30, 2019:

The Authority's net position increased during the current year by \$4,238,790, as a result of consistent revenue with net decreases in development expenses of \$2,386,057.

A portion of the Authority's net position is invested in capital assets. This category, which increased by \$1,119,313, consists of the cost basis of assets acquired, less depreciation and related debt, net of unspent proceeds. The increase in the net investment in capital assets category of \$1,119,313 is the net effect of an increase from the \$144,624 additions in capital assets, and a decrease in the related debt due to debt repayments of \$974,689.

The historical cost of capital assets increased as a result of acquisitions of equipment and improvements to buildings for a total of \$915,918. Depreciation expense reduced the carrying value of the total capital assets by \$771,294, for a net decrease in the net value of capital assets of \$144,624. Additional information on the Authority's capital assets can be found in Note 6 to the Financial Statements.

Capitol Area Development Authority

**Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2020 and 2019**

**Condensed Statements of Revenue, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2019 and 2018**

	2019	2018	Change	
			\$	%
Revenue				
Operating revenue				
Rental revenue, net	\$ 7,939,956	\$ 7,935,048	\$ 4,908	0%
Other revenue	670,298	1,392,317	(722,019)	-52%
Non-operating revenue				
Interest income	462,785	344,137	118,648	34%
Intergovernmental	5,228,139	4,655,229	572,910	12%
Total revenue	<u>\$ 14,301,178</u>	<u>\$ 14,326,731</u>	<u>\$ (25,553)</u>	0%
Expenses				
Operating expenses				
Employee services and benefits	\$ 3,806,323	\$ 3,841,068	\$ (34,745)	-1%
Development projects	960,601	3,346,658	(2,386,057)	-71%
Other	4,804,375	4,533,075	271,300	6%
Non-operating expenses				
Interest expense	493,776	532,048	(38,272)	-7%
Other	(2,687)	-	(2,687)	
Total expenses	<u>10,062,388</u>	<u>12,252,849</u>	<u>(2,190,461)</u>	-18%
Change in net position	4,238,790	2,073,882	2,164,908	104%
Change in accounting principles	-	-	-	
Net position, beginning of year	<u>11,912,319</u>	<u>9,838,437</u>	<u>2,073,882</u>	21%
Net position, end of year	<u>\$ 16,151,109</u>	<u>\$ 11,912,319</u>	<u>\$ 4,238,790</u>	36%

The Authority's net position in the current year increased by \$4,238,790 as a result of fiscal year ended June 30, 2019 operations. This represents a \$2,164,908 increase compared to the prior year due to larger decreases in Development project expenses.

Revenue reflects a slight net decrease from the prior year, mainly as a result of the net effect of three revenue sources. Tax increment portion of Intergovernmental revenue increased by \$575,860 and reflects a continued increase in property taxes within the Authority's boundaries. Other revenue decreased by \$722,019 due to the receipt in the prior year of reimbursement grant funds for the Truitt dog park from the City of Sacramento and the R Street Garage predevelopment work the Authority is doing on DGS behalf. Rental rates increased and therefore, gross rental revenue increased by \$422,856, offset by increases of \$414,338 in low-income subsidy, vacancy losses and loss to lease. Interest income increased as a result of improved investment earnings compared to the prior year on funds held with the City Treasurer. The overall impact on revenue was a decrease of \$25,553 in total revenue.

Expenses decreased by \$2,190,461 during the fiscal year ended June 30, 2019, mainly due to decreases in Development projects of \$2,386,057, from the prior year expenses for R Street Streetscape Phase III construction, R street Garage and 16th street infrastructure improvements, and net of increases in the current year within general operation expenses categories.

Capitol Area Development Authority

Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2020 and 2019

Capital Asset and Debt Administration

Capital assets: As reflected in the Statements of Net Position above, the Authority's investments in capital assets were \$8,580,120 and \$8,177,941 (net of accumulated depreciation) at June 30, 2020 and 2019, respectively. This investment in capital assets, as reflected in the Notes to the Financial Statements, includes construction in progress, building and improvements, and machinery and equipment. Additions during the years ended June 30, 2020 and 2019 totaled \$1.2 million and \$915,918, respectively. The 2020 additions included building improvements of \$1,132,795, machinery and equipment of \$95,233, and reduction in construction in progress of \$209,008. The 2019 additions included building improvements of \$1,830,823, machinery and equipment of \$128,254, and reduction in construction in progress of \$1,043,159. Depreciation on capital assets totaled \$825,849 and \$771,294, respectively, for the years ending June 30, 2020 and 2019.

Additional information on the Authority's capital assets can be found in Note 6 to the Financial Statements.

Notes and bonds payable: As reflected in the Financial Statements and Notes to the Financial Statements, the Authority is responsible for notes and bonds payable totaling \$14,839,670 and \$14,571,838 as of June 30, 2020 and 2019, respectively. During the fiscal years ended June 30, 2020 and 2019, principal payments reduced notes payable by \$222,336 and \$459,992, respectively, and bonds payable by \$535,485 and \$514,697, respectively.

Additional information on the Authority's Long-Term Debt can be found in Notes 7 and 8 to the Financial Statements.

Economic factors and budget process

The Authority adheres to a balanced budget directive, such that budgeted revenues will always equal budgeted expenses. Budgets are prepared using a modified cash flow concept. Consequently, debt principal payments and capitalized expenditures are included, and non-cash items, such as depreciation and amortization, are not included. At mid-year, the Authority reassesses its budgetary estimates.

The Authority is involved in the development of sites within the Capitol Area. Site preparation and development often require more than one fiscal year to complete. Consequently, the Authority operates using both annual General Operations Budgets and multi-year Capital Investment Program Budgets.

The following factors have been considered in preparing the Authority's budget for the fiscal year ended June 30, 2020:

- An increase to the Capitol Area tax increment revenue was budgeted due to the current year receipts and anticipated tax levels for FY 2019-2020. This increase appeared to be due to increased sales and sales with higher capitalization rates in the Authority's area early in the fiscal year. For FY 2020-2021 the Authority only increase this budget by 1%. Due to COVID-19 property tax concerns the County of Sacramento only proposed a 1% increase for FY 2020-2021 which is lower than legal limit of 2%.
- A small net increase was budgeted for rental revenue to reflect the FY 2019-2020 current rental revenue levels. For FY 2020-2021 there were no rental increases to the residential and commercial tenants and residential revenue and commercial revenue were decreased to offer COVID-19 relief to our tenants.

Capitol Area Development Authority

Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2020 and 2019

- Budgeted current development projects of \$226,655 will be funded as part of the fiscal year ending June 30, 2020 General Operations Budget. Development funding outlays have been decreased from the prior year due to no new projects and the completion of the 16th Street Streetscape project.
- Remaining bond proceeds are for the development of housing in both the Capitol and R Street Areas.
- The Authority will continue to maintain its current housing stock through its major construction program with a budgeted amount of \$2.1 million to be funded through the General Operation Budget and the release of prior year funding.
- The Authority budgeted \$170,800 to continue to fund the California Employers' Retiree Benefit Trust administered by the California Public Employees' Retirement System for the Authority's unfunded post-employment health benefit liabilities. This is an increase from the prior year based on the current actuarial analysis.

Future Events that will Financially Impact the Authority

- Due to the impact of COVID-19 on tenants, especially the commercial and ground lease tenants, the Authority has offered lease rebates during this time which has reduced these revenues into the next fiscal year.
- For Site 21 located at 14th and N Streets, Cresleigh Homes was unable to start construction on an 87-unit rental-to-condominium conversion project by the summer of 2020 as required by the DDA. The Authority purchased the property back from the developer in October of 2020 for the original purchase price.
- The Authority is continuing to work with the City of Sacramento on improvements to Roosevelt Park.
- The Authority had entered into an MOU with DGS for the Authority to carry out predevelopment activities in preparation for construction of a parking garage and retail space on the 800 R Street block. This project was cancelled as the state of California budget was hit by the COVID-19 economic impacts. Additionally, in light of the shift to working from home remotely, the State has determined that the parking garage was not needed.
- The Authority has closed on financing and will start construction on the 1717 S Street project. Soil remediation began in October 2020 and will take three months to complete. The project is scheduled to be completed in January 2023.
- The Authority is planning on issuing a new tax allocation bond later in the fiscal year for the amount of \$31 million. This is to fund development projects in both the Capitol and R Street areas.
- The Authority is currently working to implement a concept plan for streetscape improvements and street projects to the O Street Corridor.
- The Authority is in the process of completing a CDLAC or tax credit application to fund the construction of a low-income housing project at the CADA Courtyard Site 16A at 1320 O Street.

Capitol Area Development Authority

Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2020 and 2019

- The Authority will continue exploring options for the development of other sites, including but not limited to, Block 222, Site 5/6, and R Street.
- The Authority will continue to research possible development projects for the development of low-income housing in the R Street Corridor.
- The Authority is investigating purchasing multi-family properties in the Capital Area and R Street to address potential future affordable housing.
- As the Authority continues to proceed with preparations for future development projects, there will be a high demand to fund pre-development activities, provide grant matching funds, potentially pay for toxic remediation and, pay for site preparation activities.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Noelle Mussen, at 1522 - 14th Street, Sacramento, CA 95814.

Capitol Area Development Authority

**Statements of Net Position
June 30, 2020 and 2019**

	2020	2019
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 26,944,436	\$ 23,601,172
Accounts receivable, net	78,441	537,949
Interest receivable	1,396	1,396
Prepaid expenses	246,144	43,115
Notes receivable, current portion	-	25,738
Restricted cash and cash equivalents		
Tenant and event security deposits	402,982	401,345
Debt covenant reserves	384,833	383,329
Insurance impounds	19,265	12,099
Employee benefits	25,775	15,782
Funds held for others	243,858	294,264
	1,076,713	1,106,819
Total restricted cash and cash equivalents		
	28,347,130	25,316,189
Noncurrent assets		
Investment in joint venture	2,748,439	2,548,439
Restricted cash and cash equivalents		
Reserve for replacements	529,601	466,107
Insurance risk reserve	675,000	675,000
	1,204,601	1,141,107
Total restricted cash and cash equivalents		
Notes receivable, net of current portion	69,800	894,254
Capital assets		
Non-depreciable	1,599,024	1,526,621
Depreciable, net	6,981,096	6,651,320
	8,580,120	8,177,941
Total capital assets		
	12,602,960	12,761,741
Total noncurrent assets		
	\$ 40,950,090	\$ 38,077,930
<u>Deferred Outflows of Resources</u>		
Deferred outflows related to pensions	\$ 1,074,814	\$ 1,117,409
Deferred outflows related to OPEB	546,458	575,695
	\$ 1,621,272	\$ 1,693,104
Total deferred outflows of resources		

Capitol Area Development Authority

**Statements of Net Position
June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 146,551	\$ 488,594
Prepaid rent	27,365	27,704
Due to state - HCD	43,371	34,625
Accrued benefits payable	87,136	70,573
Accrued interest payable	86,861	91,870
Tenant security deposits	402,984	401,345
Developer deposits	70,000	85,000
Funds held for others	235,764	286,170
Notes payable, current portion	227,675	222,337
Bonds payable, current portion	550,856	535,485
	<hr/>	<hr/>
Total current liabilities	1,878,563	2,243,703
	<hr/>	<hr/>
Noncurrent liabilities		
Accrued interest payable	160,756	101,763
Notes payable	4,667,751	3,869,772
Bonds payable	9,393,388	9,944,244
Net pension liability	4,730,335	4,331,810
Net OPEB liability	1,427,890	2,144,307
Compensated absences payable	177,683	154,226
	<hr/>	<hr/>
Total noncurrent liabilities	20,557,803	20,546,122
	<hr/>	<hr/>
Total liabilities	\$ 22,436,366	\$ 22,789,825
	<hr/>	<hr/>
<u>Deferred Inflows of Resources</u>		
Deferred inflows related to pensions	\$ 176,053	\$ 170,541
Deferred inflows related to OPEB	1,006,696	659,559
	<hr/>	<hr/>
Total deferred inflows of Resources	\$ 1,182,749	\$ 830,100
	<hr/>	<hr/>
<u>Net Position</u>		
Net investment in capital assets	\$ (6,068,395)	\$ (6,202,742)
Restricted for insurance and reserves	1,223,866	1,153,206
Unrestricted	23,796,776	21,200,645
	<hr/>	<hr/>
Total net position	\$ 18,952,247	\$ 16,151,109
	<hr/>	<hr/>

See Notes to Financial Statements.

Capitol Area Development Authority

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019**

	2020	2019
Operating revenue		
Rental revenue, net	\$ 8,100,143	\$ 7,939,956
Other revenue		
Development projects	84,419	242,161
Grant revenue	-	389,140
Miscellaneous	42,782	38,997
	8,227,344	8,610,254
 Operating expense		
Employee services and benefits	4,336,031	3,806,323
Services and supplies	2,438,297	2,351,418
Development projects	1,565,254	960,601
Repairs and maintenance	1,922,081	1,681,663
Bad debt expense	19,650	-
Depreciation	825,849	771,294
	11,107,162	9,571,299
 Total operating expense		
	(2,879,818)	(961,045)
 Non-operating revenue (expense)		
Interest income	444,972	462,785
Interest and financing expense	(1,517,653)	(493,776)
HCD annuity	(625)	2,687
Intergovernmental	6,754,262	5,228,139
	5,680,956	5,199,835
 Total non-operating revenue		
 Change in net position	2,801,138	4,238,790
 Net position, beginning of year	16,151,109	11,912,319
 Net position, end of year	\$ 18,952,247	\$ 16,151,109

See Notes to Financial Statements.

Capitol Area Development Authority

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Rental receipts	\$ 8,539,662	\$ 7,962,336
Other development and operating receipts	112,201	229,678
Tenant security deposits received	103,500	101,453
Payroll and related costs paid	(4,188,894)	(3,882,953)
Services and supplies expenses paid	(2,699,716)	(2,307,262)
Development project expenses paid	(1,577,268)	(956,681)
Operating and maintenance expenses paid	(2,110,551)	(1,953,639)
Tenant security deposits paid	(101,861)	(109,231)
Funds held for others	<u>(50,406)</u>	<u>(13,789)</u>
Net cash used in operating activities	<u>(1,973,333)</u>	<u>(930,088)</u>
Cash flows from noncapital financing activities		
Intergovernmental	<u>6,762,383</u>	<u>5,209,492</u>
Net cash provided by noncapital financing activities	<u>6,762,383</u>	<u>5,209,492</u>
Cash flows from capital and related financing activities		
Principal payments on bonds and notes payable	(757,821)	(974,689)
Interest paid on bonds and notes payable	(438,016)	(522,859)
Payments for capital assets	<u>(1,311,725)</u>	<u>(832,221)</u>
Net cash used in capital and related financing activities	<u>(2,507,562)</u>	<u>(2,329,769)</u>
Cash flows from investing activities		
Investment in joint venture	(200,000)	(491,280)
Repayment of notes receivable	850,192	26,748
Interest receipts	<u>444,972</u>	<u>463,189</u>
Net cash provided by (used in) investing activities	<u>1,095,164</u>	<u>(1,343)</u>
Net increase in cash and cash equivalents	3,376,652	1,948,292
Cash and cash equivalents, beginning of year	<u>25,849,098</u>	<u>23,900,806</u>
Cash and cash equivalents, end of year	<u>\$ 29,225,750</u>	<u>\$ 25,849,098</u>

Capitol Area Development Authority

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	2020	2019
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and cash equivalents	\$ 26,944,436	\$ 23,601,172
Restricted cash and cash equivalents		
Tenant security deposits	402,982	401,345
Debt covenant reserves	384,833	383,329
Insurance impounds	19,265	12,099
Employee benefits	25,775	15,782
Funds held for others	243,858	294,264
Reserve for replacements	529,601	466,107
Insurance risk reserve	675,000	675,000
	\$ 29,225,750	\$ 25,849,098
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (2,879,818)	\$ (961,045)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	825,849	771,294
Pension	823,006	(2,245)
OPEB	(716,417)	(64,638)
Changes in assets and liabilities		
Accounts receivable	459,508	(464,857)
Prepaid expenses	(203,029)	49,781
Accounts payable	(258,346)	(272,872)
Prepaid rent	(339)	1,617
Accrued benefits payable	16,563	(6,790)
Tenant security deposits payable	1,639	(7,778)
Funds held for others	(50,406)	(13,789)
Compensated absences payable	23,457	(3,766)
	\$ (1,973,333)	\$ (930,088)
Significant noncash capital and related financing activities		
Capital asset additions through Accounts Payable	\$ -	\$ 83,697
Increase in notes payable	\$ 1,025,653	\$ -

See Notes to Financial Statements.

Capitol Area Development Authority

Notes to Financial Statements June 30, 2020 and 2019

Note 1 - Summary of significant accounting policies

The Financial reporting entity

The Capitol Area Development Authority ("Authority") was created by a joint powers agreement between the City of Sacramento ("City") and the State of California ("State") in July 1978. The Authority is governed by a five-member board of directors appointed by the City and the State. The Authority is responsible for management, maintenance and renovation of state-owned apartments (approximately 750 units) and commercial structures (approximately 31 leases); management of ground leases involving privately developed housing (approximately 136 units); developing new housing and commercial projects, including neighborhood amenities; and development of new state office and parking facilities upon request and approval of the State.

Accounting principles generally accepted in the United States of America ("GAAP") require that the component units be separated into blended, fiduciary or discretely presented units for reporting purposes. Although legally separate entities, blended component units are, in substance, part of the Authority's operations. Therefore, they are reported as part of the primary government. The primary government is financially accountable for these component units. The component unit presented has a June 30th fiscal year-end.

The component unit blended in the Authority's financial statements is the Capital Area Community Development Corporation ("CACDC"). This component unit was established for the purpose of assisting the City and State in revitalizing the State Capitol Area by providing financing and assistance for the acquisition, development and managing residential and commercial projects, including affordable housing projects, along with development of public infrastructure.

Basis of presentation

The Authority 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 take place. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenue of the Authority 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 Authority include employee services, development projects expenses, administrative expenses, maintenance, 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 net assets are available, unrestricted resources are used only after restricted resources are depleted.

Intergovernmental revenues

Pursuant to Government Code Sections 8160 and 8180 through 8193, the Authority annually receives from the County of Sacramento, property tax increments collected within the redevelopment project area. During the fiscal year ended June 30, 2003, legislation was passed that expanded the southern boundary of the Authority's redevelopment project area to include a segment of the R Street corridor. Additionally, the Authority regularly receives annuity payments from other governmental agencies, which provide subsidies for a portion of the low-income households served by the Authority.

Capitol Area Development Authority

Notes to Financial Statements June 30, 2020 and 2019

Risk management

The Authority participates in a local government agency excess insurance liability pool to meet its commercial general liability, workers' compensation, umbrella liability, municipality and governmental authorities' errors and omissions, and employment practices liability insurance needs. The Authority is self-insured for these coverages to the extent that claim expenses are below the self-insured retention level set by the excess insurance liability carrier. The Authority has primary insurance policies for property, boiler and machinery, flood, fidelity/crime, site-specific pollution liability and automobile physical damage coverage. Public official bonds required by the joint powers agreement that established the Authority are in place. Funds are set-aside by the Authority to cover potential losses and deductibles. Settled claims have not exceeded coverage for the past three years.

Cash and cash equivalents

The Authority 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 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 the quoted market price. However, the value of the pool shares in the City that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Authority's position in the pool. The Authority also invests in money market mutual funds through a fiscal agent that are restricted by debt covenants.

Restricted cash and cash equivalents include tenant security deposits, reserves required by debt covenants, insurance impounds, funds held for others, replacement reserves and insurance risk reserves.

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 and investments with initial maturities of 90 days or less.

Accounts receivable

Accounts receivable are 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, 2020 and 2019, the allowance for doubtful accounts is \$309,583 and \$289,068, respectively.

Notes receivable

The Authority makes loans and advances. Interest on the notes receivable is accrued at least annually. The Authority assesses the collectability of the amounts based upon the terms of the promissory notes and the capacity of the borrowers to repay the funds based upon expected future cash flows. As of June 30, 2020 and 2019, the Authority's management believes that the outstanding loans are collectible and that the borrowers will be able to repay the loans under the terms of the promissory notes; therefore, no allowance for loan losses was considered necessary.

Capitol Area Development Authority

Notes to Financial Statements June 30, 2020 and 2019

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. Depreciation is calculated using the straight-line method based on the following estimated useful lives:

Building and improvements	5 - 30 years
Machinery and equipment	3 - 10 years

The costs of normal maintenance and repair that do not materially extend asset lives, enhance its efficiency or increase or amend asset usefulness are not capitalized.

Impairment of capital assets

The Authority reviews its capital assets 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, 2020, there has been no impairment of the capital assets.

Compensated absences payable and sick leave

Employee vacation benefits earned, but not used, are recognized as liabilities of the Authority. Fulltime employees accrue annual leave at rates based on length of service. Full-time employees with less than 3 years of service are allowed to carry a maximum of 160 hours of unused vacation, employees with 3-10 years of service may carry a maximum of 240 hours of unused vacation and employees with 10 years or more of service may carry a maximum of 320 hours of unused vacation. Part-time employees working more than, or are on paid status of, 50% a month are eligible to earn and use vacation time at their pro-rata rate according to the percentage of the month they work. Compensated absence accruals are considered long-term in nature and totaled \$177,683 and \$154,226 as of June 30, 2020 and 2019, respectively.

Sick leave benefits are earned and accumulated for each full-time employee at a rate of eight hours per month. A part-time employee earns a prorated share of sick leave, depending on the employee's percentage of full-time service. There is no limit to the number of hours of sick leave that an employee may accumulate, however, upon termination an employee is not paid for unused sick leave. As such, accumulated sick leave benefits are not recognized as liabilities of the Authority.

Pensions

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

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's plan ("OPEB Plan") and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Capitol Area Development Authority

Notes to Financial Statements June 30, 2020 and 2019

GAAP require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date:	June 30, 2018
Measurement Date:	June 30, 2019
Measurement Period:	July 1, 2018 to June 30, 2019

Bonds, notes payable and accrued interest

Bonds and notes payable consist of notes from commercial lenders, banks, local and state agencies. Interest on these notes is accrued at year end.

Income taxes

The Authority is exempt from federal and California income taxes.

Net position

Net position includes the net earnings from operations, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

- Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted - This component of net position consists of constraints imposed by external creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation reduced by liabilities relating to those restricted assets.
- Unrestricted - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Fair value

Authoritative guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets.
- Level 2: Unadjusted quoted market prices for similar assets or liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Significant unobservable inputs for the asset or liability.

Capitol Area Development Authority

Notes to Financial Statements June 30, 2020 and 2019

New accounting pronouncements

During the fiscal year ending June 30, 2020, the Authority has adopted the following new accounting standards issued by the GASB:

Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance". GASB Statement No. 95 was effective immediately and postponed the effective dates of certain GASB Statements and Implementation Guides for one year from their respective original effective dates to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. The adoption of this Statement provided for early adoption of any of the postponed GASB Statements and Implementation Guides.

The effective dates of certain provisions in the following pronouncements are postponed by one year:

- Statement No. 83, "Certain Asset Retirement Obligations" *
- Statement No. 84, "Fiduciary Activities"
- Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements" *
- Statement No. 89, "Accounting for Interest Cost incurred before the End of a Construction Period"
- Statement No. 90, "Majority Equity Interest"
- Statement No. 91, "Conduit Debt Obligations"
- Statement No. 92, "Omnibus 2020"
- Statement No. 93, "Replacement of Interbank Offered Rates"

* These pronouncements were adopted by the Authority as of June 30, 2019.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, "Leases"
- Implementation Guide No. 2019-3, "Leases"

The Authority is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- Statement No. 84, "Fiduciary Activities". GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2021.
- Statement No. 87, "Leases". GASB Statement No. 87 requires that government lessees recognize a lease liability and an intangible assets representing the lessee's right to use the leased asset and report in its financial statements amortization expense for using the leased asset for the shorter of the lease term or the useful life of the underlying asset, interest

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Notes to Financial Statements June 30, 2020 and 2019

expense on the lease liability and note disclosures about the lease. The Statement also requires government lessors recognize a lease receivable and a deferred inflow of resources and continue to report the leased asset in its financial statements and report in its financial statements lease revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow, interest income on the receivable and note disclosures about the lease. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2022.

- Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". GASB Statement 89 provides accounting requirements for interest cost incurred before the end of a construction period. It establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. For financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. For financial statements prepared using the current financial resources measurement focus, interest incurred before the end of a construction period should continue to be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for the Authority's year ending June 30, 2021.
- Statement No 90, "Majority Equity Interests". The primary objective of GASB No 90 is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the financial statements relevance for certain component units. It specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition as an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2022.
- Statement No 91, "Conduit Debt Obligations". The primary objectives of Statement No 91 are to provide a single method to report conduit debt obligation and to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2023.
- Statement No. 92, "Omnibus 2020". GASB Statement No. 92 addresses a variety of topics including, among other things, Leases, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, Fiduciary Activities, Measurement of liabilities related to AROs. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2022.
- Statement No. 93, "Replacement of Interbank Offered Rates". GASB Statement No. 93 assists state and local governments in the transition away from existing interbank offered rates (IBOR) to other reference rates because of global reference rate reform, wherein the London Interbank Offered Rate (LIBOR) is expected to cease to exist in its current form at the end of 2021. The objective of this Statement is to address implications that result from the replacement of an IBOR in Statement No. 53, Accounting and Financial Reporting for

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Derivative Instruments and Statement No. 87, Leases and other accounting and financial reporting implications. The removal of LIBOR as an appropriate benchmark interest rate in this Statement are effective for Authority's fiscal year ending June 30, 2023. All other requirements of this statement are effective for the Authority's fiscal year ending June 30, 2022.

- Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". GASB Statement No. 94 establishes standards of accounting and financial reporting for Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs). The requirements of this Statement are effective for Authority's fiscal year ending June 30, 2023.
- Statement No. 96, "Subscription-Based Information Technology Arrangements". GASB Statement No. 96 establishes standards of accounting and financial reporting for subscription-based information technology (SBITAs) for government end users. Under this Statement, a government generally should recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability. The requirements of the Statement are effective for the Authority's fiscal year ending June 30, 2023.
- Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32". The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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 - Cash, cash equivalents and investments

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

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The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The Authority's funds held with the City of Sacramento investment pool fall under the same requirements as noted above. In addition, the Authority maintains interest-bearing impound deposits and replacement reserve account in the amount of \$119,746 and \$100,178 as of June 30, 2020 and 2019, respectively, with the California Housing Finance Agency ("CalHFA") as required by the Authority's note payable with CalHFA. All such impound deposits are entirely insured or collateralized with securities held by the mortgagor in the Authority's name.

At June 30, 2020 and 2019, the carrying amounts of the Authority's deposits with financial institution were \$7,225,888 and \$4,512,740, respectively. The financial institution balances at June 30, 2020 and 2019 were \$7,652,015 and \$4,624,863, respectively.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority manages its exposure to interest rate risk by investing the majority of its resources with the City Treasurer, which purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the pool is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City's investment pool is unrated and the weighted average maturity is 2.13 years and 1.63 years as of June 30, 2020 and 2019, respectively.

Credit risk

Generally, credit risk is the risk that an issuer of a financial instrument will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority's investments in US Treasuries, impound accounts and deposits are not subject to these ratings (NA). It is the Authority's policy to purchase investments with the minimum ratings required by the California Government Code.

As of June 30, 2020, the Authority's deposits, investments and credit ratings are as follows:

	Credit rating	Maturities		Total
		Under 30 days	1 - 5 years	
Cash and cash equivalents				
City investment pool	Not rated	\$ -	\$ 20,822,306	\$ 20,822,306
Money market mutual fund	AAA/Aaa	628,690	-	628,690
Deposits	N/A	-	-	7,774,754
Total		\$ 628,690	\$ 20,822,306	\$ 29,225,750

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**Notes to Financial Statements
June 30, 2020 and 2019**

As of June 30, 2019, the Authority's deposits, investments and credit ratings are as follows:

	Credit rating	Maturities		Total
		Under 30 days	1 - 5 years	
Cash and cash equivalents				
City investment pool	Not rated	\$ -	\$ 20,361,773	\$ 20,361,773
Money market mutual fund	AAA/Aaa	677,593	-	677,593
Deposits	N/A	-	-	4,809,732
Total		\$ 677,593	\$ 20,361,773	\$ 25,849,098

Fair value classification

The Authority has determined that the amounts in the City investment pool are reported at net asset value and are not included in the fair value hierarchy categories.

Note 3 - Notes receivable

Notes receivable consist of the following at June 30:

	2020	2019
<u>15th & Q Limited Partnership</u>		
Promissory note for \$500,000 for the development of multifamily residential rental housing and secured by the underlying property. Principal was to be due and payable upon maturity on March 1, 2019. In June 2019, the note was amended from interest-free to an interest-bearing note at a rate of 5% per year with an accrual of interest from April 2019 through August 2019. Require monthly principal and interest payments to start September 2019 and continue until the updated maturity in June 2024. In May 2020, the principal and interest on the note was paid in full.	\$ -	\$ 506,276
Promissory note for up to \$400,000 for the development of multifamily residential rental housing and secured by the underlying property. Interest shall accrue commencing the first of the month following the date improvements first achieve a ninety percent (90%) physical occupancy rate (interest accrual date). Interest rates shall increase annually by 1% to a maximum of 5% for years 5 through maturity. Monthly payments are \$2,531 and final maturity is March 2036. Unpaid interest shall be added to principal and bear interest at the note rate. Payments started on March 1, 2010, the beginning of year five following the interest accrual date. In May 2020, the principal and interest on the note was paid in full.	-	343,916

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	<u>2020</u>	<u>2019</u>
<u>Allyson Dalton</u>		
Promissory note of \$140,000 for property improvements. Interest shall accrue at 2% per year on the unpaid principal balance. Annual minimum payments will be made in the amount of the accrued interest with the entire outstanding principal balance due on October 20, 2021.	69,800	69,800
Total	<u>\$ 69,800</u>	<u>\$ 919,992</u>

At the close of escrow on the Warehouse Artist Lofts ("WAL") project, the Authority entered into five residual receipts loans in exchange for property and project assistance for the development of a mix-income multifamily residential rental housing project. During the 2013-2014 fiscal year, the Authority entered into two additional residual receipts loans in exchange for the B&G property adjacent to the WAL project and project assistance for the development of a three story commercial building. According to the loan terms, the developer will pay 30% of residual receipts to the Authority after the first of either occurs: repayment in full of any deferred developer fee or twelve years for the WAL project and eight years for the B&G building after receipt of a Certificate of Occupancy for each project. These loans will only be repaid from residual receipts and in no event shall the payment to the Authority exceed 30% for the WAL project and 15% for the B&G building. Due to the nature of these loans the Authority determined that these notes have no carrying value; therefore, they are not reflected on the Statements of Net Position. If payment is received in the future for these loans those payments will be recognized as revenue to the Authority.

Residual receipt loans consist of the following at June 30, 2020:

R Street LP for the Warehouse Artist Lofts project

Warehouse residual receipt loan in the amount of \$3,600,000 amortized over 40 years at a 1% interest rate, secured by the Warehouse but subordinate to the developer's construction loan and permanent loan, and to be repaid from residual receipts.	\$ 3,888,000
Lots 3&4 residual receipt loan, property adjacent to the Warehouse, in the amount of \$973,000 amortized over 40 years at a 1% interest rate, secured by Lots 3&4 but subordinate to the developers construction loan and permanent loan, and to be repaid from residual receipts.	1,050,840
Authority Construction residual receipt loan in the amount of \$1.2 million amortized over 40 years at a 1% interest rate, secured by the Warehouse and Lots 3&4 but subordinate to the developers construction loan and permanent loan, and to be repaid from residual receipts.	1,296,000
Remediation residual receipt loan in the amount of \$774,000 amortized over 40 years at a 1% interest rate, secured by the Warehouse but subordinate to the developer's construction loan and permanent loan, and to be repaid from residual receipts.	835,920

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**Notes to Financial Statements
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HCD Grant residual receipt loan in the amount of \$4,946,080 amortized over 55 years with zero interest, secured by the Warehouse but subordinate to the developer's construction loan and permanent loan, and to be repaid from residual receipts. 4,946,080

B&G Building Investors, LLC

Land residual receipt loan, property adjacent to the WAL project, in the amount of \$260,000 amortized over 40 years at a 1% interest rate, secured by the property but subordinate to the developer's construction loan and permanent loan, and to be repaid from residual receipts. 278,200

Authority Construction residual receipt loan in the amount of \$500,000 amortized over 40 years at a 1% interest rate, secured by the property but subordinate to the developers construction loan and permanent loan, and to be repaid from residual receipts. 536,000

Total \$ 12,831,040

Note 4 - Lease of state-owned real and personal property

The Authority leases and manages real and personal property located in the City of Sacramento from the State under a sixty-year operating lease terminating on October 31, 2038. The related cost of these properties is not included in the Authority's financial statements nor does the Authority pay rent on these properties. The State may terminate the lease in whole or as to any portion at any time by giving the Authority notice in writing at least 180 days prior to the date that any such termination shall be effective.

Exceptions to the 180-day notice of termination are the separate 60-year ground lease(s), which the Authority entered into with the State for the purposes of long-term development. In these instances, the Authority can develop the property itself or enter into a 59-year developmental ground lease with a developer for a specific project. These leases are used as security for the development of the property. Should the ground lease between the Authority and the State be terminated, the developmental ground leases will be honored by the State on behalf of the Authority.

Note 5 - Operating leases

The Authority leases office space (approximately 6,172 square feet) through the State of California Department of General Services (DGS). In January 2010, a new lease was negotiated with DGS for the currently leased space for a term of ten years from February 1, 2010 to January 31, 2020 for a monthly rental amount of \$8,172, with no annual rate adjustments. Under the terms of the current lease ending January 1, 2020 a total of \$89,429 and \$98,064 in operating lease rental expense was paid during each of the years ended June 30, 2020 and 2019, respectively.

In June 2017, the Authority negotiated with DGS to amend the current lease to included two five-year options at a reduced rental rate due to significant upgrades the Authority contributed to the premises in repair, replacement and upgrades to the heating, ventilation, air condition, electrical and plumbing systems.

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Future minimum lease payments required under the leases subsequent to June 30, 2020 are as follows:

	<u>Total</u>	
2021	\$	77,340
2022		77,340
2023		77,340
2024		77,340
2025		78,305
Thereafter		<u>365,090</u>
Total	\$	<u><u>752,755</u></u>

Note 6 - Capital assets

Information on changes in capital assets is presented below:

	<u>Balance June 30, 2019</u>	<u>Increases</u>	<u>Transfers</u>	<u>Balance June 30, 2020</u>
Capital assets not being depreciated				
Land	\$ 1,282,385	\$ -	\$ -	\$ 1,282,385
Construction in progress	<u>244,236</u>	<u>281,411</u>	<u>(209,008)</u>	<u>316,639</u>
Total	<u>1,526,621</u>	<u>281,411</u>	<u>(209,008)</u>	<u>1,599,024</u>
Capital assets being depreciated				
Buildings and improvements	27,412,171	851,384	(2,550,969)	25,712,586
Machinery and equipment	<u>476,305</u>	<u>95,233</u>	<u>-</u>	<u>571,538</u>
	<u>27,888,476</u>	<u>946,617</u>	<u>(2,550,969)</u>	<u>26,284,124</u>
Less accumulated depreciation				
Buildings and improvements	(20,966,934)	(757,221)	2,759,977	(18,964,178)
Machinery and equipment	<u>(270,222)</u>	<u>(68,628)</u>	<u>-</u>	<u>(338,850)</u>
	<u>(21,237,156)</u>	<u>(825,849)</u>	<u>2,759,977</u>	<u>(19,303,028)</u>
Total capital assets being depreciated, net	<u>6,651,320</u>	<u>120,768</u>	<u>209,008</u>	<u>6,981,096</u>
Capital assets, net	<u><u>\$ 8,177,941</u></u>	<u><u>\$ 402,179</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,580,120</u></u>

Capitol Area Development Authority

**Notes to Financial Statements
June 30, 2020 and 2019**

	Balance June 30, 2018	Increases	Transfers	Balance June 30, 2019
Capital assets not being depreciated				
Land	\$ 1,282,385	\$ -	\$ -	\$ 1,282,385
Construction in progress	1,287,395	121,596	(1,164,755)	244,236
Total	2,569,780	121,596	(1,164,755)	1,526,621
Capital assets being depreciated				
Buildings and improvements	25,581,348	666,068	1,164,755	27,412,171
Machinery and equipment	348,051	128,254	-	476,305
	25,929,399	794,322	1,164,755	27,888,476
Less accumulated depreciation				
Buildings and improvements	(20,246,051)	(720,883)	-	(20,966,934)
Machinery and equipment	(219,811)	(50,411)	-	(270,222)
	(20,465,862)	(771,294)	-	(21,237,156)
Total capital assets being depreciated, net	5,463,537	23,028	1,164,755	6,651,320
Capital assets, net	\$ 8,033,317	\$ 144,624	\$ -	\$ 8,177,941

Note 7 - Notes payable

Notes payable consists of the following at June 30:

	2020	2019	GASB 88 Disclosures
<u>State of California Department of General Services ("DGS")</u>			
Issued December 2005: Starting in December of 2009, both interest and principal payments were due. The resulting principal balance amortizes through the year 2028 (a period of 20 years) at 1.98% with consecutive annual payments of principal and interest of \$73,260. Secured by pledge of tax increment revenue.	\$ 598,537	\$ 658,754	A1, B1, C1, D1, E1
Issued December 2005: Starting in December of 2009, both interest and principal payments were due. The resulting principal balance amortizes through the year 2028 (a period of 20 years) at 1.98% with consecutive annual payments of principal and interest of \$23,033. Secured by pledge of tax increment revenue.	188,183	207,115	A1, B1, C1, D1, E1

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**Notes to Financial Statements
June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>	<u>GASB 88 Disclosures</u>
<p>Issued December 2005: Starting in December of 2009, both interest and principal payments were due. The resulting principal balance amortizes through the year 2028 (a period of 20 years) at 1.98% with consecutive annual payments of principal and interest of \$36,307. Secured by pledge of tax increment revenue.</p>	296,635	326,478	A1, B1, C1, D1, E1
<u>California Housing Finance Agency</u>			
<p>Monthly installments of \$7,836, including principal and interest at 5.25% to August 2033, secured by 17th Street Commons project.</p>	896,377	942,037	A1, B2, C2, D1, E2
<u>Sacramento Housing Finance Agency</u>			
<p>Non-interest-bearing note with annual principal payments of \$16,481 beginning December 2003 and maturing in the year 2028, secured by 17th Street Commons project.</p>	164,823	181,304	A1, B2, C2, D2, E3
<p>Noninterest-bearing note with principal payments of not less than \$25,000 annually beginning July 1, 2013 and maturing on July 1, 2022, secured by the pledge of tax increment funds on the Capital Lofts project.</p>	75,000	100,000	A1, B3, C3, D3, E3
<u>California Department of Housing and Community Development (HCD)</u>			
<p>Promissory note dated September 1, 2017, of \$1,197,213 payable to HCD, bearing simple interest at 3% per year. The loan matures 16 years from the date of the note (September 2033) at which time all outstanding principal and accrued interest will be due.</p>	1,197,213	1,197,213	A1, B4, C4, D4, E4

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**Notes to Financial Statements
June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>	<u>GASB 88 Disclosures</u>
Promissory note dated September 27, 2019, of \$1,025,653 payable to HCD, bearing simple interest at 3% per year. The loan matures 12 years from the date of the note (October 2030) at which time all outstanding principal and accrued interest will be due.	1,025,653	-	A1, B5, C6, D6, E6
<u>California Infrastructure & Economic Development Bank</u>			
Tax Allocation Loan for an amount up to \$600,000 secured by the Authority's tax increment. Average annual payments of principal, interest and fees of \$40,000 with a fixed interest rate of 2.77% to September 16, 2032.	453,005	479,208	A1, B1, C5, D5, E5
Total	<u>\$ 4,895,426</u>	<u>\$ 4,092,109</u>	

Future maturities on notes payable for years subsequent to June 30, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 227,675	\$ 79,538	\$ 307,213
2022	233,209	73,994	307,203
2023	238,948	68,245	307,193
2024	219,898	62,285	282,183
2025	226,070	56,100	282,170
2026-2030	2,124,478	540,816	2,665,294
2031-2034	1,625,148	608,188	2,233,336
	<u>\$ 4,895,426</u>	<u>\$ 1,489,166</u>	<u>\$ 6,384,592</u>

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**Notes to Financial Statements
June 30, 2020 and 2019**

The following is a summary of the notes payable transactions for the fiscal years ended June 30, 2020 and 2019:

<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>	<u>Amounts due within one year</u>
<u>\$ 4,092,109</u>	<u>\$ 1,025,653</u>	<u>\$ (222,336)</u>	<u>\$ 4,895,426</u>	<u>\$ 227,675</u>
<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</u>	<u>Amounts due within one year</u>
<u>\$ 4,552,101</u>	<u>\$ -</u>	<u>\$ (459,992)</u>	<u>\$ 4,092,109</u>	<u>\$ 222,337</u>

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**Notes to Financial Statements
June 30, 2020 and 2019**

The following is a schedule required disclosures under GASB No. 88:

A. Amount of unused lines of credit

A1 The Authority has no open lines of credit

B. Assets Pledged as Collateral

B1 Pledge of tax increment revenue
B2 17th Street Commons project
B3 Tax increment funds on the Capitol Lofts project
B4 Somerset Parkside Apartments project
B5 Biele Place Apartments project

C. Events of default with finance-related consequences

C1 Indebtedness becomes immediately due and payable, the Authority is liable for all costs of collection.
C2 Indebtedness becomes immediately due and payable, and thereafter until paid bear interest at the rate of 10%.
C3 Indebtedness becomes immediately due
C4 Indebtedness becomes immediately due and payable, and thereafter until paid bear interest at the rate of 10%.
C5 At the lender discretion indebtedness may become due or other remedies may be available
C6 Indebtedness becomes immediately due and payable, and thereafter until paid bear interest at the rate of 10%.

D. Subjective Acceleration Clause

D1 No prepayment penalty
D2 The Authority may not prepay the indebtedness.
D3 No prepayment penalty
D4 The Authority may prepay the indebtedness only upon the prior written consent of the lender
D5 With a written request 80 days prior to requested prepayment date, prepayment is allowable after 10 years, with a penalty in the 11th year of prepayment amount of 102% of the outstanding balance and in the 12th year the prepayment amount of 101% of the outstanding balance, and no penalty thereafter.
D6 The Authority may prepay the indebtedness only upon the prior written consent of the lender

E. Termination events with finance-related consequences

E1 No Termination Clause
E2 No Termination Clause
E3 No Termination Clause
E4 No Termination Clause
E5 No Termination Clause
E6 No Termination Clause

Capitol Area Development Authority

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 8 - Bonds payable

On July 7, 2016, the Authority issued 2016 Tax Allocation Bonds. These bonds fully refunded the Authority's remaining obligations with respect to previously issued 2004 Tax Allocation Revenue Bonds.

On June 6, 2017, the Authority issued 2017 Tax Allocation Bonds. This issue fully refunded two outstanding notes one with F & M Bank for the purchase of the Fremont Wilshire Apartments at the corner of 15th & P Street and one with D'Ambrosia for the purchase of the Maintenance office on 701 S Street for principal and interest balances totaling \$1,169,964 and \$1,035,340, respectively.

Future debt service requirements for years subsequent to June 30, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 550,856	\$ 334,194	\$ 885,050
2022	574,552	314,577	889,129
2023	586,957	294,331	881,288
2024	614,964	273,373	888,337
2025	630,018	251,653	881,671
2026-2030	3,218,376	781,118	3,999,494
2031-2035	3,768,521	422,179	4,190,700
	<u>\$ 9,944,244</u>	<u>\$ 2,671,425</u>	<u>\$ 12,615,669</u>

The following is a summary of the bonds payable transactions for the fiscal years ended June 30, 2020 and 2019:

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>	<u>Amounts due within one year</u>
TAB payable	<u>\$ 10,479,729</u>	<u>\$ -</u>	<u>\$ (535,485)</u>	<u>\$ 9,944,244</u>	<u>\$ 550,856</u>
	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</u>	<u>Amounts due within one year</u>
TAB payable	<u>\$ 10,994,426</u>	<u>\$ -</u>	<u>\$ (514,697)</u>	<u>\$ 10,479,729</u>	<u>\$ 535,485</u>

Capitol Area Development Authority

**Notes to Financial Statements
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Note 9 - Compensated absences

The following is a summary of the compensated absences payable for the fiscal years ended June 30, 2020 and 2019:

Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
\$ 154,226	\$ 135,283	\$ (111,826)	\$ 177,683
Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019
\$ 157,992	\$ 133,054	\$ (136,820)	\$ 154,226

Note 10 - R Street Property and Business Improvement District

In June 2012, the Authority established the R Street Property and Business Improvement District ("District"), in January 2018 the District was extended for a 10-year term with the approval of the District property owners in accordance with the Property and Business Improvement District Law of 1994. The District will fund services such as security, street maintenance, marketing and advocacy for economic and neighborhood development within the proposed boundaries of the District.

Financing of the District will be provided by the levy of assessments upon real property that benefits from improvements and activities.

The Authority will act as a pass-through of the levied assessments from the County of Sacramento to the managing non-profit. For the years ended June 30, 2020 and 2019, the receipt and disbursement of the levied assessment was netted within Intergovernmental Revenue.

Note 11 - Agreements with the CACDC

The Authority entered into an administrative services agreement and development line of credit with the CACDC. The Authority will provide the CACDC with administrative and support services related to the nonprofit operations, facilities, supplies and equipment with no compensation to the Authority.

For development activities CACDC previously received a revolving line of credit from the Authority up to the amount of \$259,000 in FY 15-16. In FY16-17, the Board authorized the execution of an initial loan agreement and promissory note in the amount not to exceed \$2,108,000 and authorized a drawdown to repay the \$259,000 revolving Line of Credit. The terms and security remained the same as the line of credit. In FY 17-18, the Board approved amending the loan agreement and promissory note to increase the loan amount from \$2,108,000 to an amount not to exceed \$2,808,000 and amending repayment to be paid at the close of the project financing in the amount the CACDC received for cost reimbursement, with any remaining amounts to be paid with development fees received during construction.

CADA through the CACDC entered into a joint venture agreement with CFY Development Inc., a third party developer, to form a limited partnership, 1717 S Street Investors, LP where by CACDC is a 50% partner. This partnership is for the purpose of purchasing property for the development of a mixed-use, mixed-income project on the site in order to meet a portion of CADA's R Street Area affordable housing requirement. On March 10, 2017, the Partnership closed escrow to purchase the

Capitol Area Development Authority

Notes to Financial Statements June 30, 2020 and 2019

half block of property located on the north side of S Street between 17th and 18th Streets, known as 1717 S Street for the total amount of \$3,124,000, of this amount the CACDC contributed \$2,046,090 into escrow, with \$1,562,000 for the land and \$300,000 to fund a remediation trust fund. This contribution to the partnership was considered investment activity in a joint venture partnership. The project is still under development as of June 30, 2020 and the partnership did not have any operating activity as of June 30, 2020. During the year ended June 30, 2020, the CACDC had additional investment activity of \$200,000.

In October 2020, the partnership closed on tax credit financing with a contribution from the CACDC of \$1.2 million for the project at 1717 St Street.

Note 12 - Funds held for others

The Authority acts as fiscal agent for two trust funds the 17R Orchard Partners LP and the 1717 S Street Investors, LLC. Funds for both trusts are disbursed in accordance with the trusts' instructions and funds for both entities are reported as restricted cash and cash equivalents. Restricted cash balances for the 17 R Orchard Partners, LP is \$55,340 and \$80,934 and for the 1717 S Street Investor, LLC is \$188,517 and \$213,330 as of June 30, 2020 and 2019, respectively.

Note 13 - Pension plan

Plan description

The Authority contributes to CalPERS, a cost-sharing defined benefit pension plan (the "Plan"). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The Authority selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board Approval. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report ("CAFR") may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

The California Legislature passed and the Governor signed the "Public Employees' Pension Reform Act of 2013" ("PEPRA") on September 12, 2012. PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012. Benefit provisions and other requirements are established by State statute.

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Notes to Financial Statements June 30, 2020 and 2019

Benefits provided

The benefits for the Plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, military service credits, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service. The PEPRA created two benefit levels for the Authority's employees who qualify for membership in CalPERS. They are outlined below:

	Current Members*	New Members**
Retirement Formula	2% @ 55	2% @ 62
Retirement Contribution	7%	50% of Annual Normal Cost***
Final Compensation Method	Highest 1 Year Average	Highest 3 Year Average

*Current Member is defined as anyone who is or has been a member of CalPERS or another recognized public retirement system and who has not had more than a six-month break in service.

**New Member is defined as anyone who is or has been a member of CalPERS or another recognized public retirement system and who has not had more than a six-month break in service and was hired by the Authority after January 1, 2013.

***Annual Normal cost for New Members is determined annually by CalPERS and is dependent on the benefit levels, actuarial assumptions, and demographics of each plan. The Authority's New Member contribution for 2020 is 7.25%.

Funding policy

Active plan members are required to contribute 7% of their annual covered salary. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for classic members were 10.868% and 10.152% and for PEPRA members were 7.1% and 7.266% for the years ended June 30, 2020 and 2019, respectively. The Authority has been notified that the required employer contribution rate for classic members will be 11.6% and PEPRA members will be 7.73% for the year ending June 30, 2021 and an annual payment on the Authority's unfunded liability of \$320,007 for classic member and \$2,101 for PEPRA members. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS based on actuarial valuations performed by CalPERS actuaries.

Net pension liability

As of June 30, 2020, the Authority reported net pension liability for its proportionate share of the net pension liability of \$4,730,335.

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019 (measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. GASB 68 requires cost sharing employers to establish an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relations through the plans they

Capitol Area Development Authority

**Notes to Financial Statements
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sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations of individual plan accounts as of the valuation date are used where not available. The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2020 for all members was 0.110550%.

Pension expense and deferred outflows/inflows of resources related to pensions

For the year ended June 30, 2020, the Authority recognized pension expense of \$446,632. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experiences	\$ 307,472	\$ 23,823
Net difference between projected and actual earnings on pension plan investments	-	77,397
Change in assumptions	211,099	74,833
Contributions made subsequent to the measurement date	<u>556,243</u>	<u>-</u>
Total	<u><u>\$ 1,074,814</u></u>	<u><u>\$ 176,053</u></u>

The \$556,243 reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense (revenue) as follows:

<u>Years ending June 30,</u>	<u>Amounts</u>
2021	\$ 325,742
2022	(35,518)
2023	36,654
2024	<u>15,640</u>
	<u><u>\$ 342,518</u></u>

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Notes to Financial Statements June 30, 2020 and 2019

Actuarial assumptions

For the measurement period ended June 30, 2019 (measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2018 and the June 30, 2019 total pension liability was based on the following actuarial method and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies ⁽¹⁾
Payroll Growth	3.00%
Investment Rate of Return	7.25% ⁽²⁾
Mortality ⁽³⁾	CalPERS' Membership Data
Post Retirement Benefit Increase	Up to 2.50% ⁽⁴⁾

⁽¹⁾ Depending on entry age and service

⁽²⁾ Net of pension plan investment and administrative expenses, including inflation

⁽³⁾ The mortality table used was developed based on CalPERS specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period 1997 to 2015. Pre-retirement and Post-retirement mortality include 15 years of projected mortality improvements using 90% of Scale MP-2016 published by the Society of Actuaries.

⁽⁴⁾ The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website under Forms and Publications.

Discount rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutory required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rate of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of

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Notes to Financial Statements June 30, 2020 and 2019

return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The table below reflects the long-term expected real rate of return by asset class:

Asset class	Assumed asset allocation	Real return years 1 - 10 (a)	Real return years 11+ (b)
Global equity	50%	4.80%	5.98%
Fixed income	28%	1.00%	2.62%
Inflation assets	0%	0.77%	1.81%
Private equity	8%	6.30%	7.23%
Real assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
	<u>100%</u>		

(a) An expected inflation of 2.0% used for this period

(b) An expected inflation of 2.92% used for this period

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Discount rate - 1% (6.15%)	Current discount rate (7.15%)	Discount rate + 1% (8.15%)
Net pension liability	<u>\$ 7,373,898</u>	<u>\$ 4,730,335</u>	<u>\$ 2,540,888</u>

Note 14 - Post-employment healthcare plan

Plan description

The Authority's defined benefit postemployment healthcare plan provides medical benefits to eligible retired employees and eligible family members. The Authority established the irrevocable trust to prefund the other post-employment benefits annual required contribution through the California Employer's Retiree Benefits Trust Program ("CERBT"), an agent multiple-employer plan. Benefit provisions are established and may be amended by the Authority's Board of Directors.

The Authority provides postretirement health insurance coverage in accordance with the Public Employees' Medical and Hospital Care Act ("PEMHCA") to employees through CalPERS. For all employees to be eligible for this benefit, the former employee must be fifty-five years of age, have the credited service based on hire date, and retired from the Authority.

Employees hired prior to May 1, 2005 are eligible for postretirement health insurance coverage under Government Code Section 22892 unless they elect to be covered under Government Code Section 22893. Under Code Section 22892, the retiree and their qualified family members are

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Notes to Financial Statements June 30, 2020 and 2019

eligible for health benefits after five (5) years of service for 100% of the annual health benefit contribution adopted by the Authority's Board of Directors. The calendar year employer contribution may not be less than an amount stipulated by the Government Code which is \$133 per month for calendar year 2018.

All employees hired on or after May 1, 2005, as well as those hired prior to May 1, 2005 are eligible for postretirement health insurance coverage under Government Code Section 22893. Coverage under Code Section 22893 is based on the employee's completed years of service at retirement. The Authority contributes 50% of the weighted average of the four basic health benefit plans that had the largest state enrollment, for those employees with a minimum of ten (10) years of service, five (5) of those ten (10) years performed at the Authority. With each additional year of service after 10 years, the retiree will receive an additional 5% of the contribution up to 20 years of service which then entitles them to 100% of the contribution rate. The Authority also provides 90% of the health benefit contribution for the retiree's eligible family members.

Employees covered

As of the measurement date of June 30, 2019, there are 23 retirees receiving benefits under the program and 1 other retiree who is currently waiving coverage. At the same measurement date, the Authority had 37 active employees of which 26 were enrolled in the medical program and 11 were waiving coverage.

Funding policy

The obligation of the Authority to contribute to the plan is established and may be amended by the Board of Directors. Employees are not required to contribute to the plan.

Contributions

The Authority contributions to the OPEB Plan occur as benefits are paid to retirees and/or to the OPEB trust. The annual contribution is based on the actuarially determined contribution. For the year ended June 30, 2020, the Authority's cash contributions were \$372,138, in payments to the trust and the estimated implied subsidy was \$52,928 resulting in total payments of \$425,066. The Authority has a trust with the California Employers' Retiree Benefit Trust (CERBT) for the purpose of prefunding OPEB obligations for past services.

Net OPEB liability

The Authority's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 that was rolled forward to determine the June 30, 2019 total OPEB liability based on the following actuarial methods and assumptions:

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**Notes to Financial Statements
June 30, 2020 and 2019**

Actuarial assumptions

For the measurement period ended June 30, 2019 (measurement date), the total OPEB liability was based on the following actuarial method and assumptions:

Funding Method:	Entry-Age Normal Cost, level percent of pay
Asset Valuation Method:	Market value of assets
Long Term Return on Assets:	7.00%
Discount Rates:	6.90%
Participants Valued:	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in the valuation
Salary Increases:	3.25% per year; since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years
Assumed Wage Inflation:	3.0% per year; used as a component of assumed salary increases
General Inflation Rate:	2.75% per year
Mortality:	CalPERS 2017 experience study using data from 1997 to 2015, except for a different basis used to project future mortality improvements. Mortality rates used were those published by CalPERS, adjusted to back out 15 years of Scale MP-2016 to central year 2015, and then projected.
Mortality Improvements:	McLeod Watts Scale 2018 applied generationally from 2015.
Healthcare Trend Rate:	6.5% for 2021 decreasing to 5% in 2024

Discount rate

The discount rate used to measure the total OPEB liability was decreased from 7.00% to 6.90%. The projection of cash flows used to determine the discount rate assumed that the Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan assets was applied to all periods of projected benefit payments to determine the total OPEB liability.

Capitol Area Development Authority

**Notes to Financial Statements
June 30, 2020 and 2019**

Changes in the OPEB liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Total OPEB liability	Fiduciary net position	Net OPEB liability
Balance at June 30, 2019	\$ 5,307,748	\$ 3,163,441	\$ 2,144,307
Changes recognized for the measurement period			
Service cost	197,834	-	197,834
Interest cost	377,988	-	377,988
Expected investment income	-	196,181	(196,181)
Employer contributions	-	406,132	(406,132)
Benefit payments	(211,494)	(211,494)	-
Investment expenses	-	(678)	678
Unexpected changes			
Plan experience	(568,761)	-	(568,761)
Assumption changes	(121,843)	-	(121,843)
Net changes during the year	(326,276)	390,141	(716,417)
Balance at June 30, 2020	\$ 4,981,472	\$ 3,553,582	\$ 1,427,890

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the Authority's net OPEB liability if it were calculated using a discount rate that is one percent point lower or one percent point higher than the current rate as of the measurement date:

Changes in discount rate	Net OPEB liability
1% Decrease (5.90%)	\$ 2,061,954
Current Discount Rate (6.90%)	1,427,890
1% Increase (7.90%)	898,655

Sensitivity of the net OPEB liability to changes in the Healthcare cost trend rates

The following presents the Authority's net OPEB liability if it were calculated using healthcare cost trend rates that are one percent point lower or one percent point higher than the current rate as of the measurement date:

Changes in Healthcare Cost Trend Rates	Net OPEB liability
1% Decrease	\$ 832,566
Current Trend	1,427,890
1% Increase	2,153,164

Capitol Area Development Authority

Notes to Financial Statements
June 30, 2020 and 2019

Recognition of deferred outflows and deferred inflows of resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

- Net differences between projected and actual earnings on OPEB plan investments are recognized over a 5.5-year period using the straight-line method.
- All other amounts are recognized over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the measurement period.

OPEB expense and deferred outflows/inflows of resources related to OPEB

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

For the fiscal year ended June 30, 2020, the Authority recognized OPEB expense of \$85,023. As of June 30, 2020, the Authority reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
	<u> </u>	<u> </u>
Contributions made subsequent to the measurement date	\$ 425,066	\$ -
Changes of assumptions	121,392	99,111
Difference between expected and actual experiences	-	892,739
Net differences between projected and actual earnings on plan investments	-	14,846
	<u> </u>	<u> </u>
Total	<u>\$ 546,458</u>	<u>\$ 1,006,696</u>

Capitol Area Development Authority

**Notes to Financial Statements
June 30, 2020 and 2019**

The \$425,066 reported as deferred outflows of resources related to contributions made subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the Authority's fiscal year ending June 30, 2021. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as expense (revenue) as follows:

<u>Fiscal year ending June 30</u>	<u>Deferred outflows/ (inflows) of resources</u>
2021	\$ (263,248)
2022	(263,247)
2023	(189,989)
2024	(122,436)
2025	<u>(46,384)</u>
	<u>\$ (885,304)</u>

Note 15 - Contingencies

Lawsuits and Claims

The Authority is subject to lawsuits and claims, which arise out of the normal course of its activities. In the opinion of management, based upon the opinions of legal counsel, the disposition of any and all such actions of which it is aware, will not have a material effect on the financial position of the Authority.

COVID-19 Pandemic

In 2020, the financial impact of the novel COVID-19 coronavirus has been felt both worldwide and in the United States. Throughout the United States businesses in all financial sectors have felt the negative impacts of the COVID-19 pandemic as jobs have been lost due to sheltering in place in order to mitigate the spread of the virus.

While the Authority cannot readily estimate the financial impact that the pandemic will have on its business operations, the Authority does not believe that the Agency's mission will be adversely and significantly impacted.

Note 16 - 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 Authority through December 11, 2020 the date the financial statements were available to be issued and concluded that no subsequent event have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements, except as noted below:

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**Notes to Financial Statements
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In October 2020, the Authority purchased back the Site 21 property located at 14th and N Street, for \$2 million from Cresleigh Homes because they were unable to start construction by the summer of 2020 as required by the DDA.

In December 2020, the Authority issued Tax Allocation Revenue Bonds, Series 2020, in the amount of \$31 million for the purpose of funding future development and major construction projects.

Supplementary Information

Capitol Area Development Authority
Cost-Sharing Defined Benefit Pension Plan
Schedule of The Authority's Proportionate Share of the Net Pension Liability
As of June 30, 2020 Last 10 Years*

	2020	2019	2018	2017	2016	2015
Plan's proportion of the net pension liability	0.11055%	0.11038%	0.11312%	0.11367%	0.10455%	0.04431%
Plan's proportionate share of the net pension liability	\$4,730,335	\$4,331,810	\$4,433,887	\$3,804,599	\$2,868,163	\$2,757,022
Plan's covered payroll	\$2,281,221	\$2,234,432	\$2,090,603	\$2,021,924	\$1,987,171	\$1,959,177
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	207%	194%	212%	188%	144%	141%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	76.20700%	76.76623%	75.52761%	76.75248%	81.31677%	81.31677%
Plan's proportionate share of aggregate employer contributions	\$ 556,243	\$ 462,994	\$ 433,748	\$ 356,976	\$ 283,507	\$ 238,682

Notes to Schedule

Changes of benefit terms. In 2020, there were no changes to the benefit terms.

Changes in assumptions. In 2020, demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

* Fiscal year 2015 was the 1st year of implementation of GASB 68, therefore only six years are shown.

Capitol Area Development Authority

**Cost-Sharing Defined Benefit Pension Plan
Schedule of the Authority's Contributions**

As of June 30, 2020 Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 556,243	\$ 462,994	\$ 433,748	\$ 356,976	\$ 283,507	\$ 238,682
Contributions in relation to the contractually required contribution	<u>(556,243)</u>	<u>(462,994)</u>	<u>(433,748)</u>	<u>(356,976)</u>	<u>(283,507)</u>	<u>(238,682)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$2,281,221	\$2,234,432	\$2,090,603	\$2,021,924	\$1,987,171	\$1,959,177
Contributions as a percentage of covered-payroll	24.38%	20.72%	20.75%	17.66%	14.27%	12.18%

Notes to Schedule:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Inflation	2.5%
Salary Increases	Varies ⁽¹⁾
Payroll Growth	3.0% ⁽²⁾
Investment Rate of Return	7.25%
Retirement Age	2017 Experience Study ⁽³⁾
Mortality ⁽³⁾	2017 Experience Study ⁽⁴⁾

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment and administrative expenses, including inflation

⁽³⁾ The probabilities of Retirement are based on the 2017 CalPERS Experience Study based on CalPERS demographic data from 1997 to 2015.

⁽⁴⁾ The probabilities of Retirement are based on the 2017 CalPERS Experience Study was developed based on CalPERS-specific data from 1997 to 2015. The table includes 15years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

* Fiscal year 2015 was the 1st year of implementation of GASB 68, therefore only six years are shown.

Capitol Area Development Authority

Schedule of Changes in Net OPEB Liability and Related Ratios

As of June 30, 2020 Last 10 Years*

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 197,834	\$ 191,607	\$ 188,788
Interest on total OPEB liability	377,988	353,450	382,973
Changes of assumptions	(121,843)	-	265,905
Differences between expected and actual experience	(568,761)	-	(942,103)
Benefit payments	(211,494)	(189,969)	(190,888)
Net change in total OPEB liability	(326,276)	355,088	(295,325)
Total OPEB liability - beginning	5,307,748	4,952,660	5,247,985
Total OPEB liability - ending (a)	<u>\$ 4,981,472</u>	<u>\$ 5,307,748</u>	<u>\$ 4,952,660</u>
Plan fiduciary net position			
Contributions from employer	\$ 406,132	\$ 396,403	\$ 649,631
Net investment income	196,181	218,384	163,421
Benefit payments	(211,494)	(189,969)	(190,888)
Administrative expenses	(678)	(5,092)	(1,217)
Investment experience	-	-	72,294
Net change in plan fiduciary net position	390,141	419,726	693,241
Plan fiduciary net position - beginning	3,163,441	2,743,715	2,050,474
Plan fiduciary net position - ending (b)	<u>\$ 3,553,582</u>	<u>\$ 3,163,441</u>	<u>\$ 2,743,715</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 1,427,890</u>	<u>\$ 2,144,307</u>	<u>\$ 2,208,945</u>
Plan fiduciary net position as a percentage of total OPEB liability	71.34%	59.60%	55.40%
Covered-employee payroll	2,281,221	\$ 1,975,245	\$ 1,975,245
Net OPEB liability as a percentage of covered employee payroll	62.59%	108.56%	111.83%

Notes to Schedule

* Fiscal year 2018 was the first year of implementation of GASB 75, therefore only three years are shown.

Changes in assumptions. In 2020, demographic assumptions were updated to those provided in the CalPERS 2017 Experience Study. Mortality rates were updated to the rates in the midpoint year of the 2017 Experience Study (2015), then projected on a generationally basis by McLeod Watts Scale 2018. Also the discount rate was decreased from 7% to 6.90%.

Capitol Area Development Authority

Schedule of OPEB Plan Contributions

As of June 30, 2020 Last 10 Years*

	2020	2019	2018
Actuarially Determined Contributions (ADC)	\$ 372,138	\$ 361,651	\$ 352,468
Contributions in relation to the ADC	(425,066)	(406,132)	(352,468)
Contributions deficiency (excess)	<u>\$ (52,928)</u>	<u>\$ (44,481)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,281,221	\$ 1,975,245	\$ 1,975,245
Contributions as a percentage of covered employee payroll	18.63%	20.56%	17.84%

Notes to Schedule of OPEB Plan Contributions

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year 2020 contribution rates are as follows:

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method/Period	Level percent of payroll over a closed 30-year period
Asset Valuation Method	Market value of assets.
Inflation	2.75%
Salary Increases	3.25% per year; since benefits do not depend on pay, this is covered only to allocate the cost of benefits between service years
Payroll Growth	3.0% per year; used as a component of assumed salary increases
Investment Rate of Return	7.00% net of plan investment fees and including inflation
Healthcare cost trend rates	7.5% in 2019, then decreasing 0.5% per year to 5% in 2024
Retirement age	Tier 1 employees - 2.5% @55 and Tier 2 employees - 2.0% @62. The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of Mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011 except for (a) point retirement base used for 3 employees and (b) a different basis used to project future mortality improvements. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvements using Scale BB published by the Society of Actuaries

* Fiscal year 2018 was the first year of implementation of GASB 75, therefore only three years are shown.

Changes in assumptions. In 2020, demographic assumptions were updated to those provided in the CalPERS 2017 Experience Study. Mortality rates were updated to the rates in the midpoint year of the 2017 Experience Study (2015), then projected on a generationally basis by McLeod Watts Scale 2018. Also, the discount rate was decreased from 7% to 6.90%.

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*

To the Board of Directors of the
Capitol Area Development Authority

We have audited, 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, the financial statements of Capitol Area Development Authority ("Authority") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 11, 2020.

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") as a basis for designing 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 Authority'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 financial statements. 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.

CohnReznick LLP

Sacramento, California
December 11, 2020



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**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

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

June 30, 2020 and 2019

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

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Independent Auditor's Report

Board of Directors
Capitol Area Development Authority
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of Somerset Parkside Apartments (Contract Number 15-LPR-005) (the "Project"), a project of the Capitol Area Development Authority ("Authority"), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenue, 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 audits. We conducted our audits 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 Somerset Parkside Apartments as of June 30, 2020 and 2019, 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 referred to above present only the financial position and changes in financial position and cash flows of the Project and do not purport to, and do not, present fairly, the financial position of the Authority as of June 30, 2020 and 2019 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 as a whole. The accompanying supplementary information on pages 15 to 26 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 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. Except for the budgetary information on pages 21 and 22 and the Sponsor's project rating information at pages 23 to 26, 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, except for the budgetary information on pages 21 and 22 and the Sponsor's project rating information at pages 23 to 26 on which we express no 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 11, 2020, on our consideration of the Project'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 Project'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 Project's internal control over financial reporting and compliance.



Sacramento, California
December 11, 2020

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Statements of Net Position
June 30, 2020 and 2019**

<u>Assets</u>	2020	2019
Current assets		
Cash and cash equivalents	\$ -	\$ 42,533
Residential accounts receivable, net	22,983	26,737
Due from HCD - Annuity receivable	7,925	16,172
Restricted cash - tenant security deposits	9,258	10,313
Total current assets	40,166	95,755
Noncurrent assets		
Restricted cash and cash equivalents - replacement reserve	149,604	150,655
Restricted cash and cash equivalents - operating reserve	55,248	55,149
Capital assets		
Construction in progress	68,802	18,120
Building and Improvements	1,740,923	1,740,923
Less accumulated depreciation	(1,550,463)	(1,520,533)
Total capital assets	259,262	238,510
Total noncurrent assets	464,114	444,314
Total assets	\$ 504,280	\$ 540,069
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 7,867	\$ 6,432
HCD monitoring fees payable	31,595	21,468
Due to CADA	17,287	-
Unearned revenue - prepaid rent	1,123	2,480
Tenant security deposits	9,258	10,313
Total current liabilities	67,130	40,693
Noncurrent liabilities		
Accrued interest	137,679	101,763
Note payable long term	1,197,213	1,197,213
Total noncurrent liabilities	1,334,892	1,298,976
Total liabilities	\$ 1,402,022	\$ 1,339,669
<u>Net Position</u>		
Net investment in capital assets	\$ (937,951)	\$ (958,703)
Restricted for operating and replacement reserves	204,852	205,804
Unrestricted	(164,643)	(46,701)
Total net position	\$ (897,742)	\$ (799,600)

See Notes to Financial Statements

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019**

	2020	2019
Operating revenue		
Rental revenue, net	\$ 204,214	\$ 196,645
Coin-operated laundry	2,183	2,460
Miscellaneous	2,554	2,812
Total operating revenue	208,951	201,917
Operating expenses		
Payroll		
Salaries and benefits	59,206	48,569
Administrative		
Legal and accounting services	4,880	4,000
Management fee	19,095	18,540
Media	792	720
Total administrative	24,767	23,260
Utilities	50,125	38,639
Operating and maintenance		
Services and supplies	880	2,897
Courtesy patrol	1,944	3,700
Maintenance contract	27,226	56,453
Decorating and painting	1,155	3,855
Total operating and maintenance	31,205	66,905
Insurance and taxes		
Insurance	7,454	5,988
Property taxes	1,750	1,786
Total insurance and taxes	9,204	7,774
Depreciation	29,930	29,286
Total operating expenses	204,437	214,433
Operating income (loss)	4,514	(12,516)

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019**

	2020	2019
Nonoperating revenue (expenses)		
CADA Annuity expense	(45,760)	-
HCD Annuity revenue (expense)	(13,782)	10,814
Interest income	2,929	5,118
HCD Monitoring fee	(10,127)	(11,077)
Interest expense	(35,916)	(35,916)
Total nonoperating revenue (expenses), net	(102,656)	(31,061)
Change in net position	(98,142)	(43,577)
Net position, beginning	(799,600)	(756,023)
Net position, end	\$ (897,742)	\$ (799,600)

See Notes to Financial Statements.

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	2020	2019
Cash flows from operating activities		
Rental receipts	\$ 206,611	\$ 186,805
HCD annuity	(5,535)	(37,769)
Other receipts	4,737	5,272
Tenant security deposits received (paid)	(1,055)	91
Payroll and related costs	(59,206)	(48,569)
Administrative	(24,767)	(23,260)
Utilities	(50,125)	(38,639)
Operating and maintenance	(29,770)	(64,643)
Insurance and taxes	(9,204)	(7,774)
	<u>31,686</u>	<u>(28,486)</u>
Net cash provided by (used in) operating activities		
Cash flows from noncapital financing activities		
CADA annuity paid	(28,473)	-
	<u>(28,473)</u>	<u>-</u>
Net cash used by noncapital financing activities		
Cash flows from capital and related financing activities		
Acquisition of capital assets	(50,682)	(62,720)
	<u>(50,682)</u>	<u>(62,720)</u>
Net cash used for capital and related financing activities		
Cash flows from investing activities		
Interest income received	2,929	5,118
	<u>2,929</u>	<u>5,118</u>
Net cash provided by investing activities		
Net decrease in cash and cash equivalents	(44,540)	(86,088)
Cash and cash equivalents, beginning	<u>258,650</u>	<u>344,738</u>
Cash and cash equivalents, end	<u>\$ 214,110</u>	<u>\$ 258,650</u>

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	2020	2019
Reconciliation to the statements of net position		
Cash and cash equivalents	\$ -	\$ 42,533
Restricted cash and cash equivalents		
Tenant security deposits	9,258	10,313
Replacement reserve	149,604	150,655
Operating reserve	55,248	55,149
	<u>\$ 214,110</u>	<u>\$ 258,650</u>
Total cash and cash equivalents		
	<u>\$ 214,110</u>	<u>\$ 258,650</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 4,514	\$ (12,516)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	29,930	29,286
Changes in assets and liabilities		
Residential accounts receivable	3,754	(7,787)
Due from HCD	-	(16,172)
Accounts payable	1,435	2,262
Unearned revenue - prepaid rent	(1,357)	(2,053)
Due to HCD	(5,535)	(21,597)
Tenant security deposits	(1,055)	91
	<u>\$ 31,686</u>	<u>\$ (28,486)</u>
Net cash provided by (used in) operating activities		
	<u>\$ 31,686</u>	<u>\$ (28,486)</u>

See Notes to Financial Statements.

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 1 - Organization and summary of significant accounting policies

General

Somerset Parkside Apartments (the "Project") is a 26-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. Effective September 2016, the Authority and HCD terminated the old regulatory agreement (Contract No. 80-RHC-007) and entered into a 16-year term new regulatory agreement for the Project under the Loan Portfolio Restructuring Program (Contract No. 15-LPR-005).

Since April 8, 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 nonoperating revenue and expenses. Operating revenue 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 revenue and expenses not meeting this definition are reported as nonoperating revenue 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 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 upon 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 2.13 years and 1.63 years at June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, a portion of the Project's cash and cash equivalents and restricted cash and cash equivalents is invested in the City's external investment pool. Detailed disclosures, including

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2020 and 2019**

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 replacement reserves 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, 2020 and 2019, the allowance for doubtful accounts was \$19,625 and \$19,955, respectively.

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 land, only the building and improvements on the land and therefore only construction in progress are reported as nondepreciable capital assets.

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, 2020, there has been no impairment of the capital assets.

Rental income

The Project's rental property is generally leased to tenants under one-year noncancelable 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 the basic 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, 2020 and 2019 amounted to \$9,258 and \$10,313, respectively.

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 3 - Capital assets

Information on additions and disposals of capital assets as of June 30, 2020 and 2019 are as follows:

	<u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Capital assets not being depreciated				
Construction in progress	\$ 18,120	\$ 50,682	\$ -	\$ 68,802
Capital assets being depreciated				
Buildings and improvements	1,740,923	-	-	1,740,923
Less accumulated depreciation for Buildings and improvements	<u>(1,520,533)</u>	<u>(29,930)</u>	<u>-</u>	<u>(1,550,463)</u>
Capital assets being depreciated, net	<u>\$ 238,510</u>	<u>\$ 20,752</u>	<u>\$ -</u>	<u>\$ 259,262</u>

	<u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 18,120	\$ -	\$ 18,120
Capital assets being depreciated				
Buildings and improvements	1,696,323	44,600	-	1,740,923
Less accumulated depreciation for Buildings and improvements	<u>(1,491,247)</u>	<u>(29,286)</u>	<u>-</u>	<u>(1,520,533)</u>
Capital assets being depreciated, net	<u>\$ 205,076</u>	<u>\$ (27,506)</u>	<u>\$ -</u>	<u>\$ 238,510</u>

Note 4 - Replacement reserve

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

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 150,655	\$ 104,211
Deposit for approved excess cash	-	-
Interest earned	250	3,145
Required deposits	43,299	43,299
Withdrawals	<u>(44,600)</u>	<u>-</u>
Ending balance	<u>\$ 149,604</u>	<u>\$ 150,655</u>

Note 5 - Note payable

In September 2016, the Authority executed the new regulatory agreement with HCD and the Authority entered into a new promissory note in the amount of \$1,197,213 for a term of 16 years. The promissory note is secured by the Project property and bears interest at 3% per annum. No payment is required until maturity in September 2033 at which time all outstanding principal and accrued interest will be due. Payments are not to come from the Project cash flow and the Authority

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2020 and 2019**

is to provide the funds necessary to pay off the loan at maturity. For the years ended June 30, 2020 and 2019, interest expense was \$35,916 and \$35,916, respectively. Outstanding principal and accrued interest are \$1,197,213 and \$137,679 at June 30, 2020, and \$1,197,213 and \$101,763 at June 30, 2019, respectively.

Note 6 - 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 revenue for the HCD assisted units. 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.

HCD approved the Project's operating budget with certain changes. In determining the qualifying operating costs, HCD disallows certain expenses reflected in these financial statements. Specific items disallowed include vacancy in excess of an approved percentage, interest income on the replacement reserve, depreciation expense, repairs paid out of replacement reserve and asset acquisitions exceeding the authorized budget.

For the fiscal years ended June 30, 2020 and 2019, the Project had a net annuity (expense) income of (\$13,782) and \$10,814, respectively. Net unexpended program payments are reported as due to (from) HCD on the Project's statements of net position. As of June 30, 2020 and 2019, the Authority has HCD project annuities receivable of \$7,925 and \$16,172, respectively. The activity in the due to (from) HCD account for the fiscal years ended June 30, are as follows:

	2020	2019
Due to HCD, beginning	\$ (16,172)	\$ 32,411
Excess program payments for the year	(12,326)	(16,172)
Excess program payment received	1,027	-
Excess program payment cash flow	3,374	-
HCD corrections and adjustments	16,172	(32,411)
Due (from) to HCD, end	\$ (7,925)	\$ (16,172)

Under the terms of the new regulatory agreement, the Project is to pay HCD an annual monitoring fee of \$10,127 increasing annually based upon the consumer price index. The annual monitoring fee is subject to the Project generating sufficient cash flow. During the years ended June 30, 2020 and 2019, the Project incurred annual monitoring fees of \$10,127 and \$11,077, which are included in the statements of revenue, expenses and changes in net position. As of June 30, 2020 and 2019, the Project owes HCD monitoring fees payable of \$31,595 and \$21,468, respectively, which are included in the statements of net position.

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 7 - Assistance from the Authority

The Authority ("CADA") has committed to provide funding to the Project to cover deficits and future capital improvement needs with additional annuities paid to the Project. During the year ended June 30, 2019, the Authority made no such contributions. During the year ended June 30, 2020, \$45,768 of funding was not required and returned to the Authority. In addition, CADA makes advances to the Project to pay for operating expenses of the Project. Such advances are not interest bearing and are expected to be repaid one month in arrears. As of June 30, 2020, \$17,287 is due to CADA and included in the statements of net position.

Note 8 - Leased property

The land on which the Project is located is owned by the State of California. On June 12, 1981, 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 a 60-day notice. Should this lease be terminated, the developmental ground lease will be honored by the State of California on behalf of the Authority.

Note 9 - 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 consolidated 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 11, 2020 (the date the financial statements were available to be issued) and concluded that other than the subsequent event discussed below that no subsequent events have occurred that would require recognition in the financial statements or disclosure is required in the notes to the financial statements.

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Project's financial position, results of operations, and cash flows. The Project is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Project's operations continue for an extended period of time, the Project may have to seek alternative measures to finance its operations. There is no assurance these measures will be successful. The financial statements do not include any adjustments that might result if the Project is unable to continue as a going concern.

**Supplementary Information Required by the California
Department of Housing and Community Development**

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Supplementary Information
Year Ended June 30, 2020**

Cash and Cash Equivalents

Cash and cash equivalents	
Unrestricted account	
Operating account	\$ -
<hr/>	
Restricted accounts	
Operating reserve	55,248
Tenant security deposits	9,258
Reserve for replacements	149,604
<hr/>	
Total restricted accounts	214,110
<hr/>	
Total cash and cash equivalents	\$ 214,110
<hr/> <hr/>	

The Project follows the practice of pooling its cash with all of the Authority's projects into a central fund maintained by the Authority. All accounts are segregated on the books of the Authority. The impound and reserve accounts are maintained in interest-bearing accounts.

Reserve for Replacement and Operating Expenses

In accordance with the provisions of the regulatory agreement, reserves are maintained in accounts to be used for replacements of property. Withdrawals are made upon approval by HCD.

	Replacement Reserve	Operating reserve
Balance, June 30, 2019	\$ 150,655	\$ 55,149
Deposits	43,299	-
Interest income	250	99
Approved withdrawals	(44,600)	-
	<hr/>	<hr/>
Balance, June 30, 2020	\$ 149,604	\$ 55,248
	<hr/> <hr/>	<hr/> <hr/>

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Supplementary Information
Years Ended June 30, 2020 and 2019**

Capital Assets

Following are the details of capital assets, which include building and leasehold improvements:

Capital assets balance, June 30, 2019	\$ 1,759,043
Additions	<u>50,682</u>
Capital assets balance, June 30, 2020	<u>\$ 1,809,725</u>

Accounts Payable

Accounts payable in the amount of \$7,867 represents amounts due to suppliers. All accounts payable are current.

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Supplementary Information
Years Ended June 30, 2020 and 2019**

Schedules of Operating Revenues and Expenses

<u>Account No.</u>		<u>2020</u>	<u>2019</u>
	Operating revenue		
5120	Rent revenue	\$ 204,214	\$ 196,645
5121	Tenant assistance payments	-	-
		<hr/>	<hr/>
	Rental revenue	204,214	196,645
		<hr/>	<hr/>
	Other revenue		
5910	Coin-operated laundry	2,183	2,460
5190	Miscellaneous	2,554	2,812
		<hr/>	<hr/>
	Total other revenue	4,737	5,272
		<hr/>	<hr/>
	Total operating revenue	208,951	201,917
		<hr/>	<hr/>
	Operating expenses		
	Payroll		
6330	Manager salaries	30,336	21,730
6331	Manager rent fee unit	10,272	9,228
6510	Janitor payroll	18,598	17,611
		<hr/>	<hr/>
	Total payroll	59,206	48,569
		<hr/>	<hr/>
6350	Accounting services	4,880	4,000
6320	Management fee	19,095	18,540
6210	Media	792	720
		<hr/>	<hr/>
	Total administrative	24,767	23,260
		<hr/>	<hr/>
	Utilities		
6450	Electricity	3,259	3,268
6452	Gas	722	825
6453	Water/Sewer	43,201	31,518
6525	Garbage	2,943	3,028
		<hr/>	<hr/>
	Total utilities	50,125	38,639
		<hr/>	<hr/>

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Supplementary Information
Years Ended June 30, 2020 and 2019**

		<u>2020</u>	<u>2019</u>
	Operating and maintenance		
6515	Services and supplies	880	2,897
6530	Courtesy patrol	1,944	3,700
6517	Janitor and cleaning contracts	4,840	10,093
6537	Grounds Contract	8,040	3,500
6541	Repairs Material	575	8,500
6545	Elevator Maintenance/Contract	-	21,760
6560	Decorating and painting	1,155	3,855
6590	Misc. Ops. And Maint. Expense (if over \$2,500, detail is required)	<u>13,771</u>	<u>12,600</u>
	Total operating and maintenance	<u>31,205</u>	<u>66,905</u>
	Insurance and taxes		
6729	Insurance	7,454	5,988
6710	Property taxes	<u>1,750</u>	<u>1,786</u>
	Total insurance and taxes	<u>9,204</u>	<u>7,774</u>
	Depreciation	<u>29,930</u>	<u>29,286</u>
	Total operating expenses	<u>204,437</u>	<u>214,433</u>
	Operating income	<u>4,514</u>	<u>(12,516)</u>
	Non-operating revenue (expense)		
5970	CADA Annuity	(45,760)	-
5990	HCD Annuity	(13,782)	10,814
5410	Interest income	2,929	5,118
5415	HCD monitoring fee	(10,127)	(11,077)
5420	Interest expense	<u>(35,916)</u>	<u>(35,916)</u>
	Change in net position	<u>\$ (98,142)</u>	<u>\$ (43,577)</u>

Detail of Accounts - Schedule of Activities

	<u>2020</u>	<u>2019</u>
Misc. Ops. And Maint. Expense (Accounts No. 6590)		
Flooring	\$ 3,566	\$ 12,304
Plumbing	-	296
Countertops/Cabinets	2,079	-
Furniture & Appliances	4,504	-
Building Supplies	3,185	-
Repairs	437	-
	<u>\$ 13,771</u>	<u>\$ 12,600</u>

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Supplementary Information
Year Ended June 30, 2020**

Gross Potential Rents

Qualified tenant rental income	\$	413,073
Other tenant rental income		<u>10,272</u>
 Total gross potential rents		 423,345
Less		
Vacancy loss		(95,131)
Loss to lease		(3,276)
Low income subsidy		<u>(120,724)</u>
 Rental revenues, net	 \$	 <u><u>204,214</u></u>

Management Fee

A property management fee of \$19,905 was incurred during the fiscal year ended June 30, 2020 for the property management services provided by the Authority.

Reconciliation to RHCP Forms 180

		2020
Reconciliation to Form 180		
Total operating revenues	\$	208,951
Interest income		2,929
Less interest income for equipment reserve		-
Less difference for allocation calculation		<u>-</u>
 Effective gross rent from form 180	 \$	 <u><u>211,880</u></u>
 Total expenses	 \$	 204,437
Less depreciation		(29,930)
Less major construction expense		-
Less difference for allocation calculation		<u>(1)</u>
 Total operating cost from form 180	 \$	 <u><u>174,506</u></u>

Accumulated Limited Distributions

At inception, there were no allocable accumulated limited distributions unpaid. Also, there were no accumulated limited distributions paid during the fiscal year ended June 30, 2020.

Insurance

Insurance premiums are current as of June 30, 2020. The annual renewal policy was paid before the due date.

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Supplementary Information
Year Ended June 30, 2020**

Operating cash flow/Surplus cash computation

The operating cash flow/surplus cash generated by the Project during the year ended June 30, 2020 is as follows:

Operation income	
Total income	\$ 211,880
Interest earned on restricted reserve accounts	<u>(250)</u>
Adjusted operating income	<u>211,630</u>
Operating expenses less depreciation	<u>(174,507)</u>
Adjusted net income	<u>37,123</u>
Other activity	
Debt service	-
Purchases of capital assets	(50,682)
Withdrawals from replacement reserve account	44,600
Deposits into replacement reserve account	<u>(43,299)</u>
Total other activity	<u>(49,381)</u>
Operating cash flow/surplus cash (deficit)	<u><u>\$ (12,258)</u></u>

Rental Housing Construction Program -- Original
6. AMC 180a - ACTUAL COST OF OPERATIONS - Operating Budget/Annual Report

Contract No: 80-RHC-007 Reporting Period: 7/1/19 to 6/30/20
 Project Name: Somerset Parkside
 Prepared by: _____
 Date Prepared: _____

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ACCOUNT NAME	ACCOUNT CODES	UNIT EXPENSES					
		Approved Assisted (A)	Actual Assisted	Approved Non-Assisted	Actual Non-Assisted	Proposed Commercial	Actual Commercial
MANAGEMENT FEE: 6200/6300							
1 Management Fee or Sponsor Overhead	6320	7,344	7,256	11,751	11,839	0	0
ADMINISTRATIVE EXPENSES: 6200/6300							
2 Advertising	6210	305	301	487	491	0	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0
4 Other Renting Expenses	6250	38	0	62	0	0	0
5 Office Salaries	6310	0	0	0	0	0	0
6 Office Supplies	6311	0	0	0	0	0	0
7 Office or Model Apartment Rent	6312	0	0	0	0	0	0
8 Manager and Superintendent Salaries	6330	8,608	8,504	13,772	13,876	0	0
9 Manager's or Superintendent's Rent Free Unit	6331	3,951	3,903	6,321	6,369	0	0
10 Legal Expense - Project	6340	385	258	615	422	0	0
11 Audit Expense - Project	6350	1,577	1,596	2,523	2,604	0	0
12 Bookkeeping Fees/Accounting Services	6351	0	0	0	0	0	0
13 Telephone and Answering Service Expenses	6360	0	0	0	0	0	0
14 Bad Debt Expense	6370	0	0	0	0	0	0
15 Miscellaneous Administrative Expenses (specify)	6390	0	0	0	0	0	0
16 TOTAL ADMINISTRATIVE EXPENSES	6200/6300T	14,863	14,562	23,781	23,762	0	0
UTILITIES EXPENSES: 6400							
17 Fuel Oil/Coal	6420	0	0	0	0	0	0
18 Electricity	6450	1,538	1,239	2,462	2,021	0	0
19 Water	6451	14,385	16,416	23,015	26,784	0	0
20 Gas	6452	577	274	923	448	0	0
21 Sewer	6453	0	0	0	0	0	0
22 TOTAL UTILITIES EXPENSES	6400T	16,500	17,929	26,400	29,253	0	0
OPERATING AND MAINTENANCE EXPENSES: 6500							
23 Janitor and Cleaning Payroll	6510	0	0	0	0	0	0
24 Janitor and Cleaning Supplies	6515	0	0	0	0	0	0
25 Janitor and Cleaning Contracts	6517	0	0	0	0	0	0
26 Exterminating Payroll/Contract	6519	0	0	0	0	0	0
27 Exterminating Supplies	6520	0	0	0	0	0	0
28 Garbage and Trash Removal	6525	1,346	1,118	2,154	1,825	0	0
29 Security Payroll/Contract	6530	1,494	739	2,391	1,205	0	0
30 Grounds Payroll	6535	0	0	0	0	0	0
31 Grounds Supplies	6536	0	0	0	0	0	0
32 Grounds Contract	6537	0	0	0	0	0	0
33 Repairs Payroll	6540	3,150	10,091	5,040	16,463	0	0
34 Repairs Material	6541	2,115	3,331	3,385	5,434	0	0
35 Repairs Contract	6542	11,692	6,998	18,708	11,418	0	0
36 Elevator Maintenance/Contract	6545	0	0	0	0	0	0
37 Heating/Cooling Repairs and Maintenance	6546	0	0	0	0	0	0
38 Swimming Pool Maintenance/Contract	6547	0	0	0	0	0	0
39 Snow Removal	6548	0	0	0	0	0	0
40 Decorating/Payroll Contract	6560	0	0	0	0	0	0
41 Decorating Supplies	6561	0	0	0	0	0	0
42 Vehicle and Maint. Equipment Operation/Repairs	6570	0	0	0	0	0	0
43 Misc. Operating and Maintenance Expenses (specify)	6590	2,308	790	3,692	1,289	0	0
44 TOTAL OPERATING & MAINTENANCE EXPENSES	6500T	22,106	23,067	35,369	37,634	0	0
TAXES AND INSURANCE: 6700							
45 Real Estate Taxes	6710	642	665	1,028	1,085	0	0
46 Payroll Taxes (Project's Share)	6711	0	0	0	0	0	0
47 Misc. Taxes, Licenses and Permits	6719	0	0	0	0	0	0
48 Property and Liability Insurance (Hazard)	6720	3,846	2,833	6,154	4,621	0	0
49 Fidelity Bond Insurance	6721	0	0	0	0	0	0
50 Worker's Compensation	6722	0	0	0	0	0	0
51 Health Insurance and Other Employee Benefits	6723	0	0	0	0	0	0
52 Other Insurance	6729	0	0	0	0	0	0
53 TOTAL TAXES AND INSURANCE	6700T	4,488	3,498	7,182	5,706	0	0
ASSISTED LIVING/BOARD & CARE EXPENSES; 6900							
54 Food	6932	0	0	0	0	0	0
55 Recreation and Rehabilitation	6980	0	0	0	0	0	0
56 Rehabilitation Salaries	6983	0	0	0	0	0	0
57 Other Service Expenses	6990	0	0	0	0	0	0
58 TOTAL ASSISTED LIVING EXPENSES	6900T	0	0	0	0	0	0
61 TOTAL OPERATING COSTS		65,302	66,312	104,482	108,194	0	0
62	For each account below, itemize the expenses (total will flow to account above)						Amount
63	Account 6390 Miscellaneous Administrative Expenses						
64	Countertops - Rivercity millworks						\$2,079
65							
66	Total Account 6390 Miscellaneous Administrative Expenses						\$2,079
67	Account 6590 Miscellaneous Operations & Maintenance Expenses						
68							
69							
70							
71	Total Account 6590 Miscellaneous Operations & Maintenance Expenses						\$0
72	Account 6729 Other Insurance						
73	Total Account 6729 Other Insurance						\$0

Rental Housing Construction Program -- Original
7. AMC 181a - ACTUAL CASH FLOW ANALYSIS - Operating Budget/Annual Report

Contract No: 80-RHC-007
 Project Name: Somerset Parkside
 Prepared by: _____
 Date Prepared: _____

Reporting Period: 7/1/19 to 6/30/20

Units/Sq. Ft. - Assisted: 10
 Units/Sq. Ft. - Total: 26

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Unit Months: 312

ACCOUNT NAME	Account Codes	ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE Cashflow Variance (I)
		Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	
REVENUE ACCOUNTS/RENT REVENUE: 5100										
1 Rent Revenue	5120	72,516	74,154	186,612	120,988	0	0	259,128	195,142	(63,986)
2 Tenant Assistance Payments	5121	324	9,072	0	0	0	0	324	9,072	8,748
3 Rent revenue - Stores and Commercial	5140	0	0	0	0	0	0	0	0	0
4 Garage and Parking Spaces	5170	0	0	0	0	0	0	0	0	0
5 Flexible Subsidy Revenue	5185	0	0	0	0	0	0	0	0	0
6 Miscellaneous Rent Revenue	5190	0	971	0	1,583	0	0	0	2,554	2,554
7 Excess Rent	5191	0	0	0	0	0	0	0	0	0
8 Rent Revenue/Insurance	5192	0	0	0	0	0	0	0	0	0
9 Special Claims Revenue	5193	0	0	0	0	0	0	0	0	0
10 Retained Excess Income	5194	0	0	0	0	0	0	0	0	0
11 GROSS RENT REVENUE	5100T	72,840	84,197	186,612	122,571	0	0	259,452	206,768	(52,684)
VACANCIES: 5200										
Vacancy Percentage:										
11 Apartments -	5220	0	0	0	0	0	0	0	0	0
12 Stores and Commercial	5240	0	0	0	0	0	0	0	0	0
13 Rental Concessions	5250	0	0	0	0	0	0	0	0	0
14 Garage and Parking Spaces	5270	0	0	0	0	0	0	0	0	0
15 Miscellaneous	5290	0	0	0	0	0	0	0	0	0
Total Vacancies (HCD Use Only)	5200T	2,175	0	9,331	0	0	0	11,506	0	0
ASSISTED LIVING/BOARD & CARE REVENUES: 5300										
17 Food	5332	0	0	0	0	0	0	0	0	0
18 Recreation (Activities) and Rehabilitation	5380	0	0	0	0	0	0	0	0	0
19 Rehabilitation	5385	0	0	0	0	0	0	0	0	0
20 Other Service Revenue	5390	0	0	0	0	0	0	0	0	0
Total Living Revenue	6300T	0	0	0	0	0	0	0	0	0
FINANCIAL REVENUE: 5400										
21 Financial Revenue - Project Operations	5410	0	1,113	0	1,816	0	0	0	2,929	2,929
Total Financial Revenue	5400T	0	1,113	0	1,816	0	0	0	2,929	2,929
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	923	830	1,477	1,353	0	0	2,400	2,183	(217)
23 NSF and Late Charges	5920	0	0	0	0	0	0	0	0	0
24 Damages and Cleaning Fees	5930	0	0	0	0	0	0	0	0	0
25 Forfeited Tenant Security Deposits	5940	0	0	0	0	0	0	0	0	0
26 Other Revenue	5990	0	0	0	0	0	0	0	0	0
Total Other Revenue	5900T	923	830	1,477	1,353	0	0	2,400	2,183	(217)
27 EFFECTIVE GROSS RENT (EGR)	5152T	71,588	86,140	178,758	125,740	0	0	250,346	211,880	(38,466)
28 TOTAL OPERATING EXPENSES	6000T	67,261	66,312	107,617	108,194	0	0	174,878	174,506	372
29 NET OPERATING INCOME (NOI)	5000T	4,327	19,828	71,141	17,546	0	0	75,468	37,374	(38,094)
FINANCIAL EXPENSES: 6800										
30 Non-Contingent Debt Service (specify lender)	6895	0	0	0	0	0	0	0	0	0
1st Mortgage =		0	0	0	0	0	0	0	0	0
2nd Mortgage =		0	0	0	0	0	0	0	0	0
3rd Mortgage =		0	0	0	0	0	0	0	0	0
31 HCD Required Payments	6890	0	0	10,127	0	0	0	10,127	0	10,127
32 Lease Payment	6890	0	0	0	0	0	0	0	0	0
33 Miscellaneous Financial Expenses	6890	0	0	0	0	0	0	0	0	0
Total Financial Expenses	6800T	0	0	10,127	0	0	0	10,127	0	10,127
FUNDED RESERVES:										
34 Escrow Deposits	1300	0	0	0	0	0	0	0	0	0
35 Replacement Reserve-Deposit	1320	16,653	16,454	26,646	26,845	0	0	43,299	43,299	0
36 Operating Reserve-Deposit	1300	0	0	0	0	0	0	0	0	0
37 Other Reserves (specify)		0	0	0	0	0	0	0	0	0
#1	1330	0	0	0	0	0	0	0	0	0
#2	1330	0	0	0	0	0	0	0	0	0
#3	1330	0	0	0	0	0	0	0	0	0
Total Reserve Deposits		16,653	16,454	26,646	26,845	0	0	43,299	43,299	0
38 PROJECT CASH FLOW (CF)		(12,326)	3,374	34,368	(9,299)	0	0	22,042	(5,925)	(27,967)
ADDITIONAL REVENUE:										
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		12,326	1,027	0	0	0	0	12,326	1,027	(11,299)
40 Withdrawal from Operating Reserves		0	0	0	0	0	0	0	0	0
41 Borrower Contribution		0	0	0	0	0	0	0	0	0
42 Other (specify)		0	0	0	0	0	0	0	0	0
Total Additional Revenue		12,326	1,027	0	0	0	0	12,326	1,027	(11,299)
USE OF CASH FLOW:										
43 HCD Interest Payments		0	0	0	0	0	0	0	0	0
44 Asset Mgmt Fee (CHRP-R/SUHRP & HOME-pre-UMR Only)		0	0	0	0	0	0	0	0	0
45 Asset Mgmt Fee/Prtshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46 Borrower Distributions		0	0	0	0	0	0	0	0	0
47 Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48 Other (specify)		0	0	0	0	0	0	0	0	0
Total Use of Cash Flow		0	0	0	0	0	0	0	0	0

6. AMC 184 - SPONSOR'S PROJECT RATING

Project Name:	Somerset Parkside	1. HCD Contract #:	90-RHC-007
		2. HCD Contract #:	15-LPR-005
		3. HCD Contract #:	
Prepared By:	Noelle Mussen	Date Prepared:	11/25/19
Management Co.:	CADA	Phone #:	916-323-1276

Physical Condition :

1. Rate the condition of the grounds:	<input type="radio"/> Excellent	<input checked="" type="radio"/> Average	<input type="radio"/> Poor
2. Estimated amount of building exterior deferred maintenance:	<input type="radio"/> None	<input checked="" type="radio"/> Some	<input type="radio"/> Much
3. Estimated amount of building systems deferred maintenance (heating, cooling, electrical, plumbing systems):	<input type="radio"/> None	<input checked="" type="radio"/> Some	<input type="radio"/> Much
4. Estimated amount of common area deferred maintenance (meeting rooms, laundry rooms, trash collection areas; kitchens, baths):	<input checked="" type="radio"/> None	<input type="radio"/> Some	<input type="radio"/> Much
5. Frequency of unit inspections; if "Other", explain below:	<input checked="" type="radio"/> Annually	<input type="radio"/> Semi-Annually	<input type="radio"/> Other
N/A			
6. Explain any "Poor" condition or "Much" deferred maintenance in 1-4 above:			
N/A			
7. What, if anything, may impact the physical condition of the property in the coming year?			
None			
8. List any notices or citations for housing code violations (attach copy of notices or citations):			
None			
9. List any major repair, replacement or maintenance work needed:			
Fencing project to remove and replace fencing and gates for courtyards 1-7 & 13, and two trash enclosures and related work			

Financial:

1. Are you aware of any special risks to the short or long term fiscal condition of the Project? If "Yes", please explain.	<input type="radio"/> Yes	<input checked="" type="radio"/> No	
N/A			
2. Are any Project loans past due? If "Yes", please explain (include loan, past due amount and reason).	<input type="radio"/> Yes	<input checked="" type="radio"/> No	
N/A			
3. Was any Project loan paid off in the last year or has any new debt been added? If "Yes", identify loan paid off or new debt source, amount and attach loan documents.	<input type="radio"/> Yes	<input checked="" type="radio"/> No	
N/A			

Management:

	Date	Annual Frequency
1. Indicate the last date of staff training and the frequency of the training concerning tenant eligibility and HCD compliance regarding rent, income and occupancy:	10/18/19	<input type="radio"/> Zero <input type="radio"/> Twice <input type="radio"/> Once <input checked="" type="radio"/> Three or more
2. Indicate the last meeting date and the frequency of meetings between the Property Management Agent and Sponsor:	3/1/19	<input type="radio"/> Zero <input type="radio"/> Twice <input checked="" type="radio"/> Once <input type="radio"/> Three or more
3. Is a waiting list being used? If "Yes", enter how many on the list.	55	<input checked="" type="radio"/> Yes <input type="radio"/> No
4. Are all property taxes current?		<input checked="" type="radio"/> Yes <input type="radio"/> No
5. If the Project has commercial space, is it rented?		<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A
6. Explain any "No" answer: N/A		
7. Vacancy rate as of the last day of the Reporting Period?		12.00%
8. Describe any problems in filling vacancies and steps taken to address them: There has been turn over and missing staff with in the leasing department. Our affordable housing leasing agent was out on leave and subsequently left the agency. We have hired a new leasing manager and are in the process of filling the leasing vacancy. Also, the vacancies were related to a fire occuring in one unit and smoke and water damage to the adjacent units. These units were repaired and put back on the waiting list to be rented.		
9. How many units turned over during the Reporting Period?		5
10. During the Reporting Period, what was the average turnover time in days (move out to move in)?		161
11. How many evictions occurred last year? Identify the reasons for evictions and applicable unit numbers:		0
N/A		
12. Describe any problems with nonpayment of rent, bad debts, abandonment, etc. and steps taken to alleviate the problems: Two tenants where behind in rent and following our delinquency procedures we placed them on a payment plan.		
13. Describe any additional management problems and steps taken to alleviate the problems: None		
14. Have there been changes or do you anticipate changes in Project ownership, General Partners or property management? If "Yes", please explain and identify new or anticipated entities below:		<input type="radio"/> Yes <input checked="" type="radio"/> No
15. Comments to HCD Asset Management Representative:		

The following information is required only if your Project includes HCD Home Investment Partnership (HOME) Community Housing Development Organization (CHDO) funds.

HCD HOME CHDO Assisted Units:	# of Fixed Units	0	Floating Units Comparable?	<input type="radio"/> Yes <input type="radio"/> No
	# of Floating Units	0		

Check below regarding project type(s) and enter corresponding information:

<input type="checkbox"/> TCAC Project, enter TCAC ID # and the TCAC 15 year expiration date:	
<input type="checkbox"/> CalHFA Project, enter CalHFA ID #:	
<input type="checkbox"/> USDA-RD Project, enter USDA ID #:	
<input type="checkbox"/> HUD 811 Project, enter HUD ID #:	
<input type="checkbox"/> HUD 202 Project, enter HUD ID #:	

Rents:

1. Does the owner/agent use the most current State HOME-published High and Low rent limits or MHP-published rent limits, as applicable, for all HOME-assisted units? If "No", what limits are being used?	<input type="radio"/> Yes <input type="radio"/> No
---	--

<input type="checkbox"/> HUD <input type="checkbox"/> Other, describe:	
--	--

2. Does the owner/agent use the most current utility allowance schedule from the local housing authority to calculate maximum rent levels?	<input type="radio"/> Yes <input type="radio"/> No - HUD 202 Project <input type="radio"/> No - HUD 811 Project <input type="radio"/> No - other, describe below
--	---

Enter the effective date of the Utility Allowance Amounts:	6/28/19		
0 Bedroom Amt.	\$61	3 Bedroom Amt.	\$103
1 Bedroom Amt.	\$73	4 Bedroom Amt.	N/A
2 Bedroom Amt.	\$85	5 Bedroom Amt.	N/A

3. Does the owner/agent correctly calculate rents for over-income (exceeding 80% limit) tenants in HCD HOME CHDO-assisted units? Fixed Unit Projects: lesser of rent control amount or 30% of adjusted income-no rent cap; Floating Unit Projects: 30% of adjusted income-may not exceed market rent.	<input type="radio"/> Yes <input type="radio"/> No, explain why not below
---	---

Income Eligibility:

1. Does the owner/agent use the most current State HOME published income limits? Low Income = 80% Limit; Very Low Income = 50% Limit	<input checked="" type="radio"/> Yes <input type="radio"/> No - HUD <input type="radio"/> No, explain what other limits are used below
---	---

2. Does the owner/agent annually recertify the income of each household living in HOME-assisted units?	<input checked="" type="radio"/> Yes <input type="radio"/> No
--	---

3. Does the owner/agent use the Part 5 definition of annual income to measure initial and on-going eligibility for HOME-assisted units? 24 CFR Part 5 published 1996 (formerly known as the Section 8 Program definition)	<input type="radio"/> Yes <input type="radio"/> No, describe method used below
---	--

Occupancy Eligibility:

In properties of 5 or more HOME-assisted units, does the owner/agent monitor and enforce the HCD Regulatory Agreement Exhibit B unit designations?	<input type="radio"/> Yes <input type="radio"/> No, explain why not below
--	---

Property Management:

1. Does a property management company manage this Project?	<input checked="" type="radio"/> Yes <input type="radio"/> No, skip to #3
--	---

2. Has the property management company changed during the past year?	<input type="radio"/> Yes <input checked="" type="radio"/> No, enter Management Agreement date:
--	--

If "Yes", was HCD approval obtained?	<input type="radio"/> Yes <input type="radio"/> No, ATTACH NEW MANAGEMENT AGREEMENT
--------------------------------------	---

3. Enter information regarding who manages the property below:			
--	--	--	--

Company Name:	Capitol Area Development Authority (CADA)	Phone #:	916-322-2114
---------------	---	----------	--------------

Address, City, Zip:	1522 14th street, Sacramento CA 95814		
---------------------	---------------------------------------	--	--

4. Who should a prospective renter contact to apply for occupancy or get on the waiting list?			
---	--	--	--

Company Name:	Capitol Area Development Authority (CADA)	Phone #:	916-322-2114
---------------	---	----------	--------------

Address, City, Zip:	1522 14th street, Sacramento CA 95814		
---------------------	---------------------------------------	--	--

Website:	www.cadanet.org	Email:	leasinginfo@cadanet.org
----------	-----------------	--------	-------------------------

5. Enter date of last revision to the Management Plan: Has the Management Plan changed during the past year?	8/1/19	<input type="radio"/> Yes <input checked="" type="radio"/> No
---	--------	---

If "Yes", was HCD approval obtained?	<input type="radio"/> Yes <input type="radio"/> No, ATTACH NEW MANAGEMENT PLAN
--------------------------------------	--

6. Does the Management Fee comply with the amount per unit per month allowed by HUD? See link: http://www.hcd.ca.gov/fa/home/HUD_MF_PUPM_Schedules.xls	<input checked="" type="radio"/> Yes <input type="radio"/> No, explain why not below
---	--

Physical Needs Assessment (PNA) and Replacement Reserve Study (RRS):

An updated PNA should be commissioned every five to ten years. The RRS should be updated annually to reflect work completed and work remaining to be done.

1. Year constructed:	1983	2. What is the date of the last PNA?	
----------------------	------	--------------------------------------	--

3. As of the end of this fiscal year, has the RRS been adjusted/updated?	<input type="radio"/> Yes <input checked="" type="radio"/> No <input type="radio"/> N/A
--	---

For **projects with USDA Rural Development funds**, use the USDA Rural Development Capital Needs Assessment form found at: <http://www.rurdev.usda.gov/rhs/mfh/MPR/CNA-TRN/CNAExample.xls>

For **projects without USDA Rural Development funds**, use the Fannie Mae (FNMA) PNA Guidelines and forms below:

FNMA PNA Guidelines found at: https://www.fanniemae.com/content/guide_form/4099.pdf

FNMA PNA Forms found at: <http://www.hcd.ca.gov/fa/mhp/MHP-LoanClosing/PNA4327.doc>


Guidelines for Physical Needs Assessments, Replacement Reserve Analyses and Replacement Reserve Studies with Model Contract Addendums found at: <http://www.hcd.ca.gov/fa/mhp/MHP-LoanClosing/GuidelinesForPNAReserveStudies.pdf>

Comments to HCD HOME Asset Management Representative:

**Somerset Parkside Apartments
(Contract Number 15-LPR-005)
A Project of the Capitol Area Development Authority**

**Certification of Executive Director
Years Ended June 30, 2020 and 2019**

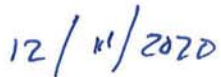
I, as Executive Director of CADA, hereby certify that I have examined the accompanying financial statements and supplementary information of Somerset Parkside Apartments, A Project of CADA as of and for the years ended June 30, 2020 and 2019, and to the best of our knowledge and belief, these financial statements and supplementary information are complete and accurate.



Signature



Title



Date

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 Somerset Parkside Apartments (Contract Number 15-LPR-005) ("Project"), a project of the Capitol Area Development Authority ("Authority") which comprise the statement of net position as of June 30, 2020, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated December 11, 2020 which included an emphasis of matter paragraph as indicated at page 3.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting ("internal control") as a basis for designing 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 Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project'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 Project'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 financial statements. 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 Project'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 Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
December 11, 2020



Independent Member of Nexia International

cohnreznick.com

**Biele Place Apartments
(Contract Number 17-LPR-0029) and
(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, 2020 and 2019

**Biele Place Apartments
(Contract Number 17-LPR-0029) and
(Contract Number 80-RHC-032)
A Project of the Capitol Area Development Authority**

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Independent Auditor's Report

Board of Directors
Capitol Area Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Biele Place Apartments (Contract Number 17-LPR-0029 and 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, 2020 and 2019, and the related statements of revenue, 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 audits. We conducted our audits 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 Biele Place Apartments as of June 30, 2020 and 2019, 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 referred to above 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, 2020 and 2019, 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 16 to 24 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. Except for the Sponsor's project rating information at pages 21 to 24, 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, except for the Sponsor's project rating information at pages 21 to 24 on which we express no 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 11, 2020, on our consideration of the Project'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 Project'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 Project's internal control over financial reporting and compliance.



Sacramento, California
December 11, 2020

**Biele Place Apartments
(Contract Number 17-LPR-0029) and
(Contract Number 80-RHC-032)
A Project of the Capitol Area Development Authority**

**Statements of Net Position
June 30, 2020 and 2019**

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ -	\$ 140,946
Residential accounts receivable	6,254	7,134
Restricted cash and cash equivalents - tenant security deposits	<u>12,320</u>	<u>12,223</u>
Total current assets	<u>18,574</u>	<u>160,303</u>
Noncurrent assets		
Restricted cash and cash equivalents - replacement reserve	172,991	172,223
Restricted cash and cash equivalents - Operating reserve	<u>51,277</u>	<u>-</u>
	224,268	172,223
Capital assets		
Building and Improvements	1,456,872	1,456,872
Less accumulated depreciation	<u>(1,259,078)</u>	<u>(1,242,196)</u>
Total capital assets	<u>197,794</u>	<u>214,676</u>
Total noncurrent assets	<u>422,062</u>	<u>386,899</u>
Total assets	<u>\$ 440,636</u>	<u>\$ 547,202</u>
	<u>Liabilities</u>	
Current liabilities		
Accounts payable	\$ 1,057	\$ 3,593
Unearned revenue - prepaid rent	529	627
Due to HCD	8,402	13,157
Due to CADA	29,179	-
Tenant security deposits	<u>12,320</u>	<u>12,223</u>
Total current liabilities	<u>51,487</u>	<u>29,600</u>
Non current liabilities		
Mortgage note payable	1,025,653	-
Accrued interest - mortgage note payable	<u>23,077</u>	<u>-</u>
Total non current liabilities	<u>1,048,730</u>	<u>-</u>
Total liabilities	<u>\$ 1,100,217</u>	<u>\$ 29,600</u>
	<u>Net Position</u>	
Net investment in capital assets	\$ (827,859)	\$ 214,676
Restricted for replacement and operating reserves	224,268	172,223
Unrestricted	<u>(55,990)</u>	<u>130,703</u>
Total net position	<u>\$ (659,581)</u>	<u>\$ 517,602</u>

See Notes to Financial Statements.

**Biele Place Apartments
(Contract Number 17-LPR-0029) and
(Contract Number 80-RHC-032)
A Project of the Capitol Area Development Authority**

**Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019**

	2020	2019
Operating revenue		
Rental revenue, net	\$ 174,967	\$ 176,818
Coin-operated laundry	2,032	1,713
Miscellaneous	973	1,200
Total operating revenue	177,972	179,731
Operating expenses		
Payroll		
Salaries and benefits	53,967	42,135
Administrative		
Legal and accounting services	4,500	4,400
Management fee	24,251	23,545
Media	1,168	780
Total administrative	29,919	28,725
Utilities	28,154	25,123
Operating and maintenance		
Supplies	1,707	4,394
Service contracts	31,204	28,353
Courtesy patrol	2,904	2,770
Decorating and painting	4,060	523
Total operating and maintenance	39,875	36,040
Insurance and taxes		
Insurance	7,626	6,126
Property taxes	1,037	1,073
Total insurance and taxes	8,663	7,199
Depreciation	16,882	14,758
Total operating expenses	177,460	153,980
Operating income	512	25,751

**Biele Place Apartments
(Contract Number 17-LPR-0029) and
(Contract Number 80-RHC-032)
A Project of the Capitol Area Development Authority**

**Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019**

	2020	2019
Nonoperating revenue (expenses)		
CADA Annuity	(126,429)	199,372
Interest expense	(23,077)	-
Funding obligation	(1,025,653)	-
HCD monitoring fee	(8,402)	-
Interest income	5,866	4,267
	<u>(1,177,695)</u>	<u>203,639</u>
Change in net position	(1,177,183)	229,390
Net position, beginning	<u>517,602</u>	<u>288,212</u>
Net position, end	<u>\$ (659,581)</u>	<u>\$ 517,602</u>

See Notes to Financial Statements.

**Biele Place Apartments
(Contract Number 17-LPR-0029) and
(Contract Number 80-RHC-032)
A Project of the Capitol Area Development Authority**

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	2020	2019
Cash flows from operating activities		
Rental receipts	\$ 175,749	\$ 175,324
Other receipts	3,005	2,913
Tenant security deposits received (paid)	97	(330)
Payroll and related costs	(53,967)	(42,135)
Administrative	(29,919)	(28,725)
Utilities	(28,154)	(25,123)
Operating and maintenance	(42,411)	(35,740)
Insurance and taxes	(8,663)	(7,199)
	<u>15,737</u>	<u>38,985</u>
Net cash provided by operating activities		
Cash flows from noncapital financing activities		
Contributions (paid to) received from CADA	(110,407)	199,372
	<u>(110,407)</u>	<u>199,372</u>
activities		
Cash flows from capital and related financing activities		
Payments for capital assets	-	(214,285)
	<u>-</u>	<u>(214,285)</u>
Net cash used for capital and related financing activities		
Cash flows from investing activities		
Interest receipts	5,866	4,267
	<u>5,866</u>	<u>4,267</u>
Net cash provided by investing activities		
Net (decrease) increase in cash and cash equivalents	(88,804)	28,339
Cash and cash equivalents, beginning	325,392	297,053
	<u>325,392</u>	<u>297,053</u>
Cash and cash equivalents, end	<u>\$ 236,588</u>	<u>\$ 325,392</u>

**Biele Place Apartments
(Contract Number 17-LPR-0029) and
(Contract Number 80-RHC-032)
A Project of the Capitol Area Development Authority**

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	2020	2019
Reconciliation to the statements of net position		
Cash and cash equivalents	\$ -	\$ 140,946
Restricted cash and cash equivalents		
Tenant security deposits	12,320	12,223
Replacement reserve	172,991	172,223
Operating reserve	51,277	-
Total cash and cash equivalents	\$ 236,588	\$ 325,392
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 512	\$ 25,751
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	16,882	14,758
Changes in assets and liabilities		
Residential accounts receivable	880	(1,372)
Accounts payable	(2,536)	300
Unearned revenue - prepaid rent	(98)	(122)
Tenant security deposits	97	(330)
Net cash provided by operating activities	\$ 15,737	\$ 38,985
Significant noncash capital and related financing activities		
Increase in mortgage note payable	\$ 1,025,653	\$ -

See Notes to Financial Statements.

**Biele Place Apartments
(Contract Number 17-LPR-0029) and
(Contract Number 80-RHC-032)
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 1 - Organization and summary of significant accounting policies

General

Biele Place Apartments (the "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 a prior year. Effective September 2019, the Authority and HCD terminated the old regulatory agreement (Contract No. 80-RHC-032) and entered into a 12-year term new regulatory agreement for the Project under the Loan Portfolio Restructuring Program (Contract No. 17-LPR-0029).

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 revenue and expenses. Operating revenue 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 revenue and expenses not meeting this definition are reported as non-operating revenue 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 Authority 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 2.13 years and 1.63 years as of June 30, 2020 and 2019, respectively. At June 30, 2020

**Biele Place Apartments
(Contract Number 17-LPR-0029) and
(Contract Number 80-RHC-032)
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2020 and 2019**

and 2019, the majority of the Project's cash and cash equivalents and restricted cash and cash 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, operating 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, 2020 and 2019, 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, 2020, 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, 2020 and 2019 amounted to \$12,320 and \$12,223, respectively.

**Biele Place Apartments
(Contract Number 17-LPR-0029) and
(Contract Number 80-RHC-032)
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 3 - Capital assets

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

	<u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Capital assets not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Buildings and improvements	1,456,872	-	-	1,456,872
Less accumulated depreciation for				
Buildings and improvements	(1,242,196)	(16,882)	-	(1,259,078)
Capital assets being depreciated, net	<u>214,676</u>	<u>(16,882)</u>	<u>-</u>	<u>197,794</u>
Capital assets, net	<u>\$ 214,676</u>	<u>\$ (16,882)</u>	<u>\$ -</u>	<u>\$ 197,794</u>
	<u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
Capital assets not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Buildings and improvements	1,242,587	214,285	-	1,456,872
Less accumulated depreciation for				
Buildings and improvements	(1,227,438)	(14,758)	-	(1,242,196)
Capital assets being depreciated, net	<u>15,149</u>	<u>199,527</u>	<u>-</u>	<u>214,676</u>
Capital assets, net	<u>\$ 15,149</u>	<u>\$ 199,527</u>	<u>\$ -</u>	<u>214,676</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 is as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 172,223	\$ 162,822
Interest earned	75	3,301
Required deposits	693	6,100
Authorized expenses	-	-
Ending balance	<u>\$ 172,991</u>	<u>\$ 172,223</u>

**Biele Place Apartments
(Contract Number 17-LPR-0029) and
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A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 5 - Operating reserve

During 2019, the new regulatory agreement executed with HCD required the project to establish an operating reserve to be funded in the initial amount of \$51,210. The operating reserve account is reported in these financial statements as restricted cash. The operating reserve activity is as follows for the years ended June 30:

	2020	2019
Beginning balance	\$ -	\$ -
Initial deposits	51,210	-
Interest earned	67	-
Authorized expenses	-	-
Ending balance	\$ 51,277	\$ -

Note 6 - Note payable

In September 27 2019, the Authority executed the new regulatory agreement with HCD and the authority entered into a new promissory note in the amount of \$1,025,653 for a term of 12 years. The promissory note is secured by the Project property and bears interest at 3% per annum. Payments are to be made out of surplus cash as defined in the regulatory agreement until maturity in September 30, 2030 at which time all outstanding principal and accrued interest will be due. Upon closing on the loan, the Authority recorded the note payable and recognized a loan funding obligation expense which is included in nonoperating expenses in the statement of revenues, expenses, and changes in net position for the year ended June 30, 2020.

Note 7 - Due to HCD

As stated in Note 1, under the old regulatory agreement, HCD RHCP was to provide operating funds to the Project to cover the operating costs not covered by rental revenue. 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. The operating subsidy ended with the new regulatory agreement.

Effective with the new regulatory agreement, the project owes HCD a monitoring fee in the annual amount of \$11,233 and increasing annually by the consumer price index. The HCD monitoring fee is payable from net cash flow (surplus cash) of the Project as defined in the regulatory agreement. During the year ended June 30, 2020, HCD monitoring fees were pro-rated to the amount of \$8,402 and is included in due to HCD on the statements of net position. The account activities are as follows at June 30:

**Biele Place Apartments
(Contract Number 17-LPR-0029) and
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A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2020 and 2019**

	2020	2019
Due to HCD, beginning	\$ 13,157	\$ 13,157
Excess cash deposited to operating reserve	(13,157)	-
Current year monitoring fee	8,402	-
Payments to HCD	-	-
	\$ 8,402	\$ 13,157

Note 8 - Due to CADA

The Authority ("CADA") makes contributions to the Project based upon the capital budget needs and receives distributions for any funds in excess of such needs. During 2020, the Project distributed \$126,429 to CADA and during 2019, CADA contributed \$199,372 to the Project. In addition, CADA makes advances to the Project to pay for operating expenses of the Project. Such advances are not interest bearing and are expected to be repaid one month in arrears. As of June 30, 2020, \$29,179 is due to CADA and included in the statements of net position.

Note 9 - 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.

Note 10 - 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 11, 2020 (the date the financial statements were available to be issued) and concluded that other than the subsequent event discussed below that no subsequent events have occurred that would require recognition in the financial statements or disclosure is required in the notes to the financial statements.

**Biele Place Apartments
(Contract Number 17-LPR-0029) and
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**Notes to Financial Statements
June 30, 2020 and 2019**

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Project's financial position, results of operations, and cash flows. The Project is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Project's operations continue for an extended period of time the Project may have to seek alternative measures to finance its operations. There is no assurance these measures will be successful. The financial statements do not include any adjustments that might result if the Project is unable to continue as a going concern.

Supplementary Information

Required by the California Department of Housing Community Development

**Biele Place Apartments
(Contract Number 17-LPR-029) and
(Contract Number 80-RHC-032)
A Project of the Capitol Area Development Authority**

**Supplementary Information Required by HCD
Year Ended June 30, 2020**

Cash and cash equivalents

Cash and cash equivalents	
Unrestricted account	
Operating account	\$ -
<hr/>	
Restricted accounts	
Insurance and tax impounds	-
Tenant security deposits	12,320
Reserve for replacements	172,991
Operating reserve	51,277
<hr/>	
Total restricted accounts	236,588
<hr/>	
Total cash and cash equivalents	\$ 236,588
<hr/>	

The Project follow the practice of pooling its cash with all of the Authority's projects into a central fund maintained by the Authority. All accounts are segregated on the books of the Authority. The reserve accounts are maintained in interest-bearing accounts.

Reserve for Replacements and Operating Reserve

	Replacement reserve	operating reserve
Balance, June 30, 2019	\$ 172,223	\$ -
Required Deposits	693	51,210
Interest income	75	67
	<hr/>	<hr/>
Balance, June 30, 2020	<u>\$ 172,991</u>	<u>\$ 51,277</u>

**Biele Place Apartments
(Contract Number 17-LPR-029) and
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A Project of the Capitol Area Development Authority**

**Supplementary Information Required by HCD
Year Ended June 30, 2020**

Capital Assets

Following are the details of capital assets, which include building and leasehold improvements:

Capital assets balance, June 30, 2019	\$ 1,456,872
Additions	<u> -</u>
Capital assets balance, June 30, 2020	<u><u>\$ 1,456,872</u></u>

Accounts Payable

Accounts payable in the amount of \$1,057 represents amounts due to suppliers. All accounts payable are current.

Gross Potential Rents

Qualified tenant rental income	\$ 369,466
Other tenant rental income	<u> -</u>
Total gross potential rents	369,466
Less	
Vacancy loss	(33,912)
Loss to lease	(564)
Low income subsidy	<u>(160,023)</u>
Rental revenues, net	<u><u>\$ 174,967</u></u>

Management Fee

A property management fee of \$24,251 was incurred during the fiscal year ended June 30, 2020 for the property management services provided by the Authority.

**Biele Place Apartments
(Contract Number 17-LPR-029) and
(Contract Number 80-RHC-032)
A Project of the Capitol Area Development Authority**

**Supplementary Information Required by HCD
Year Ended June 30, 2020**

Operating cash flow/Surplus cash computation

The operating cash flow/surplus cash generated by the Project during the year ended June 30, 2020 is as follows:

Operation income	
Total income	\$ 183,838
Interest earned on restricted reserve accounts	<u>(142)</u>
Adjusted operation income	<u>183,696</u>
Operating expenses less depreciation	<u>(160,578)</u>
Adjusted net income	<u>23,118</u>
Other activity	
Debt service	-
Deposits into replacement reserve account	(693)
Deposits into operating reserve account	<u>(51,210)</u>
Total other activity	<u>(51,903)</u>
Operating cash flow/surplus cash (deficit)	<u><u>\$ (28,785)</u></u>

Accumulated Limited Distributions

At inception, there were no allowable accumulated limited distributions unpaid. Also, there were no accumulated limited distributions paid during the fiscal year ended June 30, 2020.

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

**Supplementary Information Required by HCD
Years Ended June 30, 2020 and 2019**

Schedules of Operating Revenues

<u>Account No.</u>		<u>2020</u>	<u>2019</u>
	Operating revenues		
5120	Rent revenue	\$ 174,967	\$ 176,818
5121	Tenant assistance payments	-	-
	Rental revenue	<u>174,967</u>	<u>176,818</u>
	Other revenues		
5910	Coin-operated laundry	2,032	1,713
5190	Miscellaneous	973	1,200
	Total operating revenues	<u>177,972</u>	<u>179,731</u>
	Operating expenses		
	Payroll		
6330	Manager salaries	33,562	26,204
6331	Manager rent fee unit	9,183	7,170
6510	Janitor payroll	11,221	8,761
	Total payroll	<u>53,967</u>	<u>42,135</u>
6340	Legal	-	-
6350	Accounting services	4,500	4,400
6320	Management fee	24,251	23,545
6210	Media	1,168	780
	Total administrative	<u>29,919</u>	<u>28,725</u>
	Utilities		
6450	Electricity	3,211	3,112
6452	Gas	3,503	3,194
6453	Water/Sewer	20,379	17,809
6525	Garbage	1,061	1,008
	Total utilities	<u>28,154</u>	<u>25,123</u>

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

**Supplementary Information Required by HCD
Years Ended June 30, 2020 and 2019**

Schedules of Operating Expenses

		2020	2019
	Operating and maintenance		
6515	Services and supplies	1,707	4,394
6530	Courtesy patrol	2,904	2,770
6517	Janitor and Cleaning Contracts	7,378	10,369
6537	Grounds Contract	-	-
6560	Decorating and painting	4,060	523
6545	Elevator Maintenance	-	-
6541	Repairs Material	23,826	17,984
6590	Misc. Ops. And Maint. Expense	-	-
6591	Major Construction Expense	-	-
	Total operating and maintenance	39,875	36,040
	Insurance and taxes		
6729	Insurance	7,626	6,126
6710	Property taxes	1,037	1,073
	Total insurance and taxes	8,663	7,199
	Depreciation	16,882	14,758
	Total operating expenses	177,460	153,980
	Operating income (loss)	512	25,751
	Non-operating revenues		
5400	CADA annuity	(126,429)	199,372
6820	Interest expense	(23,077)	-
6870	Funding obligation	(1,025,653)	-
6890	HCD monitoring fee	(8,402)	-
5410	Interest income	5,866	4,267
	Change in net position	(1,177,183)	229,390
	Net position, beginning	517,602	288,212
	Net position, end	\$ (659,581)	\$ 517,602

Insurance

Insurance premiums are current as of June 30, 2020. The annual renewal policy was paid before the due date.

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

**Supplementary Information Required by HCD
Years Ended June 30, 2020 and 2019**

6. AMC 184 - SPONSOR'S PROJECT RATING			
Project Name:	Biele Place	1. HCD Contract #:	80-RHC-032
		2. HCD Contract #:	17-LPR-0029
		3. HCD Contract #:	
Prepared By:	Noelle Mussen	Date Prepared:	11.4.2020
Management Co.:	CADA	Phone #:	916-323-1276
Physical Condition :			
1. Rate the condition of the grounds:	<input type="radio"/> Excellent <input checked="" type="radio"/> Average <input type="radio"/> Poor		
2. Estimated amount of building exterior deferred maintenance:	<input type="radio"/> None <input checked="" type="radio"/> Some <input type="radio"/> Much		
3. Estimated amount of building systems deferred maintenance (heating, cooling, electrical, plumbing systems):	<input type="radio"/> None <input checked="" type="radio"/> Some <input type="radio"/> Much		
4. Estimated amount of common area deferred maintenance (meeting rooms, laundry rooms, trash collection areas; kitchens, baths):	<input checked="" type="radio"/> None <input type="radio"/> Some <input type="radio"/> Much		
5. Frequency of unit inspections; if "Other", explain below:	<input checked="" type="radio"/> Annually <input type="radio"/> Semi-Annually <input type="radio"/> Other		
N/A			
6. Explain any "Poor" condition or "Much" deferred maintenance in 1-4 above:			
N/A			
7. What, if anything, may impact the physical condition of the property in the coming year?			
Noelle			
8. List any notices or citations for housing code violations (attach copy of notices or citations):			
None			
9. List any major repair, replacement or maintenance work needed:			
improvement to the Courtyard is budgeted for FY 20-21			
Financial:			
1. Are you aware of any special risks to the short or long term fiscal condition of the Project? If "Yes", please explain.	<input type="radio"/> Yes <input checked="" type="radio"/> No		
2. Are any Project loans past due? If "Yes", please explain (include loan, past due amount and reason).	<input type="radio"/> Yes <input checked="" type="radio"/> No		
3. Was any Project loan paid off in the last year or has any new debt been added? If "Yes", identify loan paid off or new debt source, amount and attach loan documents.	<input type="radio"/> Yes <input checked="" type="radio"/> No		

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

**Supplementary Information Required by HCD
Years Ended June 30, 2020 and 2019**

Management:

	<i>Date</i>	<i>Annual Frequency</i>
1. Indicate the last date of staff training and the frequency of the training concerning tenant eligibility and HCD compliance regarding rent, income and occupancy:	2/17/20	<input type="radio"/> Zero <input type="radio"/> Twice <input type="radio"/> Once <input checked="" type="radio"/> Three or more
2. Indicate the last meeting date and the frequency of meetings between the Property Management Agent and Sponsor:	3/1/19	<input checked="" type="radio"/> Zero <input type="radio"/> Twice <input type="radio"/> Once <input type="radio"/> Three or more
3. Is a waiting list being used? If "Yes", enter how many on the list.	20	<input checked="" type="radio"/> Yes <input type="radio"/> No
4. Are all property taxes current?		<input checked="" type="radio"/> Yes <input type="radio"/> No
5. If the Project has commercial space, is it rented?		<input type="radio"/> Yes <input type="radio"/> No <input checked="" type="radio"/> N/A
6. Explain any "No" answer:		
7. Vacancy rate as of the last day of the Reporting Period?		6.00%
8. Describe any problems in filling vacancies and steps taken to address them:		
Vacancies were not filled due to office closure March - June 2020. Prior to, vacant Affordable Agent position filled 2/1/2020. Procedures have been put in place to manage the wait list and begin renting affordable units while the office continues to operate with greatly reduced staff hours while closed to the public.		
9. How many units turned over during the Reporting Period?		3
10. During the Reporting Period, what was the average turnover time in days (move out to move in)?		210
11. How many evictions occurred last year? Identify the reasons for evictions and applicable unit numbers:		0
12. Describe any problems with nonpayment of rent, bad debts, abandonment, etc. and steps taken to alleviate the problems:		
No issues or abnormal balances. When delinquencies occur, our delinquency procedures are followed. Tenants may be put on a payment plan if needed.		
13. Describe any additional management problems and steps taken to alleviate the problems:		
High turnover time is due to lack of staffing late 2019-early 2020, which had to focus on updating all past due recertifications, which HCD is aware of, then Covid-19/office closure occurred 6 weeks after Affordable Agent position filled. As stated above, leasing and wait list management has begun, and vacancies will be filled in a timely manner going forward.		
14. Have there been changes or do you anticipate changes in Project ownership, General Partners or property management? If "Yes", please explain and identify new or anticipated entities below:		<input type="radio"/> Yes <input checked="" type="radio"/> No
15. Comments to HCD Asset Management Representative:		
We would like a meeting with our HCD Management Representative as soon as time and Covid-19 precautions/guidelines allow, and have regular meetings annually going forward.		

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

**Supplementary Information Required by HCD
Years Ended June 30, 2020 and 2019**

The following information is required <u>only</u> if your Project includes HCD Home Investment Partnership (HOME) Community Housing Development Organization (CHDO) funds.			
HCD HOME CHDO Assisted Units:	# of Fixed Units	0	Floating Units Comparable? <input type="radio"/> Yes <input type="radio"/> No
	# of Floating Units	0	
Check below regarding project type(s) and enter corresponding information:			
<input type="checkbox"/> TCAC Project, enter TCAC ID # and the TCAC 15 year expiration date:			
<input type="checkbox"/> CalHFA Project, enter CalHFA ID #:			
<input type="checkbox"/> USDA-RD Project, enter USDA ID #:			
<input type="checkbox"/> HUD 811 Project, enter HUD ID #:			
<input type="checkbox"/> HUD 202 Project, enter HUD ID #:			
Rents:			
1. Does the owner/agent use the most current State HOME-published High and Low rent limits or MHP-published rent limits, as applicable, for all HOME-assisted units? If "No", what limits are being used?		<input type="radio"/> Yes <input type="radio"/> No	
<input type="checkbox"/> HUD <input type="checkbox"/> Other, describe:			
2. Does the owner/agent use the most current utility allowance schedule from the local housing authority to calculate maximum rent levels?		<input type="radio"/> Yes <input type="radio"/> No - HUD 202 Project <input type="radio"/> No - HUD 811 Project <input type="radio"/> No - other, describe below	
Enter the effective date of the Utility Allowance Amounts:		6/30/18	
0 Bedroom Amt.	N/A	3 Bedroom Amt.	N/A
1 Bedroom Amt.	\$46	4 Bedroom Amt.	N/A
2 Bedroom Amt.	N/A	5 Bedroom Amt.	N/A
3. Does the owner/agent correctly calculate rents for over-income (exceeding 80% limit) tenants in HCD HOME CHDO-assisted units? Fixed Unit Projects: lesser of rent control amount or 30% of adjusted income-no rent cap; Floating Unit Projects: 30% of adjusted income-may not exceed market rent.		<input type="radio"/> Yes <input type="radio"/> No, explain why not below	
Income Eligibility:			
1. Does the owner/agent use the most current State HOME published income limits? Low Income = 80% Limit; Very Low Income = 50% Limit		<input checked="" type="radio"/> Yes <input type="radio"/> No - HUD <input type="radio"/> No, explain what other limits are used below	
2. Does the owner/agent annually recertify the income of each household living in HOME-assisted units?		<input type="radio"/> Yes <input type="radio"/> No	
3. Does the owner/agent use the Part 5 definition of annual income to measure initial and on-going eligibility for HOME-assisted units? 24 CFR Part 5 published 1996 (formerly known as the Section 8 Program definition)		<input type="radio"/> Yes <input type="radio"/> No, describe method used below	

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

**Supplementary Information Required by HCD
Years Ended June 30, 2020 and 2019**

Occupancy Eligibility:

In properties of 5 or more HOME-assisted units, does the owner/agent monitor and enforce the HCD Regulatory Agreement Exhibit B unit designations?	<input type="radio"/> Yes <input type="radio"/> No, explain why not below
--	---

Property Management:

1. Does a property management company manage this Project?	<input checked="" type="radio"/> Yes <input type="radio"/> No, skip to #3
--	---

2. Has the property management company changed during the past year?	<input type="radio"/> Yes <input checked="" type="radio"/> No, enter Management Agreement date:
--	--

If "Yes", was HCD approval obtained?	<input type="radio"/> Yes <input type="radio"/> No, ATTACH NEW MANAGEMENT AGREEMENT
--------------------------------------	---

3. Enter information regarding who manages the property below:			
Company Name:	Capitol Area Development Authority	Phone #:	916-322-2114
Address, City, Zip:	1522 14th St. Sacramento, CA 95814		

4. Who should a prospective renter contact to apply for occupancy or get on the waiting list?			
Company Name:	Capitol Area Development Authority	Phone #:	916-322-2114
Address, City, Zip:	1522 14th St. Sacramento, CA 95814		
Website:	www.cadanet.org	Email:	kdavis@cadanet.org

5. Enter date of last revision to the Management Plan: Has the Management Plan changed during the past year?	<input checked="" type="radio"/> Yes <input type="radio"/> No
If "Yes", was HCD approval obtained?	<input checked="" type="radio"/> Yes <input type="radio"/> No, ATTACH NEW MANAGEMENT PLAN

6. Does the Management Fee comply with the amount per unit per month allowed by HUD? See link: http://www.hcd.ca.gov/fa/home/HUD_MF_PUPM_Schedules.xls	<input type="radio"/> Yes <input type="radio"/> No, explain why not below
---	---

Physical Needs Assessment (PNA) and Replacement Reserve Study (RRS):

An updated PNA should be commissioned every five to ten years. The RRS should be updated annually to reflect work completed and work remaining to be done.

1. Year constructed:	2. What is the date of the last PNA?
3. As of the end of this fiscal year, has the RRS been adjusted/updated?	
<input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	

For **projects with USDA Rural Development funds**, use the USDA Rural Development Capital Needs Assessment form found at: <http://www.rurdev.usda.gov/rhs/mfh/MPR/CNA-TRN/CNAExample.xls>

For **projects without USDA Rural Development funds**, use the Fannie Mae (FNMA) PNA Guidelines and forms below:

- FNMA PNA Guidelines found at: https://www.fanniemae.com/content/guide_form/4099.pdf
- FNMA PNA Forms found at: <http://www.hcd.ca.gov/fa/mhp/MHP-LoanClosing/PNA4327.doc>
- Guidelines for Physical Needs Assessments, Replacement Reserve Analyses and Replacement Reserve Studies with Model Contract Addendums found at: <http://www.hcd.ca.gov/fa/mhp/MHP-LoanClosing/GuidelinesForPNAReserveStudies.pdf>

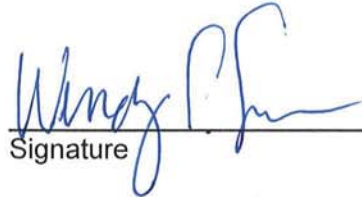
Comments to HCD HOME Asset Management Representative:

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**Biele Place Apartments
(Contract Number 17-LPR-0029) and
(Contract Number 80-RHC-032)
A Project of the Capitol Area Development Authority**

**Certification of Executive Director
Years Ended June 30, 2020 and 2019**

I, as Executive Director of CADA, hereby certify that I have examined the accompanying financial statements and supplementary information of Biele Place Apartments, A Project of CADA as of and for the years ended June 30, 2020 and 2019, and to the best of our knowledge and belief, these financial statements and supplementary information are complete and accurate.


Signature


Title

12/8/2020
Date

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 17-LPR-0029) and (Contract Number 80-RHC-032) (the "Project"), a project of the Capitol Area Development Authority (Authority) which comprise the statement of net position as of June 30, 2020, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2020 which included an emphasis of matter paragraph as indicated at page 3.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting ("internal control") as a basis for designing 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 Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project'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 Project'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 financial statements. 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 Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
December 11, 2020



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**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

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

June 30, 2020 and 2019

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

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Independent Auditor's Report

Board of Directors
Capitol Area Development Authority
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Seventeenth Street Commons (Contract Number 99-024-N) (the "Project"), a project of the Capitol Area Development Authority ("Authority"), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenue, 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 audits. We conducted our audits 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 Seventeenth Street Commons as of June 30, 2020 and 2019, 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, 2020 and 2019, 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 as a whole. The accompanying supplementary information on pages 15 to 20 as required by the California Housing Finance Agency 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 11, 2020, on our consideration of the Project'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 Project'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 Project's internal control over financial reporting and compliance.



Sacramento, California
December 11, 2020

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Statements of Net Position
June 30, 2020 and 2019**

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 743,550	\$ 719,473
Accounts receivable	7,743	8,883
Restricted cash and cash equivalents		
Insurance impounds	19,265	12,099
Tenant security deposits	21,409	17,309
Total restricted cash and cash equivalents	<u>40,674</u>	<u>29,408</u>
Total current assets	<u>791,967</u>	<u>757,764</u>
Noncurrent assets		
Restricted cash - replacement reserve	100,481	88,079
Capital assets		
Construction in progress	90,527	-
Building and Improvements	2,291,183	2,291,183
Less accumulated depreciation	<u>(1,743,169)</u>	<u>(1,675,972)</u>
Total capital assets	<u>638,541</u>	<u>615,211</u>
Total noncurrent assets	<u>739,022</u>	<u>703,290</u>
Total assets	<u><u>\$ 1,530,989</u></u>	<u><u>\$ 1,461,054</u></u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 8,135	\$ 10,662
Prepaid rent	987	431
Tenant security deposits	21,409	17,309
Notes payable, current portion	64,597	62,142
Total current liabilities	<u>95,128</u>	<u>90,544</u>
Noncurrent liabilities		
Notes payable, net of current portion	<u>996,602</u>	<u>1,061,200</u>
Total liabilities	<u><u>\$ 1,091,730</u></u>	<u><u>\$ 1,151,744</u></u>
<u>Net Position</u>		
Net investment in capital assets	\$ (422,658)	\$ (508,131)
Restricted for impounds and replacement reserve	119,746	100,178
Unrestricted	<u>742,171</u>	<u>717,263</u>
Total net position	<u><u>\$ 439,259</u></u>	<u><u>\$ 309,310</u></u>

See Notes to Financial Statements.

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019**

	2020	2019
Operating revenue		
Rental revenue, net	\$ 358,357	\$ 314,185
Other revenue		
Parking	11,760	11,721
Coin-operated laundry	1,614	1,518
Miscellaneous	3,416	1,780
	375,147	329,204
Operating expenses		
Payroll		
Salaries and benefits	52,394	45,730
	52,394	45,730
Administrative		
Management fee	27,875	27,875
Audit	4,283	4,000
Media	696	660
	32,854	32,535
Utilities		
Electricity	5,438	6,402
Water and garbage	38,815	36,026
Gas	1,572	1,797
	45,825	44,225
Operating and maintenance		
Services and supplies	7,760	4,978
Maintenance and repairs	52,865	74,454
Courtesy patrol	6,644	6,325
Decorating and painting	623	4,065
	67,892	89,822
Insurance and taxes		
Insurance	14,272	11,843
Property taxes	2,597	4,321
	16,869	16,164

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019**

	2020	2019
Depreciation	67,197	59,905
Total operating expenses	283,031	288,381
Operating income	92,116	40,823
Nonoperating revenue (expense)		
Contributions from CADA	71,000	54,000
Interest income	15,202	15,345
Interest expense	(48,369)	(50,699)
Total nonoperating revenue (expense), net	37,833	18,646
Change in net position	129,949	59,469
Net position, beginning	309,310	249,841
Net position, end	\$ 439,259	\$ 309,310

See Notes to Financial Statements.

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	2020	2019
Cash flows from operating activities		
Rental receipts	\$ 360,053	\$ 309,701
Other receipts	16,790	15,019
Tenant security deposits received	4,100	170
Payroll and related costs	(52,394)	(45,730)
Administrative	(32,854)	(32,535)
Utilities	(45,825)	(44,225)
Operating and maintenance	(51,826)	(93,922)
Insurance and taxes	(16,869)	(16,164)
	<u>181,175</u>	<u>92,314</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities		
Payments for acquisition of capital assets	(109,120)	(72,386)
Contributions from CADA	71,000	54,000
Principal payment on debt	(62,143)	(59,810)
Interest paid on debt	(48,369)	(50,699)
	<u>(148,632)</u>	<u>(128,895)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities		
Interest receipts	15,202	15,345
	<u>15,202</u>	<u>15,345</u>
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	47,745	(21,236)
Cash and cash equivalents, beginning	<u>836,960</u>	<u>858,196</u>
Cash and cash equivalents, end	<u>\$ 884,705</u>	<u>\$ 836,960</u>
Reconciliation to the statements of net position		
Cash and cash equivalents	\$ 743,550	\$ 719,473
Restricted cash and cash equivalents		
Insurance impounds	19,265	12,099
Tenant security deposits	21,409	17,309
Reserve for replacements	100,481	88,079
	<u>141,165</u>	<u>117,496</u>
Total cash and cash equivalents	<u>\$ 884,705</u>	<u>\$ 836,960</u>

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	2020	2019
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 92,116	\$ 40,823
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	67,197	59,905
Changes in assets and liabilities		
Accounts receivable	1,140	(4,202)
Accounts payable	16,066	(4,100)
Prepaid rent	556	(282)
Tenant security deposits	4,100	170
Net cash provided by operating activities	\$ 181,175	\$ 92,314

See Notes to Financial Statements.

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 1 - Organization and summary of significant accounting policies

General

Seventeenth Street Commons (the "Project") is a 28-unit apartment complex located in downtown Sacramento, California. The Project provides at least 20% of the apartments to eligible low-income families under the California Housing Finance Agency ("CalHFA") 80/20 program. Mortgage financing was provided by CalHFA.

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 flow occurs. The Project distinguishes operating from nonoperating revenue and expenses. Operating revenue 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 revenue and expenses not meeting this definition are reported as nonoperating revenue 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 upon the quoted market price. 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 2.13 years and 1.63 years as of June 30, 2020 and 2019, respectively. 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.

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2020 and 2019**

Cash and cash equivalents and restricted cash and cash equivalents include operating accounts, replacement reserves, insurance impounds, and tenant security deposits. Replacement reserves and insurance impound accounts are held in an interest-bearing account by CalHFA. As required by the Authority's regulatory agreement with the CalHFA, the Project remits monthly deposits to cover replacement reserve requirements, hazard insurance, and earthquake insurance expenses. All disbursements from the CalHFA accounts are subject to supervision and approval by CalHFA. All such deposits and reserves are entirely insured or collateralized with securities held by the mortgagee in the Project's name.

The Project also maintains an operating account and tenant security deposits which are held in the City's external investment pool and a financial institution. For purposes of the statements of cash flows, the Project 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.

Accounts receivable

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, 2020 and 2019, 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 5 to 30 years. Maintenance and repair costs are expensed as incurred. The Project does not own land, only the building on the land. The Project's building is pledged as security for notes payable.

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, 2020, there has been no impairment of the capital assets.

Rental income

The Project's rental property is generally leased to tenants under one-year noncancelable 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.

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 2 - Cash, cash equivalents and restricted cash and cash equivalents

The Project's cash and cash equivalents are as follows at June 30:

	2020	2019
City investment pool	\$ 764,959	\$ 736,782
Deposits with CalHFA	119,746	100,178
Total	\$ 884,705	\$ 836,960

Note 3 - 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 and cash equivalents, 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, 2020 and 2019 amounted to \$21,409 and \$17,309, respectively.

Note 4 - Capital assets

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

	June 30, 2019	Increases	Decreases	June 30, 2020
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 90,527	\$ -	\$ 90,527
Capital assets being depreciated				
Buildings and improvements	2,291,183	-	-	2,291,183
Less accumulated depreciation for Buildings and improvements	(1,675,972)	(67,197)	-	(1,743,169)
Capital assets, net	\$ 615,211	\$ 23,330	\$ -	\$ 638,541
	June 30, 2018	Increases	Decreases	June 30, 2019
Capital assets not being depreciated				
Construction in progress	\$ 141,559	\$ -	\$ (141,559)	\$ -
Capital assets being depreciated				
Buildings and improvements	2,141,064	8,560	141,559	2,291,183
Less accumulated depreciation for Buildings and improvements	(1,616,067)	(59,905)	-	(1,675,972)
Capital assets, net	\$ 666,556	\$ (51,345)	\$ -	\$ 615,211

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 5 - Notes payable

Notes payable secured by the Project consist of the following at June 30:

	2020	2019
<u>Payable to CalHFA</u>		
Monthly installments of \$7,836, including principal and interest at 5.25% annually to maturity in September 2033 and secured by the Project.	\$ 896,376	\$ 942,038
<u>Payable to Sacramento Housing Financing Agency</u>		
Noninterest-bearing note with annual principal payments of \$16,481 beginning December 2003 and maturing in 2029 and secured by the Project.	164,823	181,304
Total	\$ 1,061,199	\$ 1,123,342

Future maturities on the notes payable are as follows:

Years ending June 30	Principal	Interest	Total
2021	\$ 64,597	\$ 45,913	\$ 110,510
2022	67,185	43,325	110,510
2023	69,912	40,598	110,510
2024	72,786	37,725	110,511
2025	75,814	34,696	110,510
2026 - 2030	430,522	122,043	552,565
2031 - 2034	280,383	42,142	322,525
	\$ 1,061,199	\$ 366,442	\$ 1,427,641

The following is a summary of the notes payable transactions for the years ended June 30, 2020 and 2019:

Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Amounts due within one year
\$ 1,123,342	\$ -	\$ (62,143)	\$ 1,061,199	\$ 64,597
Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Amounts due within one year
\$ 1,183,152	\$ -	\$ (59,810)	\$ 1,123,342	\$ 62,142

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 6 - Assistance from the Authority

In 1999, the Authority commenced major construction rehabilitation of the Project. On August 23, 2003, subsequent to substantial completion of construction rehabilitation, CalHFA paid off the construction loan and outstanding debt financing by providing long-term financing to the Project.

During the fiscal years ended June 30, 2020 and 2019, the Project realized an excess of revenue over expenses (excluding depreciation) of \$126,146 and \$65,374, respectively. During the years ended June 30, 2020 and 2019, the Authority contributed \$71,000 and \$54,000, respectively to the Project. The Authority has committed to fund any future deficits with contributions, as required.

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 consolidated 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 11, 2020 (the date the financial statements were available to be issued) and concluded that other than the subsequent event discussed below that no subsequent events have occurred that would require recognition in the financial statements or disclosure is required in the notes to the financial statements.

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Project's financial position, results of operations, and cash flows. The Project is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Project's operations continue for an extended period of time the Project may have to seek alternative measures to finance its operations. There is no assurance these measures will be successful. The financial statements do not include any adjustments that might result if the Project is unable to continue as a going concern

Supplementary Information
Required by the California Housing Finance Agency

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Supplementary Information Required by CalHFA
Years Ended June 30, 2020 and 2019**

Schedules of Operating Revenues

<u>Account No.</u>	<u>2020</u>	<u>2019</u>
Operating revenues		
5120 Rent revenue	\$ 358,357	\$ 314,185
5121 Tenant assistance payments	-	-
5170 Parking	11,760	11,721
	<u>370,117</u>	<u>325,906</u>
Rental revenue		
Other revenues		
5910 Coin-operated laundry	1,614	1,518
5190 Miscellaneous	3,416	1,780
	<u>375,147</u>	<u>329,204</u>
Total operating revenues		

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Supplementary Information Required by CalHFA
Years Ended June 30, 2020 and 2019**

Schedules of Operating Expenses

<u>Account No.</u>	<u>2020</u>	<u>2019</u>
Operating expenses		
Payroll		
6330	52,394	45,730
6331	-	-
6510	-	-
	<u>52,394</u>	<u>45,730</u>
6340	-	-
6350	4,283	4,000
6320	27,875	27,875
6210	696	660
	<u>32,854</u>	<u>32,535</u>
Utilities		
6450	5,438	6,402
6452	1,572	1,797
6453	32,859	30,039
6525	5,956	5,987
	<u>45,825</u>	<u>44,225</u>
Operating and maintenance		
6515	7,760	4,978
6530	6,644	6,325
6517	1,850	1,522
6537	27,340	26,001
6560	623	4,065
6545	-	-
6541	9,800	20,847
6590	13,875	26,084
6591	-	-
	<u>67,892</u>	<u>89,822</u>

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Supplementary Information Required by CalHFA
Years Ended June 30, 2020 and 2019**

		2020	2019
	Insurance and taxes		
6729	Insurance	14,272	11,843
6710	Property taxes	2,597	4,321
	Total insurance and taxes	16,869	16,164
	Depreciation	67,197	59,905
	Total operating expenses	283,031	288,381
	Operating income (loss)	92,116	40,823
	Non-operating revenues (expenses)		
5400	CADA annuity	71,000	54,000
6820	Interest on first mortgage	(48,369)	(50,699)
5410	Interest income	15,202	15,345
	Change in net position	129,949	59,469
	Net position, beginning	309,310	249,841
	Net position, end	\$ 439,259	\$ 309,310

Detail of Accounts - Schedule of Activities

	2020	2019
Miscellaneous Other Revenue (Accounts No. 5291 and 5292)		
Flooring	\$ 13,875	\$ 25,912
Plumbing	-	172
	\$ 13,875	\$ 26,084

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Supplementary Information Required by CalHFA
Year Ended June 30, 2020**

Cash and cash equivalents

Cash and cash equivalents	
Unrestricted account	
Operating account	\$ 743,550
Restricted accounts	
Insurance and tax impounds	19,265
Tenant security deposits	21,409
Reserve for replacements	100,481
Total restricted accounts	141,155
Total cash and cash equivalents	\$ 884,705

The Project follows the practice of pooling its cash with all of the Authority's projects into a central fund maintained by the Authority. All accounts are segregated on the books of the Authority. The impound and reserve accounts are maintained in interest-bearing accounts by CalHFA.

Reserve for Replacements

In accordance with the provisions of the regulatory agreement, reserves are maintained in accounts by CalHFA to be used for replacements of property. Withdrawals are made upon approval by CalHFA. Activity during the year ended June 30, 2020 was as follows:

Balance, June 30, 2019	\$ 88,079
Deposits	10,584
Interest income	1,818
Approved withdrawals	-
Balance, June 30, 2020	\$ 100,481

Impound Accounts

	Hazard insurance	Earthquake insurance	Total
Balance, June 30, 2019	\$ 7,624	\$ 4,475	\$ 12,099
Deposits	6,909	5,966	12,875
Interest earned	210	70	280
CalHFA adjustment	-	-	-
Payments applied	-	(5,989)	(5,989)
Balance, June 30, 2020	\$ 14,743	\$ 4,522	\$ 19,265

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Supplementary Information Required by CalHFA
Year Ended June 30, 2020**

Capital Assets

Following are the details of capital assets, which include building and leasehold improvements:

Capital assets balance, June 30, 2019	\$	2,291,183
Additions		90,527
Capital assets balance, June 30, 2020	\$	2,381,710

Accounts Payable

Accounts payable in the amount of \$8,135 represents amounts due to suppliers. All accounts payable are current.

Gross Potential Rents

Qualified tenant rental income	\$	76,048
Other tenant rental income		453,882
Total gross potential rents		529,930
Less		
Vacancy loss		(52,593)
Loss to lease		(33,685)
Low income subsidy		(85,295)
Rental revenues, net	\$	358,357

Management Fee

A property management fee of \$27,875 was incurred during the fiscal year ended June 30, 2020 for the property management services provided by the Authority.

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

**Supplementary Information Required by CalHFA
Year Ended June 30, 2020**

Operating cash flow/Surplus cash computation

The operating cash flow/surplus cash generated by the Project during the year ended June 30, 2020 is as follows:

Operation income	
Total income	\$ 390,349
Interest earned on restricted reserve accounts	<u>(2,098)</u>
Adjusted operation income	<u>388,251</u>
Operating expenses less depreciation	<u>(215,834)</u>
Adjusted net income	<u>172,417</u>
Other activity	
Debt service	(110,512)
Deposits into replacement reserve account	<u>(10,584)</u>
Total other activity	<u>(121,096)</u>
Operating cash flow/surplus cash	<u><u>\$ 51,321</u></u>

Accumulated Limited Distributions

At inception, there were no allowable accumulated limited distributions unpaid. Also, there were no accumulated limited distributions paid during the fiscal year ended June 30, 2020.

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 Seventeenth Street Commons (Contract Number 99-024-N) (the "Project"), a project of the Capitol Area Development Authority ("Authority") which comprise the statement of net position as of June 30, 2020, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2020 which included an emphasis of matter paragraph as indicated at page 3.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting ("internal control") as a basis for designing 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 Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project'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 financial statements. 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 Project'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 Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

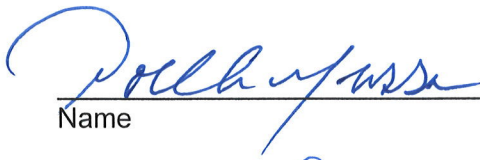
CohnReznick LLP

Sacramento, California
December 11, 2020

**Seventeenth Street Commons
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority**

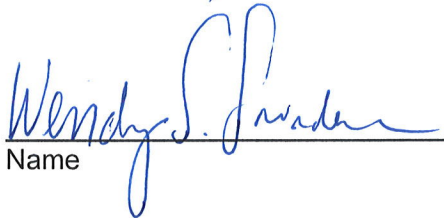
**Certification of Officers
Year Ended June 30, 2020**

We, as officers of Capitol Area Development Authority (Joint Powers Authority), hereby certify that we have examined the accompanying financial statements and supplemental data of Seventeenth Street Commons as of and for the year ended June 30, 2020, and, to the best of our knowledge and belief, these financial statements and data are complete and accurate.


Name

Finance Director
Title

12-11-2020
Date


Name

Executive Director
Title

12/11/2020
Date



Independent Member of Nexia International

cohnreznick.com

Capitol Area Development Authority (CADA)
 Summary Statement of Revenues and Expenditures
 From 7/1/2019 Through 6/30/2020

	Annual Budget	YTD Actual	YTD Variance
FUNDING SOURCES			
Rental Income			
Parking	259,700.00	267,555.00	7,855.00
Residential Rental Revenue	8,878,416.00	9,273,259.00	394,843.00
Commercial Rental Revenue	440,000.00	515,183.00	75,183.00
Courtyard Event Revenue	-	3,975.00	3,975.00
Rental Vacancy Loss	(494,444.00)	(827,884.00)	(333,440.00)
Low Income Subsidy	(786,000.00)	(820,172.00)	(34,172.00)
Loss to Lease	(502,200.00)	(561,843.00)	(59,643.00)
Other	289,500.00	252,986.00	(36,514.00)
Total Rental Income	8,084,972.00	8,103,059.00	18,087.00
Tax Increment Revenue			
PBID Assessment Revenue	250,988.00	242,845.00	(8,143.00)
Tax Increment Revenue	5,350,000.00	6,772,791.00	1,422,791.00
Total Tax Increment Revenue	5,600,988.00	7,015,636.00	1,414,648.00
Governmental Agency Revenue			
HCD Monitoring Fee Payable	-	18,529.00	18,529.00
Annuity (HCD)	5,261.00	12,326.00	7,065.00
Annuity-Excess Program Pymts	-	(12,951.00)	(12,951.00)
Total Governmental Agency Revenue	5,261.00	17,904.00	12,643.00
Financial Income			
General Operations Investment Funding	403,998.00	443,577.00	39,579.00
Non-Operating Investment Funding	38,751.00	24,736.00	(14,015.00)
Total Financial Income	442,749.00	468,313.00	25,564.00
Development Project Revenue			
D&A Grant Proceeds	(400,000.00)	-	400,000.00
Reimbursement Revenue	(105,849.00)	84,419.00	190,268.00
Total Development Project Revenue	(505,849.00)	84,419.00	590,268.00
Drawdowns from Reserves			
Equipment Replace Reserve Drawdown	58,792.00	72,500.00	13,708.00
Development Reserve Drawdown for D&A	726,512.00	726,512.00	-
Total Drawdowns from Reserves	785,304.00	799,012.00	13,708.00
Miscellaneous Funding Sources			
Total Miscellaneous Funding Sources	92,949.00	39,865.00	(53,084.00)
Total FUNDING SOURCES	14,506,374.00	16,528,208.00	2,021,834.00
OPERATING EXPENSES			
Employee Services & Benefits			
Salaries	2,704,000.00	2,676,055.00	27,945.00
Cafeteria Plan	496,000.00	414,267.00	81,733.00
Workers Compensation	121,900.00	74,083.00	47,817.00
PERS Retirement	590,500.00	1,002,875.00	(412,375.00)
Post Retirement Health Benefit Contributions	201,338.00	205,826.00	(4,488.00)
Retiree Health Benefits	170,800.00	166,313.00	4,487.00
OPEB Expense	-	(340,043.00)	340,043.00
Other	147,608.00	136,655.00	10,953.00
Total Employee Services & Benefits	4,432,146.00	4,336,031.00	96,115.00
Outside Services			
Insurance	230,000.00	200,950.00	29,050.00
Other	1,227,639.00	860,196.00	367,443.00
Total Outside Services	1,457,639.00	1,061,146.00	396,493.00
Maintenance & Repair			
Service Contracts	279,292.00	302,211.00	(22,919.00)

Capitol Area Development Authority (CADA)
 Summary Statement of Revenues and Expenditures
 From 7/1/2019 Through 6/30/2020

Attachment 2

Flooring	187,000.00	197,131.00	(10,131.00)
Plumbing	13,500.00	4,596.00	8,904.00
Countertops/Cabinets	37,000.00	56,638.00	(19,638.00)
Landscaping	173,312.00	221,866.00	(48,554.00)
Pest Services	55,700.00	55,200.00	500.00
Other	821,371.00	819,374.00	1,997.00
Total Maintenance & Repair	1,567,175.00	1,657,016.00	(89,841.00)
Utilities			
Utilities-Garbage	62,000.00	49,200.00	12,800.00
Utilities-SMUD/Electricity	149,730.00	124,518.00	25,212.00
Utilities-PG&E/Gas	266,575.00	197,862.00	68,713.00
Utilities-Water/Sewer	648,400.00	665,891.00	(17,491.00)
Other	59,000.00	58,060.00	940.00
Total Utilities	1,185,705.00	1,095,531.00	90,174.00
Overhead	873,776.00	772,961.00	100,815.00
Debt Service			
Notes Payable Debt Service	693,517.00	1,651,406.00	(957,889.00)
Bond Debt Service	802,330.00	888,613.00	(86,283.00)
Total Debt Service	1,495,847.00	2,540,019.00	(1,044,172.00)
Contributions to Reserves			
	1,177,738.00	3,242,832.00	(2,065,094.00)
Total Contributions to Reserves	1,177,738.00	3,242,832.00	(2,065,094.00)
Total OPERATING EXPENSES	12,190,026.00	14,705,536.00	(2,515,510.00)
 CAPITAL INVESTMENT PROGRAM			
Major Construction			
	1,353,450.00	989,234.00	364,216.00
Total Major Construction	1,353,450.00	989,234.00	364,216.00
Development			
	2,279,787.00	1,548,881.00	730,906.00
Total Development	2,279,787.00	1,548,881.00	730,906.00
Total CAPITAL INVESTMENT PROGRAM	3,633,237.00	2,538,115.00	1,095,122.00
 CASH FLOW, Before Resources Utilization	(1,316,889.00)	(715,443.00)	601,446.00
 UTILIZATION OF FINANCIAL RESOURCES			
Utilization of Available Fund Balance	1,312,793.00	1,199,710.00	(113,083.00)
Utilization-Released CIP Budget	664,355.00	661,355.00	(3,000.00)
Contribution to Available Fund Balance	(1,717.00)	-	1,717.00
Cash Flow Adj-CIP Carryforward	(658,542.00)	(661,355.00)	(2,813.00)
Total UTILIZATION OF FINANCIAL RESOURCES	1,316,889.00	1,199,710.00	(117,179.00)
 NET CASH FLOW		484,267.00	484,267.00
 Audit Reconciliations			
Change in Encumbrances		(1,376.00)	
 Reduction in Outstanding Debt Service			
Reductions in Outstanding Debt Service			
Debt Service-Liability Reduction		222,336.00	
Debt Service-Liability increase - Biele		(1,025,653.00)	
Interest Expense-Accrual Adjustment		(57,751.00)	
Bond Debt Svc-Liability Reduction		535,485.00	
Bond Interest-Accrual Adjustment		3,767.00	

Capitol Area Development Authority (CADA)
 Summary Statement of Revenues and Expenditures
 From 7/1/2019 Through 6/30/2020

Total Reduction in Outstanding Debt Service	(321,816.00)
Change in Net Pension Liability	
Net Pension Liability	398,525.00
Net OPEB liability	(716,417.00)
Total Change in Net Pension Liability	(317,892.00)
Change in Deferred Inflows of Resources	
Deferred Inflows related to Pension	5,512.00
Deferred Inflow Related to OPEB	347,137.00
Total Change in Deferred Inflows of Resources	352,649.00
Impact of Changes in Notes Receivable	
B/S Adj - Note Receivable Paydown	810,926.00
B/S Adj - Note Receivable Funding	(23,340.00)
Allowance for Uncollectibles	(19,650.00)
Total Impact of Changes in Notes Receivable	767,936.00
Impact of Changes in Investment	
Joint Venture Investment	(200,000)
Total Impact of Changes in Investment	(200,000)
Impact of Net Changes in Fixed Assets	
Capitalized Acquisitions	
Software - Capitalized or Prepaid	12,219.00
Computer Hdwe - Capitalized	30,375.00
Admin Furn Mach & Eq-Cap'd	36,884.00
Investments B/S Adj - Dev Capitalized	200,000.00
Repair & Maint-Capitalized	15,306.00
Capitalized Expenses - Various	155,468.00
Maint Furn, Mach & Eq-Cap'd	27,974.00
Capitalized Major Construction	869,051.00
Total Capitalized Acquisitions	1,347,277.00
Depreciation Expense	(825,849.00)
Total Impact of Net Changes in Fixed Assets	521,428.00
Reduction of deferred Outflows of Resources	
Deferred Outflows Related to Pension	42,595.00
Deferred Outflow Related to OPEB	29,237.00
Total Reduction of deferred Outflows of Resources	71,832.00
Impact of Changes in Other Balance Sheet Sections	
Net Increase (Decline) in Reserves	
Reserve Drawdowns-Equity Adjustment	(799,012.00)
Reserve Contributions-Equity Adjustment	3,242,832.00
Total Net Increase (Decline) in Reserves	2,443,820.00
Net Contribution to (Utilization of) Fund Balance	
BS Adj - Fund Bal Util or Contrib	(1,199,710.00)
Total Net Contribution to (Utilization of) Fund Balance	(1,199,710.00)
Total Impact of Changes in Other Balance Sheet Sections	1,244,110.00
Total Audit Reconciliations	2,316,871.00
AUDITED, CHANGE IN NET ASSETS	<u>2,801,138.00</u>

GENERAL OPERATIONS

From 7/1/2019 Through 6/30/2020

	<u>Budget-Annual</u>	<u>YTD Budget</u>	<u>YTD Year Actual</u>	<u>YTD Variance</u>
FUNDING SOURCES of General Operations				
Rental Income				
Parking	259,700.00	259,700.00	267,555.00	7,855.00
Ground Lease Revenue	252,000.00	252,000.00	213,276.00	(38,725.00)
Residential Rental Revenue	8,878,416.00	8,878,416.00	9,273,259.00	394,843.00
Commercial Rental Revenue	440,000.00	440,000.00	515,183.00	75,183.00
Coin Op Laundry Revenue	34,900.00	34,900.00	36,794.00	1,894.00
Courtyard Event Revenue	-	-	3,975.00	3,975.00
Rental Vacancy Loss	(494,444.00)	(494,444.00)	(827,884.00)	(333,440.00)
Low Income Subsidy	(786,000.00)	(786,000.00)	(820,172.00)	(34,172.00)
Loss to Lease	(502,200.00)	(502,200.00)	(561,843.00)	(59,643.00)
Forfeited Security Deposits	2,100.00	2,100.00	1,473.00	(627.00)
Bad Debt Recovery	500.00	500.00	1,444.00	944.00
Misc Current Svcs - Mgmt Fees	94,141.00	94,141.00	94,141.00	-
Misc Current Svcs - Salaries	118,344.00	118,344.00	206,392.00	88,048.00
Total Rental Income	8,297,457.00	8,297,457.00	8,403,593.00	106,135.00
Tax Increment Revenue				
Tax Increment Revenue	5,350,000.00	5,350,000.00	6,772,791.00	1,422,791.00
Total Tax Increment Revenue	5,350,000.00	5,350,000.00	6,772,791.00	1,422,791.00
Other Government Agency Revenue				
Annuity (HCD)	5,261.00	5,261.00	12,326.00	7,065.00
Annuity-Excess Program Pymts	-	-	(12,951.00)	(12,951.00)
Total Other Government Agency Revenue	5,261.00	5,261.00	(625.00)	(5,886.00)
Interest and Other Investment Income				
Interest Income on Investments with City	367,200.00	367,200.00	414,109.00	46,909.00
Interest Income Received	29,148.00	29,148.00	5,970.00	(23,178.00)
Interest Income-Reserve Allocation	(3,350.00)	(3,350.00)	-	3,350.00
Interest Income - Pool A Tax Exempt	2,000.00	2,000.00	764.00	(1,236.00)
Interest Income - Pool A Taxable Bond	9,000.00	9,000.00	5,270.00	(3,730.00)
Notes Receivable-Payments Received	38,751.00	38,751.00	822,424.00	783,672.00
Notes Receivable - Accrued Interest	-	-	1,396.00	1,396.00
Total Interest and Other Investment Income	442,749.00	442,749.00	1,249,933.00	807,183.00
Miscellaneous Revenue				
Miscellaneous Income	42,100.00	42,100.00	39,865.00	(2,235.00)
Allowance for Uncollectibles	-	-	(19,650.00)	(19,650.00)
Total Miscellaneous Revenue	42,100.00	42,100.00	20,215.00	(21,885.00)
Total FUNDING SOURCES of General Operations	14,137,567.00	14,137,567.00	16,445,907.00	2,308,338.00
General Operations EXPENSE				
Employee Services & Benefits				
Special Management Salaries	(139,202.00)	(139,202.00)	(213,262.00)	(74,060.00)
Salaries	(2,704,000.00)	(2,704,000.00)	(2,676,055.00)	27,945.00
Employee Recognition	(37,000.00)	(37,000.00)	(39,135.00)	(2,135.00)
Social Security/Medicare	(37,300.00)	(37,300.00)	(39,800.00)	(2,500.00)
Cafeteria Plan	(496,000.00)	(496,000.00)	(414,267.00)	81,733.00
Long Term Disability	(27,900.00)	(27,900.00)	(26,868.00)	1,032.00
State Unemployment	(11,000.00)	(11,000.00)	(10,302.00)	698.00
Workers Compensation	(121,900.00)	(121,900.00)	(74,083.00)	47,817.00
Life & AD&D Insurance	(11,200.00)	(11,200.00)	(12,144.00)	(944.00)
PERS Retirement	(590,500.00)	(590,500.00)	(1,002,875.00)	(412,375.00)
Post Retirement Health Benefit Contributions	(201,338.00)	(201,338.00)	(205,826.00)	(4,488.00)
Retiree Health Benefits	(170,800.00)	(170,800.00)	(166,313.00)	4,487.00
OPEB Expense	-	-	340,043.00	340,043.00
Employee Assist Program (EAP)	(2,350.00)	(2,350.00)	(1,536.00)	814.00
Total Employee Services & Benefits	(4,550,490.00)	(4,550,490.00)	(4,542,422.00)	8,068.00
Outside Services				
Prop Mgmt Marketing - Sp Mgmt Credit	2,921.00	2,921.00	2,922.00	1.00
Marketing & Media	(25,000.00)	(25,000.00)	(13,211.00)	11,789.00
Property Management Marketing	(15,921.00)	(15,921.00)	(3,059.00)	12,862.00

GENERAL OPERATIONS

From 7/1/2019 Through 6/30/2020

Printing and Binding	(4,250.00)	(4,250.00)	(8,520.00)	(4,270.00)
Blueprints and Photography	(2,500.00)	(2,500.00)	-	2,500.00
Employment Recruitment & Notices	(2,000.00)	(2,000.00)	(1,918.00)	82.00
Legal Services	(115,250.00)	(115,250.00)	(115,444.00)	(194.00)
Accounting and Auditing	(49,700.00)	(49,700.00)	(49,000.00)	700.00
Community Activities	(150,000.00)	(150,000.00)	(5,074.00)	144,926.00
Document Storage & Destruction	(3,000.00)	(3,000.00)	(1,020.00)	1,980.00
Network Administration Services	(84,000.00)	(84,000.00)	(79,170.00)	4,830.00
Payroll Services	(10,000.00)	(10,000.00)	(9,827.00)	173.00
Banking & Investment Fees	(13,438.00)	(13,438.00)	(7,128.00)	6,310.00
Admin Other Professional Services	(70,000.00)	(70,000.00)	(10,315.00)	59,685.00
Prop Mgmt Other Professional Services	(15,000.00)	(15,000.00)	(7,957.00)	7,043.00
Asset Mgmt Other Professional Services	(27,000.00)	(27,000.00)	(13,089.00)	13,911.00
Courtesy Patrol	(139,345.00)	(139,345.00)	(123,354.00)	15,991.00
Courtesy Patrol-Sp Mgmt Credit	14,344.00	14,344.00	12,404.00	(1,940.00)
Insurance - Special Management	(98,000.00)	(98,000.00)	(48,506.00)	49,494.00
Insurance	(230,000.00)	(230,000.00)	(200,950.00)	29,050.00
Self-Insured Losses	(102,500.00)	(102,500.00)	(36,293.00)	66,207.00
Project Banking Fees	(17,000.00)	(17,000.00)	(16,473.00)	527.00
Admin Temporary Outside Svcs	(52,000.00)	(52,000.00)	(46,980.00)	5,020.00
Temporary Outside Services	(200,000.00)	(200,000.00)	(267,203.00)	(67,203.00)
Eng/Arch-Miscellaneous	(39,000.00)	(39,000.00)	-	39,000.00
Legal - Dev Project Related	(20,000.00)	(20,000.00)	(11,025.00)	8,975.00
D&A Project Financial Analysis	-	-	(417.00)	(417.00)
D&A Other Professional Services	(12,000.00)	(12,000.00)	-	12,000.00
D&A Miscellaneous Expense	(7,000.00)	(7,000.00)	-	7,000.00
Total Outside Services	(1,486,639.00)	(1,486,639.00)	(1,060,608.00)	426,031.00
Maintenance & Repair				
Emerg Relocation-Ops Related	(3,000.00)	(3,000.00)	(19,860.00)	(16,860.00)
Operation Location Improvements	(200,000.00)	(200,000.00)	(187,962.00)	12,038.00
Operation Location Move	-	-	(26.00)	(26.00)
Admin Office - General Maintenance	(31,800.00)	(31,800.00)	(20,778.00)	11,022.00
Maint Office Janitorial	(6,000.00)	(6,000.00)	(5,952.00)	48.00
Maint Office - General Maintenance	(4,000.00)	(4,000.00)	(11,967.00)	(7,967.00)
Equipment Rental Expense	(5,000.00)	(5,000.00)	(867.00)	4,133.00
Construction Mitigation Expense	(15,000.00)	(15,000.00)	(4,956.00)	10,044.00
Repair & Maint - Misc	(80,808.00)	(80,808.00)	(61,683.00)	19,125.00
Landscape-Sp Mgmt Credit	16,812.00	16,812.00	16,812.00	-
Travel-Fuel on CADA Vehicles	(7,000.00)	(7,000.00)	(9,976.00)	(2,976.00)
Travel-Maint Staff Reimburse	(6,500.00)	(6,500.00)	(10,527.00)	(4,027.00)
Travel-RSR Reimbursement	(2,000.00)	(2,000.00)	(87.00)	1,913.00
Elevator/Bldg Phone & Monitor Service	(2,300.00)	(2,300.00)	(2,546.00)	(246.00)
Service Contracts	(279,292.00)	(279,292.00)	(302,211.00)	(22,919.00)
State Fire Marshal	(8,000.00)	(8,000.00)	(5,756.00)	2,244.00
Flooring	(187,000.00)	(187,000.00)	(197,131.00)	(10,131.00)
Plumbing	(13,500.00)	(13,500.00)	(4,596.00)	8,904.00
Countertops/Cabinets	(37,000.00)	(37,000.00)	(56,638.00)	(19,638.00)
Landscaping	(173,312.00)	(173,312.00)	(221,866.00)	(48,554.00)
Pest Services	(55,700.00)	(55,700.00)	(55,200.00)	500.00
Permits and Fees	(4,500.00)	(4,500.00)	(2,540.00)	1,960.00
Painting & Decorating	(17,700.00)	(17,700.00)	(12,463.00)	5,237.00
Supplies	(22,500.00)	(22,500.00)	(1,226.00)	21,274.00
Vehicle Repair and Maint	(10,000.00)	(10,000.00)	(5,951.00)	4,049.00
Prop Mgmt Furn & Appliances	(30,000.00)	(30,000.00)	(101,669.00)	(71,669.00)
Building Supplies - Misc	(208,000.00)	(208,000.00)	(300,393.00)	(92,393.00)
Clothing and Uniforms	(4,500.00)	(4,500.00)	(7,998.00)	(3,498.00)
Maintenance Mach & Equip	(57,100.00)	(57,100.00)	(47,872.00)	9,228.00
Operating Budget Major Repairs	(23,000.00)	(23,000.00)	(437.00)	22,563.00
Total Maintenance & Repair	(1,477,700.00)	(1,477,700.00)	(1,644,321.00)	(166,621.00)
Utilities				
Admin Office Utilities	(32,000.00)	(32,000.00)	(22,633.00)	9,367.00
Maint Office Utilities	(27,000.00)	(27,000.00)	(35,426.00)	(8,426.00)

GENERAL OPERATIONS

From 7/1/2019 Through 6/30/2020

Utilities-Garbage	(62,000.00)	(62,000.00)	(49,200.00)	12,800.00
Utilities-SMUD/Electricity	(149,730.00)	(149,730.00)	(124,518.00)	25,212.00
Utilities-PG&E/Gas	(266,575.00)	(266,575.00)	(197,862.00)	68,713.00
Utilities-Water/Sewer	(648,400.00)	(648,400.00)	(665,891.00)	(17,491.00)
Total Utilities	(1,185,705.00)	(1,185,705.00)	(1,095,530.00)	90,175.00
Overhead				
Postage and Deliveries	(6,000.00)	(6,000.00)	(6,304.00)	(304.00)
Telephone and Wireless Svcs	(30,000.00)	(30,000.00)	(7,662.00)	22,338.00
Cellular Phone Service	(30,000.00)	(30,000.00)	(42,723.00)	(12,723.00)
Internet Services	(26,000.00)	(26,000.00)	(18,763.00)	7,237.00
Admin Bldg Rent	(103,000.00)	(103,000.00)	(102,869.00)	131.00
Leased Facilities Rent	(60,000.00)	(60,000.00)	(45,000.00)	15,000.00
Equipment Rental Expense	(2,500.00)	(2,500.00)	(1,617.00)	883.00
Parking Program	(2,250.00)	(2,250.00)	(1,984.00)	266.00
JPA Board Expenses	(7,000.00)	(7,000.00)	(1,643.00)	5,357.00
Professional Organizations	(15,000.00)	(15,000.00)	(11,403.00)	3,597.00
Subscriptions	(2,000.00)	(2,000.00)	(1,495.00)	505.00
Education and Training	(20,000.00)	(20,000.00)	(13,624.00)	6,376.00
Management Fee	(95,395.00)	(95,395.00)	(94,141.00)	1,254.00
Transportation-Admin Staff	(2,000.00)	(2,000.00)	(1,178.00)	822.00
Resident Relations	(9,800.00)	(9,800.00)	(7,755.00)	2,045.00
Sp Mgmt Prop Taxes & Assessments	(16,320.00)	(16,320.00)	(7,423.00)	8,897.00
Property Taxes & Assessments	(114,098.00)	(114,098.00)	(75,458.00)	38,640.00
Hospitality	(1,500.00)	(1,500.00)	(1,996.00)	(496.00)
Office Supplies - General	(15,000.00)	(15,000.00)	(14,582.00)	418.00
Software	(58,000.00)	(58,000.00)	(103,825.00)	(45,825.00)
Computer Hardware	(50,000.00)	(50,000.00)	(30,894.00)	19,106.00
Admin Furn Mach & Equip	(16,000.00)	(16,000.00)	(920.00)	15,080.00
Safety - General Admin	(5,500.00)	(5,500.00)	(7,445.00)	(1,945.00)
Office Equipment leases	(25,500.00)	(25,500.00)	(23,552.00)	1,948.00
General Contingency Provided	(4,066.00)	(4,066.00)	-	4,066.00
Total Overhead	(716,929.00)	(716,929.00)	(624,257.00)	92,672.00
Debt Service				
Debt Service Principal Paid	(281,416.00)	(281,416.00)	(222,336.00)	59,080.00
Debt Interest Paid	(112,101.00)	(112,101.00)	(84,888.00)	27,213.00
Bond Debt Svc-Principal Pd	(476,411.00)	(476,411.00)	(535,485.00)	(59,074.00)
Bond Interest Paid	(325,919.00)	(325,919.00)	(353,128.00)	(27,209.00)
Tax Increment Pledge	(300,000.00)	(300,000.00)	(300,000.00)	-
HCD Monitoring Fee	-	-	(18,529.00)	(18,529.00)
Total Debt Service	(1,495,847.00)	(1,495,847.00)	(1,514,366.00)	(18,519.00)
Contributions to Reserves				
Development Reserve Contribution	(410,498.00)	(410,498.00)	(2,212,871.00)	(1,802,373.00)
Affordable Housing Reserve Contribution	(495,257.00)	(495,257.00)	(743,239.00)	(247,981.00)
Equipment Replace Reserve Contribution	(59,983.00)	(59,983.00)	(92,028.00)	(32,045.00)
Operating Expense Reserve Contribution	-	-	17,305.00	17,305.00
Debt Retirement Reserve Contribution	(212,000.00)	(212,000.00)	(212,000.00)	-
Total Contributions to Reserves	(1,177,738.00)	(1,177,738.00)	(3,242,833.00)	(2,065,094.00)
Total General Operations EXPENSE	(12,091,048.00)	(12,091,048.00)	(13,724,337.00)	(1,633,288.00)
Inter-Fund Operation TRANSFERS				
Inter-Fund Operating TRANSFERS IN				
Operations Transfer from F 50-CAP Tax Incr	1,147,468.00	1,147,468.00	548,526.00	(598,942.00)
Operations Transfer from F 51-CAP Set-Aside	438,925.00	438,925.00	438,925.00	-
Operations Transfer from F60-RSt TI	138,700.00	138,700.00	138,700.00	-
Operations Transfer from F66 - Series B Taxable	9,000.00	9,000.00	6,039.00	(2,961.00)
Operations Transfer from F 70-Afford Housing	30,370.00	30,370.00	331,511.00	301,141.00
Operations Transfer from F 75-EE mitig	37,529.00	37,529.00	479,415.00	441,886.00
Total Inter-Fund Operating TRANSFERS IN	1,801,992.00	1,801,992.00	1,943,116.00	141,124.00
Inter-Fund Operating TRANSFERS OUT				
Operations Transfer to F10-General	(1,801,992.00)	(1,801,992.00)	(1,960,421.00)	(158,429.00)
Operations Transfer to F 37 - Biele	-	-	17,305.00	17,305.00

Capitol Area Development Authority (CADA)

GENERAL OPERATIONS

From 7/1/2019 Through 6/30/2020

Total Inter-Fund Operating TRANSFERS OUT	<u>(1,801,992.00)</u>	<u>(1,801,992.00)</u>	<u>(1,943,116.00)</u>	<u>(141,124.00)</u>
Total Inter-Fund Operation TRANSFERS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING RESULTS, before Capital Investment Program	<u>2,046,519.00</u>	<u>2,046,519.00</u>	<u>2,721,570.00</u>	<u>675,050.00</u>
CAPITAL INVESTMENT PROGRAM				
Investment in MAJOR CONSTRUCTION Program				
CIP Transfer to F10-General	<u>(1,107,046.00)</u>	<u>(1,107,046.00)</u>	<u>(1,107,046.00)</u>	<u>-</u>
CIP Transfer to F41 - Fremont/Wilshire	<u>(123,000.00)</u>	<u>(123,000.00)</u>	<u>(123,000.00)</u>	<u>-</u>
Total Investment in MAJOR CONSTRUCTION Program	<u>(1,230,046.00)</u>	<u>(1,230,046.00)</u>	<u>(1,230,046.00)</u>	<u>-</u>
Investment in DEVELOPMENT Program				
Dev Program TF to F 10 - General	<u>(2,127,550.00)</u>	<u>(2,127,550.00)</u>	<u>(2,127,550.00)</u>	<u>-</u>
Total Investment in DEVELOPMENT Program	<u>(2,127,550.00)</u>	<u>(2,127,550.00)</u>	<u>(2,127,550.00)</u>	<u>-</u>
Total CAPITAL INVESTMENT PROGRAM	<u>(3,357,596.00)</u>	<u>(3,357,596.00)</u>	<u>(3,357,596.00)</u>	<u>-</u>
UTILIZATION OF FINANCIAL RESOURCES				
Utilization of Available Fund Balance	<u>1,312,795.00</u>	<u>1,312,795.00</u>	<u>1,199,710.00</u>	<u>(113,084.00)</u>
Contribution to Available Fund Balance	<u>(1,718.00)</u>	<u>(1,718.00)</u>	<u>-</u>	<u>1,718.00</u>
Total UTILIZATION OF FINANCIAL RESOURCES	<u>1,311,077.00</u>	<u>1,311,077.00</u>	<u>1,199,710.00</u>	<u>(111,366.00)</u>
NET RESULTS OF GENERAL OPERATIONS	<u>-</u>	<u>-</u>	<u>563,684.00</u>	<u>563,684.00</u>

RESOLUTION NO. 20 - 30

Adopted by the Capitol Area Development Authority

December 18, 2020

**RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF
INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2019-2020**

WHEREAS, the certified public accounting firm of CohnReznick has audited the Authority's finances and prepared its Authority's Independent Auditor's Reports for Fiscal Year 2019-2020; and

WHEREAS, CohnReznick has prepared an unqualified opinion letter that is incorporated into this annual report.

NOW, THEREFORE, BE IT RESOLVED, by the Capitol Area Development Authority, that the Authority's Independent Auditor's Reports for Fiscal Year 2018-2019 audited by CohnReznick are hereby accepted and authorized for release.

Ann Bailey, Chair

ATTEST:

Jill Azevedo
Acting Secretary to the Board of Directors

RESOLUTION NO. 20 - 31

Adopted by the Capitol Area Development Authority

December 18, 2020

**RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF
INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2019-2020
FOR SOMERSET PARKSIDE APARTMENTS**

WHEREAS, the certified public accounting firm of CohnReznick has completed its audit of the Authority's Independent Auditor's Reports for Fiscal Year 2019-2020 for Somerset Parkside Apartments; and

WHEREAS, CohnReznick has prepared an unqualified opinion letter which is incorporated into this annual report.

NOW, THEREFORE, BE IT RESOLVED, by the Capitol Area Development Authority, that the Authority's Independent Auditor's Reports for Fiscal Year 2019-2020 for Somerset Parkside Apartments audited CohnReznick is hereby accepted and authorized for release.

Ann Bailey, Chair

ATTEST:

Jill Azevedo
Acting Secretary to the Board of Directors

RESOLUTION NO. 20 - 32

Adopted by the Capitol Area Development Authority

December 18, 2020

**RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF
INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2019-2020
FOR BIELE PLACE APARTMENTS**

WHEREAS, the certified public accounting firm of CohnReznick has completed its audit of the Authority's Independent Auditor's Reports for Fiscal Year 2019-2020 for Biele Place Apartments; and

WHEREAS CohnReznick has prepared an unqualified opinion letter which is incorporated into this annual report.

NOW, THEREFORE, BE IT RESOLVED by the Capitol Area Development Authority, that the Authority's Independent Auditor's Reports for Fiscal Year 2019-2020 for Biele Place Apartments audited by CohnReznick is hereby accepted and authorized for release.

Ann Bailey, Chair

ATTEST:

Jill Azevedo
Acting Secretary to the Board of Directors

RESOLUTION NO. 20 - 33

Adopted by the Capitol Area Development Authority

December 18, 2020

**RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF
INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2019-2020
FOR SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)**

WHEREAS, the certified public accounting firm of CohnReznick has completed its audit of the Authority's Independent Auditor's Reports for Fiscal Year 2019-2020 for Seventeenth Street Commons (Contract Number 99-024-N); and

WHEREAS, CohnReznick has prepared an unqualified opinion letter which is incorporated into this annual report.

NOW, THEREFORE, BE IT RESOLVED, by the Capitol Area Development Authority, that the Authority's Independent Auditor's Reports for Fiscal Year 2019-2020 for Seventeenth Street Commons (Contract Number 99-024-N) audited by CohnReznick is hereby accepted and authorized for release.

Ann Bailey, Chair

ATTEST:

Jill Azevedo
Acting Secretary to the Board of Directors