

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

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

**June 30, 2022 and 2021**

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

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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, 2022 and 2021, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Seventeenth Street Commons as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinion*

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

*Emphasis of Matter*

As described in Note 1, the financial statements referred to above present only the financial position, changes in financial position and cash flows of the Project and do not purport to, and do not, present fairly, the financial position of the Authority as of June 30, 2022 and 2021 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Responsibilities of Management for the Financial Statements*

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

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for a reasonable period of time.

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

#### *Required Supplementary Information*

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

*Supplementary Information*

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, on our consideration of the Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Project's internal control over financial reporting and compliance.

*CohnReznick LLP*

Sacramento, California  
December 8, 2022

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

**Statements of Net Position  
June 30, 2022 and 2021**

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 550,901	\$ 710,388
Accounts receivable	9,701	17,581
Prepaid expenses	11,069	-
Restricted cash and cash equivalents		
Insurance impounds	32,555	24,600
Tenant security deposits	20,269	19,354
Total restricted cash and cash equivalents	<u>52,824</u>	<u>43,954</u>
Total current assets	<u>624,495</u>	<u>771,923</u>
Noncurrent assets		
Restricted cash - replacement reserve	123,303	112,185
Capital assets		
Construction in progress	300,363	254,004
Building and Improvements	2,291,183	2,291,183
Less accumulated depreciation	<u>(1,870,017)</u>	<u>(1,807,844)</u>
Total capital assets	<u>721,529</u>	<u>737,343</u>
Total noncurrent assets	<u>844,832</u>	<u>849,528</u>
Total assets	<u><u>\$ 1,469,327</u></u>	<u><u>\$ 1,621,451</u></u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 844	\$ 129,867
Prepaid rent	2,321	2,091
Tenant security deposits	20,269	19,354
Notes payable, current portion	<u>69,912</u>	<u>67,185</u>
Total current liabilities	<u>93,346</u>	<u>218,497</u>
Noncurrent liabilities		
Notes payable, net of current portion	<u>859,505</u>	<u>929,417</u>
Total liabilities	<u><u>\$ 952,851</u></u>	<u><u>\$ 1,147,914</u></u>
<u>Net Position</u>		
Net investment in capital assets	\$ (207,888)	\$ (259,259)
Restricted for impounds and replacement reserve	155,858	136,785
Unrestricted	<u>568,506</u>	<u>596,011</u>
Total net position	<u><u>\$ 516,476</u></u>	<u><u>\$ 473,537</u></u>

See Notes to Financial Statements.

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

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

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

**Seventeenth Street Commons  
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**Statements of Revenue, Expenses and Changes in Net Position  
Years Ended June 30, 2022 and 2021**

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

See Notes to Financial Statements.

**Seventeenth Street Commons  
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**Statements of Cash Flows  
Years Ended June 30, 2022 and 2021**

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

**Seventeenth Street Commons  
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**Statements of Cash Flows  
Years Ended June 30, 2022 and 2021**

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

See Notes to Financial Statements.

**Seventeenth Street Commons  
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**Notes to Financial Statements  
June 30, 2022 and 2021**

**Note 1 - Organization and summary of significant accounting policies**

**General**

Seventeenth Street Commons (the "Project") is a 28-unit apartment complex located in downtown Sacramento, California. The Project provides at least 20% of the apartments to eligible low-income families under the California Housing Finance Agency ("CalHFA") 80/20 program. Mortgage financing was provided by CalHFA.

In accordance with a regulatory agreement dated December 30, 1982, the Capitol Area Development Authority ("Authority") manages the Project. The Authority is a joint powers agency with a Board of Directors comprised of appointees of the City of Sacramento ("City") and the State of California. The accompanying financial statements are not intended to present fairly the financial position or changes in financial position and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America ("GAAP").

**Basis of presentation**

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

**Cash, cash equivalents and restricted cash and cash equivalents**

The Project participates in the City's external investment pool. The City Treasurer pools cash and other City funds and invests to maximize income consistent with safe and prudent investment practices within the guidelines of the City's investment policy. The City, as a charter city, has adopted its own investment guidelines to guide investment of City funds by the Treasurer. These guidelines are consistent with the requirements of California Government Code Section 53601. The City Council provides regulatory oversight of the City's investment pool and reviews its investment policy on a quarterly basis. The estimated fair value of investments in the pool is based upon the quoted market price. However, the value of the pool shares in the City's investment pool that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Project's position in the pool. The City's investment pool is unrated and the weighted average maturity is .97 years and 3.14 years as of June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021 the Project's unrestricted cash and cash equivalents and tenant security deposits, are invested in the City's investment pool. Detailed disclosures, including investment policies and associated risk policies, regarding the Project's cash and investments are included in the notes to the Authority's basic financial statements.

**Seventeenth Street Commons  
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**Notes to Financial Statements  
June 30, 2022 and 2021**

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 mortgagee in the Project's name.

The Project also maintains an operating account and tenant security deposits which are held in the City's external investment pool and a financial institution. For purposes of the statements of cash flows, the Project considers cash and cash equivalents to include all pooled cash and investments, including restricted account balances, as these pooled balances have the general characteristic of a demand deposit account.

**Accounts receivable**

Accounts receivable are due from tenants and reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2022 and 2021, there is no allowance for doubtful accounts.

**Capital assets**

Capital assets, which are defined by the Authority as assets with an initial, individual cost of more than \$3,000 and an estimated useful life beyond one year, are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over an estimated useful life of 5 to 30 years. Maintenance and repair costs are expensed as incurred. The Project does not own land, only the building on the land therefore only construction in progress is included in nondepreciable capital assets. The Project's building is pledged as security for notes payable.

**Impairment of capital assets**

The Authority reviews the capital assets of the Project for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of June 30, 2022, there has been no impairment of the capital assets.

**Rental income**

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

**Use of estimates**

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

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

**Notes to Financial Statements  
June 30, 2022 and 2021**

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

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

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

**Note 3 - Tenant security deposits**

The Project collects security deposits from tenants at the inception of the tenant lease. These deposits, which are reported in these financial statements as restricted cash and cash equivalents, are refundable to the tenants to the extent there are no unpaid rents or damages to the housing unit. Tenant security deposits held as of June 30, 2022 and 2021 amounted to \$20,269 and \$19,354, respectively.

**Note 4 - Capital assets**

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

	June 30, 2021	Increases	Decreases	June 30, 2022
Capital assets not being depreciated				
Construction in progress	\$ 254,004	\$ 46,359	\$ -	\$ 300,363
Capital assets being depreciated				
Buildings and improvements	2,291,183	-	-	2,291,183
Less accumulated depreciation for Buildings and improvements	(1,807,844)	(62,173)	-	(1,870,017)
Capital assets, net	\$ 737,343	\$ (15,814)	\$ -	\$ 721,529
	June 30, 2020	Increases	Decreases	June 30, 2021
Capital assets not being depreciated				
Construction in progress	\$ 90,527	\$ 163,477	\$ -	\$ 254,004
Capital assets being depreciated				
Buildings and improvements	2,291,183	-	-	2,291,183
Less accumulated depreciation for Buildings and improvements	(1,743,169)	(64,675)	-	(1,807,844)
Capital assets, net	\$ 638,541	\$ 98,802	\$ -	\$ 737,343

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

**Notes to Financial Statements  
June 30, 2022 and 2021**

**Note 5 - Notes payable**

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

	2022	2021
<u>Payable to CalHFA</u>		
Monthly installments of \$7,836, including principal and interest at 5.25% annually to maturity in September 2033 and secured by the Project.	\$ 797,556	\$ 848,260
 <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.	131,861	148,342
 Total	\$ 929,417	\$ 996,602

Future maturities on the notes payable are as follows:

Years ending June 30	Principal	Interest	Total
2023	\$ 69,912	\$ 40,598	\$ 110,510
2024	72,786	37,725	110,511
2025	75,814	34,696	110,510
2026	79,005	31,505	110,510
2027	82,368	28,143	110,511
2028 - 2032	436,010	83,592	519,602
2033 - 2034	113,522	4,014	117,536
	\$ 929,417	\$ 260,273	\$ 1,189,690

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

Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Amounts due within one year
\$ 996,602	\$ -	\$ (67,185)	\$ 929,417	\$ 69,912
Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Amounts due within one year
\$ 1,061,199	\$ -	\$ (64,597)	\$ 996,602	\$ 67,185

**Seventeenth Street Commons  
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A Project of the Capitol Area Development Authority**

**Notes to Financial Statements  
June 30, 2022 and 2021**

**Note 6 - Assistance from the Authority**

In 1999, the Authority commenced major construction rehabilitation of the Project. On August 23, 2003, subsequent to substantial completion of construction rehabilitation, CalHFA paid off the construction loan and outstanding debt financing by providing long-term financing to the Project.

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

**Note 7 - Leased property**

The land on which the Project is located is owned by the State of California. On June 12, 1981, a 60-year operating lease was entered into between the Authority and the State of California. This lease is without cost; therefore, it is not reflected in these financial statements.

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

**Note 8 - Contingency**

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Project's financial position, results of operations, and cash flows. As of June 30, 2022, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project.

**Note 9 - Subsequent events**

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the Project through December 8, 2022 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**Supplementary Information**  
**Required by the California Housing Finance Agency**

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

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

**Schedules of operating revenues**

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

**Seventeenth Street Commons  
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A Project of the Capitol Area Development Authority**

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

**Schedules of operating expenses**

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

**Seventeenth Street Commons  
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**Supplementary Information Required by CalHFA  
Years Ended June 30, 2022 and 2021**

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

**Detail of Accounts - Schedule of Activities**

	<u>2022</u>	<u>2021</u>
Miscellaneous Other Expense (Accounts No. 6590)		
Flooring	\$ 6,590	\$ 18,596
	<u>\$ 6,590</u>	<u>\$ 18,596</u>

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

**Supplementary Information Required by CalHFA  
Year Ended June 30, 2022**

**Cash and cash equivalents**

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

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

**Reserve for replacements**

In accordance with the provisions of the regulatory agreement, reserves are maintained in accounts by CalHFA to be used for replacements of property. Withdrawals are made upon approval by CalHFA. Activity during the year ended June 30, 2022 was as follows:

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

**Impound accounts**

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

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**Supplementary Information Required by CalHFA  
Year Ended June 30, 2022**

**Capital assets**

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

Capital assets balance, June 30, 2021	\$	2,545,187
Additions		<u>46,359</u>
Capital assets balance, June 30, 2022	\$	<u><u>2,591,546</u></u>

**Accounts payable**

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

**Gross potential rents**

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

**Management fee**

A property management fee of \$31,810 was incurred during the fiscal year ended June 30, 2022 for the property management services provided by the Authority.

**Seventeenth Street Commons  
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**Supplementary Information Required by CalHFA  
Year Ended June 30, 2022**

**Operating cash flow/Surplus cash computation**

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

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

**Accumulated limited distributions**

At inception, there were no allowable accumulated limited distributions unpaid. Also, there were no accumulated limited distributions paid during the fiscal year ended June 30, 2022.

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

Board of Directors  
Capitol Area Development Authority  
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Seventeenth Street Commons (Contract Number 99-024-N) (the "Project"), a project of the Capitol Area Development Authority ("Authority") which comprise the statement of net position as of June 30, 2022, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2022 which included an emphasis of matter paragraph as indicated at page 2.

#### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over financial reporting.

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

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

#### Report on Compliance and Other Matters

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

Purpose of this Report

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

*CohnReznick LLP*

Sacramento, California  
December 8, 2022

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

**Certification of Officers  
Years Ended June 30, 2022 and 2021**

We, as officers of Capitol Area Development Authority (Joint Powers Authority), hereby certify that we have examined the accompanying financial statements and supplemental data of Seventeenth Street Commons as of and for the years ended June 30, 2022 and 2021, and, to the best of our knowledge and belief, these financial statements and data are complete and accurate.

<u>Wendy Saunders</u>	<u>Executive Director</u>	<u>12/08/2022</u>
Name	Title	Date

<u>Robb Yussa</u>	<u>Finance Director</u>	<u>12/08/2022</u>
Name	Title	Date



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