

BASIC FINANCIAL STATEMENTS

CAPITAL SOUTHEAST CONNECTOR JOINT POWERS AUTHORITY

Statement of Net Position - Governmental Activities

June 30, 2023

ASSETS

Current Assets:

Cash and investments	\$ 1,372,043
Interest receivable	55,447
Prepaid items	37,633
Accounts receivable	334,174
Total Current Assets	<u>1,799,297</u>

Noncurrent Assets:

Capital assets, non-depreciable	51,337,061
Right-to-use asset	24,181
Total Noncurrent Assets	<u>51,361,242</u>
Total Assets	<u>53,160,539</u>

LIABILITIES

Current Liabilities:

Accounts payable and accrued expenses	253,446
Lease liability - current portion	26,125
Total Current Liabilities	<u>279,571</u>

Noncurrent Liabilities:

Retentions payable	140,954
Total Liabilities	<u>420,525</u>

NET POSITION

Net investment in capital assets	50,940,717
Unrestricted	<u>1,799,297</u>
Total Net Position	<u>\$ 52,740,014</u>

CAPITAL SOUTHEAST CONNECTOR JOINT POWERS AUTHORITY

Statement of Activities - Governmental Activities

For the Fiscal Year Ended June 30, 2023

	<u>Expenses</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenue and Change in Net Position</u>
FUNCTIONS/PROGRAMS			
Public ways and facilities	<u>\$ 51,037</u>	<u>\$ 2,207,017</u>	\$ 2,155,980
General revenues:			
Interest income			<u>87,728</u>
Change in Net Position			2,243,708
Net Position, July 1			<u>50,496,306</u>
Net Position, June 30			<u>\$ 52,740,014</u>

CAPITAL SOUTHEAST CONNECTOR JOINT POWERS AUTHORITY

Balance Sheet - Governmental Fund

June 30, 2023

	<u>General Fund</u>
ASSETS:	
Cash and investments	\$ 1,372,043
Interest receivable	55,447
Prepaid items	37,633
Accounts receivable	<u>334,174</u>
Total Assets	<u><u>\$ 1,799,297</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 253,446
FUND BALANCE:	
Nonspendable	37,633
Unassigned	<u>1,508,218</u>
Total Fund Balance	<u>1,545,851</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,799,297</u></u>

Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position:

Total Fund Balance - governmental fund	\$ 1,545,851
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	51,361,242
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds	
Retentions payable	(140,954)
Net lease liability	<u>(26,125)</u>
Net Position of Governmental Activities	<u><u>\$ 52,740,014</u></u>

CAPITAL SOUTHEAST CONNECTOR JOINT POWERS AUTHORITY
Statement of Revenue, Expenditures, and Change in Fund Balance - Governmental Fund
For the Fiscal Year Ended June 30, 2023

	General Fund
REVENUES:	
Intergovernmental	\$ 1,957,017
Contributions	250,000
Interest	87,728
Total Revenues	4,294,745
EXPENDITURES:	
Public ways and facilities	4,664,480
Debt service - lease payments	
Principal	49,929
Interest	2,674
Total Expenditures	4,717,083
Change in Fund Balance	(2,422,338)
Fund Balance - July 1	3,968,189
Fund Balance - June 30	\$ 1,545,851
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance - Governmental Fund to the Statement of Activities:	
Change in Fund Balance - governmental fund	\$ (2,422,338)
Amounts reported for governmental activities in the Statement of Activities (page 9) are different because:	
Lease principal payments	49,929
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	
Change in retentions payable	(124,325)
Governmental funds report additions to capital assets as expenditures. However, in the statement of activities, the cost of these assets are capitalized and depreciated/amortized over their estimated useful lives. This is the amount by which expenditures for additions to capital assets exceeded amortization in the current period.	
	4,740,442
Change in Net Position of Governmental Activities	\$ 2,243,708

NOTES TO THE BASIC FINANCIAL STATEMENTS

CAPITAL SOUTHEAST CONNECTOR JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

NOTE 1 – REPORTING ENTITY

Authorized Legislation and Organization

The Capital Southeast Connector Joint Powers Authority, (Connector JPA), which was created effective December 12, 2006, pursuant to Section 6500 of the California State Government Code and the provisions of a Joint Exercise of Powers Agreement, is a political subdivision of the State of California

The Connector JPA is a jointly governed organization under Section 6500 of the California State Government Code. Parties to this agreement are the City of Elk Grove, County of Sacramento, City of Rancho Cordova, City of Folsom, and the County of El Dorado.

The Connector JPA was formed to acquire, plan, design, finance, construct, operate, and maintain a multi-modal transportation corridor (Project) to connect the City of Elk Grove, the County of Sacramento, the City of Rancho Cordova, the City of Folsom, and the County of El Dorado.

The Connector JPA is governed by a Board of Directors, which is composed of one member from the Sacramento County Board of Supervisors, one member from the Elk Grove City Council, one member from the Rancho Cordova City Council, one member from the Folsom City Council, and one member from the El Dorado County Board of Supervisors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the primary government (Connector JPA).

The Statement of Activities presents direct expenses and program revenues for the public ways and facilities function of the Connector JPA's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented instead as general revenues.

When both restricted and unrestricted resources are available, restricted resources are used first, then unrestricted resources as needed.

Fund Financial Statements

The fund financial statements provide information about the Connector JPA's fund, which include only *governmental funds*.

The Connector JPA reports the following major governmental fund:

The *General Fund* is used to account for all revenues and expenditures necessary to carry out the basic governmental activities of the Connector JPA.

CAPITAL SOUTHEAST CONNECTOR JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2023

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Connector JPA gives (or receives) value without directly receiving (or giving) equal value in exchange, include member contributions. Revenues from member contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Interest and certain state and federal grants are accrued when their receipt occurs within one hundred twenty days after the end of the accounting period, so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Cash and Investments

Pursuant to the Joint Exercise of Powers Agreement, the Treasurer of the County of Sacramento (County) has custody of all cash for the Connector JPA. The Connector JPA's share of the pooled cash account is separately accounted for and interest earned, net of related expenses, is apportioned at the end of each quarter based upon the relationship of its average daily cash balance to the total of the pooled account.

The value of the Connector JPA's shares in the County Pool is determined on an amortized cost basis, which approximates fair value.

Fair Value Measurement

The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As the Connector JPA participates in the County Investment Pool (County Pool), which is an external investment pool, it is not subject to the fair value hierarchy.

Net Position

Government-wide financial statements utilize a net position presentation.

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Unrestricted Net Position* – This category represents net position of the Connector JPA not restricted for any project or other purpose.

Fund Balances

Governmental funds report fund balance in classifications based primarily on the extent to which the Connector JPA is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for government funds are made up of the following:

CAPITAL SOUTHEAST CONNECTOR JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2023

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: amounts held for perpetuity and prepaid amounts.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the Connector JPA’s highest level of decision-making authority, which is the Connector JPA’s Board of Directors. Commitments may be changed or lifted only by the adoption of a Board Resolution.
- *Assigned Fund Balance* – comprises amounts intended to be used by the Connector JPA for specific purposes that are neither restricted nor committed. Intent is expressed by the Connector JPA’s Board of Directors.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

As of June 30, 2023, all of the Connector JPA’s General Fund balance is recorded as nonspendable and unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CAPITAL SOUTHEAST CONNECTOR JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2023

NOTE 3 – CASH AND INVESTMENTS

As discussed in Note 2, the Connector JPA maintains cash and investments with the County and participates in the investment pool of the County, which is not rated by the credit rating agencies. At June 30, 2023, the Connector JPA’s investment in the County Pool totaled \$1.4 million. Additional information regarding the County Pool, including the investment portfolio and related interest rate, custodial credit, credit and concentration of credit risks, is presented in Note 4 of the County’s basic financial statements. The Connector JPA has not formally adopted an investment policy that addresses any of the risks previously noted. However, since the Connector JPA’s investments are entirely in the County Pool, the Connector JPA follows the County’s investment policy. Deposits and withdrawals from the County Pool are made on the basis of cost, and not fair value.

The County Pool is subject to regulatory oversight by the Treasury Oversight Committee of the County, as required by Section 27134 of the California Government Code. The County Pool is not registered with the U.S. Securities and Exchange Commission (SEC) as an investment company.

NOTE 4 – ACCOUNTS RECEIVABLE

The majority of the Connector JPA’s accounts receivable is comprised of Measure A claims submitted to the Sacramento Transportation Authority (STA) for expenditures incurred through June 30, 2023.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2023, is as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Governmental activities:				
Capital assets, not being depreciated:				
Land and right of way	\$ 2,732,929	\$ -	\$ -	\$ 2,732,929
Mitigation	8,994,675	11,645	-	9,006,320
Construction in progress	34,820,652	4,777,160	-	39,597,812
Total Capital Assets, not being depreciated	<u>46,548,256</u>	<u>4,788,805</u>	<u>-</u>	<u>51,337,061</u>
Capital assets, being amortized:				
Right-to-use asset,	120,907	-	-	120,907
Less accumulated amortization	(48,363)	(48,363)	-	(96,726)
Total Capital Assets, being amortized, net	<u>72,544</u>	<u>(48,363)</u>	<u>-</u>	<u>24,181</u>
Total Capital Assets, net	<u>\$ 46,620,800</u>	<u>\$ 4,740,442</u>	<u>\$ -</u>	<u>\$ 51,361,242</u>

CAPITAL SOUTHEAST CONNECTOR JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2023

NOTE 6 – LEASE LIABILITY

The Connector JPA entered into an office space lease agreement on July 1, 2020, for a lease term that expires on December 31, 2023.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2023, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 26,125	\$ 382	\$ 26,507

NOTE 7 – RELATED PARTY TRANSACTIONS

The Connector JPA uses the County of Sacramento departments for services such as payroll, payment services, internet technology, human resources, administrative, and accounting. Expenditures incurred for services provided by the County of Sacramento for fiscal year 2023 were approximately \$51,000.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Connector JPA has executed contracts to purchase services from various vendors. The Connector JPA is contracted with these vendors through various dates. As of June 30, 2023, approximately \$5.3 million may be payable upon future performance under these contracts.

NOTE 9 – SUBSEQUENT EVENT

At the October 20, 2023 Board of Directors meeting, a resolution was approved to extend the JPA's lease for office space out to December 2026. This is the seventh extension of the lease agreement; there will be no rental increases during the calendar year 2024, and increases of approximately 3.15% for calendar years 2025 and 2026.

REQUIRED SUPPLEMENTARY INFORMATION

CAPITAL SOUTHEAST CONNECTOR JPA

Schedule of Revenues, Expenditures, and Changes in the General Fund Balance-Budget and Actual For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 5,881,013	\$ 5,881,013	\$ 1,957,017	\$ (3,923,996)
Contributions	250,000	250,000	250,000	-
Interest	10,000	10,000	87,728	77,728
Total Revenues	6,141,013	6,141,013	2,294,745	(3,846,268)
EXPENDITURES:				
Public ways and facilities	6,141,013	6,141,013	4,664,480	1,476,533
Debt service	-	-	52,603	(52,603)
Total Expenditures	6,141,013	6,141,013	4,717,083	1,423,930
NET CHANGES IN FUND BALANCE	\$ -	\$ -	\$ (2,422,338)	\$ (2,422,338)

CAPITAL SOUTHEAST CONNECTOR JOINT POWERS AUTHORITY

Note to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2023

NOTE 1 – BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device for the general fund. All annual appropriations lapse at fiscal year-end. The Executive Director and Administrative Services Officer prepare and submit a proposed budget to the Board of Directors in May for review. After reviewing the proposed budget and making such revisions as advised, a final budget is prepared and adopted no later than the June board meeting. Revisions to the adopted budget must be presented to the Board of Directors by the Executive Director and approved by resolution. The legal level of budgetary control is at the total fund level.