



January 7, 2022

TO: CADA Board of Directors

SUBJECT: **January 14, 2022, Board Meeting**
AGENDA ITEM 5
AUDITED FINANCIAL STATEMENTS – FISCAL YEAR 2020-2021

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 2020-21 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 the 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. CohnReznick has issued an unqualified opinion letter that is incorporated into its report for this year.

POLICY ISSUES

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 2020 - 2021, exclusive of Capital Investment Program activities. Attachments 1a, 2, and 3 are more fully discussed below. Attachments 1b through 1d are financial reports for the three individual buildings that operate under regulatory agreements with other agencies that require them to be submitted annually for their review.

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.

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 \$1,528 in its Net Position. This is a \$2,799,610 decrease in Net Position compared to last year. Last year, CADA experienced a \$1,437,652 decrease in its net position. The \$1,528 increase in CADA's Net Position reflects Non-Operating Net Revenues of \$5,036,549 less an operating loss of \$5,035,021 from rental and development activities. The primary reason for the decreased positive results in FY 2020-21 compared to FY 2021-22 is a decrease in Rental Revenue, increased financing expense for the new 2020 Tax Allocation Bond, 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 \$5,036,549, which is a net decrease of \$644,407 over last year's revenue of \$5,680,956. This reflects a net increase in Intergovernmental Revenue (including Tax Increment) of \$312,135, offset by a net increase in financing expenses mostly due to the new bond issue costs.

CADA's Operating Loss was \$5,0135,021, which is \$2,155,203 more than last year's \$2,879,818 loss. The change is primarily due to increases in total Operating Expense of \$1,622,727, and a decrease in Operating Revenue of \$532,476. Operating Expenses increased in most categories but mainly changed within Development Projects resulting from a \$1,160,844 net increase in expenses, as compared to the prior year, for the 1322 O Courtyard project and 1717 S Street project financing.

The decrease in Operating Revenue reflects a \$451,370 net decrease in Rental Revenue and a decrease in development project grant revenue of \$84,419 due to reimbursements for the R Street Garage and Truitt Dog Park projects completed in the prior year.

Statements of Cash Flow (Attachment 1a):

Total Cash and Cash Equivalents increased by \$28,741,214 compared to the prior year's increase of \$1,428,360. The positive change in cash flow was due to an increase in cash inflow from financing activities reflecting the issuance of new 2020 TAB debt of \$31,455,000, and increases in Intergovernmental revenue of \$344,039. This was offset by an increase in cash outflow of \$1,741,013 for interest paid on the bonds and notes payable, \$2,853,178 in notes receivable within the development project category, and a \$1,161,935 increase in cash outflow for capital assets 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 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 expenses 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 2020-2021 were well within budget, ending the year with favorable (positive) variances totaling \$632,686.

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 2021. The contract provides for CohnReznick to provide auditing services for the fiscal years ending 2021 through 2025. Costs of the audit are included in each year's budget.

Attachments:

1. Independent Auditor's Reports FY 2020-2021
 - 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 2020-2021, Budget to Actual

Capitol Area Development Authority

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

June 30, 2021 and 2020

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
Assistant City Manager
Finance
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
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, 2021 and 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.

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 the Capitol Area Development Authority as of June 30, 2021 and 2020, 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2022 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
January 4, 2022

Capitol Area Development Authority

Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2021 and 2020

As management of the Capitol Area Development Authority (the "Authority" or "CADA"), 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, 2021 and 2020.

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, 2021

- During the year, the Authority had revenues of approximately \$15.2 million consisting primarily of \$7.6 million in rental and other revenues, \$7 million in tax increment revenue and \$.5 million in other revenue and interest income.
- The Authority had expenses totaling approximately \$15.2 million consisting primarily of \$4.4 million in employee services and benefits, \$4.7 million related to property management operations, \$2.5 million of interest expense on the Authority's debt, \$2.7 million for development projects, and \$.87 million in depreciation expense.
- The Authority expended nearly \$726,252 during the year on major construction projects budgeted for the structures that the Authority manages in the Capitol Area, of which \$551,777 was capitalized.
- The net OPEB liability required under Governmental Accounting Standards Board ("GASB") No. 75 (GASB 75) has increased by \$27,373 to \$1,455,263 as of June 30, 2021.
- The net pension liability required under GASB No. 68 has increased by \$396,548 to \$5,126,883 as of June 30, 2021.
- In December 2020 the Authority Issued \$31,455,000 in Tax Allocation Bonds. These bonds were issued to finance future affordable housing projects and other development projects within the Authority's Capitol and R Street Areas.
- The Authority, through the Capitol Area Community Development Corporation ("CACDC"), closed on two affordable housing projects financed with Low-Income Tax Credits and other loans. As part of the financing, gap loans were needed from CADA \$1.5 million for the 1322 O Street project and \$3.3 million for the 1717 S Street project.

Capitol Area Development Authority

Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2021 and 2020

- The Authority entered into a Disposition and Development Agreement ("DDA") in June 2018 for the purchase and development of an 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 providing that if construction did not start by the summer of 2020, the Authority would have the right to purchase the site. The Developer was unable to meet the deadline and CADA purchased the site in December 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 the Authority's staff revises and the Board reviews 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, 2021, meets this objective.

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 Governmental 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 DDA in June 2018 for the purchase and development of an 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 allowing the Authority to purchase the site 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 the Authority's staff revises and the Board reviews 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, 2021 and 2020

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.

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 DOR exceeded its liabilities and DIR by \$18,953,775 as of June 30, 2021.

Capitol Area Development Authority

**Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2021 and 2020**

**Condensed Statements of
Net Position at June 30, 2021 and 2020**

	2021	2020	Change	
			\$	%
Assets				
Current and other assets	\$ 62,282,561	\$ 32,369,970	\$ 29,912,591	92%
Capital assets, net	10,393,446	8,580,120	1,813,326	21%
Total assets	<u>\$ 72,676,007</u>	<u>\$ 40,950,090</u>	<u>\$ 31,725,917</u>	77%
Deferred outflows of resources (DOR)				
DOR - Pensions and OPEB	<u>\$ 1,563,524</u>	<u>\$ 1,621,272</u>	<u>\$ (57,748)</u>	-4%
Liabilities				
Current liabilities	\$ 3,699,481	\$ 1,878,563	\$ 1,820,918	97%
Non-current liabilities	50,860,603	20,557,803	30,302,800	147%
Total liabilities	<u>\$ 54,560,084</u>	<u>\$ 22,436,366</u>	<u>\$ 32,123,718</u>	143%
Deferred inflows of resources (DIR)				
DIR - Pensions and OPEB	<u>\$ 725,672</u>	<u>\$ 1,182,749</u>	<u>\$ (457,077)</u>	-39%
Net position				
Net investment in capital assets	\$ (4,284,639)	\$ (6,068,395)	\$ 1,783,756	29%
Restricted for insurance and reserves	1,335,423	1,223,866	111,557	9%
Unrestricted	21,902,991	23,796,776	(1,893,785)	-8%
Total net position	<u>\$ 18,953,775</u>	<u>\$ 18,952,247</u>	<u>\$ 1,528</u>	0%

Analysis of Net Position - June 30, 2021:

The Authority's net position increased during the current year by \$1,528, as a result of consistent revenue and growth in intergovernmental revenue offset by development activity and the cost of issuing new bond debt.

A portion of the Authority's net position is invested in capital assets. This category, which increased by \$1,783,756, consists of the cost basis of assets acquired, less depreciation and related debt, net of unspent proceeds. The increase in net investment in the capital assets category of \$1,783,756 is the net effect of an increase of the \$1,813,326 from additions in capital assets, and a decrease in the related debt due to \$29,570 in debt repayments.

The historical cost of capital assets increased by \$2.7 million as a result of acquisitions of equipment and improvements to buildings. Depreciation expenses reduced the carrying value of the total capital assets by \$871,196, for a net increase in the net value of capital assets of \$1.8 million. Additional information on the Authority's capital assets can be found in Note 6 to the Financial Statements.

Liabilities increased by \$32,123,716 following the issuance of new long-term debt (2020 Tax Allocation Bond), discussed below in the Capital Asset and Debt Administration section.

Capitol Area Development Authority

Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2021 and 2020

Condensed Statements of Revenue, Expenses and Changes in Net Position For the Fiscal Years Ended June 30, 2021 and 2020

	2021	2020	Change	
			\$	%
Revenue				
Operating revenue				
Rental revenue, net	\$ 7,648,773	\$ 8,100,143	\$ (451,370)	-6%
Other revenue	46,095	127,201	(81,106)	-64%
Non-operating revenue				
Interest income	439,838	444,972	(5,134)	-1%
Intergovernmental	7,066,397	6,754,262	312,135	5%
Total revenue	<u>\$ 15,201,103</u>	<u>\$ 15,426,578</u>	<u>\$ (225,475)</u>	-1%
Expenses				
Operating expenses				
Employee services and benefits	\$ 4,470,422	\$ 4,336,031	\$ 134,391	3%
Development projects	2,726,098	1,565,254	1,160,844	74%
Other	5,533,369	5,205,877	327,492	6%
Non-operating expenses				
Interest expense	2,488,672	1,517,653	971,019	64%
Other	(18,986)	625	(19,611)	
Total expenses	<u>15,199,575</u>	<u>12,625,440</u>	<u>2,574,135</u>	20%
Change in net position	1,528	2,801,138	(2,799,610)	-100%
Net position, beginning of year	<u>18,952,247</u>	<u>16,151,109</u>	<u>2,801,138</u>	17%
Net position, end of year	<u>\$ 18,953,775</u>	<u>\$ 18,952,247</u>	<u>\$ 1,528</u>	0%

The Authority's net position in the current year increased by \$1,528 as a result of fiscal year ended June 30, 2021 operations. This represents a \$2,799,610 decrease compared to the prior year due to a decrease in rental revenue and increases in the development and interest expense categories.

Revenue reflects a net decrease from the prior year, mainly as a result of the net effect of three revenue sources. The tax increment portion of Intergovernmental revenue increased by \$312,135 and reflects a continued increase in property taxes within the Authority's boundaries. Other revenue decreased by \$81,106 due to no funding received during the fiscal year compared to the prior year for reimbursement grant funds for the R Street Garage predevelopment work the Authority was doing on behalf of the California Department of General Services ("DGS") which project has been cancelled. Rental revenue decreased by \$451,370, with gross rental revenue decreasing by \$382,471. The majority of this decrease is due to losses within commercial revenue category, along with increases of \$151,457 in vacancy losses and loss to lease, and a decrease in low income subsidies of \$82,558. Interest income decreased slightly as a result of lower investment earnings compared to the prior year on funds held with the City Treasurer, net of interest income on a note receivable for the 1717 S Street project. The overall impact on revenue was a decrease of \$225,475 in total revenue.

Expenses increased by \$2,574,135 during the fiscal year ended June 30, 2021, largely due to development activities and the issue of new 2020 tax allocation bonds, along with increases in all the expense categories. Increases for development projects of \$1,160,844 were mainly the result of providing gap financing for a new affordable housing project at 1322 O Street. The increase of \$971,019 in interest expenses was mainly due to the interest expense for the new bonds.

Capitol Area Development Authority

Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2021 and 2020

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	8,580,120	8,177,941	402,179	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>	100%
Liabilities				
Current liabilities	\$ 1,878,563	\$ 2,243,703	\$ (365,140)	-16%
Non-current liabilities	20,557,803	20,546,122	11,681	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>	100%
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	23,796,776	21,200,645	2,596,131	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 of \$402,179 from 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, 2021 and 2020**

**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, reflecting increases in all expense categories.

Revenue reflects a net increase from the prior year, mainly as a result of the net effect of changes in three revenue sources. The 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 the 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 refinancing of the Biele Place project loan with the California Department of Housing Community Development recognizing the outstanding deferred loan of \$1,025,653. All the remaining expense categories increased as well, including increases in Employee Services and Benefits categories of \$529,708, mainly due to pension expenses and increase in the Development Projects category of \$604,653, reflecting 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, 2021 and 2020

Capital Asset and Debt Administration

Capital assets: As reflected in the Statements of Net Position above, the Authority's investments in capital assets were \$10,393,446 and \$8,580,120 (net of accumulated depreciation) at June 30, 2021 and 2020, respectively. This investment in capital assets, as reflected in the Notes to the Financial Statements, includes land, construction in progress, building and improvements, and machinery and equipment. Additions during the years ended June 30, 2021 and 2020, totaled \$2.7 million and \$1.2 million, respectively. The 2021 additions included a land purchase of \$2 million, building improvements of \$366,583, machinery and equipment costs of \$58,878, and a reduction in construction in progress of \$198,755. The 2020 additions included building improvements of \$1,132,795, machinery and equipment costs of \$95,233, and a reduction in construction in progress of \$209,008. Depreciation on capital assets totaled \$871,196 and \$825,849, respectively, for the years ending June 30, 2021 and 2020.

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 \$45,516,140 and \$14,839,670 as of June 30, 2021 and 2020, respectively. The large increase to bonds payable was due to the Authority issuing new Tax Allocation Bond of \$31,455,000 in December 2020. During the fiscal years ended June 30, 2021 and 2020, principal payments reduced notes payable by \$227,675 and \$222,336, respectively, and bonds payable by \$550,855 and \$535,485, 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, 2021:

- An increase to the Capitol Area tax increment revenue was budgeted due to the current year receipts and anticipated tax levels for FY 2021-2022. This increase appeared to be due to increases in property values over the last fiscal year in the Authority's area. For FY 2021-2022 the Authority only increased this budget by 1%. Due to continued COVID-19 related property tax concerns, the County of Sacramento only proposed a 1% increase for FY 2021-2022 which is lower than legal limit of 2%.

Capitol Area Development Authority

Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2021 and 2020

- A small net increase was budgeted for rental revenue to reflect FY 2020-2021 current rental revenue levels. For FY 2021-2022 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 CADA's commercial tenants.
- Budgeted current development projects of \$2,355,655 will be funded as part of the General Operations Budget for the fiscal year ending June 30, 2022. Development funding outlays have been increased from the prior year due to a new project in the R Street Area and additional funding need for current development projects.
- The remaining \$191,155 in bond proceeds for the 2016 Tax Allocation Bond ("TAB") will be used for the 1322 O Street project. \$615,000 of the 2020 TAB bond proceeds was budgeted for streetscape improvements and street projects in the O Street Corridor.
- The Authority will continue to maintain its current housing stock through its major construction program with a budgeted amount of \$1.55 million to be funded through the General Operations Budget and the release of prior year funding.
- The Authority budgeted \$185,800 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, which is 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 currently working with a new developer to complete a housing project at this site.
- The Authority is continuing to work with the City of Sacramento on improvements to Roosevelt Park.
- The Authority has closed on financing through California Debt Limitation Allocation Committee ("CDLAC") tax credit program and has started construction on the 1717 S Street project. Soil remediation began in October 2020 and will take three months to complete. The housing project is scheduled to be completed in January 2023.
- The Authority is currently working to implement a concept plan for streetscape improvements and street projects in the O Street Corridor.
- The Authority closed on Financing through the CDLAC tax credit program to fund construction of a low-income housing project at the CADA Courtyard Site 16A at 1320 O Street. Construction started in the summer of 2020 and is scheduled to be completed in January 2023.

Capitol Area Development Authority

Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2021 and 2020

- The Authority will continue exploring options for the development of other sites, including but not limited to, Block 222, East End Gateway 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 Capitol Area and the R Street Area to address future affordable housing needs and prepare for possible future affordable housing projects.
- 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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 55,603,333	\$ 26,944,436
Accounts receivable, net	71,993	78,441
Interest receivable	-	1,396
Prepaid expenses	141,987	246,144
Restricted cash and cash equivalents		
Tenant and event security deposits	400,631	402,982
Debt covenant reserves	385,505	384,833
Insurance impounds	24,600	19,265
Employee benefits	26,710	25,775
Funds held for others	215,362	243,858
	<u>1,052,808</u>	<u>1,076,713</u>
Total restricted cash and cash equivalents		
	<u>56,870,121</u>	<u>28,347,130</u>
Total current assets		
Noncurrent assets		
Advance to affiliate, long-term	701,517	-
Investment in joint venture	100	2,748,439
Restricted cash and cash equivalents		
Reserve for replacements	635,823	529,601
Insurance risk reserve	675,000	675,000
	<u>1,310,823</u>	<u>1,204,601</u>
Total restricted cash and cash equivalents		
Notes receivable, net of current portion	3,400,000	69,800
Capital assets		
Non-depreciable	3,659,330	1,599,024
Depreciable, net	6,734,116	6,981,096
	<u>10,393,446</u>	<u>8,580,120</u>
Total capital assets		
Total noncurrent assets	<u>15,805,886</u>	<u>12,602,960</u>
Total assets	<u>\$ 72,676,007</u>	<u>\$ 40,950,090</u>
<u>Deferred Outflows of Resources</u>		
Deferred outflows related to pensions	\$ 995,992	\$ 1,074,814
Deferred outflows related to OPEB	567,532	546,458
	<u>1,563,524</u>	<u>1,621,272</u>
Total deferred outflows of resources		

Capitol Area Development Authority

**Statements of Net Position
June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 815,985	\$ 146,551
Prepaid rent	40,120	27,365
Due to state - HCD	64,410	43,371
Accrued benefits payable	83,488	87,136
Accrued interest payable	329,817	86,861
Tenant security deposits	400,631	402,984
Developer deposits	70,000	70,000
Funds held for others	207,268	235,764
Notes payable, current portion	233,210	227,675
Bonds payable, current portion	<u>1,454,552</u>	<u>550,856</u>
Total current liabilities	<u>3,699,481</u>	<u>1,878,563</u>
Noncurrent liabilities		
Accrued interest payable	227,443	160,756
Notes payable	4,434,541	4,667,751
Bonds payable	39,393,837	9,393,388
Net pension liability	5,126,883	4,730,335
Net OPEB liability	1,455,263	1,427,890
Compensated absences payable	<u>222,636</u>	<u>177,683</u>
Total noncurrent liabilities	<u>50,860,603</u>	<u>20,557,803</u>
Total liabilities	<u><u>\$ 54,560,084</u></u>	<u><u>\$ 22,436,366</u></u>
<u>Deferred Inflows of Resources</u>		
Deferred inflows related to pensions	\$ 33,337	\$ 176,053
Deferred inflows related to OPEB	<u>692,335</u>	<u>1,006,696</u>
Total deferred inflows of Resources	<u><u>\$ 725,672</u></u>	<u><u>\$ 1,182,749</u></u>
<u>Net Position</u>		
Net investment in capital assets	\$ (4,284,639)	\$ (6,068,395)
Restricted for insurance and reserves	1,335,423	1,223,866
Unrestricted	<u>21,902,991</u>	<u>23,796,776</u>
Total net position	<u><u>\$ 18,953,775</u></u>	<u><u>\$ 18,952,247</u></u>

See Notes to Financial Statements.

Capitol Area Development Authority

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operating revenue		
Rental revenue, net	\$ 7,648,773	\$ 8,100,143
Other revenue		
Development projects	-	84,419
Miscellaneous	<u>46,095</u>	<u>42,782</u>
Total operating revenue	<u>7,694,868</u>	<u>8,227,344</u>
Operating expense		
Employee services and benefits	4,470,422	4,336,031
Services and supplies	2,632,836	2,438,297
Development projects	2,726,098	1,565,254
Repairs and maintenance	1,915,232	1,922,081
Bad debt expense	114,105	19,650
Depreciation	<u>871,196</u>	<u>825,849</u>
Total operating expense	<u>12,729,889</u>	<u>11,107,162</u>
Operating loss	<u>(5,035,021)</u>	<u>(2,879,818)</u>
Non-operating revenue (expense)		
Interest income	439,838	444,972
Interest and financing expense	(2,488,672)	(1,517,653)
HCD annuity	18,986	(625)
Intergovernmental	<u>7,066,397</u>	<u>6,754,262</u>
Total non-operating revenue	<u>5,036,549</u>	<u>5,680,956</u>
Change in net position	1,528	2,801,138
Net position, beginning of year	<u>18,952,247</u>	<u>16,151,109</u>
Net position, end of year	<u><u>\$ 18,953,775</u></u>	<u><u>\$ 18,952,247</u></u>

See Notes to Financial Statements.

Capitol Area Development Authority

**Statements of Cash Flows
Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Rental receipts	\$ 7,553,871	\$ 8,539,662
Other development and operating receipts	46,095	112,201
Tenant security deposits received	82,426	103,500
Payroll and related costs paid	(4,408,983)	(4,188,894)
Services and supplies expenses paid	(2,312,748)	(2,699,716)
Development project expenses paid	(1,175,095)	(1,577,268)
Operating and maintenance expenses paid	(1,719,136)	(2,110,551)
Tenant security deposits paid	(84,779)	(101,861)
Funds held for others	<u>(28,496)</u>	<u>(50,406)</u>
Net cash used in operating activities	<u>(2,046,845)</u>	<u>(1,973,333)</u>
Cash flows from noncapital financing activities		
Intergovernmental	<u>7,106,422</u>	<u>6,762,383</u>
Net cash provided by noncapital financing activities	<u>7,106,422</u>	<u>6,762,383</u>
Cash flows from capital and related financing activities		
Principal payments on bonds and notes payable	(778,530)	(757,821)
Interest paid on bonds and notes payable	(2,179,029)	(438,016)
Proceeds from issuance of new tax allocation bonds	31,455,000	-
Payments for capital assets	<u>(2,473,660)</u>	<u>(1,311,725)</u>
Net cash provided by (used in) capital and related financing activities	<u>26,023,781</u>	<u>(2,507,562)</u>
Cash flows from investing activities		
Investment in joint venture	-	(200,000)
Issuance of notes receivable	(2,853,178)	-
Repayment received on notes receivable	69,800	850,192
Interest receipts	<u>441,234</u>	<u>444,972</u>
Net cash (used in) provided by investing activities	<u>(2,342,144)</u>	<u>1,095,164</u>
Net increase in cash and cash equivalents	28,741,214	3,376,652
Cash and cash equivalents, beginning of year	<u>29,225,750</u>	<u>25,849,098</u>
Cash and cash equivalents, end of year	<u><u>\$ 57,966,964</u></u>	<u><u>\$ 29,225,750</u></u>

Capitol Area Development Authority

Statements of Cash Flows Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and cash equivalents	\$ 55,603,333	\$ 26,944,436
Restricted cash and cash equivalents		
Tenant security deposits	400,631	402,982
Debt covenant reserves	385,505	384,833
Insurance impounds	24,600	19,265
Employee benefits	26,710	25,775
Funds held for others	215,362	243,858
Reserve for replacements	635,823	529,601
Insurance risk reserve	675,000	675,000
	<u>57,966,964</u>	<u>29,225,750</u>
Total cash and cash equivalents	<u>\$ 57,966,964</u>	<u>\$ 29,225,750</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (5,035,021)	\$ (2,879,818)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	871,196	825,849
Allowance for loan losses	1,500,000	-
Pension	(2,781)	823,006
OPEB	27,373	(716,417)
Changes in assets and liabilities		
Accounts receivable	6,448	459,508
Prepaid expenses	104,157	(203,029)
Accounts payable	458,572	(258,346)
Prepaid rent	12,755	(339)
Accrued benefits payable	(3,648)	16,563
Tenant security deposits payable	(2,353)	1,639
Funds held for others	(28,496)	(50,406)
Compensated absences payable	44,953	23,457
	<u>(2,046,845)</u>	<u>(1,973,333)</u>
Net cash used in operating activities	<u>\$ (2,046,845)</u>	<u>\$ (1,973,333)</u>
Significant noncash capital and related financing activities		
Capital asset additions through accounts payable	<u>\$ 210,862</u>	<u>\$ -</u>
Decrease in investment in joint venture reclassified as advances to affiliate and notes receivable	<u>\$ 2,748,339</u>	<u>\$ -</u>
Increase in notes payable	<u>\$ -</u>	<u>\$ 1,025,653</u>

See Notes to Financial Statements.

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020, the allowance for doubtful accounts is \$424,085 and \$309,583, 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. During the year ended June 30, 2021, note from the 1322 O Street Investor LP for \$1.5 million was determined to be uncollectable so an allowance for loan losses was created. As of June 30, 2021 and 2020, the Authority's management believes that the remaining outstanding loans are collectible and that the borrowers will be able to repay the loans under the terms of the promissory notes; therefore, no additional allowance for loan losses was considered necessary.

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

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, 2021, 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 \$222,636 and \$177,683 as of June 30, 2021 and 2020, 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") the assets of which are held by CalPERS and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. 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, 2021 and 2020

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, 2019
Measurement Date:	June 30, 2020
Measurement Period:	July 1, 2019 to June 30, 2020

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, 2021 and 2020

New accounting pronouncements

During the fiscal year ended June 30, 2021, the Authority has adopted the following new accounting standards issued by the GASB:

Statement No. 90, "Majority Equity Interests". The primary objective of GASB Statement No. 90 is to improve the consistency and comparability of reporting a governments' majority equity interest in a legally separate organization and to improve the financial statements relevance for certain component units. The adoption of this Statement had no impact on the Authority's financial statements for the period ended June 30, 2021.

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 adoption of this Statement had no impact on the Authority's financial statements for the period ended June 30, 2021.

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

- Statement No. 87, "Leases". GASB Statement No. 87 requires that government lessees recognize a lease liability and an intangible asset 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 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 No. 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. 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 obligations 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 2021". 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.

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

- 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 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 the 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 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 the Authority's fiscal year ending June 30, 2022.

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.

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

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.

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 not covered by federal deposit insurance 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 California Government Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. As a result, for purposes of custodial credit risk the collateral for cash deposits is considered to be held in the Authority's name.

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 \$112,185 and \$119,746 as of June 30, 2021 and 2020, 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 CalHFA in the Authority's name.

At June 30, 2021 and 2020, the carrying amounts of the Authority's deposits with financial institution were \$5,440,282 and \$7,225,888, respectively. The financial institution balances at June 30, 2021 and 2020 were \$5,545,720 and \$7,652,015, 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 3.14 years and 2.13 years as of June 30, 2021 and 2020, 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.

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

As of June 30, 2021, 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	\$ -	\$ 51,265,391	\$ 51,265,391
Money market mutual funds	AAA/Aaa	600,868	-	600,868
Deposits	N/A	-	-	6,100,705
Total		<u>\$ 600,868</u>	<u>\$ 51,265,391</u>	<u>\$ 57,966,964</u>

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 funds	AAA/Aaa	628,690	-	628,690
Deposits	N/A	-	-	7,774,754
Total		<u>\$ 628,690</u>	<u>\$ 20,822,306</u>	<u>\$ 29,225,750</u>

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:

	<u>2021</u>	<u>2020</u>
<u>1322 O Street Investor, LP</u>		
Promissory note of \$100,000 for security on a Letter of Credit through Chase Morgan bank to the City of Sacramento. The Letter of Credit was required by the City to guarantee that off-site improvements will be completed. These funds will be release and refunded back to CADA upon acceptance of improvements by the City.	\$ 100,000	\$ -

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>1717 S Street Investor, LP</u>		
Promissory note of \$3.3 million for repayment of funds loaned to finance, in part, the development of affordable housing in the R Street area. This note is amortized over 55 years at a 3% interest rate, secured by the property with payments commencing 13 years after the Certificate of Occupancy or the first year after the deferred developer fee is paid in full, whichever comes first, in the amount equal to three (3%) percent of remaining residual cash flow when available.	3,300,000	-
<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
Total	\$ <u>3,400,000</u>	\$ <u>69,800</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.

At the close of escrow for the 1320 O Street project, the Authority entered into a residual receipts loan in exchange to finance, in part, the development of an affordable housing project. Due to the nature of this type of note and the insufficiency of expected future residual receipts of the project, the Authority determined there was no carrying value, so an allowance was created set up for the full amount of the loan.

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

Residual receipt loans consist of the following at June 30, 2021:

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. \$ 3,903,000

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 developer's construction loan and permanent loan, and to be repaid from residual receipts. 1,054,894

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 developer's construction loan and permanent loan, and to be repaid from residual receipts. 1,301,000

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. 839,145

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. 282,317

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 developer's construction loan and permanent loan, and to be repaid from residual receipts. 540,167

1322 O Street Investor, LP

Project financing loan, in the amount of \$1.5 million amortized over 55 years at a 4% interest rate, secured by the property with payments commencing 13 years after the Certificate of Occupancy or the first year after the deferred developer fee is paid in full, whichever comes first, in the amount equal to 50 percent of remaining residual cash flow when available 1,500,000

Total \$ 14,366,603

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

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, 2021 for a monthly rental amount of \$8,172, with no annual rate adjustments. Under the terms of the current lease ending January 1, 2021 a total of \$88,890 and \$89,429 in operating lease rental expense was paid during each of the years ended June 30, 2021 and 2020, respectively.

In June 2017, the Authority negotiated with DGS to amend the current lease to include two five-year options (extending the term of the lease to January 31, 2031) 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.

Future minimum lease payments required under the leases subsequent to June 30, 2021 are as follows:

	Total
2022	\$ 77,340
2023	77,340
2024	77,340
2025	78,305
2026	79,656
Thereafter	285,434
Total	\$ 675,415

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

Note 6 - Capital assets

Information on changes in capital assets is presented below:

	Balance June 30, 2020	Increases	Transfers	Balance June 30, 2021
Capital assets not being depreciated				
Land	\$ 1,282,385	\$ 2,000,000	\$ -	\$ 3,282,385
Construction in progress	316,639	259,061	(198,755)	376,945
Total	1,599,024	2,259,061	(198,755)	3,659,330
Capital assets being depreciated				
Buildings and improvements	25,712,586	366,583	198,755	26,277,924
Machinery and equipment	571,538	58,878	-	630,416
	26,284,124	425,461	198,755	26,908,340
Less accumulated depreciation				
Buildings and improvements	(18,964,178)	(796,817)	-	(19,760,995)
Machinery and equipment	(338,850)	(74,379)	-	(413,229)
	(19,303,028)	(871,196)	-	(20,174,224)
Total capital assets being depreciated, net	6,981,096	(445,735)	198,755	6,734,116
Capital assets, net	\$ 8,580,120	\$ 1,813,326	\$ -	\$ 10,393,446
	Balance June 30, 2019	Increases	Transfers	Balance June 30, 2020
Capital assets not being depreciated				
Land	\$ 1,282,385	\$ -	\$ -	\$ 1,282,385
Construction in progress	244,236	281,411	(209,008)	316,639
Total	1,526,621	281,411	(209,008)	1,599,024
Capital assets being depreciated				
Buildings and improvements	27,412,171	851,384	(2,550,969)	25,712,586
Machinery and equipment	476,305	95,233	-	571,538
	27,888,476	946,617	(2,550,969)	26,284,124
Less accumulated depreciation				
Buildings and improvements	(20,966,934)	(757,221)	2,759,977	(18,964,178)
Machinery and equipment	(270,222)	(68,628)	-	(338,850)
	(21,237,156)	(825,849)	2,759,977	(19,303,028)
Total capital assets being depreciated, net	6,651,320	120,768	209,008	6,981,096
Capital assets, net	\$ 8,177,941	\$ 402,179	\$ -	\$ 8,580,120

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

Note 7 - Notes payable

Notes payable consists of the following at June 30:

	2021	2020	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.	\$ 537,128	\$ 598,537	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.	168,876	188,183	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 \$36,307. Secured by pledge of tax increment revenue.	266,202	296,635	A1, B1, C1, D1, E1
<u>California Housing Finance Agency</u>			
Monthly installments of \$7,836, including principal and interest at 5.25% to August 2033, secured by 17th Street Commons project.	848,261	896,377	A1, B2, C2, D1, E2
<u>Sacramento Housing Finance Agency</u>			
Noninterest-bearing note with annual principal payments of \$16,481 beginning December 2003 and maturing in the year 2028, secured by 17th Street Commons project.	148,342	164,823	A1, B2, C2, D2, E3

Capitol Area Development Authority

**Notes to Financial Statements
June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>	<u>GASB 88 Disclosures</u>
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.	50,000	75,000	A1, B3, C3, D3, E3
<u>California Department of Housing and Community Development (HCD)</u>			
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.	1,197,213	1,197,213	A1, B4, C4, D4, E4
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	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.	426,076	453,005	A1, B1, C5, D5, E5
Total	<u>\$ 4,667,751</u>	<u>\$ 4,895,426</u>	

Capitol Area Development Authority

Notes to Financial Statements **June 30, 2021 and 2020**

Future maturities on notes payable for years subsequent to June 30, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 233,210	\$ 73,994	\$ 307,204
2023	238,948	68,245	307,193
2024	219,898	62,285	282,183
2025	226,070	56,100	282,170
2026	232,473	49,686	282,159
2027-2031	2,008,641	145,968	2,154,609
2032-2034	1,508,511	591,807	2,100,318
	<u>\$ 4,667,751</u>	<u>\$ 1,048,085</u>	<u>\$ 5,715,836</u>

The following is a summary of the notes payable transactions for the fiscal years ended June 30, 2021 and 2020:

<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Amounts due</u> <u>within one year</u>
<u>\$ 4,895,426</u>	<u>\$ -</u>	<u>\$ (227,675)</u>	<u>\$ 4,667,751</u>	<u>\$ 233,210</u>
 <u>Balance</u> <u>June 30, 2019</u>	 <u>Additions</u>	 <u>Retirements</u>	 <u>Balance</u> <u>June 30, 2020</u>	 <u>Amounts due</u> <u>within one year</u>
<u>\$ 4,092,109</u>	<u>\$ 1,025,653</u>	<u>\$ (222,336)</u>	<u>\$ 4,895,426</u>	<u>\$ 222,337</u>

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

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, 2021 and 2020

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.

On December 2020, the Authority issued \$31,455,000 in Tax Allocation Bonds. These bonds were issued to finance future affordable housing projects and other development projects within the Capitol and R Street Areas. The Bonds are secured by a pledge of tax increment revenue, with maturity and interest rates as follows:

<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>
10/1/2021	\$ 880,000	0.957%
10/1/2022	715,000	1.027%
10/1/2023	725,000	1.174%
10/1/2026	755,000	1.967%
10/1/2027	770,000	2.177%
10/1/2028	785,000	2.458%
10/1/2029	805,000	2.558%
10/1/2030	825,000	2.658%
10/1/2031	850,000	2.778%
10/1/2032	870,000	2.878%
10/1/2033 - 10/1/2035	2,775,000	3.128%
10/1/2036 - 10/1/2040	5,290,000	3.615%
10/1/2041 - 10/1/2045	6,330,000	3.715%
10/1/2046 - 10/1/2050	7,605,000	3.815%
	<u>\$ 31,455,000</u>	

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

Future debt service requirements for years subsequent to June 30, 2021 are as follows:

	Principal	Interest	Total
2022	\$ 1,454,552	\$ 1,302,718	\$ 2,757,270
2023	1,301,957	1,274,590	2,576,547
2024	1,339,964	1,245,704	2,585,668
2025	1,360,018	1,214,432	2,574,450
2026	1,379,225	1,181,057	2,560,282
2027-2031	7,453,600	5,308,235	12,761,835
2032-2036	7,334,072	4,126,193	11,460,265
2037-2041	5,290,000	3,118,091	8,408,091
2042-2046	6,330,000	2,055,642	8,385,642
2047-2051	7,605,001	746,691	8,351,692
	<u>\$ 40,848,389</u>	<u>\$ 21,573,353</u>	<u>\$ 62,421,742</u>

The following is a summary of the bonds payable transactions for the fiscal years ended June 30, 2021 and 2020:

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Amounts due within one year
TAB payable	<u>\$ 9,944,244</u>	<u>\$ 31,455,000</u>	<u>\$ (550,855)</u>	<u>\$ 40,848,389</u>	<u>\$ 1,454,552</u>
	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Amounts due within one year
TAB payable	<u>\$ 10,479,729</u>	<u>\$ -</u>	<u>\$ (535,485)</u>	<u>\$ 9,944,244</u>	<u>\$ 550,856</u>

Note 9 - Compensated absences

The following is a summary of the compensated absences payable for the fiscal years ended June 30, 2021 and 2020:

Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021
<u>\$ 177,683</u>	<u>\$ 141,554</u>	<u>\$ (96,601)</u>	<u>\$ 222,636</u>
Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
<u>\$ 154,226</u>	<u>\$ 135,283</u>	<u>\$ (111,826)</u>	<u>\$ 177,683</u>

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.

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

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, 2021 and 2020, 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 was 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 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. In October 2020, the partnership agreement was amended to include a tax credit limited partner investor where as CACDC investment was paid back in a form of a \$3.3 million loan and a \$701,517 long term advance receivable.

CADA through the CACDC, entered into a new limited partnership agreement, 1322 O Street Investors, LP with CACDC and Cyrus Youssefi as general partners and the tax credit investor as the majority owner as a limited partner to provide financing for an affordable housing project at 1322 O Street. At the time of closing, CADA contributed \$1.5 million in gap financing through a residual receipt note.

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 \$55,340 and for the 1717 S Street Investors, LLC is \$160,022 and \$188,518 as of June 30, 2021 and 2020, respectively.

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

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.

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 2021 is 7.8%.

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

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

Board of Administration. The required employer contribution rates for classic members were 11.746% and 10.868% and for PEPRA members were 7.874% and 7.1% for the years ended June 30, 2021 and 2020, respectively. The Authority has been notified that the required employer contribution rate for classic members will be 11.60% and PEPRA members will be 7.73% for the year ending June 30, 2022 and an annual payment on the Authority's unfunded liability of \$426,774 for classic member and \$5,224 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, 2021, the Authority reported net pension liability for its proportionate share of the net pension liability of \$5,126,883.

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, 2020 (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, 2019 rolled forward to June 30, 2020 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 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, 2021 for all members was .11081% which increased as compared to the percentage as of June 30, 2020 of .11055%.

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

For the year ended June 30, 2021, the Authority recognized pension expense of \$948,928. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between expected and actual experience	\$ 240,868	\$ -
Net difference between projected and actual earnings on pension plan investments	138,850	-
Change in assumptions	-	33,337
Contributions made subsequent to the measurement date	616,274	-
Total	<u>\$ 995,992</u>	<u>\$ 33,337</u>

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

The \$616,274 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense (revenue) as follows:

Years ending June 30,	Amounts
2022	\$ 53,559
2023	125,901
2024	100,324
2025	66,597
	<u>\$ 346,381</u>

Actuarial assumptions

For the measurement period ended June 30, 2020 (measurement date), the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2020 and the June 30, 2021 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	2.5%
Salary Increases	Varies ⁽¹⁾
Payroll Growth	3.00%
Investment Rate of Return	7.15% ⁽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, 2020 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

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

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 and forecasted information for 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 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	\$ 8,187,215	\$ 5,126,883	\$ 2,598,227

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

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 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, 2020, there are 25 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, 2021, the Authority's cash contributions were \$395,530, in payments to the trust and the estimated implied subsidy was \$38,973 resulting in total payments of \$356,557. The Authority has a trust with the California Employers' Retiree Benefit Trust (CERBT) for the purpose of prefunding OPEB obligations for past services.

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

Net OPEB liability

The Authority's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 that was rolled forward to determine the June 30, 2020 total OPEB liability based on the following actuarial methods and assumptions:

Actuarial assumptions

For the measurement period ended June 30, 2020 (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:	6.9%
Discount Rates:	6.9%
Participants Valued:	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in the valuation
Salary Increases:	3.00% 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:	3.00% per year; used as a component of assumed salary increases
General Inflation Rate:	2.50% 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 2020 applied generationally from 2015.
Healthcare Trend Rate:	6.5% for 2021 decreasing to 4% in 2076

Discount rate

The discount rate used to measure the total OPEB liability was 6.9%. 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, 2021 and 2020

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, 2020	\$ 4,981,472	\$ 3,553,582	\$ 1,427,890
Changes recognized for the measurement period			
Service cost	224,159	-	224,159
Interest cost	351,625	-	351,625
Expected investment income	-	125,084	(125,084)
Employer contributions	-	425,066	(425,066)
Benefit payments	(219,240)	(219,240)	-
Investment expenses	-	(1,739)	1,739
Unexpected changes			
Plan experience	-	-	-
Assumption changes	-	-	-
Net changes during the year	356,544	329,171	27,373
Balance at June 30, 2021	\$ 5,338,016	\$ 3,882,753	\$ 1,455,263

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%)	\$ 2,127,725
Current Discount Rate (6.90%)	1,455,263
1% Increase (7.90%)	893,456

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	\$ 817,329
Current Trend	1,455,263
1% Increase	2,232,448

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

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 (EARS�) 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, 2021, the Authority recognized OPEB expense of \$87,468. As of June 30, 2021, the Authority reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Contributions made subsequent to the measurement date	\$ 395,530	\$ -
Changes of assumptions	73,221	76,379
Difference between expected and actual experience	-	615,956
Net differences between projected and actual earnings on plan investments	98,781	-
Total	<u>\$ 567,532</u>	<u>\$ 692,335</u>

Capitol Area Development Authority

Notes to Financial Statements June 30, 2021 and 2020

The \$395,530 reported as deferred outflows of resources related to contributions made subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the Authority's fiscal year ending June 30, 2022. 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>
2022	\$ (237,816)
2023	(164,558)
2024	(97,005)
2025	(20,954)
	<u>\$ (520,333)</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 2021, 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 January 4, 2022, 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.

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, 2021 Last 10 Years*

	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the collective net pension liability	0.11081%	0.11055%	0.11038%	0.11312%	0.11367%	0.10455%	0.04431%
Authority's proportionate share of the collective net pension liability	\$ 5,126,883	\$ 4,730,335	\$ 4,331,810	\$ 4,433,887	\$ 3,804,599	\$ 2,868,163	\$ 2,757,022
Authority's covered payroll	\$ 2,469,638	\$ 2,281,221	\$ 2,234,432	\$ 2,090,603	\$ 2,021,924	\$ 1,987,171	\$ 1,959,177
Authority's proportionate share of the collective net pension liability as a percentage of its covered payroll	208%	207%	194%	212%	188%	144%	141%
Plan's fiduciary net position as a percentage of the Plan's total pension liability	77.70624%	76.20700%	76.76623%	75.52761%	76.75248%	81.31677%	81.31677%
Authority's proportionate share of the Plan's aggregate employer contributions	\$ 616,274	\$ 556,243	\$ 462,994	\$ 433,748	\$ 356,976	\$ 283,507	\$ 238,682

Notes to Schedule

Changes of benefit terms. In 2018, 2019, 2020 and 2021, there were no changes to the benefit terms.

Changes in assumptions. In 2021 and 2020 there were no changes in assumptions. In 2019, demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2018, the discount rate was reduced from 7.65% to 7.15%.

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

Capitol Area Development Authority
Cost-Sharing Defined Benefit Pension Plan
Schedule of the Authority's Contributions

As of June 30, 2021 Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 616,274	\$ 556,243	\$ 462,994	\$ 433,748	\$ 356,976	\$ 283,507	\$ 238,682
Contributions in relation to the contractually required contribution	<u>(616,274)</u>	<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>	<u>\$ -</u>
Authority's covered payroll	\$ 2,469,638	\$ 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	24.95%	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%
Investment Rate of Return	7.15% ⁽²⁾
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 15 years 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 seven years are shown.

Capitol Area Development Authority

Schedule of Changes in Net OPEB Liability and Related Ratios

As of June 30, 2021 Last 10 Years*

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 224,159	\$ 197,834	\$ 191,607	\$ 188,788
Interest on total OPEB liability	351,625	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	(219,240)	(211,494)	(189,969)	(190,888)
Net change in total OPEB liability	356,544	(326,276)	355,088	(295,325)
Total OPEB liability - beginning	4,981,472	5,307,748	4,952,660	5,247,985
Total OPEB liability - ending (a)	\$ 5,338,016	\$ 4,981,472	\$ 5,307,748	\$ 4,952,660
Plan fiduciary net position				
Contributions from employer	\$ 425,066	\$ 406,132	\$ 396,403	\$ 649,631
Net investment income	125,084	196,181	218,384	163,421
Benefit payments	(219,240)	(211,494)	(189,969)	(190,888)
Administrative expenses	(1,739)	(678)	(5,092)	(1,217)
Investment expenses	-	-	-	72,294
Net change in plan fiduciary net position	329,171	390,141	419,726	693,241
Plan fiduciary net position - beginning	3,553,582	3,163,441	2,743,715	2,050,474
Plan fiduciary net position - ending (b)	\$ 3,882,753	\$ 3,553,582	\$ 3,163,441	\$ 2,743,715
Net OPEB liability - ending (a) - (b)	\$ 1,455,263	\$ 1,427,890	\$ 2,144,307	\$ 2,208,945
Plan fiduciary net position as a percentage of total OPEB liability	72.74%	71.34%	59.60%	55.40%
Covered-employee payroll	\$ 2,469,638	2,281,221	\$ 2,146,924	\$ 1,975,245
Net OPEB liability as a percentage of covered employee payroll	58.93%	62.59%	108.56%	111.83%

Notes to Schedule

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

Changes in assumptions. In 2021, there were no 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. The discount rate was decreased from 7% to 6.90%; the salary increases percentage changed from 3.25% to 3% and the inflation percentage changed from 2.75% to 2.5%.

Capitol Area Development Authority

Schedule of OPEB Plan Contributions

As of June 30, 2021 Last 10 Years*

	2021	2020	2019	2018
Actuarially Determined Contributions (ADC)	\$ 356,557	\$ 372,138	\$ 361,651	\$ 352,468
Contributions in relation to the ADC	(395,530)	(425,066)	(406,132)	(352,468)
Contributions deficiency (excess)	<u>\$ (38,973)</u>	<u>\$ (52,928)</u>	<u>\$ (44,481)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,469,638	\$ 2,281,221	\$ 2,146,924	\$ 1,975,245
Contributions as a percentage of covered employee payroll	16.02%	18.63%	18.92%	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 2021 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	2.50%
Salary Increases	3.00% 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	6.9% net of plan investment fees and including inflation
Healthcare cost trend rates	6.5% in 2021, then decreasing to 4% by 2076
Retirement age	Tier 1 employees - 2.5% @55 and Tier 2 employees - 2.0% @62. The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	Projected with Macleod Watts Scale 2020 applied generationally from 2015.

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

Changes in assumptions. In 2021, there were no 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. The discount rate was decreased from 7% to 6.90%; the salary increases percentage changed from 3.25% to 3% and the inflation percentage changed from 2.75% to 2.5%.

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
Capitol Area Development Authority

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 Capitol Area Development Authority ("Authority") as of and for the year ended June 30, 2021 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 January 4, 2022.

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



Sacramento, California
January 4, 2022



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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, 2021 and 2020

**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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020 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 25 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 20 and 21 and the Sponsor's project rating information at pages 22 to 25, 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 20 and 21 and the Sponsor's project rating information at pages 22 to 25 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 14, 2021, 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 14, 2021

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

**Statements of Net Position
June 30, 2021 and 2020**

	<u>Assets</u>	
	2021	2020
Current assets		
Residential accounts receivable, net	25,290	22,983
Due from HCD - annuity receivable	-	7,925
Restricted cash - tenant security deposits	7,205	9,258
Total current assets	32,495	40,166
Noncurrent assets		
Restricted cash and cash equivalents - replacement reserve	192,984	149,604
Restricted cash and cash equivalents - operating reserve	55,276	55,248
Capital assets		
Construction in progress	-	68,802
Building and Improvements	1,829,309	1,740,923
Less accumulated depreciation	(1,582,198)	(1,550,463)
Total capital assets	247,111	259,262
Total noncurrent assets	495,371	464,114
Total assets	\$ 527,866	\$ 504,280
	<u>Liabilities</u>	
Current liabilities		
Accounts payable	\$ 16,808	\$ 7,867
HCD monitoring fees payable	41,722	31,595
Due to CADA	127,663	17,287
Unearned revenue - prepaid rent	2,753	1,123
Due to HCD - annuity payable	3,374	-
Tenant security deposits	7,205	9,258
Total current liabilities	199,525	67,130
Noncurrent liabilities		
Accrued interest	173,596	137,679
Note payable long term	1,197,213	1,197,213
Total noncurrent liabilities	1,370,809	1,334,892
Total liabilities	\$ 1,570,334	\$ 1,402,022
	<u>Net Position</u>	
Net investment in capital assets	\$ (950,102)	\$ (937,951)
Restricted for operating and replacement reserves	248,260	204,852
Unrestricted	(340,626)	(164,643)
Total net position	\$ (1,042,468)	\$ (897,742)

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenue		
Rental revenue, net	\$ 161,599	\$ 204,214
Coin-operated laundry	-	2,183
Miscellaneous	<u>3,347</u>	<u>2,554</u>
Total operating revenue	<u>164,946</u>	<u>208,951</u>
Operating expenses		
Payroll		
Salaries and benefits	<u>75,392</u>	<u>59,206</u>
Administrative		
Legal and accounting services	5,940	4,880
Management fee	19,680	19,095
Media	<u>870</u>	<u>792</u>
Total administrative	<u>26,490</u>	<u>24,767</u>
Utilities	<u>38,119</u>	<u>50,125</u>
Operating and maintenance		
Services and supplies	8,916	880
Courtesy patrol	4,080	1,944
Maintenance contract	85,889	27,226
Decorating and painting	<u>1,060</u>	<u>1,155</u>
Total operating and maintenance	<u>99,945</u>	<u>31,205</u>
Insurance and taxes		
Insurance	9,198	7,454
Property taxes	<u>1,863</u>	<u>1,750</u>
Total insurance and taxes	<u>11,061</u>	<u>9,204</u>
Depreciation	<u>31,735</u>	<u>29,930</u>
Total operating expenses	<u>282,742</u>	<u>204,437</u>
Operating income (loss)	<u>(117,796)</u>	<u>4,514</u>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Nonoperating revenue (expenses)		
CADA annuity expense	-	(45,760)
HCD annuity revenue (expense)	18,986	(13,782)
Interest income	128	2,929
HCD monitoring fee	(10,127)	(10,127)
Interest expense	<u>(35,917)</u>	<u>(35,916)</u>
Total nonoperating revenue (expenses), net	<u>(26,930)</u>	<u>(102,656)</u>
Change in net position	(144,726)	(98,142)
Net position, beginning	<u>(897,742)</u>	<u>(799,600)</u>
Net position, end	<u><u>\$ (1,042,468)</u></u>	<u><u>\$ (897,742)</u></u>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Rental receipts	\$ 160,922	\$ 206,611
HCD annuity	30,285	(5,535)
Other receipts	3,347	4,737
Tenant security deposits received (paid)	(2,053)	(1,055)
Payroll and related costs	(75,392)	(59,206)
Administrative	(26,491)	(24,767)
Utilities	(38,119)	(50,125)
Operating and maintenance	(91,004)	(29,770)
Insurance and taxes	(11,061)	(9,204)
	<u>(49,566)</u>	<u>31,686</u>
Cash flows from noncapital financing activities		
CADA annuity and advances received (paid)	<u>110,376</u>	<u>(28,473)</u>
	<u>110,376</u>	<u>(28,473)</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	<u>(19,583)</u>	<u>(50,682)</u>
	<u>(19,583)</u>	<u>(50,682)</u>
Cash flows from investing activities		
Interest income received	<u>128</u>	<u>2,929</u>
	<u>128</u>	<u>2,929</u>
Net increase (decrease) in cash and cash equivalents	41,355	(44,540)
Cash and cash equivalents, beginning	<u>214,110</u>	<u>258,650</u>
Cash and cash equivalents, end	<u><u>\$ 255,465</u></u>	<u><u>\$ 214,110</u></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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Reconciliation to the statements of net position		
Restricted cash and cash equivalents		
Tenant security deposits	7,205	9,258
Replacement reserve	192,984	149,604
Operating reserve	<u>55,276</u>	<u>55,248</u>
Total cash and cash equivalents	<u>\$ 255,465</u>	<u>\$ 214,110</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (117,796)	\$ 4,514
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	31,735	29,930
Changes in assets and liabilities		
Residential accounts receivable	(2,307)	3,754
Accounts payable	8,941	1,435
Unearned revenue - prepaid rent	1,629	(1,357)
Due to HCD	30,285	(5,535)
Tenant security deposits	<u>(2,053)</u>	<u>(1,055)</u>
Net cash provided by (used in) operating activities	<u>\$ (49,566)</u>	<u>\$ 31,686</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, 2021 and 2020**

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 3.14 years and 2.13 years at June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, 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, 2021 and 2020**

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, 2021 and 2020, the allowance for doubtful accounts was \$19,417 and \$19,625, 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, 2021, 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, 2021 and 2020 amounted to \$7,205 and \$9,258, respectively.

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

**Notes to Financial Statements
June 30, 2021 and 2020**

Note 3 - Capital assets

Information on additions and disposals of capital assets as of June 30, 2021 and 2020 are as follows:

	June 30, 2020	Increases	Decreases	June 30, 2021
Capital assets not being depreciated				
Construction in progress	\$ 68,802	\$ 19,584	\$ (88,386)	\$ -
Capital assets being depreciated				
Buildings and improvements	1,740,923	-	88,386	1,829,309
Less accumulated depreciation for Buildings and improvements	<u>(1,550,463)</u>	<u>(31,735)</u>	<u>-</u>	<u>(1,582,198)</u>
Capital assets being depreciated, net	<u>\$ 259,262</u>	<u>\$ (12,151)</u>	<u>\$ -</u>	<u>\$ 247,111</u>
	June 30, 2019	Increases	Decreases	June 30, 2020
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>\$ 220,390</u>	<u>\$ (27,506)</u>	<u>\$ -</u>	<u>\$ 259,262</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:

	2021	2020
Beginning balance	\$ 149,604	\$ 150,655
Interest earned	81	250
Required deposits	43,299	43,299
Withdrawals	<u>-</u>	<u>(44,600)</u>
Ending balance	<u>\$ 192,984</u>	<u>\$ 149,604</u>

Note 5 - Operating reserve

The regulatory agreement executed with HCD required the project to establish an operating reserve to be funded in the initial amount of \$54,905. The operating reserve account is reported in these financial statements as restricted cash and cash equivalents. The operating reserve activity is as follows for the years ended June 30:

	2021	2020
Beginning balance	\$ 55,248	\$ 55,149
Interest earned	28	99
Ending balance	<u>\$ 55,276</u>	<u>\$ 55,248</u>

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

**Notes to Financial Statements
June 30, 2021 and 2020**

Note 6 - 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 is to provide the funds necessary to pay off the loan at maturity. For the years ended June 30, 2021 and 2020, interest expense was \$35,917 and \$35,916, respectively. Outstanding principal and accrued interest are \$1,197,213 and \$173,596 at June 30, 2021, and \$1,197,213 and \$137,679 at June 30, 2020, respectively.

Note 7 - 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, 2021 and 2020, the Project had a net annuity income (expense) of \$18,986 and \$(13,782), respectively. Net unexpended program payments are reported as due to (from) HCD on the Project's statements of net position. As of June 30, 2021 and 2020, the Authority has HCD project annuities (payable) receivable of \$(3,374) and \$7,925, respectively. The activity in the due to (from) HCD account for the fiscal years ended June 30, are as follows:

	2021	2020
Due from HCD, beginning	\$ (7,925)	\$ (16,172)
Excess program payments for the year	(18,986)	(12,326)
Excess program payment received	14,158	1,027
Excess program payment cash flow	-	3,374
HCD corrections and adjustments	16,127	16,172
	<u>\$ 3,374</u>	<u>\$ (7,925)</u>
Due to (from) HCD, end	<u>\$ 3,374</u>	<u>\$ (7,925)</u>

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, 2021 and 2020, the Project incurred annual monitoring fees of \$10,127 and \$10,127, which are included in the statements of revenue, expenses and changes in net position. As of June 30, 2021 and 2020, the Project owes HCD monitoring fees payable of \$41,722 and \$31,595, 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, 2021 and 2020**

Note 8 - 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, 2021, the Authority made no such contributions. During the year ended June 30, 2020, \$45,760 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, 2021 and 2020, \$131,769 and \$17,287 respectively, 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 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 10 - Contingency

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. As of June 30, 2021, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project.

Note 11 - 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 14, 2021 (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 is required in the notes to the financial statements.

**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
Years Ended June 30, 2021 and 2020**

Cash and Cash Equivalents

Cash and cash equivalents	
Unrestricted account	
Operating account	\$ -
Restricted accounts	
Operating reserve	55,276
Tenant security deposits	7,205
Reserve for replacements	192,984
	<hr/>
Total restricted accounts	255,465
	<hr/>
Total cash and cash equivalents	\$ 255,465
	<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
	<hr/>	<hr/>
Balance, June 30, 2020	\$ 149,604	\$ 55,248
Deposits	43,299	-
Interest income	81	28
Approved withdrawals	-	-
	<hr/>	<hr/>
Balance, June 30, 2021	\$ 192,984	\$ 55,276
	<hr/> <hr/>	<hr/> <hr/>

Capital assets

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

Capital assets balance, June 30, 2020	\$ 1,809,725
Additions	19,584
	<hr/>
Capital assets balance, June 30, 2021	\$ 1,829,309
	<hr/> <hr/>

Accounts payable

Accounts payable in the amount of \$16,377 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, 2021 and 2020**

Schedules of operating revenues and expenses

<u>Account No.</u>		<u>2021</u>	<u>2020</u>
	Operating revenue		
5120	Rent revenue	\$ 161,599	\$ 204,214
5121	Tenant assistance payments	-	-
	Rental revenue	<u>161,599</u>	<u>204,214</u>
	Other revenue		
5910	Coin-operated laundry	-	2,183
5190	Miscellaneous	<u>3,347</u>	<u>2,554</u>
	Total other revenue	<u>3,347</u>	<u>4,737</u>
	Total operating revenue	<u>164,946</u>	<u>208,951</u>
	Operating expenses		
	Payroll		
6330	Manager salaries	30,336	21,730
6331	Manager rent fee unit	10,272	9,228
6510	Janitor payroll	<u>18,598</u>	<u>17,611</u>
	Total payroll	<u>75,392</u>	<u>59,206</u>
6350	Accounting services	5,940	4,880
6320	Management fee	19,680	19,095
6210	Media	<u>870</u>	<u>792</u>
	Total administrative	<u>26,490</u>	<u>24,767</u>
	Utilities		
6450	Electricity	4,394	3,259
6452	Gas	480	722
6453	Water/Sewer	29,722	43,201
6525	Garbage	<u>3,523</u>	<u>2,943</u>
	Total utilities	<u>38,119</u>	<u>50,125</u>

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

**Supplementary Information
Years Ended June 30, 2021 and 2020**

		2021	2020
	Operating and maintenance		
6515	Services and supplies	8,916	880
6530	Courtesy patrol	4,080	1,944
6517	Janitor and cleaning contracts	18,803	4,840
6537	Grounds contract	31,060	8,040
6541	Repairs material	-	575
6560	Decorating and painting	1,060	1,155
6590	Misc. Ops. And Maint. Expense (if over \$2,500, detail is required)	36,026	13,771
	Total operating and maintenance	99,945	31,205
	Insurance and taxes		
6729	Insurance	9,198	7,454
6710	Property taxes	1,863	1,750
	Total insurance and taxes	11,061	9,204
	Depreciation	31,735	29,930
	Total operating expenses	282,742	204,437
	Operating income (loss)	(117,796)	4,514
	Non-operating revenue (expense)		
5970	CADA annuity	-	(45,760)
5990	HCD annuity	18,986	(13,782)
5410	Interest income	128	2,929
5415	HCD monitoring fee	(10,127)	(10,127)
5420	Interest expense	(35,917)	(35,916)
	Change in net position	\$ (144,726)	\$ (98,142)

Detail of accounts - schedule of activities

	2021	2020
Miscellaneous (Accounts No. 5190)		
Miscellaneous income - other tenant fees	\$ 3,347	\$ 2,554
	\$ 3,347	\$ 2,554
Misc. Ops. And Maint. Expense (Accounts No. 6590)		
Flooring	\$ 27,984	\$ 3,566
Countertops/cabinets	8,042	2,079
Furniture and appliances	-	4,504
Building supplies	-	3,185
Repairs	-	437
	\$ 36,026	\$ 13,771

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

**Supplementary Information
Year Ended June 30, 2021**

Gross potential rents

Qualified tenant rental income	\$ 412,679
Other tenant rental income	<u>-</u>
Total gross potential rents	412,679
Less	
Vacancy loss	(150,655)
Loss to lease	(13,548)
Low income subsidy	<u>(86,877)</u>
Rental revenues, net	<u><u>\$ 161,599</u></u>

Management fee

A property management fee of \$19,680 was incurred during the fiscal year ended June 30, 2021 for the property management services provided by the Authority.

Reconciliation to RHCP Forms 180

	<u>2021</u>	<u>2020</u>
Reconciliation to Form 180		
Total operating revenues	\$ 164,946	\$ 208,951
Interest income	128	2,929
Less interest income for equipment reserve	-	-
Less difference for allocation calculation	<u>(1)</u>	<u>-</u>
Effective gross rent from form 180	<u><u>\$ 165,073</u></u>	<u><u>\$ 211,880</u></u>
Total expenses	\$ 282,742	\$ 204,437
Less depreciation	(31,735)	(29,930)
Less replacement reserve deposit	(42,737)	-
Less major construction expense	-	-
Less difference for allocation calculation	<u>-</u>	<u>(1)</u>
Total operating cost from form 180	<u><u>\$ 208,270</u></u>	<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, 2021.

Insurance

Insurance premiums are current as of June 30, 2021. 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, 2021**

Operating cash flow/surplus cash computation

The operating cash flow/surplus cash generated by the Project during the year ended June 30, 2021 is as follows:

Operation income	
Total income	\$ 165,074
Interest earned on restricted reserve accounts	<u>(81)</u>
Adjusted operating income	<u>164,993</u>
Operating expenses less depreciation	<u>(251,007)</u>
Adjusted net income	<u>(86,014)</u>
Other activity	
Debt service	-
Purchases of capital assets	(19,584)
Withdrawals from replacement reserve account	-
Deposits into replacement reserve account	<u>(43,299)</u>
Total other activity	<u>(62,883)</u>
Operating cash flow/surplus cash (deficit)	<u><u>\$ (148,897)</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: 7/1/20 to 6/30/21

Project Name: Somerset Parkside

Prepared by:

Date Prepared:

Rev 9/28/16

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	6,812	6,812	12,868	12,868	0	0
ADMINISTRATIVE EXPENSES: 6200/6300							
2 Advertising	6210	301	304	569	566	0	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0
4 Other Renting Expenses	6250	35	105	65	195	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	7,979	7,833	15,071	14,547	0	0
9 Manager's or Superintendent's Rent Free Unit	6331	3,556	3,556	6,716	6,716	0	0
10 Legal Expense - Project	6340	346	556	654	1,034	0	0
11 Audit Expense - Project	6350	1,454	1,522	2,746	2,828	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	13,670	13,876	25,822	25,886	0	0
UTILITIES EXPENSES: 6400							
17 Fuel Oil/Coal	6420	0	0	0	0	0	0
18 Electricity	6450	1,385	1,538	2,615	2,856	0	0
19 Water	6451	12,946	10,403	24,454	19,319	0	0
20 Gas	6452	519	169	981	313	0	0
21 Sewer	6453	0	0	0	0	0	0
22 TOTAL UTILITIES EXPENSES	6400T	14,850	12,110	28,050	22,488	0	0
OPERATING AND MAINTENANCE EXPENSES: 6500							
23 Janitor and Cleaning Payroll	6510	3,808	0	7,192	0	0	0
24 Janitor and Cleaning Supplies	6515	1,904	2,764	3,596	5,134	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	11,032	27,869	20,839	51,757	0	0
28 Garbage and Trash Removal	6525	1,212	1,233	2,288	2,290	0	0
29 Security Payroll/Contract	6530	1,412	1,428	2,668	2,652	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	0	0	0	0	0	0
34 Repairs Material	6541	0	0	0	0	0	0
35 Repairs Contract	6542	0	0	0	0	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	2,077	2,815	3,923	5,227	0	0
44 TOTAL OPERATING & MAINTENANCE EXPENSES	6500T	21,445	36,109	40,506	67,060	0	0
TAXES AND INSURANCE: 6700							
45 Real Estate Taxes	6710	616	652	1,164	1,211	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	3,462	3,219	6,538	5,979	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	4,078	3,871	7,702	7,190	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		60,855	72,778	114,948	135,492	0	0
Line #	For each account below, itemize the expenses (total will flow to account above)						Amount
62	Account 6390 Miscellaneous Administrative Expenses						
63							
64							
65							
66	Total Account 6390 Miscellaneous Administrative Expenses						\$0
67	Account 6590 Miscellaneous Operations & Maintenance Expenses						
68	Countertops						
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: 7/1/20 to 6/30/21

Units/Sq. Ft. - Assisted: 9
 Units/Sq. Ft. - Total: 26

Rev 9/28/16

Unit Months: 312

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	54,768	99,751	181,284	53,712	0	0	236,052	153,463	(82,589)
2 Tenant Assistance Payments	5121	9,072	8,136	0	0	0	0	9,072	8,136	(936)
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	1,171	0	2,175	0	0	0	3,346	3,346
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	63,840	109,058	181,284	55,887	0	0	245,124	164,945	(80,179)
VACANCIES: 5200										
Vacancy Percentage:		0	0	0	0	0	0			
11 Apartments -	5220					0	0			
12 Stores and Commercial	5240					0	0			
13 Rental Concessions	5250					0	0			
14 Garage and Parking Spaces	5270					0	0			
15 Miscellaneous	5290					0	0			
Total Vacancies (HCD Use Only)	5200T	1,643	0	9,064	0	0	0	10,707	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	485	45	915	83	0	0	1,400	128	(1,272)
Total Financial Revenue	5400T	485	45	915	83	0	0	1,400	128	(1,272)
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	831	0	1,569	0	0	0	2,400	0	(2,400)
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	831	0	1,569	0	0	0	2,400	0	(2,400)
27 EFFECTIVE GROSS RENT (EGR)	5152T	63,513	109,103	174,704	55,970	0	0	238,217	165,073	(73,144)
28 TOTAL OPERATING EXPENSES	6000T	62,681	72,778	118,397	135,492	0	0	181,077	208,270	(27,193)
29 NET OPERATING INCOME (NOI)	5000T	832	36,325	56,307	(79,522)	0	0	57,140	(43,197)	(100,337)
FINANCIAL EXPENSES: 6800										
30 Non-Contingent Debt Service (specify lender)	6895									
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	14,990	14,990	28,309	28,309	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)										
#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		14,990	14,990	28,309	28,309	0	0	43,299	43,299	0
38 PROJECT CASH FLOW (CF)		(14,158)	21,335	17,871	(107,831)	0	0	3,714	(86,496)	(90,210)
ADDITIONAL REVENUE:										
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		14,158	18,986	0	0	0	0	14,158	18,986	4,828
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		14,158	18,986	0	0	0	0	14,158	18,986	4,828
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. RCD Contract #:	90-RHC-007
		2. RCD Contract #:	15-LPR-005
		3. RCD Contract #:	
Prepared By:	Noelle Mussen	Date Prepared:	11.15.2021
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:			
No major repair projects are budgeted			
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	

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:	4/1/21	<input type="radio"/> Zero <input checked="" type="radio"/> Twice <input type="radio"/> Once <input 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.	31	<input checked="" type="radio"/> Yes <input type="radio"/> No
4. Are all property taxes current?		<input 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?		35.00%
8. Describe any problems in filling vacancies and steps taken to address them:		
Vacancies were not filled due to the high number of move outs, the limited availability of the maintenance staff to perform vacancy prep and extensive unit upgrades, in addition to the negative impact of the continued office closure for the entire FY and Limited availability of the Affordable Agent from February - June 2021 . Two modified positions have been created within the Leasing Department and new		
9. How many units turned over during the Reporting Period?		7
10. During the Reporting Period, what was the average turnover time in days (move out to move in)?		202
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:		
Current delinquencies due to Covid-19 are given payment plan options and we are working with them. Those that have not complied with the SERA requirements are being served proper notices, and will be followed up on as soon as we legally can.		
13. Describe any additional management problems and steps taken to alleviate the problems:		
We are filling 2 Leasing Department positions and increasing the staff time in the office in order to resume filling vacancies.		
14. Have there been changes or do you anticipate changes in Project ownership, General Partners or property management?		<input type="radio"/> Yes <input checked="" type="radio"/> No
If "Yes" , please explain and identify new or anticipated entities below:		
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.		

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	26		
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 checked="" type="radio"/> Yes <input type="radio"/> No	
<input checked="" 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 checked="" 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:		5/11/21		
0 Bedroom Amt.	N/A	3 Bedroom Amt.	\$105	
1 Bedroom Amt.	N/A	4 Bedroom Amt.	N/A	
2 Bedroom Amt.	\$86	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?			<input checked="" type="radio"/> Yes <input type="radio"/> No, explain why not below	
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.				
Income Eligibility:				
1. Does the owner/agent use the most current State HOME published income limits?			<input checked="" type="radio"/> Yes <input type="radio"/> No - HUD <input type="radio"/> No, explain what other limits are used below	
Low Income = 80% Limit; Very Low Income = 50% Limit				
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?			<input checked="" type="radio"/> Yes <input type="radio"/> No, describe method used below	
24 CFR Part 5 published 1996 (formerly known as the Section 8 Program definition)				

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 checked="" 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:	tharville@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 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:	1985	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:

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

**Certification of Executive Director
Years Ended June 30, 2021 and 2020**

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, 2021 and 2020, and to the best of our knowledge and belief, these financial statements and supplementary information are complete and accurate.



Signature

Executive Director

Title

12/14/2021

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, 2021, 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 14, 2021, 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 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 from 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 14, 2021



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

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

June 30, 2021 and 2020

Biele Place Apartments
(Contract Number 17-LPR-0029)
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) (the "Project"), a project of the Capitol Area Development Authority ("Authority"), which comprise the statements of net position as of June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Project as a whole. The accompanying supplementary information on pages 15 to 23 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 20 to 23, 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 20 to 23 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 14, 2021, 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 14, 2021

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

Statements of Net Position
June 30, 2021 and 2020

<u>Assets</u>		
	<u>2021</u>	<u>2020</u>
Current assets		
Residential accounts receivable	\$ 7,775	\$ 6,254
Restricted cash and cash equivalents - tenant security deposits	<u>11,070</u>	<u>12,320</u>
Total current assets	<u>18,845</u>	<u>18,574</u>
Noncurrent assets		
Restricted cash and cash equivalents - replacement reserve	224,078	172,991
Restricted cash and cash equivalents - operating reserve	<u>51,300</u>	<u>51,277</u>
	275,378	224,268
Capital assets		
Building and Improvements	1,456,872	1,456,872
Less accumulated depreciation	<u>(1,274,665)</u>	<u>(1,259,078)</u>
Total capital assets	<u>182,207</u>	<u>197,794</u>
Total noncurrent assets	<u>457,585</u>	<u>422,062</u>
Total assets	<u><u>\$ 476,430</u></u>	<u><u>\$ 440,636</u></u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 1,934	\$ 1,057
Unearned revenue - prepaid rent	767	529
HCD monitoring fees payable	19,314	8,402
Due to CADA	59,585	29,179
Tenant security deposits	<u>11,070</u>	<u>12,320</u>
Total current liabilities	<u>92,670</u>	<u>51,487</u>
Non current liabilities		
Mortgage note payable	1,025,653	1,025,653
Accrued interest - mortgage note payable	<u>53,847</u>	<u>23,077</u>
Total non current liabilities	<u>1,079,500</u>	<u>1,048,730</u>
Total liabilities	<u><u>\$ 1,172,170</u></u>	<u><u>\$ 1,100,217</u></u>
<u>Net Position</u>		
Net investment in capital assets	\$ (843,446)	\$ (827,859)
Restricted for replacement and operating reserves	275,378	224,268
Unrestricted	<u>(127,672)</u>	<u>(55,990)</u>
Total net position	<u><u>\$ (695,740)</u></u>	<u><u>\$ (659,581)</u></u>

See Notes to Financial Statements.

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

Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020

	2021	2020
Operating revenue		
Rental revenue, net	\$ 169,955	\$ 174,967
Coin-operated laundry	2,178	2,032
Miscellaneous	1,855	973
	<u>173,988</u>	<u>177,972</u>
Total operating revenue		
Operating expenses		
Payroll		
Salaries and benefits	54,571	53,967
	<u>54,571</u>	<u>53,967</u>
Administrative		
Legal and accounting services	5,300	4,500
Management fee	24,980	24,251
Media	940	1,168
	<u>31,220</u>	<u>29,919</u>
Total administrative		
Utilities	26,057	28,154
	<u>26,057</u>	<u>28,154</u>
Operating and maintenance		
Supplies	6,490	1,707
Service contracts	21,292	31,204
Courtesy patrol	3,050	2,904
Decorating and painting	-	4,060
	<u>30,832</u>	<u>39,875</u>
Total operating and maintenance		
Insurance and taxes		
Insurance	9,409	7,626
Property taxes	1,102	1,037
	<u>10,511</u>	<u>8,663</u>
Total insurance and taxes		
Depreciation	15,587	16,882
	<u>15,587</u>	<u>16,882</u>
Total operating expenses	168,778	177,460
	<u>168,778</u>	<u>177,460</u>
Operating income	5,210	512
	<u>5,210</u>	<u>512</u>

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

Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Nonoperating revenue (expenses)		
CADA Annuity	-	(126,429)
Interest expense	(30,770)	(23,077)
Funding obligation	-	(1,025,653)
HCD monitoring fee	(10,912)	(8,402)
Interest income	<u>313</u>	<u>5,866</u>
Total nonoperating revenue, net	<u>(41,369)</u>	<u>(1,177,695)</u>
Change in net position	(36,159)	(1,177,183)
Net position, beginning	<u>(659,581)</u>	<u>517,602</u>
Net position, end	<u><u>\$ (695,740)</u></u>	<u><u>\$ (659,581)</u></u>

See Notes to Financial Statements.

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

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Rental receipts	\$ 168,672	\$ 175,749
Other receipts	4,033	3,005
Tenant security deposits received (paid)	(1,250)	97
Payroll and related costs	(54,571)	(53,967)
Administrative	(31,220)	(29,919)
Utilities	(26,057)	(28,154)
Operating and maintenance	(29,955)	(42,411)
Insurance and taxes	(10,511)	(8,663)
	<u>19,141</u>	<u>15,737</u>
Net cash provided by operating activities		
Cash flows from noncapital financing activities		
Contributions and advances received from (paid to) from CADA	<u>30,406</u>	<u>(110,407)</u>
Net cash provided by (used in) noncapital financing activities	<u>30,406</u>	<u>(110,407)</u>
Cash flows from investing activities		
Interest receipts	<u>313</u>	<u>5,866</u>
Net cash provided by investing activities	<u>313</u>	<u>5,866</u>
Net increase (decrease) in cash and cash equivalents	49,860	(88,804)
Cash and cash equivalents, beginning	<u>236,588</u>	<u>325,392</u>
Cash and cash equivalents, end	<u>\$ 286,448</u>	<u>\$ 236,588</u>

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

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation to the statements of net position		
Cash and cash equivalents	\$ -	\$ -
Restricted cash and cash equivalents		
Tenant security deposits	11,070	12,320
Replacement reserve	224,078	172,991
Operating reserve	<u>51,300</u>	<u>51,277</u>
Total cash and cash equivalents	<u>\$ 286,448</u>	<u>\$ 236,588</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 5,210	\$ 512
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	15,587	16,882
Changes in assets and liabilities		
Residential accounts receivable	(1,521)	880
Accounts payable	877	(2,536)
Unearned revenue - prepaid rent	238	(98)
Tenant security deposits	<u>(1,250)</u>	<u>97</u>
Net cash provided by operating activities	<u>\$ 19,141</u>	<u>\$ 15,737</u>
Significant noncash capital and related financing activities		
Increase in mortgage note payable	<u>\$ -</u>	<u>\$ 1,025,653</u>

See Notes to Financial Statements.

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

**Notes to Financial Statements
June 30, 2021 and 2020**

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 3.14 years and 2.13 years as of June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, 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

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**Notes to Financial Statements
June 30, 2021 and 2020**

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, 2021 and 2020, 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, 2021, 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, 2021 and 2020 amounted to \$11,070 and \$12,320, respectively.

Biele Place Apartments
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Notes to Financial Statements
June 30, 2021 and 2020

Note 3 - Capital assets

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

	<u>June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</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	(1,259,078)	(15,587)	-	(1,274,665)
Capital assets being depreciated, net	197,794	(15,587)	-	182,207
Capital assets, net	<u>\$ 197,794</u>	<u>\$ (15,587)</u>	<u>\$ -</u>	<u>\$ 182,207</u>

	<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	214,676	(16,882)	-	197,794
Capital assets, net	<u>\$ 214,676</u>	<u>\$ (16,882)</u>	<u>\$ -</u>	<u>\$ 197,794</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>2021</u>	<u>2020</u>
Beginning balance	\$ 172,991	\$ 172,223
Interest earned	75	75
Required deposits	51,012	693
Authorized expenses	-	-
Ending balance	<u>\$ 224,078</u>	<u>\$ 172,991</u>

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Notes to Financial Statements
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Note 5 - Operating reserve

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:

	2021	2020
Beginning balance	\$ 51,277	\$ -
Initial deposits	-	51,210
Interest earned	23	67
Authorized expenses	-	-
Ending balance	<u>\$ 51,300</u>	<u>\$ 51,277</u>

Note 6 - Note payable

On 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. For the years ended June 30, 2021 and 2020, interest expense was \$30,770 and \$23,077, respectively. Outstanding principle and accrued interest are \$1,025,653 and \$53,847 at June 30, 2021, and \$1,025,653 and \$23,077 at June 30, 2020, respectively.

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 years ended June 30, 2021 and 2020, HCD monitoring fees expensed were \$10,912 and \$8,402 respectively, and as of June 30, 2021 and 2020, \$19,314 and \$8,402 are payable and are included in due to HCD on the statements of net position. The account activities are as follows at June 30:

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**Notes to Financial Statements
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	2021	2020
Due to HCD, beginning	\$ 8,402	\$ 13,157
Excess cash deposited to operating reserve	-	(13,157)
Current year monitoring fee	10,912	8,402
Payments to HCD	-	-
Due to HCD, end	<u>\$ 19,314</u>	<u>\$ 8,402</u>

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. 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, 2021 and 2020, \$59,585 and \$29,179, respectively, 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 - Contingency

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. As of June 30, 2021, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project.

Note 11 - 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 14, 2021 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Required by the California Department of Housing Community Development

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**Supplementary Information Required by HCD
Year Ended June 30, 2021**

Cash and cash equivalents

Cash and cash equivalents	
Unrestricted account	
Operating account	\$ -
Restricted accounts	
Insurance and tax impounds	-
Tenant security deposits	11,070
Reserve for replacements	224,078
Operating reserve	51,300
Total restricted accounts	286,448
Total cash and cash equivalents	\$ 286,448

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, 2020	\$ 172,991	\$ 51,277
Required Deposits	51,012	-
Interest income	75	23
Balance, June 30, 2021	\$ 224,078	\$ 51,300

**Biele Place Apartments
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**Supplementary Information Required by HCD
Year Ended June 30, 2021**

Capital Assets

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

Capital assets balance, June 30, 2020	\$ 1,456,872
Additions	<u>-</u>
Capital assets balance, June 30, 2021	<u><u>\$ 1,456,872</u></u>

Accounts Payable

Accounts payable in the amount of \$1,934 represents amounts due to suppliers. All accounts payable are current.

Gross Potential Rents

Qualified tenant rental income	\$ 374,720
Other tenant rental income	<u>-</u>
Total gross potential rents	374,720
Less	
Vacancy loss	(42,800)
Loss to lease	(9,120)
Low income subsidy	<u>(152,845)</u>
Rental revenues, net	<u><u>\$ 169,955</u></u>

Management Fee

A property management fee of \$24,980 was incurred during the fiscal year ended June 30, 2021 for the property management services provided by the Authority.

**Biele Place Apartments
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**Supplementary Information Required by HCD
Year Ended June 30, 2021**

Operating cash flow/Surplus cash computation

The operating cash flow/surplus cash generated by the Project during the year ended June 30, 2021 is as follows:

Operation income	
Total income	\$ 174,301
Interest earned on restricted reserve accounts	<u>(98)</u>
Adjusted operation income	<u>174,203</u>
Operating expenses less depreciation	<u>(153,191)</u>
Adjusted net income	<u>21,012</u>
Other activity	
Debt service	-
Deposits into replacement reserve account	(51,012)
Deposits into operating reserve account	<u>-</u>
Total other activity	<u>(51,012)</u>
Operating cash flow/surplus cash (deficit)	<u><u>\$ (30,000)</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, 2021.

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Supplementary Information Required by HCD
Years Ended June 30, 2021 and 2020

Schedules of Operating Revenues

<u>Account No.</u>		<u>2021</u>	<u>2020</u>
	Operating revenues		
5120	Rent revenue	\$ 169,955	\$ 174,967
5121	Tenant assistance payments	-	-
	Rental revenue	<u>169,955</u>	<u>174,967</u>
	Other revenues		
5910	Coin-operated laundry	2,178	2,032
5190	Miscellaneous	<u>1,855</u>	<u>973</u>
	Total operating revenues	<u>173,988</u>	<u>177,972</u>
	Operating expenses		
	Payroll		
6330	Manager salaries	33,938	33,562
6331	Manager rent fee unit	9,286	9,183
6510	Janitor payroll	<u>11,347</u>	<u>11,221</u>
	Total payroll	<u>54,571</u>	<u>53,967</u>
6340	Legal	-	-
6350	Accounting services	5,300	4,500
6320	Management fee	24,980	24,251
6210	Media	<u>940</u>	<u>1,168</u>
	Total administrative	<u>31,220</u>	<u>29,919</u>
	Utilities		
6450	Electricity	3,784	3,211
6452	Gas	4,079	3,503
6453	Water/Sewer	17,048	20,379
6525	Garbage	<u>1,146</u>	<u>1,061</u>
	Total utilities	<u>26,057</u>	<u>28,154</u>

**Biele Place Apartments
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**Supplementary Information Required by HCD
Years Ended June 30, 2021 and 2020**

Schedules of Operating Expenses

		2021	2020
	Operating and maintenance		
6515	Services and supplies	6,490	1,707
6530	Courtesy patrol	3,050	2,904
6517	Janitor and Cleaning Contracts	4,827	7,378
6537	Grounds Contract	-	-
6560	Decorating and painting	-	4,060
6545	Elevator Maintenance	-	-
6541	Repairs Material	16,465	23,826
6590	Misc. Ops. And Maint. Expense	-	-
6591	Major Construction Expense	-	-
	Total operating and maintenance	<u>30,832</u>	<u>39,875</u>
	Insurance and taxes		
6729	Insurance	9,409	7,626
6710	Property taxes	<u>1,102</u>	<u>1,037</u>
	Total insurance and taxes	<u>10,511</u>	<u>8,663</u>
	Depreciation	<u>15,587</u>	<u>16,882</u>
	Total operating expenses	<u>168,778</u>	<u>177,460</u>
	Operating income (loss)	<u>5,210</u>	<u>512</u>
	Non-operating revenues		
5400	CADA annuity	-	(126,429)
6820	Interest expense	(30,770)	(23,077)
6870	Funding obligation	-	(1,025,653)
6890	HCD monitoring fee	(10,912)	(8,402)
5410	Interest income	<u>313</u>	<u>5,866</u>
	Change in net position	<u>(36,159)</u>	<u>(1,177,183)</u>
	Net position, beginning	<u>(659,581)</u>	<u>517,602</u>
	Net position, end	<u>\$ (695,740)</u>	<u>\$ (659,581)</u>

Insurance

Insurance premiums are current as of June 30, 2021. The annual renewal policy was paid before the due date.

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Supplementary Information Required by HCD
Years Ended June 30, 2021 and 2020

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:	11.15.2021
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?			
N/A			
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 21-22			
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
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Supplementary Information Required by HCD
Years Ended June 30, 2021 and 2020

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:	4/1/21	<input type="radio"/> Zero <input checked="" type="radio"/> Twice <input type="radio"/> Once <input 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.	31	<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?		17.00%
8. Describe any problems in filling vacancies and steps taken to address them:		
Vacancies were not filled due to continued office closure for the entire FY, and limited availability of the Affordable Agent from February - June 2021. Two modified positions have been created within the Leasing Department and new staff will be starting in November 2021 to provide assistance and support to the Leasing Department. We are preparing to reopen our office (and our wait list) and put new		
9. How many units turned over during the Reporting Period?		4
10. During the Reporting Period, what was the average turnover time in days (move out to move in)?		217
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:		
We are filling 2 Leasing Department positions and increasing the staff time in the office in order to resume filling vacancies.		
14. Have there been changes or do you anticipate changes in Project ownership, General Partners or property management?		<input type="radio"/> Yes <input checked="" type="radio"/> No
If "Yes", please explain and identify new or anticipated entities below:		
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.		

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Supplementary Information Required by HCD
Years Ended June 30, 2021 and 2020

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	35	
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 checked="" type="radio"/> Yes <input type="radio"/> No
<input checked="" 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 checked="" 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:		5/11/21	
0 Bedroom Amt.	N/A	3 Bedroom Amt.	N/A
1 Bedroom Amt.	\$69	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 checked="" 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 checked="" type="radio"/> Yes <input type="radio"/> No, describe method used below

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Supplementary Information Required by HCD
Years Ended June 30, 2021 and 2020

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 checked="" 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:	tharville@cadanet.org
5. Enter date of last revision to the Management Plan: Has the Management Plan changed during the past year?		9/1/19	<input type="radio"/> Yes <input checked="" 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:	1984	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
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A Project of the Capitol Area Development Authority**

**Certification of Executive Director
Years Ended June 30, 2021 and 2020**

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, 2021 and 2020, 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 Biele Place Apartments (Contract Number 17-LPR-0029) (the "Project"), a project of the Capitol Area Development Authority (Authority) which comprise the statement of net position as of June 30, 2021, 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 14, 2021 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 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 from 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 14, 2021



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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, 2021 and 2020

**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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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 14, 2021 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 14, 2021

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

**Statements of Net Position
June 30, 2021 and 2020**

<u>Assets</u>		
	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 710,388	\$ 743,550
Accounts receivable	17,581	7,743
Restricted cash and cash equivalents		
Insurance impounds	24,600	19,265
Tenant security deposits	19,354	21,409
Total restricted cash and cash equivalents	<u>43,954</u>	<u>40,674</u>
Total current assets	<u>771,923</u>	<u>791,967</u>
Noncurrent assets		
Restricted cash - replacement reserve	112,185	100,481
Capital assets		
Construction in progress	254,004	90,527
Building and Improvements	2,291,183	2,291,183
Less accumulated depreciation	<u>(1,807,844)</u>	<u>(1,743,169)</u>
Total capital assets	<u>737,343</u>	<u>638,541</u>
Total noncurrent assets	<u>849,528</u>	<u>739,022</u>
Total assets	<u><u>\$ 1,621,451</u></u>	<u><u>\$ 1,530,989</u></u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 129,867	\$ 8,135
Prepaid rent	2,091	987
Tenant security deposits	19,354	21,409
Notes payable, current portion	<u>67,185</u>	<u>64,597</u>
Total current liabilities	<u>218,497</u>	<u>95,128</u>
Noncurrent liabilities		
Notes payable, net of current portion	<u>929,417</u>	<u>996,602</u>
Total liabilities	<u><u>\$ 1,147,914</u></u>	<u><u>\$ 1,091,730</u></u>
<u>Net Position</u>		
Net investment in capital assets	\$ (259,259)	\$ (422,658)
Restricted for impounds and replacement reserve	136,785	119,746
Unrestricted	<u>596,011</u>	<u>742,171</u>
Total net position	<u><u>\$ 473,537</u></u>	<u><u>\$ 439,259</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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operating revenue		
Rental revenue, net	\$ 359,876	\$ 358,357
Other revenue		
Parking	11,540	11,760
Coin-operated laundry	858	1,614
Miscellaneous	975	3,416
	<u>373,249</u>	<u>375,147</u>
Total operating revenues		
Operating expenses		
Payroll		
Salaries and benefits	49,754	52,394
	<u>49,754</u>	<u>52,394</u>
Total payroll		
Administrative		
Management fee	30,440	27,875
Audit	5,586	4,283
Media	4,113	696
	<u>40,139</u>	<u>32,854</u>
Total administrative		
Utilities		
Electricity	6,919	5,438
Water and garbage	36,186	38,815
Gas	1,727	1,572
	<u>44,832</u>	<u>45,825</u>
Total Utilities		
Operating and maintenance		
Services and supplies	1,174	7,760
Maintenance and repairs	70,941	52,865
Courtesy patrol	6,975	6,644
Decorating and painting	-	623
	<u>79,090</u>	<u>67,892</u>
Total operating and maintenance		
Insurance and taxes		
Insurance	17,278	14,272
Property taxes	4,986	2,597
	<u>22,264</u>	<u>16,869</u>
Total insurance and taxes		

**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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Depreciation	<u>64,675</u>	<u>67,197</u>
Total operating expenses	<u>300,754</u>	<u>283,031</u>
Operating income	<u>72,495</u>	<u>92,116</u>
Nonoperating revenue (expense)		
Contributions from CADA	-	71,000
Interest income	7,696	15,202
Interest expense	<u>(45,913)</u>	<u>(48,369)</u>
Total nonoperating revenue (expense), net	<u>(38,217)</u>	<u>37,833</u>
Change in net position	34,278	129,949
Net position, beginning	<u>439,259</u>	<u>309,310</u>
Net position, end	<u><u>\$ 473,537</u></u>	<u><u>\$ 439,259</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 Cash Flows
Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Rental receipts	\$ 351,142	\$ 360,053
Other receipts	13,373	16,790
Tenant security deposits received	(2,055)	4,100
Payroll and related costs	(49,754)	(52,394)
Administrative	(40,139)	(32,854)
Utilities	(44,832)	(45,825)
Operating and maintenance	(87,192)	(51,826)
Insurance and taxes	(22,264)	(16,869)
	<u>118,279</u>	<u>181,175</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities		
Payments for acquisition of capital assets	(33,643)	(109,120)
Contributions from CADA	-	71,000
Principal payment on debt	(64,597)	(62,143)
Interest paid on debt	(45,913)	(48,369)
	<u>(144,153)</u>	<u>(148,632)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities		
Interest receipts	<u>7,696</u>	<u>15,202</u>
	<u>7,696</u>	<u>15,202</u>
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	(18,178)	47,745
Cash and cash equivalents, beginning	<u>884,705</u>	<u>836,960</u>
Cash and cash equivalents, end	<u>\$ 866,527</u>	<u>\$ 884,705</u>
Reconciliation to the statements of net position		
Cash and cash equivalents	\$ 710,388	\$ 743,550
Restricted cash and cash equivalents		
Insurance impounds	24,600	19,265
Tenant security deposits	19,354	21,409
Reserve for replacements	112,185	100,481
	<u>156,139</u>	<u>141,155</u>
Total cash and cash equivalents	<u>\$ 866,527</u>	<u>\$ 884,705</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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 72,495	\$ 92,116
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	64,675	67,197
Changes in assets and liabilities		
Accounts receivable	(9,838)	1,140
Accounts payable	(8,102)	16,066
Prepaid rent	1,104	556
Tenant security deposits	<u>(2,055)</u>	<u>4,100</u>
Net cash provided by operating activities	<u>\$ 118,279</u>	<u>\$ 181,175</u>
Significant noncash capital and related financing activities		
Increase in accounts payable included in capital assets	<u>\$ 129,834</u>	<u>\$ -</u>

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, 2021 and 2020**

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 3.14 years and 2.13 years as of June 30, 2021 and 2020, 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, 2021 and 2020**

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 mortgagor 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, 2021 and 2020, 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, 2021, 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, 2021 and 2020**

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

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

	<u>2021</u>	<u>2020</u>
City investment pool	\$ 729,742	\$ 764,959
Deposits with CalHFA	<u>136,785</u>	<u>119,746</u>
Total	<u><u>\$ 866,527</u></u>	<u><u>\$ 884,705</u></u>

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, 2021 and 2020 amounted to \$19,354 and \$21,409, respectively.

Note 4 - Capital assets

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

	<u>June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>
Capital assets not being depreciated				
Construction in progress	\$ 90,527	\$ 163,477	\$ -	\$ 254,004
Capital assets being depreciated				
Buildings and improvements	2,291,183	-	-	2,291,183
Less accumulated depreciation for Buildings and improvements	<u>(1,743,169)</u>	<u>(64,675)</u>	<u>-</u>	<u>(1,807,844)</u>
Capital assets, net	<u><u>\$ 638,541</u></u>	<u><u>\$ 98,802</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 737,343</u></u>
	<u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
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	<u>(1,675,972)</u>	<u>(67,197)</u>	<u>-</u>	<u>(1,743,169)</u>
Capital assets, net	<u><u>\$ 615,211</u></u>	<u><u>\$ 23,330</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 638,541</u></u>

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

**Notes to Financial Statements
June 30, 2021 and 2020**

Note 5 - Notes payable

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

	<u>2021</u>	<u>2020</u>
<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.	\$ 848,260	\$ 896,376
<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.	<u>148,342</u>	<u>164,823</u>
Total	<u>\$ 996,602</u>	<u>\$ 1,061,199</u>

Future maturities on the notes payable are as follows:

Years ending June 30	Principal	Interest	Total
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	79,005	31,505	110,510
2027 - 2031	432,762	103,321	536,083
2032 - 2036	<u>199,138</u>	<u>12,428</u>	<u>211,566</u>
	<u>\$ 996,602</u>	<u>\$ 303,598</u>	<u>\$ 1,300,200</u>

The following is a summary of the notes payable transactions for the years ended June 30, 2021 and 2020:

Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Amounts due within one year
\$ 1,061,199	\$ -	\$ (64,597)	\$ 996,602	\$ 67,185
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

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

**Notes to Financial Statements
June 30, 2021 and 2020**

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, 2021 and 2020, the Project realized an excess of revenue over expenses (excluding depreciation) of \$98,953 and \$126,146, respectively. During the years ended June 30, 2021 and 2020, the Authority contributed \$0 and \$71,000, respectively, to the Project. The Authority has committed to fund any future deficits with contributions, as required.

Note 7 - Contingency

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. As of June 30, 2021, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project.

Note 8 - 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 14, 2021 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

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, 2021 and 2020**

Schedules of Operating Revenues

<u>Account No.</u>		<u>2021</u>	<u>2020</u>
	Operating revenues		
5120	Rent revenue	\$ 359,876	\$ 358,357
5121	Tenant assistance payments	-	-
5170	Parking	<u>11,540</u>	<u>11,760</u>
	Rental revenue	<u>371,416</u>	<u>370,117</u>
	Other revenues		
5910	Coin-operated laundry	858	1,614
5190	Miscellaneous	<u>975</u>	<u>3,416</u>
	Total operating revenues	<u>373,249</u>	<u>375,147</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, 2021 and 2020**

Schedules of Operating Expenses

<u>Account No.</u>		<u>2021</u>	<u>2020</u>
	Operating expenses		
	Payroll		
6330	Manager salaries	49,754	52,394
6331	Manager rent fee unit	-	-
6510	Janitor payroll	-	-
	Total payroll	<u>49,754</u>	<u>52,394</u>
6340	Legal	-	-
6350	Accounting services	5,586	4,283
6320	Management fee	30,440	27,875
6210	Media	4,113	696
	Total administrative	<u>40,139</u>	<u>32,854</u>
	Utilities		
6450	Electricity	6,919	5,438
6452	Gas	1,729	1,572
6453	Water/Sewer	29,837	32,859
6525	Garbage	6,349	5,956
	Total utilities	<u>44,834</u>	<u>45,825</u>
	Operating and maintenance		
6515	Services and supplies	772	7,760
6530	Courtesy patrol	6,975	6,644
6517	Janitor and Cleaning Contracts	400	1,850
6537	Grounds Contract	48,937	27,340
6560	Decorating and painting	-	623
6545	Elevator Maintenance	-	-
6541	Repairs Material	3,408	9,800
6590	Misc. Ops. And Maint. Expense (if over \$2,500,	18,596	13,875
6591	Major Construction Expense	-	-
	Total operating and maintenance	<u>79,088</u>	<u>67,892</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, 2021 and 2020**

<u>Account No.</u>		<u>2021</u>	<u>2020</u>
	Insurance and taxes		
6729	Insurance	17,278	14,272
6710	Property taxes	4,986	2,597
	Total insurance and taxes	22,264	16,869
	Depreciation	64,675	67,197
	Total operating expenses	300,754	283,031
	Operating income (loss)	72,495	92,116
	Non-operating revenues (expenses)		
5400	CADA annuity	-	71,000
6820	Interest on first mortgage	(45,913)	(48,369)
5410	Interest income	7,696	15,202
	Change in net position	34,278	129,949
	Net position, beginning	439,259	309,310
	Net position, end	<u>\$ 473,537</u>	<u>\$ 439,259</u>

Detail of Accounts - Schedule of Activities

	<u>2021</u>	<u>2020</u>
Miscellaneous Other Revenue (Accounts No. 6590)		
Flooring	\$ 18,596	\$ 13,875
	<u>\$ 18,596</u>	<u>\$ 13,875</u>

**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, 2021**

Cash and cash equivalents

Cash and cash equivalents	
Unrestricted account	
Operating account	\$ 710,388
Restricted accounts	
Insurance and tax impounds	24,600
Tenant security deposits	19,354
Reserve for replacements	112,185
Total restricted accounts	156,139
Total cash and cash equivalents	\$ 866,527

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, 2021 was as follows:

Balance, June 30, 2020	\$ 100,481
Deposits	10,584
Interest income	1,120
Approved withdrawals	-
Balance, June 30, 2021	\$ 112,185

Impound Accounts

	Hazard insurance	Earthquake insurance	Total
Balance, June 30, 2020	\$ 14,743	\$ 4,522	\$ 19,265
Deposits	6,909	6,811	13,720
Interest earned	178	50	228
CalHFA adjustment	-	-	-
Payments applied	(1,556)	(7,057)	(8,613)
Balance, June 30, 2021	\$ 20,274	\$ 4,326	\$ 24,600

**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, 2021**

Capital Assets

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

Capital assets balance, June 30, 2020	\$ 2,381,710
Additions	<u>163,477</u>
Capital assets balance, June 30, 2021	<u><u>\$ 2,545,187</u></u>

Accounts Payable

Accounts payable in the amount of \$133,977 represents amounts due to suppliers. All accounts payable are current.

Gross Potential Rents

Qualified tenant rental income	\$ 76,048
Other tenant rental income	<u>466,380</u>
Total gross potential rents	542,428
Less	
Vacancy loss	(66,025)
Loss to lease	(39,894)
Low income subsidy	<u>(76,633)</u>
Rental revenues, net	<u><u>\$ 359,876</u></u>

Management Fee

A property management fee of \$30,440 was incurred during the fiscal year ended June 30, 2021 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, 2021**

Operating cash flow/Surplus cash computation

The operating cash flow/surplus cash generated by the Project during the year ended June 30, 2021 is as follows:

Operation income	
Total income	\$ 380,945
Interest earned on restricted reserve accounts	<u>(1,348)</u>
Adjusted operation income	<u>379,597</u>
Operating expenses less depreciation	<u>(236,079)</u>
Adjusted net income	<u>143,518</u>
Other activity	
Debt service	(110,510)
Deposits into replacement reserve account	<u>(10,584)</u>
Total other activity	<u>(121,094)</u>
Operating cash flow/surplus cash	<u><u>\$ 22,424</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, 2021.

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, 2021, 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 14, 2021 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 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 from 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 14, 2021

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


**Certification of Officers
Years Ended June 30, 2021 and 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 years ended June 30, 2021 and 2020, and, to the best of our knowledge and belief, these financial statements and data are complete and accurate.


Name

Executive Director
Title

12/14/2021
Date


Name

Finance Director
Title

12/14/2021
Date



Independent Member of Nexia International

cohnreznick.com

Capitol Area Development Authority (CADA)
Summary Statement of Revenues and Expenditures
From 7/1/2020 Through 6/30/2021

Attachment 2

	Annual Budget	YTD Actual	YTD Variance
FUNDING SOURCES			
Rental Income			
Parking	244,700.00	249,220.00	4,520.00
Residential Rental Revenue	8,944,500.00	9,302,895.00	358,395.00
Commercial Rental Revenue	245,000.00	288,103.00	43,103.00
Rental Vacancy Loss	(516,500.00)	(933,597.00)	(417,097.00)
Low Income Subsidy	(791,000.00)	(737,614.00)	53,386.00
Loss to Lease	(560,900.00)	(607,587.00)	(46,687.00)
Other	180,900.00	87,802.00	(93,098.00)
Total Rental Income	7,746,700.00	7,649,223.00	(97,477.00)
Tax Increment Revenue			
PBID Assessment Revenue	250,988.00	257,280.00	6,291.00
Tax Increment Revenue	5,350,000.00	7,087,436.00	1,737,436.00
Total Tax Increment Revenue	5,600,988.00	7,344,716.00	1,743,728.00
Governmental Agency Revenue			
HCD Monitoring Fee Payable	-	21,039.00	21,039.00
Annuity (HCD)	-	18,986.00	18,986.00
Total Governmental Agency Revenue	-	40,025.00	40,025.00
Financial Income			
General Operations Investment Funding	370,900.00	439,837.00	68,937.00
Non-Operating Investment Funding			
Bond Proceeds	31,455,000.00	31,455,000.00	-
Total Non-Operating Investment Funding	31,455,000.00	31,455,000.00	-
Total Financial Income	31,825,900.00	31,894,837.00	68,937.00
Drawdowns from Reserves			
Development Reserve Drawdown	649,851.00	649,851.00	-
Capital Improvement Reserve Drawdown	175,000.00	175,000.00	-
Equipment Replace Reserve Drawdown	81,000.00	-	(81,000.00)
Acquisition Reserve drawdown	1,350,149.00	1,350,149.00	-
Development Reserve Drawdown for D&A	985,500.00	985,500.00	-
Afford Housing Reserve Drawdown for D&A	667,700.00	667,700.00	-
Total Drawdowns from Reserves	3,909,200.00	3,828,200.00	(81,000.00)
Miscellaneous Funding Sources			
	42,100.00	45,646.00	3,546.00
Total Miscellaneous Funding Sources	42,100.00	45,646.00	3,546.00
Total FUNDING SOURCES	49,124,888.00	50,802,647.00	1,677,758.00
OPERATING EXPENSES			
Employee Services & Benefits			
Salaries	2,825,000.00	2,834,329.00	(9,329.00)
Cafeteria Plan	496,000.00	424,055.00	71,945.00
Workers Compensation	121,900.00	68,952.00	52,948.00
PERS Retirement	590,500.00	948,928.00	(358,428.00)
Post Retirement Health Benefit Contributions	201,338.00	200,702.00	636.00
Retiree Health Benefits	170,800.00	155,854.00	14,946.00
Other	141,260.00	(162,397.00)	303,657.00
Total Employee Services & Benefits	4,546,798.00	4,470,422.00	76,376.00
Outside Services			
Insurance	285,000.00	267,115.00	17,885.00
Other	1,105,019.00	1,050,594.00	54,425.00
Total Outside Services	1,390,019.00	1,317,709.00	72,309.00
Maintenance & Repair			
Service Contracts	249,561.00	306,738.00	(57,177.00)
Flooring	210,000.00	244,305.00	(34,305.00)
Landscaping	243,490.00	263,137.00	(19,647.00)
Other	898,050.00	744,897.00	153,153.00
Total Maintenance & Repair	1,601,101.00	1,559,077.00	42,024.00
Utilities			
Utilities-Garbage	55,000.00	61,124.00	(6,124.00)
Utilities-SMUD/Electricity	141,710.00	136,574.00	5,136.00

Capitol Area Development Authority (CADA)
Summary Statement of Revenues and Expenditures
From 7/1/2020 Through 6/30/2021

Attachment 2

Utilities-PG&E/Gas	250,000.00	220,903.00	29,097.00
Utilities-Water/Sewer	617,400.00	554,837.00	62,563.00
Other	<u>69,000.00</u>	<u>61,378.00</u>	<u>7,622.00</u>
Total Utilities	1,133,110.00	1,034,816.00	98,294.00
Overhead			
	<u>882,418.00</u>	<u>726,215.00</u>	<u>156,203.00</u>
Total Overhead	882,418.00	726,215.00	156,203.00
Building/Land Acquisition			
Building/Land Acquisition	<u>2,000,000.00</u>	<u>2,000,000.00</u>	<u>-</u>
Total Building/Land Acquisition	2,000,000.00	2,000,000.00	-
Debt Service			
Notes Payable Debt Service	693,511.00	628,253.00	65,258.00
Bond Debt Service	<u>2,253,790.00</u>	<u>2,650,346.00</u>	<u>(396,556.00)</u>
Total Debt Service	2,947,301.00	3,278,599.00	(331,298.00)
Contributions to Reserves			
	<u>1,903,667.00</u>	<u>2,914,351.00</u>	<u>(1,010,684.00)</u>
Total Contributions to Reserves	1,903,667.00	2,914,351.00	(1,010,684.00)
Total OPERATING EXPENSES	<u>16,404,415.00</u>	<u>17,301,189.00</u>	<u>(896,774.00)</u>
CAPITAL INVESTMENT PROGRAM			
Major Construction			
	<u>1,185,758.00</u>	<u>726,253.00</u>	<u>459,506.00</u>
Total Major Construction	1,185,758.00	726,253.00	459,506.00
Development			
	<u>32,312,855.00</u>	<u>3,796,783.00</u>	<u>28,516,072.00</u>
Total Development	32,312,855.00	3,796,783.00	28,516,072.00
Total CAPITAL INVESTMENT PROGRAM	<u>33,498,613.00</u>	<u>4,523,036.00</u>	<u>28,975,577.00</u>
CASH FLOW, Before Resources Utilization	(778,140.00)	28,978,422.00	29,753,562.00
UTILIZATION OF FINANCIAL RESOURCES			
Utilization of Available Fund Balance	781,836.00	781,836.00	-
Utilization-Released CIP Budget	337,902.00	332,474.00	(5,428.00)
Contribution to Available Fund Balance	(3,696.00)	-	3,696.00
Cash Flow Adj-CIP Carryforward	<u>(337,902.00)</u>	<u>(332,474.00)</u>	<u>5,428.00</u>
Total UTILIZATION OF FINANCIAL RESOURCES	778,140.00	781,836.00	3,696.00
NET CASH FLOW	-	29,760,258.00	29,760,258.00
Audit Reconciliations			
Change in Encumbrances		(45,629.00)	plug
Audit Reconciliations			
Reduction in Outstanding Debt Service			
Reductions in Outstanding Debt Service			
B/S Adj - Debt Proceeds		(31,455,000.00)	
Debt Service-Liability Reduction		227,675.00	

Capitol Area Development Authority (CADA)
Summary Statement of Revenues and Expenditures
From 7/1/2020 Through 6/30/2021

Attachment 2

Interest Expense-Accrual Adjustment	(65,431.00)
Bond Debt Svc-Liability Reduction	550,856.00
Bond Interest-Accrual Adjustment	<u>(244,212.00)</u>
Total Reduction in Outstanding Debt Service	(30,986,112.00)
Change in Net Pension Liability	
Net Pension Liability	396,548.00
Net OPEB liability	<u>27,373.00</u>
Total Change in Net Pension Liability	423,921.00
Change in Deferred Inflows of Resources	
Deferred Inflows related to Pension	(142,716.00)
Deferred Inflow Related to OPEB	<u>(314,361.00)</u>
Total Change in Deferred Inflows of Resources	(457,077.00)
Impact of Changes in Notes Receivable	
1717 S St note	(1,159,561.00)
B/S Adj - Developer Loan Funding	100,000.00
Allowance for Uncollectibles	<u>(114,105.00)</u>
Total Impact of Changes in Notes Receivable	(1,173,666.00)
Impact of Changes in Investment	
Joint Venture Investment	<u>1,159,561.00</u>
Total Impact of Changes in Investment	1,159,561.00
Impact of Net Changes in Fixed Assets	
Capitalized Acquisitions	
Software - Capitalized or Prepaid	(12,653.00)
Computer Hdwe - Capitalized	28,053.00
Acquisitions Capitalized	2,000,000.00
D&A - Site Impr Capitalized	14,970.00
Investments B/S Adj - Dev Capitalized	1,159,561.00
Capitalized Expenses - Various	6,061.00
Maint Furn, Mach & Eq-Cap'd	30,825.00
Accd CIP Encumbrance Expense	(2,025.00)
Capitalized Major Construction	<u>604,613.00</u>
Total Capitalized Acquisitions	3,829,405.00
Depreciation Expense	<u>(871,196.00)</u>
Total Impact of Net Changes in Fixed Assets	2,958,209.00
Reduction of deferred Outflows of Resources	
Deferred Outflows Related to Pension	78,822.00
Deferred Outflow Related to OPEB	<u>(21,074.00)</u>
Total Reduction of deferred Outflows of Resources	57,748.00
Impact of Changes in Other Balance Sheet Sections	
Net Increase (Decline) in Reserves	
Reserve Drawdowns-Equity Adjustment	(3,828,200.00)
Reserve Contributions-Equity Adjustment	<u>2,914,351.00</u>
Total Net Increase (Decline) in Reserves	(913,849.00)
Net Contribution to (Utilization of) Fund Balance	
BS Adj - Fund Bal Util or Contrib	<u>(781,836.00)</u>
Total Net Contribution to (Utilization of) Fund Balance	(781,836.00)
Total Impact of Changes in Other Balance Sheet Sections	<u>(1,695,685.00)</u>
Total Audit Reconciliations	<u>(29,758,730.00)</u>
AUDITED, CHANGE IN NET ASSETS	<u>1,528.00</u>
F/S change in NP	1,528.00
	-

Capitol Area Development Authority (CADA)
GENERAL OPERATIONS
From 7/1/2020 Through 6/30/2021

Attachment 3

	<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	244,700.00	244,700.00	249,220.00	4,520.00
Ground Lease Revenue	143,000.00	143,000.00	61,644.00	(81,356.00)
Residential Rental Revenue	8,944,500.00	8,944,500.00	9,302,895.00	358,395.00
Commercial Rental Revenue	245,000.00	245,000.00	288,103.00	43,103.00
Coin Op Laundry Revenue	35,300.00	35,300.00	25,709.00	(9,591.00)
Rental Vacancy Loss	(516,500.00)	(516,500.00)	(933,597.00)	(417,097.00)
Low Income Subsidy	(791,000.00)	(791,000.00)	(737,614.00)	53,386.00
Loss to Lease	(560,900.00)	(560,900.00)	(607,587.00)	(46,687.00)
Forfeited Security Deposits	2,100.00	2,100.00	-	(2,100.00)
Bad Debt Recovery	500.00	500.00	449.00	(51.00)
Misc Current Svcs - Mgmt Fees	99,580.00	99,580.00	99,580.00	-
Misc Current Svcs - Salaries	141,630.00	141,630.00	199,139.00	57,509.00
Total Rental Income	7,987,910.00	7,987,910.00	7,947,942.00	(39,968.00)
Tax Increment Revenue				
Tax Increment Revenue	5,350,000.00	5,350,000.00	7,087,436.00	1,737,436.00
Total Tax Increment Revenue	5,350,000.00	5,350,000.00	7,087,436.00	1,737,436.00
Other Government Agency Revenue				
Annuity (HCD)	-	-	18,986.00	18,986.00
Total Other Government Agency Revenue	-	-	18,986.00	18,986.00
Interest and Other Investment Income				
Interest Income on Investments with City	373,900.00	373,900.00	202,205.00	(171,695.00)
Interest Income Received	-	-	2,269.00	2,269.00
Interest Income-Reserve Allocation	(3,000.00)	(3,000.00)	-	3,000.00
Interest Income - Pool A Tax Exempt	-	-	382.00	382.00
Interest Income - Pool A Taxable Bond	-	-	142,982.00	142,982.00
Bond Proceeds	1,455,000.00	1,455,000.00	1,455,000.00	-
Total Interest and Other Investment Income	1,825,900.00	1,825,900.00	1,802,837.00	(23,063.00)
Miscellaneous Revenue				
Miscellaneous Income	42,100.00	42,100.00	45,646.00	3,546.00
Allowance for Uncollectibles	-	-	(114,105.00)	(114,105.00)
Total Miscellaneous Revenue	42,100.00	42,100.00	(68,459.00)	(110,559.00)
Drawdowns from Reserves				
Development Reserve Drawdown	649,851.00	649,851.00	649,851.00	-
Acquisition Reserve drawdown	1,350,149.00	1,350,149.00	1,350,149.00	-
Development Reserve Drawdown for D&A	887,300.00	887,300.00	887,300.00	-
Afford Housing Reserve Drawdown for D&A	667,700.00	667,700.00	667,700.00	-
Total Drawdowns from Reserves	3,555,000.00	3,555,000.00	3,555,000.00	-
Total FUNDING SOURCES of General Operations	18,760,910.00	18,760,910.00	20,343,742.00	1,582,832.00

Capitol Area Development Authority (CADA)
GENERAL OPERATIONS
From 7/1/2020 Through 6/30/2021

Attachments 3

(In Whole Numbers)

	<u>Budget-Annual</u>	<u>YTD Budget</u>	<u>YTD Year Actual</u>	<u>YTD Variance</u>
General Operations EXPENSE				
Employee Services & Benefits				
Special Management Salaries	(150,540.00)	(150,540.00)	(213,991.00)	(63,451.00)
Salaries	(2,825,000.00)	(2,825,000.00)	(2,834,329.00)	(9,329.00)
Employee Recognition	(37,000.00)	(37,000.00)	(39,543.00)	(2,543.00)
Social Security/Medicare	(41,500.00)	(41,500.00)	(41,580.00)	(80.00)
Cafeteria Plan	(496,000.00)	(496,000.00)	(424,055.00)	71,945.00
Long Term Disability	(29,300.00)	(29,300.00)	(26,483.00)	2,817.00
State Unemployment	(11,000.00)	(11,000.00)	(9,708.00)	1,292.00
Workers Compensation	(121,900.00)	(121,900.00)	(68,952.00)	52,948.00
Life & AD&D Insurance	(11,200.00)	(11,200.00)	(11,988.00)	(788.00)
PERS Retirement	(590,500.00)	(590,500.00)	(948,928.00)	(358,428.00)
Post Retirement Health Benefit Contributions	(201,338.00)	(201,338.00)	(200,702.00)	636.00
Retiree Health Benefits	(170,800.00)	(170,800.00)	(155,854.00)	14,946.00
OPEB Expense	-	-	308,062.00	308,062.00
Employee Assist Program (EAP)	(2,350.00)	(2,350.00)	(1,510.00)	840.00
Total Employee Services & Benefits	(4,688,428.00)	(4,688,428.00)	(4,669,561.00)	18,867.00
Outside Services				
Prop Mgmt Marketing - Sp Mgmt Credit	3,130.00	3,130.00	3,130.00	-
Marketing & Media	(25,000.00)	(25,000.00)	(9,764.00)	15,236.00
Property Management Marketing	(16,130.00)	(16,130.00)	(3,148.00)	12,982.00
Printing and Binding	(4,250.00)	(4,250.00)	(2,198.00)	2,052.00
Employment Recruitment & Notices	(2,000.00)	(2,000.00)	(1,692.00)	308.00
Legal Services	(121,980.00)	(121,980.00)	(256,133.00)	(134,153.00)
Accounting and Auditing	(45,500.00)	(45,500.00)	(51,100.00)	(5,600.00)
Community Activities	(32,500.00)	(32,500.00)	(32,281.00)	219.00
Document Storage & Destruction	(3,000.00)	(3,000.00)	(1,190.00)	1,810.00
Network Administration Services	(85,000.00)	(85,000.00)	(79,170.00)	5,830.00
Payroll Services	(10,000.00)	(10,000.00)	(9,012.00)	988.00
Banking & Investment Fees	(13,360.00)	(13,360.00)	(5,446.00)	7,914.00
Admin Other Professional Services	(67,500.00)	(67,500.00)	(44,090.00)	23,410.00
Prop Mgmt Other Professional Services	(15,000.00)	(15,000.00)	(16,188.00)	(1,188.00)
Asset Mgmt Other Professional Services	(72,000.00)	(72,000.00)	(25,738.00)	46,262.00
Courtesy Patrol	(140,065.00)	(140,065.00)	(133,063.00)	7,002.00
Courtesy Patrol-Sp Mgmt Credit	15,065.00	15,065.00	15,065.00	-
Insurance - Special Management	(59,500.00)	(59,500.00)	(59,520.00)	(20.00)
Insurance	(285,000.00)	(285,000.00)	(267,115.00)	17,885.00
Self-Insured Losses	(77,500.00)	(77,500.00)	(62,000.00)	15,500.00
Project Banking Fees	(19,000.00)	(19,000.00)	(7,880.00)	11,120.00
Admin Temporary Outside Svcs	(20,000.00)	(20,000.00)	(38,571.00)	(18,571.00)
Temporary Outside Services	(230,000.00)	(230,000.00)	(222,628.00)	7,372.00
Eng/Arch-Miscellaneous	(39,000.00)	(39,000.00)	-	39,000.00
Legal - Dev Project Related	(20,000.00)	(20,000.00)	(867.00)	19,133.00
D&A Other Professional Services	(10,000.00)	(10,000.00)	(3,000.00)	7,000.00
D&A Miscellaneous Expense	(7,000.00)	(7,000.00)	-	7,000.00

Capitol Area Development Authority (CADA)
GENERAL OPERATIONS
From 7/1/2020 Through 6/30/2021

Attachments 3

(In Whole Numbers)

	<u>Budget-Annual</u>	<u>YTD Budget</u>	<u>YTD Year Actual</u>	<u>YTD Variance</u>
Total Outside Services	(1,402,090.00)	(1,402,090.00)	(1,313,599.00)	88,491.00
Maintenance & Repair				
Emerg Relocation-Ops Related	(10,500.00)	(10,500.00)	(1,022.00)	9,478.00
Operation Location Improvements	(154,000.00)	(154,000.00)	(17,717.00)	136,283.00
Admin Office - General Maintenance	(31,800.00)	(31,800.00)	(20,127.00)	11,673.00
Maint Office Janitorial	(6,000.00)	(6,000.00)	(5,952.00)	48.00
Maint Office - General Maintenance	(10,000.00)	(10,000.00)	(10,928.00)	(928.00)
Equipment Rental Expense	(5,000.00)	(5,000.00)	(2,757.00)	2,243.00
Construction Mitigation Expense	(25,000.00)	(25,000.00)	(9,450.00)	15,550.00
Repair & Maint - Misc	(118,600.00)	(118,600.00)	(128,194.00)	(9,594.00)
Landscape-Sp Mgmt Credit	17,650.00	17,650.00	17,650.00	-
Travel-Fuel on CADA Vehicles	(9,000.00)	(9,000.00)	(10,016.00)	(1,016.00)
Travel-Maint Staff Reimburse	(10,000.00)	(10,000.00)	(11,517.00)	(1,517.00)
Travel-RSR Reimbursement	(2,000.00)	(2,000.00)	(353.00)	1,647.00
Elevator/Bldg Phone & Monitor Service	(2,300.00)	(2,300.00)	(3,755.00)	(1,455.00)
Service Contracts	(249,561.00)	(249,561.00)	(306,738.00)	(57,177.00)
State Fire Marshal	(8,000.00)	(8,000.00)	(6,600.00)	1,400.00
Flooring	(210,000.00)	(210,000.00)	(244,305.00)	(34,305.00)
Plumbing	(9,300.00)	(9,300.00)	(2,338.00)	6,962.00
Countertops/Cabinets	(56,500.00)	(56,500.00)	(26,591.00)	29,909.00
Landscaping	(243,490.00)	(243,490.00)	(263,137.00)	(19,647.00)
Pest Services	(54,700.00)	(54,700.00)	(54,230.00)	470.00
Permits and Fees	(4,500.00)	(4,500.00)	(3,269.00)	1,231.00
Painting & Decorating	(14,900.00)	(14,900.00)	(1,060.00)	13,840.00
Supplies	(15,000.00)	(15,000.00)	(17,732.00)	(2,732.00)
Vehicle Repair and Maint	(10,000.00)	(10,000.00)	(11,359.00)	(1,359.00)
Prop Mgmt Furn & Appliances	(60,000.00)	(60,000.00)	(104,734.00)	(44,734.00)
Building Supplies - Misc	(222,000.00)	(222,000.00)	(264,288.00)	(42,288.00)
Clothing and Uniforms	(5,500.00)	(5,500.00)	(4,664.00)	836.00
Maintenance Mach & Equip	(57,100.00)	(57,100.00)	(48,927.00)	8,173.00
Operating Budget Major Repairs	(12,000.00)	(12,000.00)	-	12,000.00
Total Maintenance & Repair	(1,599,101.00)	(1,599,101.00)	(1,564,110.00)	34,991.00
Utilities				
Admin Office Utilities	(32,000.00)	(32,000.00)	(22,037.00)	9,963.00
Maint Office Utilities	(37,000.00)	(37,000.00)	(39,341.00)	(2,341.00)
Utilities-Garbage	(55,000.00)	(55,000.00)	(61,124.00)	(6,124.00)
Utilities-SMUD/Electricity	(141,710.00)	(141,710.00)	(136,574.00)	5,136.00
Utilities-PG&E/Gas	(250,000.00)	(250,000.00)	(220,903.00)	29,097.00
Utilities-Water/Sewer	(617,400.00)	(617,400.00)	(554,837.00)	62,563.00
Total Utilities	(1,133,110.00)	(1,133,110.00)	(1,034,816.00)	98,294.00
Overhead				
Postage and Deliveries	(6,000.00)	(6,000.00)	(4,095.00)	1,905.00
Telephone and Wireless Svcs	(30,000.00)	(30,000.00)	(5,958.00)	24,042.00
Cellular Phone Service	(30,000.00)	(30,000.00)	(41,161.00)	(11,161.00)
Internet Services	(26,000.00)	(26,000.00)	(16,412.00)	9,588.00
Admin Bldg Rent	(95,000.00)	(95,000.00)	(88,890.00)	6,110.00
Leased Facilities Rent	(60,000.00)	(60,000.00)	(2,000.00)	58,000.00

Capitol Area Development Authority (CADA)

Attachments 3

GENERAL OPERATIONS

From 7/1/2020 Through 6/30/2021

(In Whole Numbers)

	Budget-Annual	YTD Budget	YTD Year Actual	YTD Variance
Equipment Rental Expense	(2,500.00)	(2,500.00)	(1,617.00)	883.00
Parking Program	(1,500.00)	(1,500.00)	-	1,500.00
JPA Board Expenses	(7,000.00)	(7,000.00)	(290.00)	6,710.00
Professional Organizations	(15,000.00)	(15,000.00)	(12,044.00)	2,956.00
Subscriptions	(2,000.00)	(2,000.00)	(1,042.00)	958.00
Education and Training	(20,000.00)	(20,000.00)	(8,037.00)	11,963.00
Management Fee	(99,580.00)	(99,580.00)	(99,580.00)	-
Transportation-Admin Staff	(2,000.00)	(2,000.00)	(277.00)	1,723.00
Resident Relations	(9,800.00)	(9,800.00)	(9,189.00)	611.00
Sp Mgmt Prop Taxes & Assessments	(9,530.00)	(9,530.00)	(10,980.00)	(1,450.00)
Property Taxes & Assessments	(121,600.00)	(121,600.00)	(115,951.00)	5,649.00
Hospitality	(1,500.00)	(1,500.00)	(1,319.00)	181.00
Office Supplies - General	(15,000.00)	(15,000.00)	(10,214.00)	4,786.00
Software	(80,000.00)	(80,000.00)	(75,461.00)	4,539.00
Computer Hardware	(50,000.00)	(50,000.00)	(32,299.00)	17,701.00
Admin Furn Mach & Equip	(16,000.00)	(16,000.00)	(476.00)	15,525.00
Safety - General Admin	(5,500.00)	(5,500.00)	(7,784.00)	(2,284.00)
Office Equipment leases	(25,500.00)	(25,500.00)	(23,438.00)	2,062.00
Total Overhead	(731,010.00)	(731,010.00)	(568,516.00)	162,494.00
Building/Land Acquisition				
Building/Land Acquisition	(2,000,000.00)	(2,000,000.00)	(2,000,000.00)	-
Total Building/Land Acquisition	(2,000,000.00)	(2,000,000.00)	(2,000,000.00)	-
Debt Service				
Debt Service Principal Paid	(280,308.00)	(280,308.00)	(227,675.00)	52,633.00
Debt Interest Paid	(113,203.00)	(113,203.00)	(79,539.00)	33,664.00
Bond Debt Svc-Principal Pd	(486,270.00)	(486,270.00)	(550,856.00)	(64,586.00)
Bond Issuance Costs	(1,455,000.00)	(1,455,000.00)	(1,440,026.00)	14,974.00
Bond Interest Paid	(312,520.00)	(312,520.00)	(659,464.00)	(346,944.00)
Tax Increment Pledge	(300,000.00)	(300,000.00)	(300,000.00)	-
HCD Monitoring Fee	-	-	(21,039.00)	(21,039.00)
Total Debt Service	(2,947,301.00)	(2,947,301.00)	(3,278,599.00)	(331,298.00)
Contributions to Reserves				
Development Reserve Contribution	(1,092,079.00)	(1,092,079.00)	(2,066,942.00)	(974,863.00)
Affordable Housing Reserve Contribution	(494,705.00)	(494,705.00)	(530,526.00)	(35,821.00)
Equipment Replace Reserve Contribution	(104,883.00)	(104,883.00)	(104,883.00)	-
Debt Retirement Reserve Contribution	(212,000.00)	(212,000.00)	(212,000.00)	-
Total Contributions to Reserves	(1,903,667.00)	(1,903,667.00)	(2,914,351.00)	(1,010,684.00)
Total General Operations EXPENSE	(16,404,707.00)	(16,404,707.00)	(17,343,550.00)	(938,843.00)
Inter-Fund Operation TRANSFERS				
Inter-Fund Operating TRANSFERS IN				
Operations Transfer from F 50-CAP Tax Incr	1,664,441.00	1,664,441.00	500,167.00	(1,164,274.00)
Operations Transfer from F 51-CAP Set-Aside	471,740.00	471,740.00	471,740.00	-

Capitol Area Development Authority (CADA)
GENERAL OPERATIONS
From 7/1/2020 Through 6/30/2021

Attachments 3

(In Whole Numbers)

	<u>Budget-Annual</u>	<u>YTD Budget</u>	<u>YTD Year Actual</u>	<u>YTD Variance</u>
Operations Transfer from F60-RSt TI	141,000.00	141,000.00	141,000.00	-
Total Inter-Fund Operating TRANSFERS IN	2,277,181.00	2,277,181.00	1,112,907.00	(1,164,274.00)
Inter-Fund Operating TRANSFERS OUT				
Operations Transfer to F10-General	(2,277,181.00)	(2,277,181.00)	(1,112,907.00)	1,164,274.00
Total Inter-Fund Operating TRANSFERS OUT	(2,277,181.00)	(2,277,181.00)	(1,112,907.00)	1,164,274.00
Total Inter-Fund Operation TRANSFERS	-	-	-	-
OPERATING RESULTS, before Capital Investment Program	2,356,203.00	2,356,203.00	3,000,192.00	643,990.00
CAPITAL INVESTMENT PROGRAM				
Investment in MAJOR CONSTRUCTION Program				
CIP Transfer to F10-General	(1,099,758.00)	(1,099,758.00)	(1,099,758.00)	-
CIP Transfer to F38 - 17th St. Commons	(8,000.00)	(8,000.00)	(23,000.00)	(15,000.00)
Total Investment in MAJOR CONSTRUCTION Program	(1,107,758.00)	(1,107,758.00)	(1,122,758.00)	(15,000.00)
Investment in DEVELOPMENT Program				
Dev Program TF to F 10 - General	(2,026,584.00)	(2,026,584.00)	(2,026,584.00)	-
Total Investment in DEVELOPMENT Program	(2,026,584.00)	(2,026,584.00)	(2,026,584.00)	-
Total CAPITAL INVESTMENT PROGRAM	(3,134,343.00)	(3,134,343.00)	(3,149,343.00)	(15,000.00)
UTILIZATION OF FINANCIAL RESOURCES				
Utilization of Available Fund Balance	781,836.00	781,836.00	781,836.00	-
Contribution to Available Fund Balance	(3,696.00)	(3,696.00)	-	3,696.00
Total UTILIZATION OF FINANCIAL RESOURCES	778,140.00	778,140.00	781,836.00	3,696.00
NET RESULTS OF GENERAL OPERATIONS	-	-	632,686.00	632,686.00

RESOLUTION NO. 22 - 01

Adopted by the Capitol Area Development Authority

January 14, 2022

**RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF
INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2020-2021**

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 2020-2021; 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 2020-2021 audited by CohnReznick are hereby accepted and authorized for release.

Ann Bailey, Chair

ATTEST:

Tara Gandara
Secretary to the Board of Directors

RESOLUTION NO. 22 - 02

Adopted by the Capitol Area Development Authority

January 14, 2022

**RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF
INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2020-2021
FOR SOMERSET PARKSIDE APARTMENTS
(Contract Number 15-LRP-005)**

WHEREAS, the certified public accounting firm of CohnReznick has completed its audit of the Authority's Independent Auditor's Reports for Fiscal Year 2020-2021 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 2020-2021 for Somerset Parkside Apartments audited CohnReznick is hereby accepted and authorized for release.

Ann Bailey, Chair

ATTEST:

Tara Gandara
Secretary to the Board of Directors

RESOLUTION NO. 22 - 03

Adopted by the Capitol Area Development Authority

January 14, 2022

**RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF
INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2020-2021
FOR BIELE PLACE APARTMENTS
(Contract Number 17-LPR-0029)**

WHEREAS, the certified public accounting firm of CohnReznick has completed its audit of the Authority's Independent Auditor's Reports for Fiscal Year 2020-2021 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 2020-2021 for Biele Place Apartments audited by CohnReznick is hereby accepted and authorized for release.

Ann Bailey, Chair

ATTEST:

Tara Gandara
Secretary to the Board of Directors

RESOLUTION NO. 22 - 04

Adopted by the Capitol Area Development Authority

January 14, 2022

**RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF
INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2020-2021
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 2020-2021 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 2020-2021 for Seventeenth Street Commons (Contract Number 99-024-N) audited by CohnReznick is hereby accepted and authorized for release.

Ann Bailey, Chair

ATTEST:

Tara Gandara
Secretary to the Board of Directors