



January 10, 2025

**TO:** CADA Board of Directors

**SUBJECT: January 17, 2025, Board Meeting  
AGENDA ITEM 6  
AUDITED FINANCIAL STATEMENTS – FISCAL YEAR 2023-2024**

**CONTACT:** Noelle Mussen, Finance Director

**RECOMMENDED ACTION:**

Staff recommends that the Board, by separate resolutions provided as Attachment 4, accept the following four audited financial reports as prepared and released by CohnReznick:

- ♦ Capitol Area Development Authority  
Independent Auditor's Reports FY 2023-2024 (**Attachment 1a**)
- ♦ Somerset Parkside Apartments (Contract Number 80-RHC-007)  
Independent Auditor's Reports FY 2023-2024 (**Attachment 1b**)
- ♦ Biele Place Apartments (Contract Number 80-RHC-032)  
Independent Auditor's Reports FY 2023-2024 (**Attachment 1c**)
- ♦ Seventeenth Street Commons (Contract Number 99-024-N)  
Independent Auditor's Reports FY 2023-2024 (**Attachment 1d**)

**BACKGROUND**

The attached audited financial reports for Fiscal Year 2023-24 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 17<sup>th</sup> 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 2023-2024, 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. Attachment 4 is comprised of the resolutions accepting the audits, as provided.

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 17<sup>th</sup> 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**

The Strategic Plan value that is most directly pertinent to this action is Objective I: Ensure Fiscal Strength and Operational Excellence. The completion of Audited financial statement enables CADA to meet its Strategic Plan goals and the Business Plan objectives while continuing to maintain a strong financial position.

### **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 \$6,329,209 in its Net Position. This is a \$813,000 increase in Net Position compared to last year. Last year, CADA experienced a \$2.6 million increase in its Net Position compared to the prior year.

The \$6.3 million increase in CADA’s Net Position reflects Non-Operating Net Revenues of \$9.3 million less an operating loss of \$3 million from rental and development activities. The primary reason for the increased positive results in FY 2023-24 compared to FY 2022-23 is due to net income increases in Rental Revenue and an insurance settlement, decrease to Development project expenses, offset with increases in Employee Services, and rental expenses.

Non-Operating Revenues totaled \$9.3 million, which is a net increase of \$2 million over last year’s revenue of \$7.4 million. This reflects a net increase in Intergovernmental Revenue (including Tax Increment) of \$668,000; a \$843,000 increase gain on sale of property from the forgiveness of interest on assumed debt; and Interest Income of \$425,000.

CADA’s Operating Loss was \$3 million, which is \$1.1 million more than last year’s \$1.9 million loss. The change is primarily due to net decreases in total Operating Expense of \$552,000 and an increase in Operating Revenue of \$1.2 million. The increases in Operating Expenses were in Employee Services expenses due to the filling vacated positions, including the Asset Management Director position, with increases to general rental expenses in services, supplies, and repairs of \$615,000, along with slight

decreases in development project expenses as compared to the prior year. The increase in Operating Revenue reflects a \$633,000 net increase in Rental Revenue and an increase in insurance settlements of \$222,000.

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

Total Cash and Cash Equivalents increased by \$1.6 million compared to the prior year's increase of \$2.8 million.

Cash outflow from operating activities and development projects decreased and increased cash inflow from rental receipts and interest income was a large part of the positive cash flow.

There was change from the prior of a decrease in cash outflow of \$1.9 million for the issuance of notes receivable from CADA to 1717 S Street and Sonrisa for construction costs. This was offset from the prior year positive cash inflow from a smaller total for proceeds from the sale of property and the release of cash held in escrow.

*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 Uncollectible, 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 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 2023-2024 were well within budget, ending the year with favorable (positive) variances totaling \$1.8 million.

**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 2023-2024
  - a. Capitol Area Development Authority (to be sent 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 2023-2024, Budget to Actual
4. Resolutions 25-02 to 25-05



January 10, 2025

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**CONTACT:** Noelle Mussen, Finance Director

Attachment 1a - Auditor's Report for Capitol Area Development Authority

**This attachment will be released under separate cover.**

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, 2024 and 2023**

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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, 2024 and 2023, 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, 2024 and 2023, and the results of its operations 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, 2024 and 2023 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*

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 financial data template as required by the California Department of Housing and Community Development (“HCD”) 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 financial data templates as required by HCD are 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 October 7, 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.



Sacramento, California  
October 7, 2024

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

**Statements of Net Position**  
**June 30, 2024 and 2023**

	<u>Assets</u>	
	<u>2024</u>	<u>2023</u>
Current assets		
Residential accounts receivable, net	2,984	30,096
Accounts receivable - other	64,888	-
Restricted cash - tenant security deposits	8,624	6,465
Total current assets	<u>76,496</u>	<u>36,561</u>
Noncurrent assets		
Restricted cash and cash equivalents - replacement reserve	193,980	266,424
Restricted cash and cash equivalents - operating reserve	55,354	55,329
Capital assets		
Construction in progress	146,094	30,230
Building and improvements	1,829,309	1,829,309
Less accumulated depreciation	<u>(1,686,241)</u>	<u>(1,651,560)</u>
Total capital assets	<u>289,162</u>	<u>207,979</u>
Total noncurrent assets	<u>538,496</u>	<u>529,732</u>
Total assets	<u><u>\$ 614,992</u></u>	<u><u>\$ 566,293</u></u>
	<u>Liabilities</u>	
Current liabilities		
Accounts payable	\$ 15,179	\$ 4,531
HCD monitoring fees payable	85,268	81,857
Due to CADA	552,165	422,375
Unearned revenue - prepaid rent	2,148	4,126
Due to HCD - annuity payable	3,374	3,374
Tenant security deposits	8,624	6,465
Total current liabilities	<u>666,758</u>	<u>522,728</u>
Noncurrent liabilities		
Accrued interest	281,345	245,429
Note payable long term	<u>1,197,213</u>	<u>1,197,213</u>
Total noncurrent liabilities	<u>1,478,558</u>	<u>1,442,642</u>
Total liabilities	<u><u>\$ 2,145,316</u></u>	<u><u>\$ 1,965,370</u></u>
	<u>Net Position</u>	
Net investment in capital assets	\$ (908,051)	\$ (989,234)
Restricted for operating and replacement reserves	249,334	321,753
Unrestricted	<u>(871,607)</u>	<u>(731,596)</u>
Total net position	<u><u>\$ (1,530,324)</u></u>	<u><u>\$ (1,399,077)</u></u>
Total liabilities and net position	<u><u>\$ 614,992</u></u>	<u><u>\$ 566,293</u></u>

See Notes to Financial Statements.

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

**Statements of Revenue, Expenses and Changes in Net Position**  
**Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Operating revenue		
Gross potential rent - residential	\$ 376,278	\$ 367,193
Less: Vacancies	(193,913)	(215,278)
Other income:		
Laundry income	742	711
Miscellaneous	2,646	1,692
Total operating revenue	<u>185,753</u>	<u>154,318</u>
Operating expenses		
Administrative	100,389	75,216
Utilities	53,247	50,199
Operating and maintenance	62,577	43,909
Taxes and insurance	26,926	18,458
Depreciation	34,681	34,681
Total operating expenses	<u>277,820</u>	<u>222,463</u>
Net operating loss	(92,067)	(68,145)
Nonoperating revenue (expenses)		
Interest expense	(35,916)	(35,917)
Interest income	147	135
HCD monitoring fee	(3,411)	(28,590)
Total nonoperating revenue (expenses)	<u>(39,180)</u>	<u>(64,372)</u>
Change in net position	(131,247)	(132,517)
Net position, beginning	<u>(1,399,077)</u>	<u>(1,266,560)</u>
Net position, end	<u><u>\$ (1,530,324)</u></u>	<u><u>\$ (1,399,077)</u></u>

See Notes to Financial Statements.

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

**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Rental receipts	\$ 207,499	\$ 150,840
Other receipts	(61,500)	2,403
Tenant security deposits paid	2,159	(240)
Payroll and related costs	(47,084)	(46,498)
Administrative expenses	(53,305)	(27,131)
Utilities	(53,247)	(50,199)
Operating and maintenance	(64,537)	(41,405)
Insurance and taxes	(26,926)	(18,458)
	<u>(96,941)</u>	<u>(30,688)</u>
Net cash used in operating activities		
Cash flows from capital and related financing activities		
Acquisition of capital assets	(103,256)	(13,389)
	<u>(103,256)</u>	<u>(13,389)</u>
Net cash used in capital and related financing activities		
Cash flows from noncapital financing activities		
CADA advances received	129,790	73,773
	<u>129,790</u>	<u>73,773</u>
Net cash provided by noncapital financing activities		
Cash flows from investing activities		
Interest income received	147	135
	<u>147</u>	<u>135</u>
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	(70,260)	29,831
Cash and cash equivalents, beginning	328,218	298,387
Cash and cash equivalents, end	<u>\$ 257,958</u>	<u>\$ 328,218</u>

See Notes to Financial Statements.

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

**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Reconciliation to the statements of net position		
Restricted cash and cash equivalents		
Tenant security deposits	\$ 8,624	\$ 6,465
Replacement reserve	193,980	266,424
Operating reserve	<u>55,354</u>	<u>55,329</u>
Total cash and cash equivalents	<u>\$ 257,958</u>	<u>\$ 328,218</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (92,067)	\$ (68,145)
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	27,112	(2,446)
Accounts receivable - other	(64,888)	-
Accounts payable	(1,960)	4,092
Unearned revenue - prepaid rent	(1,978)	1,370
Tenant security deposits	<u>2,159</u>	<u>(240)</u>
Net cash used in operating activities	<u>\$ (96,941)</u>	<u>\$ (30,688)</u>
Significant noncash capital and related financing activities		
Increase in accounts payable included in capital assets	<u>\$ 12,608</u>	<u>\$ -</u>

See Notes to Financial Statements.

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

**Notes to Financial Statements  
June 30, 2024 and 2023**

**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, 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 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 1.19 years and 1.78 years at June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, 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

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

**Notes to Financial Statements  
June 30, 2024 and 2023**

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, 2024 and 2023, the allowance for doubtful accounts was \$51,204 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, 2024, 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, 2024 and 2023 amounted to \$8,624 and \$6,465 respectively.



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

**Notes to Financial Statements  
June 30, 2024 and 2023**

**Note 3 - Capital assets**

Information on additions and disposals of capital assets as of June 30, 2024 and 2023 are as follows:

	June 30, 2023	Increases	Decreases	June 30, 2024
Capital assets not being depreciated				
Construction in progress	\$ 30,230	\$ 115,864	\$ -	\$ 146,094
Capital assets being depreciated				
Buildings and improvements	1,829,309	-	-	1,829,309
Less accumulated depreciation for Buildings and improvements	(1,651,560)	(34,681)	-	(1,686,241)
Capital assets being depreciated, net	<u>\$ 207,979</u>	<u>\$ 81,183</u>	<u>\$ -</u>	<u>\$ 289,162</u>
	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	<u>\$ 229,271</u>	<u>\$ (21,292)</u>	<u>\$ -</u>	<u>\$ 207,979</u>

**Note 4 - Replacement reserve**

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

	2024	2023
Beginning balance	\$ 266,424	\$ 236,379
Interest earned	122	109
Required deposits	43,298	43,299
Withdrawals	(115,864)	(13,363)
Ending balance	<u>\$ 193,980</u>	<u>\$ 266,424</u>

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

**Notes to Financial Statements  
June 30, 2024 and 2023**

**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:

	2024	2023
Beginning balance	\$ 55,329	\$ 55,303
Interest earned	25	26
Ending balance	<u>\$ 55,354</u>	<u>\$ 55,329</u>

**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, 2024 and 2023, interest expense was \$35,916 and \$35,917, respectively. Outstanding principal and accrued interest are \$1,197,213 and \$281,345 at June 30, 2024, and \$1,197,213 and \$245,429 at June 30, 2023, 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.

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

**Notes to Financial Statements  
June 30, 2024 and 2023**

For the fiscal years ended June 30, 2024 and 2023, the Project had a net annuity income (expense) of \$0 and \$0, respectively. Net unexpended program payments are reported as due to (from) HCD on the Project's statements of net position. As of June 30, 2024 and 2023, 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:

	<u>2024</u>	<u>2023</u>
Due to (from) HCD, beginning	\$ 3,374	\$ 3,374
Excess program payment received	-	-
Excess program payment cash flow	-	-
HCD corrections and adjustments	<u>-</u>	<u>-</u>
Due to (from) HCD, end	<u>\$ 3,374</u>	<u>\$ 3,374</u>

Under the terms of the new regulatory agreement, the Project is to pay HCD an annual monitoring fee of \$10,127, increasing annually based upon the consumer price index. The annual monitoring fee is subject to the Project generating sufficient cash flow. During the years ended June 30, 2024 and 2023, the Project incurred annual monitoring fees of \$3,411 and \$28,590, which are included in the statements of revenue, expenses and changes in net position. As of June 30, 2024 and 2023, the Project owes HCD monitoring fees payable of \$85,268 and \$81,857, 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, 2024, 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, 2024 and 2023, \$522,165 and \$422,375, 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.

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

**Notes to Financial Statements  
June 30, 2024 and 2023**

**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 October 7, 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 and Community Development (HCD), including Breakout of “Miscellaneous” Account Details**

**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, 2024 and 2023**

**Schedules of Operating Revenue**

<u>Account No.</u>	<u>2024</u>	<u>2023</u>
Rental revenue		
5120 Rent revenue - gross potential	\$ 376,278	\$ 367,193
5100T Total rental revenue	<u>376,278</u>	<u>367,193</u>
Vacancies		
5220 Apartments	<u>(193,913)</u>	<u>(215,278)</u>
5200T Total vacancies	<u>(193,913)</u>	<u>(215,278)</u>
5152N Net rental revenue (rent revenue less vacancies)	<u>182,365</u>	<u>151,915</u>
Financial revenue		
5440 Revenue from investments - replacement reserve	<u>147</u>	<u>135</u>
5400T Total financial revenue	<u>147</u>	<u>135</u>
Other revenue		
5910 Laundry and vending	742	711
5990 Miscellaneous revenue (if over \$1,500, detail is required)	<u>2,646</u>	<u>1,692</u>
5900T Total other revenue	<u>3,388</u>	<u>2,403</u>
5000T Total revenues	<u>\$ 185,900</u>	<u>\$ 154,453</u>

**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, 2024 and 2023**

**Schedules of Operating Expenses**

<u>Account No.</u>	<u>2024</u>	<u>2023</u>
Administrative expenses		
6210 Advertising and marketing	1,155	1,050
6320 Management fee	21,500	20,880
6330 Manager or superintendent salaries	24,758	24,450
6331 Administrative rent free unit	15,614	15,420
6351 Bookkeeping fees/accounting services	5,500	5,200
6370 Bad debts	31,862	8,216
6263T Total administrative expenses	<u>100,389</u>	<u>75,216</u>
Utilities expense		
6450 Electricity	7,553	6,361
6451 Water	347	526
6452 Gas	36,828	36,816
6453 Sewer	8,519	6,496
6400T Total utilities expense	<u>53,247</u>	<u>50,199</u>
Operating and maintenance expenses		
6510 Payroll	6,712	6,628
6515 Supplies	13,410	12,442
6520 Contracts	23,172	5,438
6530 Security payroll/contract	4,725	4,500
6590 Miscellaneous operating and maintenance expenses (if over \$1,500, detail is required)	14,558	14,901
6500T Total operating and maintenance expenses	<u>62,577</u>	<u>43,909</u>

**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, 2024 and 2023**

**Schedules of Operating Expenses**

<u>Account No.</u>	<u>2024</u>	<u>2023</u>
Taxes and insurance		
6710 Real estate taxes	1,879	1,935
6720 Property and liability insurance	25,047	16,523
6700T Total taxes and insurance	26,926	18,458
6000T Total cost of operations before depreciation	243,139	187,782
5060T Income (loss) before depreciation	(57,239)	(33,329)
Depreciation		
6600 Depreciation expense	34,681	34,681
Total depreciation	34,681	34,681
5060N Operating loss	(91,920)	(68,010)
Total expenses	277,820	222,463
Net entity expenses		
7141 Interest on notes payable	35,916	35,917
7190 Other (income) expenses (see detail)	3,411	28,590
7100T Net entity expenses	39,327	64,507
3250 Change in net position	\$ (131,247)	\$ (132,517)



**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, 2024 and 2023**

**Detail of Accounts - Schedule of Activities**

	<u>2024</u>	<u>2023</u>
Miscellaneous revenue (Account No. 5990)		
Miscellaneous income - other tenant fees	\$ 2,646	\$ 1,692
	<u>\$ 2,646</u>	<u>\$ 1,692</u>
Miscellaneous operating and maintenance expenses (Account No. 6590)		
Flooring	\$ 13,813	\$ 14,901
Operating budget major repairs	695	-
Resident relations	50	-
	<u>\$ 14,558</u>	<u>\$ 14,901</u>
Other (income) expenses (Account No. 7190)		
HCD monitoring fee	\$ 3,411	\$ 28,590
	<u>\$ 3,411</u>	<u>\$ 28,590</u>

**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, 2024**

**Cash and cash equivalents**

Cash and cash equivalents	
Unrestricted account	
Operating account	\$ -
Restricted accounts	
Operating reserve	55,354
Tenant security deposits	8,624
Reserve for replacements	193,980
Total restricted accounts	257,958
Total cash and cash equivalents	\$ 257,958

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, 2023	\$ 266,424	\$ 55,329
Deposits	43,298	-
Interest income	122	25
Approved withdrawals	(115,864)	-
Balance, June 30, 2024	\$ 193,980	\$ 55,354

**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, 2023	\$ 30,230	\$ 1,829,309	\$ 1,859,539
Additions	115,864	-	115,864
Balance, June 30, 2024	\$ 146,094	\$ 1,829,309	\$ 1,975,403

**Accounts payable**

Accounts payable in the amount of \$15,179 represents amounts due to suppliers. All accounts payable are current.

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

**Supplementary Information Required by HCD  
Year Ended June 30, 2024**

**Gross potential rents**

Qualified tenant rental income	\$ 500,790
Other tenant rental income	<u>-</u>
Total gross potential rents	500,790
Less	
Vacancy loss	(193,913)
Loss to lease	(1,680)
Low income subsidy	<u>(122,832)</u>
Rental revenues, net	<u><u>\$ 182,365</u></u>

**Management fee**

A property management fee of \$21,500 was incurred during the fiscal year ended June 30, 2024 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, 2024 and 2023**

**Operating cash flow/surplus cash computation**

The operating cash flow/surplus cash generated by the Project during the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Operation income		
Total income	\$ 185,900	\$ 154,453
Interest earned on restricted reserve accounts	(147)	(135)
Adjusted operating income	185,753	154,318
Operating expenses less depreciation	(243,139)	(187,782)
Adjusted net loss	(57,386)	(33,464)
Other activity		
Purchases of capital assets	(115,864)	(13,389)
Withdrawals from replacement reserve account	115,864	13,363
Deposits into replacement reserve account	(43,298)	(43,299)
Total other activity	(43,298)	(43,325)
Operating cash flow/surplus cash (deficit)	\$ (100,684)	\$ (76,789)

**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, 2024 and 2023.

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 (*Governmental Auditing Standards*), 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, 2024, 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 October 7, 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.



Sacramento, California  
October 7, 2024

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

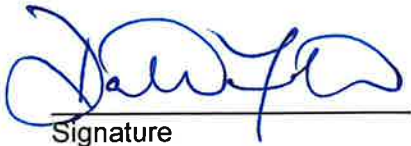
**Schedule of Findings and Responses  
Years Ended June 30, 2024 and 2023**

Our audit disclosed no findings that are required to be reported.

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

**Certification of Officers  
Years Ended June 30, 2024 and 2023**

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, 2024 and 2023, and to the best of our knowledge and belief, these financial statements and supplementary information are complete and accurate.

  
Signature

Executive Director  
Title

10/7/24  
Date

  
Signature

Finance Director  
Title

10-7-24  
Date





**Independent Member of Nexia International**

**[cohnreznick.com](http://cohnreznick.com)**

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, 2024 and 2023**

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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, 2024 and 2023, 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, 2024 and 2023, and the results of its operations 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, 2024 and 2023, 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*

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 financial data templates as required by the California Department of Housing and Community Development ("HCD") 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 financial data templates as required by HCD are 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 October 7, 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.



Sacramento, California  
October 7, 2024

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

**Statements of Net Position**  
**June 30, 2024 and 2023**

	<u>Assets</u>	
	2024	2023
Current assets		
Residential accounts receivable, net	\$ 2,355	\$ 6,807
Restricted cash - tenant security deposits	12,277	14,157
Total current assets	14,632	20,964
Noncurrent assets		
Restricted cash and cash equivalents - replacement reserve	264,404	264,303
Restricted cash and cash equivalents - operating reserve	51,373	51,350
	315,777	315,653
Capital assets		
Construction in progress	-	62,000
Building and Improvements	1,569,892	1,456,872
Less accumulated depreciation	(1,324,252)	(1,305,839)
Total capital assets	245,640	213,033
Total noncurrent assets	561,417	528,686
Total assets	\$ 576,049	\$ 549,650
	<u>Liabilities</u>	
Current liabilities		
Accounts payable	\$ 5,101	\$ 5,802
Unearned revenue - prepaid rent	427	1,758
HCD monitoring fees payable	59,950	45,181
Due to CADA	318,372	224,371
Tenant security deposits	12,277	14,157
Total current liabilities	396,127	291,269
Noncurrent liabilities		
Mortgage note payable	1,025,653	1,025,653
Accrued interest - mortgage note payable	146,156	115,386
Total noncurrent liabilities	1,171,809	1,141,039
Total liabilities	\$ 1,567,936	\$ 1,432,308
	<u>Net Position</u>	
Net investment in capital assets	\$ (780,013)	\$ (812,620)
Restricted for replacement and operating reserves	315,777	315,653
Unrestricted	(527,651)	(385,691)
Total net position	(991,887)	(882,658)
Total liabilities and net position	\$ 576,049	\$ 549,650

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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Operating revenue		
Gross potential rent - residential	\$ 252,217	\$ 252,396
Less Vacancies	(39,655)	(55,107)
Other income		
Laundry income	1,866	2,287
Miscellaneous	2,692	645
	<u>217,120</u>	<u>200,221</u>
Total operating revenue		
	217,120	200,221
Operating expenses		
Administrative	108,143	87,925
Utilities	31,324	33,080
Operating and maintenance	96,421	60,494
Taxes and insurance	26,653	18,086
Depreciation	18,413	15,587
	<u>280,954</u>	<u>215,172</u>
Total operating expenses		
	280,954	215,172
Net operating loss	(63,834)	(14,951)
Nonoperating revenue (expenses)		
Interest expense	(30,770)	(30,770)
Interest income	144	138
HCD monitoring fee	(14,769)	(13,325)
	<u>(45,395)</u>	<u>(43,957)</u>
Total nonoperating revenue (expenses)		
	(45,395)	(43,957)
Change in net position	(109,229)	(58,908)
Net position, beginning	(882,658)	(823,750)
	<u>(882,658)</u>	<u>(823,750)</u>
Net position, end	<u>\$ (991,887)</u>	<u>\$ (882,658)</u>

See Notes to Financial Statements.



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

**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Rental receipts	\$ 215,683	\$ 200,760
Other receipts	4,558	2,932
Tenant security deposits received	(1,880)	1,355
Payroll and related costs	(54,864)	(50,507)
Administrative	(53,279)	(35,894)
Utilities	(31,324)	(33,080)
Operating and maintenance	(97,122)	(57,214)
Insurance and taxes	(26,653)	(18,086)
	<u>(44,881)</u>	<u>10,266</u>
Net cash provided by (used in) operating activities		
Cash flows from capital and related financing activities		
Payment of acquisition of capital assets	(51,020)	-
	<u>(51,020)</u>	<u>-</u>
Net cash used in capital and related financing activities		
Cash flows from noncapital financing activities		
Advances received from (paid to) CADA	94,001	(19,912)
	<u>94,001</u>	<u>(19,912)</u>
Net cash provided by (used in) noncapital financing activities		
Cash flows from investing activities		
Interest receipts	144	138
	<u>144</u>	<u>138</u>
Net cash provided by investing activities		
Net decrease in cash and cash equivalents	(1,756)	(9,508)
Cash and cash equivalents, beginning	329,810	339,318
Cash and cash equivalents, end	<u>\$ 328,054</u>	<u>\$ 329,810</u>

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

**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Reconciliation to the statements of net position		
Restricted cash and cash equivalents		
Tenant security deposits	\$ 12,277	\$ 14,157
Replacement reserve	264,404	264,303
Operating reserve	<u>51,373</u>	<u>51,350</u>
Total cash and cash equivalents	<u>\$ 328,054</u>	<u>\$ 329,810</u>
Reconciliation of operating loss to net cash (used in) provided by operating activities		
Operating loss	\$ (63,834)	\$ (14,951)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	18,413	15,587
Changes in assets and liabilities		
Residential accounts receivable	4,452	3,115
Accounts payable	(701)	4,804
Unearned revenue - prepaid rent	(1,331)	356
Tenant security deposits	<u>(1,880)</u>	<u>1,355</u>
Net cash provided by (used in) operating activities	<u>\$ (44,881)</u>	<u>\$ 10,266</u>

See Notes to Financial Statements.

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

**Notes to Financial Statements  
June 30, 2024 and 2023**

**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 1.19 years and 1.78 years as of June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, the Project's tenant security deposits are invested in the City's investment pool. Detailed

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

**Notes to Financial Statements  
June 30, 2024 and 2023**

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, 2024 and 2023, allowance for doubtful accounts was \$8,343, and \$0, 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 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, 2024, 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, 2024 and 2023 amounted to \$12,277 and \$14,157, respectively.

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

**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 3 - Capital assets**

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

	June 30, 2023	Increases	Decreases	June 30, 2024
Capital assets not being depreciated				
Construction in progress	\$ 62,000	\$ -	\$ (62,000)	\$ -
Capital assets being depreciated				
Buildings and improvements	1,456,872	51,020	62,000	1,569,892
Less accumulated depreciation for Buildings and improvements	(1,305,839)	(18,413)	-	(1,324,252)
Capital assets being depreciated, net	151,033	32,607	62,000	245,640
Capital assets, net	<u>\$ 213,033</u>	<u>\$ 32,607</u>	<u>\$ -</u>	<u>\$ 245,640</u>
	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	<u>\$ 228,620</u>	<u>\$ (15,587)</u>	<u>\$ -</u>	<u>\$ 213,033</u>

**Note 4 - Replacement reserve**

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

	2024	2023
Beginning balance	\$ 264,303	\$ 275,190
Interest earned	121	113
Required deposits	51,000	51,000
Withdraw	(51,020)	(62,000)
Ending balance	<u>\$ 264,404</u>	<u>\$ 264,303</u>

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

**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**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:

	2024	2023
Beginning balance	\$ 51,350	\$ 51,326
Interest earned	23	24
Ending balance	<u>\$ 51,373</u>	<u>\$ 51,350</u>

**Note 6 - Note payable**

On September 27, 2019, the Authority executed the new regulatory agreement with HCD and the Authority entered into a new promissory note in the amount of \$1,025,653 for a term of 12 years. The promissory note is secured by the Project property and bears interest at 3% per annum. Payments are to be made out of surplus cash as defined in the regulatory agreement until maturity in September 30, 2030 at which time all outstanding principal and accrued interest will be due. For the years ended June 30, 2024 and 2023, interest expense was \$30,770 and \$30,770, respectively. Outstanding principal and accrued interest are \$1,025,653 and \$146,156 at June 30, 2024, and \$1,025,653 and \$115,386 at June 30, 2023, 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, 2024 and 2023, HCD monitoring fees expensed were \$14,769 and \$13,325, respectively, and as of June 30, 2024 and 2023, \$59,950 and \$45,181 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:

	2024	2023
Due to HCD, beginning	\$ 45,181	\$ 31,856
Current year monitoring fee	14,769	13,325
Due to HCD, end	<u>\$ 59,950</u>	<u>\$ 45,181</u>

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

**Notes to Financial Statements  
June 30, 2024 and 2023**

**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, 2024 and 2023, \$318,372 and \$224,371, 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 October 7, 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 and Community Development (HCD), including Breakout of "Miscellaneous" Account Details**



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

**Supplementary Information Required by HCD**  
**Years Ended June 30, 2024 and 2023**

**Schedules of Operating Revenue**

<u>Account No.</u>	<u>2024</u>	<u>2023</u>
Rental revenue		
5120 Rent revenue - gross potential	\$ 252,217	\$ 252,396
5100T Total rental revenue	<u>252,217</u>	<u>252,396</u>
Vacancies		
5220 Apartments	<u>(39,655)</u>	<u>(55,107)</u>
5200T Total vacancies	<u>(39,655)</u>	<u>(55,107)</u>
5152N Net rental revenue	<u>212,562</u>	<u>197,289</u>
Financial revenue		
5440 Revenue from investments - replacement reserve	<u>144</u>	<u>138</u>
5400T Total financial revenue	<u>144</u>	<u>138</u>
Other revenue		
5910 Laundry and vending	1,866	2,287
5990 Miscellaneous revenue (if over \$1,500, detail is required)	<u>2,692</u>	<u>645</u>
5900T Total other revenue	<u>4,558</u>	<u>2,932</u>
5000T Total revenues	<u>217,264</u>	<u>200,359</u>

**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, 2024 and 2023**

**Schedules of Operating Expenses**

Account No.	2024	2023
Administrative expenses		
6204 Management consultants	7,000	1,000
6210 Advertising and marketing	2,495	2,384
6250 Other renting expenses	938	-
6310 Office salaries	54,864	50,507
6320 Management fee	27,300	26,510
6340 Legal expense - project	1,478	800
6350 Auditing expense	5,500	5,200
6370 Bad debts	8,568	1,524
6263T Total administrative expenses	108,143	87,925
Utilities expense		
6450 Electricity	3,886	4,086
6451 Water	19,700	19,628
6452 Gas	4,193	6,667
6453 Sewer	3,545	2,699
6400T Total utilities expense	31,324	33,080
Operating and maintenance expenses		
6515 Supplies	1,264	2,464
6520 Contracts	88,082	51,971
6525 Garbage and trash removal	3,545	2,699
6530 Security payroll/contract	3,530	3,360
6500T Total operating and maintenance expenses	96,421	60,494

**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, 2024 and 2023**

**Schedules of Operating Expenses**

Account No.	2024	2023
Taxes and insurance		
6710 Real estate taxes	1,029	1,182
6720 Property and liability insurance	25,624	16,904
6700T Total taxes and insurance	26,653	18,086
6000T Total cost of operations before depreciation	262,541	199,585
5060T Income (loss) before depreciation	(45,277)	774
Depreciation		
6600 Depreciation expense	18,413	15,587
Total depreciation	18,413	15,587
5060N Operating loss	(63,690)	(14,813)
Net entity expenses		
7142 Interest on first mortgage payable	30,770	30,770
7190 Other (income) expenses (see detail)	14,769	13,325
7100T Net entity expenses	45,539	44,095
3250 Change in net position	\$ (109,229)	\$ (58,908)

**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, 2024 and 2023**

**Detail of Accounts - Schedule of Activities**

	2024	2023
Miscellaneous revenue (Account No. 5990)		
Miscellaneous income - other tenant fees	\$ 2,692	\$ 645
	<u>\$ 2,692</u>	<u>\$ 645</u>
Other (income) expenses (Account No. 7190)		
HCD monitoring fee	\$ 14,769	\$ 13,325
	<u>\$ 14,769</u>	<u>\$ 13,325</u>

**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, 2024 and 2023**

**Cash and cash equivalents**

Cash and cash equivalents	
Unrestricted account	
Operating account	\$ -
Restricted accounts	
Tenant security deposits	12,277
Reserve for replacements	264,404
Operating reserve	51,373
Total restricted accounts	328,054
Total cash, cash equivalents and restricted accounts	\$ 328,054

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, 2023	\$ 264,303	\$ 51,350
Required deposits	51,000	-
Drawdown on reserve	(51,020)	-
Interest income	121	23
Balance, June 30, 2024	\$ 264,404	\$ 51,373

**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, 2023	\$ 62,000	\$ 1,456,872	\$ 1,518,872
Additions	-	113,020	113,020
Deletions	(62,000)	-	(62,000)
Balance, June 30, 2024	\$ -	\$ 1,569,892	\$ 1,569,892

**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, 2024**

**Accounts payable**

Accounts payable in the amount of \$5,101 represents amounts due to suppliers. All accounts payable are current.

**Gross potential rents**

Qualified tenant rental income	\$ 519,335
Other tenant rental income	<u>-</u>
Total gross potential rents	519,335
Less	
Vacancy loss	(39,655)
Gain (loss) to lease	(5,084)
Low income subsidy	<u>(262,034)</u>
Rental revenues, net	<u><u>\$ 212,562</u></u>

**Management fee**

A property management fee of \$27,300 was incurred during the fiscal year ended June 30, 2024 for the property management services provided by the Authority.

**Insurance**

Insurance premiums are current as of June 30, 2024. 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, 2024 and 2023**

**Operating cash flow/surplus cash computation**

The operating cash flow/surplus cash generated by the Project during the years ended June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Operation income		
Total income	\$ 217,264	\$ 200,359
Interest earned on restricted reserve accounts	<u>(144)</u>	<u>(138)</u>
Adjusted operation income	<u>217,120</u>	<u>200,221</u>
Operating expenses less depreciation	<u>(262,541)</u>	<u>(199,585)</u>
Adjusted net income (loss)	<u>(45,421)</u>	<u>636</u>
Other activity		
Purchase of capital assets	(51,020)	-
Withdrawal from replacement reserve	51,020	-
Deposits into replacement reserve account	<u>(51,000)</u>	<u>(51,000)</u>
Total other activity	<u>(51,000)</u>	<u>(51,000)</u>
Operating cash flow/surplus cash (deficit)	<u><u>\$ (96,421)</u></u>	<u><u>\$ (50,364)</u></u>

**Accumulated limited distributions**

At inception, there were no allowable accumulated limited distributions unpaid. Also, there were no accumulated limited distributions paid during the fiscal years ended June 30, 2024 and 2023.

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 (*Governmental Auditing Standards*), 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, 2024, 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 October 7, 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  
October 7, 2024

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

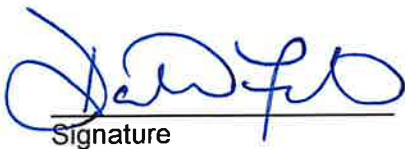
**Summary of Findings and Responses  
Years Ended June 30, 2024 and 2023**

Our audit disclosed no findings that are required to be reported.

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

**Certification of Officers  
Years Ended June 30, 2024 and 2023**

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, 2024 and 2023, and to the best of our knowledge and belief, these financial statements and supplementary information are complete and accurate.

  
Signature

Executive Director  
Title

10/7/24  
Date

  
Signature

Finance Director  
Title

10-7-24  
Date



**Independent Member of Nexia International**

**[cohnreznick.com](http://cohnreznick.com)**

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, 2024 and 2023**

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

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## Independent Auditor's Report

Board of Directors  
Capitol Area Development Authority  
Sacramento, California

### Report on the 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, 2024 and 2023, 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, 2024 and 2023, and the results of its operations 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 Controller 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, 2024 and 2023 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*

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 financial data templates as required by the California Housing Finance Agency ("CalHFA") 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 audits 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 financial data templates as required by CalHFA are 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 October 7, 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.



Sacramento, California  
October 7, 2024

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

**Statements of Net Position  
June 30, 2024 and 2023**

	<u>Assets</u>	
	2024	2023
Current assets		
Cash and cash equivalents	\$ 608,795	\$ 618,922
Accounts receivable, net	2,950	17,482
Prepaid expenses	-	10,892
Restricted cash and cash equivalents		
Insurance impounds	48,055	39,780
Tenant security deposits	21,169	20,434
Total restricted cash and cash equivalents	69,224	60,214
Total current assets	680,969	707,510
Noncurrent assets		
Restricted cash - replacement reserve	151,927	137,659
Capital assets		
Building and Improvements	2,650,161	2,591,546
Less accumulated depreciation	(2,027,291)	(1,943,173)
Total capital assets	622,870	648,373
Total noncurrent assets	774,797	786,032
Total assets	<u>\$ 1,455,766</u>	<u>\$ 1,493,542</u>
	<u>Liabilities</u>	
Current liabilities		
Accounts payable	\$ 2,796	\$ 7,974
Prepaid rent	884	1,572
Tenant security deposits	21,169	20,434
Notes payable, current portion	75,814	72,786
Total current liabilities	100,663	102,766
Noncurrent liabilities		
Notes payable, net of current portion	710,906	786,719
Total liabilities	<u>811,569</u>	<u>889,485</u>
	<u>Net Position</u>	
Net investment in capital assets	\$ (163,850)	\$ (211,132)
Restricted for impounds and replacement reserve	199,982	177,439
Unrestricted	608,065	637,750
Total net position	644,197	604,057
Total liabilities and net position	<u>\$ 1,455,766</u>	<u>\$ 1,493,542</u>

See Notes to Financial Statements.

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

**Statements of Revenue, Expenses and Changes in Net Position**  
**Years Ended June 30, 2024 and 2023**

	2024	2023
Operating revenue		
Gross potential rent - residential	\$ 503,787	\$ 474,917
Less: vacancies	(103,038)	(83,393)
Other income		
Garage and parking income	11,760	11,760
Laundry income	1,406	533
Miscellaneous	3,507	2,507
Total operating revenue	417,422	406,324
Operating expenses		
Administrative	54,339	39,477
Utilities	39,422	38,917
Operating and maintenance	138,710	111,102
Taxes and insurance	40,722	31,124
Depreciation	84,118	73,156
Total operating expenses	357,311	293,776
Operating income	60,111	112,548
Nonoperating revenue (expenses)		
Interest expense	(37,725)	(40,598)
Interest income	17,754	15,631
Total nonoperating revenue (expenses)	(19,971)	(24,967)
Change in net position	40,140	87,581
Net position, beginning	604,057	516,476
Net position, end	\$ 644,197	\$ 604,057

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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Rental receipts	\$ 414,593	\$ 382,994
Other receipts	16,673	14,800
Tenant security deposits received	735	165
Payroll and related costs	(40,398)	(37,948)
Administrative expenses paid	(54,339)	(39,477)
Utilities paid	(39,422)	(46,602)
Operating and maintenance	(92,598)	(58,162)
Insurance and taxes	(40,722)	(31,124)
	<u>164,522</u>	<u>184,646</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities		
Payments for acquisition of capital assets	(58,615)	-
Principal payment on debt	(72,785)	(69,912)
Interest paid on debt	(37,725)	(40,598)
	<u>(169,125)</u>	<u>(110,510)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities		
Interest receipts	17,754	15,631
	<u>17,754</u>	<u>15,631</u>
Net cash provided by investing activities		
Net increase in cash and cash equivalents	13,151	89,767
Cash and cash equivalents, beginning	<u>816,795</u>	<u>727,028</u>
Cash and cash equivalents, end	<u><u>\$ 829,946</u></u>	<u><u>\$ 816,795</u></u>
Reconciliation to the statements of net position		
Cash and cash equivalents	\$ 608,795	\$ 618,922
Restricted cash and cash equivalents		
Insurance impounds	48,055	39,780
Tenant security deposits	21,169	20,434
Reserve for replacements	151,927	137,659
	<u>151,927</u>	<u>137,659</u>
Total cash and cash equivalents	<u><u>\$ 829,946</u></u>	<u><u>\$ 816,795</u></u>

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

**Statements of Cash Flows  
Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 60,111	\$ 112,548
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	84,118	73,156
Changes in assets and liabilities		
Accounts receivable	14,532	(7,781)
Prepaid expense	10,892	177
Accounts payable	(5,178)	7,130
Prepaid rent	(688)	(749)
Tenant security deposits	<u>735</u>	<u>165</u>
Net cash provided by operating activities	<u><u>\$ 164,522</u></u>	<u><u>\$ 184,646</u></u>

See Notes to Financial Statements.

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

**Notes to Financial Statements  
June 30, 2024 and 2023**

**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 1.19 years and 1.78 years as of June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023 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.

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

**Notes to Financial Statements  
June 30, 2024 and 2023**

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, 2024 and 2023, the allowance for doubtful accounts was \$10,901 and \$0, 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 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, 2024, there has been no impairment of the capital assets.

**Rental income**

The Project's rental property is generally leased to tenants under one-year noncancelable operating leases. Rental income is recognized as rents become due. Rental payments received in advance are recorded as unearned revenue.

**Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

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

**Notes to Financial Statements  
June 30, 2024 and 2023**

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

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

	<u>2024</u>	<u>2023</u>
City investment pool	\$ 629,964	\$ 639,356
Deposits with CalHFA	<u>199,982</u>	<u>177,439</u>
Total	<u><u>\$ 829,946</u></u>	<u><u>\$ 816,795</u></u>

**Note 3 - Tenant security deposits**

The Project collects security deposits from tenants at the inception of the tenant lease. These deposits, which are reported in these financial statements as restricted cash and cash equivalents, are refundable to the tenants to the extent there are no unpaid rents or damages to the housing unit. Tenant security deposits held as of June 30, 2024 and 2023 amounted to \$21,169 and \$20,434, respectively.

**Note 4 - Capital assets**

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

	<u>June 30, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2024</u>
Capital assets being depreciated				
Buildings and improvements	\$ 2,591,546	\$ 58,615	\$ -	\$ 2,650,161
Less accumulated depreciation for Buildings and improvements	<u>(1,943,173)</u>	<u>(84,118)</u>	<u>-</u>	<u>(2,027,291)</u>
Capital assets, net	<u><u>\$ 648,373</u></u>	<u><u>\$ (25,503)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 622,870</u></u>
	<u>June 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>
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	<u>(1,870,017)</u>	<u>(73,156)</u>	<u>-</u>	<u>(1,943,173)</u>
Capital assets, net	<u><u>\$ 721,529</u></u>	<u><u>\$ 227,207</u></u>	<u><u>\$ (300,363)</u></u>	<u><u>\$ 648,373</u></u>



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

**Notes to Financial Statements  
June 30, 2024 and 2023**

**Note 5 - Notes payable**

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

	<u>2024</u>	<u>2023</u>
<u>Payable to CalFHA</u>		
Monthly installments of \$7,836, including principal and interest at 5.25% annually to maturity in September 2033 and secured by the Project.	\$ 687,821	\$ 744,125
<u>Payable to Sacramento Housing Financing Agency</u>		
Noninterest-bearing note with annual principal payments of \$16,481 beginning December 2003 and maturing in 2029 and secured by the Project.	98,899	115,380
Total	<u>\$ 786,720</u>	<u>\$ 859,505</u>

Future maturities on the notes payable are as follows:

Years ending June 30	Principal	Interest	Total
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	89,645	20,865	110,510
2030 - 2034	373,977	42,142	416,119
	<u>\$ 786,720</u>	<u>\$ 181,951</u>	<u>\$ 968,671</u>

The following is a summary of the notes payable transactions for the years ended June 30, 2024 and 2023:

Balance June 30, 2023	Additions	Retirements	Balance June 30, 2024	Amounts due within one year
<u>\$ 859,505</u>	<u>\$ -</u>	<u>\$ (72,785)</u>	<u>\$ 786,720</u>	<u>\$ 75,814</u>
Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Amounts due within one year
<u>\$ 929,417</u>	<u>\$ -</u>	<u>\$ (69,912)</u>	<u>\$ 859,505</u>	<u>\$ 72,786</u>

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

**Notes to Financial Statements  
June 30, 2024 and 2023**

**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, 2024 and 2023, the Project realized an excess of revenue over expenses (excluding depreciation) of \$124,258 and \$160,737, respectively. During the years ended June 30, 2024 and 2023, 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 October 7, 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 Housing Finance Agency (CalHFA),  
Including Breakout of "Miscellaneous" Account Details**

**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, 2024 and 2023**

**Schedules of Operating Revenue**

<u>Account No.</u>	<u>2024</u>	<u>2023</u>
Rental revenue		
5120 Rent revenue - gross potential	\$ 503,787	\$ 474,917
5170 Rent revenue - garage and parking	11,760	11,760
	<hr/>	<hr/>
5100T Total rental revenue	515,547	486,677
	<hr/>	<hr/>
Vacancies		
5220 Apartments	103,038	83,393
	<hr/>	<hr/>
5200T Total vacancies	103,038	83,393
	<hr/>	<hr/>
5152N Net rental revenue (rent revenue less vacancies)	412,509	403,284
	<hr/>	<hr/>
Financial revenue		
5490 Revenue from investments - miscellaneous (if over \$1,500, detail is required)	17,754	15,631
	<hr/>	<hr/>
5400T Total financial revenue	17,754	15,631
	<hr/>	<hr/>
Other revenue		
5910 Laundry and vending revenue	1,406	533
5990 Miscellaneous revenue (if over \$1,500, detail is required)	3,507	2,507
	<hr/>	<hr/>
5900T Total other revenue	4,913	3,040
	<hr/>	<hr/>
5000T Total revenue	<u>\$ 435,176</u>	<u>\$ 421,955</u>

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

**Supplementary Information Required by CalHFA  
Years Ended June 30, 2024 and 2023**

**Schedules of Operating Expenses**

Account No.	2024	2023
Administrative expenses		
6204 Management consultants	\$ 1,000	\$ -
6210 Advertising and marketing	2,268	790
6320 Management fee	34,620	33,130
6351 Bookkeeping fees/accounting services	5,500	5,557
6370 Bad debts	10,951	-
	<hr/>	<hr/>
6263T Total administrative expenses	54,339	39,477
	<hr/>	<hr/>
Utilities expense		
6450 Electricity	6,386	4,757
6451 Water	30,828	31,182
6452 Gas	2,208	2,978
	<hr/>	<hr/>
6400T Total utilities expense	39,422	38,917
	<hr/>	<hr/>
Operating and maintenance expenses		
6510 Payroll	40,398	37,948
6515 Supplies	13,095	1,850
6520 Contracts	29,468	38,949
6525 Garbage and trash removal	6,777	7,685
6530 Security payroll/contract	8,065	7,680
6560 Decorating and painting	17,220	720
6590 Miscellaneous operating and maintenance expenses (if over \$1,500, detail is required)	23,687	16,270
	<hr/>	<hr/>
6500T Total operating and maintenance expenses	\$ 138,710	\$ 111,102
	<hr/>	<hr/>



**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, 2024 and 2023**

**Detail of Accounts - Schedule of Activities**

	2024	2023
Revenue from investments - miscellaneous (Account No. 5490)		
Interest income on investment with City	\$ 12,926	\$ 10,774
Interest income received	4,828	4,857
	<u>\$ 17,754</u>	<u>\$ 15,631</u>
Miscellaneous revenue (Account No. 5990)		
Miscellaneous income - other tenant fees	\$ 3,507	\$ 2,507
	<u>\$ 3,507</u>	<u>\$ 2,507</u>
Miscellaneous operating and maintenance expenses (Account No. 6590)		
Flooring	\$ 23,687	\$ 16,270
	<u>\$ 23,687</u>	<u>\$ 16,270</u>

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

**Supplementary Information Required by CalHFA  
Years Ended June 30, 2024 and 2023**

**Cash and cash equivalents**

Cash and cash equivalents	
Unrestricted account	
Operating account	\$ 608,795
Restricted accounts	
Insurance and tax impounds	48,055
Tenant security deposits	21,169
Reserve for replacements	151,927
Total restricted accounts	221,151
Total cash and cash equivalents	\$ 829,946

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, 2024 was as follows:

Balance, June 30, 2023	\$ 137,659
Deposits:	
Twelve months at \$882	10,584
Interest income	3,684
Approved withdrawals	-
Balance, June 30, 2024	\$ 151,927

**Impound accounts**

	Hazard insurance	Earthquake insurance	Total
Balance, June 30, 2023	\$ 34,092	\$ 5,688	\$ 39,780
Deposits	6,909	9,018	15,927
Interest earned	991	154	1,145
CalHFA adjustment	(1,277)	2,054	777
Payments applied	-	(9,574)	(9,574)
Balance, June 30, 2024	\$ 40,715	\$ 7,340	\$ 48,055



**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, 2024 and 2023**

**Capital assets**

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

<u>Capital assets</u>	<u>Building and improvements</u>
Balance, June 30, 2023	\$ 2,591,546
Additions	<u>58,615</u>
Balance, June 30, 2024	<u><u>\$ 2,650,161</u></u>

**Accounts payable**

Accounts payable in the amount of \$2,796 represents amounts due to suppliers. All accounts payable are current.

**Gross potential rents**

Qualified tenant rental income	\$ 680,784
Other tenant rental income	<u>-</u>
Total gross potential rents	680,784
Less	
Vacancy loss	(103,038)
Loss to lease	(77,887)
Low-income subsidy	<u>(99,110)</u>
Rental revenues, net	<u><u>\$ 400,749</u></u>

**Management fee**

A property management fee of \$34,620 was incurred during the fiscal year ended June 30, 2024 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, 2024 and 2023**

**Operating cash flow/Surplus cash computation**

The operating cash flow/surplus cash generated by the Project during the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Operation income		
Total income	\$ 435,176	\$ 421,955
Interest earned on restricted reserve accounts	(4,828)	(4,857)
Adjusted operation income	430,348	417,098
Operating expenses less depreciation	(273,193)	(220,620)
Adjusted net income	157,155	196,478
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	\$ 36,061	\$ 75,384

**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, 2024 and 2023.

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 (*Governmental Auditing Standards*), 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, 2024, 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 October 7, 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 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.



Sacramento, California  
October 7, 2024

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

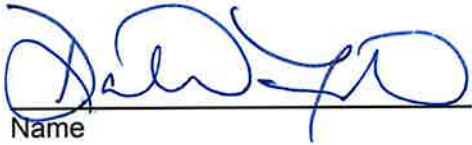
**Summary of Findings and Responses  
Years Ended June 30, 2024 and 2023**

Our audit disclosed no findings that are required to be reported.

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

**Certification of Officers  
Years Ended June 30, 2024 and 2023**

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, 2024 and 2023, and, to the best of our knowledge and belief, these financial statements and data are complete and accurate.

  
Name

Executive Director  
Title

10/7/24  
Date

  
Name

Finance Director  
Title

10-7-24  
Date



**Independent Member of Nexia International**

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Capitol Area Development Authority (CADA)  
Summary Statement of Revenues and Expenditures  
From 7/1/2023 Through 6/30/2024

Attachment 2

	Annual Budget	YTD Actual	YTD Variance
<b>FUNDING SOURCES</b>			
Rental Income			
Parking	312,700	343,550	30,850
Ground Lease Revenue	156,000	143,942	(12,058)
Residential Rental Revenue	11,730,500	12,280,733	550,233
Commercial Rental Revenue	515,000	634,209	119,209
Rental Vacancy Loss	(1,135,000)	(1,614,968)	(479,968)
Low Income Subsidy	(789,500)	(840,916)	(51,416)
Loss to Lease	(1,606,800)	(1,484,454)	122,346
Other	38,900	37,370	(1,530)
Total Rental Income	9,221,800	9,499,465	277,665
Tax Increment Revenue			
Tax Increment Revenue	7,670,000	8,131,930	461,930
Total Tax Increment Revenue	7,670,000	8,131,930	461,930
Financial Income			
General Operations Investment Funding			
Interest Income on Investments with City	322,000	541,686	219,686
Other	348,000	824,607	476,607
Total General Operations Investment Funding	670,000	1,366,293	696,293
Total Financial Income	670,000	1,366,293	696,293
Development Project Revenue			
D&A Grant Proceeds	100,000	100,000	-
Total Development Project Revenue	100,000	100,000	-
Drawdowns from Reserves			
Equipment Replace Reserve Drawdown	156,500	166,884	10,384
Acquisition Reserve drawdown	125,648	125,648	-
Total Drawdowns from Reserves	282,148	292,532	10,384
Miscellaneous Funding Sources			
Gain/Loss-Sale of Hard Assets	1,242,591	1,242,591	-
Other	33,100	282,731	249,631
Total Miscellaneous Funding Sources	1,275,691	1,525,322	249,631
Total FUNDING SOURCES	19,219,639	20,915,542	1,695,903
<b>OPERATING EXPENSES</b>			
Employee Services & Benefits			
Special Management Salaries	184,886	180,432	4,454
Cafeteria Plan	522,000	508,288	13,712
Workers Compensation	86,500	57,934	28,566
PERS Retirement	773,000	1,174,772	(401,772)
Post Retirement Health Benefit Contributions	210,000	3,370	206,630
Retiree Health Benefits	215,000	210,547	4,453
Other	3,143,960	2,813,045	330,915
Total Employee Services & Benefits	5,135,346	4,948,388	186,958
Outside Services			
Legal Services	184,919	297,684	(112,765)
Insurance	713,000	649,599	63,401
Other	1,239,160	1,144,816	94,344
Total Outside Services	2,137,079	2,092,099	44,980
Maintenance & Repair			
Service Contracts	444,650	435,970	8,680
Flooring	361,000	261,616	99,384
Landscaping	265,825	275,087	(9,262)
Other	1,450,035	1,428,311	21,724
Total Maintenance & Repair	2,521,510	2,400,985	120,525
Utilities			



Capitol Area Development Authority (CADA)  
Summary Statement of Revenues and Expenditures  
From 7/1/2023 Through 6/30/2024

Attachment 2

Utilities-Garbage	153,500	171,052	(17,552)
Utilities-SMUD/Electricity	152,000	176,522	(24,522)
Utilities-PG&E/Gas	418,800	292,469	126,331
Utilities-Water/Sewer	588,000	595,633	(7,633)
Other	<u>83,000</u>	<u>67,602</u>	<u>15,398</u>
Total Utilities	1,395,300	1,303,279	92,021
Overhead			
	<u>703,121</u>	<u>579,339</u>	<u>123,782</u>
Total Overhead	703,121	579,339	123,782
Building/Land Acquisition			
Building/Land Acquisition	<u>3,418,691</u>	<u>3,418,662</u>	<u>29</u>
Total Building/Land Acquisition	3,418,691	3,418,662	29
Debt Service			
Notes Payable Debt Service	582,562	615,834	(33,272)
Bond Debt Service	2,585,950	2,586,337	(387)
Total Debt Service	<u>3,168,512</u>	<u>3,202,171</u>	<u>(33,659)</u>
Contributions to Reserves			
	<u>1,438,981</u>	<u>1,968,613</u>	<u>(529,632)</u>
Total Contributions to Reserves	1,438,981	1,968,613	(529,632)
Total OPERATING EXPENSES	<u>19,918,540</u>	<u>19,913,537</u>	<u>5,003</u>
CAPITAL INVESTMENT PROGRAM			
Major Construction			
	<u>2,347,487</u>	<u>1,736,081</u>	<u>611,406</u>
Total Major Construction	2,347,487	1,736,081	611,406
Development			
	<u>323,502</u>	<u>404,451</u>	<u>(80,949)</u>
Total Development	323,502	404,451	(80,949)
Total CAPITAL INVESTMENT PROGRAM	<u>2,670,989</u>	<u>2,140,532</u>	<u>530,457</u>
CASH FLOW, Before Resources Utilization	(3,369,890)	(1,138,527)	2,231,363
UTILIZATION OF FINANCIAL RESOURCES			
Utilization of Available Fund Balance	2,406,452	2,406,452	-
Utilization-Released CIP Budget	964,367	957,283	(7,084)
Contribution to Available Fund Balance	<u>(929)</u>	<u>-</u>	<u>929</u>
Total UTILIZATION OF FINANCIAL RESOURCES	3,369,890	3,363,735	(6,155)
NET CASH FLOW	-	2,225,208	2,225,208
Audit Reconciliations			
Change in Encumbrances		(2,172,983)	
Audit Reconciliations			
Reduction in Outstanding Debt Service			
Reductions in Outstanding Debt Service			
Debt Service-Liability Reduction		219,898	
Interest Expense-Accrual Adjustment		(65,334)	
Bond Debt Svc-Liability Reduction		1,339,964	
Bond Interest-Accrual Adjustment		<u>6,485</u>	
Total Reduction in Outstanding Debt Service		1,501,013	
Change in Leases & Subscriptions			
Right of Use - Lease Asset		(80,813)	
Accumulated Amortization - Right of Use Lease		70,204	
Lease Liability, Current		2,789	
Lease Liability, Long Term		14,666	

Capitol Area Development Authority (CADA)  
Summary Statement of Revenues and Expenditures  
From 7/1/2023 Through 6/30/2024

Attachment 2

B/S Adj - Lease Revenue	(10,408)
B/S Adj - Leases Rent Exp	78,830
Amortization Lease Expense	(70,204)
Amortization Subscription Expense	<u>(11,847)</u>
Total Change in Leases & Subscriptions	(6,783)
Change in Net Pension Liability	
Net Pension Liability	424,224
Net OPEB Liability	<u>299,236</u>
Total Change in Net Pension Liability	723,460
Change in Deferred Inflows of Resources	
Deferred Inflows related to Pension	(29,939)
Deferred Inflow related to OPEB	(356,496)
Deferred Inflow related to Leases	<u>881,330</u>
Total Change in Deferred Inflows of Resources	494,895
Impact of Changes in Notes Receivable	
B/S Adj - Developer Loan Funding	100,000
Allowance for Uncollectibles	<u>(91,465)</u>
Total Impact of Changes in Notes Receivable	8,535
Impact of Net Changes in Fixed Assets	
Capitalized Acquisitions	
Software - Capitalized or Prepaid	(13,875)
Computer Hdwe - Capitalized	30,084
Admin Furn Mach & Eq-Cap'd	6,718
Acquisitions Capitalized	3,418,662
D&A - Site Impr Capitalized	21,663
Capitalized Expenses - Various	258,442
Maint Furn, Mach & Eq-Cap'd	(701)
Capitalized Major Construction	<u>1,663,873</u>
Total Capitalized Acquisitions	5,384,867
Depreciation Expense	<u>(1,089,241)</u>
Total Impact of Net Changes in Fixed Assets	4,295,626
Reduction of deferred Outflows of Resources	
Deferred Outflows Related to Pension	93,059
Deferred Outflow Related to OPEB	<u>(102,452)</u>
Total Reduction of deferred Outflows of Resources	(9,393)
Impact of Changes in Other Balance Sheet Sections	
Net Increase (Decline) in Reserves	
Reserve Drawdowns-Equity Adjustment	(292,532)
Reserve Contributions-Equity Adjustment	<u>1,968,613</u>
Total Net Increase (Decline) in Reserves	1,676,081
Net Contribution to (Utilization of) Fund Balance	
BS Adj - Fund Bal Util or Contrib	<u>(2,406,452)</u>
Total Net Contribution to (Utilization of) Fund Balance	<u>(2,406,452)</u>
Total Impact of Changes in Other Balance Sheet Sections	<u>(730,371)</u>
Total Audit Reconciliations	<u>4,103,999</u>
AUDITED, CHANGE IN NET ASSETS	<u>6,329,207</u>

**GENERAL OPERATIONS - General Operations - Consolidated - Unposted Transactions Included In Report**

From 7/1/2023 Through 6/30/2024

(In Whole Numbers)

	Budget-Annual	YTD Budget	YTD Year Actual	YTD Variance
FUNDING SOURCES of General Operations				
Rental Income				
Parking	312,700	312,700	343,550	30,850
Ground Lease Revenue	156,000	156,000	143,942	(12,058)
Residential Rental Revenue	11,730,500	11,730,500	12,280,733	550,233
Commercial Rental Revenue	515,000	515,000	634,209	119,209
Rental Vacancy Loss	(1,135,000)	(1,135,000)	(1,614,968)	(479,968)
Low Income Subsidy	(789,500)	(789,500)	(840,916)	(51,416)
Loss to Lease	(1,606,800)	(1,606,800)	(1,484,454)	122,346
Total Rental Income	9,182,900	9,182,900	9,462,095	279,195
Other Residential Income				
Coin Op Laundry Revenue	36,300	36,300	36,280	(20)
Forfeited Security Deposits	2,100	2,100	1,090	(1,010)
Bad Debt Recovery	500	500	0	(500)
Misc Current Svcs - Mgmt Fees	115,460	115,460	150,260	34,800
Misc Current Svcs - Salaries	157,490	157,490	234,491	77,001
Misc Current Svcs - Mait	0	0	2,884	2,884
Total Other Residential Income	311,850	311,850	425,005	113,155
Tax Increment Revenue				
Tax Increment Revenue	7,670,000	7,670,000	8,131,930	461,930
Total Tax Increment Revenue	7,670,000	7,670,000	8,131,930	461,930
Interest and Other Investment Income				
Interest Income on Investments with City	322,000	322,000	541,686	219,686
Interest Income Received	0	0	6,022	6,022
Interest Income-Reserve Allocation	(2,000)	(2,000)	0	2,000
Interest Income - Pool A Tax Exempt	0	0	1,049	1,049
Interest Income - Pool A Taxable Bond	350,000	350,000	761,698	411,698
Lease Interest Revenue	0	0	55,838	55,838
Total Interest and Other Investment Income	670,000	670,000	1,366,293	696,293
Miscellaneous Revenue				
Gain/Loss-Sale of Hard Assets	1,242,591	1,242,591	1,242,591	(0)
Miscellaneous Income	33,100	33,100	60,444	27,344
Insurance Settlements	0	0	222,287	222,287
D&A Grant Proceeds	100,000	100,000	100,000	0
Allowance for Uncollectibles	0	0	(91,465)	(91,465)
Total Miscellaneous Revenue	1,375,691	1,375,691	1,533,857	158,166
Drawdowns from Reserves				
Acquisition Reserve drawdown	125,648	125,648	125,648	0
Total Drawdowns from Reserves	125,648	125,648	125,648	0
Total FUNDING SOURCES of General Operations	19,336,089	19,336,089	21,044,827	1,708,738

## General Operations EXPENSE

Employee Services &amp; Benefits

**Capitol Area Development Authority (CADA)**  
**GENERAL OPERATIONS - General Operations - Consolidated - Unposted Transactions Included In Report**

From 7/1/2023 Through 6/30/2024

(In Whole Numbers)

	Budget-Annual	YTD Budget	YTD Year Actual	YTD Variance
Special Management Salaries	(184,886)	(184,886)	(180,432)	4,454
Salaries	(3,157,000)	(3,157,000)	(3,075,504)	81,496
Employee Recognition	(37,000)	(37,000)	(32,256)	4,744
Social Security/Medicare	(46,900)	(46,900)	(48,051)	(1,151)
Cafeteria Plan	(522,000)	(522,000)	(508,288)	13,712
Long Term Disability	(34,000)	(34,000)	(30,647)	3,353
State Unemployment	(11,000)	(11,000)	(8,623)	2,377
Workers Compensation	(86,500)	(86,500)	(57,934)	28,566
Life & AD&D Insurance	(13,200)	(13,200)	(13,670)	(470)
PERS Retirement	(773,000)	(773,000)	(1,174,772)	(401,772)
Post Retirement Health Benefit Contributions	(210,000)	(210,000)	(3,370)	206,630
Retiree Health Benefits	(215,000)	(215,000)	(210,547)	4,453
OPEB Expense	0	0	159,712	159,712
Employee Assist Program (EAP)	(2,350)	(2,350)	(1,381)	969
Total Employee Services & Benefits	(5,292,836)	(5,292,836)	(5,185,763)	107,073
Outside Services				
Prop Mgmt Marketing - Sp Mgmt Credit	3,928	3,928	3,928	0
Marketing & Media	(25,000)	(25,000)	(36,632)	(11,632)
Property Management Marketing	(16,928)	(16,928)	(3,961)	12,967
Printing and Binding	(2,000)	(2,000)	(584)	1,416
Employment Recruitment & Notices	(5,000)	(5,000)	(4,815)	185
Legal Services	(184,919)	(184,919)	(297,684)	(112,765)
Accounting and Auditing	(55,450)	(55,450)	(64,425)	(8,975)
Community Activities	(80,000)	(80,000)	(57,701)	22,299
Community Art Projects	(36,000)	(36,000)	0	36,000
Document Storage & Destruction	(2,000)	(2,000)	(1,215)	785
Network Administration Services	(98,000)	(98,000)	(86,996)	11,004
Payroll Services	(15,000)	(15,000)	(15,244)	(244)
Banking & Investment Fees	(13,110)	(13,110)	(14,719)	(1,609)
Admin Other Professional Services	(87,500)	(87,500)	(20,050)	67,450
Prop Mgmt Other Professional Services	(131,000)	(131,000)	(184,086)	(53,086)
Asset Mgmt Other Professional Services	(114,600)	(114,600)	(75,605)	38,996
Courtesy Patrol	(142,424)	(142,424)	(171,749)	(29,325)
Courtesy Patrol-Sp Mgmt Credit	17,424	17,424	21,424	4,000
Insurance - Special Management Insurance	(141,500)	(141,500)	(152,439)	(10,939)
Self-Insured Losses	(75,000)	(75,000)	(1,446)	73,554
Project Banking & Other Fees	(21,000)	(21,000)	(14,309)	6,692
Admin Temporary Outside Svcs	(20,000)	(20,000)	(114,138)	(94,138)
Temporary Outside Services	(140,000)	(140,000)	(114,495)	25,505
Eng/Arch-Miscellaneous	(39,000)	(39,000)	(30,561)	8,439
Legal - Dev Project Related	(30,000)	(30,000)	(19,735)	10,265
D&A Other Professional Services	(14,000)	(14,000)	0	14,000
D&A Miscellaneous Expense	0	0	84	84

**Capitol Area Development Authority (CADA)**

**GENERAL OPERATIONS - General Operations - Consolidated - Unposted Transactions Included In Report**

From 7/1/2023 Through 6/30/2024

(In Whole Numbers)

	Budget-Annual	YTD Budget	YTD Year Actual	YTD Variance
D&A Developer Loan Funding	(350,000)	(350,000)	(100,000)	250,000
Total Outside Services	(2,531,079)	(2,531,079)	(2,206,750)	324,329
Maintenance & Repair				
Emerg Relocation-Ops Related	(20,000)	(20,000)	(32,724)	(12,724)
Operation Location Improvements	(5,000)	(5,000)	(370)	4,630
Admin Office - General Maintenance	(34,200)	(34,200)	(37,765)	(3,565)
Maint Office Janitorial	(11,000)	(11,000)	(12,077)	(1,077)
Maint Office - General Maintenance	(10,000)	(10,000)	(13,737)	(3,737)
Equipment Rental Expense	(5,000)	(5,000)	(3,512)	1,488
Construction Mitigation Expense	(8,000)	(8,000)	0	8,000
Repair & Maint - Misc	(217,000)	(217,000)	(220,815)	(3,815)
Landscape-Sp Mgmt Credit	20,415	20,415	20,415	0
Travel-Fuel on CADA Vehicles	(19,000)	(19,000)	(20,392)	(1,392)
Travel-Maint Staff Reimburse	(14,000)	(14,000)	(9,221)	4,779
Travel-RSR Reimbursement	(2,000)	(2,000)	(451)	1,549
Elevator/Bldg Phone & Monitor Service	(6,000)	(6,000)	(6,824)	(824)
Service Contracts	(444,650)	(444,650)	(435,970)	8,680
State Fire Marshal	(50,000)	(50,000)	(12,780)	37,220
Flooring	(361,000)	(361,000)	(261,616)	99,384
Plumbing	(18,800)	(18,800)	(16,519)	2,281
Countertops/Cabinets	(167,500)	(167,500)	(126,278)	41,222
Landscaping	(265,825)	(265,825)	(275,087)	(9,262)
Pest Services	(45,700)	(45,700)	(33,821)	11,879
Permits and Fees	(4,500)	(4,500)	(2,864)	1,636
Painting & Decorating	(255,200)	(255,200)	(259,436)	(4,236)
Supplies	(21,050)	(21,050)	(21,328)	(278)
Vehicle Repair and Maint	(10,000)	(10,000)	(9,444)	556
Prop Mgmt Furn & Appliances	(116,500)	(116,500)	(164,744)	(48,244)
Building Supplies - Misc	(351,500)	(351,500)	(389,329)	(37,829)
Clothing and Uniforms	(5,500)	(5,500)	(9,015)	(3,515)
Maintenance Mach & Equip	(58,000)	(58,000)	(24,707)	33,293
Operating Budget Major Repairs	(15,000)	(15,000)	(19,920)	(4,920)
Total Maintenance & Repair	(2,521,510)	(2,521,510)	(2,400,332)	121,178
Utilities				
Admin Office Utilities	(28,000)	(28,000)	(23,469)	4,531
Maint Office Utilities	(55,000)	(55,000)	(44,134)	10,866
Utilities-Garbage	(153,500)	(153,500)	(171,052)	(17,552)
Utilities-SMUD/Electricity	(152,000)	(152,000)	(176,522)	(24,522)
Utilities-PG&E/Gas	(418,800)	(418,800)	(292,469)	126,331
Utilities-Water/Sewer	(588,000)	(588,000)	(595,633)	(7,633)
Total Utilities	(1,395,300)	(1,395,300)	(1,303,279)	92,021
Overhead				
Postage and Deliveries	(5,000)	(5,000)	(1,156)	3,844
Telephone and Wireless Svcs	(25,000)	(25,000)	(17,137)	7,863
Cellular Phone Service	(45,000)	(45,000)	(44,691)	309
Internet Services	(56,000)	(56,000)	(16,719)	39,281

**Capitol Area Development Authority (CADA)**  
**GENERAL OPERATIONS - General Operations - Consolidated - Unposted Transactions Included In Report**

From 7/1/2023 Through 6/30/2024

(In Whole Numbers)

	Budget-Annual	YTD Budget	YTD Year Actual	YTD Variance
Admin Bldg Rent	(107,000)	(107,000)	(131,790)	(24,790)
Leased Facilities Rent	(24,000)	(24,000)	(30,000)	(6,000)
Equipment Rental Expense	(2,500)	(2,500)	(1,309)	1,191
Parking Program	(1,500)	(1,500)	(78)	1,422
JPA Board Expenses	(37,000)	(37,000)	(29,911)	7,089
Professional Organizations	(15,000)	(15,000)	(13,415)	1,585
Subscriptions	(2,000)	(2,000)	(1,211)	789
Education and Training	(24,000)	(24,000)	(13,021)	10,979
Management Fee	(115,460)	(115,460)	(124,064)	(8,604)
Transportation-Admin Staff	(2,500)	(2,500)	(3,827)	(1,327)
Resident Relations	(10,021)	(10,021)	(6,525)	3,496
Sp Mgmt Prop Taxes, Taxes & Assessments	(13,000)	(13,000)	(4,747)	8,253
Property Taxes & Assessments	(122,100)	(122,100)	(120,095)	2,005
Hospitality	(1,500)	(1,500)	0	1,500
Office Supplies - General	(15,000)	(15,000)	(14,244)	756
Software	(81,500)	(81,500)	(79,939)	1,561
Computer Hardware	(50,000)	(50,000)	(35,410)	14,590
Admin Furn Mach & Equip	(16,000)	(16,000)	(10,034)	5,966
Safety - General Admin	(20,500)	(20,500)	(5,125)	15,375
Office Equipment leases	(27,000)	(27,000)	(25,150)	1,850
Total Overhead	(818,581)	(818,581)	(729,599)	88,982
Building/Land Acquisition				
Building/Land Acquisition	(3,418,691)	(3,418,691)	(3,418,662)	29
Total Building/Land Acquisition	(3,418,691)	(3,418,691)	(3,418,662)	29
Debt Service				
Debt Service Principal Paid	(220,100)	(220,100)	(219,898)	202
Debt Interest Paid	(62,462)	(62,462)	(62,284)	178
Bond Debt Svc-Principal Pd	(1,340,090)	(1,340,090)	(1,339,997)	93
Bond Interest Paid	(1,245,860)	(1,245,860)	(1,246,340)	(480)
Tax Increment Pledge	(300,000)	(300,000)	(300,000)	0
HCD Monitoring Fee	0	0	(18,180)	(18,180)
Lease Interest Expense	0	0	(15,472)	(15,472)
Total Debt Service	(3,168,512)	(3,168,512)	(3,202,171)	(33,659)
Contributions to Reserves				
Development Reserve Contribution	(997,798)	(997,798)	(1,504,059)	(506,262)
Affordable Housing Reserve Contribution	(336,300)	(336,300)	(359,671)	(23,371)
Equipment Replace Reserve Contribution	(104,883)	(104,883)	(104,883)	0
Total Contributions to Reserves	(1,438,981)	(1,438,981)	(1,968,613)	(529,632)
Total General Operations EXPENSE	(20,585,490)	(20,585,490)	(20,415,169)	170,321
Inter-Fund Operation TRANSFERS				
Inter-Fund Operating TRANSFERS IN				
Operations Transfer from F 50-CAP Tax Incr	3,619,650	3,619,650	1,848,080	(1,771,570)

**Capitol Area Development Authority (CADA)**  
**GENERAL OPERATIONS - General Operations - Consolidated - Unposted Transactions Included In Report**  
From 7/1/2023 Through 6/30/2024  
(In Whole Numbers)

	Budget-Annual	YTD Budget	YTD Year Actual	YTD Variance
Operations Transfer from F 51-CAP Set-Aside	532,730	532,730	532,730	0
Operations Transfer from F60-RSt TI	380,000	380,000	380,000	0
Operations Transfer from F61 - R St Set-Aside	100,000	100,000	100,000	0
Operations Transfer from F67 - Bond Interest	872,242	872,242	872,242	0
Total Inter-Fund Operating TRANSFERS IN	5,504,622	5,504,622	3,733,052	(1,771,570)
Inter-Fund Operating TRANSFERS OUT				
Operations Transfer to F10-General	(5,254,622)	(5,254,622)	(3,483,052)	1,771,570
Operations Transfer Out - Other	(150,000)	(150,000)	(150,000)	0
Total Inter-Fund Operating TRANSFERS OUT	(5,404,622)	(5,404,622)	(3,633,052)	1,771,570
Total Inter-Fund Operation TRANSFERS	100,000	100,000	100,000	0
OPERATING RESULTS, before Capital Investment Program	(1,149,401)	(1,149,401)	729,658	1,879,059
CAPITAL INVESTMENT PROGRAM				
Investment in MAJOR CONSTRUCTION Program				
CIP Transfer to F10-General	(1,215,620)	(1,215,620)	(1,215,620)	0
CIP Transfer to F38 - 17th St. Commons	(11,000)	(11,000)	0	11,000
Total Investment in MAJOR CONSTRUCTION Program	(1,226,620)	(1,226,620)	(1,215,620)	11,000
Investment in DEVELOPMENT Program				
Dev Program TF to F 10 - General	(29,502)	(29,502)	(29,502)	0
Total Investment in DEVELOPMENT Program	(29,502)	(29,502)	(29,502)	0
Total CAPITAL INVESTMENT PROGRAM	(1,256,122)	(1,256,122)	(1,245,122)	11,000
UTILIZATION OF FINANCIAL RESOURCES				
Utilization of Available Fund Balance	2,406,452	2,406,452	2,406,452	0
Contribution to Available Fund Balance	(929)	(929)	0	929
Total UTILIZATION OF FINANCIAL RESOURCES	2,405,523	2,405,523	2,406,452	929
NET RESULTS OF GENERAL OPERATIONS	0	0	1,890,988	1,890,988

**RESOLUTION NO. 25 – 02**

Adopted by the Capitol Area Development Authority

January 17, 2025

**RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF  
INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2023-2024**

**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 2023-2024 audited by CohnReznick are hereby accepted and authorized for release.

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Emily Baime Michaels, Vice Chair

ATTEST:

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Tara Gandara  
Secretary to the Board of Directors



**RESOLUTION NO. 25 – 03**

Adopted by the Capitol Area Development Authority

January 17, 2025

**RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF  
INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2023-2024  
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 2023-2024 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 2023-2024 for Somerset Parkside Apartments audited CohnReznick is hereby accepted and authorized for release.

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Emily Baime Michaels, Vice Chair

ATTEST:

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Tara Gandara  
Secretary to the Board of Directors

**RESOLUTION NO. 25 – 04**

Adopted by the Capitol Area Development Authority

January 17, 2025

**RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF  
INDEPENDENT AUDITOR'S REPORTS – FISCAL YEAR 2023-2024  
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 2023-2024 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 2023-2024 for Biele Place Apartments audited by CohnReznick is hereby accepted and authorized for release.

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Emily Baime Michaels, Vice Chair

ATTEST:

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Tara Gandara  
Secretary to the Board of Directors

**RESOLUTION NO. 25 – 05**

Adopted by the Capitol Area Development Authority

January 17, 2025

**RESOLUTION ACCEPTING AND AUTHORIZING RELEASE OF  
INDEPENDENT AUDITOR’S REPORTS – FISCAL YEAR 2023-2024  
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 2023-2024 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 2023-2024 for Seventeenth Street Commons (Contract Number 99-024-N) audited by CohnReznick is hereby accepted and authorized for release.

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Emily Baime Michaels, Vice Chair

ATTEST:

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Tara Gandara  
Secretary to the Board of Directors