January 13, 2023

TO: CADA Board of Directors

SUBJECT: **January 20, 2023, Board Meeting**
AGENDA ITEM 5
AUDITED FINANCIAL STATEMENTS – FISCAL YEAR 2021-2022

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 2021-2022 **(Attachment 1a)**

- Somerset Parkside Apartments (Contract Number 80-RHC-007)
  Independent Auditor's Reports FY 2021-2022 **(Attachment 1b)**

- Biele Place Apartments (Contract Number 80-RHC-032)
  Independent Auditor's Reports FY 2021-2022 **(Attachment 1c)**

- Seventeenth Street Commons (Contract Number 99-024-N)
  Independent Auditor's Reports FY 2021-2022 **(Attachment 1d)**

BACKGROUND

The attached audited financial reports for Fiscal Year 2021-22 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 manages 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 at the December or January Board meeting 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 2021 - 2022, 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 (see ***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 (see ***Attachment 1a****):*

CADA's audited financials reflect positive results for the year, with an increase of $2,939,380 in its Net Position. This is a $2,937,852 increase in Net Position compared to last year's increase of just $1,528. The $2,939,380 increase in CADA's Net Position reflects Non-Operating Net Revenues of $6,060,746 less an operating loss of $3,121,366 from rental and development activities. The primary reason for the increased positive results in FY 2021-22 compared to FY 2020-21, is that in the prior year CADA experienced lower net income due to decreases in Rental Revenue, increased financing expense for the new 2020 Tax Allocation Bond, and increases to Development project expenses from the Sonrisa and ARY Place projects, as described below, which did not occur in the current year.

Non-Operating Revenues totaled $8,349,779, which is a net increase of $654,911 over last year's revenue of $7,694,868. This reflects a net increase in Intergovernmental Revenue (including Tax Increment) of $1,042,718, offset by a net decrease in financing expenses mostly due to the new bond issue costs in the prior year.

CADA's Operating Loss was $3,121,366, which is $1,895,134 less than last year's $5,016,500 loss. The change is primarily due to decreases in total Operating Expense of $1,240,223, and a increase in Operating Revenue of $654,911. Operating Expenses increased in most categories but mainly changed within Development Projects resulting from a $1,864,359 net decrease in expenses of the 1322 O Courtyard project (Sonrisa) and 1717 S Street project (ARY Place) financing from the prior year. The increase in Operating Revenue reflects a $668,540 net increase in Rental Revenue and a decrease in development project grant revenue of $13,629.

Statements of Cash Flow (see **Attachment 1a***):*

Total Cash and Cash Equivalents decreased by $3,356,617 compared to the prior year's increase of $28,741,214. The negative change in cash flow was mostly due to a net decrease in cash inflow from financing activities reflecting the issuance of 2020 TAB (Tax Allocation Bond) debt proceeds of $31,455,000 in the prior year, and a $3,3282,488 increase of cash outflow for funds in escrow for the purchase of property at 2000 16th Street. This was offset by a decrease 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 in the prior year, and a $1,242,457 decrease 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 in 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

- The recent change in lease accounting procedures that now require that government lessees recognize their leases as a lease liability and an intangible asset, and that government lessors recognize their leases as a receivable and a deferred inflow of resources while continuing to report the lease asset in the financial statements. A leased asset is now required to be recognized as an amortization expense and lessor revenue is not required to be recognized over the term of the lease corresponding with the reduction of the deferred inflow.

- 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 2021-2022 were well within budget, ending the year with favorable (positive) variances totaling $762,215

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 2021-2022

    a. Capitol Area Development Authority Financial Statements and Auditor's Report
    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 2021-2022, Budget to Actual

Attachment 1a

Capitol Area Development Authority

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

June 30, 2022 and 2021

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Capitol Area Development Authority

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Capitol Area Development Authority

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Treasurer
City of Sacramento

Independent Auditor's Report

To the Board of Directors
Capitol Area Development Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Capitol Area Development Authority ("Authority") as of and for the years ended June 30, 2022 and 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Capitol Area Development Authority, as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2022, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, "Leases". Under the guidance, the presentation of the financial statements for the year ended June 30, 2021, changed to reflect the GASB Statement No. 87 adoption. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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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 (asset) liability and related ratios, and the schedule of OPEB plan contributions identified in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 December 21, 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.

CohnReznick LLP

Sacramento, California
December 21, 2022

Capitol Area Development Authority

Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2022 and 2021

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 years ended June 30, 2022 and 2021.

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, 2022

- During the year, the Authority had revenues of approximately $15.8 million consisting primarily of $8.3 million in rental and other revenues, $7.1 million in tax increment revenue and $.4 million in interest income.
- The Authority had expenses totaling approximately $12.9 million consisting primarily of $4.4 million in employee services and benefits, $5.2 million related to property management operations, $1.5 million of interest expense on the Authority's debt, $.9 million for development projects, and $.9 million in depreciation expense.
- The Authority expended nearly $827,368 during the year on major construction projects budgeted for the structures that the Authority manages in the Capitol Area, of which $770,015 was capitalized.
- The net OPEB liability required under Governmental Accounting Standards Board ("GASB") No. 75 (GASB 75) has decreased by $1.8 million creating a OPEB asset instead of a liability of $351,102 as of June 30, 2022.
- The net pension liability required under GASB No. 68 has decreased by $2.2 million to $2.9 million as of June 30, 2022.
- The Authority implemented GASB No. 87, as the lessor and lessee, resulting in increases of $1.5 million in lease receivables, $.5 million in right of use asset and $.5 million in lease liability and $1.5 million in deferred inflows of resources.
- The Authority entered into a purchase agreement for property at 2000 16th Street; $3.3 million were held in escrow as of June 30, 2022 for this purchase.
- 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 $21.9 million in net position, as of June 30, 2022, meets this objective.

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 Housing Tax Credits and other loans. As part of the financing, gap loans were needed from CADA of $1.5 million for the 1322 O Street project and $3.3 million for the 1717 S Street project.

- 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 which 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.

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 $21,893,155 as of June 30, 2022.

Condensed Statements of Net Position at June 30, 2022 and 2021

	2022	2021	Change $	Change %
Assets				
Current and other assets	$ 64,156,962	$ 63,862,693	$ 294,269	0%
Capital assets, net	11,107,878	10,984,467	123,411	1%
Total assets	$ 75,264,840	$ 74,847,160	$ 417,680	1%
Deferred outflows of resources (DOR)				
DOR - Pensions and OPEB	$ 1,644,845	$ 1,563,524	$ 81,321	5%
Liabilities				
Current liabilities	$ 2,883,087	$ 3,759,977	$ (876,890)	-23%
Non-current liabilities	46,190,606	51,391,128	(5,200,522)	-10%
Total liabilities	$ 49,073,693	$ 55,151,105	$ (6,077,412)	-11%
Deferred inflows of resources (DIR)				
DIR - Pensions, OPEB and Leases	$ 5,942,837	$ 2,305,804	$ 3,637,033	158%
Net position				
Net investment in capital assets	$ (3,048,551)	$ (4,284,639)	$ 1,236,088	29%
Restricted for insurance and reserves	1,757,108	1,335,423	421,685	32%
Unrestricted	23,184,598	21,902,991	1,281,607	6%
Total net position	$ 21,893,155	$ 18,953,775	$ 2,939,380	16%

Analysis of Net Position - June 30, 2022:

The Authority's net position increased during the current year by $2,939,380, as a result of consistent rental revenue and intergovernmental revenue, reductions in development activity and interest expense, offset by minimal increasing expenses within maintenance and services expenses.

A portion of the Authority's net position is invested in capital assets. This category, which increased by $1,236,088, consists of the cost basis of assets acquired, less depreciation and related debt, net of unspent proceeds. The increase in the net investment in capital assets category of $1,236,088 is the net effect of an increase of $123,411 from additions in capital assets, and a decrease in the related debt due to $1,112,677 in debt repayments.

The historical cost of capital assets increased by $1.1 million as a result of acquisitions of equipment and improvements to buildings. Depreciation expenses reduced the carrying value of the total capital assets by $937,384, for a net increase in the net value of capital assets of $123,411. Additional information on the Authority's capital assets can be found in Note 7 to the Financial Statements.

Liabilities decreased by $6 million following the annual bond payment with reductions to both the pension and OPEB liabilities due to increases in net plan assets.

Condensed Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended June 30, 2022 and 2021

	2022	2021	Change $	Change %
Revenue				
Operating revenue				
Rental revenue, net	$ 8,317,313	$ 7,648,773	$ 668,540	9%
Other revenue	32,466	46,095	(13,629)	-30%
Non-operating revenue				
Interest income	430,692	439,838	(9,146)	-2%
Intergovernmental	7,109,295	7,066,397	42,898	1%
Total revenue	$ 15,889,766	$ 15,201,103	$ 688,663	5%
Expenses				
Operating expenses				
Employee services and benefits	$ 4,399,105	$ 4,470,422	$ (71,317)	-2%
Development projects	861,739	2,726,098	(1,864,359)	-68%
Other	6,210,301	5,514,848	695,453	13%
Non-operating expenses				
Interest expense	1,452,787	2,507,193	(1,054,406)	-42%
Other	26,454	(18,986)	45,440	
Total expenses	12,950,386	15,199,575	(2,249,189)	-15%
Change in net position	2,939,380	1,528	2,937,852	192268%
Net position, beginning of year	18,953,775	18,952,247	1,528	0%
Net position, end of year	$ 21,893,155	$ 18,953,775	$ 2,939,380	16%

The Authority's net position in the current year increased by $2,939,380 as a result of fiscal year ended June 30, 2022 operations. This represents a $2,937,852 increase compared to the prior year due to slight increases in revenues and decreases in development activities and interest expenses.

Revenue reflects a net increase 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 $42,898 and reflects a continued increase in property taxes within the Authority's boundaries. Rental revenue increased by $668,540, with gross rental revenue increasing by $1.4 million. This net increase is due to increase within commercial revenue category and rental revenue, along with increases of $709,318 in vacancy losses and loss to lease, and a decrease in low-income subsidies of $58,618. Interest income decreased as a result of slightly 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 an increase of $688,669 in total revenue.

Expenses decreased by $2.2 million during the fiscal year ended June 30, 2022, largely due to decreases in development activities and interest expense, along with increases in maintenance, services, and supply expense categories. Decreases for development projects of $1.8 million were mainly the result of providing gap financing for a new affordable housing project at 1322 O Street in the prior year. The decrease of $1 million in interest expenses was mainly due to the bond issue cost for the new 2020 bond in the prior year.

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

	2021	2020	Change $	Change %
Assets				
Current and other assets	$ 63,862,693	$ 32,369,970	$ 31,492,723	97%
Capital assets, net	10,984,467	8,580,120	2,404,347	28%
Total assets	$ 74,847,160	$ 40,950,090	$ 33,897,070	83%
Deferred outflows of resources (DOR)				
DOR - Pensions and OPEB	$ 1,563,524	$ 1,621,272	$ (57,748)	100%
Liabilities				
Current liabilities	$ 3,759,977	$ 1,878,563	$ 1,881,414	100%
Non-current liabilities	51,391,128	20,557,803	30,833,325	150%
Total liabilities	$ 55,151,105	$ 22,436,366	$ 32,714,739	146%
Deferred inflows of resources (DIR)				
DIR - Pensions, OPEB and Leases	$ 2,305,804	$ 1,182,749	$ 1,123,055	100%
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	$ 18,953,775	$ 18,952,247	$ 1,528	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 $1,754,507 from additions in capital assets, and a decrease in the related debt due to $29,249 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 $930,015, 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 7 to the Financial Statements.

Liabilities increased by $32,714,739 following the issuance of new long-term debt (2020 Tax Allocation Bond), discussed below in the Capital Asset and Debt Administration section.

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

	2021	2020	Change $	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	$ 15,201,103	$ 15,426,578	$ (225,475)	-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	5,514,848	5,205,877	308,971	6%
Non-operating expenses				
Interest expense	2,507,193	1,517,653	989,540	65%
Other	(18,986)	625	(19,611)	
Total expenses	15,199,575	12,625,440	2,574,135	20%
Change in net position	1,528	2,801,138	(2,799,610)	-100%
Net position, beginning of year	18,952,247	16,151,109	2,801,138	17%
Net position, end of year	$ 18,953,775	$ 18,952,247	$ 1,528	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 $989,540 in interest expenses was mainly due to the interest expense for the new bonds.

Capital Asset and Debt Administration

Capital assets: As reflected in the Statements of Net Position above, the Authority's investments in capital assets were $11,107,878 and $10,984,467 (net of accumulated depreciation) at June 30, 2022 and 2021, respectively. This investment in capital assets, as reflected in the Notes to the Financial Statements, includes land, construction in progress, building and improvements, machinery and equipment, and the right of use asset. Additions during the years ended June 30, 2022 and 2021, totaled $1.1 million and $2.7 million, respectively. The 2022 additions included building improvements of $741,554, machinery and equipment costs of $119,359, and a reduction in construction in progress of $28,461. 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. Depreciation on capital assets totaled $937,384 and $930,015, respectively, for the years ending June 30, 2022 and 2021.

Additional information on the Authority's capital assets can be found in Note 7 to the Financial Statements.

Lease liability: Following the adoption of GASB 87, the Authority recorded a lease liability for $530,525 and $591,021 as of June 30, 2022 and 2021, respectively. During the years ended June 30, 2022 and 2021, lease liability was reduced by $60,496 and $58,819, respectively.

Additional information on the Authority's lease liability can be found in Notes 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 $43,828,377 and $45,516,140 as of June 30, 2022 and 2021, respectively. During the years ended June 30, 2022 and 2021, principal payments reduced notes payable by $233,210 and $227,675, respectively, and bonds payable by $1,454,553 and $550,855, respectively.

Additional information on the Authority's Long-Term Debt can be found in Notes 8 and 9 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, 2022:

- An increase to the Capitol Area tax increment revenue was budgeted due to the current year receipts and anticipated tax levels for FY 2022-2023. This increase appeared to be due to increases in property values over the last fiscal year in the Authority's area, including sales of property and a 2% property tax increase imposed by the County Tax Assessor.

- An increase was budgeted for rental revenue to reflect FY 2021-22 current rental revenue levels and an estimated 2.5 % increase based on anticipated additional revenue due to approved rent increases for FY 2022-23. In prior years commercial revenue had been drastically reduced due to rent credits given to the tenants, with the reduction of COVID-19 relief credits the budget for commercial revenue was proposed to be increased in FY 2022-23 to reflect this change.

- Budgeted current development projects of $3,709,550 will be funded as part of the General Operations Budget for the fiscal year ending June 30, 2023. Development funding outlays have been decreased from the prior year reflecting the reduction of funds needed for the 1322 O street project

- For the 2020 Tax Allocation Bond (TAB), $3 million in proceeds was budgeted for project funding for Sonrisa project, project subsidies for a possible project at 805 R street and streetscape 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 $2 million to be funded through the General Operations Budget and the release of prior year funding.

- The Authority budgeted $210,000 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 continued to offer lease rent credit during this time which has reduced the potential amount of 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. In 2022, the Authority entered into a DDA with a new developer to complete a housing project at this site and in August 2022 the developer closed on the site and purchased the property for $2,362,268. The Authority has also agreed to provide the developer with a $400,000 grant for infrastructure improvements at the site.

- The Authority is looking to work in partnership with Mutual Housing to propose and build a new affordable housing project at 805 R Street.

- The Authority is continuing to work with the City of Sacramento to plan 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. 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.

- The Authority will continue exploring options for the development of other sites, including but not limited to, Block 222, East End Gateway Site 5/6/7, 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 closed on a property at 2000 16th Street for a possible future affordable housing project.

- The Authority is continuing to investigate additional opportunities for 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, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 51,963,435	$ 55,603,333
Accounts receivable, net	170,691	71,993
Lease receivable, current portion	75,090	28,968
Prepaid expenses	113,134	141,987
Escrow deposits	3,282,488	-
Restricted cash and cash equivalents		
Tenant and event security deposits	421,912	400,631
Letter of credit reserve	308,052	-
Debt covenant reserves	385,705	385,505
Insurance impounds	32,555	24,600
Employee benefits	26,847	26,710
Funds held for others	55,340	215,362
Total restricted cash and cash equivalents	1,230,411	1,052,808
Total current assets	56,835,249	56,899,089
Noncurrent assets		
Advance to affiliate, long-term	701,517	701,517
Investment in joint venture	100	100
Lease receivable, net of current portion	1,452,493	1,551,164
Restricted cash and cash equivalents		
Replacements and operating reserves	741,501	635,823
Insurance risk reserve	675,000	675,000
Total restricted cash and cash equivalents	1,416,501	1,310,823
Notes receivable, net of current portion	3,400,000	3,400,000
Net OPEB asset	351,102	-
Capital assets		
Non-depreciable	3,830,751	3,659,330
Depreciable, net	7,277,127	7,325,137
Total capital assets	11,107,878	10,984,467
Total noncurrent assets	18,429,591	17,948,071
Total assets	$ 75,264,840	$ 74,847,160
Deferred Outflows of Resources		
Deferred outflows related to pensions	$ 1,014,829	$ 995,992
Deferred outflows related to OPEB	630,016	567,532
Total deferred outflows of resources	$ 1,644,845	$ 1,563,524

Capitol Area Development Authority

Statements of Net Position
June 30, 2022 and 2021

	2022	2021
Liabilities		
Current liabilities		
Accounts payable	$ 171,297	$ 815,985
Lease liability, current portion	62,220	60,496
Prepaid rent	38,927	40,120
Due to state - HCD	88,497	64,410
Accrued benefits payable	94,720	83,488
Accrued interest payable	322,363	329,817
Tenant security deposits	421,912	400,631
Developer deposits	95,000	70,000
Funds held for others	47,246	207,268
Notes payable, current portion	238,948	233,210
Bonds payable, current portion	1,301,957	1,454,552
Total current liabilities	2,883,087	3,759,977
Noncurrent liabilities		
Accrued interest payable	294,128	227,443
Notes payable, net of current portion	4,195,593	4,434,541
Bonds payable, net of current portion	38,091,879	39,393,837
Lease liability, net of current portion	468,305	530,525
Net pension liability	2,925,314	5,126,883
Net OPEB liability	-	1,455,263
Compensated absences payable	215,387	222,636
Total noncurrent liabilities	46,190,606	51,391,128
Total liabilities	$ 49,073,693	$ 55,151,105
Deferred Inflows of Resources		
Deferred inflows related to pensions	$ 2,553,628	$ 33,337
Deferred inflows related to OPEB	1,899,189	692,335
Deferred inflows related to leases	1,490,020	1,580,132
Total deferred inflows of resources	$ 5,942,837	$ 2,305,804
Net Position		
Net investment in capital assets	$ (3,048,551)	$ (4,284,639)
Restricted for insurance and reserves	1,757,108	1,335,423
Unrestricted	23,184,598	21,902,991
Total net position	$ 21,893,155	$ 18,953,775

See Notes to Financial Statements.

Capitol Area Development Authority

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021
Operating revenue		
Rental revenue, net	$ 8,317,313	$ 7,648,773
Other revenue		
Miscellaneous	32,466	46,095
Total operating revenue	8,349,779	7,694,868
Operating expense		
Employee services and benefits	4,399,105	4,470,422
Services and supplies	2,998,899	2,555,496
Development projects	861,739	2,726,098
Repairs and maintenance	2,189,839	1,915,232
Bad debt expense	84,179	114,105
Depreciation and amortization	937,384	930,015
Total operating expense	11,471,145	12,711,368
Operating loss	(3,121,366)	(5,016,500)
Non-operating revenue (expense)		
Interest income	430,692	439,838
Interest and financing expense	(1,452,787)	(2,507,193)
HCD annuity	(26,454)	18,986
Intergovernmental	7,109,295	7,066,397
Total non-operating revenue	6,060,746	5,018,028
Change in net position	2,939,380	1,528
Net position, beginning of year	18,953,775	18,952,247
Net position, end of year	$ 21,893,155	$ 18,953,775

See Notes to Financial Statements.

Capitol Area Development Authority

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Rental receipts	$ 8,095,680	7,553,871
Other operating receipts	57,466	46,095
Tenant security deposits received	97,791	82,426
Payroll and related costs paid	(4,757,232)	(4,408,983)
Services and supplies expenses paid	(3,083,706)	(2,235,408)
Development project expenses paid	(916,515)	(1,175,095)
Operating and maintenance expenses paid	(2,495,683)	(1,719,136)
Tenant security deposits paid	(76,510)	(84,779)
Funds held for others	(160,022)	(28,496)
Net cash used in operating activities	(3,238,731)	(1,969,505)
Cash flows from noncapital financing activities		
Intergovernmental	7,106,928	7,106,422
Net cash provided by noncapital financing activities	7,106,928	7,106,422
Cash flows from capital and related financing activities		
Principal payments on bonds and notes payable	(1,687,763)	(778,530)
Interest paid on bonds and notes payable	(1,393,556)	(2,197,550)
Proceeds from issuance of new tax allocation bonds	-	31,455,000
Funds deposited into escrow	(3,282,488)	-
Principal payments on lease liability	(60,496)	(58,819)
Payments for capital assets	(1,231,203)	(2,473,660)
Net cash provided by (used in) capital and related financing activities	(7,655,506)	25,946,441
Cash flows from investing activities		
Issuance of notes receivable	-	(2,853,178)
Repayment received on notes receivable	-	69,800
Interest receipts	430,692	441,234
Net cash provided by (used in) investing activities	430,692	(2,342,144)
Net increase (decrease) in cash and cash equivalents	(3,356,617)	28,741,214
Cash and cash equivalents, beginning of year	57,966,964	29,225,750
Cash and cash equivalents, end of year	$ 54,610,347	$ 57,966,964

Capitol Area Development Authority

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and cash equivalents	$ 51,963,435	$ 55,603,333
Restricted cash and cash equivalents		
Tenant and event security deposits	421,912	400,631
Letter of credit reserve	308,052	-
Debt covenant reserves	385,705	385,505
Insurance impounds	32,555	24,600
Employee benefits	26,847	26,710
Funds held for others	55,340	215,362
Replacements and operating reserves	741,501	635,823
Insurance risk reserve	675,000	675,000
Total cash and cash equivalents	$ 54,610,347	$ 57,966,964
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (3,121,366)	$ (5,016,500)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	937,384	930,015
Allowance for loan losses	-	1,500,000
Pension	237,401	(2,781)
OPEB	(248,409)	27,373
Changes in assets and liabilities		
Accounts receivable	(98,698)	6,448
Prepaid expenses	28,853	104,157
Lease receivable	(37,563)	-
Net OPEB asset	(351,102)	-
Accounts payable	(474,280)	458,572
Prepaid rent	(1,193)	12,755
Accrued benefits payable	11,232	(3,648)
Tenant security deposits payable	21,281	(2,353)
Developer deposits payable	25,000	-
Funds held for others	(160,022)	(28,496)
Compensated absences payable	(7,249)	44,953
Net cash used in operating activities	$ (3,238,731)	$ (1,969,505)
Significant noncash capital and related financing activities		
Capital asset additions through accounts payable	$ 40,454	$ 210,862
Decrease in investment in joint venture reclassified as advances to affiliate and notes receivable	$ -	$ 2,748,339

See Notes to Financial Statements.

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 Capitol 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.

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, 2022 and 2021, the allowance for doubtful accounts is $500,099 and $424,085, 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, 2022 and 2021, 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.

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, 2022, 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 $215,387 and $222,636 as of June 30, 2022 and 2021, 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 (asset) 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.

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, 2020
Measurement Date:	June 30, 2021
Measurement Period:	July 1, 2020 to June 30, 2021

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 and lease liabilities that are 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.

New accounting pronouncements
During the fiscal year ended June 30, 2022, the Authority has adopted the following new accounting standards issued by the GASB:

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. The 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 must also be included in the financial statements. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2022. The adoption of this Statement did not have a significant effect on the beginning net position of the Authority, see Note 2.

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 adoption of this Statement had no impact on the Authority's financial statements for the period ended June 30, 2022.

Statement No. 92, "Omnibus 2020". GASB Statement No. 92 addresses a variety of topics including, among other things, Leases, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, Fiduciary Activities, Measurement of liabilities related to AROs. The adoption of this Statement had no impact on the Authority's financial statements for the period ended June 30, 2022.

Statement No. 93, "Replacement of Interbank Offered Rates". GASB Statement No. 93 assists state and local governments in the transition away from existing interbank offered rates ("IBOR") to other reference rates because of global reference rate reform, wherein the London Interbank Offered Rate ("LIBOR") is expected to cease to exist in its current form at the end of 2021. The objective of this Statement is to address implications that result from the replacement of an IBOR in Statement No. 53, Accounting and Financial Reporting for 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 the 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. The adoption of this Statement had no impact on the Authority’s financial statements and related disclosures.

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 adoption of this Statement had no impact on the Authority's financial statements for the period ended June 30, 2022.

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

- 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. 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. 99, "Omnibus 2022". GASB Statement No. 99 addresses a variety of topics including, among other things, Leases, PPPs, and SBITAs, extension of use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, financial guarantees, and classification and reporting of derivative instruments. The requirements related to financial guarantees and classification and reporting of derivative instruments within the scope of Statement 53 are effective for the Agency's year ending June 30, 2024. All other requirements of this statement are effective for the Authority’s year ending June 30, 2023.

- Statement No. 100, "Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62". Statement No. 100 establishes standards to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for the Authority's year ending June 30, 2024.

- Statement No. 101, "Compensated Absences". Statement No. 101 establishes standards to unify the recognition and measurement model of liabilities for compensated absences. The requirements of this Statement are effective for the Authority's year ending June 30, 2025.

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 - Change in Accounting Principle and Restatement

For 2022, the Authority implemented GASB Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the Authority's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority's 2020 financial statements include a prior period adjustment for the lease receivable, lease asset, lease liability and deferred inflow of resources. This adjustment had no effect on the beginning net position of the Authority since the deferred inflows equal the amount of the lease receivable.

The implementation of GASB Statement No. 87 had the following effect on net position as reported at June 30, 2020:

Net Position, June 30, 2020	$ 18,952,247
Adjustments:	
Lease receivable	1,585,335
Deferred inflow of resources	(1,585,335)
Net book value of right of use asset	649,840
Lease liability	(649,840)
Restated Net Position, June 30, 2020	$ 18,952,247

Note 3 - 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 $155,858 and $112,185 as of June 30, 2022 and 2021, 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, 2022 and 2021, the carrying amounts of the Authority's deposits with financial institutions were $2,403,347 and $6,100,705, respectively. Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 and for amounts over $250,000 collateralized with securities by pledging financial institutions in the Authority’s name in accordance with the California Government Code as discussed above. $1,289,703 is insured with FDIC and remaining $1,645,522 is uninsured but collateralized as of June 30, 2022.

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 years .97 and 3.14 years as of June 30, 2022 and 2021, respectively.

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

As of June 30, 2022, the Authority's deposits, investments and credit ratings are as follows:

		Maturities		
	Credit rating	Under 30 days	1 - 5 years	Total
Cash and cash equivalents				
City investment pool	Not rated	$ -	$ 51,765,955	$ 51,765,955
Money market mutual funds	AAA/Aaa	441,045	-	441,045
Deposits	N/A	-	-	2,403,347
Total		$ 441,045	$ 51,765,955	$ 54,610,347

As of June 30, 2021, the Authority's deposits, investments and credit ratings are as follows:

	Credit rating	Maturities Under 30 days	1 - 5 years	Total
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		$ 600,868	$ 51,265,391	$ 57,966,964

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 4 - Notes receivable

Notes receivable consist of the following at June 30:

	2022	2021
1322 O Street Investor, LP		
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 released and refunded back to CADA upon acceptance of improvements by the City.	$ 100,000	$ 100,000
1717 S Street Investor, LP		
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	3,300,000
Total	$ 3,400,000	$ 3,400,000

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 set up for the full amount of the loan.

Residual receipt loans consist of the following at June 30, 2022:

<u>R Street LP for the Warehouse Artist Lofts Project</u>

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.	$	3,960,000
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.		1,070,300
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.		1,320,000
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.		851,400
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.		283,400
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.		546,000
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.		1,620,000
Total	$	14,597,180

Note 5 - 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 6 - Leases

Lease payable

On December 1, 2002, the Authority, as a lessee, had entered a sublease agreement with the Department of General Services (DGS) for the real property located at 1522 14th Street, Sacramento, CA. As the interest rate implicit in the DGS's lease is not readily determinable, the Authority uses the State of California's incremental borrowing rate of 2.85%. The Authority has exercised the first option to extend the agreement and is paying monthly payments of $6,445 through 2024. The Authority has a second option to renew for 5 years with a monthly payment of $6,638.

	Lease Liability Current Portion	Lease Liability Noncurrent Portion	Right of Use Asset, net	Lease Amortization Expense	Lease Interest Expense
Administrative Office	$ 62,220	$ 468,305	$ 522,164	$ 68,857	$ 16,844

The following is a summary of the lease payable transactions for the fiscal years ended June 30, 2022 and 2021:

Balance June 30, 2021	Additions	Reduction	Balance June 30, 2022	Amounts due within one year
$ 591,021	$ -	$ (60,496)	$ 530,525	$ 62,220

Balance June 30, 2020	Additions	Reduction	Balance June 30, 2021	Amounts due within one year
$ 649,840	$ -	$ (58,819)	$ 591,021	$ 60,496

The following is a schedule of future minimum lease payment requirements through the term of the lease agreement noted above subsequent to June 30, 2022:

	Total future required payments	Less amount representing interest	Present value of future minimum lease payments
2023	$ 77,340	$ (15,120)	$ 62,220
2024	77,340	(13,347)	63,993
2025	78,305	(11,523)	66,782
2026	79,656	(9,620)	70,036
2027	79,656	(7,624)	72,032
2028-2030	205,778	(10,316)	195,462
Total	$ 598,075	$ (67,550)	$ 530,525

Curent portion	$ 62,220
Noncurent portion	468,305
Total lease liability	$ 530,525

Leases receivable
The Authority, as a lessor, has entered into lease agreements for the use of certain ground and commercial spaces. Terms of the agreements are listed below. As an interest rate implicit in the Authority's leases is not readily determinable, the Authority uses the State of California's incremental borrowing rate or 2.85% and 3.22% based on the lease expiration date. For fiscal years 2022 and 2021, the Authority held the following leases:

	2022				
	Lease Receivable Current Portion	Lease Receivable Noncurrent Portion	Deferred Inflows of Resources	Lease Revenue	Lease Interest Revenue
Ground lease					
The Terrace	$ 20,972	$ 982,021	$ 990,300	$ 53,268	$ 32,951
Commercial lease					
Sam's Market	$ 22,424	$ 257,570	$ 267,569	$ 22,083	$ 9,423
Cap City Squeeze	5,393	41,185	44,611	5,040	1,430
University of Beer	13,578	103,704	115,560	16,428	3,705
Karma Brew	12,723	68,013	71,980	5,634	2,393
Total	$ 75,090	$ 1,452,493	$ 1,490,020	$ 102,453	$ 49,902

	2021				
	Lease Receivable Current Portion	Lease Receivable Noncurrent Portion	Deferred Inflows of Resources	Lease Revenue	Lease Interest Revenue
Ground lease					
The Terrace	$ 20,317	$ 1,002,992	$ 1,023,309	$ 53,268	$ 32,951
Commercial lease					
Sam's Market	$ 105	$ 292,549	$ 292,654	$ 9,532	$ 9,427
Cap City Squeeze	3,577	46,610	50,187	5,040	1,463
University of Beer	3,719	126,286	130,005	7,530	3,811
Karma Brew	1,250	82,727	83,977	3,679	2,429
Total	$ 28,968	$ 1,551,164	$ 1,580,132	$ 79,049	$ 50,081

Development ground lease
The Terrace – On December 1, 1992, the Authority entered into a 60-year development ground lease agreement with Sixteenth and O Street, a California Limited Partnership, for the property located at 1609-1623 O Street, Sacramento, CA. The Authority is receiving monthly payments through 2051, with an option to terminate commencing on November 30, 2022.

Commercial lease
Sam's Market – On March 1, 2018, the Authority entered into a 5-year lease agreement with Sam's Market for the real property located at 1330 O Street, Sacramento, CA. The Authority is receiving monthly payments through 2023, with two 5-year options to extend.

Cap City Squeeze – On May 1, 2014, the Authority entered into a 5-year lease agreement with Cap City Squeeze for real property located at 1426 14th Street, Suite D, Sacramento, CA. The lease has two 5-year options to extend, the tenant exercised the first 5-year extension in May 1, 2019, with the Authority receiving monthly payments through 2024.

University of Beer – On May 1, 2014, the Authority entered into a 5-year lease agreement with University of Beer for real property located at 1520 16th Street, Suite D, Sacramento, CA. The lease has two 5-year options to extend, the tenant exercised the first 5-year extension in May 1, 2019, with the Authority receiving monthly payments through 2024.

Karma Brew – On May 17, 2013, the Authority entered into a 5-year lease agreement with Karma Brew for real property located at 1530 16th Street, Suite A, Sacramento, CA. The lease has two 5-year options to extend, the tenant exercised the first 5-year extension in May 17, 2018, with the Authority receiving monthly payments through 2023.

Following is a schedule of future lease payments expected through the terms of the lease agreements noted above subsequent to June 30, 2022:

	Total future rental payments	Less amount representing interest	Present value of future lease payments receivable
2023	$ 123,373	$ (48,283)	$ 75,090
2024	123,373	(45,983)	77,390
2025	123,373	(43,611)	79,762
2026	123,373	(41,167)	82,206
2027	123,373	(38,647)	84,726
2028-2032	504,294	(156,317)	347,977
2033-2037	287,300	(113,460)	173,840
2038-2042	266,340	(86,443)	179,897
2043-2047	266,340	(55,553)	210,787
2048-2052	235,267	(19,359)	215,908
Total	$ 2,176,406	$ (648,823)	$ 1,527,583

Curent portion	$ 75,090
Noncurent portion	1,452,493
Total lease receivable	$ 1,527,583

Note 7 - Capital assets

Information on changes in capital assets is presented below:

	Balance June 30, 2021	Increases	Transfers	Balance June 30, 2022
Capital assets not being depreciated				
Land	$ 3,282,385	$ -	$ -	$ 3,282,385
Construction in progress	376,945	199,882	(28,461)	548,366
Total	3,659,330	199,882	(28,461)	3,830,751
Capital assets being depreciated				
Buildings and improvements	26,277,924	741,554	28,461	27,047,939
Machinery and equipment	630,416	119,359	-	749,775
Intangible right of use lease - admin office	649,840	-	-	649,840
	27,558,180	860,913	28,461	28,447,554
Less accumulated depreciation				
Buildings and improvements	(19,760,995)	(790,102)	-	(20,551,097)
Machinery and equipment	(413,229)	(78,425)	-	(491,654)
Intangible right of use lease - admin office	(58,819)	(68,857)	-	(127,676)
	(20,233,043)	(937,384)	-	(21,170,427)
Total capital assets being depreciated, net	7,325,137	(76,471)	28,461	7,277,127
Capital assets, net	$ 10,984,467	$ 123,411	$ -	$ 11,107,878

	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
Intangible right of use lease - admin office	649,840	-	-	649,840
	26,933,964	425,461	198,755	27,558,180
Less accumulated depreciation				
Buildings and improvements	(18,964,178)	(796,817)	-	(19,760,995)
Machinery and equipment	(338,850)	(74,379)	-	(413,229)
Intangible right of use lease - admin office	-	(58,819)	-	(58,819)
	(19,303,028)	(930,015)	-	(20,233,043)
Total capital assets being depreciated, net	7,630,936	(504,554)	198,755	7,325,137
Capital assets, net	$ 9,229,960	$ 1,754,507	$ -	$ 10,984,467

Note 8 - Notes payable

Notes payable consists of the following at June 30:

	2022	2021	GASB 88 Disclosures
State of California Department of General Services ("DGS")			
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.	$ 474,504	$ 537,128	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.	149,187	168,876	A1, B1, C1, D1, E1

	2022	2021	GASB 88 Disclosures
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.	235,166	266,202	A1, B1, C1, D1, E1
California Housing Finance Agency			
Monthly installments of $7,836, including principal and interest at 5.25% to August 2033, secured by 17th Street Commons project.	797,556	848,261	A1, B2, C2, D1, E2
Sacramento Housing Finance Agency			
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.	131,861	148,342	A1, B2, C2, D2, E3
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. Note was paid in full subsequent to year-end.	25,000	50,000	A1, B3, C3, D3, E3

California Department of Housing and Community Development (HCD)			
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
California Infrastructure & Economic Development Bank			
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.	398,402	426,076	A1, B1, C5, D5, E5
Total	$ 4,434,541	$ 4,667,751	

Future maturities on notes payable for years subsequent to June 30, 2022 are as follows:

	Principal	Interest	Total
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	239,119	43,030	282,149
2028-2032	2,130,455	198,571	2,329,026
2033-2034	1,386,526	496,174	1,882,700
	$ 4,434,541	$ 905,846	$ 5,340,387

The following is a summary of the notes payable transactions for the fiscal years ended June 30, 2022 and 2021:

Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Amounts due within one year
$ 4,667,751	$ -	$ (233,210)	$ 4,434,541	$ 238,948

Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Amounts due within one year
$ 4,895,426	$ -	$ (227,675)	$ 4,667,751	$ 233,210

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 consequenses

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 consequenses

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

Note 9 - 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:

Maturity Date	Amount	Interest Rate
10/1/2021	$ 880,000	0.957%
10/1/2022	715,000	1.027%
10/1/2023	725,000	1.174%
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%
	$ 31,455,000	

Future debt service requirements for years subsequent to June 30, 2022 are as follows:

	Principal	Interest	Total
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	1,403,553	1,145,246	2,548,799
2028-2032	7,685,977	5,087,587	12,773,564
2033-2037	6,683,142	3,900,314	10,583,456
2038-2042	5,480,000	2,922,836	8,402,836
2043-2047	6,565,000	1,815,412	8,380,412
2048-2051	6,195,000	483,456	6,678,456
	$ 39,393,836	$ 20,270,634	$ 59,664,470

The following is a summary of the bonds payable transactions for the fiscal years ended June 30, 2022 and 2021:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Amounts due within one year
TAB payable	$ 40,848,389		$ (1,454,553)	$ 39,393,836	$ 1,301,957

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Amounts due within one year
TAB payable	$ 9,944,244	$ 31,455,000	$ (550,855)	$ 40,848,389	$ 1,454,552

Note 10 - Compensated absences

The following is a summary of the compensated absences payable for the fiscal years ended June 30, 2022 and 2021:

Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022
$ 222,636	$ 161,897	$ (169,146)	$ 215,387

Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021
$ 177,683	$ 141,554	$ (96,601)	$ 222,636

Note 11 - R Street Property and Business Improvement District

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

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

The Authority will act as a pass-through of the levied assessments from the County of Sacramento to the managing non-profit. For the years ended June 30, 2022 and 2021, the receipt and disbursement of the levied assessment was netted within Intergovernmental Revenue.

Note 12 - 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 whereby 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 whereas 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 13 - 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. In November 2021 CADA received a release of funds from Central Valley Water Board for the termination of the cleanup trust for the 1717 S Street Investors, LLC, and the remaining funds of $160,022 was returned to the partnership. The remaining restricted cash balances for the 17 R Orchard Partners, LP is $55,340 and $55,340 as of June 30, 2022 and 2021, respectively.

Note 14 - 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 ("ACFR") 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 2022 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

Board of Administration. The required employer contribution rates for classic members were 11.60% and 11.746% and for PEPRA members were 7.73% and 7.874% for the years ended June 30, 2022 and 2021, respectively. The Authority has been notified that the required employer contribution rate for classic members will be 11.61% and PEPRA members will be 7.76% for the year ending June 30, 2023 and an annual payment on the Authority's unfunded liability of $431,119 for classic member and $5,933 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, 2022, the Authority reported net pension liability for its proportionate share of the net pension liability of $2,925,314.

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, 2021 (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, 2020 rolled forward to June 30, 2021 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, 2022 for all members was .15406% which increased as compared to the percentage as of June 30, 2021 of .11081%.

Pension expense and deferred outflows/inflows of resources related to pensions
For the year ended June 30, 2022, the Authority recognized pension expense of $299,885. At June 30, 2022, 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	$ 328,040	$ -
Net difference between projected and actual earnings on pension plan investments	-	2,553,628
Change in assumptions	-	-
Contributions made subsequent to the measurement date	686,789	-
Total	$ 1,014,829	$ 2,553,628

The $686,789 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, 2023. 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
2023	$ (460,256)
2024	(495,815)
2025	(563,825)
2026	(705,692)
	$ (2,225,588)

Actuarial assumptions
For the measurement period ended June 30, 2021 (measurement date), the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2021 and the June 30, 2022 total pension liability was based on the following actuarial method and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service (1)
Payroll Growth	3.00%
Investment Rate of Return	7.15% (2)
Mortality Rate (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, 2021 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website under Forms and Publications.

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of 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 (a)	Assumed asset allocation	Real return years 1 - 10 (b)	Real return years 11+ (c)
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100%		

(a) In the System's ACFR, Fixed Income is included in Global Debt Securities;
(b) An expected inflation of 2.00% used for this period
(c) 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	$ 6,986,274	$ 2,925,314	$ (43,182)

Note 15 - 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 $149 per month for calendar year 2019.

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, 2021, there are 24 retirees receiving benefits under the program and no other retiree who is currently waiving coverage. At the same measurement date, the Authority had 38 active employees of which 28 were enrolled in the medical program and 10 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, 2022, the Authority's cash contributions were $366,659, in payments to the trust and the estimated implied subsidy was $50,757 resulting in total payments of $417,416. The Authority has a trust with the California Employers' Retiree Benefit Trust (CERBT) for the purpose of prefunding OPEB obligations for past services.

Net OPEB (asset) liability

The Authority's net OPEB (asset) liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021 based on the following actuarial methods and assumptions:

Actuarial assumptions
For the measurement period ended June 30, 2021 (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:	6.10%
Discount Rates:	6.10%
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 2022 applied generationally from 2015.
Healthcare Trend Rate:	5.8% for 2023 decreasing to 3.9% in 2076 and later

Discount rate
The discount rate used to measure the total OPEB liability was 6.10%. 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.

Changes in the OPEB (asset) liability
The changes in the net OPEB (asset) liability for the OPEB Plan are as follows:

	Total OPEB liability	Fiduciary net position	Net OPEB (asset) liability
Balance at June 30, 2021	$ 5,338,016	$ 3,882,753	$ 1,455,263
Changes recognized for the measurement period			
Service cost	230,884	-	230,884
Interest cost	377,533	-	377,533
Expected investment income	-	274,783	(274,783)
Employer contributions	-	395,530	(395,530)
Benefit payments	(194,828)	(194,828)	-
Investment expenses	-	(1,471)	1,471
Unexpected changes			
Plan experience	(1,183,791)	-	(1,183,791)
Assumption changes	232,205	-	232,205
Investment income	-	794,354	(794,354)
Net changes during the year	(537,997)	1,268,368	(1,806,365)
Balance at June 30, 2022	$ 4,800,019	$ 5,151,121	$ (351,102)

Sensitivity of the net OPEB (asset) liability to changes in the discount rate
The following presents the Authority's net OPEB (asset) 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 (asset) liability
1% Decrease (5.10%)	$ 265,067
Current Discount Rate (6.10%)	(351,102)
1% Increase (7.10%)	(866,553)

Sensitivity of the net OPEB (asset) liability to changes in the Healthcare cost trend rates
The following presents the Authority's net OPEB (asset) 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 (asset) liability
1% Decrease	$ (933,123)
Current Trend	(351,102)
1% Increase	355,711

Recognition of deferred outflows and deferred inflows of resources
Gains and losses related to changes in total OPEB (asset) liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

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

- Net differences between projected and actual earnings on OPEB plan investments are recognized over a 5.5-year period using the straight-line method.

- All other amounts are recognized over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the measurement period.

OPEB expense and deferred outflows/inflows of resources related to OPEB
Gains and losses related to changes in total OPEB (asset) liability and fiduciary net position are recognized in OPEB expense systematically over time.

For the fiscal year ended June 30, 2022, the Authority recognized OPEB expense (income) of ($244,579). As of June 30, 2022, 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	$ 417,416	$ -
Changes of assumptions	212,600	53,647
Difference between expected and actual experience	-	1,295,312
Net differences between projected and actual earnings on plan investments	-	550,230
Total	$ 630,016	$ 1,899,189

The $417,416 reported as deferred outflows of resources related to contributions made subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net OPEB liability during the Authority's fiscal year ending June 30, 2023. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as expense (revenue) as follows:

Fiscal year ending June 30	Deferred outflows/ (inflows) of resources
2023	$ (506,426)
2024	(438,873)
2025	(362,822)
2026	(341,867)
2027	(36,601)
	$ (1,686,589)

Note 16 - 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 2022, the financial impact of the novel COVID-19 coronavirus continues to be 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 Authority's mission will be adversely and significantly impacted.

Note 17 - Subsequent events

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date, require disclosure in the accompanying notes. Management evaluated the activity of the Authority through December 21, 2022, the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require disclosure in the notes to the financial statements, except as noted below:

In July 2022, the Authority closed on the purchase of property at 2000 16th Street for $3,289,254. In August 2022, the new Developer for Site 21 at 1330 N Street closed on the project with the Authority and as part of the agreement they purchased the property for $2,362,268.

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, 2022 Last 10 Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the collective net pension liability	0.15406%	0.11081%	0.11055%	0.11038%	0.11312%	0.11367%	0.10455%	0.04431%
Authority's proportionate share of the collective net pension liability	$ 2,925,314	$ 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	$ 2,600,204	$ 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	113%	208%	207%	194%	212%	188%	144%	141%
Plan's fiduciary net position as a percentage of the Plan's total pension liability	90.48915%	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	$ 686,789	$ 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, 2021 and 2022, there were no changes to the benefit terms.

Changes in assumptions. In 2020, 2021 and 2022, 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 eight years are shown.

See Independent Auditor's Report.

Capitol Area Development Authority

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

As of June 30, 2022 Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 686,789	$ 616,274	$ 556,243	$ 462,994	$ 433,748	$ 356,976	$ 283,507	$ 238,682
Contributions in relation to the contractually required contribution	(686,789)	(616,274)	(556,243)	(462,994)	(433,748)	(356,976)	(283,507)	(238,682)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 2,600,204	$ 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	26.41%	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 Mortality are based on the 2017 CalPERS Experience Study which 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 eight years are shown.

See Independent Auditor's Report.

Capitol Area Development Authority

Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios

As of June 30, 2022 Last 10 Years*

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	$ 230,884	$ 224,159	$ 197,834	$ 191,607	$ 188,788
Interest on total OPEB liability	377,533	351,625	377,988	353,450	382,973
Changes of assumptions	232,205	-	(121,843)	-	265,905
Differences between expected and actual experience	(1,183,791)	-	(568,761)	-	(942,103)
Benefit payments	(194,828)	(219,240)	(211,494)	(189,969)	(190,888)
Net change in total OPEB liability	(537,997)	356,544	(326,276)	355,088	(295,325)
Total OPEB liability - beginning	5,338,016	4,981,472	5,307,748	4,952,660	5,247,985
Total OPEB liability - ending (a)	$ 4,800,019	$ 5,338,016	$ 4,981,472	$ 5,307,748	$ 4,952,660
Plan fiduciary net position					
Contributions from employer	$ 395,530	$ 425,066	$ 406,132	$ 396,403	$ 649,631
Net investment income	1,069,137	125,084	196,181	218,384	163,421
Benefit payments	(194,828)	(219,240)	(211,494)	(189,969)	(190,888)
Administrative expenses	(1,471)	(1,739)	(678)	(5,092)	(1,217)
Investment expenses	-	-	-	-	72,294
Net change in plan fiduciary net position	1,268,368	329,171	390,141	419,726	693,241
Plan fiduciary net position - beginning	3,882,753	3,553,582	3,163,441	2,743,715	2,050,474
Plan fiduciary net position - ending (b)	$ 5,151,121	$ 3,882,753	$ 3,553,582	$ 3,163,441	$ 2,743,715
Net OPEB (asset) liability - ending (a) - (b)	$ (351,102)	$ 1,455,263	$ 1,427,890	$ 2,144,307	$ 2,208,945
Plan fiduciary net position as a percentage of total OPEB liability	107.31%	72.74%	71.34%	59.60%	55.40%
Covered-employee payroll	$2,469,638	$ 2,281,221	$ 2,146,924	$ 2,090,603	$ 1,975,245
Net OPEB (asset) liability as a percentage of covered employee payroll	-14.22%	63.79%	66.51%	102.57%	111.83%

Notes to Schedule

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

Changes in assumptions. In 2022, the discount rate was decreased from 6.90% to 6.10%; the mortality improvement scale was updated to MacLeod Watts Scale 2022; the healthcare trend was updated to Getzen Model 2022_b as published by the Society of Actuaries; and the percentage of employees retiring with between 5 and 10 years of Authority service who are assumed to elect coverage was decreased from 100% to 50%.

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%.

See Independent Auditor's Report.

Capitol Area Development Authority

Schedule of OPEB Plan Contributions

As of June 30, 2022 Last 10 Years*

	2022	2021	2020	2019	2018
Actuarily Determined Contributions (ADC)	$ 366,359	$ 356,557	$ 372,138	$ 361,651	$ 352,468
Contributions in relation to the ADC	(417,416)	(395,530)	(425,066)	(406,132)	(352,468)
Contributions deficiency (excess)	$ (51,057)	$ (38,973)	$ (52,928)	$ (44,481)	$ -
Covered-employee payroll	$ 2,600,204	$ 2,469,638	$ 2,281,221	$ 2,146,924	$ 1,975,245
Contributions as a percentage of covered employee payroll	16.05%	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 2022 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 used 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	6.1% net of plan investment fees and including inflation
Healthcare cost trend rates	5.8 % in 2023, then decreasing to 3.9% 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 2022 applied generationally fron 2015.

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

Changes in assumptions. In 2022, the discount rate was decreased from 6.90% to 6.10%; the mortality improvement scale was updated to MacLeod Watts Scale 2022; the healthcare trend was updated to Getzen Model 2022_b as published by the Society of Actuaries; and the percentage of employees retiring with between 5 and 10 years of Authority service who are assumed to elect coverage was decreased from 100% to 50%.

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%.

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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 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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 21, 2022.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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.

CohnReznick LLP

Sacramento, California
December 21, 2022

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Attachment 1b

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, 2022 and 2021

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

Index

Independent Auditor's Report

Board of Directors
Capitol Area Development Authority
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Somerset Parkside Apartments as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Project and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Emphasis of Matter

As described in Note 1, the financial statements referred to above present only the financial position, the 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, 2022 and 2021 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.

Responsibilities of Management for the Financial Statements

The Project's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Project's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 17 to 27 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 22 and 23 and the Sponsor's project rating information at pages 24 to 27, 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 22 and 23 and the Sponsor's project rating information at pages 24 to 27 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 8, 2022, 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.

CohnReznick LLP

Sacramento, California
December 8, 2022

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

Statements of Net Position
June 30, 2022 and 2021

Assets

	2022	2021
Current assets		
Residential accounts receivable, net	$ 27,650	$ 25,290
Restricted cash - tenant security deposits	6,705	7,205
Total current assets	34,355	32,495
Noncurrent assets		
Restricted cash and cash equivalents - replacement reserve	236,379	192,984
Restricted cash and cash equivalents - operating reserve	55,303	55,276
Capital assets		
Construction in progress	16,841	-
Building and improvements	1,829,309	1,829,309
Less accumulated depreciation	(1,616,879)	(1,582,198)
Total capital assets	229,271	247,111
Total noncurrent assets	520,953	495,371
Total assets	$ 555,308	$ 527,866

Liabilities

	2022	2021
Current liabilities		
Accounts payable	$ 440	$ 16,808
HCD monitoring fees payable	53,267	41,722
Due to CADA	348,602	127,663
Unearned revenue - prepaid rent	2,755	2,753
Due to HCD - annuity payable	3,374	3,374
Tenant security deposits	6,705	7,205
Total current liabilities	415,143	199,525
Noncurrent liabilities		
Accrued interest	209,512	173,596
Note payable long term	1,197,213	1,197,213
Total noncurrent liabilities	1,406,725	1,370,809
Total liabilities	$ 1,821,868	$ 1,570,334

Net Position

	2022	2021
Net investment in capital assets	$ (967,942)	$ (950,102)
Restricted for operating and replacement reserves	291,682	248,260
Unrestricted	(590,300)	(340,626)
Total net position	$ (1,266,560)	$ (1,042,468)

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, 2022 and 2021

	2022	2021
Operating revenue		
Rental revenue, net	$ 172,494	$ 161,599
Miscellaneous	2,184	3,347
Total operating revenue	174,678	164,946
Operating expenses		
Payroll		
Salaries and benefits	104,367	75,392
Administrative		
Legal and accounting services	4,700	5,940
Management fee	20,270	19,680
Media	960	870
Total administrative	25,930	26,490
Utilities	53,441	38,119
Operating and maintenance		
Services and supplies	13,450	8,916
Courtesy patrol	4,284	4,080
Maintenance contract	69,558	85,889
Decorating and painting	2,640	1,060
Total operating and maintenance	89,932	99,945
Insurance and taxes		
Insurance	14,824	9,198
Property taxes	1,804	1,863
Total insurance and taxes	16,628	11,061
Depreciation	34,681	31,735
Total operating expenses	324,979	282,742
Operating loss	(150,301)	(117,796)

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, 2022 and 2021

	2022	2021
Nonoperating revenue (expenses)		
HCD annuity revenue (expense)	(26,454)	18,986
Interest income	124	128
HCD monitoring fee	(11,545)	(10,127)
Interest expense	(35,916)	(35,917)
Total nonoperating revenue (expenses), net	(73,791)	(26,930)
Change in net position	(224,092)	(144,726)
Net position, beginning	(1,042,468)	(897,742)
Net position, end	$ (1,266,560)	$ (1,042,468)

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, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Rental receipts	$ 170,136	$ 160,922
HCD annuity received (paid)	(26,454)	30,285
Other receipts	2,184	3,347
Tenant security deposits paid	(500)	(2,053)
Payroll and related costs	(104,367)	(75,392)
Administrative	(25,931)	(26,491)
Utilities	(53,441)	(38,119)
Operating and maintenance	(106,299)	(91,004)
Insurance and taxes	(16,628)	(11,061)
Net cash used in operating activities	(161,300)	(49,566)
Cash flows from capital and related financing activities		
Acquisition of capital assets	(16,841)	(19,583)
Net cash used in capital and related financing activities	(16,841)	(19,583)
Cash flows from noncapital financing activities		
CADA advances received	220,939	110,376
Net cash provided by noncapital financing activities	220,939	110,376
Cash flows from investing activities		
Interest income received	124	128
Net cash provided by investing activities	124	128
Net increase in cash and cash equivalents	42,922	41,355
Cash and cash equivalents, beginning	255,465	214,110
Cash and cash equivalents, end	$ 298,387	$ 255,465

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

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation to the statements of net position		
Restricted cash and cash equivalents		
Tenant security deposits	$ 6,705	$ 7,205
Replacement reserve	236,379	192,984
Operating reserve	55,303	55,276
Total cash and cash equivalents	$ 298,387	$ 255,465
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (150,301)	$ (117,796)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	34,681	31,735
Changes in assets and liabilities		
Residential accounts receivable	(2,360)	(2,307)
Due from HCD	(26,454)	-
Accounts payable	(16,367)	8,941
Unearned revenue - prepaid rent	1	1,629
Due to HCD	-	30,285
Tenant security deposits	(500)	(2,053)
Net cash used in operating activities	$ (161,300)	$ (49,566)

See Notes to Financial Statements.

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 .97 years and 3.14 years at June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, the Project's tenant security deposits are invested in the City's external investment pool. Detailed disclosures, including investment policies and associated risk policies, regarding the

Project's cash and investments are included in the notes to the Authority's basic financial statements.

For purposes of the statements of cash flows, the Authority considers cash and cash equivalents to include all pooled cash and investments, including restricted account balances, as these pooled balances have the general characteristic of a demand deposit account. Restricted cash and cash equivalents includes 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, 2022 and 2021, the allowance for doubtful accounts was $19,417 and $19,417, 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 is included in 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, 2022, 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, 2022 and 2021 amounted to $6,705 and $7,205, respectively.

Note 3 - Capital assets

Information on additions and disposals of capital assets as of June 30, 2022 and 2021 are as follows:

	June 30, 2021	Increases	Decreases	June 30, 2022
Capital assets not being depreciated				
Construction in progress	$ -	$ 16,841	$ -	$ 16,841
Capital assets being depreciated				
Buildings and improvements	1,829,309	-	-	1,829,309
Less accumulated depreciation for				
Buildings and improvements	(1,582,198)	(34,681)	-	(1,616,879)
Capital assets being depreciated, net	$ 247,111	$ (17,840)	$ -	$ 229,271

	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	(1,550,463)	(31,735)	-	(1,582,198)
Capital assets being depreciated, net	$ 259,262	$ (12,151)	$ -	$ 247,111

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:

	2022	2021
Beginning balance	$ 192,984	$ 149,604
Interest earned	96	81
Required deposits	43,299	43,299
Withdrawals	-	-
Ending balance	$ 236,379	$ 192,984

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:

	2022	2021
Beginning balance	$ 55,276	$ 55,248
Interest earned	27	28
Ending balance	$ 55,303	$ 55,276

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, 2022 and 2021, interest expense was $35,916 and $35,917, respectively. Outstanding principal and accrued interest are $1,197,213 and $209,512 at June 30, 2022, and $1,197,213 and $173,596 at June 30, 2021, 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, 2022 and 2021, the Project had a net annuity income (expense) of $(26,454) and $18,986, respectively. Net unexpended program payments are reported as due to (from) HCD on the Project's statements of net position. As of June 30, 2022 and 2021, the Authority has HCD project annuities (payable) receivable of $(3,374) and $(3,374), respectively. The activity in the due to (from) HCD account for the fiscal years ended June 30, are as follows:

	2022	2021
Due to (from) HCD, beginning	$ 3,374	$ (7,925)
Excess program payments for the year	(26,454)	(18,986)
Excess program payment received	-	14,158
Excess program payment cash flow	-	-
HCD corrections and adjustments	26,454	16,127
Due to (from) HCD, end	$ 3,374	$ 3,374

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, 2022 and 2021, the Project incurred annual monitoring fees of $11,545 and $10,127, which are included in the statements of revenue, expenses and changes in net position. As of June 30, 2022 and 2021, the Project owes HCD monitoring fees payable of $53,267 and $41,722, respectively, which are included in the statements of net position.

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, 2022, the Authority made no such contributions. 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, 2022 and 2021, $348,602 and $131,769, 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, 2022, 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 8, 2022 (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, 2022 and 2021

Cash and cash equivalents

Cash and cash equivalents	
Unrestricted account	
Operating account	$ -
Restricted accounts	
Operating reserve	55,303
Tenant security deposits	6,705
Reserve for replacements	236,379
Total restricted accounts	298,387
Total cash and cash equivalents	$ 298,387

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

Reserve for replacement and operating expenses

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

	Replacement reserve	Operating reserve
Balance, June 30, 2021	$ 192,984	$ 55,276
Deposits	43,299	-
Interest income	96	27
Approved withdrawals	-	-
Balance, June 30, 2022	$ 236,379	$ 55,303

Capital assets

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

Capital assets balance, June 30, 2021	$ 1,829,309
Additions	16,841
Capital assets balance, June 30, 2022	$ 1,846,150

Accounts payable

Accounts payable in the amount of $440 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, 2022 and 2021

Schedules of operating revenues and expenses

Account No.		2022	2021
	Operating revenue		
5120	Rent revenue	$ 172,494	$ 161,599
5121	Tenant assistance payments	-	-
	Rental revenue	172,494	161,599
	Other revenue		
5910	Coin-operated laundry	-	-
5190	Miscellaneous	2,184	3,347
	Total other revenue	2,184	3,347
	Total operating revenue	174,678	164,946
	Operating expenses		
	Payroll		
6330	Manager salaries	23,740	30,336
6331	Manager rent fee unit	14,352	10,272
6510	Janitor payroll	11,330	18,598
	Total payroll	104,367	75,392
6350	Accounting services	4,700	5,940
6320	Management fee	20,270	19,680
6210	Media	960	870
	Total administrative	25,930	26,490
	Utilities		
6450	Electricity	5,174	4,394
6452	Gas	540	480
6453	Water/Sewer	43,384	29,722
6525	Garbage	4,343	3,523
	Total utilities	53,441	38,119

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

Supplementary Information
Years Ended June 30, 2022 and 2021

Account No.		2022	2021
	Operating and maintenance		
6515	Services and supplies	13,450	8,916
6530	Courtesy patrol	4,284	4,080
6517	Janitor and cleaning contracts	7,657	18,803
6537	Grounds contract	33,472	31,060
6541	Repairs material	-	-
6560	Decorating and painting	2,640	1,060
6590	Misc. ops. and maint. expense (if over $2,500, detail is required)	28,429	36,026
	Total operating and maintenance	89,932	99,945
	Insurance and taxes		
6729	Insurance	14,824	9,198
6710	Property taxes	1,804	1,863
	Total insurance and taxes	16,628	11,061
	Depreciation	34,681	31,735
	Total operating expenses	324,979	282,742
	Operating loss	(150,301)	(117,796)
	Non-operating revenue (expense)		
5990	HCD annuity	(26,454)	18,986
5410	Interest income	124	128
5415	HCD monitoring fee	(11,545)	(10,127)
5420	Interest expense	(35,916)	(35,917)
	Change in net position	$ (224,092)	$ (144,726)

Detail of accounts - schedule of activities

	2022	2021
Miscellaneous (Accounts No. 5190)		
Miscellaneous income - other tenant fees	$ 2,184	$ 3,347
	$ 2,184	$ 3,347
Misc. Ops. And Maint. Expense (Accounts No. 6590)		
Flooring	$ 23,455	$ 27,984
Countertops/cabinets	4,974	8,042
	$ 28,429	$ 36,026

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

Supplementary Information
Year Ended June 30, 2022

Gross potential rents

Qualified tenant rental income	$	434,314
Other tenant rental income		-
Total gross potential rents		434,314
Less		
Vacancy loss		(165,653)
Loss to lease		(1,128)
Low income subsidy		(95,039)
Rental revenues, net	$	172,494

Management fee

A property management fee of $20,270 was incurred during the fiscal year ended June 30, 2022 for the property management services provided by the Authority.

Reconciliation to RHCP Forms 180

	2022		2021	
Reconciliation to Form 180				
Total operating revenues	$	174,678	$	164,946
Interest income		124		128
Less interest income for equipment reserve		(124)		-
Less forfeited secuirty deposit		(1,079)		-
Less difference for allocation calculation		-		(1)
Effective gross rent from form 180	$	173,599	$	165,073
Total expenses	$	324,979	$	282,742
Less depreciation		(34,681)		(31,735)
Less replacement reserve deposit		-		(42,737)
Less major construction expense		-		-
Less difference for allocation calculation		(1)		-
Total operating cost from form 180	$	290,297	$	208,270

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, 2022.

Insurance

Insurance premiums are current as of June 30, 2022. 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, 2022

Operating cash flow/surplus cash computation

The operating cash flow/surplus cash generated by the Project during the year ended June 30, 2022 is as follows:

Operation income		
Total income	$	174,802
Interest earned on restricted reserve accounts		(96)
Adjusted operating income		174,706
Operating expenses less depreciation		(290,298)
Adjusted net income (loss)		(115,592)
Other activity		
Debt service		-
Purchases of capital assets		(16,841)
Withdrawals from replacement reserve account		-
Deposits into replacement reserve account		(43,299)
Total other activity		(60,140)
Operating cash flow/surplus cash (deficit)	$	(175,732)

Rental Housing Construction Program - Original

8. AMC 180 - ACTUAL COST OF OPERATIONS - Annual Report *(may not be required, see Worksheet 1 for reporting insructions)*

4/28/21 | **Reporting Period:** 7/1/2021 to 6/30/2022

Project Name:	Somerset Parkside	**Date Prepared:**		**1. HCD Contract #:** 80-RHC-007	**Assisted Units:** 35
Project County:	Sacramento	**Date Revised:**		**2. HCD Contract #:** 15-LPR-005	**Total Units:** 35
Prepared by:		**Phone #:**		**3. HCD Contract #:**	**Proration %:** 100.00%

Line #	Account Name	Acct. Code	Assisted Units (A) Sponsor Actuals	(B) HCD Apprvd Actuals	Non-Assisted Units (C) Sponsor Actuals	(D) HCD Apprvd Actuals	Commercial (E) Sponsor Actuals	(F) HCD Apprvd Actuals	Project Total Costs (G) HCD Apprvd Budget	(H) Sponsor Actuals	(I) HCD Apprvd Actuals	Budget vs HCD (J) Variance Amount	(K) Var. %	HCD Rep notes (HCD use only)
	Administrative Expenses:													
1	Conventions and Meetings	6203	0	0	0	0	0	0	0	0	0	0	0%	
2	Management Consultants	6204	0	0	0	0	0	0	0	0	0	0	0%	
3	Advertising and Marketing	6210	960	0	0	0	0	0	960	960	0	960	0%	
4	Other Renting Expenses	6250	0	0	0	0	0	0	100	0	0	100	0%	
5	Office Salaries	6310	0	0	0	0	0	0	0	0	0	0	0%	
6	Office Expenses	6311	0	0	0	0	0	0	0	0	0	0	0%	
7	Office or Model Apartment Rent	6312	0	0	0	0	0	0	0	0	0	0	0%	
8	Management Fee-don't inc GP Mngmt	6320	20,270	0	0	0	0	0	20,270	20,270	0	20,270	0%	
9	Manager or Superintendent Salaries	6330	23,740	0	0	0	0	0	23,740	23,740	0	23,740	0%	
10	Administrative Rent Free Unit	6331	14,352	0	0	0	0	0	14,352	14,352	0	14,352	0%	
11	Legal Expense - Project	6340	0	0	0	0	0	0	1,000	0	0	1,000	0%	
12	Audit Expense	6350	4,700	0	0	0	0	0	4,700	4,700	0	4,700	0%	
13	Bookkeeping Fees/ Accounting Services	6351	0	0	0	0	0	0	0	0	0	0	0%	
14	Bad Debts	6370	0	0	0	0	0	0	0	0	0	0	0%	
15	Misc. Administrative Expenses	6390	0	0	0	0	0	0	0	0	0	0	0%	
16	**Total Administrative Expenses**	**6263T**	**64,022**	**0**	**0**	**0**	**0**	**0**	**65,122**	**64,022**	**0**	**65,122**	**0%**	
	Utilities Expenses:													
17	Electricity	6450	5,174	0	0	0	0	0	4,500	5,174	0	4,500	0%	
18	Water	6451	43,384	0	0	0	0	0	32,000	43,384	0	32,000	0%	
19	Gas	6452	540	0	0	0	0	0	1,500	540	0	1,500	0%	
20	Sewer	6453	0	0	0	0	0	0	0	0	0	0	0%	
21	**Total Utilities Expenses**	**6400T**	**49,098**	**0**	**0**	**0**	**0**	**0**	**38,000**	**49,098**	**0**	**38,000**	**0%**	
	Operating and Maintenance Expenses:													
22	Payroll	6510	66,275	0	0	0	0	0	11,330	66,275	0	11,330	0%	
23	Supplies	6515	13,050	0	0	0	0	0	5,500	13,050	0	5,500	0%	
24	Contracts	6520	67,623	0	0	0	0	0	45,000	67,623	0	45,000	0%	
25	Operating & Maintenance Rent Free Unit	6521	0	0	0	0	0	0	0	0	0	0	0%	
26	Garbage and Trash Removal	6525	4,343	0	0	0	0	0	3,500	4,343	0	3,500	0%	
27	Security Payroll/Contracts	6530	4,284	0	0	0	0	0	4,284	4,284	0	4,284	0%	
28	Security Rent Free Unit	6531	0	0	0	0	0	0	0	0	0	0	0%	
29	Heating/Cooling Repairs and Maintenance	6546	0	0	0	0	0	0	0	0	0	0	0%	
30	Snow Removal	6548	0	0	0	0	0	0	0	0	0	0	0%	
31	Vehicle & Maint Equip Operation/Repairs	6570	0	0	0	0	0	0	0	0	0	0	0%	
32	Lease Expense	6580	0	0	0	0	0	0	0	0	0	0	0%	
33	Misc. Operating & Maintenance Exp.	6590	4,974	0	0	0	0	0	6,000	4,974	0	6,000	0%	
34	**Total Operating & Maintenance Exp.**	**6500T**	**160,549**	**0**	**0**	**0**	**0**	**0**	**75,614**	**160,549**	**0**	**75,614**	**0%**	
	Taxes and Insurance:													
35	Real Estate Taxes	6710	1,804	0	0	0	0	0	1,900	1,804	0	1,900	0%	
36	Payroll Taxes (Project's Share)	6711	0	0	0	0	0	0	0	0	0	0	0%	
37	Property & Liability Insurance (Hazard)	6720	14,824	0	0	0	0	0	12,000	14,824	0	12,000	0%	
38	Fidelity Bond Insurance	6721	0	0	0	0	0	0	0	0	0	0	0%	
39	Worker's Compensation	6722	0	0	0	0	0	0	0	0	0	0	0%	
40	Health Ins. & Other Employee Benefits	6723	0	0	0	0	0	0	0	0	0	0	0%	
41	Misc. Taxes, Licenses, Permits and Ins.	6790	0	0	0	0	0	0	0	0	0	0	0%	
42	**Total Taxes and Insurance**	**6700T**	**16,628**	**0**	**0**	**0**	**0**	**0**	**13,900**	**16,628**	**0**	**13,900**	**0%**	
	Supportive Services Costs:	6990												
43	Staff Supervisors Salaries	0.0%	0	0	0	0	0	0	0	0		0	0%	
44	Service Coordinator Salaries and Benefits		0	0	0	0	0	0	0	0	0	0	0%	
45	Other Supportive Services Staff Salaries		0	0	0	0	0	0	0	0	0	0	0%	
46	Supportive Serv Administrative Overhead	0.0%	0	0	0	0	0	0	0	0	0	0	0%	
47	Other Supportive Services Costs	6990	0	0	0	0	0	0	0	0	0	0	0%	
48	**Total Supportive Services Costs**	**6900T**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0%**	
49	**Total Cost of Operations**	**6000T**	**290,297**	**0**	**0**	**0**	**0**	**0**	**192,636**	**290,297**	**0**	**192,636**	**0%**	

Line #	Sponsor itemization of misc. rev./exp. (total flows to account above)	Sponsor Actuals	HCD Apprvd Actuals	HCD Itemization of HCD Approved Actuals
	Account 6390 Miscellaneous Administrative Expenses			**Account 6390 Miscellaneous Administrative Expenses**
50				
51				
52				
53				
68	**Total Account 6390 Miscellaneous Administrative Expenses**	**$0**	**$0**	**Total Account 6390 Miscellaneous Administrative Expenses**
		Sponsor Actuals	**HCD Apprvd Actuals**	
	Account 6590 Miscellaneous Operations & Maintenance Expenses			**Account 6590 Miscellaneous Operations & Maintenance Expenses**
69	Replace Door with frame & equipment rentals	$4,974		
70				
71				
72				
73				
87	**Total Account 6590 Miscellaneous Operations & Maintenance Expenses**	**$4,974**	**$0**	**Total Account 6590 Miscellaneous Operations & Maintenance Expenses**
		Sponsor Actuals	**HCD Apprvd Actuals**	
	Account 6790 Misc. Taxes, Licenses, Permits & Insurance			**Account 6790 Misc. Taxes, Licenses, Permits & Insurance**
88				
89				
90				
91				
93	**Total Account 6790 Misc. Taxes, Licenses, Permits & Insurance**	**$0**	**$0**	**Total Account 6790 Misc. Taxes, Licenses, Permits & Insurance**
		Sponsor Actuals	**HCD Apprvd Actuals**	
	Account 6990 Other Supportive Services Costs			**Account 6990 Other Supportive Services Costs**
94				
95				
96				
97				
100	**Total Account 6990 Other Supportive Services Costs**	**$0**	**$0**	**Total Account 6990 Other Supportive Services Costs**

Rental Housing Construction Program - Original

9. AMC 181 - ACTUAL CASH FLOW ANALYSIS - Annual Report *(may not be required, see Worksheet 1 for reporting instuctions)*

4/28/21

		Reporting Period:	7/1/2021 to 6/30/2022		
		Prepared by:		**1. HCD Contract #:** 80-RHC-007	**Assisted Units:** 35
Project Name:	Somerset Parkside	**Date Prepared:**		**2. HCD Contract #:** 15-LPR-005	**Total Units:** 35
Project County:	Sacramento	**Date Revised:**		**3. HCD Contract #:**	**Proration %:** 100.00%

Line #	Account Name	Acct. Code	Assisted Units (A) Sponsor Actuals	(B) HCD Apprvd Actuals	Non-Assisted Units (C) Sponsor Actuals	(D) HCD Apprvd Actuals	Commercial (E) Sponsor Actuals	(F) HCD Apprvd Actuals	Project Totals (G) HCD Apprvd Budget	(H) Sponsor Actuals	(I) HCD Apprvd Actuals	(J) Budget vs. HCD Apprvd Actuals	HCD Rep notes (HCD use only)
	Rent Revenue:												
1	Rent Revenue (*Gross Potential Rent*)	5120	164,358	0	0	0			255,121	164,358	0	255,121	
2	Tenant Assistance Payments	5121	8,136	0	0	0			8,136	8,136	0	8,136	
3	Rent Revenue - Stores and Commercial	5140					0	0	0	0	0	0	
4	Garage and Parking Spaces	5170	0	0	0	0	0	0	0	0	0	0	
5	Flexible Subsidy Revenue	5180	0	0	0	0	0	0	0	0	0	0	
6	Miscellaneous Rent Revenue	5190	1,105	0	0	0	0	0	0	1,105	0	0	
7	**Total Rent Revenue**	**5100T**	**173,599**	**0**	**0**	**0**	**0**	**0**	**263,257**	**173,599**	**0**	**263,257**	
	Vacancies:												
8	*Vacancy %*		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%		
9	Apartments	5220	0	0	0	0			13,163	0	0	13,163	
10	Stores and Commercial	5240					0	0	0	0	0	0	
11	Rental Concessions	5250	0	0	0	0	0	0	0	0	0	0	
12	Garage and Parking Spaces	5270	0	0	0	0	0	0	0	0	0	0	
13	Miscellaneous Vacancies	5290	0	0	0	0	0	0	0	0	0	0	
14	**Total Vacancies**	**5200T**	**0**	**0**	**0**	**0**	**0**	**0**	**13,163**	**0**	**0**	**13,163**	
15	**Net Rental Revenues (Rent Revenue Less Vacancies)**	**5152N**	**173,599**	**0**	**0**	**0**	**0**	**0**	**250,094**	**173,599**	**0**	**250,094**	
16	**Supportive Services Revenue** (enter detail in lines 59-62):	**5390**	0	0	0	0	**0**	0	**0**	**0**	**0**	**0**	
	Total Financial Revenue:												
17	Financial Revenue (don't incl. Reserve Acct. Interest)	5410	124	0	0	0	0	0	500	124	0	500	
18	Revenue from Investments- Miscellaneous	5490	0	0	0	0	0	0	0	0	0	0	
19	**Total Financial Revenue**	**5400T**	**124**	**0**	**0**	**0**	**0**	**0**	**500**	**124**	**0**	**500**	
	Other Revenue:												
20	Laundry and Vending Revenue	5910	0	0	0	0	0	0	2,000	0	0	2,000	
21	Tenant Charges	5920	0	0	0	0	0	0	0	0	0	0	
22	Misc. Revenue (don't include Reserve Withdrawals)	5990	1,079	0	0	0	0	0	1,000	1,079	0	1,000	
23	**Total Other Revenue**	**5900T**	**1,079**	**0**	**0**	**0**	**0**	**0**	**3,000**	**1,079**	**0**	**3,000**	
24	**Total Revenue**	**5000T**	**174,802**	**0**	**0**	**0**	**0**	**0**	**253,594**	**174,802**	**0**	**253,594**	
25	**Total Cost of Operations before Depreciation**	**6000T**	**290,297**	**0**	**0**	**0**	**0**	**0**	**192,636**	**290,297**	**0**	**192,636**	
26	**Profit (Loss) before Depreciation**	**5060T**	**(115,495)**	**0**	**0**	**0**	**0**	**0**	**60,958**	**(115,495)**	**0**	**60,958**	
	Financial Expenses including mandatory debt service:												
27	*1st Mortgage (P&I)*	6820	0	0	0	0	0	0	0	0	0	0	
28	*2nd Mortgage (P&I)*	6825	0	0	0	0	0	0	0	0	0	0	
29	*3rd Mortgage (P&I)*	6825	0	0	0	0	0	0	0	0	0	0	
30	HCD Required Payments	6825	0	0	0	0	0	0	11,545	0	0	11,545	
31	Lease Payment	6890	0	0	0	0	0	0	0	0	0	0	
32	Miscellaneous Financial Expenses	6890	0	0	0	0	0	0	0	0	0	0	
33	**Total Financial Expenses**	**6800T**	**0**	**0**	**0**	**0**	**0**	**0**	**11,545**	**0**	**0**	**11,545**	
	Reserves Deposits:												
34	Replacement Reserve - Deposit	1320	43,299	0	0	0	0	0	43,299	43,299	0	43,299	
35	Operating Reserve - Deposit	1330	0	0	0	0	0	0	0	0	0	0	
36	Transition Reserve - Deposit	1330	0	0	0	0	0	0	0	0	0	0	
37	Other Reserves	1330	0	0	0	0	0	0	0	0	0	0	
38	Other Reserves	1330	0	0	0	0	0	0	0	0	0	0	
39	**Total Reserves Deposits**	**1300T**	**43,299**	**0**	**0**	**0**	**0**	**0**	**43,299**	**43,299**	**0**	**43,299**	
40	**Project Cash Flow**		**(158,794)**	**0**	**0**	**0**	**0**	**0**	**6,114**	**(158,794)**	**0**	**6,114**	
	Additions to Cash Flow:												
41	Borrower Contribution		0	0	0	0	0	0	0	0	0	0	
42	Other (specify)		0	0	0	0	0	0	0	0	0	0	
43	Other (specify)		0	0	0	0	0	0	0	0	0	0	
44	Other (specify)		0	0	0	0	0	0	0	0	0	0	
45	**Total Additional Revenue**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
	Use of Cash Flow (final approval with Annual Report):												
46	Deferred Developer Fee Payments		0	0	0	0	0	0	0	0	0	0	
47	Asset Mgmt Fee (CHRP-R/SUHRP & HOME pre-UMR)	7190	0	0	0	0	0	0	0	0	0	0	
48	Asset Mgmt Fee/Prtrshp Costs (MHP/HOME under UMR)	7190	0	0	0	0	0	0	0	0	0	0	
49	Borrower Distributions		0	0	0	0	0	0	0	0	0	0	
50	Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0	0	
51	HCD Interest Payments		0	0	0	0	0	0	0	0	0	0	
52	Other (specify)		0	0	0	0	0	0	0	0	0	0	
53	**Total Use of Cash Flow**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	

Item #	Sponsor itemization of misc. revenues/expenses (total will flow to account above)	Sponsor Actuals	HCD Approved Actuals	HCD Itemization of HCD Approved Actuals
	Account 5190 Miscellaneous Rent Revenue			**Account 5190 Miscellaneous Rent Revenue**
54				
55				
56				
57				
58	**Total Account 5190 Miscellaneous Rent Revenue**	**$0**	**$0**	**Total Account 5190 Miscellaneous Rent Revenue**
		Sponsor Actuals	**HCD Approved Actuals**	
	Account 5390 Other Service Revenue			**Account 5390 Other Service Revenue**
59				
60				
61				
62				
63	**Total Account 5390 Other Service Revenue**	**$0**	**$0**	**Total Account 5390 Other Service Revenue**
		Sponsor Actuals	**HCD Approved Actuals**	
	Account 5490 Revenue from Investments- Miscellaneous			**Account 5490 Revenue from Investments- Miscellaneous**
64				
65				
66				
67				
68	**Total Account 5490 Revenue from Investments- Miscellaneous**	**$0**	**$0**	**Total Account 5490 Revenue from Investments- Miscellaneous**
		Sponsor Actuals	**HCD Approved Actuals**	
	Account 5990 Miscellaneous Revenue			**Account 5990 Miscellaneous Revenue**
69	deposit applied to repair unit from damage done by tenant	$1,079		
70				
71				
72				
73				
75	**Total Account 5990 Miscellaneous Revenue**	**$1,079**	**$0**	**Total Account 5990 Miscellaneous Revenue**
		Sponsor Actuals	**HCD Approved Actuals**	
	Account 6890 Miscellaneous Financial Expenses			**Account 6890 Miscellaneous Financial Expenses**
76				
77				
78				
79				
80	**Total Account 6890 Miscellaneous Financial Expenses**	**$0**	**$0**	**Total Account 6890 Miscellaneous Financial Expenses**

6. AMC 184 - SPONSOR'S PROJECT RATING

Project Name:	Somerset Parkside	**1. HCD Contract #:**	90-RHC-007
		2. HCD Contract #:	15-LPR-005
		3. HCD Contract #:	
Prepared By:	Noelle Mussen	**Date Prepared:**	11.17.22
Management Co.:	CADA	**Phone #:**	916-323-1276

Physical Condition :

1. Rate the condition of the grounds:	○ Excellent	○ Average	● Poor
2. Estimated amount of building exterior deferred maintenance:	○ None	● Some	○ Much
3. Estimated amount of building systems deferred maintenance (heating, cooling, electrical, plumbing systems):	○ None	● Some	○ Much
4. Estimated amount of common area deferred maintenance (meeting rooms, laundry rooms, trash collection areas; kitchens, baths):	● None	○ Some	○ Much
5. Frequency of unit inspections; if **"Other"**, explain below:	● Annually	○ Semi-Annually	○ 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:

Improvements to the plumbing and kitchen/both countertops

Financial:

1. Are you aware of any special risks to the short or long term fiscal condition of the Project? If **"Yes"**, please explain.	○ Yes	● No
2. Are any Project loans past due? If **"Yes"**, please explain (include loan, past due amount and reason).	○ Yes	● 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.	○ Yes	● 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:	5/1/22	○ Zero ● Twice
2. Indicate the last meeting date and the frequency of meetings between the Property Management Agent and Sponsor:	3/1/19	○ Once ○ Three or more ○ Zero ○ Twice ○ Once ○ Three or more
3. Is a waiting list being used? If **"Yes",** enter how many on the list.	300	● Yes ○ No
4. Are all property taxes current?		○ Yes ○ No
5. If the Project has commercial space, is it rented?		○ Yes ○ No ● N/A

6. Explain any **"No"** answer:

7. Vacancy rate as of the last day of the Reporting Period?	42.00%

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? If **"Yes"**, please explain and identify new or anticipated entities below:	○ Yes ● No

15. Comments to HCD Asset Management Representative:

We would like a meeting with our HCD Management Representative as soon as time and Covid-19 precautions/guidelines allow, and have regular meetings annually going forward.

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?	○ Yes ○ No
	# of Floating Units	26		

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

☐ TCAC Project, enter TCAC ID # and the TCAC 15 year expiration date:		
☐ CalHFA Project, enter CalHFA ID #:		
☐ USDA-RD Project, enter USDA ID #:		
☐ HUD 811 Project, enter HUD ID #:		
☐ 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?

◉ Yes ○ No

☑ HUD ☐ Other, describe:

2. Does the owner/agent use the most current utility allowance schedule from the local housing authority to calculate maximum rent levels?

○ Yes ○ No - HUD 202 Project
◉ No - HUD 811 Project ○ No - other, describe below

Enter the effective date of the Utility Allowance Amounts:		5/1/22	
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?
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.

◉ Yes ○ 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

◉ Yes ○ No - HUD
○ 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?

◉ Yes ○ 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)

◉ Yes ○ No, describe method used below

Occupancy Eligibility:

In properties of 5 or more HOME-assisted units, does the owner/agent monitor and enforce the HCD Regulatory Agreement Exhibit B unit designations?	(●) Yes ( ) No, explain why not below

Property Management:

1. Does a property management company manage this Project?		(●) Yes ( ) No, skip to #3	
2. Has the property management company changed during the past year?	( ) Yes (●) No, enter Management Agreement date:		
If "**Yes**", was HCD approval obtained?	( ) Yes ( ) 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	( ) Yes (●) No	
If "**Yes**", was HCD approval obtained?	( ) Yes ( ) 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*		( ) Yes ( ) 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?		( ) Yes ( ) No ( ) 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, 2022 and 2021

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, 2022 and 2021, and to the best of our knowledge and belief, these financial statements and supplementary information are complete and accurate.

Wendy Saunders
Signature

Executive Director
Title

12/08/2022
Date

CohnReznick LLP
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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, 2022, 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 8, 2022, which included an emphasis of matter paragraph as indicated at page 2.

Report on 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 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over financial reporting.

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

Report on 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
December 8, 2022

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Attachment 1c

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, 2022 and 2021

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

Index

Independent Auditor's Report

Board of Directors
Capitol Area Development Authority

Report on the Audit of the Financial Statements

Opinion

We have audited 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 statements of net position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Biele Place Apartments as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Project and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 1, the financial statements referred to above present only the financial position, the 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, 2022 and 2021, 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.

Responsibilities of Management for the Financial Statements

The Project's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Project's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Project as a whole. The accompanying supplementary information on pages 17 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 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 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 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 8, 2022, 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.

CohnReznick LLP

Sacramento, California
December 8, 2022

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

Statements of Net Position
June 30, 2022 and 2021

Assets

	2022	2021
Current assets		
Residential accounts receivable	$ 9,922	$ 7,775
Restricted cash and cash equivalents - tenant security deposits	12,802	11,070
Total current assets	22,724	18,845
Noncurrent assets		
Restricted cash and cash equivalents - replacement reserve	275,190	224,078
Restricted cash and cash equivalents - operating reserve	51,326	51,300
	326,516	275,378
Capital assets		
Construction in progress	62,000	-
Building and Improvements	1,456,872	1,456,872
Less accumulated depreciation	(1,290,252)	(1,274,665)
Total capital assets	228,620	182,207
Total noncurrent assets	555,136	457,585
Total assets	$ 577,860	$ 476,430

Liabilities

	2022	2021
Current liabilities		
Accounts payable	$ 998	$ 1,934
Unearned revenue - prepaid rent	1,402	767
HCD monitoring fees payable	31,856	19,314
Due to CADA	244,283	59,585
Tenant security deposits	12,802	11,070
Total current liabilities	291,341	92,670
Non current liabilities		
Mortgage note payable	1,025,653	1,025,653
Accrued interest - mortgage note payable	84,616	53,847
Total non current liabilities	1,110,269	1,079,500
Total liabilities	$ 1,401,610	$ 1,172,170

Net Position

	2022	2021
Net investment in capital assets	$ (797,033)	$ (843,446)
Restricted for replacement and operating reserves	326,516	275,378
Unrestricted	(353,233)	(127,672)
Total net position	$ (823,750)	$ (695,740)

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, 2022 and 2021

	2022	2021
Operating revenue		
Rental revenue, net	$ 155,342	$ 169,955
Coin-operated laundry	2,043	2,178
Miscellaneous	623	1,855
Total operating revenue	158,008	173,988
Operating expenses		
Payroll		
Salaries and benefits	55,663	54,571
Administrative		
Legal and accounting services	4,700	5,300
Management fee	25,730	24,980
Resident relations	280	-
Media	1,035	940
Total administrative	31,745	31,220
Utilities	34,513	26,057
Operating and maintenance		
Supplies	1,649	6,490
Service contracts	69,156	21,292
Courtesy patrol	3,200	3,050
Operating budget for major repairs	11,505	-
Decorating and painting	3,600	-
Total operating and maintenance	89,110	30,832
Insurance and taxes		
Insurance	15,165	9,409
Property taxes	1,060	1,102
Total insurance and taxes	16,225	10,511
Depreciation	15,587	15,587
Total operating expenses	242,843	168,778
Operating income (loss)	(84,835)	5,210

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, 2022 and 2021

	2022	2021
Nonoperating revenue (expenses)		
Interest expense	(30,769)	(30,770)
HCD monitoring fee	(12,543)	(10,912)
Interest income	137	313
Total nonoperating revenue (expenses), net	(43,175)	(41,369)
Change in net position	(128,010)	(36,159)
Net position, beginning	(695,740)	(659,581)
Net position, end	$ (823,750)	$ (695,740)

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, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Rental receipts	$ 153,830	$ 168,672
Other receipts	2,666	4,033
Tenant security deposits received (paid)	1,732	(1,250)
Payroll and related costs	(55,663)	(54,571)
Administrative	(31,745)	(31,220)
Utilities	(34,513)	(26,057)
Operating and maintenance	(90,047)	(29,955)
Insurance and taxes	(16,225)	(10,511)
Net cash provided by (used in) operating activities	(69,965)	19,141
Cash flows from capital and related financing activities		
Payment of acquisition of capital assets	(62,000)	-
Net cash used in capital and related financing activities	(62,000)	-
Cash flows from noncapital financing activities		
Contributions and advances received from CADA	184,698	30,406
Net cash provided by noncapital financing activities	184,698	30,406
Cash flows from investing activities		
Interest receipts	137	313
Net cash provided by investing activities	137	313
Net increase in cash and cash equivalents	52,870	49,860
Cash and cash equivalents, beginning	286,448	236,588
Cash and cash equivalents, end	$ 339,318	$ 286,448

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

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation to the statements of net position		
Cash and cash equivalents	$ -	$ -
Restricted cash and cash equivalents		
Tenant security deposits	12,802	11,070
Replacement reserve	275,190	224,078
Operating reserve	51,326	51,300
Total cash and cash equivalents	$ 339,318	$ 286,448
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	$ (84,835)	$ 5,210
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	15,587	15,587
Changes in assets and liabilities		
Residential accounts receivable	(2,147)	(1,521)
Accounts payable	(937)	877
Unearned revenue - prepaid rent	635	238
Tenant security deposits	1,732	(1,250)
Net cash provided by (used in) operating activities	$ (69,965)	$ 19,141

See Notes to Financial Statements.

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 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 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 .97 years and 3.14 years as of June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, the Project's tenant security deposits are invested in the City's investment pool. Detailed disclosures, including investment policies and associated risk policies, regarding the Project's cash and investments are included in the notes to the Authority's basic financial statements.

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

Resident accounts receivable
Resident accounts receivable are due from tenants and reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2022 and 2021, 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 only construction in progress is included in 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 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, 2022 and 2021 amounted to $12,802 and $11,070, respectively.

Note 3 - Capital assets

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

	June 30, 2021	Increases	Decreases	June 30, 2022
Capital assets not being depreciated				
Construction in progress	$ -	$ 62,000	$ -	$ 62,000
Capital assets being depreciated				
Buildings and improvements	1,456,872	-	-	1,456,872
Less accumulated depreciation for				
Buildings and improvements	(1,274,665)	(15,587)	-	(1,290,252)
Capital assets being depreciated, net	182,207	(15,587)	-	166,620
Capital assets, net	$ 182,207	$ 46,413	$ -	$ 228,620

	June 30, 2020	Increases	Decreases	June 30, 2021
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	$ 197,794	$ (15,587)	$ -	182,207

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:

	2022	2021
Beginning balance	$ 224,078	$ 172,991
Interest earned	112	75
CADA annuity	-	-
Required deposits	51,000	51,012
Authorized expenses	-	-
Ending balance	$ 275,190	$ 224,078

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:

	2022	2021
Beginning balance	$ 51,300	$ 51,277
Interest earned	26	23
Authorized expenses	-	-
Ending balance	$ 51,326	$ 51,300

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. For the years ended June 30, 2022 and 2021, interest expense was $30,769 and $30,770, respectively. Outstanding principal and accrued interest are $1,025,653 and $84,616 at June 30, 2022, and $1,025,653 and $53,847 at June 30, 2021, 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, 2022 and 2021, HCD monitoring fees expensed were $12,543 and $10,912, respectively, and as of June 30, 2022 and 2021, $31,856 and $19,314 are payable and are included in due to HCD on the statements of net position. The account activities are as follows at June 30:

	2022	2021
Due to HCD, beginning	$ 19,314	$ 8,402
Excess cash deposited to operating reserve	-	-
Current year monitoring fee	12,542	10,912
Payments to HCD	-	-
Due to HCD, end	$ 31,856	$ 19,314

Note 8 - Assistance from the Authority

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, 2022 and 2021, $244,283 and $59,585, 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, 2022, 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 8, 2022, (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

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

Supplementary Information Required by HCD
Year Ended June 30, 2022

Cash and cash equivalents

Cash and cash equivalents	
Unrestricted account	
Operating account	$ -
Restricted accounts	
Insurance and tax impounds	-
Tenant security deposits	12,802
Reserve for replacements	275,190
Operating reserve	51,326
Total restricted accounts	339,318
Total cash, cash equivalents and restricted accounts	$ 339,318

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 expenses

	Replacement reserve	Operating reserve
Balance, June 30, 2021	$ 224,078	$ 51,300
Required deposits	51,000	-
Drawdown on reserve	-	-
Interest income	112	26
Balance, June 30, 2022	$ 275,190	$ 51,326

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

Supplementary Information Required by HCD
Year Ended June 30, 2022

Capital assets

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

Capital assets balance, June 30, 2021	$	1,456,872
Additions		62,000
Capital assets balance, June 30, 2022	$	1,518,872

Accounts payable

Accounts payable in the amount of $998 represents amounts due to suppliers. All accounts payable are current.

Gross potential rents

Qualified tenant rental income	$	417,696
Other tenant rental income		-
Total gross potential rents		417,696
Less		
Vacancy loss		(108,943)
Gain (loss) to lease		6,397
Low income subsidy		(159,808)
Rental revenues, net	$	155,342

Management Fee

A property management fee of $25,730 was incurred during the fiscal year ended June 30, 2022 for the property management services provided by the Authority.

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

Supplementary Information Required by HCD
Year Ended June 30, 2022

Operating cash flow/surplus cash computation

The operating cash flow/surplus cash generated by the Project during the year ended June 30, 2022 is as follows:

Operation income	
Total income	$ 158,145
Interest earned on restricted reserve accounts	(137)
Adjusted operation income	158,008
Operating expenses less depreciation	(227,256)
Adjusted net income (loss)	(69,248)
Other activity	
Debt service	-
Deposits into replacement reserve account	(51,000)
Deposits into operating reserve account	-
Total other activity	(51,000)
Operating cash flow/surplus cash (deficit)	$ (120,248)

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, 2022.

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

Supplementary Information Required by HCD
Years Ended June 30, 2022 and 2021

Schedules of operating revenues and expenses

Account No.		2022	2021
	Operating revenues		
5120	Rent revenue	$ 155,342	$ 169,955
5121	Tenant assistance payments	-	-
	Rental revenue	155,342	169,955
	Other revenues		
5910	Coin-operated laundry	2,043	2,178
5190	Miscellaneous	623	1,855
	Total operating revenues	158,008	173,988
	Operating expenses		
	Payroll		
6330	Manager salaries	34,617	33,938
6331	Manager rent fee unit	9,472	9,286
6510	Janitor payroll	11,574	11,347
	Total payroll	55,663	54,571
6340	Legal	-	-
6350	Accounting services	4,700	5,300
6320	Management fee	25,730	24,980
4331	Resident relations	280	-
6210	Media	1,035	940
	Total administrative	31,745	31,220
	Utilities		
6450	Electricity	5,056	3,784
6452	Gas	4,200	4,079
6453	Water/Sewer	23,485	17,048
6525	Garbage	1,772	1,146
	Total utilities	34,513	26,057

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

Supplementary Information Required by HCD
Years Ended June 30, 2022 and 2021

		2022	2021
	Operating and maintenance		
6515	Services and supplies	1,649	6,490
6530	Courtesy patrol	3,200	3,050
6517	Janitor and cleaning contracts	6,181	4,827
6537	Grounds contract	-	-
6821	Operating budget for major repairs	11,505	
6560	Decorating and Painting	3,600	-
6545	Elevator maintenance	-	-
6541	Repairs material	62,975	16,465
6590	Misc. Ops. and Maint. expense	-	-
6591	Major construction expense	-	-
	Total operating and maintenance	89,110	30,832
	Insurance and taxes		
6729	Insurance	15,165	9,409
6710	Property taxes	1,060	1,102
	Total insurance and taxes	16,225	10,511
	Depreciation	15,587	15,587
	Total operating expenses	242,843	168,778
	Operating income (loss)	(84,835)	5,210
	Non-operating revenues		
5400	CADA annuity	-	-
6820	Interest expense	(30,769)	(30,770)
6870	Funding obligation	-	-
6890	HCD monitoring fee	(12,543)	(10,912)
5410	Interest income	137	313
	Change in net position	(128,010)	(36,159)
	Net position, beginning	(695,740)	(659,581)
	Net position, end	$ (823,750)	$ (695,740)

Insurance

Insurance premiums are current as of June 30, 2022. The annual renewal policy was paid before the due date.

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

Supplementary Information Required by HCD
Years Ended June 30, 2022 and 2021

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:**	11.17.2022
Management Co.:	CADA	**Phone #:**	916-323-1276

Physical Condition:

1. Rate the condition of the grounds:	○ Excellent	● Average	○ Poor
2. Estimated amount of building exterior deferred maintenance:	○ None	● Some	○ Much
3. Estimated amount of building systems deferred maintenance (heating, cooling, electrical, plumbing systems):	○ None	● Some	○ Much
4. Estimated amount of common area deferred maintenance (meeting rooms, laundry rooms, trash collection areas; kitchens, baths):	● None	○ Some	○ Much
5. Frequency of unit inspections; if **"Other"**, explain below:	● Annually	○ Semi-Annually	○ 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.	○ Yes	● No
2. Are any Project loans past due? If **"Yes"**, please explain (include loan, past due amount and reason).	○ Yes	● 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.	○ Yes	● No

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

Supplementary Information Required by HCD
Years Ended June 30, 2022 and 2021

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	○ Zero ● Twice ○ Once ○ Three or more
2. Indicate the last meeting date and the frequency of meetings between the Property Management Agent and Sponsor:	3/1/19	● Zero ○ Twice ○ Once ○ Three or more
3. Is a waiting list being used? If **"Yes",** enter how many on the list.	31	● Yes ○ No
4. Are all property taxes current?		● Yes ○ No
5. If the Project has commercial space, is it rented?		○ Yes ○ No ● N/A

6. Explain any **"No"** answer:

7. Vacancy rate as of the last day of the Reporting Period?	11.40%

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?	5
10. During the Reporting Period, what was the average turnover time in days (move out to move in)?	228
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? If **"Yes"**, please explain and identify new or anticipated entities below:	○ Yes ● No

15. Comments to HCD Asset Management Representative:

We would like a meeting with our HCD Management Representative as soon as time and Covid-19 precautions/guidelines allow, and have regular meetings annually going forward.

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

Supplementary Information Required by HCD
Years Ended June 30, 2022 and 2021

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?	◯ Yes ◯ No
	# of Floating Units	35		

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

☐ TCAC Project, enter TCAC ID # and the TCAC 15 year expiration date:		
☐ CalHFA Project, enter CalHFA ID #:		
☐ USDA-RD Project, enter USDA ID #:		
☐ HUD 811 Project, enter HUD ID #:		
☐ 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?	◉ Yes ◯ No
☑ HUD ☐ Other, describe:	
2. Does the owner/agent use the most current utility allowance schedule from the local housing authority to calculate maximum rent levels?	◉ Yes ◯ No - HUD 202 Project ◯ No - HUD 811 Project ◯ No - other, describe below

Enter the effective date of the Utility Allowance Amounts:		5/1/22	
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.	◉ Yes ◯ 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	◉ Yes ◯ No - HUD ◯ 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?	◉ Yes ◯ 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)**	◉ Yes ◯ No, describe method used below

Biele Place Apartments
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A Project of the Capitol Area Development Authority

Supplementary Information Required by HCD
Years Ended June 30, 2022 and 2021

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?			(●) Yes ( ) No, explain why not below	
Property Management:				
1. Does a property management company manage this Project?			(●) Yes ( ) No, skip to #3	
2. Has the property management company changed during the past year?		( ) Yes (●) No, enter Management Agreement date:		
If "**Yes**", was HCD approval obtained?		( ) Yes ( ) 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	( ) Yes (●) No	
If "**Yes**", was HCD approval obtained?		(●) Yes ( ) 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			( ) Yes ( ) 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?			( ) Yes ( ) No ( ) 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:				

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

Certification of Executive Director
Years Ended June 30, 2022 and 2021

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, 2022 and 2021, and to the best of our knowledge and belief, these financial statements and supplementary information are complete and accurate.

Wendy Saunders

Signature

Executive Director

Title

12/08/2022

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, 2022, 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 8, 2022 which included an emphasis of matter paragraph as indicated at page 2.

Report on 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 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over financial reporting.

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

Report on 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
December 8, 2022

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Attachment 1d

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, 2022 and 2021

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

Index

Independent Auditor's Report

Board of Directors
Capitol Area Development Authority
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited 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 statements of net position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Seventeenth Street Commons as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Project and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Emphasis of Matter

As described in Note 1, the financial statements referred to above present only the financial position, 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, 2022 and 2021 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.

Responsibilities of Management for the Financial Statements

The Project’s 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Project's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

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.

CohnReznick

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 16 to 21 as required by the California Housing Finance Agency 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. 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 8, 2022, 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.

CohnReznick LLP

Sacramento, California
December 8, 2022

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

Statements of Net Position
June 30, 2022 and 2021

Assets

	2022	2021
Current assets		
Cash and cash equivalents	$ 550,901	$ 710,388
Accounts receivable	9,701	17,581
Prepaid expenses	11,069	-
Restricted cash and cash equivalents		
Insurance impounds	32,555	24,600
Tenant security deposits	20,269	19,354
Total restricted cash and cash equivalents	52,824	43,954
Total current assets	624,495	771,923
Noncurrent assets		
Restricted cash - replacement reserve	123,303	112,185
Capital assets		
Construction in progress	300,363	254,004
Building and Improvements	2,291,183	2,291,183
Less accumulated depreciation	(1,870,017)	(1,807,844)
Total capital assets	721,529	737,343
Total noncurrent assets	844,832	849,528
Total assets	$ 1,469,327	$ 1,621,451

Liabilities

	2022	2021
Current liabilities		
Accounts payable	$ 844	$ 129,867
Prepaid rent	2,321	2,091
Tenant security deposits	20,269	19,354
Notes payable, current portion	69,912	67,185
Total current liabilities	93,346	218,497
Noncurrent liabilities		
Notes payable, net of current portion	859,505	929,417
Total liabilities	$ 952,851	$ 1,147,914

Net Position

	2022	2021
Net investment in capital assets	$ (207,888)	$ (259,259)
Restricted for impounds and replacement reserve	155,858	136,785
Unrestricted	568,506	596,011
Total net position	$ 516,476	$ 473,537

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, 2022 and 2021

	2022	2021
Operating revenue		
Rental revenue, net	$ 369,920	$ 359,876
Other revenue		
Parking	10,825	11,540
Coin-operated laundry	346	858
Miscellaneous	195	975
Total operating revenues	381,286	373,249
Operating expenses		
Payroll		
Salaries and benefits	55,191	49,754
Total payroll	55,191	49,754
Administrative		
Management fee	31,810	30,440
Audit	5,749	5,586
Media	3,573	4,113
Total administrative	41,132	40,139
Utilities		
Electricity	7,543	6,919
Water and garbage	42,914	36,186
Gas	3,657	1,727
Total Utilities	54,114	44,832
Operating and maintenance		
Services and supplies	2,556	1,174
Maintenance and repairs	49,401	70,941
Courtesy patrol	7,320	6,975
Decorating and painting	720	-
Total operating and maintenance	59,997	79,090
Insurance and taxes		
Insurance	24,440	17,278
Property taxes	2,949	4,986
Total insurance and taxes	27,389	22,264

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, 2022 and 2021

	2022	2021
Depreciation	62,173	64,675
Total operating expenses	299,996	300,754
Operating income	81,290	72,495
Nonoperating revenue (expense)		
Interest income	4,974	7,696
Interest expense	(43,325)	(45,913)
Total nonoperating revenue (expense), net	(38,351)	(38,217)
Change in net position	42,939	34,278
Net position, beginning	473,537	439,259
Net position, end	$ 516,476	$ 473,537

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, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Rental receipts	$ 378,030	$ 351,142
Other receipts	11,366	13,373
Tenant security deposits received	915	(2,055)
Payroll and related costs	(55,191)	(49,754)
Administrative	(41,132)	(40,139)
Utilities	(54,114)	(44,832)
Operating and maintenance	(70,255)	(87,192)
Insurance and taxes	(27,389)	(22,264)
Net cash provided by operating activities	142,230	118,279
Cash flows from capital and related financing activities		
Payments for acquisition of capital assets	(176,193)	(33,643)
Principal payment on debt	(67,185)	(64,597)
Interest paid on debt	(43,325)	(45,913)
Net cash used in capital and related financing activities	(286,703)	(144,153)
Cash flows from investing activities		
Interest receipts	4,974	7,696
Net cash provided by investing activities	4,974	7,696
Net decrease in cash and cash equivalents	(139,499)	(18,178)
Cash and cash equivalents, beginning	866,527	884,705
Cash and cash equivalents, end	$ 727,028	$ 866,527
Reconciliation to the statements of net position		
Cash and cash equivalents	$ 550,901	$ 710,388
Restricted cash and cash equivalents		
Insurance impounds	32,555	24,600
Tenant security deposits	20,269	19,354
Reserve for replacements	123,303	112,185
Total cash and cash equivalents	$ 727,028	$ 866,527

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

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 81,290	$ 72,495
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	62,173	64,675
Changes in assets and liabilities		
Accounts receivable	7,880	(9,838)
Accounts payable	811	(8,102)
Prepaid rent	230	1,104
Tenant security deposits	915	(2,055)
Net cash provided by operating activities	$ 142,230	$ 118,279
Significant noncash capital and related financing activities		
Increase in accounts payable included in capital assets	$ -	$ 129,834

See Notes to Financial Statements.

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 .97 years and 3.14 years as of June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021 the Project's unrestricted cash and cash equivalents and tenant security deposits, are invested in the City's investment pool. Detailed disclosures, including investment policies and associated risk policies, regarding the Project's cash and investments are included in the notes to the Authority's basic financial statements.

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, 2022 and 2021, 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 therefore only construction in progress is included in nondepreciable capital assets. 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, 2022, 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 - Cash, cash equivalents, and restricted cash

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

	2022	2021
City investment pool	$ 571,170	$ 729,742
Deposits with CalHFA	155,858	136,785
Total	$ 727,028	$ 866,527

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, 2022 and 2021 amounted to $20,269 and $19,354, respectively.

Note 4 - Capital assets

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

	June 30, 2021	Increases	Decreases	June 30, 2022
Capital assets not being depreciated Construction in progress	$ 254,004	$ 46,359	$ -	$ 300,363
Capital assets being depreciated Buildings and improvements	2,291,183	-	-	2,291,183
Less accumulated depreciation for Buildings and improvements	(1,807,844)	(62,173)	-	(1,870,017)
Capital assets, net	$ 737,343	$ (15,814)	$ -	$ 721,529

	June 30, 2020	Increases	Decreases	June 30, 2021
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	(1,743,169)	(64,675)	-	(1,807,844)
Capital assets, net	$ 638,541	$ 98,802	$ -	$ 737,343

Note 5 - Notes payable

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

	2022	2021
Payable to CalHFA		
Monthly installments of $7,836, including principal and interest at 5.25% annually to maturity in September 2033 and secured by the Project.	$ 797,556	$ 848,260
Payable to Sacramento Housing Financing Agency		
Noninterest-bearing note with annual principal payments of $16,481 beginning December 2003 and maturing in 2029 and secured by the Project.	131,861	148,342
Total	$ 929,417	$ 996,602

Future maturities on the notes payable are as follows:

Years ending June 30	Principal	Interest	Total
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	82,368	28,143	110,511
2028 - 2032	436,010	83,592	519,602
2033 - 2034	113,522	4,014	117,536
	$ 929,417	$ 260,273	$ 1,189,690

The following is a summary of the notes payable transactions for the years ended June 30, 2022 and 2021:

Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Amounts due within one year
$ 996,602	$ -	$ (67,185)	$ 929,417	$ 69,912

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

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, 2022 and 2021, the Project realized an excess of revenue over expenses (excluding depreciation) of $105,112 and $98,953, respectively. During the years ended June 30, 2022 and 2021, the Authority made no contributions to the Project. The Authority has committed to fund any future deficits with contributions, as required.

Note 7 - 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 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 8 - 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, 2022, 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 9 - Subsequent events

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying 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 8, 2022 (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, 2022 and 2021

Schedules of operating revenues

Account No.		2022	2021
	Operating revenues		
5120	Rent revenue	$ 369,920	$ 359,876
5121	Tenant assistance payments	-	-
5170	Parking	10,825	11,540
	Rental revenue	380,745	371,416
	Other revenues		
5910	Coin-operated laundry	346	858
5190	Miscellaneous	195	975
	Total operating revenues	381,286	373,249

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, 2022 and 2021

Schedules of operating expenses

Account No.		2022	2021
	Operating expenses		
	Payroll		
6330	Manager salaries	55,191	49,754
6331	Manager rent fee unit	-	-
6510	Janitor payroll	-	-
	Total payroll	55,191	49,754
6340	Legal	-	-
6350	Accounting services	5,749	5,586
6320	Management fee	31,810	30,440
6210	Media	3,573	4,113
	Total administrative	41,132	40,139
	Utilities		
6450	Electricity	7,543	6,919
6452	Gas	3,657	1,729
6453	Water/Sewer	35,725	29,837
6525	Garbage	7,189	6,349
	Total utilities	54,114	44,834
	Operating and maintenance		
6515	Services and supplies	2,396	772
6530	Courtesy patrol	7,320	6,975
6517	Janitor and Cleaning Contracts	160	400
6537	Grounds Contract	42,811	48,937
6560	Decorating and painting	720	-
6545	Elevator Maintenance	-	-
6541	Repairs Material	-	3,408
6590	Misc. Ops. And Maint. Expense (if over $2,500, detail is required)	6,590	18,596
6591	Major Construction Expense	-	-
	Total operating and maintenance	59,997	79,088

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, 2022 and 2021

Account No.		2022	2021
	Insurance and taxes		
6729	Insurance	24,440	17,278
6710	Property taxes	2,949	4,986
	Total insurance and taxes	27,389	22,264
	Depreciation	62,173	64,675
	Total operating expenses	299,996	300,754
	Operating income (loss)	81,290	72,495
	Non-operating revenues (expenses)		
5400	CADA annuity	-	-
6820	Interest on first mortgage	(43,325)	(45,913)
5410	Interest income	4,974	7,696
	Change in net position	42,939	34,278
	Net position, beginning	473,537	439,259
	Net position, end	$ 516,476	$ 473,537

Detail of Accounts - Schedule of Activities

	2022	2021
Miscellaneous Other Expense (Accounts No. 6590)		
Flooring	$ 6,590	$ 18,596
	$ 6,590	$ 18,596

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, 2022

Cash and cash equivalents

Cash and cash equivalents		
Unrestricted account		
Operating account	$	550,901
Restricted accounts		
Insurance and tax impounds		32,555
Tenant security deposits		20,269
Reserve for replacements		123,303
Total restricted accounts		176,127
Total cash and cash equivalents	$	727,028

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, 2022 was as follows:

Balance, June 30, 2021	$	112,185
Deposits		10,584
Interest income		534
Approved withdrawals		-
Balance, June 30, 2022	$	123,303

Impound accounts

	Hazard insurance	Earthquake insurance	Total
Balance, June 30, 2021	$ 20,274	$ 4,326	$ 24,600
Deposits	6,909	8,876	15,785
Interest earned	-	136	136
CalHFA adjustment	-	-	-
Payments applied	-	(7,967)	(7,967)
Balance, June 30, 2022	$ 27,183	$ 5,372	$ 32,555

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, 2022

Capital assets

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

Capital assets balance, June 30, 2021	$ 2,545,187
Additions	46,359
Capital assets balance, June 30, 2022	$ 2,591,546

Accounts payable

Accounts payable in the amount of $844 represents amounts due to suppliers. All accounts payable are current.

Gross potential rents

Qualified tenant rental income	$ 610,191
Other tenant rental income	-
Total gross potential rents	610,191
Less	
Vacancy loss	(76,023)
Loss to lease	(66,288)
Low income subsidy	(97,960)
Rental revenues, net	$ 369,920

Management fee

A property management fee of $31,810 was incurred during the fiscal year ended June 30, 2022 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, 2022

Operating cash flow/Surplus cash computation

The operating cash flow/surplus cash generated by the Project during the year ended June 30, 2022 is as follows:

Operation income		
Total income	$	386,260
Interest earned on restricted reserve accounts		(670)
Adjusted operation income		385,590
Operating expenses less depreciation		(237,823)
Adjusted net income		147,767
Other activity		
Debt service		(110,510)
Deposits into replacement reserve account		(10,584)
Total other activity		(121,094)
Operating cash flow/surplus cash	$	26,673

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, 2022.

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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, 2022, 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 8, 2022 which included an emphasis of matter paragraph as indicated at page 2.

Report on 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 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over financial reporting.

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

Report on 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 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
December 8, 2022

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

Certification of Officers
Years Ended June 30, 2022 and 2021

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, 2022 and 2021, and, to the best of our knowledge and belief, these financial statements and data are complete and accurate.

Name	Title	Date
Wendy Saunders	Executive Director	12/08/2022
Dolly Yusso	Finance Director	12/08/2022

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Capitol Area Development Authority (CADA)
Summary Statement of Revenues and Expenditures
From 7/1/2021 Through 6/30/2022

Attachment 2

	Annual Budget	YTD Actual	YTD Variance
FUNDING SOURCES			
Rental Income			
Parking	244,700.00	276,664.00	31,964.00
Ground Lease Revenue	156,000.00	170,630.00	14,630.00
Residential Rental Revenue	9,658,100.00	10,408,231.00	750,131.00
Commercial Rental Revenue	275,000.00	496,131.00	221,131.00
Rental Vacancy Loss	(936,000.00)	(1,064,135.00)	(128,135.00)
Low Income Subsidy	(752,500.00)	(796,232.00)	(43,732.00)
Loss to Lease	(1,132,100.00)	(1,186,367.00)	(54,267.00)
Other	38,000.00	27,610.00	(10,390.00)
Total Rental Income	7,551,200.00	8,332,531.00	781,331.00
Tax Increment Revenue			
Tax Increment Revenue	6,850,000.00	7,133,382.00	283,382.00
Total Tax Increment Revenue	6,850,000.00	7,133,382.00	283,382.00
Governmental Agency Revenue			
Annuity-Excess Program Pymts	-	(26,454.00)	(26,454.00)
Total Governmental Agency Revenue	-	(26,454.00)	(26,454.00)
Financial Income			
General Operations Investment Funding			
Interest Income on Investments with City	264,500.00	161,733.00	(102,767.00)
Other	218,000.00	268,959.00	50,959.00
Total General Operations Investment Funding	482,500.00	430,693.00	(51,807.00)
Total Financial Income	482,500.00	430,693.00	(51,807.00)
Drawdowns from Reserves			
Equipment Replace Reserve Drawdown	91,000.00	-	(91,000.00)
Development Reserve Drawdown for D&A	3,280,000.00	3,280,000.00	-
Total Drawdowns from Reserves	3,371,000.00	3,280,000.00	(91,000.00)
Miscellaneous Funding Sources			
	43,100.00	29,587.00	(13,513.00)
Total Miscellaneous Funding Sources	43,100.00	29,587.00	(13,513.00)
Total FUNDING SOURCES	18,297,800.00	19,179,738.00	881,938.00
OPERATING EXPENSES			
Employee Services & Benefits			
Salaries	2,947,000.00	3,019,462.00	(72,462.00)
Cafeteria Plan	496,000.00	456,729.00	39,271.00
Workers Compensation	121,900.00	60,549.00	61,351.00
PERS Retirement	717,000.00	986,674.00	(269,674.00)
Post Retirement Health Benefit Contributions	185,800.00	210,367.00	(24,567.00)
Retiree Health Benefits	170,800.00	156,292.00	14,508.00
Other	154,360.00	(490,968.00)	645,328.00
Total Employee Services & Benefits	4,792,860.00	4,399,106.00	393,754.00
Outside Services			
Legal Services	121,980.00	358,801.00	(236,821.00)
Insurance	413,600.00	402,859.00	10,741.00
Other	996,628.00	763,295.00	233,333.00
Total Outside Services	1,532,208.00	1,524,954.00	7,254.00
Maintenance & Repair			
Service Contracts	338,127.00	442,962.00	(104,835.00)
Flooring	209,000.00	330,594.00	(121,594.00)
Landscaping	244,189.00	264,868.00	(20,679.00)
Other	934,396.00	1,039,337.00	(104,941.00)
Total Maintenance & Repair	1,725,712.00	2,077,761.00	(352,049.00)

Utilities			
Utilities-Garbage	66,000.00	83,705.00	(17,705.00)
Utilities-SMUD/Electricity	143,500.00	143,487.00	13.00
Utilities-PG&E/Gas	250,500.00	270,851.00	(20,351.00)
Utilities-Water/Sewer	614,000.00	690,854.00	(76,854.00)
Other	70,000.00	62,725.00	7,275.00
Total Utilities	1,144,000.00	1,251,621.00	(107,621.00)
Overhead			
	638,650.00	526,954.00	111,696.00
Total Overhead	638,650.00	526,954.00	111,696.00
Building/Land Acquisition			
Building/Land Acquisition	3,280,000.00	-	3,280,000.00
Total Building/Land Acquisition	3,280,000.00	-	3,280,000.00
Debt Service			
Notes Payable Debt Service	607,205.00	648,135.00	(40,930.00)
Bond Debt Service	2,757,349.00	2,757,269.00	80.00
Total Debt Service	3,364,554.00	3,405,404.00	(40,850.00)
Contributions to Reserves			
	1,200,722.00	1,294,050.00	(93,328.00)
Total Contributions to Reserves	1,200,722.00	1,294,050.00	(93,328.00)
Total OPERATING EXPENSES	17,678,706.00	14,479,850.00	3,198,856.00
CAPITAL INVESTMENT PROGRAM			
Major Construction			
	934,595.00	810,889.00	123,706.00
Total Major Construction	934,595.00	810,889.00	123,706.00
Development			
	1,358,780.00	652,266.00	706,514.00
Total Development	1,358,780.00	652,266.00	706,514.00
Total CAPITAL INVESTMENT PROGRAM	2,293,375.00	1,463,155.00	830,220.00
CASH FLOW, Before Resources Utilization	(1,674,281.00)	3,236,733.00	4,911,014.00
UTILIZATION OF FINANCIAL RESOURCES			
Utilization of Available Fund Balance	1,724,258.00	1,724,258.00	-
Utilization-Released CIP Budget	693,196.00	693,196.00	-
Contribution to Available Fund Balance	(573.00)	-	573.00
Cash Flow Adj-CIP Carryforward	(742,600.00)	(693,196.00)	49,404.00
Total UTILIZATION OF FINANCIAL RESOURCES	1,674,281.00	1,724,258.00	49,977.00
NET CASH FLOW	-	4,960,991.00	4,960,991.00
Audit Reconciliations			
Change in Encumbrances		345,116.00	
Reduction in Outstanding Debt Service			
Reductions in Outstanding Debt Service			
Debt Service-Liability Reduction		233,210.00	
Interest Expense-Accrual Adjustment		(65,393.00)	
Bond Debt Svc-Liability Reduction		1,454,552.00	
Bond Interest-Accrual Adjustment		6,162.00	
Total Reduction in Outstanding Debt Service		1,628,531.00	
Change in Leases			
B/S Adj - Lease Revenue		(12,340.00)	
B/S Adj - Leases Rent Exp		77,340.00	

Amortization Lease Expense	(68,857.00)
Total Change in Leases	(3,857.00)
Change in Net Pension Liability	
Net Pension Liability	(2,201,569.00)
Net OPEB liability	(1,806,365.00)
Total Change in Net Pension Liability	(4,007,934.00)
Change in Deferred Inflows of Resources	
Deferred Inflows related to Pension	2,520,291.00
Deferred Inflow Related to OPEB	1,206,854.00
Deferred Inflow related to Leases	-
Total Change in Deferred Inflows of Resources	3,727,145.00
Impact of Changes in Notes Receivable	
Allowance for Uncollectibles	(84,179.00)
Total Impact of Changes in Notes Receivable	(84,179.00)
Impact of Net Changes in Fixed Assets	
Capitalized Acquisitions	
Software - Capitalized or Prepaid	(27,172.00)
Computer Hdwe - Capitalized	16,592.00
Admin Furn Mach & Eq-Cap'd	34,362.00
D&A - Site Impr Capitalized	65,409.00
Maint Furn, Mach & Eq-Cap'd	68,405.00
Capitalized Major Construction	876,027.00
Total Capitalized Acquisitions	1,033,623.00
Depreciation Expense	(868,527.00)
Total Impact of Net Changes in Fixed Assets	165,096.00
Reduction of deferred Outflows of Resources	
Deferred Outflows Related to Pension	(18,837.00)
Deferred Outflow Related to OPEB	(62,484.00)
Total Reduction of deferred Outflows of Resources	(81,321.00)
Impact of Changes in Other Balance Sheet Sections	
Net Increase (Decline) in Reserves	
Reserve Drawdowns-Equity Adjustment	(3,236,701.00)
Reserve Contributions-Equity Adjustment	1,250,751.00
Total Net Increase (Decline) in Reserves	(1,985,950.00)
Net Contribution to (Utilization of) Fund Balance	
BS Adj - Fund Bal Util or Contrib	(1,724,258.00)
Total Net Contribution to (Utilization of) Fund Balance	(1,724,258.00)
Total Impact of Changes in Other Balance Sheet Sections	(3,710,208.00)
Total Audit Reconciliations	(2,021,611.00)
AUDITED, CHANGE IN NET ASSETS	2,939,380.00

Capitol Area Development Authority (CADA)
GENERAL OPERATIONS - General Operations
From 7/1/2021 Through 6/30/2022

	Budget-Annual	YTD Budget	YTD Year Actual	YTD Variance
FUNDING SOURCES of General Operations				
Rental Income				
Parking	244,700.00	244,700.00	276,664.00	31,964.00
Ground Lease Revenue	156,000.00	156,000.00	170,630.00	14,630.00
Residential Rental Revenue	9,658,100.00	9,658,100.00	10,408,231.00	750,131.00
Commercial Rental Revenue	275,000.00	275,000.00	496,131.00	221,131.00
Coin Op Laundry Revenue	35,300.00	35,300.00	24,731.00	(10,569.00)
B/S Adj - Lease Revenue	-	-	(12,340.00)	(12,340.00)
Rental Vacancy Loss	(936,000.00)	(936,000.00)	(1,064,135.00)	(128,135.00)
Low Income Subsidy	(752,500.00)	(752,500.00)	(796,232.00)	(43,732.00)
Loss to Lease	(1,132,100.00)	(1,132,100.00)	(1,186,367.00)	(54,267.00)
Forfeited Security Deposits	2,200.00	2,200.00	2,879.00	679.00
Bad Debt Recovery	500.00	500.00	-	(500.00)
Misc Current Svcs - Mgmt Fees	102,290.00	102,290.00	102,290.00	-
Misc Current Svcs - Salaries	148,510.00	148,510.00	236,734.00	88,224.00
Total Rental Income	7,802,000.00	7,802,000.00	8,659,215.00	857,215.00
Tax Increment Revenue				
Tax Increment Revenue	6,850,000.00	6,850,000.00	7,133,382.00	283,382.00
Total Tax Increment Revenue	6,850,000.00	6,850,000.00	7,133,382.00	283,382.00
Other Government Agency Revenue				
Annuity-Excess Program Pymts	-	-	(26,454.00)	(26,454.00)
Total Other Government Agency Revenue	-	-	(26,454.00)	(26,454.00)
Interest and Other Investment Income				
Interest Income on Investments with City	264,500.00	264,500.00	161,733.00	(102,767.00)
Interest Income Received	-	-	1,316.00	1,316.00
Interest Income-Reserve Allocation	(2,000.00)	(2,000.00)	-	2,000.00
Interest Income - Pool A Tax Exempt	-	-	303.00	303.00
Interest Income - Pool A Taxable Bond	220,000.00	220,000.00	217,437.00	(2,563.00)
Lease Interest Revenue	-	-	49,903.00	49,903.00
Total Interest and Other Investment Income	482,500.00	482,500.00	430,693.00	(51,807.00)
Miscellaneous Revenue				
Miscellaneous Income	43,100.00	43,100.00	29,587.00	(13,513.00)
Allowance for Uncollectibles	-	-	(84,179.00)	(84,179.00)
Total Miscellaneous Revenue	43,100.00	43,100.00	(54,592.00)	(97,692.00)
Drawdowns from Reserves				
Development Reserve Drawdown for D&A	3,280,000.00	3,280,000.00	3,280,000.00	-
Total Drawdowns from Reserves	3,280,000.00	3,280,000.00	3,280,000.00	-
Total FUNDING SOURCES of General Operations	18,457,600.00	18,457,600.00	19,422,243.00	964,643.00
General Operations EXPENSE				
Employee Services & Benefits				
Special Management Salaries	(164,420.00)	(164,420.00)	(253,906.00)	(89,486.00)
(In Whole Numbers)				
	Budget-Annual	YTD Budget	YTD Year Actual	YTD Variance
Salaries	(2,947,000.00)	(2,947,000.00)	(3,019,462.00)	(72,462.00)
Employee Recognition	(37,000.00)	(37,000.00)	(56,056.00)	(19,056.00)
Social Security/Medicare	(44,600.00)	(44,600.00)	(45,950.00)	(1,350.00)
Cafeteria Plan	(496,000.00)	(496,000.00)	(456,729.00)	39,271.00
Long Term Disability	(31,000.00)	(31,000.00)	(27,289.00)	3,712.00
State Unemployment	(11,000.00)	(11,000.00)	(10,652.00)	348.00
Workers Compensation	(121,900.00)	(121,900.00)	(60,549.00)	61,351.00
Life & AD&D Insurance	(12,500.00)	(12,500.00)	(12,356.00)	144.00
PERS Retirement	(717,000.00)	(717,000.00)	(986,674.00)	(269,674.00)
Post Retirement Health Benefit Contributions	(185,800.00)	(185,800.00)	(210,367.00)	(24,567.00)
Retiree Health Benefits	(170,800.00)	(170,800.00)	(156,292.00)	14,508.00
OPEB Expense	-	-	661,995.00	661,995.00
Employee Assist Program (EAP)	(2,350.00)	(2,350.00)	(1,552.00)	798.00
Total Employee Services & Benefits	(4,941,370.00)	(4,941,370.00)	(4,635,839.00)	305,531.00

Outside Services				
Prop Mgmt Marketing - Sp Mgmt Credit	3,374.00	3,374.00	3,374.00	-
Marketing & Media	(25,000.00)	(25,000.00)	(13,108.00)	11,892.00
Property Management Marketing	(16,374.00)	(16,374.00)	(3,374.00)	13,000.00
Printing and Binding	(4,250.00)	(4,250.00)	(863.00)	3,387.00
Employment Rcruitment & Notices	(2,000.00)	(2,000.00)	(3,668.00)	(1,668.00)
Legal Services	(121,980.00)	(121,980.00)	(358,801.00)	(236,821.00)
Accounting and Auditing	(49,600.00)	(49,600.00)	(54,800.00)	(5,200.00)
Community Activities	(35,000.00)	(35,000.00)	(18,057.00)	16,943.00
Document Storage & Destruction	(3,000.00)	(3,000.00)	(1,037.00)	1,963.00
Network Administration Services	(85,000.00)	(85,000.00)	(83,108.00)	1,892.00
Payroll Services	(10,000.00)	(10,000.00)	(11,824.00)	(1,824.00)
Banking & Investment Fees	(13,278.00)	(13,278.00)	(15,546.00)	(2,268.00)
Admin Other Professional Services	(67,500.00)	(67,500.00)	(12,510.00)	54,990.00
Prop Mgmt Other Professional Services	(15,000.00)	(15,000.00)	(13,913.00)	1,088.00
Asset Mgmt Other Professional Services	(46,000.00)	(46,000.00)	(16,780.00)	29,220.00
Courtesy Patrol	(140,812.00)	(140,812.00)	(126,924.00)	13,888.00
Courtesy Patrol-Sp Mgmt Credit	15,812.00	15,812.00	15,812.00	-
Insurance - Special Management	(75,500.00)	(75,500.00)	(92,522.00)	(17,022.00)
Insurance	(413,600.00)	(413,600.00)	(402,859.00)	10,741.00
Self-Insured Losses	(77,500.00)	(77,500.00)	(5,014.00)	72,486.00
Project Banking Fees	(21,000.00)	(21,000.00)	(9,803.00)	11,198.00
Admin Temporary Outside Svcs	(20,000.00)	(20,000.00)	(48,742.00)	(28,742.00)
Temporary Outside Services	(230,000.00)	(230,000.00)	(229,708.00)	292.00
Eng/Arch-Miscellaneous	(39,000.00)	(39,000.00)	(3,455.00)	35,545.00
Legal - Dev Project Related	(20,000.00)	(20,000.00)	(26,891.00)	(6,891.00)
D&A Other Professional Services	(7,000.00)	(7,000.00)	-	7,000.00
D&A Miscellaneous Expense	(7,000.00)	(7,000.00)	-	7,000.00
Total Outside Services	(1,526,208.00)	(1,526,208.00)	(1,534,119.00)	(7,911.00)
Maintenance & Repair				
Emerg Relocation-Ops Related	(10,500.00)	(10,500.00)	(18,055.00)	(7,555.00)

(In Whole Numbers)

	Budget-Annual	YTD Budget	YTD Year Actual	YTD Variance
Operation Location Improvements	(55,000.00)	(55,000.00)	(31,201.00)	23,799.00
Admin Office - General Maintenance	(27,800.00)	(27,800.00)	(17,679.00)	10,121.00
Maint Office Janitorial	(6,000.00)	(6,000.00)	(8,560.00)	(2,560.00)
Maint Office - General Maintenance	(10,000.00)	(10,000.00)	(10,404.00)	(404.00)
Equipment Rental Expense	(5,000.00)	(5,000.00)	(4,587.00)	413.00
Construction Mitigation Expense	(15,000.00)	(15,000.00)	(23,298.00)	(8,298.00)
Repair & Maint - Misc	(136,600.00)	(136,600.00)	(171,628.00)	(35,028.00)
Repair & Maint - Commercial	-	-	(2,500.00)	(2,500.00)
Lndscape-Sp Mgmt Credit	18,514.00	18,514.00	18,514.00	-
Travel-Fuel on CADA Vehicles	(15,000.00)	(15,000.00)	(19,163.00)	(4,163.00)
Travel-Maint Staff Reimburse	(10,000.00)	(10,000.00)	(12,799.00)	(2,799.00)
Travel-RSR Reimbursement	(2,000.00)	(2,000.00)	(485.00)	1,515.00
Elevator/Bldg Phone & Monitor Service	(4,900.00)	(4,900.00)	(5,262.00)	(362.00)
Service Contracts	(338,127.00)	(338,127.00)	(442,962.00)	(104,835.00)
State Fire Marshal	(8,000.00)	(8,000.00)	(26,754.00)	(18,754.00)
Flooring	(209,000.00)	(209,000.00)	(330,594.00)	(121,594.00)
Plumbing	(9,285.00)	(9,285.00)	(2,768.00)	6,518.00
Countertops/Cabinets	(56,500.00)	(56,500.00)	(40,436.00)	16,064.00
Landscaping	(244,189.00)	(244,189.00)	(264,868.00)	(20,679.00)
Pest Services	(56,200.00)	(56,200.00)	(33,820.00)	22,380.00
Permits and Fees	(4,500.00)	(4,500.00)	(3,322.00)	1,178.00
Painting & Decorating	(14,900.00)	(14,900.00)	(9,720.00)	5,180.00
Supplies	(35,000.00)	(35,000.00)	(24,174.00)	10,826.00
Vehicle Repair and Maint	(10,000.00)	(10,000.00)	(9,553.00)	447.00
Prop Mgmt Furn & Appliances	(61,500.00)	(61,500.00)	(101,934.00)	(40,434.00)
Building Supplies - Misc	(200,500.00)	(200,500.00)	(371,405.00)	(170,905.00)
Clothing and Uniforms	(5,500.00)	(5,500.00)	(4,963.00)	537.00
Maintenance Mach & Equip	(87,100.00)	(87,100.00)	(88,587.00)	(1,487.00)
Operating Budget Major Repairs	(12,000.00)	(12,000.00)	(16,479.00)	(4,479.00)
Total Maintenance & Repair	(1,631,587.00)	(1,631,587.00)	(2,079,445.00)	(447,858.00)

	Budget-Annual	YTD Budget	YTD Year Actual	YTD Variance
Utilities				
Admin Office Utilities	(28,000.00)	(28,000.00)	(22,051.00)	5,949.00
Maint Office Utilities	(42,000.00)	(42,000.00)	(40,674.00)	1,326.00
Utilities-Garbage	(66,000.00)	(66,000.00)	(83,705.00)	(17,705.00)
Utilities-SMUD/Electricity	(143,500.00)	(143,500.00)	(143,487.00)	13.00
Utilities-PG&E/Gas	(250,500.00)	(250,500.00)	(270,851.00)	(20,351.00)
Utilities-Water/Sewer	(614,000.00)	(614,000.00)	(690,854.00)	(76,854.00)
Total Utilities	(1,144,000.00)	(1,144,000.00)	(1,251,621.00)	(107,621.00)
Overhead				
Postage and Deliveries	(6,000.00)	(6,000.00)	(844.00)	5,156.00
Telephone and Wireless Svcs	(30,000.00)	(30,000.00)	(35,367.00)	(5,367.00)
Cellular Phone Service	(35,000.00)	(35,000.00)	(42,570.00)	(7,570.00)
Internet Services	(26,000.00)	(26,000.00)	(9,681.00)	16,319.00
Admin Bldg Rent	(95,000.00)	(95,000.00)	(96,690.00)	(1,690.00)
Leased Facilities Rent	(60,000.00)	(60,000.00)	(24,000.00)	36,000.00
Equipment Rental Expense	(2,500.00)	(2,500.00)	(1,747.00)	753.00
B/S Adj - Leases Rent Exp	-	-	77,340.00	77,340.00

(In Whole Numbers)

	Budget-Annual	YTD Budget	YTD Year Actual	YTD Variance
Parking Program	(1,500.00)	(1,500.00)	-	1,500.00
JPA Board Expenses	(7,000.00)	(7,000.00)	(3,690.00)	3,310.00
Professional Organizations	(15,000.00)	(15,000.00)	(11,959.00)	3,041.00
Subscriptions	(2,000.00)	(2,000.00)	(2,285.00)	(285.00)
Education and Training	(20,000.00)	(20,000.00)	(24,093.00)	(4,093.00)
Management Fee	(102,290.00)	(102,290.00)	(102,290.00)	-
Transportation-Admin Staff	(2,000.00)	(2,000.00)	(2,037.00)	(37.00)
Resident Relations	(9,800.00)	(9,800.00)	(9,956.00)	(156.00)
Sp Mgmt Prop Taxes & Assessments	(10,750.00)	(10,750.00)	(7,844.00)	2,906.00
Property Taxes & Assessments	(122,100.00)	(122,100.00)	(77,524.00)	44,576.00
Hospitality	(1,500.00)	(1,500.00)	(625.00)	875.00
Office Supplies - General	(15,000.00)	(15,000.00)	(11,757.00)	3,243.00
Software	(80,000.00)	(80,000.00)	(70,430.00)	9,570.00
Computer Hardware	(50,000.00)	(50,000.00)	(23,898.00)	26,102.00
Admin Furn Mach & Equip	(16,000.00)	(16,000.00)	(6,602.00)	9,398.00
Safety - General Admin	(5,500.00)	(5,500.00)	(40,444.00)	(34,944.00)
Office Equipment leases	(26,000.00)	(26,000.00)	(22,909.00)	3,091.00
Total Overhead	(740,940.00)	(740,940.00)	(551,904.00)	189,036.00
Debt Service				
Debt Service Principal Paid	(225,836.00)	(225,836.00)	(233,210.00)	(7,374.00)
Debt Interest Paid	(81,369.00)	(81,369.00)	(73,994.00)	7,375.00
Bond Debt Svc-Principal Pd	(1,450,875.00)	(1,450,875.00)	(1,454,552.00)	(3,677.00)
Bond Interest Paid	(1,306,474.00)	(1,306,474.00)	(1,302,718.00)	3,756.00
Tax Increment Pledge	(300,000.00)	(300,000.00)	(300,000.00)	-
HCD Monitoring Fee	-	-	(24,087.00)	(24,087.00)
Lease Interest Expense	-	-	(16,844.00)	(16,844.00)
Total Debt Service	(3,364,554.00)	(3,364,554.00)	(3,405,404.00)	(40,850.00)
Contributions to Reserves				
Development Reserve Contribution	(428,754.00)	(428,754.00)	(503,897.00)	(75,143.00)
Affordable Housing Reserve Contribution	(280,085.00)	(280,085.00)	(298,270.00)	(18,185.00)
Capital Improve Reserve Contribution	(175,000.00)	(175,000.00)	(175,000.00)	-
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	(1,200,722.00)	(1,200,722.00)	(1,294,050.00)	(93,328.00)
Total General Operations EXPENSE	(14,549,381.00)	(14,549,381.00)	(14,752,382.00)	(203,001.00)
Inter-Fund Operation TRANSFERS				
Inter-Fund Operating TRANSFERS IN				
Operations Transfer from F 50-CAP Tax Incr	2,677,820.00	2,677,820.00	1,436,520.00	(1,241,300.00)
Operations Transfer from F 51-CAP Set-Aside	536,634.00	536,634.00	536,634.00	-
Operations Transfer from F60-RSt TI	121,300.00	121,300.00	121,300.00	-

(In Whole Numbers)

Capitol Area Development Authority (CADA)
GENERAL OPERATIONS - General Operations
From 7/1/2021 Through 6/30/2022

	Budget-Annual	YTD Budget	YTD Year Actual	YTD Variance
Operations Transfer from F67 - Bond Interest	220,000.00	220,000.00	215,361.00	(4,639.00)
Total Inter-Fund Operating TRANSFERS IN	3,555,754.00	3,555,754.00	2,309,815.00	(1,245,939.00)
Inter-Fund Operating TRANSFERS OUT				
Operations Transfer to F10-General	(3,555,754.00)	(3,555,754.00)	(2,309,815.00)	1,245,939.00
Total Inter-Fund Operating TRANSFERS OUT	(3,555,754.00)	(3,555,754.00)	(2,309,815.00)	1,245,939.00
Total Inter-Fund Operation TRANSFERS	-	-	-	-
OPERATING RESULTS, before Capital Investment Program	3,908,219.00	3,908,219.00	4,669,860.00	761,642.00
CAPITAL INVESTMENT PROGRAM				
Investment in MAJOR CONSTRUCTION Program				
CIP Transfer to F10-General	(479,304.00)	(479,304.00)	(479,304.00)	-
CIP Transfer to F38 - 17th St. Commons	(7,600.00)	(7,600.00)	(7,600.00)	-
CIP Transfer to F41 - Fremont/Wilshire	(315,500.00)	(315,500.00)	(315,500.00)	-
Total Investment in MAJOR CONSTRUCTION Program	(802,404.00)	(802,404.00)	(802,404.00)	-
Investment in DEVELOPMENT Program				
Dev Program TF to F 10 - General	(4,829,500.00)	(4,829,500.00)	(4,829,500.00)	-
Total Investment in DEVELOPMENT Program	(4,829,500.00)	(4,829,500.00)	(4,829,500.00)	-
Total CAPITAL INVESTMENT PROGRAM	(5,631,904.00)	(5,631,904.00)	(5,631,904.00)	-
UTILIZATION OF FINANCIAL RESOURCES				
Utilization of Available Fund Balance	1,724,258.00	1,724,258.00	1,724,258.00	-
Contribution to Available Fund Balance	(573.00)	(573.00)	-	573.00
Total UTILIZATION OF FINANCIAL RESOURCES	1,723,685.00	1,723,685.00	1,724,258.00	573.00
NET RESULTS OF GENERAL OPERATIONS	-	-	762,215.00	762,215.00

RESOLUTION NO. 23 – 01
Adopted by the Capitol Area Development Authority

January 20, 2023

RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2021-2022

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 2021-2022; 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 2021-2022 audited by CohnReznick are hereby accepted and authorized for release.

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Ann Bailey, Chair

ATTEST:

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Tara Gandara
Secretary to the Board of Directors

RESOLUTION NO. 23 – 02
Adopted by the Capitol Area Development Authority

January 20, 2023

RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2021-2022 FOR SOMERSET PARKSIDE APARTMENTS

WHEREAS, the certified public accounting firm of CohnReznick has completed its audit of the Authority's Independent Auditor's Reports for Fiscal Year 2021-2022 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 2021-2022 for Somerset Parkside Apartments audited CohnReznick is hereby accepted and authorized for release.

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Ann Bailey, Chair

ATTEST:

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Tara Gandara
Secretary to the Board of Directors

RESOLUTION NO. 23 – 03
Adopted by the Capitol Area Development Authority

January 20, 2023

RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2021-2022 FOR BIELE PLACE APARTMENTS

WHEREAS, the certified public accounting firm of CohnReznick has completed its audit of the Authority's Independent Auditor's Reports for Fiscal Year 2021-2022 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 2021-2022 for Biele Place Apartments audited by CohnReznick is hereby accepted and authorized for release.

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Ann Bailey, Chair

ATTEST:

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Tara Gandara
Secretary to the Board of Directors

RESOLUTION NO. 23 – 04
Adopted by the Capitol Area Development Authority

January 20, 2023

RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2021-2022 FOR SEVENTEENTH STREET COMMONS

WHEREAS, the certified public accounting firm of CohnReznick has completed its audit of the Authority's Independent Auditor's Reports for Fiscal Year 2021-2022 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 2021-2022 for Seventeenth Street Commons (Contract Number 99-024-N) audited by CohnReznick is hereby accepted and authorized for release.

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Ann Bailey, Chair

ATTEST:

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Tara Gandara
Secretary to the Board of Directors