January 19, 2022

TO: CADA Board of Directors

SUBJECT: **January 26, 2023, Board Meeting**
AGENDA ITEM 5
AUDITED FINANCIAL STATEMENTS – FISCAL YEAR 2022-2023

CONTACT: Noelle Mussen, Finance Director

RECOMMENDED ACTION:

Staff recommends that the Board, by separate resolutions (Attachments 4, 5, 6, 7), accept the following four audited financial reports as prepared and released by CohnReznick:

- Capitol Area Development Authority
  Independent Auditor's Reports FY 2022-2023 **(Attachment 1a)**
- Somerset Parkside Apartments (Contract Number 80-RHC-007)
  Independent Auditor's Reports FY 2022-2023 **(Attachment 1b)**
- Biele Place Apartments (Contract Number 80-RHC-032)
  Independent Auditor's Reports FY 2022-2023 **(Attachment 1c)**
- Seventeenth Street Commons (Contract Number 99-024-N)
  Independent Auditor's Reports FY 2022-2023 **(Attachment 1d)**

BACKGROUND

The attached audited financial reports for Fiscal Year 2022-23 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 with the Operations Committee are presented in a modified "cash flow" format rather than in accordance with GAAP. Both on the revenue and expense side, there are factors that are either included in or excluded from GAAP financials but not in CADA's internal reports. Additionally, Capital Investment Program (CIP) projects (both Major Construction and Development) are budgeted on a multi-year basis and reported separately. Consequently, direct comparison of results between the General Operations monthly financials and the consolidated audited financials requires identification of reconciling factors. The audited financial statements for CADA and the special management funds are included as Attachments 1a through 1d. Attachment 2 identifies "reconciling factors", or differences, between GAAP and Budget Basis financial reporting. Attachment 3 reflects CADA's General Operations budget-to-actual results for fiscal year 2022 -2023, exclusive of Capital Investment Program activities. Attachments 1a, 2, and 3 are more fully discussed below. Attachments 1b through 1d are financial reports for the three individual buildings that operate under regulatory agreements with other agencies that require them to be submitted annually for their review.

It should be noted that only three of CADA's four special management properties are currently subject to stand-alone audits (Somerset Parkside, Biele Place, and 17th Street Commons). The financial position and activities for the fourth special management property, the Fremont Wilshire Apartments, are maintained in separate special management funds but are not presently required to be independently audited on an annual basis.

STRATEGIC PLAN

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

FINANCIAL IMPACT

*Management Discussion and Analysis (**Attachment 1a**)*

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

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

CADA's audited financials reflect positive results for the year, with an increase of $5,516,242 in its Net Position. This is a $2,576,862 increase in Net Position compared to last year. Last year, CADA experienced a $2,937,852 increase in its Net Position compared to the prior year.

The $5,516,242 increase in CADA's Net Position reflects Non-Operating Net Revenues of $7,369,661 less an operating loss of $1,853,419 from rental and development activities. The primary reason for the increased positive results in FY 2022-23 compared to FY 2021-222 is due to net income increases in Rental and Grant Revenue, decreases in Employee Services, and decreases to Development project expenses.

Non-Operating Revenues totaled $7,369,661, which is a net increase of $1,308,915 over last year's revenue of $6,060,746. This reflects a net increase in Intergovernmental Revenue (including Tax Increment) of $336,112; a gain on the sale of Site 21, the Cypress, of $400,000; and Interest Income of $510,915.

CADA's Operating Loss was $1,853,419, which is $1,267,947 less than last year's $3,121,366 loss. The change is primarily due to net decreases in total Operating Expense of $552,447, and an increase in Operating Revenue of $715,500. The decreases in Operating Expenses were in development project expenses due to having less Site Improvements and Offsite Infrastructure expenses as compared to the prior year, along with decreases in Employee Services expenses due to the reduction of overtime, retirement of staff, and other vacated positions through part of the fiscal year. The increase in Operating Revenue reflects a $537,491 net increase in Rental Revenue and an increase in development project grant revenue of $150,000.

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

Total Cash and Cash Equivalents increased by $2,800,501 compared to the prior year's decrease of $3,356,617.

The positive change in cash flow was mostly due to a net increase in cash inflow from proceeds from the sale of property Site 21, the Cypress, with the cash outflow for the purchase of 2000 16th recognized in the prior year. Cash outflow from operating activities and increased cash inflow from rental receipts and interest income are also part of the positive cash flow. This was offset by an increase in cash outflow of $1,926,994 for the issuance of notes receivable from CADA to 1717 S Street of $400,000 and Sonrisa of $1,526,997 to cover additional construction costs.

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

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

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

- Removal of debt service and debt-related transactions from cash flow expenses because this is a reduction of outstanding debt on the Statement of Net Position, not a yearly expense.

- The change in the net pension liability and PERS retirement expense through adjustments to Deferred Inflows/Outflows of Resources Related to Pensions

- The change in the net OPEB liability and OPEB annual expense made through Deferred Inflows/Outflows of Resources Related to OPEB

- Inclusion of the Allowance for Uncollectibles, or bad debt expenses, which removes an asset and increases expenses to recognize cash spent or an asset not received in the current year or a prior year.

- The capitalization of additional expenses for the 1717 S Partnership investment within the Statement of Net Position, allowing recognition of this expense as an asset in the year the cash was spent.

- The change in lease accounting, because government lessees are required to recognize a lease liability and an intangible asset, and government lessors recognize a lease receivable and a deferred inflow of resources while continuing to report the lease asset in the financial statements. Leased asset will be recognized as an amortization expense and lessor revenue will be recognized over the term of the lease corresponding with the reduction of the deferred inflow.

- The change in software and other subscription accounting, as these are required to be accounted for as a prepaid subscription asset and amortized over the life of the subscription.

- 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 2022-2023 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 2022-2023

    a. Capitol Area Development Authority **(TO BE RELEASED UNDER SEPARATE COVER)**
    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 2022-2023, Budget to Actual

4. Resolution 24-01 – Acceptance of Auditor's Reports – CADA

5. Resolution 24-02 – Acceptance of Auditor's Reports – Somerset Parkside

6. Resolution 24-03 – Acceptance of Auditor's Reports – Biele Place

7. Resolution 24-04 – Acceptance of Auditor's Reports – Seventeenth Street Commons

Attachment 1a

Capitol Area Development Authority

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

June 30, 2023 and 2022

CohnReznick

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Capitol Area Development Authority

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Capitol Area Development Authority

Board of Directors of the Capitol Area Development Authority

Ann Bailey
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Emily Baime Michaels
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Robert Lagomarsino

Jose Bodipo-Memba

Danielle Foster
Executive Director

Leyne Milstein Assistant City Manager Finance City of Sacramento	Jeffrey Mitchell Legal Counsel Kronick Moskovitz Tiedemann & Girard	John Colville 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 business-type activities of the Capitol Area Development Authority ("Authority") as of and for the years ended June 30, 2023 and 2022, 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 business-type activities of the Capitol Area Development Authority as of June 30, 2023 and 2022, 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.

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.

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 Information

Management is responsible for the other information included in the financial statements. The other information comprises of the list of the Board of Directors but does not include the financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2024 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
January 23, 2024

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, 2023 and 2022.

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 and supports through other Authority activities. 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 in order to further understand the numbers presented.

Financial Highlights

Financial Highlights for the Year Ended June 30, 2023

- During the year, the Authority had revenues of approximately $17.8 million consisting primarily of $8.9 million in rental and other revenues, $7.5 million in tax increment revenue. $1 million in interest income, and a $400,000 gain for the sale of property.

- The Authority had expenses totaling approximately $12.3 million consisting primarily of $3.5 million in employee services and benefits, $5.8 million related to property management operations, $1.4 million of interest expense on the Authority's debt, $613,000 for development projects, and $1 million in depreciation expense.

- The Authority expended $451,200 during the year on major construction projects budgeted for the structures that the Authority manages in the Capitol Area, of which $360,790 was capitalized.

- The net other post-employment benefits (OPEB) liability required under Governmental Accounting Standards Board ("GASB") No. 75 (GASB No. 75) has increased by $802,450, removing the prior year OPEB asset and creating a liability of $451,348 as of June 30, 2023

- The net pension liability required under GASB No. 68 has increased by $3.1 million to $6 million as of June 30, 2023. This increase in liability reflected the California Public Employees' Retirement System (CalPERS) investment losses from the prior two years.

- The net commercial and ground lease activity required under GASB No. 87 has resulted in a net decrease of $338,170 in lease receivables, with a total lease receivable of $1.2 million, a decrease of $62,220 in lease liabilities, and a reduction of $68,857 in right of use asset, for a total lease liability of $468,305. These changes were a result of an increase in four commercial tenants and their resulting leases.

- For Site 21, The Cypress at 14th and N Streets, the Authority sold the property to the developer D&S Development for $2,400,000 for a gain of $400,000, with the Authority agreeing to provide the developer with a $400,000 grant for infrastructure improvements at the site.

- The Authority purchased the property at 2000 16th Street for $3.3 million for a possible affordable housing project.

- The Authority closed on Financing through the California Debt Limit Allocation Committee (CDLAC) tax credit program to fund construction of a low-income housing project at the CADA Courtyard Site 16A at 1322 O Street. Construction started in the summer of 2020; the building was completed and the project was placed in service in March 2023.

- 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 $27.4 million in net position, as of June 30, 2023, meets this objective.

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 No. 75) has decreased by $1.8 million creating an 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 of commercial and ground leases, resulting in increases of $1.5 million in lease receivables, $.5 million in right of use asset, $.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 was 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 that 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.

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 OPEB) 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 $27.4 as of June 30, 2023.

Condensed Statements of Net Position at June 30, 2023 and 2022

	2023	2022	Change $	Change %
Assets				
Current and other assets	$ 65,497,179	$ 64,141,420	$ 1,355,759	2%
Capital assets, net	12,388,812	11,123,420	1,265,392	11%
Total assets	$ 77,885,991	$ 75,264,840	$ 2,621,151	3%
Deferred outflows of resources (DOR)				
DOR - Pensions and OPEB	$ 3,296,895	$ 1,644,845	$ 1,652,050	100%
Liabilities				
Current liabilities	$ 3,448,366	$ 2,883,087	$ 565,279	20%
Non-current liabilities	48,184,697	46,190,606	1,994,091	4%
Total liabilities	$ 51,633,063	$ 49,073,693	$ 2,559,370	5%
Deferred inflows of resources (DIR)				
DIR - Pensions, OPEB and Leases	$ 2,140,426	$ 5,942,837	$ (3,802,411)	-64%
Net position				
Net investment in capital assets	$ (4,312,065)	$ (3,048,551)	$ (1,263,514)	-41%
Restricted for insurance and reserves	1,797,998	1,757,108	40,890	2%
Unrestricted	29,923,464	23,184,598	6,738,866	29%
Total net position	$ 27,409,397	$ 21,893,155	$ 5,516,242	25%

Analysis of Net Position - June 30, 2023:

The Authority's net position increased during the current year by $5.5 million, as a result of consistent rental revenue, intergovernmental revenue and interest income, a one-time gain in the sale of property with reductions in development activity and interest expense, offset by minimal increasing expenses within maintenance and repairs.

A portion of the Authority's net position is invested in capital assets. This category, which decreased by $1.26 million, consists of the cost basis of assets acquired, less depreciation and related debt, net of unspent proceeds. The decrease in the net investment in capital assets category of $1.26 million is the net effect of an increase of $1.27 million from additions in capital assets, and a decrease in the related debt due to $2.53 million in debt repayments.

The historical cost of capital assets increased by $2.28 million as a result of acquisitions of land, equipment and improvements to buildings, and software arrangements. Depreciation expenses reduced the carrying value of the total capital assets by $1,022,992, for a net increase in the net value of capital assets of $1.27 million. Additional information on the Authority's capital assets can be found in Note 6 to the Financial Statements.

Liabilities increased by $2.56 million following the annual bond payment with increases to both the pension and OPEB liabilities due to decreases in net plan assets.

Condensed Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended June 30, 2023 and 2022

	2023	2022	Change $	Change %
Revenue				
Operating revenue				
Rental revenue, net	$ 8,854,804	$ 8,317,313	$ 537,491	6%
Other revenue	210,475	32,466	178,009	548%
Non-operating revenue				
Interest income	941,607	430,692	510,915	119%
Gain on sale of property	400,000	-	400,000	100%
Intergovernmental	7,445,407	7,109,295	336,112	5%
Total revenue	$ 17,852,293	$ 15,889,766	$ 1,962,527	12%
Expenses				
Operating expenses				
Employee services and benefits	$ 3,504,747	$ 4,399,105	$ (894,358)	-20%
Development projects	613,775	861,739	(247,964)	-29%
Other	6,800,176	6,210,301	589,875	9%
Non-operating expenses				
Interest expense	1,417,353	1,452,787	(35,434)	-2%
Other	-	26,454	(26,454)	-100%
Total expenses	12,336,051	12,950,386	(614,335)	-5%
Change in net position	5,516,242	2,939,380	2,576,862	88%
Net position, beginning of year	21,893,155	18,953,775	2,939,380	16%
Net position, end of year	$ 27,409,397	$ 21,893,155	$ 5,516,242	25%

The Authority's net position in the current year increased by $5.5 million as a result of fiscal year ended June 30, 2023 operations. This represents a $2.6 million 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 $336,112 and reflects a continued increase in property taxes within the Authority's boundaries. Rental revenue increased by $537,491, with gross rental revenue increasing by $1.2 million. This net increase is due to increase within commercial revenue category and rental revenue, along with increases of $683,171 in vacancy losses and loss to lease, and a decrease in low-income subsidies of $34,777. Interest income increased as a result of higher investment earnings compared to the prior year on funds held with the City Treasurer. The overall impact on revenue was an increase of $1.96 million in total revenue.

Expenses decreased by $614,335 during the fiscal year ended June 30, 2023, largely due to decreases in development activities, employee services and interest expense, along with increases in maintenance categories, bad debt and amortization expense. Decreases for development projects of $247,964 were due to more site improvements and offsite infrastructure expenses in the prior year, as compared to the current year. The decrease in employee services expenses of $894,358 was due to the reduction of overtime, retirement of staff and other vacated positions through parts of the year.

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

	2022	2021	Change $	Change %
Assets				
Current and other assets	$ 64,141,420	$ 63,862,693	$ 278,727	0%
Capital assets, net	11,123,420	10,984,467	138,953	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	100%
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	100%
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 $110,978 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 $949,817, for a net increase in the net value of capital assets of $110,978. Additional information on the Authority's capital assets can be found in Note 6 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	-239%
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 operations in the fiscal year ended June 30, 2022. 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 the 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, including a 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.

Capital Asset and Debt Administration

Capital assets: As reflected in the Statements of Net Position above, the Authority's investments in capital assets were $12,388,812 and $11,123,420 (net of accumulated depreciation) at June 30, 2023 and 2022, 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 assets. Additions during the years ended June 30, 2023 and 2022, totaled $2.3 million and $1.1 million, respectively. The 2023 additions included; land of $1.3 million, building improvements of $882,148, machinery and equipment costs of $53,367, software lease costs of $26,214 and a reduction in construction in progress of $374,722. 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. Depreciation on capital assets totaled $1,022,992 and $949,817, respectively, for the years ended June 30, 2023 and 2022.

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

Lease liability: The Authority has a lease liability of $468,305 and $530,525 as of June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, lease liability was reduced by $62,220 and $60,496, respectively.

Additional information on the Authority's lease liability can be found in Notes 5 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 $42,287,472 and $43,828,377 as of June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, principal payments reduced notes payable by $238,948 and $233,210, respectively, and bonds payable by $1,301,957 and $1,454,553, respectively.

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

Economic factors and budget process

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

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

The following factors have been considered in preparing the Authority's budget for the fiscal year ended June 30, 2023:

- An increase to the Capitol Area tax increment revenue was budgeted due to the 2021-2022 fiscal 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 property sales and a 2% property tax increase imposed by the County Tax Assessor.

- An increase was budgeted for rental revenue to reflect FY 2021-22 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 ended 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

- For Site 21, The Cypress at 14th and N Streets, the Authority entered into a Disposition and Development Agreement (DDA) with a new developer, D&S Development to complete a housing project at this site with the Authority selling the property to the developer in August 2022. The Project is a market rate building with 98 units; this is currently under construction and is anticipated to be completed in 2025.

- The Authority is looking to work in partnership with Mutual Housing to propose and build a new affordable housing project at 805 R Street, which will be our second State Excess Site development.

- With the purchase of 2000 16th Street, the Authority through the CACDC has started planning a possible future affordable housing project at this site.

- 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 for an affordable housing project at 1717 S Street. With construction completed the project was placed in service late 2023 and enter permanent financing in 2024.

- The Authority is currently working to implement a concept plan for streetscape improvements and street projects in the O Street Corridor.

- 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 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.

- The Authority has initiated a Middle-Income Housing Program to address local workforce housing needs that will be used in partnership with for-profit and non-profit developers.

- The Authority continues to work on ways to creatively activate vacant and underutilized spaces with arts, small business, community activities and other opportunities that support area vibrancy.

- As the Authority continues to proceed with preparations for future development projects, there will be a high demand to fund pre-development activities, grant-matching funds, toxic remediation and other site preparation activities.

Request for Information

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

Capitol Area Development Authority

Statements of Net Position
June 30, 2023 and 2022

Assets

	2023	2022
Current assets		
Cash and cash equivalents	$ 54,734,905	$ 51,963,435
Accounts receivable, net	120,542	170,691
Lease receivable, current portion	209,230	75,090
Prepaid expenses and other assets	747,765	97,592
Note receivable, current portion	1,526,994	-
Escrow deposits	-	3,282,488
Restricted cash and cash equivalents		
Tenant and event security deposits	413,054	421,912
Letter of credit reserve	308,153	308,052
Debt covenant reserves	385,977	385,705
Insurance impounds	39,780	32,555
Employee benefits	23,573	26,847
Funds held for others	55,341	55,340
Total restricted cash and cash equivalents	1,225,878	1,230,411
Total current assets	58,565,314	56,819,707
Noncurrent assets		
Advance to affiliate, long-term	1,101,517	701,517
Investment in joint venture	100	100
Lease receivable, net of current portion	980,183	1,452,493
Subscription Asset		-
Restricted cash and cash equivalents		
Replacements and operating reserves	775,065	741,501
Insurance risk reserve	675,000	675,000
Total restricted cash and cash equivalents	1,450,065	1,416,501
Notes receivable, net of current portion	3,400,000	3,400,000
Net OPEBI asset	-	351,102
Right of use asset		
Capital assets		
Non-depreciable	4,782,684	3,830,751
Depreciable, net	7,606,128	7,292,669
Total capital assets	12,388,812	11,123,420
Total noncurrent assets	19,320,677	18,445,133
Total assets	$ 77,885,991	$ 75,264,840
Deferred Outflows of Resources		
Deferred outflows related to pensions	$ 2,544,000	$ 1,014,829
Deferred outflows related to OPEBI	752,895	630,016
Total deferred outflows of resources	$ 3,296,895	$ 1,644,845

Capitol Area Development Authority

Statements of Net Position
June 30, 2023 and 2022

Liabilities

	2023	2022
Current liabilities		
Accounts payable	$ 708,255	$ 171,297
Lease liability, current portion	63,993	62,220
Prepaid rent	46,870	38,927
Due to state - HCD	130,412	88,497
Accrued benefits payable	93,599	94,720
Accrued interest payable	315,074	322,363
Tenant security deposits	413,054	421,912
Developer deposits	70,000	95,000
Funds held for others	47,247	47,246
Notes payable, current portion	219,898	238,948
Bonds payable, current portion	1,339,964	1,301,957
Total current liabilities	3,448,366	2,883,087
Noncurrent liabilities		
Accrued interest payable	360,815	294,128
Notes payable, net of current portion	3,975,695	4,195,593
Bonds payable, net of current portion	36,751,915	38,091,879
Lease liability, net of current portion	404,312	468,305
Net pension liability	6,026,716	2,925,314
Net OPEB liability	451,348	-
Compensated absences payable	213,896	215,387
Total noncurrent liabilities	48,184,697	46,190,606
Total liabilities	$ 51,633,063	$ 49,073,693
Deferred Inflows of Resources		
Deferred inflows related to pensions	$ 81,061	$ 2,553,628
Deferred inflows related to OPEB	903,715	1,899,189
Deferred inflows related to leases	1,155,650	1,490,020
Total deferred inflows of resources	$ 2,140,426	$ 5,942,837
Net Position		
Net investment in capital assets	$ (4,312,065)	$ (3,048,551)
Restricted for insurance and reserves	1,797,998	1,757,108
Unrestricted	29,923,464	23,184,598
Total net position	$ 27,409,397	$ 21,893,155

See Notes to Financial Statements.

Capitol Area Development Authority

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023	2022
Operating revenue		
Rental revenue, net	$ 8,854,804	$ 8,317,313
Other revenue		
Grant revenue	150,000	-
Miscellaneous	60,475	32,466
Total operating revenue	9,065,279	8,349,779
Operating expense		
Employee services and benefits	3,504,747	4,399,105
Services and supplies	2,962,320	2,986,466
Development projects	613,775	861,739
Repairs and maintenance	2,558,098	2,189,839
Bad debt expense	256,766	84,179
Depreciation and amortization	1,022,992	949,817
Total operating expense	10,918,698	11,471,145
Operating loss	(1,853,419)	(3,121,366)
Non-operating revenue (expense)		
Interest income	941,607	430,692
Gain on sale of property	400,000	-
Interest and financing expense	(1,417,353)	(1,452,787)
HCD annuity	-	(26,454)
Intergovernmental	7,445,407	7,109,295
Total non-operating revenue	7,369,661	6,060,746
Change in net position	5,516,242	2,939,380
Net position, beginning of year	21,893,155	18,953,775
Net position, end of year	$ 27,409,397	$ 21,893,155

See Notes to Financial Statements.

Capitol Area Development Authority

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Rental receipts	$ 8,659,930	8,095,680
Other operating receipts	185,475	57,466
Tenant security deposits received	105,583	97,791
Payroll and related costs paid	(4,723,598)	(4,757,232)
Services and supplies expenses paid	(3,258,793)	(3,083,706)
Development project expenses paid	(639,165)	(916,515)
Operating and maintenance expenses paid	(2,385,231)	(2,495,683)
Tenant security deposits paid	(114,441)	(76,510)
Funds held for others	1	(160,022)
Net cash used in operating activities	(2,170,239)	(3,238,731)
Cash flows from noncapital financing activities		
Intergovernmental	7,487,322	7,106,928
Net cash provided by noncapital financing activities	7,487,322	7,106,928
Cash flows from capital and related financing activities		
Principal payments on bonds and notes payable	(1,540,905)	(1,687,763)
Interest paid on bonds and notes payable	(1,357,955)	(1,393,556)
Proceeds from sale of property	2,400,000	-
Funds released from (deposited into) escrow	3,282,488	(3,282,488)
Principal payments on lease liability	(62,220)	(60,496)
Payments for capital assets	(4,252,603)	(1,231,203)
Net cash used in capital and related financing activities	(1,531,195)	(7,655,506)
Cash flows from investing activities		
Issuance of notes receivable and advances to affiliates	(1,926,994)	-
Interest receipts	941,607	430,692
Net cash (used in) provided by investing activities	(985,387)	430,692
Net increase (decrease) in cash and cash equivalents	2,800,501	(3,356,617)
Cash and cash equivalents, beginning of year	54,610,347	57,966,964
Cash and cash equivalents, end of year	$ 57,410,848	$ 54,610,347

Capitol Area Development Authority

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and cash equivalents	$ 54,734,905	$ 51,963,435
Restricted cash and cash equivalents		
Tenant and event security deposits	413,054	421,912
Letter of credit reserve	308,153	308,052
Debt covenant reserves	385,977	385,705
Insurance impounds	39,780	32,555
Employee benefits	23,573	26,847
Funds held for others	55,341	55,340
Replacements and operating reserves	775,065	741,501
Insurance risk reserve	675,000	675,000
Total cash and cash equivalents	$ 57,410,848	$ 54,610,347
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (1,853,419)	$ (3,121,366)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	1,022,992	949,817
Pension	(900,336)	237,401
OPEB	(667,005)	(248,409)
Changes in assets and liabilities		
Accounts receivable	50,149	(98,698)
Prepaid expenses and other current assets	(650,173)	16,420
Lease receivable	3,800	(37,563)
Net OPEB asset	351,102	(351,102)
Accounts payable	501,177	(474,280)
Prepaid rent	7,943	(1,193)
Accrued benefits payable	(1,121)	11,232
Tenant security deposits payable	(8,858)	21,281
Developer deposits payable	(25,000)	25,000
Funds held for others	1	(160,022)
Compensated absences payable	(1,491)	(7,249)
Net cash used in operating activities	$ (2,170,239)	$ (3,238,731)
Significant noncash capital and related financing activities		
Capital asset additions through accounts payable	$ 76,235	$ 40,454

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, 2023 and 2022, the allowance for doubtful accounts is $745,348 and $500,099, 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, 2023 and 2022, 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
Software arrangements	3 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, 2023, 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 $213,896 and $215,387 as of June 30, 2023 and 2022, 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, 2021
Measurement Date:	June 30, 2022
Measurement Period:	July 1, 2021 to June 30, 2022

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, 2023, the Authority has adopted the following new accounting standards issued by the GASB:

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 adoption of this Statement had no impact on the Authority's financial statements for the period ended 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 adoption of this Statement had no impact on the Authority's financial statements for the period ended 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 Authority's 2022 financial statements include a prior period adjustment to reflect the right of use subscription asset and decrease prepaid asset. The adoption of this Statement had the following effect on net position as reported as of June 30, 2021:

Net Position, June 30, 2021	$ 18,953,775
Adjustments	
Intangible right of use asset	27,975
Prepaid asset	(27,975)
Restated Net Position, June 30, 2021	$ 18,953,775

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

- 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.

- 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.

- Statement No. 102, "Certain Risk Disclosures". Statement No. 102 requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. 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 - 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 $177,439 and $155,858 as of June 30, 2023 and 2022, 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, 2023 and 2022, the carrying amounts of the Authority's deposits with financial institutions were $5,572,176 and $2,403,347, 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. $250,000 is insured with FDIC and remaining $5,322,176 is uninsured but collateralized as of June 30, 2023.

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 1.78 years and .97 years as of June 30, 2023 and 2022, 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, 2023, 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	$ -	$ 51,397,354	$ 51,397,354
Money market mutual funds	AAA/Aaa	441,318	-	441,318
Deposits	N/A	-	-	5,572,176
Total		$ 441,318	$ 51,397,354	$ 57,410,848

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

Fair value classification

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

Note 3 - Notes receivable

Notes receivable consist of the following at June 30:

	2023	2022
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
Short term promissory note for an amount up to $1,825,000, of this $425,000 was made available for electrical construction costs and $1.4 million was made available as an advance to the partnership for additional construction costs. This note is to be paid off with Tax Credit Investor equity pay-in at conversion.	1,526,994	-
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	$ 4,926,994	$ 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 1322 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, 2023:

R Street LP for the Warehouse Artist Lofts Project	
Warehouse residual receipt loan in the amount of $3,600,000 amortized over 40 years at a 1% interest rate, secured by the Warehouse but subordinate to the developer's construction loan and permanent loan, and to be repaid from residual receipts.	$ 3,996,000
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.	1,080,030
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.	1,332,000
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.	859,140
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.	286,000
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.	551,000

<u>1322 O Street Investor, LP</u>

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.		1,660,000
Total	$	14,710,250

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

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

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

Note 5 - Leases and SBITA Agreements

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	$ 63,993	$ 404,312	$ 453,307	$ 68,857	$ 15,120

The following is a summary of the lease payable transactions for the fiscal years ended June 30, 2023 and 2022:

Balance June 30, 2022	Additions	Reduction	Balance June 30, 2023	Amounts due within one year
$ 530,525	$ -	$ (62,220)	$ 468,305	$ 63,993

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

The following is a schedule of future minimum lease payment requirements through the term of the lease agreement noted above subsequent to June 30, 2023:

	Total future required payments	Less amount representing interest	Present value of future minimum lease payments
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	79,656	(5,571)	74,085
2029-2030	126,124	(4,747)	121,377
Total	$ 520,737	$ (52,432)	$ 468,305
		Curent portion	$ 63,993
		Noncurent portion	404,312
		Total lease liability	$ 468,305

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 rates of 2.85% and 3.22% based on the lease expiration date. For fiscal years 2023 and 2022, the Authority held the following leases:

	2023				
	Lease Receivable Current Portion	Lease Receivable Noncurrent Portion	Deferred Inflows of Resources	Lease Revenue	Lease Interest Revenue
Ground lease					
The Terrace	$ 25,803	$ -	$ 25,165	$ 53,268	$ 2,467
Commercial lease					
Sam's Market	$ 23,146	$ 234,424	$ 242,484	$ 31,440	$ 9,016
Cap City Squeeze	5,546	35,639	39,035	6,720	1,327
University of Beer	7,189	-	5,538	16,921	668
Karma Brew	13,086	54,928	59,983	15,024	2,301
Ace's Gyro Shack	21,256	546,560	563,559	9,735	4,599
Café Xocolatl	16,561	100,474	116,223	4,884	853
Warren Brake	52,016	4,391	55,794	48,400	1,802
Smog Diagnostic	44,627	3,767	47,869	41,525	1,546
Total	$ 209,230	$ 980,183	$ 1,155,650	$ 227,917	$ 24,579

	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

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. The Authority terminated the lease in December 2023.

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 on 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 on May 1, 2019, with the Authority receiving monthly payments through 2024. The Authority granted the tenant termination of lease in November 2023.

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 on May 17, 2018, with the Authority receiving monthly payments through 2023.

Ace's Gyro Shack- On October 1, 2022, the Authority entered into a 10-year lease agreement with Ace's Gyro Shack for real property located at 1603 10th Street, Sacramento, CA. The lease has one 5-year options to extend, with the Authority receiving monthly payments through 2032.

Café Xocolatl - On April 1, 2023, the Authority entered into a 3-year lease agreement with Café Xocolatl for real property located at 1607 10th Street, Sacramento, CA. The lease has one 3-year options to extend, with the Authority receiving monthly payments through 2026.

Warren Brake - On August 1, 2022, the Authority entered into a 1-year lease agreement with Warren Brake for real property located at 2000 16th Street, Suite B and C, Sacramento, CA. The lease has one 1-year option to extend, the tenant exercised the 1-year extension on July 1, 2023, with the Authority receiving monthly payments through 2024.

Smog Diagnostic - On August 1, 2022, the Authority entered into a 1-year lease agreement with Smog Diagnostic for real property located at 2000 16th Street, Suite A, Sacramento, CA. The lease has one 1-year option to extend, the tenant exercised the 1-year extension on July 1, 2023, with the Authority receiving monthly payments through 2024.

Following is a schedule of future lease payments expected through the terms of the lease agreements noted above subsequent to June 30, 2023:

	Total future rental payments	Less amount representing interest	Present value of future lease payments receivable
2024	$ 244,226	$ (34,996)	$ 209,230
2025	122,037	(30,045)	91,992
2026	115,677	(27,422)	88,255
2027	117,552	(24,677)	92,875
2028	118,232	(21,787)	96,445
2029-2033	423,781	(70,848)	352,933
2034-2038	279,885	(22,202)	257,683
Total	$ 1,421,390	$ (231,977)	$ 1,189,413
		Curent portion	$ 209,230
		Noncurent portion	980,183
		Total lease receivable	$ 1,189,413

Subscription-Based Information Technology Arrangement
In fiscal year 2023, the Authority implemented GASB No. 96. The Authority identified two software arrangements that require recognition under GASB No. 96. These SBITA were prepaid by the Authority and are recorded as intangible right of use software arrangements in capital assets. For fiscal years 2023 and 2022, the Authority held the following leases:

Goinvest - In October 2020, the Authority entered into a 3-year agreement with Goinvest for the total amount of $37,300 for their pension module and labor costing module. There is no option to purchase this software.

Softchoice - In March 2023, the Authority entered into a 3-year agreement with Softchoice for the total amount of $26,214 for Microsoft licensing renewal. There is no option to purchase this software.

The amortization schedule for SBITA agreements subsequent to June 30, 2023 are as follows:

	Subscription assets - amortization		
	Beginning balance	Amortization expense	Ending balance
2024	$ 25,682	$ 11,847	$ 13,835
2025	13,835	8,738	5,097
2026	5,097	5,097	-
Total	$ 44,614	$ 25,682	$ 18,932

Note 6 - Capital assets

Information on changes in capital assets is presented below:

	Balance June 30, 2022	Increases	Disposition and Transfers	Balance June 30, 2023
Capital assets not being depreciated				
Land	$ 3,282,385	$ 3,280,000	$ (2,000,000)	$ 4,562,385
Construction in progress	548,366	46,655	(374,722)	220,299
Total	3,830,751	3,326,655	(2,374,722)	4,782,684
Capital assets being depreciated				
Buildings and improvements	27,047,939	882,148	374,722	28,304,809
Machinery and equipment	749,775	53,367	-	803,142
Intangible right of use lease - admin office	649,840	-	-	649,840
Intangible right of use lease asset - software	27,975	26,214	-	54,189
	28,475,529	961,729	374,722	29,811,980
Less accumulated depreciation				
Buildings and improvements	(20,551,097)	(849,638)	-	(21,400,735)
Machinery and equipment	(491,654)	(88,423)	-	(580,077)
Intangible right of use lease - admin office	(127,676)	(68,857)	-	(196,533)
Intangible right of use lease asset - software	(12,433)	(16,074)	-	(28,507)
	(21,182,860)	(1,022,992)	-	(22,205,852)
Total capital assets being depreciated, net	7,292,669	(61,263)	374,722	7,606,128
Capital assets, net	$ 11,123,420	$ 3,265,392	$ (2,000,000)	$ 12,388,812

	Balance June 30, 2021	Increases	Disposition and 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
Intangible right of use lease asset - software	27,975	-	-	27,975
	27,586,155	860,913	28,461	28,475,529
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)
Intangible right of use lease asset - software	-	(12,433)	-	(12,433)
	(20,233,043)	(949,817)	-	(21,182,860)
Total capital assets being depreciated, net	7,353,112	(88,904)	28,461	7,292,669
Capital assets, net	$ 11,012,442	$ 110,978	$ -	$ 11,123,420

Note 7 - Notes payable

Notes payable consists of the following at June 30:

	2023	2022	GASB No. 88 Disclosures
<u>State of California Department of General Services ("DGS")</u>			
Issued December 2005: Starting in December of 2009, both interest and principal payments were due. The resulting principal balance amortizes through the year 2028 (a period of 20 years) at 1.98% with consecutive annual payments of principal and interest of $73,260. Secured by pledge of tax increment revenue.	$ 410,639	$ 474,504	A1, B1, C1, D1, E1

	2023	2022	GASB No. 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 $23,033. Secured by pledge of tax increment revenue.	129,107	149,187	A1, B1, C1, D1, E1
Issued December 2005: Starting in December of 2009, both interest and principal payments were due. The resulting principal balance amortizes through the year 2028 (a period of 20 years) at 1.98% with consecutive annual payments of principal and interest of $36,307. Secured by pledge of tax increment revenue.	203,515	235,166	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.	744,125	797,556	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.	115,380	131,861	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 in 2023.	-	25,000	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

	2023	2022	GASB No. 88 Disclosures
Promissory note dated September 27, 2019, of $1,025,653 payable to HCD, bearing simple interest at 3% per year. The loan matures 12 years from the date of the note (October 2030) at which time all outstanding principal and accrued interest will be due.	1,025,653	1,025,653	A1, B5, C6, D6, E6
<u>California Infrastructure & Economic Development Bank</u>			
Tax Allocation Loan for an amount up to $600,000 secured by the Authority's tax increment. Average annual payments of principal, interest and fees of $40,000 with a fixed interest rate of 2.77% to September 16, 2032.	369,961	398,402	A1, B1, C5, D5, E5
Total	$ 4,195,593	$ 4,434,541	

Future maturities on notes payable for years subsequent to June 30, 2023 are as follows:

	Principal	Interest	Total
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	246,016	36,119	282,135
2029-2033	2,970,301	657,890	3,628,191
2034	61,716	736	62,452
	$ 4,195,593	$ 905,846	$ 5,101,439

The following is a summary of the notes payable transactions for the fiscal years ended June 30, 2023 and 2022:

Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Amounts due within one year
$ 4,434,541	$ -	$ (238,948)	$ 4,195,593	$ 219,898

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

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 8 - Bonds payable

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

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

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

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%
10/1/2024	730,000	1.451%
10/1/2025	745,000	1.621%
10/1/2026	755,000	1.967%
10/1/2027	770,000	2.177%
10/1/2028	785,000	2.458%
10/1/2029	805,000	2.558%
10/1/2030	825,000	2.658%
10/1/2031	850,000	2.778%
10/1/2032	870,000	2.878%
10/1/2033 - 10/1/2035	2,775,000	3.128%
10/1/2036 - 10/1/2040	5,290,000	3.615%
10/1/2041 - 10/1/2045	6,330,000	3.715%
10/1/2046 - 10/1/2050	7,605,000	3.815%
	$ 31,455,000	

Future debt service requirements for years subsequent to June 30, 2023 are as follows:

	Principal	Interest	Total
2024	$ 1,339,964	$ 1,245,703	$ 2,585,667
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	1,448,008	1,106,328	2,554,336
2029-2033	7,830,433	4,855,053	12,685,486
2034-2038	6,110,678	3,689,000	9,799,678
2039-2043	5,680,000	2,719,334	8,399,334
2044-2048	6,810,000	1,564,829	8,374,829
2049-2051	4,730,000	275,061	5,005,061
	$ 38,091,879	$ 18,996,043	$ 57,087,922

The following is a summary of the bonds payable transactions for the fiscal years ended June 30, 2023 and 2022:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Amounts due within one year
TAB payable	$ 39,393,836	$ -	$ (1,301,957)	$ 38,091,879	$ 1,339,964

	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

Note 9 - Compensated absences

The following is a summary of the compensated absences payable for the fiscal years ended June 30, 2023 and 2022:

Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023
$ 215,387	$ 163,875	$ (165,366)	$ 213,896

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

Note 10 - R Street Property and Business Improvement District

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

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

The Authority will act as a pass-through of the levied assessments from the County of Sacramento to the managing non-profit. For the years ended June 30, 2023 and 2022, the receipt and disbursement of the levied assessment was netted within Intergovernmental Revenue.

Note 11 - Agreements with the CACDC

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

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

CADA through the CACDC entered into a joint venture agreement with CFY Development Inc., a third-party developer, to form a limited partnership, 1717 S Street Investors, LP 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. During the year ended June 30, 2023, the CACDC forwarded an additional $400,000 advance for additional construction costs on the project.

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. During the year ended June 30, 2023, the Board approved an additional loan of $1,825,000, of this $425,000 was made available for electrical construction costs and $1.4 million was made available as an advance to the partnership for additional construction costs. This note is to be paid off with Tax Credit Investor equity pay-in at conversion.

Note 12 - Funds held for others

The Authority acts as fiscal agent for the 17R Orchard Partners, LP trust. Funds for this trust are disbursed in accordance with the trusts' instructions and funds are reported as restricted cash and cash equivalents. The restricted cash balance for the 17 R Orchard Partners, LP is $55,341 and $55,340 as of June 30, 2023 and 2022, respectively.

Note 13 - Pension plan

Plan description

The Authority contributes to CalPERS, a cost-sharing defined benefit pension plan (the "Plan"). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by contract with CalPERS in accordance with the provisions of the Public Employees' Retirement Law. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The Authority selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board Approval. CalPERS issues a separate annual comprehensive 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 2023 is 7.76%.

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 11.61% and 11.60% and for PEPRA members were 7.76% and 7.73% for the years ended June 30, 2023 and 2022, respectively. The Authority has been notified that the required employer contribution rate for classic members will be 13.26% and PEPRA members will be 8.00% for the year ending June 30, 2024 and an annual payment on the Authority's unfunded liability of $414,075 for classic member and $0 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, 2023, the Authority reported net pension liability for its proportionate share of the net pension liability of $6,026,716.

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, 2022 (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, 2021 rolled forward to June 30, 2022 using standard update procedures. GASB No. 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, 2023 for all members was .12880% which decreased as compared to the percentage as of June 30, 2022 of .15406%.

Pension expense and deferred outflows/inflows of resources related to pensions
For the year ended June 30, 2023, the Authority recognized pension revenue of $198,901. 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	$ 121,031	$ 81,061
Net difference between projected and actual earnings on pension plan investments	1,103,958	-
Change in assumptions	617,576	-
Contributions made subsequent to the measurement date	701,435	-
Total	$ 2,544,000	$ 81,061

The $701,435 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, 2024. 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
2024	$ 459,408
2025	402,548
2026	224,329
2027	675,219
	$ 1,761,504

Actuarial assumptions

For the measurement period ended June 30, 2022 (measurement date), the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2022 and the June 30, 2023 total pension liability was based on the following actuarial method and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service (1)
Payroll Growth	3.00%
Investment Rate of Return	6.90% (2)
Mortality Rate (3)	CalPERS' Membership Data
Post Retirement Benefit Increase	Up to 2.30% (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 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.
(4) The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% 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 6.90%. 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The table below reflects the expected real rates of return by asset class:

Asset class [a]	Assumed asset allocation	Real return [a][b]
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)
	100%	

(a) An expected inflation of 2.30% used for this period.
(b) Figures are based on the 2021 Asset Liability Management study.

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 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	Discount rate - 1% (5.90%)	Current discount rate (6.90%)	Discount rate + 1% (7.90%)
Net pension liability	$ 9,792,758	$ 6,026,716	$ 2,928,198

Note 14 - Post-employment healthcare plan

Plan description

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

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

Employees hired prior to May 1, 2005 are eligible for postretirement health insurance coverage under Government Code Section 22892 unless they elect to be covered under Government Code Section 22893. Under Code Section 22892, the retiree and their qualified family members are eligible for health benefits after five (5) years of service for 100% of the annual health benefit contribution adopted by the Authority's Board of Directors. The calendar year employer contribution may not be less than an amount stipulated by the Government Code which is $151 per month for calendar year 2023.

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, 2022, 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, 2023, the Authority's cash contributions were $206,020, in payments to the trust and the estimated implied subsidy was $12,609 resulting in total payments of $218,629. 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, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2022 based on the following actuarial methods and assumptions:

Actuarial assumptions
For the measurement period ended June 30, 2022 (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, 2022	$ 4,800,019	$ 5,151,121	$ (351,102)
Changes recognized for the measurement period			
Service cost	225,519	-	225,519
Interest cost	300,243	-	300,243
Expected investment income	-	320,595	(320,595)
Employer contributions	-	417,416	(417,416)
Benefit payments	(207,049)	(207,049)	-
Investment expenses	-	(1,306)	1,306
Unexpected changes			
Plan experience	-	-	-
Assumption changes	-	-	-
Investment income	-	(1,013,393)	1,013,393
Net changes during the year	318,713	(483,737)	802,450
Balance at June 30, 2023	$ 5,118,732	$ 4,667,384	$ 451,348

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%)	$ 1,102,430
Current Discount Rate (6.10%)	451,348
1% Increase (7.10%)	(93,791)

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	$ (169,318)
Current Trend	451,348
1% Increase	1,205,092

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, 2023, the Authority recognized OPEB expense (income) of ($97,274). As of June 30, 2023, the Authority reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	$ 142,895	$ 30,915
Difference between expected and actual experience	-	872,800
Net differences between projected and actual earnings on plan investments	391,371	-
Contributions made subsequent to the measurement date	218,629	-
Total	$ 752,895	$ 903,715

The $218,629 reported as deferred outflows of resources related to contributions made subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the net OPEB liability during the Authority's fiscal year ending June 30, 2024. 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
2024	$ (236,194)
2025	(160,143)
2026	(139,188)
2027	166,076
	$ (369,449)

Note 15 - Contingencies

Lawsuits and Claims

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

Note 16 - Subsequent events

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date, require disclosure in the accompanying notes. Management evaluated the activity of the Authority through January 23, 2024, the date the financial statements were available to be issued, and concluded that except for the event noted below, no additional subsequent events have occurred that would require disclosure in the notes to the financial statements.

In December 2023, the Authority closed on the purchase of the Terraces at 1609 O Street for $825,000 and the assumption of the Sacramento Housing and Redevelopment Agency (SHRA) loan on the property.

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, 2023 Last 10 Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the collective net pension liability	0.12880%	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	$ 6,026,716	$ 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	$ 2,704,600	$ 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	223%	113%	208%	207%	194%	212%	188%	144%	141%
Plan's fiduciary net position as a percentage of the Plan's total pension liability	78.18532%	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	$ 701,435	$ 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, 2022 and 2023, there were no changes to the benefit terms.

Changes in assumptions. In 2023 the discount rate was reduced from 7.15% to 6.90%; also, the demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial 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 No. 68, therefore only nine 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, 2023 Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 701,435	$ 686,789	$ 616,274	$ 556,243	$ 462,994	$ 433,748	$ 356,976	$ 283,507	$ 238,682
Contributions in relation to the contractually required contribution	(701,435)	(686,789)	(616,274)	(556,243)	(462,994)	(433,748)	(356,976)	(283,507)	(238,682)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 2,704,600	$ 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	25.93%	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	2.3%
Salary Increases	Varies (1)
Payroll Growth	3.0%
Investment Rate of Return	6.90% (2)
Retirement Age	2021 Experience Study (3)
Mortality (3)	2021 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 2021 CalPERS Experience Study based on CalPERS demographic data from 2001 to 2019.

(4) The probabilities of Mortality are based on the 2021 CalPERS Experience Study which was developed based on CalPERS-specific data from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvements using 80% of Scale MP-2020 published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation of GASB No. 68, therefore only nine 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, 2023 Last 10 Years*

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	$ 225,519	$ 230,884	$ 224,159	$ 197,834	$ 191,607	$ 188,788
Interest on total OPEB liability	300,243	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	(207,049)	(194,828)	(219,240)	(211,494)	(189,969)	(190,888)
Net change in total OPEB liability	318,713	(537,997)	356,544	(326,276)	355,088	(295,325)
Total OPEB liability - beginning	4,800,019	5,338,016	4,981,472	5,307,748	4,952,660	5,247,985
Total OPEB liability - ending (a)	$ 5,118,732	$ 4,800,019	$ 5,338,016	$ 4,981,472	$ 5,307,748	$ 4,952,660
Plan fiduciary net position						
Contributions from employer	$ 417,416	$ 395,530	$ 425,066	$ 406,132	$ 396,403	$ 649,631
Net investment income	(692,798)	1,069,137	125,084	196,181	218,384	163,421
Benefit payments	(207,049)	(194,828)	(219,240)	(211,494)	(189,969)	(190,888)
Administrative expenses	(1,306)	(1,471)	(1,739)	(678)	(5,092)	(1,217)
Investment expenses	-	-	-	-	-	72,294
Net change in plan fiduciary net position	(483,737)	1,268,368	329,171	390,141	419,726	693,241
Plan fiduciary net position - beginning	5,151,121	3,882,753	3,553,582	3,163,441	2,743,715	2,050,474
Plan fiduciary net position - ending (b)	$ 4,667,384	$ 5,151,121	$ 3,882,753	$ 3,553,582	$ 3,163,441	$ 2,743,715
Net OPEB (asset) liability - ending (a) - (b)	$ 451,348	$ (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	91.18%	107.31%	72.74%	71.34%	59.60%	55.40%
Covered-employee payroll	$2,600,204	$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	17.36%	-14.22%	63.79%	66.51%	102.57%	111.83%

Notes to Schedule

* Fiscal year 2018 was the first year of implementation of GASB No. 75, therefore only six years are shown.

Changes in assumptions. In 2023, there were no 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, 2023 Last 10 Years*

	2023	2022	2021	2020	2019	2018
Actuarily Determined Contributions (ADC)	$ 206,020	$ 366,359	$ 356,557	$ 372,138	$ 361,651	$ 352,468
Contributions in relation to the ADC	(218,629)	(417,416)	(395,530)	(425,066)	(406,132)	(352,468)
Contributions deficiency (excess)	$ (12,609)	$ (51,057)	$ (38,973)	$ (52,928)	$ (44,481)	$ -
Covered-employee payroll	$ 2,704,600	$ 2,600,204	$ 2,469,638	$ 2,281,221	$ 2,146,924	$ 1,975,245
Contributions as a percentage of covered employee payroll	8.08%	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 2023 contribution rates are as follows:

Actuarial Cost Method	Entry Age Actuarial 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 from 2015.

*Fiscal year 2018 was the first year of implementation of GASB No. 75, therefore only six years are shown.

Changes in assumptions. In 2023, there were no 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%.

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 the business-type activities of the Capitol Area Development Authority ("Authority") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 23, 2024.

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
January 23, 2024

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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, 2023 and 2022

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

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Independent Auditor's Report

Board of Directors
Capitol Area Development Authority
Sacramento, California

Report on the 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022 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 22 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. 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 January 11, 2024, 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
January 11, 2024

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

Statements of Net Position
June 30, 2023 and 2022

Assets

	2023	2022
Current assets		
Residential accounts receivable, net	$ 30,096	$ 27,650
Restricted cash - tenant security deposits	6,465	6,705
Total current assets	36,561	34,355
Noncurrent assets		
Restricted cash and cash equivalents - replacement reserve	266,424	236,379
Restricted cash and cash equivalents - operating reserve	55,329	55,303
Capital assets		
Construction in progress	30,230	16,841
Building and improvements	1,829,309	1,829,309
Less accumulated depreciation	(1,651,560)	(1,616,879)
Total capital assets	207,979	229,271
Total noncurrent assets	529,732	520,953
Total assets	$ 566,293	$ 555,308

Liabilities

	2023	2022
Current liabilities		
Accounts payable	$ 4,531	$ 440
HCD monitoring fees payable	81,857	53,267
Due to CADA	422,375	348,602
Unearned revenue - prepaid rent	4,126	2,755
Due to HCD - annuity payable	3,374	3,374
Tenant security deposits	6,465	6,705
Total current liabilities	522,728	415,143
Noncurrent liabilities		
Accrued interest	245,429	209,512
Note payable long term	1,197,213	1,197,213
Total noncurrent liabilities	1,442,642	1,406,725
Total liabilities	$ 1,965,370	$ 1,821,868

Net Position

	2023	2022
Net investment in capital assets	$ (989,234)	$ (967,942)
Restricted for operating and replacement reserves	321,753	291,682
Unrestricted	(731,596)	(590,300)
Total net position	$ (1,399,077)	$ (1,266,560)

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, 2023 and 2022

	2023	2022
Operating revenue		
Rental revenue, net	$ 151,915	$ 172,494
Other revenue		
Coin-operated laundry	711	-
Miscellaneous	1,692	2,184
Total operating revenue	154,318	174,678
Operating expenses		
Payroll		
Salaries and benefits	46,498	104,367
Administrative		
Legal and accounting services	5,200	4,700
Management fee	20,880	20,270
Media	1,050	960
Total administrative	27,130	25,930
Utilities	50,199	53,441
Operating and maintenance		
Services and supplies	11,902	13,450
Courtesy patrol	4,500	4,284
Maintenance contract	28,555	69,558
Decorating and painting	540	2,640
Total operating and maintenance	45,497	89,932
Insurance and taxes		
Insurance	16,523	14,824
Property taxes	1,935	1,804
Total insurance and taxes	18,458	16,628
Depreciation	34,681	34,681
Total operating expenses	222,463	324,979
Operating loss	(68,145)	(150,301)

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, 2023 and 2022

	2023	2022
Nonoperating revenue (expenses)		
HCD annuity revenue (expense)	-	(26,454)
Interest income	135	124
HCD monitoring fee	(28,590)	(11,545)
Interest expense	(35,917)	(35,916)
Total nonoperating revenue (expenses), net	(64,372)	(73,791)
Change in net position	(132,517)	(224,092)
Net position, beginning	(1,266,560)	(1,042,468)
Net position, end	$ (1,399,077)	$ (1,266,560)

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, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Rental receipts	$ 150,840	$ 170,136
HCD annuity received (paid)	-	(26,454)
Other receipts	2,403	2,184
Tenant security deposits paid	(240)	(500)
Payroll and related costs	(46,498)	(104,367)
Administrative expenses	(27,131)	(25,931)
Utilities	(50,199)	(53,441)
Operating and maintenance	(41,405)	(106,299)
Insurance and taxes	(18,458)	(16,628)
Net cash used in operating activities	(30,688)	(161,300)
Cash flows from capital and related financing activities		
Acquisition of capital assets	(13,389)	(16,841)
Net cash used in capital and related financing activities	(13,389)	(16,841)
Cash flows from noncapital financing activities		
CADA advances received	73,773	220,939
Net cash provided by noncapital financing activities	73,773	220,939
Cash flows from investing activities		
Interest income received	135	124
Net cash provided by investing activities	135	124
Net increase in cash and cash equivalents	29,831	42,922
Cash and cash equivalents, beginning	298,387	255,465
Cash and cash equivalents, end	$ 328,218	$ 298,387

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

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation to the statements of net position		
Restricted cash and cash equivalents		
Tenant security deposits	$ 6,465	$ 6,705
Replacement reserve	266,424	236,379
Operating reserve	55,329	55,303
Total cash and cash equivalents	$ 328,218	$ 298,387
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (68,145)	$ (150,301)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	34,681	34,681
Changes in assets and liabilities		
Residential accounts receivable	(2,446)	(2,360)
Due from HCD	-	(26,454)
Accounts payable	4,092	(16,367)
Unearned revenue - prepaid rent	1,370	1
Tenant security deposits	(240)	(500)
Net cash used in operating activities	$ (30,688)	$ (161,300)

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 Capitol Area Development Authority ("Authority" or "CADA") 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, 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 1.78 years and .97 years at June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, 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 operating and 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, 2023 and 2022, 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, 2023, 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, 2023 and 2022 amounted to $6,465 and $6,705 respectively.

Note 3 - Capital assets

Information on additions and disposals of capital assets as of June 30, 2023 and 2022 are as follows:

	June 30, 2022	Increases	Decreases	June 30, 2023
Capital assets not being depreciated				
Construction in progress	$ 16,841	$ 13,389	$ -	$ 30,230
Capital assets being depreciated				
Buildings and improvements	1,829,309	-	-	1,829,309
Less accumulated depreciation for				
Buildings and improvements	(1,616,879)	(34,681)	-	(1,651,560)
Capital assets being depreciated, net	$ 229,271	$ (21,292)	$ -	$ 207,979

	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

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:

	2023	2022
Beginning balance	$ 236,379	$ 192,984
Interest earned	109	96
Required deposits	43,299	43,299
Withdrawals	(13,363)	-
Ending balance	$ 266,424	$ 236,379

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:

	2023	2022
Beginning balance	$ 55,303	$ 55,276
Interest earned	26	27
Ending balance	$ 55,329	$ 55,303

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, 2023 and 2022, interest expense was $35,917 and $35,916, respectively. Outstanding principal and accrued interest are $1,197,213 and $245,429 at June 30, 2023, and $1,197,213 and $209,512 at June 30, 2022, 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, 2023 and 2022, the Project had a net annuity income (expense) of $0 and $(26,454), respectively. Net unexpended program payments are reported as due to (from) HCD on the Project's statements of net position. As of June 30, 2023 and 2022, the Authority has HCD project annuities payable 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:

	2023	2022
Due to (from) HCD, beginning	$ 3,374	$ 3,374
Excess program payments for the year	-	(26,454)
Excess program payment received	-	-
Excess program payment cash flow	-	-
HCD corrections and adjustments	-	26,454
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, 2023 and 2022, the Project incurred annual monitoring fees of $28,590 and $11,545, which are included in the statements of revenue, expenses and changes in net position. As of June 30, 2023 and 2022, the Project owes HCD monitoring fees payable of $81,857 and $53,267, 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, 2023, 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, 2023 and 2022, $422,375 and $348,602, 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 - 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 January 11, 2024 (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 (HCD)

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

Supplementary Information Required by HCD
Years Ended June 30, 2023 and 2022

Schedules of operating revenues

Account No.		2023	2022
	Operating revenues		
5120	Rent revenue	$ 151,915	$ 172,494
	Rental revenues	151,915	172,494
	Other revenues		
5910	Laundry and vending revenue	711	-
5190	Miscellaneous revenue (if over $1,500, detail is required)	1,692	2,184
	Total other revenues	2,403	2,184
	Total operating revenues	154,318	174,678

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

Supplementary Information Required by HCD
Years Ended June 30, 2023 and 2022

Schedules of operating expenses

Account No.		2023	2022
	Operating expenses		
	Payroll		
6330	Manager salaries	24,450	35,070
6331	Manager rent fee unit	15,420	14,352
6510	Janitor payroll	6,628	54,945
	Total payroll	46,498	104,367
	Administrative expenses		
6210	Advertising and marketing	1,050	960
6320	Management fee	20,880	20,270
6350	Accounting services	5,200	4,700
	Total administrative expenses	27,130	25,930
	Utilities		
6450	Electricity	6,361	5,174
6452	Gas	526	540
6453	Water/Sewer	36,816	43,384
6525	Garbage	6,496	4,343
	Total utilities	50,199	53,441
	Operating and maintenance		
6515	Services and supplies	11,902	13,450
6517	Janitor and cleaning contracts	6,504	7,657
6530	Courtesy patrol	4,500	4,284
6537	Grounds contract	7,150	33,472
6560	Decorating and painting	540	2,640
6590	Miscellaneous operating and maintenance. expenses (if over $1,500, detail is required)	14,901	28,429
	Total operating and maintenance	45,497	89,932

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

Supplementary Information Required by HCD
Years Ended June 30, 2023 and 2022

Account No.		2023	2022
	Insurance and taxes		
6710	Real estate taxes	1,935	1,804
6729	Insurance	16,523	14,824
	Total insurance and taxes	18,458	16,628
6600	Depreciation	34,681	34,681
	Total operating expenses	222,463	324,979
	Operating loss	(68,145)	(150,301)
	Non-operating revenues (expense)		
5990	HCD annuity	-	(26,454)
5410	Interest income	135	124
5415	HCD monitoring fee	(28,590)	(11,545)
5420	Interest expense	(35,917)	(35,916)
	Total non-operating revenues (expense)	(64,372)	(73,791)
	Change in net position	(132,517)	(224,092)
	Net position, beginning	(1,266,560)	(1,042,468)
	Net position, end	$ (1,399,077)	$ (1,266,560)

Detail of Accounts - Schedule of Activities

	2023	2022
Miscellaneous (Accounts No. 5190)		
Miscellaneous income - other tenant fees	$ 1,692	$ 2,184
	$ 1,692	$ 2,184
Misc. Ops. And Maint. Expense (Accounts No. 6590)		
Flooring	$ 14,901	$ 23,455
Countertops/cabinets	-	4,974
	$ 14,901	$ 28,429

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

Supplementary Information Required by HCD
Year Ended June 30, 2023

Cash and cash equivalents

Cash and cash equivalents	
Unrestricted account	
Operating account	$ -
Restricted accounts	
Operating reserve	55,329
Tenant security deposits	6,465
Reserve for replacements	266,424
Total restricted accounts	328,218
Total cash and cash equivalents	$ 328,218

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, 2022	$ 236,379	$ 55,303
Deposits	43,299	-
Interest income	109	26
Approved withdrawals	(13,363)	-
Balance, June 30, 2023	$ 266,424	$ 55,329

Capital assets

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

	Construction in progress	Building and improvements	Total
Balance, June 30, 2022	$ 16,841	$ 1,829,309	$ 1,846,150
Additions	13,389	-	13,389
Balance, June 30, 2023	$ 30,230	$ 1,829,309	$ 1,859,539

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

Supplementary Information Required by HCD
Year Ended June 30, 2023

Accounts payable

Accounts payable in the amount of $4,531 represents amounts due to suppliers. All accounts payable are current.

Gross potential rents

Qualified tenant rental income	$	450,405
Other tenant rental income		-
Total gross potential rents		450,405
Less		
Vacancy loss		(215,278)
Loss to lease		(1,680)
Low income subsidy		(81,532)
Rental revenues, net	$	151,915

Management fee

A property management fee of $20,880 was incurred during the fiscal year ended June 30, 2023 for the property management services provided by the Authority.

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

Supplementary Information Required by HCD
Years Ended June 30, 2023 and 2022

Operating cash flow/surplus cash computation

The operating cash flow/surplus cash generated by the Project during the years ended June 30, 2023 and 2022 is as follows:

	2023	2022
Operation income		
Total income	$ 154,453	$ 174,802
Interest earned on restricted reserve accounts	(135)	(96)
Adjusted operating income	154,318	174,706
Operating expenses less depreciation	(187,782)	(290,298)
Adjusted net income (loss)	(33,464)	(115,592)
Other activity		
Debt service	-	-
Purchases of capital assets	(13,389)	(16,841)
Withdrawals from replacement reserve account	13,363	-
Deposits into replacement reserve account	(43,299)	(43,299)
Total other activity	(43,325)	(60,140)
Operating cash flow/surplus cash (deficit)	$ (76,789)	$ (175,732)

Accumulated limited distributions

At inception, there were no allocable accumulated limited distributions unpaid. Also, there were no accumulated limited distributions paid during the fiscal years ended June 30, 2023 and 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 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, 2023, 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 January 11, 2024, 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 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 Project's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
January 11, 2024

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

Certification of Officers
Years Ended June 30, 2023 and 2022

We, as officers of Capitol Area Development Authority (Joint Powers Authority), hereby certify that we have examined the accompanying financial statements and supplementary information of Somerset Parkside Apartments as of and for the years ended June 30, 2023 and 2022, and to the best of our knowledge and belief, these financial statements and supplementary information are complete and accurate.

Signature	Executive Director Title	1/11/24 Date
Signature	Finance Director Title	1-11-24 Date

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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, 2023 and 2022

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

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Independent Auditor's Report

Board of Directors
Capitol Area Development Authority

Report on the 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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 16 to 21 as required by the California Department of Housing and Community Development is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2024, 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
January 11, 2024

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

Statements of Net Position
June 30, 2023 and 2022

Assets

	2023	2022
Current assets		
Residential accounts receivable	$ 6,807	$ 9,922
Restricted cash and cash equivalents - tenant security deposits	14,157	12,802
Total current assets	20,964	22,724
Noncurrent assets		
Restricted cash and cash equivalents - replacement reserve	264,303	275,190
Restricted cash and cash equivalents - operating reserve	51,350	51,326
	315,653	326,516
Capital assets		
Construction in progress	62,000	62,000
Building and Improvements	1,456,872	1,456,872
Less accumulated depreciation	(1,305,839)	(1,290,252)
Total capital assets	213,033	228,620
Total noncurrent assets	528,686	555,136
Total assets	$ 549,650	$ 577,860

Liabilities

	2023	2022
Current liabilities		
Accounts payable	$ 5,802	$ 998
Unearned revenue - prepaid rent	1,758	1,402
HCD monitoring fees payable	45,181	31,856
Due to CADA	224,371	244,283
Tenant security deposits	14,157	12,802
Total current liabilities	291,269	291,341
Non current liabilities		
Mortgage note payable	1,025,653	1,025,653
Accrued interest - mortgage note payable	115,386	84,616
Total non current liabilities	1,141,039	1,110,269
Total liabilities	$ 1,432,308	$ 1,401,610

Net Position

	2023	2022
Net investment in capital assets	$ (812,620)	$ (797,033)
Restricted for replacement and operating reserves	315,653	326,516
Unrestricted	(385,691)	(353,233)
Total net position	$ (882,658)	$ (823,750)

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, 2023 and 2022

	2023	2022
Operating revenue		
Rental revenue, net	$ 197,289	$ 155,342
Coin-operated laundry	2,287	2,043
Miscellaneous	645	623
Total operating revenue	200,221	158,008
Operating expenses		
Payroll		
Salaries and benefits	50,507	55,663
Administrative		
Legal and accounting services	6,000	4,700
Management fee	27,510	25,730
Resident relations	-	280
Media	2,384	1,035
Total administrative	35,894	31,745
Utilities	33,080	34,513
Operating and maintenance		
Supplies	2,464	1,649
Service contracts	37,184	69,156
Courtesy patrol	3,360	3,200
Operating budget for major repairs	16,430	11,505
Decorating and painting	2,580	3,600
Total operating and maintenance	62,018	89,110
Insurance and taxes		
Insurance	16,904	15,165
Property taxes	1,182	1,060
Total insurance and taxes	18,086	16,225
Depreciation	15,587	15,587
Total operating expenses	215,172	242,843
Operating loss	(14,951)	(84,835)

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, 2023 and 2022

	2023	2022
Nonoperating revenue (expenses)		
Interest expense	(30,770)	(30,769)
HCD monitoring fee	(13,325)	(12,543)
Interest income	138	137
Total nonoperating revenue (expenses), net	(43,957)	(43,175)
Change in net position	(58,908)	(128,010)
Net position, beginning	(823,750)	(695,740)
Net position, end	$ (882,658)	$ (823,750)

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, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Rental receipts	$ 200,760	$ 153,830
Other receipts	2,932	2,666
Tenant security deposits received	1,355	1,732
Payroll and related costs	(50,507)	(55,663)
Administrative	(35,894)	(31,745)
Utilities	(33,080)	(34,513)
Operating and maintenance	(57,214)	(90,047)
Insurance and taxes	(18,086)	(16,225)
Net cash provided by (used in) operating activities	10,266	(69,965)
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		
Advances (paid to) received from CADA	(19,912)	184,698
Net (used in) cash provided by noncapital financing activities	(19,912)	184,698
Cash flows from investing activities		
Interest receipts	138	137
Net cash provided by investing activities	138	137
Net (decrease) increase in cash and cash equivalents	(9,508)	52,870
Cash and cash equivalents, beginning	339,318	286,448
Cash and cash equivalents, end	$ 329,810	$ 339,318

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

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation to the statements of net position		
Restricted cash and cash equivalents		
Tenant security deposits	$ 14,157	$ 12,802
Replacement reserve	264,303	275,190
Operating reserve	51,350	51,326
Total cash and cash equivalents	$ 329,810	$ 339,318
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (14,951)	$ (84,835)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	15,587	15,587
Changes in assets and liabilities		
Residential accounts receivable	3,115	(2,147)
Accounts payable	4,804	(937)
Unearned revenue - prepaid rent	356	635
Tenant security deposits	1,355	1,732
Net cash provided by (used in) operating activities	$ 10,266	$ (69,965)

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 Capitol Area Development Authority ("Authority" or "CADA") 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 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 1.78 years and .97 years as of June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, 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, 2023 and 2022, there was 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, 2023, 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, 2023 and 2022 amounted to $14,157 and $12,802, respectively.

Note 3 - Capital assets

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

	June 30, 2022	Increases	Decreases	June 30, 2023
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	(1,290,252)	(15,587)	-	(1,305,839)
Capital assets being depreciated, net	166,620	(15,587)	-	151,033
Capital assets, net	$ 228,620	$ (15,587)	$ -	$ 213,033

	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

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:

	2023	2022
Beginning balance	$ 275,190	$ 224,078
Interest earned	113	112
Required deposits	51,000	51,000
Authorized expenses	(62,000)	-
Ending balance	$ 264,303	$ 275,190

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:

	2023	2022
Beginning balance	$ 51,326	$ 51,300
Interest earned	24	26
Authorized expenses	-	-
Ending balance	$ 51,350	$ 51,326

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, 2023 and 2022, interest expense was $30,770 and $30,769, respectively. Outstanding principal and accrued interest are $1,025,653 and $115,386 at June 30, 2023, and $1,025,653 and $84,616 at June 30, 2022, 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, 2023 and 2022, HCD monitoring fees expensed were $13,325 and $12,543, respectively, and as of June 30, 2023 and 2022, $45,181 and $31,856 are payable and are included in HCD monitoring fees payable on the statements of net position. The account activities are as follows at June 30:

	2023	2022
Due to HCD, beginning	$ 31,856	$ 19,314
Excess cash deposited to operating reserve	-	-
Current year monitoring fee	13,325	12,542
Payments to HCD	-	-
Due to HCD, end	$ 45,181	$ 31,856

Note 8 - Assistance from the Authority

The Authority 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, 2023 and 2022, $224,371 and $244,283, 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 - 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 January 11, 2024, (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 (HCD)

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

Supplementary Information Required by HCD
Years Ended June 30, 2023 and 2022

Schedules of operating revenues

Account No.		2023	2022
	Operating revenues		
5120	Rent revenue	$ 197,289	$ 155,342
	Rental revenue	197,289	155,342
	Other revenues		
5910	Coin-operated laundry	2,287	2,043
5190	Miscellaneous revenue (if over $1,500, detail is required)	645	623
	Total operating revenues	200,221	158,008

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

Supplementary Information Required by HCD
Years Ended June 30, 2023 and 2022

Schedules of operating expenses

Account No.		2023	2022
	Operating expenses		
	Payroll		
6330	Manager salaries	29,910	34,617
6331	Manager rent fee unit	11,412	9,472
6510	Janitor payroll	9,185	11,574
	Total payroll	50,507	55,663
	Administrative expenses		
6340	Legal	800	-
6350	Accounting services	5,200	4,700
6320	Management fee	26,510	25,730
4331	Resident relations	-	280
6210	Marketing and advertisements	2,384	1,035
6390	Miscellaneous administrative expenses (if over $1,500, detail is required)	1,000	-
	Total administrative expenses	35,894	31,745
	Utilities		
6450	Electricity	4,086	5,056
6452	Gas	6,667	4,200
6453	Water/Sewer	19,628	23,485
6525	Garbage	2,699	1,772
	Total utilities	33,080	34,513
	Operating and maintenance		
6515	Services and supplies	2,464	1,649
6517	Janitor and cleaning contracts	4,664	6,181
6530	Courtesy patrol	3,360	3,200
6541	Repairs material	32,520	62,975
6560	Decorating and painting	2,580	3,600
6821	Operating budget for major repairs	16,430	11,505
	Total operating and maintenance	62,018	89,110

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

Supplementary Information Required by HCD
Years Ended June 30, 2023 and 2022

Account No.		2023	2022
	Insurance and taxes		
6710	Real estate taxes	1,182	1,060
6729	Insurance	16,904	15,165
	Total insurance and taxes	18,086	16,225
	Depreciation	15,587	15,587
	Total operating expenses	215,172	242,843
	Operating loss	(14,951)	(84,835)
	Non-operating revenues (expenses)		
6820	Interest expense	(30,770)	(30,769)
6890	HCD monitoring fee	(13,325)	(12,543)
5410	Interest income	138	137
	Total non-operating revenues (expenses)	(43,957)	(43,175)
	Change in net position	(58,908)	(128,010)
	Net position, beginning	(823,750)	(695,740)
	Net position, end	$ (882,658)	$ (823,750)

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

Supplementary Information Required by HCD
Year Ended June 30, 2023

Cash and cash equivalents

Cash and cash equivalents	
Unrestricted account	
Operating account	$ -
Restricted accounts	
Tenant security deposits	14,157
Reserve for replacements	264,303
Operating reserve	51,350
Total restricted accounts	329,810
Total cash, cash equivalents and restricted accounts	$ 329,810

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, 2022	$ 275,190	$ 51,326
Required deposits	51,000	-
Drawdown on reserve	(62,000)	-
Interest income	113	24
Balance, June 30, 2023	$ 264,303	$ 51,350

Capital assets

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

	Construction in progress	Building and improvements	Total
Balance, June 30, 2022	$ 62,000	$ 1,456,872	$ 1,518,872
Additions	-	-	-
Balance, June 30, 2023	$ 62,000	$ 1,456,872	$ 1,518,872

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

Supplementary Information Required by HCD
Year Ended June 30, 2023

Accounts payable

Accounts payable in the amount of $5,802 represents amounts due to suppliers. All accounts payable are current.

Gross potential rents

Qualified tenant rental income	$	470,031
Other tenant rental income		-
Total gross potential rents		470,031
Less		
Vacancy loss		(52,550)
Gain (loss) to lease		(2,557)
Low income subsidy		(217,635)
Rental revenues, net	$	197,289

Management fee

A property management fee of $26,510 was incurred during the fiscal year ended June 30, 2023 for the property management services provided by the Authority.

Insurance

Insurance premiums are current as of June 30, 2023. The annual renewal policy was paid before the due date.

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

Supplementary Information Required by HCD
Years Ended June 30, 2023 and 2022

Operating cash flow/surplus cash computation

The operating cash flow/surplus cash generated by the Project during the years ended June 30, 2023 and 2022 is as follows:

	2023	2022
Operation income		
Total income	$ 200,359	$ 158,145
Interest earned on restricted reserve accounts	(138)	(137)
Adjusted operation income	200,221	158,008
Operating expenses less depreciation	(199,585)	(227,256)
Adjusted net income (loss)	636	(69,248)
Other activity		
Debt service	-	-
Deposits into replacement reserve account	(51,000)	(51,000)
Deposits into operating reserve account	-	-
Total other activity	(51,000)	(51,000)
Operating cash flow/surplus cash (deficit)	$ (50,364)	$ (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 years ended June 30, 2023 and 2022.

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, 2023, 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 January 11, 2024 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.*

CohnReznick

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 Project's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
January 11, 2024

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

Certification of Officers
Years Ended June 30, 2023 and 2022

We, as officers of Capitol Area Development Authority (Joint Powers Authority), hereby certify that we have examined the accompanying financial statements and supplementary information of Biele Place Apartments, as of and for the years ended June 30, 2023 and 2022, and to the best of our knowledge and belief, these financial statements and supplementary information are complete and accurate.

Signature	Executive Director Title	1/11/24 Date
Signature	Finance Director Title	1-11-24 Date

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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, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022 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 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 19, 2023 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 19, 2023

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

Statements of Net Position
June 30, 2023 and 2022

Assets

	2023	2022
Current assets		
Cash and cash equivalents	$ 618,922	$ 550,901
Accounts receivable	17,482	9,701
Prepaid expenses	10,892	11,069
Restricted cash and cash equivalents		
Insurance impounds	39,780	32,555
Tenant security deposits	20,434	20,269
Total restricted cash and cash equivalents	60,214	52,824
Total current assets	707,510	624,495
Noncurrent assets		
Restricted cash - replacement reserve	137,659	123,303
Capital assets		
Construction in progress	-	300,363
Building and Improvements	2,591,546	2,291,183
Less accumulated depreciation	(1,943,173)	(1,870,017)
Total capital assets	648,373	721,529
Total noncurrent assets	786,032	844,832
Total assets	$ 1,493,542	$ 1,469,327

Liabilities

	2023	2022
Current liabilities		
Accounts payable	$ 7,974	$ 844
Prepaid rent	1,572	2,321
Tenant security deposits	20,434	20,269
Notes payable, current portion	72,786	69,912
Total current liabilities	102,766	93,346
Noncurrent liabilities		
Notes payable, net of current portion	786,719	859,505
Total liabilities	$ 889,485	$ 952,851

Net Position

	2023	2022
Net investment in capital assets	$ (211,132)	$ (207,888)
Restricted for impounds and replacement reserve	177,439	155,858
Unrestricted	637,750	568,506
Total net position	$ 604,057	$ 516,476

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, 2023 and 2022

	2023	2022
Operating revenue		
Rental revenue, net	$ 391,524	$ 369,920
Other revenue		
Parking	11,760	10,825
Coin-operated laundry	533	346
Miscellaneous	2,507	195
Total operating revenues	406,324	381,286
Operating expenses		
Payroll		
Salaries and benefits	37,948	55,191
Total payroll	37,948	55,191
Administrative		
Management fee	33,130	31,810
Audit	5,557	5,749
Media	790	3,573
Total administrative	39,477	41,132
Utilities		
Electricity	4,757	7,543
Water and garbage	38,867	42,914
Gas	2,978	3,657
Total Utilities	46,602	54,114
Operating and maintenance		
Services and supplies	1,850	2,556
Maintenance and repairs	55,219	49,401
Courtesy patrol	7,680	7,320
Decorating and painting	720	720
Total operating and maintenance	65,469	59,997
Insurance and taxes		
Insurance	26,203	24,440
Property taxes	4,921	2,949
Total insurance and taxes	31,124	27,389

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, 2023 and 2022

	2023	2022
Depreciation	73,156	62,173
Total operating expenses	293,776	299,996
Operating income	112,548	81,290
Nonoperating revenue (expense)		
Interest income	15,631	4,974
Interest expense	(40,598)	(43,325)
Total nonoperating revenue (expense), net	(24,967)	(38,351)
Change in net position	87,581	42,939
Net position, beginning	516,476	473,537
Net position, end	$ 604,057	$ 516,476

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, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Rental receipts	$ 382,994	$ 378,030
Other receipts	14,800	11,366
Tenant security deposits received	165	915
Payroll and related costs	(37,948)	(55,191)
Administrative	(39,477)	(41,132)
Utilities	(46,602)	(54,114)
Operating and maintenance	(58,162)	(70,255)
Insurance and taxes	(31,124)	(27,389)
Net cash provided by operating activities	184,646	142,230
Cash flows from capital and related financing activities		
Payments for acquisition of capital assets	-	(176,193)
Principal payment on debt	(69,912)	(67,185)
Interest paid on debt	(40,598)	(43,325)
Net cash used in capital and related financing activities	(110,510)	(286,703)
Cash flows from investing activities		
Interest receipts	15,631	4,974
Net cash provided by investing activities	15,631	4,974
Net increase (decrease) in cash and cash equivalents	89,767	(139,499)
Cash and cash equivalents, beginning	727,028	866,527
Cash and cash equivalents, end	$ 816,795	$ 727,028
Reconciliation to the statements of net position		
Cash and cash equivalents	$ 618,922	$ 550,901
Restricted cash and cash equivalents		
Insurance impounds	39,780	32,555
Tenant security deposits	20,434	20,269
Reserve for replacements	137,659	123,303
Total cash and cash equivalents	$ 816,795	$ 727,028

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

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 112,548	$ 81,290
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	73,156	62,173
Changes in assets and liabilities		
Accounts receivable	(7,781)	7,880
Prepaid expense	177	(11,069)
Accounts payable	7,130	811
Prepaid rent	(749)	230
Tenant security deposits	165	915
Net cash provided by operating activities	$ 184,646	$ 142,230

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 1.78 years and 0.97 years as of June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022 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, 2023 and 2022, 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, 2023, 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:

	2023	2022
City investment pool	$ 639,356	$ 571,170
Deposits with CalHFA	177,439	155,858
Total	$ 816,795	$ 727,028

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, 2023 and 2022 amounted to $20,434 and $20,269, respectively.

Note 4 - Capital assets

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

	June 30, 2022	Increases	Decreases	June 30, 2023
Capital assets not being depreciated				
Construction in progress	$ 300,363	$ -	$ (300,363)	$ -
Capital assets being depreciated				
Buildings and improvements	2,291,183	300,363	-	2,591,546
Less accumulated depreciation for				
Buildings and improvements	(1,870,017)	(73,156)	-	(1,943,173)
Capital assets, net	$ 721,529	$ 227,207	$ (300,363)	$ 648,373

	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

Note 5 - Notes payable

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

	2023	2022
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.	$ 744,125	$ 797,556
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.	115,380	131,861
Total	$ 859,505	$ 929,417

Future maturities on the notes payable are as follows:

Years ending June 30	Principal	Interest	Total
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	85,911	24,599	110,510
2029 - 2033	440,318	62,803	503,121
2034	23,303	204	23,507
	$ 859,505	$ 219,675	$ 1,079,180

The following is a summary of the notes payable transactions for the years ended June 30, 2023 and 2022:

Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Amounts due within one year
$ 929,417	$ -	$ (69,912)	$ 859,505	$ 72,786

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

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, 2023 and 2022, the Project realized an excess of revenue over expenses (excluding depreciation) of $160,737 and $105,112, respectively. During the years ended June 30, 2023 and 2022, 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 - 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 19, 2023 (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 (CalHFA)

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, 2023 and 2022

Schedules of operating revenues

Account No.		2023	2022
	Operating revenues		
5120	Rent revenue	$ 391,524	$ 369,920
5121	Tenant assistance payments	-	-
5170	Rent revenue - garage and parking	11,760	10,825
	Rental revenue	403,284	380,745
	Other revenues		
5910	Laundry and vending revenue	533	346
5190	Miscellaneous revenue (if over $1,500, detail is required)	2,507	195
	Total operating revenues	406,324	381,286

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, 2023 and 2022

Schedules of operating expenses

Account No.		2023	2022
	Operating expenses		
	Payroll		
6330	Manager salaries	37,948	55,191
6331	Manager rent fee unit	-	-
6510	Janitor payroll	-	-
	Total payroll	37,948	55,191
	Administrative expenses		
6210	Advertising and marketing	790	3,573
6340	Legal	-	-
6350	Accounting services	5,557	5,749
6320	Management fee	33,130	31,810
	Total administrative expenses	39,477	41,132
	Utilities		
6450	Electricity	4,757	7,543
6452	Gas	2,978	3,657
6453	Water/Sewer	31,182	35,725
6525	Garbage	7,685	7,189
	Total utilities	46,602	54,114
	Operating and maintenance		
6515	Services and supplies	1,690	2,396
6530	Courtesy patrol	7,680	7,320
6517	Janitor and cleaning contracts	160	160
6537	Grounds contract	38,949	42,811
6560	Decorating and painting	720	720
6545	Elevator maintenance	-	-
6541	Repairs material	-	-
6590	Miscellaneous operating and maintenance expenses (if over $1,500, detail is required)	16,270	6,590
6591	Major construction expense	-	-
	Total operating and maintenance	65,469	59,997

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, 2023 and 2022

Account No.		2023	2022
	Insurance and taxes		
6710	Real estate taxes	4,921	2,949
6729	Insurance	26,203	24,440
	Total insurance and taxes	31,124	27,389
6600	Depreciation	73,156	62,173
	Total operating expenses	293,776	299,996
	Operating income	112,548	81,290
	Non-operating revenues (expenses)		
5400	CADA annuity	-	-
6820	Interest on first mortgage (or bonds) payable	(40,598)	(43,325)
5410	Interest income	15,631	4,974
	Change in net position	87,581	42,939
	Net position, beginning	516,476	473,537
	Net position, end	$ 604,057	$ 516,476

Detail of Accounts - Schedule of Activities

	2023	2022
Miscellaneous Other Expense (Accounts No. 5190)		
Miscellaneous income - other tenant fees	$ 2,507	$ 195
	$ 2,507	$ 195
Miscellaneous Other Expense (Accounts No. 6590)		
Flooring	$ 16,270	$ 6,590
	$ 16,270	$ 6,590

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, 2023

Cash and cash equivalents

Cash and cash equivalents		
Unrestricted account		
Operating account	$	618,922
Restricted accounts		
Insurance and tax impounds		39,780
Tenant security deposits		20,434
Reserve for replacements		137,659
Total restricted accounts		197,873
Total cash and cash equivalents	$	816,795

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, 2023 was as follows:

Balance, June 30, 2022	$	123,303
Deposits:		
Twelve months at $883		10,584
Interest income		3,772
Approved withdrawals		-
Balance, June 30, 2023	$	137,659

Impound accounts

	Hazard insurance	Earthquake insurance	Total
Balance, June 30, 2022	$ 27,183	$ 5,372	$ 32,555
Deposits	6,909	9,575	16,484
Interest earned	901	184	1,085
CalHFA adjustment	(901)	(1,601)	(2,502)
Payments applied	-	(7,842)	(7,842)
Balance, June 30, 2023	$ 34,092	$ 5,688	$ 39,780

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, 2023

Capital assets

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

Capital assets	Construction in progress	Building and improvements	Total
Balance, June 30, 2022	$ 300,363	$ 2,291,183	$ 2,591,546
Additions	(300,363)	300,363	-
Balance, June 30, 2023	$ -	$ 2,591,546	$ 2,591,546

Accounts payable

Accounts payable in the amount of $7,974 represents amounts due to suppliers. All accounts payable are current.

Gross potential rents

Qualified tenant rental income	$ 653,675
Other tenant rental income	-
Total gross potential rents	653,675
Less	
Vacancy loss	(83,393)
Loss to lease	(92,447)
Low income subsidy	(86,311)
Rental revenues, net	$ 391,524

Management fee

A property management fee of $33,130 was incurred during the fiscal year ended June 30, 2023 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
Years Ended June 30, 2023 and 2022

Operating cash flow/Surplus cash computation

The operating cash flow/surplus cash generated by the Project during the years ended June 30, 2023 and 2022 is as follows:

	2023	2022
Operation income		
Total income	$ 421,955	$ 386,260
Interest earned on restricted reserve accounts	(4,857)	(670)
Adjusted operation income	417,098	385,590
Operating expenses less depreciation	(220,620)	(237,823)
Adjusted net income	196,478	147,767
Other activity		
Debt service	(110,510)	(110,510)
Deposits into replacement reserve account	(10,584)	(10,584)
Total other activity	(121,094)	(121,094)
Operating cash flow/surplus cash	$ 75,384	$ 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 years ended June 30, 2023 and 2022.

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, 2023, 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 19, 2023 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 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 19, 2023

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

Certification of Officers
Years Ended June 30, 2023 and 2022

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, 2023 and 2022, and, to the best of our knowledge and belief, these financial statements and data are complete and accurate.

Name	Executive Director Title	12/19/23 Date
Name	Finance Director Title	12-19-23 Date

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Capitol Area Development Authority (CADA)
Summary Statement of Revenues and Expenditures
From 7/1/2022 Through 6/30/2023

Attachment 2

	Annual Budget	YTD Actual	YTD Variance
FUNDING SOURCES			
Rental Income			
Parking	276,700.00	314,747.00	38,047.00
Ground Lease Revenue	156,000.00	236,124.00	80,124.00
Residential Rental Revenue	10,629,000.00	11,400,695.00	771,695.00
Commercial Rental Revenue	515,000.00	603,444.00	88,444.00
Rental Vacancy Loss	(894,000.00)	(1,383,931.00)	(489,931.00)
Low Income Subsidy	(795,000.00)	(762,455.00)	32,545.00
Loss to Lease	(1,269,100.00)	(1,549,742.00)	(280,642.00)
Other	38,400.00	24,300.00	(14,100.00)
Total Rental Income	8,657,000.00	8,883,182.00	226,182.00
Tax Increment Revenue			
Tax Increment Revenue	7,125,000.00	7,487,321.00	362,321.00
Total Tax Increment Revenue	7,125,000.00	7,487,321.00	362,321.00
Financial Income			
General Operations Investment Funding			
Interest Income on Investments with City	207,500.00	382,845.00	175,345.00
Other	208,000.00	558,762.00	350,762.00
Total General Operations Investment Funding	415,500.00	941,607.00	526,107.00
Total Financial Income	415,500.00	941,607.00	526,107.00
Development Project Revenue			
D&A Grant Proceeds	150,000.00	150,000.00	-
Total Development Project Revenue	150,000.00	150,000.00	-
Drawdowns from Reserves			
Equipment Replace Reserve Drawdown	217,000.00	75,363.00	(141,637.00)
Afford Housing Reserve Drawdown for D&A	100,000.00	100,000.00	-
Total Drawdowns from Reserves	317,000.00	175,363.00	(141,637.00)
Miscellaneous Funding Sources			
Gain/Loss-Sale of Hard Assets	-	400,000.00	400,000.00
Other	33,100.00	60,475.00	27,375.00
Total Miscellaneous Funding Sources	33,100.00	460,475.00	427,375.00
Total FUNDING SOURCES	16,697,600.00	18,097,948.00	1,400,348.00
OPERATING EXPENSES			
Employee Services & Benefits			
Salaries	3,056,000.00	3,158,223.00	(102,223.00)
Cafeteria Plan	522,000.00	489,785.00	32,215.00
Workers Compensation	86,500.00	56,087.00	30,413.00
PERS Retirement	745,000.00	(198,901.00)	943,901.00
Post Retirement Health Benefit Contributions	210,000.00	23,294.00	186,706.00
Retiree Health Benefits	160,000.00	180,726.00	(20,726.00)
Other	167,282.00	(204,468.00)	371,750.00
Total Employee Services & Benefits	4,946,782.00	3,504,746.00	1,442,036.00
Outside Services			
Legal Services	184,980.00	214,672.00	(29,692.00)
Insurance	510,000.00	434,635.00	75,365.00
Other	1,093,650.00	975,712.00	117,938.00
Total Outside Services	1,788,630.00	1,625,019.00	163,611.00
Maintenance & Repair			
Service Contracts	453,650.00	333,234.00	120,416.00
Flooring	305,000.00	457,574.00	(152,574.00)
Landscaping	265,003.00	327,099.00	(62,096.00)
Other	1,539,036.00	1,083,609.00	455,427.00
Total Maintenance & Repair	2,562,689.00	2,201,516.00	361,173.00

Attachment 2

Utilities			
Utilities-Garbage	150,000.00	119,607.00	30,393.00
Utilities-SMUD/Electricity	152,000.00	152,284.00	(284.00)
Utilities-PG&E/Gas	316,300.00	383,012.00	(66,712.00)
Utilities-Water/Sewer	639,000.00	596,413.00	42,587.00
Other	75,000.00	80,970.00	(5,970.00)
Total Utilities	1,332,300.00	1,332,286.00	14.00
Overhead			
	646,170.00	564,169.00	82,001.00
Debt Service			
Notes Payable Debt Service	608,530.00	664,228.00	(55,698.00)
Bond Debt Service	2,576,950.00	2,576,547.00	403.00
Total Debt Service	3,185,480.00	3,240,775.00	(55,295.00)
Contributions to Reserves			
	1,755,834.00	1,943,962.00	(188,128.00)
Total Contributions to Reserves	1,755,834.00	1,943,962.00	(188,128.00)
Total OPERATING EXPENSES	16,217,885.00	14,412,473.00	1,805,412.00
CAPITAL INVESTMENT PROGRAM			
Major Construction			
	1,204,453.00	451,251.00	753,202.00
Total Major Construction	1,204,453.00	451,251.00	753,202.00
Development			
	860,550.00	2,663,513.00	(1,802,963.00)
Total Development	860,550.00	2,663,513.00	(1,802,963.00)
Total CAPITAL INVESTMENT PROGRAM	2,065,003.00	3,114,764.00	(1,049,761.00)
CASH FLOW, Before Resources Utilization	(1,585,288.00)	570,711.00	2,155,999.00
UTILIZATION OF FINANCIAL RESOURCES			
Utilization of Available Fund Balance	1,585,862.00	1,435,111.00	(150,751.00)
Utilization-Released CIP Budget	1,129,907.00	1,129,907.00	-
Contribution to Available Fund Balance	(574.00)	-	574.00
Cash Flow Adj-CIP Carryforward	(1,129,907.00)	(1,129,907.00)	-
Total UTILIZATION OF FINANCIAL RESOURCES	1,585,288.00	1,435,111.00	(150,177.00)
NET CASH FLOW	-	2,005,822.00	2,005,822.00
Audit Reconciliations			
Change in Encumbrances		(175,697.00)	
Reduction in Outstanding Debt Service			
Reductions in Outstanding Debt Service			
Debt Service-Liability Reduction		238,948.00	
Interest Expense-Accrual Adjustment		(65,370.00)	
Bond Debt Svc-Liability Reduction		1,301,957.00	
Bond Interest-Accrual Adjustment		5,972.00	
Total Reduction in Outstanding Debt Service		1,481,507.00	
Change in Leases & Subcriptions			
Subscription Asset, Long Term		(41,756.00)	
Accumulated Amortization - Right of Use Lease		68,857.00	
Lease Liability, Current		1,773.00	
Lease Liability, Long Term		(63,993.00)	
B/S Adj - Lease Revenue		(28,378.00)	
B/S Adj - Leases Rent Exp		77,340.00	
Amortization Lease Expense		(68,857.00)	
Amortization Subsription Expense		(16,074.00)	
Total Change in Leases & Subscriptions		(71,088.00)	

Capitol Area Development Authority (CADA)
Summary Statement of Revenues and Expenditures
From 7/1/2022 Through 6/30/2023

Change in Net Pension Liability	
Net Pension Liability	3,101,402.00
Net OPEB liability	802,450.00
Total Change in Net Pension Liability	3,903,852.00
Change in Deferred Inflows of Resources	
Deferred Inflows related to Pension	(2,472,567.00)
Deferred Inflow Related to OPEB	(995,474.00)
Deferred Inflow related to Leases	(334,370.00)
Total Change in Deferred Inflows of Resources	(3,802,411.00)
Impact of Changes in Notes Receivable	
B/S Adj - Developer Loan Funding	1,926,994.00
Allowance for Uncollectibles	(256,766.00)
Total Impact of Changes in Notes Receivable	1,670,228.00
Impact of Changes in Investment	
Advance to Affiliates	(1,101,517.00)
Total Impact of Changes in Investment	(1,101,517.00)
Impact of Net Changes in Fixed Assets	
Capitalized Acquisitions	
Computer Hdwe - Capitalized	20,797.00
Admin Furn Mach & Eq-Cap'd	4,405.00
Acquisitions Capitalized	3,280,000.00
Gain on Sale of property	(400,000.00)
D&A - Site Impr Capitalized	503,211.00
Capitalized Expenses - Various	64,800.00
Maint Furn, Mach & Eq-Cap'd	28,165.00
Capitalized Major Construction	360,791.00
Total Capitalized Acquisitions	3,862,169.00
Depreciation Expense	(938,061.00)
Total Impact of Net Changes in Fixed Assets	2,924,108.00
Reduction of deferred Outflows of Resources	
Deferred Outflows Related to Pension	(1,529,171.00)
Deferred Outflow Related to OPEB	(122,879.00)
Total Reduction of deferred Outflows of Resources	(1,652,050.00)
Impact of Changes in Other Balance Sheet Sections	
Net Increase (Decline) in Reserves	
Reserve Drawdowns-Equity Adjustment	(175,363.00)
Reserve Contributions-Equity Adjustment	1,943,962.00
Total Net Increase (Decline) in Reserves	1,768,599.00
Net Contribution to (Utilization of) Fund Balance	
BS Adj - Fund Bal Util or Contrib	(1,435,111.00)
Total Net Contribution to (Utilization of) Fund Balance	(1,435,111.00)
Total Impact of Changes in Other Balance Sheet Sections	333,488.00
Total Audit Reconciliations	3,510,420.00
AUDITED, CHANGE IN NET ASSETS	5,516,242.00

Capitol Area Development Authority (CADA)
General Operations - Consolidated
From 7/1/2022 Through 6/30/2023

(In Whole Numbers)

	Budget-Annual	YTD Budget	YTD Year Actual	YTD Variance
FUNDING SOURCES of General Operations				
Rental Income				
Parking	276,700.00	276,700.00	314,747.00	38,047.00
Ground Lease Revenue	156,000.00	156,000.00	236,124.00	80,124.00
Residential Rental Revenue	10,629,000.00	10,629,000.00	11,400,695.00	771,695.00
Commercial Rental Revenue	515,000.00	515,000.00	603,444.00	88,444.00
Coin Op Laundry Revenue	35,800.00	35,800.00	24,300.00	(11,500.00)
Rental Vacancy Loss	(894,000.00)	(894,000.00)	(1,383,931.00)	(489,931.00)
Low Income Subsidy	(795,000.00)	(795,000.00)	(762,455.00)	32,545.00
Loss to Lease	(1,269,100.00)	(1,269,100.00)	(1,549,742.00)	(280,642.00)
Forfeited Security Deposits	2,100.00	2,100.00	-	(2,100.00)
Bad Debt Recovery	500.00	500.00	-	(500.00)
Misc Current Svcs - Mgmt Fees	105,000.00	105,000.00	113,700.00	8,700.00
Misc Current Svcs - Salaries	152,850.00	152,850.00	220,536.00	67,686.00
Misc Current Svcs - Mait	-	-	1,820.00	1,820.00
Total Rental Income	8,914,850.00	8,914,850.00	9,219,239.00	304,389.00
Tax Increment Revenue				
Tax Increment Revenue	7,125,000.00	7,125,000.00	7,487,321.00	362,321.00
Total Tax Increment Revenue	7,125,000.00	7,125,000.00	7,487,321.00	362,321.00
Interest and Other Investment Income				
Interest Income on Investments with City	207,500.00	207,500.00	382,845.00	175,345.00
Interest Income Received	-	-	6,308.00	6,308.00
Interest Income-Reserve Allocation	(2,000.00)	(2,000.00)	-	2,000.00
Interest Income - Pool A Tax Exempt	-	-	720.00	720.00
Interest Income - Pool A Taxable Bond	210,000.00	210,000.00	527,156.00	317,156.00
Lease Interest Revenue	-	-	24,578.00	24,578.00
Total Interest and Other Investment Income	415,500.00	415,500.00	941,607.00	526,107.00
Miscellaneous Revenue				
Gain/Loss-Sale of Hard Assets	-	-	400,000.00	400,000.00
Miscellaneous Income	33,100.00	33,100.00	60,475.00	27,375.00
Allowance for Uncollectibles	-	-	(256,766.00)	(256,766.00)
Total Miscellaneous Revenue	33,100.00	33,100.00	203,709.00	170,609.00
Drawdowns from Reserves				
Afford Housing Reserve Drawdown for D&A	100,000.00	100,000.00	100,000.00	-
Total Drawdowns from Reserves	100,000.00	100,000.00	100,000.00	-
Total FUNDING SOURCES of General Operations	16,588,450.00	16,588,450.00	17,951,875.00	1,363,425.00
General Operations EXPENSE				
Employee Services & Benefits				
Special Management Salaries	(179,682.00)	(179,682.00)	(167,175.00)	12,508.00
Salaries	(3,056,000.00)	(3,056,000.00)	(3,158,223.00)	(102,223.00)
Employee Recognition	(37,000.00)	(37,000.00)	(63,267.00)	(26,267.00)
Social Security/Medicare	(44,600.00)	(44,600.00)	(50,551.00)	(5,951.00)
Cafeteria Plan	(522,000.00)	(522,000.00)	(489,785.00)	32,215.00
Long Term Disability	(33,000.00)	(33,000.00)	(30,094.00)	2,906.00
State Unemployment	(11,000.00)	(11,000.00)	(8,012.00)	2,988.00
Workers Compensation	(86,500.00)	(86,500.00)	(56,087.00)	30,413.00
Life & AD&D Insurance	(12,500.00)	(12,500.00)	(13,467.00)	(967.00)
PERS Retirement	(745,000.00)	(745,000.00)	198,901.00	943,901.00
Post Retirement Health Benefit Contributions	(210,000.00)	(210,000.00)	(23,294.00)	186,706.00
Retiree Health Benefits	(160,000.00)	(160,000.00)	(180,726.00)	(20,726.00)
OPEB Expense	-	-	315,903.00	315,903.00
Employee Assist Program (EAP)	(2,350.00)	(2,350.00)	(1,226.00)	1,124.00
Total Employee Services & Benefits	(5,099,632.00)	(5,099,632.00)	(3,727,103.00)	1,372,529.00

Capitol Area Development Authority (CADA)
General Operations - Consolidated
From 7/1/2022 Through 6/30/2023

Outside Services				
Prop Mgmt Marketing - Sp Mgmt Credit	3,634.00	3,634.00	3,634.00	-
Marketing & Media	(25,000.00)	(25,000.00)	(20,253.00)	4,747.00
Property Management Marketing	(16,634.00)	(16,634.00)	(3,734.00)	12,900.00
Printing and Binding	(2,000.00)	(2,000.00)	(669.00)	1,331.00
Employment Rcruitment & Notices	(2,000.00)	(2,000.00)	(30,077.00)	(28,077.00)
Legal Services	(184,980.00)	(184,980.00)	(214,672.00)	(29,692.00)
Accounting and Auditing	(52,850.00)	(52,850.00)	(62,900.00)	(10,050.00)
Community Activities	(35,000.00)	(35,000.00)	(35,287.00)	(287.00)
Document Storage & Destruction	(2,000.00)	(2,000.00)	(902.00)	1,098.00
Network Administration Services	(106,000.00)	(106,000.00)	(118,444.00)	(12,444.00)
Payroll Services	(10,000.00)	(10,000.00)	(13,152.00)	(3,152.00)
Banking & Investment Fees	(13,300.00)	(13,300.00)	(11,432.00)	1,868.00
Admin Other Professional Services	(67,500.00)	(67,500.00)	(1,955.00)	65,545.00
Prop Mgmt Other Professional Services	(60,000.00)	(60,000.00)	(32,783.00)	27,217.00
Asset Mgmt Other Professional Services	(72,000.00)	(72,000.00)	(42,609.00)	29,391.00
Courtesy Patrol	(141,596.00)	(141,596.00)	(151,601.00)	(10,005.00)
Courtesy Patrol-Sp Mgmt Credit	16,596.00	16,596.00	16,596.00	-
Insurance - Special Management	(113,000.00)	(113,000.00)	(102,087.00)	10,913.00
Insurance	(510,000.00)	(510,000.00)	(434,635.00)	75,365.00
Self-Insured Losses	(75,000.00)	(75,000.00)	(9,744.00)	65,256.00
Insurance - Sp Mgmt Reimb.	-	-	(16,500.00)	(16,500.00)
Project Banking Fees	(21,000.00)	(21,000.00)	(16,049.00)	4,951.00
Admin Temporary Outside Svcs	(20,000.00)	(20,000.00)	(69,347.00)	(49,347.00)
Temporary Outside Services	(240,000.00)	(240,000.00)	(240,827.00)	(827.00)
Eng/Arch-Miscellaneous	(39,000.00)	(39,000.00)	(3,825.00)	35,175.00
Legal - Dev Project Related	(30,000.00)	(30,000.00)	(21,148.00)	8,853.00
D&A Other Professional Services	(14,000.00)	(14,000.00)	(8,700.00)	5,300.00
Total Outside Services	(1,832,630.00)	(1,832,630.00)	(1,643,101.00)	189,529.00
Maintenance & Repair				
Emerg Relocation-Ops Related	(10,500.00)	(10,500.00)	(48,773.00)	(38,273.00)
Operation Location Improvements	(55,000.00)	(55,000.00)	(3,073.00)	51,927.00
Admin Office - General Maintenance	(27,800.00)	(27,800.00)	(42,076.00)	(14,276.00)
Maint Office Janitorial	(10,000.00)	(10,000.00)	(11,016.00)	(1,016.00)
Maint Office - General Maintenance	(10,000.00)	(10,000.00)	(10,232.00)	(232.00)
Equipment Rental Expense	(5,000.00)	(5,000.00)	(1,292.00)	3,708.00
Construction Mitigation Expense	(15,000.00)	(15,000.00)	(61.00)	14,940.00
Repair & Maint - Misc	(177,000.00)	(177,000.00)	(210,150.00)	(33,150.00)
Lndscape-Sp Mgmt Credit	19,432.00	19,432.00	19,432.00	-
Travel-Fuel on CADA Vehicles	(19,000.00)	(19,000.00)	(20,778.00)	(1,778.00)
Travel-Maint Staff Reimburse	(14,000.00)	(14,000.00)	(9,267.00)	4,733.00
Travel-RSR Reimbursement	(2,000.00)	(2,000.00)	(368.00)	1,632.00
Elevator/Bldg Phone & Monitor Service	(6,000.00)	(6,000.00)	(5,511.00)	489.00
Service Contracts	(453,650.00)	(453,650.00)	(333,234.00)	120,416.00
State Fire Marshal	(50,000.00)	(50,000.00)	(12,720.00)	37,280.00
Flooring	(305,000.00)	(305,000.00)	(457,574.00)	(152,574.00)
Plumbing	(9,568.00)	(9,568.00)	(5,025.00)	4,543.00
Countertops/Cabinets	(57,500.00)	(57,500.00)	(8,418.00)	49,082.00
Landscaping	(265,003.00)	(265,003.00)	(327,099.00)	(62,096.00)
Pest Services	(56,200.00)	(56,200.00)	(38,740.00)	17,460.00
Permits and Fees	(4,500.00)	(4,500.00)	(3,397.00)	1,103.00
Painting & Decorating	(64,900.00)	(64,900.00)	(15,387.00)	49,513.00
Supplies	(27,000.00)	(27,000.00)	(7,909.00)	19,091.00
Vehicle Repair and Maint	(10,000.00)	(10,000.00)	(12,200.00)	(2,200.00)
Prop Mgmt Furn & Appliances	(101,500.00)	(101,500.00)	(136,071.00)	(34,571.00)
Building Supplies - Misc	(311,500.00)	(311,500.00)	(377,113.00)	(65,613.00)
Clothing and Uniforms	(5,500.00)	(5,500.00)	(5,284.00)	216.00
Maintenance Mach & Equip	(88,000.00)	(88,000.00)	(58,932.00)	29,068.00
Operating Budget Major Repairs	(15,000.00)	(15,000.00)	(10,445.00)	4,555.00
Total Maintenance & Repair	(2,156,689.00)	(2,156,689.00)	(2,152,713.00)	3,976.00

Capitol Area Development Authority (CADA)
General Operations - Consolidated
From 7/1/2022 Through 6/30/2023

Utilities				
Admin Office Utilities	(28,000.00)	(28,000.00)	(25,827.00)	2,173.00
Maint Office Utilities	(47,000.00)	(47,000.00)	(55,142.00)	(8,142.00)
Utilities-Garbage	(150,000.00)	(150,000.00)	(119,607.00)	30,393.00
Utilities-SMUD/Electricity	(152,000.00)	(152,000.00)	(152,284.00)	(284.00)
Utilities-PG&E/Gas	(316,300.00)	(316,300.00)	(383,012.00)	(66,712.00)
Utilities-Water/Sewer	(639,000.00)	(639,000.00)	(596,413.00)	42,587.00
Total Utilities	(1,332,300.00)	(1,332,300.00)	(1,332,285.00)	15.00
Overhead				
Postage and Deliveries	(3,000.00)	(3,000.00)	(5,588.00)	(2,588.00)
Telephone and Wireless Svcs	(30,000.00)	(30,000.00)	(12,784.00)	17,216.00
Cellular Phone Service	(40,000.00)	(40,000.00)	(43,946.00)	(3,946.00)
Internet Services	(26,000.00)	(26,000.00)	(6,740.00)	19,260.00
Admin Bldg Rent	(103,000.00)	(103,000.00)	(105,050.00)	(2,050.00)
Maint. Bldg Rent	(14,200.00)	(14,200.00)	-	14,200.00
Leased Facilities Rent	(24,000.00)	(24,000.00)	(39,000.00)	(15,000.00)
Equipment Rental Expense	(2,500.00)	(2,500.00)	(1,309.00)	1,191.00
Parking Program	(1,500.00)	(1,500.00)	-	1,500.00
JPA Board Expenses	(7,000.00)	(7,000.00)	(3,272.00)	3,728.00
Professional Organizations	(15,000.00)	(15,000.00)	(11,540.00)	3,460.00
Subscriptions	(2,000.00)	(2,000.00)	(669.00)	1,331.00
Education and Training	(24,000.00)	(24,000.00)	(20,826.00)	3,174.00
Management Fee	(104,220.00)	(104,220.00)	(105,000.00)	(780.00)
Transportation-Admin Staff	(2,000.00)	(2,000.00)	(2,452.00)	(452.00)
Resident Relations	(9,900.00)	(9,900.00)	(6,649.00)	3,251.00
Sp Mgmt Prop Taxes & Assessments	(10,750.00)	(10,750.00)	(11,117.00)	(367.00)
Property Taxes & Assessments	(122,100.00)	(122,100.00)	(115,378.00)	6,722.00
Hospitality	(1,500.00)	(1,500.00)	(52.00)	1,449.00
Office Supplies - General	(15,000.00)	(15,000.00)	(10,434.00)	4,566.00
Software	(80,000.00)	(80,000.00)	(101,880.00)	(21,880.00)
Computer Hardware	(50,000.00)	(50,000.00)	(29,656.00)	20,344.00
Admin Furn Mach & Equip	(16,000.00)	(16,000.00)	(4,916.00)	11,084.00
Safety - General Admin	(20,500.00)	(20,500.00)	(15,191.00)	5,309.00
Office Equipment leases	(27,000.00)	(27,000.00)	(24,420.00)	2,580.00
Total Overhead	(751,170.00)	(751,170.00)	(677,869.00)	73,301.00
Debt Service				
Debt Service Principal Paid	(239,007.00)	(239,007.00)	(238,948.00)	59.00
Debt Interest Paid	(69,523.00)	(69,523.00)	(68,245.00)	1,278.00
Bond Debt Svc-Principal Pd	(1,301,970.00)	(1,301,970.00)	(1,301,957.00)	13.00
Bond Interest Paid	(1,274,980.00)	(1,274,980.00)	(1,274,590.00)	390.00
Tax Increment Pledge	(300,000.00)	(300,000.00)	(300,000.00)	-
HCD Monitoring Fee	-	-	(41,915.00)	(41,915.00)
Lease Interest Expense	-	-	(15,120.00)	(15,120.00)
Total Debt Service	(3,185,480.00)	(3,185,480.00)	(3,240,775.00)	(55,295.00)
Contributions to Reserves				
Development Reserve Contribution	(1,000,321.00)	(1,000,321.00)	(1,151,582.00)	(151,261.00)
Affordable Housing Reserve Contribution	(326,630.00)	(326,630.00)	(363,496.00)	(36,866.00)
Equipment Replace Reserve Contribution	(104,883.00)	(104,883.00)	(104,883.00)	-
Debt Retirement Reserve Contribution	(324,000.00)	(324,000.00)	(324,000.00)	-
Total Contributions to Reserves	(1,755,834.00)	(1,755,834.00)	(1,943,962.00)	(188,128.00)
Total General Operations EXPENSE	(16,113,735.00)	(16,113,735.00)	(14,717,808.00)	1,395,927.00
Inter-Fund Operation TRANSFERS				
Inter-Fund Operating TRANSFERS IN				
Operations Transfer from F 50-CAP Tax Incr	2,784,435.00	2,784,435.00	1,083,558.00	(1,700,877.00)
Operations Transfer from F 51-CAP Set-Aside	437,853.00	437,853.00	437,853.00	-
Operations Transfer from F60-RSt TI	217,000.00	217,000.00	217,000.00	-
Operations Transfer from F67 - Bond Interest	210,000.00	210,000.00	-	(210,000.00)
Total Inter-Fund Operating TRANSFERS IN	3,649,288.00	3,649,288.00	1,738,411.00	(1,910,877.00)

Capitol Area Development Authority (CADA)
General Operations - Consolidated
From 7/1/2022 Through 6/30/2023

Inter-Fund Operating TRANSFERS OUT				
Operations Transfer to F10-General	(3,649,288.00)	(3,649,288.00)	(1,738,411.00)	1,910,877.00
Total Inter-Fund Operating TRANSFERS OUT	(3,649,288.00)	(3,649,288.00)	(1,738,411.00)	1,910,877.00
Total Inter-Fund Operation TRANSFERS	-	-	-	-
OPERATING RESULTS, before Capital Investment Program	474,715.00	474,715.00	3,234,068.00	2,759,352.00
CAPITAL INVESTMENT PROGRAM				
Investment in MAJOR CONSTRUCTION Program				
CIP Transfer to F10-General	(948,453.00)	(948,453.00)	(948,453.00)	-
CIP Transfer to F38 - 17th St. Commons	(15,000.00)	(15,000.00)	-	15,000.00
Total Investment in MAJOR CONSTRUCTION Program	(963,453.00)	(963,453.00)	(948,453.00)	15,000.00
Investment in DEVELOPMENT Program				
Dev Program TF to F 10 - General	(696,550.00)	(696,550.00)	(696,550.00)	-
Deve Program TF to F20 - CACDC	(400,000.00)	(400,000.00)	(400,000.00)	-
Total Investment in DEVELOPMENT Program	(1,096,550.00)	(1,096,550.00)	(1,096,550.00)	-
Total CAPITAL INVESTMENT PROGRAM	(2,060,003.00)	(2,060,003.00)	(2,045,003.00)	15,000.00
UTILIZATION OF FINANCIAL RESOURCES				
Utilization of Available Fund Balance	1,585,862.00	1,585,862.00	1,435,111.00	(150,751.00)
Contribution to Available Fund Balance	(574.00)	(574.00)	-	574.00
Total UTILIZATION OF FINANCIAL RESOURCES	1,585,288.00	1,585,288.00	1,435,111.00	(150,177.00)
NET RESULTS OF GENERAL OPERATIONS	-	-	2,624,176.00	2,624,176.00

Attachment 4

RESOLUTION NO. 24 - 01
Adopted by the Capitol Area Development Authority

January 26, 2024

RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2022-2023

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 2022-2023; 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 2022-2023 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

Attachment 5

RESOLUTION NO. 24 - 02
Adopted by the Capitol Area Development Authority

January 26, 2024

RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2022-2023 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 2022-2023 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 2022-2023 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

Attachment 6

RESOLUTION NO. 24 - 03
Adopted by the Capitol Area Development Authority

January 26, 2024

RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2022-2023 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 2022-2023 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 2022-2023 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

Attachment 7

RESOLUTION NO. 24 - 04
Adopted by the Capitol Area Development Authority

January 26, 2024

RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2022-2023 FOR SEVENTEENTH STREET COMMONS (Contract Number 99-024-N)

WHEREAS, the certified public accounting firm of CohnReznick has completed its audit of the Authority's Independent Auditor's Reports for Fiscal Year 2022-2023 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 2022-2023 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