

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

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

June 30, 2016 and 2015

**Biele Place Apartments
(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
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Biele Place Apartments (Contract Number 80-RHC-032) (the "Project"), a project of the Capitol Area Development Authority ("Authority"), which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Biele Place Apartments (Contract Number 80-RHC-032) as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Biele Place Apartments (Contract Number 80-RHC-032) as of and for the year ended June 30, 2015, were audited by other auditors whose report dated December 3, 2015, expressed an unmodified opinion on those statements.

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, 2016 and 2015, 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 14 to 21 as required by the California Department of Housing and Community Development is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Sacramento, California
December 6, 2016

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

**Statements of Net Position
June 30, 2016 and 2015**

	<u>Assets</u>	
	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 21,887	\$ 6,290
Residential accounts receivable	1,472	1,076
Prepaid expense	-	48
Restricted cash and cash equivalents - tenant security deposits	<u>11,463</u>	<u>11,488</u>
Total current assets	<u>34,822</u>	<u>18,902</u>
Noncurrent assets		
Restricted cash and cash equivalents - replacement reserve	<u>56,549</u>	<u>58,244</u>
Capital assets		
Building and Improvements	1,242,587	1,242,587
Less accumulated depreciation	<u>(1,204,782)</u>	<u>(1,193,984)</u>
Total capital assets	<u>37,805</u>	<u>48,603</u>
Total noncurrent assets	<u>94,354</u>	<u>106,847</u>
Total assets	<u>\$ 129,176</u>	<u>\$ 125,749</u>
	<u>Liabilities</u>	
Current liabilities		
Accounts payable	\$ 3,545	\$ 1,123
Unearned revenue - prepaid rent	2,360	1,577
Due to HCD	50,448	31,840
Tenant security deposits	<u>11,463</u>	<u>11,488</u>
Total current liabilities	<u>67,816</u>	<u>46,028</u>
Total liabilities	<u>\$ 67,816</u>	<u>\$ 46,028</u>
	<u>Net Position</u>	
Net investment in capital assets	\$ 37,805	\$ 48,603
Restricted for replacement reserve	56,549	58,244
Unrestricted	<u>(32,994)</u>	<u>(27,126)</u>
Total net position	<u>\$ 61,360</u>	<u>\$ 79,721</u>

See Notes to Financial Statements.

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues		
Rental revenue, net	\$ 150,454	\$ 142,147
HCD annuities	(18,608)	(43,707)
CADA annuity	-	2,672
Coin-operated laundry	1,932	1,796
Miscellaneous	2,807	652
Total operating revenues	136,585	103,560
Operating expenses		
Payroll		
Salaries and benefits	39,138	38,089
Administrative		
Legal and accounting services	4,850	4,850
Management fee	21,550	20,724
Media	600	564
Total administrative	27,000	26,138
Utilities	23,977	23,465
Operating and maintenance		
Supplies	3,524	3,146
Service contracts	13,780	13,854
Courtesy patrol	2,400	2,280
Decorating and painting	3,349	2,828
Repairs and maintenance	22,637	11,623
Total operating and maintenance	45,690	33,731
Insurance and taxes		
Insurance	8,491	8,535
Property taxes	647	713
Total insurance and taxes	9,138	9,248
Depreciation	10,798	10,798
Total operating expenses	155,741	141,469
Operating loss	(19,156)	(37,909)

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016	2015
Nonoperating revenues (expenses)		
Interest income	795	588
Interest expense	-	(30)
Total nonoperating revenues, net	795	558
Change in net position	(18,361)	(37,351)
Net position, beginning	79,721	117,072
Net position, end	\$ 61,360	\$ 79,721

See Notes to Financial Statements.

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

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Rental receipts	\$ 150,841	\$ 142,077
CADA annuity	-	2,672
Other receipts	4,739	2,448
Tenant security deposits received	2,780	3,276
Payroll and related costs	(39,138)	(38,089)
Administrative	(27,000)	(26,138)
Utilities	(23,977)	(23,465)
Operating and maintenance	(43,220)	(48,600)
Tenant security deposits paid	(2,805)	(1,798)
Insurance and taxes	(9,138)	(9,248)
	13,082	3,135
Net cash provided by operating activities		
Cash flows from noncapital financing activities		
Short-term borrowing (repayment) from the Authority	-	(14,497)
	-	(14,497)
Net cash provided by (used in) noncapital financing activities		
Cash flows from capital and related financing activities		
Principal payment on debt	-	(2,463)
Interest paid on debt	-	(30)
	-	(2,493)
Net cash provided by (used in) capital and related financing activities		
Cash flows from investing activities		
Interest receipts	795	588
	795	588
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	13,877	(13,267)
Cash and cash equivalents, beginning	76,022	89,289
Cash and cash equivalents, end	\$ 89,899	\$ 76,022

Biele Place Apartments
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Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Reconciliation to the statements of net position		
Cash and cash equivalents	\$ 21,887	\$ 6,290
Restricted cash and cash equivalents		
Tenant security deposits	11,463	11,488
Replacement reserve	56,549	58,244
Total cash and cash equivalents	\$ 89,899	\$ 76,022
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	\$ (19,156)	\$ (37,909)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	10,798	10,798
Changes in assets and liabilities		
Residential accounts receivable	(396)	12
Prepaid expense	48	415
Receivable from HCD	-	11,867
Accounts payable	2,422	(15,284)
Unearned revenue -prepaid rent	783	(82)
Due to HCD	18,608	31,840
Tenant security deposits	(25)	1,478
Net cash provided by operating activities	\$ 13,082	\$ 3,135

See Notes to Financial Statements.

**Biele Place Apartments
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A Project of the Capitol Area Development Authority**

**Notes to Financial Statements
June 30, 2016 and 2015**

Note 1 - Organization and summary of significant accounting policies

General

Biele Place Apartments ("Project") is a 35-unit apartment complex located in downtown Sacramento, California. It provides housing for eligible low-income families under the State of California Department of Housing and Community Development ("HCD") Rental Housing Construction Program ("RHCP"). This program provides long-term financing to construct the housing project and monthly annuities to fund operating deficits.

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.

Basis of presentation

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

Cash, cash equivalents and restricted cash and cash equivalents

The Project participates in the City's external investment pool. The City Treasurer pools cash and other City funds and invests to maximize income consistent with safe and prudent investment practices within the guidelines of the City's investment policy. The City, as a charter city, has adopted its own investment guidelines to guide investment of City funds by the Treasurer. These guidelines are consistent with the requirements of California Government Code Section 53601. The City Council provides regulatory oversight of the City's investment pool and reviews its investment policy on a quarterly basis. The estimated fair value of investments in the pool is based on quoted market prices. However, the value of the pool shares in the City's investment pool that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Project's position in the pool. The City's investment pool is unrated and the weighted average maturity is 1.88 years and 2.15 years as of June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, the entire amount 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.

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

Notes to Financial Statements
June 30, 2016 and 2015

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

Resident accounts receivable

Resident accounts receivable are due from tenants and reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2016 and 2015, 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, 2016, 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 accounting principles generally accepted in the United States of America 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, 2016 and 2015 amounted to \$11,463 and \$11,488, respectively.

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

**Notes to Financial Statements
June 30, 2016 and 2015**

Note 3 - Capital assets

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

	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
Capital assets not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Buildings and improvements	1,242,587	-	-	1,242,587
Less accumulated depreciation for Buildings and improvements	<u>(1,193,984)</u>	<u>(10,798)</u>	<u>-</u>	<u>(1,204,782)</u>
Capital assets being depreciated, net	<u>48,603</u>	<u>(10,798)</u>	<u>-</u>	<u>37,805</u>
Capital assets, net	<u>\$ 48,603</u>	<u>\$ (10,798)</u>	<u>\$ -</u>	<u>\$ 37,805</u>
	<u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Capital assets not being depreciated				
Construction in progress	\$ 10,600	\$ -	\$ (10,600)	\$ -
Capital assets being depreciated				
Buildings and improvements	1,231,987	10,600	-	1,242,587
Less accumulated depreciation for Buildings and improvements	<u>(1,183,186)</u>	<u>(10,798)</u>	<u>-</u>	<u>(1,193,984)</u>
Capital assets being depreciated, net	<u>48,801</u>	<u>(198)</u>	<u>-</u>	<u>48,603</u>
Capital assets, net	<u>\$ 59,401</u>	<u>\$ (198)</u>	<u>\$ (10,600)</u>	<u>\$ 48,603</u>

Note 4 - Replacement reserves

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

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 58,244	\$ 79,279
Interest earned	665	588
CADA annuity	-	173
Required deposits	6,100	6,100
Authorized expenses	<u>(8,460)</u>	<u>(27,896)</u>
Ending balance	<u>\$ 56,549</u>	<u>\$ 58,244</u>

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

**Notes to Financial Statements
June 30, 2016 and 2015**

Note 5 - Program payments

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

On July 2, 2015, 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, 2016 and 2015, the revenues exceeded the qualifying costs by \$13,298 and \$15,173 respectively, and such amounts have been expensed. During the years ended June 30, 2016 and 2015, HCD notified the Authority that prior years' unexpended payments of \$5,310 and \$16,667, respectively, are due back to HCD and such amounts have also been expensed. Net unexpended program payments are reported as Due to HCD on the Project's statements of net position. As of June 30, 2016 and 2015, the Project owes HCD annuities payable of \$50,448 and \$31,840, respectively, and such amounts will be either paid to HCD or with HCD approval deposited into the replacement reserve. The activity in the account for the fiscal years ended June 30, are as follows:

	2016	2015
Due to HCD, beginning	\$ 31,840	\$ -
Excess cash deposited to replacement reserve	-	-
Excess program payments to HCD		
Amounts due to HCD for the current year	13,298	15,173
Excess payments due to HCD per audit	5,310	16,667
Due to HCD, end	\$ 50,448	\$ 31,840

Note 6 - Leased property

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

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

Note 7 - Subsequent events

Management evaluated the activity of the Project through December 6, 2016, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

Supplementary Information

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

**Supplementary Information Required by HCD
Year Ended June 30, 2016**

<u>Account No.</u>		
	Operating revenues	
5120	Rent revenue	\$ 127,336
5121	Tenant assistance payments	<u>23,118</u>
	Rental revenue	<u>150,454</u>
	HCD annuities	
	Excess program payments expense	<u>(18,608)</u>
	Net HCD annuities	<u>(18,608)</u>
	Other revenues	
5910	Coin-operated laundry	1,932
5190	Miscellaneous	<u>2,807</u>
	Total operating revenues	<u>136,585</u>
	Operating expenses	
	Payroll	
6330	Manager salaries	24,340
6331	Manager rent fee unit	6,660
6510	Janitor payroll	<u>8,138</u>
	Total payroll	<u>39,138</u>
6340	Legal	-
6350	Accounting services	4,850
6320	Management fee	21,550
6210	Media	<u>600</u>
	Total administrative	<u>27,000</u>
	Utilities	
6450	Electricity	2,358
6452	Gas	3,193
6453	Water/Sewer	17,343
6525	Garbage	<u>1,083</u>
	Total utilities	<u>23,977</u>

**Biele Place Apartments
(Contract Number 80-RHC-032)
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**Supplementary Information Required by HCD
Year Ended June 30, 2016**

	Operating and maintenance	
6515	Services and supplies	3,524
6530	Courtesy patrol	2,400
6517	Janitor and Cleaning Contracts	9,620
6537	Grounds Contract	2,460
6560	Decorating and painting	3,349
6545	Elevator Maintenance	1,701
6541	Repairs Material	2,587
6590	Misc. Ops. And Maint. Expense	11,031
6591	Major Construction Expense	<u>9,018</u>
	Total operating and maintenance	<u>45,690</u>
	Insurance and taxes	
6729	Insurance	8,491
6710	Property taxes	<u>647</u>
	Total insurance and taxes	<u>9,138</u>
	Depreciation	<u>10,798</u>
	Total operating expenses	<u>155,741</u>
	Operating loss	<u>(19,156)</u>
	Non-operating revenues	
5410	Interest income	<u>795</u>
	Change in net position	<u>(18,361)</u>
	Net position, beginning	<u>79,721</u>
	Net position, end	<u><u>\$ 61,360</u></u>
	Reconciliation to Form 180	
	Total operating revenues	\$ 136,585
	Interest income	795
	Less interest income for equipment reserve with CADA funds	(665)
	Less annuities & excess program payments	<u>18,608</u>
	Effective gross rent from form 180	<u><u>\$ 155,323</u></u>
	Total expenses	\$ 155,741
	Less depreciation	(10,798)
	Less major construction expense through replacment reserve	<u>(9,018)</u>
	Total operating cost from form 180	<u><u>\$ 135,925</u></u>

**Biele Place Apartments
(Contract Number 80-RHC-032)
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**Supplementary Information Required by HCD
Year Ended June 30, 2016**

Insurance

Insurance premiums are current as of June 30, 2016. The annual renewal policy was paid before the due date.

Project Name: Biele Place

Contract #: 80-RHC-032

Sponsor's Name: Capitol Area Development Authority

Project Fiscal Year: 2015-2016

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

Sponsor Certification

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



Authorized Signature

Merri Stutes

Printed Name

Resident Services Manager

Title

12/6/16

Date

Explanation of other Withdrawals:

ADDITIONAL REQUESTED INFORMATION FOR FY:

2015-2016

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

Annual Report

Actual Operating Costs

AMC 180a (Rev. Oct 2009) (This version is used for RHCP-O only)

Rental Housing Construction Program -- Original

7. REPORT OF ACTUAL OPERATING COSTS

Reporting Period: 7/1/2015 to 06/30/2016

Contract No: 80-RHC-032

Project Name: Biele Place

Prepared by:

Date Prepared:

Units/Sq. Ft. - Assisted: 35

Units/Sq. Ft. - Total: 35

Unit Months: 420

ACCOUNT NAME	ACCOUNT CODES	UNIT EXPENSES						PROJECT TOTALS		
		Approved Assisted (A)	Actual Assisted	Approved Non-Assisted	Actual Non-Assisted	Proposed Commercial	Actual Commercial	Approved Total Expenses	Total Actual Expenses (B)	Project Variance (C)
MANAGEMENT FEE: 6200/6300										
1 Management Fee or Sponsor Overhead	6320	21,550	21,550	0	0	0	0	21,550	21,550	0
ADMINISTRATIVE EXPENSES: 6200/6300										
2 Advertising	6210	600	600	0	0	0	0	600	600	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0	0	0	0
4 Other Renting Expenses	6250	200	50	0	0	0	0	200	50	150
5 Office Salaries	6310	0	0	0	0	0	0	0	0	0
6 Office Supplies	6311	0	0	0	0	0	0	0	0	0
7 Office or Model Apartment Rent	6312	0	0	0	0	0	0	0	0	0
8 Manager and Superintendent Salaries	6330	24,340	24,340	0	0	0	0	24,340	24,340	0
9 Manager's or Superintendent's Rent Free Unit	6331	6,660	6,660	0	0	0	0	6,660	6,660	0
10 Legal Expense - Project	6340	750	0	0	0	0	0	750	0	750
11 Audit Expense - Project	6350	4,850	4,850	0	0	0	0	4,850	4,850	0
12 Bookkeeping Fees/Accounting Services	6351	0	0	0	0	0	0	0	0	0
13 Telephone and Answering Service Expenses	6360	0	0	0	0	0	0	0	0	0
14 Bad Debt Expense	6370	0	0	0	0	0	0	0	0	0
15 Miscellaneous Administrative Expenses (specify)	6390	0	0	0	0	0	0	0	0	0
16 TOTAL ADMINISTRATIVE EXPENSES	6200/6300T	37,400	36,500	0	0	0	0	37,400	36,500	900
UTILITIES EXPENSES: 6400										
17 Fuel Oil/Coal	6420	0	0	0	0	0	0	0	0	0
18 Electricity	6450	2,750	2,358	0	0	0	0	2,750	2,358	392
19 Water	6451	0	0	0	0	0	0	0	0	0
20 Gas	6452	3,600	3,193	0	0	0	0	3,600	3,193	407
21 Sewer	6453	18,500	17,343	0	0	0	0	18,500	17,343	1,157
22 TOTAL UTILITIES EXPENSES	6400T	24,850	22,894	0	0	0	0	24,850	22,894	1,956
OPERATING AND MAINTENANCE EXPENSES: 6500										
23 Janitor and Cleaning Payroll	6510	3,840	8,139	0	0	0	0	3,840	8,139	(4,299)
24 Janitor and Cleaning Supplies	6515	1,650	3,474	0	0	0	0	1,650	3,474	(1,824)
25 Janitor and Cleaning Contracts	6517	8,600	9,620	0	0	0	0	8,600	9,620	(1,020)
26 Exterminating Payroll/Contract	6519	0	0	0	0	0	0	0	0	0
27 Exterminating Supplies	6520	0	0	0	0	0	0	0	0	0
28 Garbage and Trash Removal	6525	2,000	1,082	0	0	0	0	2,000	1,082	918
29 Security Payroll/Contract	6530	2,400	2,400	0	0	0	0	2,400	2,400	0
30 Grounds Payroll	6535	0	0	0	0	0	0	0	0	0
31 Grounds Supplies	6536	0	0	0	0	0	0	0	0	0
32 Grounds Contract	6537	2,460	2,460	0	0	0	0	2,460	2,460	0
33 Repairs Payroll	6540	0	0	0	0	0	0	0	0	0
34 Repairs Material	6541	3,000	2,587	0	0	0	0	3,000	2,587	413
35 Repairs Contract	6542	0	0	0	0	0	0	0	0	0
36 Elevator Maintenance/Contract	6545	1,700	1,701	0	0	0	0	1,700	1,701	(1)
37 Heating/Cooling Repairs and Maintenance	6546	0	0	0	0	0	0	0	0	0
38 Swimming Pool Maintenance/Contract	6547	0	0	0	0	0	0	0	0	0
39 Snow Removal	6548	0	0	0	0	0	0	0	0	0
40 Decorating/Payroll Contract	6560	3,500	3,349	0	0	0	0	3,500	3,349	151
41 Decorating Supplies	6561	0	0	0	0	0	0	0	0	0
42 Vehicle and Maint. Equipment Operation/Repairs	6570	0	0	0	0	0	0	0	0	0
43 Misc. Operating and Maintenance Expenses (specify)	6590	8,000	11,031	0	0	0	0	8,000	11,031	(3,031)
44 TOTAL OPERATING & MAINTENANCE EXPENSES	6500T	37,150	45,844	0	0	0	0	37,150	45,844	(8,694)
TAXES AND INSURANCE: 6700										
45 Real Estate Taxes	6710	705	647	0	0	0	0	705	647	58
46 Payroll Taxes (Project's Share)	6711	0	0	0	0	0	0	0	0	0
47 Misc. Taxes, Licenses and Permits	6719	0	0	0	0	0	0	0	0	0
48 Property and Liability Insurance (Hazard)	6720	0	0	0	0	0	0	0	0	0
49 Fidelity Bond Insurance	6721	0	0	0	0	0	0	0	0	0
50 Worker's Compensation	6722	0	0	0	0	0	0	0	0	0
51 Health Insurance and Other Employee Benefits	6723	0	0	0	0	0	0	0	0	0
52 Other Insurance	6729	9,500	8,491	0	0	0	0	9,500	8,491	1,009
53 TOTAL TAXES AND INSURANCE	6700T	10,205	9,137	0	0	0	0	10,205	9,137	1,068
ASSISTED LIVING/BOARD & CARE EXPENSES: 6900										
54 Food	6932	0	0	0	0	0	0	0	0	0
55 Recreation and Rehabilitation	6980	0	0	0	0	0	0	0	0	0
56 Rehabilitation Salaries	6983	0	0	0	0	0	0	0	0	0
57 Other Service Expenses	6990	0	0	0	0	0	0	0	0	0
58 TOTAL ASSISTED LIVING EXPENSES	6900T	0	0	0	0	0	0	0	0	0
61 TOTAL OPERATING COSTS		131,155	135,925	0	0	0	0	131,155	135,925	(4,770)

Rental Housing Construction Program -- Original

8. ACTUAL CASH FLOW ANALYSIS

Reporting Period: 07/01/2015 to 06/30/2016

Contract No: **80-RHC-032**
 Project Name: **Biele Place**
 Prepared by:
 Date Prepared:

Units/Sq. Ft. - Assisted: **35**
 Units/Sq. Ft. - Total: **35**
 Unit Months: **420**

ACCOUNT NAME	Account Codes	ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
		Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	Cashflow Variance (I)
REVENUE ACCOUNTS/RENT REVENUE: 5100										
1 Rent Revenue	5120	126,384	127,336	0	0	0	0	126,384	127,336	952
2 Tenant Assistance Payments	5121	23,268	23,118	0	0	0	0	23,268	23,118	(150)
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	100	2,807	0	0	0	0	100	2,807	2,707
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	149,752	153,261	0	0	0	0	149,752	153,261	3,509
<i>Total Vacancies (HCD Use Only)</i>		5200T	3,792	0	0	0	0	3,792	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
<i>Total Living Revenue</i>		6300T	0	0	0	0	0	0	0	0
FINANCIAL REVENUE: 5400										
21 Financial Revenue - Project Operations	5410	450	130	0	0	0	0	450	130	(320)
<i>Total Financial Revenue</i>		5400T	450	130	0	0	0	450	130	(320)
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	1,300	1,932	0	0	0	0	1,300	1,932	632
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
<i>Total Other Revenue</i>		5900T	1,300	1,932	0	0	0	1,300	1,932	632
27 EFFECTIVE GROSS RENT (EGR)	5152T	147,710	155,323	0	0	0	0	147,710	155,323	7,613
28 TOTAL OPERATING EXPENSES	6000T	135,090	135,925	0	0	0	0	135,090	135,925	(835)
29 NET OPERATING INCOME (NOI)	5000T	12,621	19,398	0	0	0	0	12,621	19,398	6,778
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	0	0	0	0	0	0	0
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
<i>Total Financial Expenses</i>		6800T	0	0	0	0	0	0	0	0
FUNDED RESERVES:										
34 Escrow Deposits	1310	0	0	0	0	0	0	0	0	0
35 Replacement Reserve-Deposit	1320	6,100	6,100	0	0	0	0	6,100	6,100	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
<i>Total Reserve Deposits</i>			6,100	6,100	0	0	0	6,100	6,100	0
38 PROJECT CASH FLOW (CF)		6,521	13,298	0	0	0	0	6,521	13,298	6,778
ADDITIONAL REVENUE:										
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		0	0	0	0	0	0	0	0	0
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
<i>Total Additional Revenue</i>			0	0	0	0	0	0	0	0
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
<i>Total Use of Cash Flow</i>			0	0	0	0	0	0	0	0

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

Board of Directors
Capitol Area Development Authority
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Biele Place Apartments (Contract Number 80-RHC-032) (the "Project"), a project of the Capitol Area Development Authority (Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Project's basic financial statements, and have issued our report thereon dated December 6, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CohnReznick LLP

Sacramento, California
December 6, 2016

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