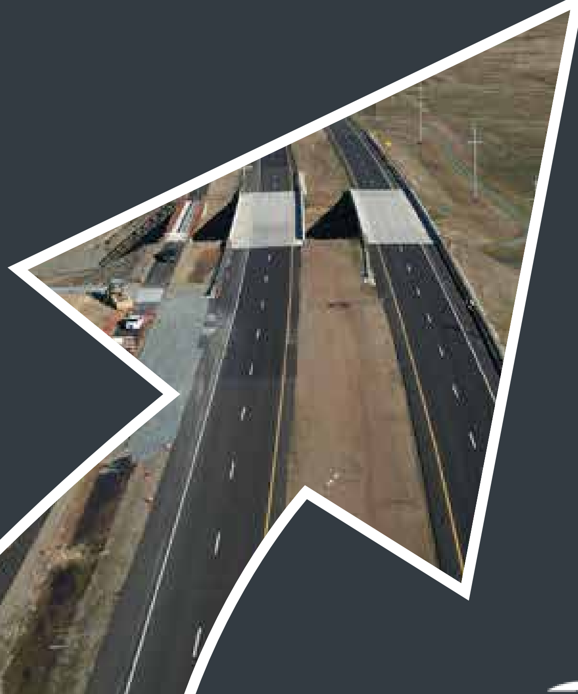

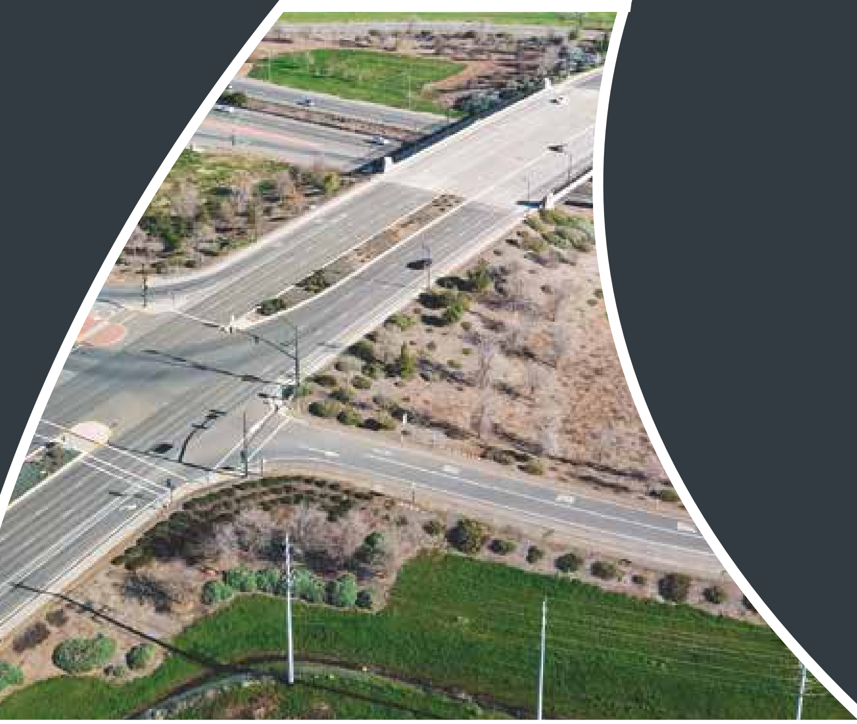

CAPITAL | SOUTHEAST
CONNECTOR JPA
Connecting Communities

2024

The Capital SouthEast Connector Authority

Annual Comprehensive Financial Report
For The Fiscal Year Ended June 30, 2024

Prepared By Connector JPA Staff

Sacramento, CA

www.connectorJPA .com

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2024

The Capital SouthEast Connector Authority

Annual Comprehensive Financial Report
For The Fiscal Year Ended June 30, 2024

Prepared By Connector JPA Staff

Sacramento, CA

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CAPITAL SOUTHEAST CONNECTOR JPA
Annual Comprehensive Financial Report
For The Fiscal Year Ended June 30, 2024

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INTRODUCTORY SECTION

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LETTER OF TRANSMITTAL

November 15, 2024

Chair and Members of the Board
and Citizens of Sacramento County:

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) for the Capital SouthEast Connector Joint Powers Authority (Connector JPA) for the fiscal year ending June 30, 2024. Per California law and Section 6(d)(4) of the Connector Joint Powers Agreement, the Connector JPA is required to present its financial statements in conformity with Generally Accepted Accounting Principles (GAAP) and ensure they are independently audited per Generally Accepted Auditing Standards (GAAS).

Management assumes responsibility for the completeness and reliability of the information presented in this report based on the Connector JPA's comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements.

California law requires that the Connector JPA publish a complete set of financial statements within six months of the close of each fiscal year. Pursuant to this requirement, we are pleased to present the Connector JPA's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024.

The Connector JPA's independent audit for FY 2023-24, conducted by Richardson & Company, LLP, resulted in an unmodified opinion confirming the accuracy and reliability of our financial statements. This audit and accompanying financial statements offer a comprehensive view of the Connector JPA's fiscal activities and performance, reflecting the organization's commitment to transparency and accountability.

Included herein is the Independent Auditor's Report. Management's Discussion and Analysis (MD&A) follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this Letter of Transmittal.

PROFILE OF THE AUTHORITY

The Connector JPA 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 and is a political subdivision of the State of California. The Connector JPA is a jointly governed organization consisting of five member agencies – the Counties of Sacramento and El Dorado, and the Cities of Elk Grove, Rancho Cordova, and Folsom.

The Connector JPA was formed solely to acquire, plan, design, finance and construct a 34-mile, multi-modal transportation corridor. The Connector JPA's primary revenue sources are Measure A sales tax and transportation mitigation fees, state and federal grants, and member dues.

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

FINANCIAL MATTERS

The Connector JPA relies on revenue sources from Local, State, and Federal agencies. The Connector JPA does not generate internal revenue but relies entirely on external sources.

Each fiscal year, the Counties of Sacramento and El Dorado, and the Cities of Elk Grove, Rancho Cordova, and Folsom provide member contributions. Currently, each member agency contributes $50,000 for a total of $250,000. This source is a relatively small portion of the Connector JPA's total revenue.

Other sources include funding from Sacramento County's Measure A, administered by the Sacramento Transportation Authority (STA). In addition, every two years, a Metropolitan Planning Organization (MPO) allocates State and Federal transportation funds to projects based on regional apportionments of Federal Congestion Mitigation and Air Quality (CMAQ), Regional Surface Transportation Program (RSTP), and State Transportation Improvement Program (STIP) funds. Some funds are received through a formula allocation, while others are competitive.

The Connector JPA operates its finances as a single fund – the General Fund - within the County of Sacramento Treasury. The General Fund supports the Connector JPA's operating activities and all project-related costs. Since the Agency exists to build a single capital project, a single fund is an appropriate structure.

All budgetary information is reported using the modified accrual basis of accounting, such as the fund financial statements found in the ACFR. This method recognizes revenue when it becomes measurable and available, while expenditures are recognized when the obligation to pay them is incurred.

The Connector JPA budget supports agency and project costs in the following five areas:

- Project related professional services;
- Right of way (ROW);
- Mitigation;
- Construction; and
- Project related operations and fiscal services.

The Connector JPA has taken proactive steps to ensure financial stability and readiness for unforeseen financial challenges. In May 2024, the JPA established a fund balance reserve that ensures sufficient reserves to cover any unexpected changes in revenue or expenditures. This reserve is a safeguard, ensuring the project's continued progress without disruption.

The Connector project provides quarterly project updates to the Sacramento Transportation Authority detailing the financial status, progress, and milestones of the Connector project. These updates provide:

- insight into how funds are being used,
- the timelines for project completion, and
- any adjustments or improvements in project planning.

Further enhancing our commitment to transparency, the Connector JPA holds public board meetings each quarter, where the public can participate and engage with the Board and project.

FINANCIAL AWARDS AND ACKNOWLEDGMENTS

The Connector JPA has consistently demonstrated its commitment to the highly efficient use of taxpayer funds, financial transparency, and accountability through various initiatives designed to provide clear and detailed financial reporting. As stewards of public funds, we understand the importance of keeping the public, stakeholders, and oversight entities fully informed of our budgeting and financial management practices.

The Government Finance Officers Association recently recognized dedication to these principles, which awarded the Connector JPA the prestigious Distinguished Budget Presentation Award for its FY 2024/25 budget. This award reflects our success in meeting the highest standards of governmental budgeting, and it underscores our commitment to creating a budget that serves as a policy document, financial plan, operations guide, and communications tool.

In addition, this report represents the first time the Connector JPA has created an Annual Comprehensive Financial Report (ACFR). Historically, the Connector JPA has delivered Basic Financial Statements. The ACFR goes beyond the basic financial report by providing detailed financial data and historical, statistical, and contextual information. It offers a complete and comprehensive view of the entity's financial activities. Furthermore, the audited ACFR has been completed within four months after the end of the fiscal year, rather than the usual nine-month completion time, allowing the Board of Directors to have a comprehensive understanding of the entity's financial position.

Finally, the Connector JPA will submit its ACFR to the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting award program for the first time. To receive the award, a government must publish an easily readable and efficiently organized ACFR and meet all program reporting criteria. This report must satisfy Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

This ACFR is a collaborative effort by Authority staff and its independent auditors. The undersigned is grateful to the staff for their willingness to expend the effort necessary to ensure the financial information contained herein is accurate and completed within established deadlines.

CONNECTOR PROJECT

The Capital SouthEast Connector Expressway Project (Connector Project) is a long-term capital project that replaces existing two-lane rural roads with a four-lane modern expressway, including a separated Class 1 multi-use path. The redesigned roadway provides capacity for a growing population and access to employment centers, will improve safety and emergency response, and will improve the overall quality of life in Sacramento County.

When completed, the Connector Project will begin at the Interstate5/Hood-Franklin Road Interchange as a four-lane expressway heading east until the intersection with Bruceville Road, where it will connect with the existing Kammerer Road and become a four to six-lane thoroughfare to State Route 99.

At State Route 99, four lanes will be constructed as a thoroughfare consistent with the design standards of the City of Elk Grove until it reaches the intersection of Bond Road. At that point, it becomes the Sheldon/Wilton Corridor until it reaches the Calvine Road intersection.

The Sheldon/Wilton corridor is 2.6 miles long, and its design is governed by the Precise Roadway Plan adopted by the City of Elk Grove in 2023. Five intersections will have roundabouts, and an environmental review will be conducted at Grant Line Rd and Wilton Rd.

At Calvine Rd, the project transitions to a four-lane high-speed expressway with limited access. The expressway continues northeast towards Rancho Cordova. At the intersection of Grant Line Road and White Rock Road, the expressway continues through the City of Folsom until it reaches the Sacramento – El Dorado County line. The project then transitions to a four-lane thoroughfare ending at the Hwy 50/Silva Valley Parkway Interchange in El Dorado Hills.

PROJECT UPDATE

The Connector JPA made significant progress in constructing the Connector Project during the calendar year 2023. Approximately $65 million in construction activity was officially completed, with Notices of Completion issued along three segments, totaling 6.5 miles of improvements. The Connector JPA constructed an additional 2.5 miles of Class 1 trail adjacent to White Rock Road and opened it to cyclists and pedestrians.

During 2023, almost $18 million in Local, State, and Federal funding agreements were secured for engineering, right-of-way, construction, and environmental mitigation.

Federal funding of $4 million was secured through the Consolidated Appropriations Act of 2023 to advance the design, right of way, and construction of the White Rock Road Class 1 trail, which will continue the 2.5 miles of trail completed in 2023.

The California Transportation Commission (CTC) awarded $3 million in state funding through the SB 1 Trade Corridor Enhancement Program for Grant Line Road in Rancho Cordova. These funds will advance the design of the segment from Douglas Road to White Rock Road.

Locally, staff partnered with the Sacramento Transportation Authority to allocate $6.7 million in Measure A capital funding. STA allocated an additional $5 million for environmental mitigation work along the alignment.

CLOSING

In closing, this report's preparation was possible due to the Board of Directors' leadership and support. The Board's prudent management must be credited for the strength of the Connector JPA's fiscal condition. Its vision ensures that the Connector Project will be on the move, planning for and building a better future for Sacramento County residents and commuters.

We hope this report provides valuable insights for the Board of Directors, partner agencies, and the public as we continue to manage and allocate resources supporting the Connector Project.

Sincerely,

Derek Minnema
Executive Director

Timothy T. Jones, CPA, CPFO
Fiscal Consultant

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LIST OF PRINCIPAL OFFICIALS AND ORGANIZATION CHART

CITY OF RANCHO CORDOVA
COUNCILMEMBER

GARRETT GATEWOOD (CHAIR)

CITY OF FOLSOM
COUNCILMEMBER

MIKE KOZLOWSKI (VICE-CHAIR)

SACRAMENTO COUNTY
BOARD OF SUPERVISORS

PATRICK HUME

EL DORADO COUNTY
BOARD OF SUPERVISORS

JOHN HIDAHL

CITY OF ELK GROVE
COUNCILMEMBER

SERGIO ROBLES

AUTHORTY
EXECUTIVE DIRECTOR

DEREK MINNEMA

AUTHORITY
PRINCIPAL ENGINEER

MATT LAMPA

SLOAN, SAKAI, YEUNG
& WONG LLP

LEGAL COUNSEL

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Capital SouthEast Connector JPA
Mather, California

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Capital SouthEast Connector Joint Powers Authority (the Connector JPA), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Connector JPA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Connector JPA, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Connector JPA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Connector JPA'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 Connector JPA's ability to continue as a going concern for a reasonable period of time.

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

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER INFORMATION

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information to consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2024, on our consideration of the Connector JPA'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 Connector JPA'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 Connector JPA's internal control over financial reporting and compliance.

Richardson & Company, LLP

November 5, 2024

CAPITAL SOUTHEAST CONNECTOR JOINT POWERS AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2024

This section of the Capital SouthEast Connector Joint Powers Authority (Connector JPA) annual financial statements presents a discussion and analysis of the Connector JPA's financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the Connector JPA's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The Connector JPA's total net position in Fiscal Year 2023-24 (FY 2023-24) increased by $2,423,796.
- Total revenues in fiscal year 2023-24 of $2.4 million were slightly higher than total revenues in fiscal year 2022-23 at $2.3 million.
- The total investment in capital assets increased $2.8 million in FY 2023-24, from $51.0 million in FY 2022-23 to $53.8 million in FY 2023-24.
- The Connector JPA's fund balance in Fiscal Year 2023-24 decreased by $360 thousand.
- Total General Fund revenues of $2.4 million in Fiscal Year 2023-24 were $129 thousand higher than General Fund revenues in FY 2022-23 of $2.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Connector JPA's basic financial statements. The Connector JPA's basic financial statements are comprised of three components:

1) **Government-Wide** financial statements

2) **Fund** financial statements

3) **Notes** to the basic financial statements

1) Government-Wide Financial Statements are designed to provide readers with a broad overview of the Connector JPA's finances in a manner similar to private-sector businesses.

The Statement of Net Position presents information on all of the Connector JPA's assets and liabilities, with the difference between the two reported amounts as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Connector JPA is improving or deteriorating.

The Statement of Activities shows changes in net position during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., accounts payable). The Statement of Activities identifies the Connector JPA's only function, public ways and facilities, which is principally supported by intergovernmental revenues and contributions from other governments (governmental activities).

The government-wide financial statements can be found on **pages 27 and 28** of this report.

2) **Fund** Financial Statements represent a grouping of related accounts that are used to control resources that have been segregated for specific activities or objectives. The Connector JPA, like other states and Local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. The Connector JPA only reports a governmental fund, its General Fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Connector JPA's near-term financing decisions.

The governmental funds financial statements can be found on **pages 27 and 28** of this report.

3) **Notes** to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found starting on **page 29** of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Connector JPA is improving or deteriorating. In the case of the Connector JPA, assets exceeded liabilities by $55.3 million at June 30, 2024.

Condensed Statement of Net Position
Governmental Activities
June 30, 2024

	2024	Restated 2023	Increase/(Decrease) Amount	Percentage
Assets:				
Current assets	$ 1,492,663	$ 1,799,297	$ (306,634)	(17%)
Capital assets	54,251,440	51,465,605	2,785,835	5%
Total assets	55,744,103	53,264,902	2,479,201	5%
Liabilities:				
Current liabilities	354,098	279,571	74,527	27%
Other liabilities	121,832	140,954	(19,122)	(14%)
	475,930	420,525	55,405	13%
Net Position:				
Investment in capital assets	53,775,510	51,045,080	2,730,430	5%
Unrestricted	1,492,663	1,799,297	(306,634)	(17%)
Total Net Position:	$ 55,268,173	$ 52,844,377	$ 2,423,796	5%

The Connector JPA reported an increase of $2.4 million in net position compared to prior year balances. During FY 2023-24, net position increased primarily due to the $2.8 million increase in capital assets.

Current assets decreased from $1.8 million at June 30, 2023, to $1.5 million at June 30, 2024. This decrease primarily came from a decrease in cash and investment balances. As stated above, capital assets increased approximately $2.8 million during FY 2023-24, from $51.5 million at June 30, 2023 to $54.3 million June 30, 2024. Significant additions to the Capital SouthEast Connector Expressway project (Project) during FY 2023-24 included $2.3 million in project management, environmental, and engineering services.

Current liabilities increased from $280 thousand at June 30, 2023 to $354 thousand at the end of the current fiscal year. These changes were due to higher amounts due to service providers of the project, at the end of the current fiscal year compared to the end of the prior fiscal year.

The following table indicates the changes in net position for the Connector JPA's governmental activities:

Condensed Statement of Net Position
Governmental Activities
June 30, 2024

	2024	Restated 2023	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Revenues				
Program Revenues:				
Capital grants & contributions	$ 2,366,163	$ 2,207,017	$ 159,146	7%
General Revenues:				
Interest & other	57,633	87,728	(30,095)	(34%)
Total Revenues	2,423,796	2,294,745	129,051	6%
Change in Net Position	2,423,796	2,294,745	129,051	6%
Net Position, July 1	52,844,377	50,549,632	2,294,745	5%
Net Position, June 30	$ 55,268,173	$ 52,844,377	$ 2,423,796	5%

Capital grant and contribution revenues during FY 2023-24 of $2.4 million were slightly higher than the same revenues of FY 2022-23 of $2.2 million. Member contributions remained unchanged at $250,000 for FY 2022-23 and FY 2023-24. As stated above, significant additions to the Project during FY 2023-24 included $2.3 million in project management, environmental, and engineering services. As the Connector JPA incurs these capitalized expenses, the reimbursement revenue follows.

FUND FINANCIAL ANALYSIS

As noted earlier, the Connector JPA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The public ways and facilities function is contained in the General Fund. The focus of the Connector JPA's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Connector JPA's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2024, and June 30, 2023, the Connector JPA's governmental funds reported a fund balance of $1.2 million and $1.5 million respectively, a decrease of approximately $360 thousand. The decrease in fund balance was attributed to a decrease in assets, notably a decrease in cash and investments of $627 thousand offset by an increase in amounts due from other governments of $350 thousand at the end of FY 2023-24.

The Connector JPA received revenues from various sources. The following table presents the amount of revenues by source:

Revenues Classified by Source
General Fund

	2024	% of Total	2023	% of Total	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Revenues						
Intergovernmental revenues	$ 2,116,163	87%	$ 1,957,017	85%	$ 159,146	8%
Member contributions	250,000	10%	250,000	11%	-	0%
Interest	57,633	3%	87,728	4%	(30,095)	(34%)
Total Revenues	$ 2,423,796	100%	$ 2,294,745	100%	$ 129,051	6%

The following provides an explanation of significant revenues by source that changed over the prior year.

Intergovernmental revenues are allowable costs claimed from Local sales tax and mitigation fees, State, and Federal grants. There was a decrease in revenues from Measure A administered by the Sacramento Transportation Authority (STA). During FY 2023-24 the Connector JPA received $2.0 million which is an increase from $1.7 million during FY 2022-23. As previously discussed, as the Connector JPA incurs project-related expenditures, these amounts are reimbursed to the organization.

Federal and State revenues are funding grants. The grants are for transportation related projects and related activities financed in part with Federal-aid funds and authorized by the State or the Federal Highway Administration. Every two years, the Sacramento Area Council of Governments (SACOG) conducts a programming round to allocate funds to projects based on regional apportionments of Federal Congestion Mitigation and Air Quality (CMAQ), Regional Surface Transportation Program (RSTP), and State Transport Action Improvement Program (STIP) funds. These funds are then allocated to projects. The Connector JPA has executed an agreement with the California Department of Transportation (Caltrans) to allow for disbursement of Federal funds directly to the Connector JPA. During FY 2023-24, $340 thousand and $95 thousand respectively were received in Federal and State revenues; no Federal or State revenues were received during FY 2022-23.

The following table presents expenditures of the General Fund:

Expenditures by Function
General Fund

	2024	% of Total	2023	% of Total	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Expenditures						
Current:						
Public Ways & Facilities	$ 2,730,562	98%	$ 4,664,480	99%	$ (1,933,918)	(41%)
Debt service - lease						
Principal	46,919	2%	49,929	1%	(3,010)	(6%)
Interest	6,095	0%	2,674	0%	3,421	128%
Total Expenditures	$ 2,783,576	100%	$ 4,717,083	100%	$ (1,933,507)	(41%)

Project expenditures were $1.9 million less compared to the prior year. The primary category of decrease was construction activities of approximately $2.9 million offset by a current year increase in project management, environmental, and engineering services.

Although some construction activity has occurred in recent years, the Project is still in the planning stages, and final completion is expected in 2035.

CAPITAL ASSETS

At June 30, 2024, the Connector JPA had $54.3 million invested in capital assets including land and right of way. Changes in capital asset balances are shown in the table below:

Capital Assets

	As of June 30, 2024	As of June 30, 2023	Increase (Decrease)
Land and right of way	$ 2,745,264	$ 2,732,929	$ 12,335
Mitigation	9,006,320	9,006,320	-
Construction in progress	42,376,460	39,702,175	2,674,285
Right-to-use asset, net	123,396	24,181	99,215
	$ 54,251,440	$ 51,465,605	$ 2,785,835

The majority of the increase in capital asset balances were in Construction in Progress. Included in this component is $2.3 million in project management, environmental, and engineering services for FY 2023-24. See Note 4 for more information on the Connector JPA's capital assets.

Throughout the progress of the project, the Connector JPA has executed contracts to purchase services from vendors for construction, engineering, project management and consulting, and environmental services. The Connector JPA is contracted with these vendors through various dates. As of June 30, 2024, approximately $6,100,386 may be payable upon future performance under these contracts.

DEBT

During FY 2023-24, the Connector JPA extended its office lease from December 2023 to December 2026. With this extension, the value of the Right to Use asset and Lease Liability was increased $148 thousand at the time of the new extension agreement. The table below identifies the change in the Lease Liability for FY 2023-2024.

	As of June 30, 2024	As of June 30, 2023	Increase (Decrease)
Office Lease	$ 127,448	$ 26,125	$ 101,323

See Note 5 for more information on the Connector JPA's lease liability

ANALYSIS OF GENERAL FUND BUDGET

Intergovernmental revenues originally budgeted at $7.5 million were increased through a budget amendment in October 2023 to include an additional $3 million awarded by the State from the Trade Corridor Enhancement Program. This increased the total budgeted amount to $10.5 million. During the year, total revenues were less than the final budgeted amounts by $8. million. Measure A revenues were budgeted at $5.8 million but the actual amount was $1.7 million. In addition, none of the other Local funding of $1 million was recognized during the year. Furthermore, federal and State revenues for FY 2023-24 were budgeted at $700 thousand and $3.0 million respectively, however only $340 thousand in Federal revenues and $95 thousand in State revenues were recognized. Engineering staff project expenditures for the budget year based on anticipated design, environmental, and construction activity. However, because of the complex nature of this large multi-jurisdictional project, projecting the timing of the expenditures continues to be challenging.

Because of higher interest rates in FY 2023-24 for cash and investment balances, interest earnings were $42 thousand higher than the budget. Capitalized expenditures to the project amounted to $2.7 million compared to a budget of $10.8 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The FY 2024-25 Final Budget was adopted by the Connector JPA's Board of Directors on May 31, 2024.

The proposed means of financing the $7.2 million in budgeted expenditures for FY 2024-25 include:

- Measure A Proceeds: $4.2 million
- Member Contributions: $250 thousand
- Other Local Funding: $533 thousand

- State Funding: $1.3 million
- Federal Funding: $800 thousand
- Interest: $9 thousand

The Connector Project is entering a critical stage as public officials and funding agencies recognize the need to complete the Project for the benefit of the region. To support the momentum, the agency needs to consider adding additional professional staff – namely another transportation engineer and a Chief Financial Officer. Currently, two Professional Engineers (PE) carry the workload of the entire project, including overseeing financial duties and administrative functions. This model is not sustainable as funding increases and the Project advances.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Connector JPA's finances for all those with an interest in the Connector JPA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Derek Minnema, Executive Director, Capital SouthEast Connector Joint Powers Authority, 10640 Mather Blvd., Suite 120, Mather, California 95655.

BASIC FINANCIAL STATEMENTS

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CAPITAL SOUTHEAST CONNECTOR JPA

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2024

	General Fund	Adjustments (Note 10)	Statement of Net Position
ASSETS			
Current Assets:			
Cash and investments	$ 745,198	$ -	$ 745,198
Interest receivable	27,938	-	27,938
Prepaid items	35,499	-	35,499
Due from other governments	684,028	-	684,028
Total Current Assets	1,492,663	-	1,492,663
Noncurrent Assets:			
Capital assets, non-depreciable	-	54,128,044	54,128,044
Right-to-use asset	-	123,396	123,396
Total Noncurrent Assets	-	54,251,440	54,251,440
TOTAL ASSETS	$ 1,492,663	54,251,440	55,744,103
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	$ 306,592	-	306,592
Lease liability - current portion	-	47,506	47,506
Total Current Liabilities	306,592	47,506	354,098
Noncurrent Liabilities:			
Lease liability	-	79,942	79,942
Retentions payable	-	41,890	41,890
Total Noncurrent Liabilities	-	121,832	121,832
TOTAL LIABILITIES	306,592	169,338	475,930
FUND BALANCE			
Nonspendable	35,499	(35,499)	
Unassigned	1,150,572	(1,150,572)	
TOTAL FUND BALANCE	1,186,071	(1,186,071)	
TOTAL LIABILITIES AND FUND BALANCE	$ 1,492,663		
NET POSITION			
Net investment in capital assets		53,775,510	53,775,510
Unrestricted		1,492,663	1,492,663
TOTAL NET POSITION		$ 55,268,173	$ 55,268,173

The accompanying notes are an integral part of these financial statements.

CAPITAL SOUTHEAST CONNECTOR JPA

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2024

	General Fund	Adjustments (Note 11)	Statement of Activities
PROGRAM EXPENSES			
Governmental activities:			
Public ways and facilities			
Capital outlay	$ 2,730,562	$ (2,730,562)	
Debt service			
Principal	46,919	(46,919)	
Interest	6,095	(6,095)	
TOTAL PROGRAM EXPENSES	2,783,576	(2,783,576)	-
PROGRAM REVENUE			
Capital grants and contributions			
Intergovernmental	2,116,163		$ 2,116,163
Member contributions	250,000		250,000
	2,366,163	-	2,366,163
NET PROGRAM (EXPENSES) REVENUE	(417,413)	2,783,576	2,366,163
GENERAL REVENUES			
Interest earnings	57,633		57,633
TOTAL GENERAL REVENUES	57,633	-	57,633
CHANGE IN FUND BALANCE/NET POSITION	(359,780)	2,783,576	2,423,796
Fund balance/net position at beginning of year, as previously reported	1,510,352	51,229,662	52,740,014
Restatement	-	104,363	104,363
Fund balance/net position at beginning of year, as restated	1,510,352	51,334,025	52,844,377
NET POSITION AT END OF YEAR	$ 1,150,572	$ 54,117,601	$ 55,268,173

The accompanying notes are an integral part of these financial statements.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Capital SouthEast Connector Joint Powers Authority (Connector JPA) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Organization: The 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 Counties of Sacramento and El Dorado, and the Cities of Elk Grove, Rancho Cordova and Folsom.

The Connector JPA was formed solely to acquire, plan, design, finance and construct a multi-modal transportation corridor (Project) to connect the Counties of Sacramento and El Dorado, and the Cities of Elk Grove, Rancho Cordova and Folsom. The Connector JPA's primary revenue sources are Measure A sales tax and transportation mitigation fees, member dues, and state and federal grants.

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

Basis of Presentation – Government-wide financial statements: The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities are primarily supported by intergovernmental revenues. The Connector JPA does not report any business-type activities.

The Statement of Net Position reports all financial resources of the Authority as a whole in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: a) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest and other items properly excluded among program revenues are reported as general revenues.

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 when a liability is incurred, regardless of the timing of related cash flows.

When both restricted and unrestricted resources are available for use, it is the Connector JPA's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Presentation – Fund Financial Statements: The accounts of the Connector JPA are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund is established for the purpose of accounting specific activities in accordance with applicable regulations, restrictions, or limitations.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Connector JPA considers all revenues to be available if they are collected within 180 days of the end of the current fiscal period are considered available. Expenditures generally are recorded when the related fund liability is incurred. Payable balances are primarily payables to vendors.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The Connector JPA reports the following major governmental fund:

- **General Fund** – The General Fund is the general operating fund of the Connector JPA and accounts for revenues collected to provide services and finance the fundamental operations of the Connector JPA.

Budgets: Budgets are adopted on a basis consistent with generally accepted accounting principles and in accordance with the Connector JPA's policies and procedures. Budgetary control is exercised by major object. Budgetary changes, if any, during the fiscal year require the approval of the Connector JPA's

Governing Board. Unencumbered budget appropriations lapse at the end of the fiscal year.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements. Prepaid items are reported in the fund financial statements as nonspendable fund balance to indicate they do not constitute resources available for appropriation.

Capital Assets: Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets reported by the Connector JPA are stated at historical cost or estimated historical cost, if actual historical cost is not available. Contributed capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The only asset of the Connector JPA is the self-constructed roadway infrastructure project. The infrastructure project entails making roadway improvements, but ownership of the asset and underlying land remains with the member jurisdictions.

The Connector JPA capitalizes all costs for the roadway infrastructure project. Maintenance of the roadway infrastructure project is the responsibility of the Connector JPA members, so no such costs are incurred by the Connector JPA. The Connector JPA will not be depreciating the roadway infrastructure project because at the time the entire infrastructure project is completed and placed into service, the infrastructure project will be formulaically allocated to the member in whose jurisdiction the asset is located, and the Connector JPA will cease to exist.

Lease Liability: Lease liabilities represent the Connector JPA's obligation to make lease payments arising from the lease of office space. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the Connector JPA.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position: The government-wide financial statements report the following categories of net position:

- **Net Investment in Capital Assets** – This category groups all capital assets into one component of net position. Accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of capital assets reduce the balance in this category.
- **Restricted Net Position** – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The Connector JPA does not report any restricted net position.
- **Unrestricted Net Position** – This category represents net position of the Connector JPA not restricted for any project or other purpose.

Fund Balance: In the General Fund financial statements, the Connector JPA reports the following fund balances:

- **Non-spendable fund balances** are not expected to be converted to cash within the next operating cycle and are typically comprised of prepaid costs.
- **Unassigned fund balance** is the residual classification for the Connector JPA's funds and includes all spendable amounts not contained in the other classifications.

The Connector JPA typically spends resources in the following order when an expenditure is incurred: restricted, committed, assigned and unassigned.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – 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 ratio of its average daily cash balance to the total of the County's pooled account.

Investment Policy: California statutes authorize special districts to invest idle or surplus funds in a variety of credit instruments as provided for in California Government Code, Section 53600, Chapter 4 – Financial Affairs. The Connector JPA does not have its own investment policy that addresses its interest rate risk, credit risk and concentration of credit risk, but annually adopts the County's policy since all Connector JPA funds are held there.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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 ratio of its average daily cash balance to the total of the County's pooled account.

Investment Policy: California statutes authorize special districts to invest idle or surplus funds in a variety of credit instruments as provided for in California Government Code, Section 53600, Chapter 4 – Financial Affairs. The Connector JPA does not have its own investment policy that addresses its interest rate risk, credit risk and concentration of credit risk, but annually adopts the County's policy since all Connector JPA funds are held there.

Investment in the County of Sacramento's Investment Pool: The Connector JPA maintains its cash in Sacramento County's cash and investment pool, which is managed by the Sacramento County Treasurer. The total fair value amount invested by all public agencies in Sacramento County's cash and investment pool is $744,895 at June 30, 2024. Sacramento County does not invest in any derivative financial products. The Sacramento County Treasury Investment Oversight Committee (Committee) has oversight responsibility for Sacramento County's cash and investment pool. The Committee consists of ten members as designated by State law. The value of pool shares in Sacramento County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Connector JPA's position in the pool. Investments held in the County's investment pool are available on demand to the Connector JPA and the balance available for withdrawal is based on the accounting records maintained by the County, which are recorded at fair value.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2024, the weighted average maturity of the investments contained in the County's investment pool was approximately 274 days.

Credit Risk: Generally, credit risk is the risk that an issue of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating issued by a nationally recognized statistical rating organization. The County Pool is not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk: Custodial credit risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of government investment pools (such as the County's investment pool).

NOTE 3 – DUE FROM OTHER GOVERNMENTS

The majority of the Connector JPA's due from other governments is comprised of Measure A claims submitted to the Sacramento Transportation Authority (STA) for expenditures incurred through June 30, 2024.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	Restated Balance July 1, 2023	Additions	Disposals	Balance June 30, 2024
Capital assets not being depreciated:				
Land and right of way	$ 2,745,264	$ -	$ -	$ 2,745,264
Mitigation	9,006,320	-	-	9,006,320
Construction in progress	42,376,460		-	42,376,460
Total capital assets not being depreciated, net	54,128,044	-	-	54,128,044
Capital assets being amortized:				
Right to use assets	269,149		-	269,149
Less accumulated amortization	(145,753)		-	(145,753)
Total capital assets being amortized	123,396	-	-	123,396
Capital assets, net	$ 54,251,440	$ -	$ -	$ 54,251,440

Amortization expense of $49,027 for the year ended June 30, 2024 was capitalized and reflected in construction in process.

Capital outlay can be reconciled to additions to capital assets for the year ended June 30, 2024 as follows:

Capital outlay	$ 2,730,562
Retentions payable amount expensed in fund statements	(99,063)
Lease principal and interest amounts reclassified to capital outlay	55,121
Additions to capital assets	$ 2,686,620

NOTE 5 – LEASE ASSET AND LIABILITY

The Connector JPA leases the administrative facility that has been extended through December 31, 2026. For the purposes of discounting future payments on the lease, the Connector JPA used a discount rate of 6%, which represents the Connector JPA's estimated incremental borrowing rate. The total amount of lease assets for the year ended June 30, 2024 was $148,242, and related accumulated amortization was $145,753. The intangible right-of-use asset is being amortized over 3 years, the remaining term of the lease. Amortization was $49,027 and interest was $6,095 during the year ended June 30, 2024, both of which were capitalized. Minimum lease payments over the remaining term of the lease include:

Year Ended June 30	Principal	Interest	Total
2025	$ 47,506	$ 6,367	$ 53,873
2026	52,203	3,389	55,592
2027	27,739	487	28,226
	$ 127,448	$ 10,244	$ 109,466

NOTE 6 – RELATED PARTY TRANSACTIONS

The Connector JPA uses the County of Sacramento for services such as payroll, payment, internet technology, human resources, administrative, and accounting. Expenditures incurred for services provided by the County of Sacramento for the fiscal year ended June 30, 2024 were approximately $89,676. TheConnector JPA also reimbursed the County of Sacramento for payroll-related costs totaling $720,696.

NOTE 7 – 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, 2024, $6,100,386 may be payable upon future performance under these contracts.

NOTE 8 – EMPLOYEE BENEFITS

The Connector JPA personnel are employees of the County of Sacramento and the County is solely responsible and liable for all costs, expenses, damages and other financial obligations imposed by law as a result of their employment. As a result, the Connector JPA does not record liabilities related to compensated absences, pension benefits and other postemployment benefits. The Connector JPA reimburses the County for employee payroll costs, including benefits, and its share of the debt service on the County's pension obligation bonds.

NOTE 9 – CONTINGENCIES

The Connector JPA receives funding for specific purposes that are subject to review and audit by the granting agencies funding source. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

NOTE 10 – RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Fund balance - total governmental funds, June 30, 2024	$ 1,150,572
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:	
Governmental capital assets	54,128,044
Right-to-use asset	123,396
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Retentions payable	(41,890)
Net lease liability	(127,448)
Net position - governmental activities, June 30, 2024	$ 55,232,674

NOTE 11 – RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Net change in fund balance - total governmental funds for the year ended June 30, 2024	$ (359,780)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets are allocated over their estimated useful lives as depreciation expense.	
Capital outlay expenditures	2,688,672
Capital Outlay in the Government-wide Statement of Activities that do not provide current financial resources are not reported as revenues and expenses in the governmental funds.	
Change in retentions payable	41,890
Lease principal payments	46,919
Lease interest payment	6,095
Change in net position - governmental activities for the year ended June 30, 2024	$ 2,423,796

NOTE 12 – RISK MANAGEMENT

The Connector JPA participates in the Golden State Risk Management Authority (GSRMA), a joint powers agency comprised of California governmental agencies for general, property, automobile, employment practices and public officials' errors and omissions. Loss contingency reserves established by the GSRMA are funded by contributions from member agencies. The Connector JPA pays an annual contribution to the GSRMA that includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the GSRMA. GSRMA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained.

The Connector JPA's self-insured retention level and maximum coverage under the GSRMA are as follows:

	Pool Coverage	Commercial Coverage	Self-Insured Retention
GSRMA			
General	$ 500,000	$ 500,000	$ -
Property	$ 25,000	$ 25,000	$ 1,000
Automobile liability	$ 500,000	$ 500,000	$ -
Employee dishonesty	$ 25,000	$ 25,000	$ 2,500

NOTE 13 – RESTATEMENT

Net position as of July 1, 2023 was increased by $104,363 due to the retroactive reclassification of right-of-use amortization and lease interest from expense to construction in progress. Net position and change in net position would have decreased by $104,363 and $51,037 as of and for the year ended June 30, 2023.

NOTE 14 – NEW PRONOUNCEMENTS

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures. This statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The provisions of this Statement are effective for year ended June 30, 2025.

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. This statement will implement changes to the financial reporting model including the Management's Discussion and Analysis, Unusual or Infrequent Items, presentation of the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position, Major Component Unit Information, and Budgetary Comparison Information. The provisions of this Statement are effective for the year ended June 30, 2026.

In October 2024, the GASB issued Statement No. 104, Disclosure of Certain Capital Assets, that requires certain types of assets to be disclosed separately in the note disclosures and establishes requirements for capital assets held for sale. The provisions of this Statement are effective for the year ended June 30,2026.

The Connector JPA will analyze the impact of these new Statements prior to the effective dates listed above.

REQUIRED SUPPLEMENTARY INFORMATION

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CAPITAL SOUTHEAST CONNECTOR JPA

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	$ 7,497,390	$ 10,497,390	$ 2,116,163	$ (8,381,227)
Member contributions	250,000	250,000	250,000	
Interest	15,550	15,550	57,633	42,083
TOTAL REVENUES	7,762,940	10,762,940	2,423,796	(8,339,144)
EXPENDITURES				
Capital outlay	7,762,940	10,762,940	2,730,562	(8,032,378)
Debt service				
Principal			46,919	46,919
Interest			6,095	6,095
TOTAL EXPENDITURES	7,762,940	10,762,940	2,783,576	(7,979,364)
NET CHANGE IN FUND BALANCE			(359,780)	(359,780)
Fund balance at beginning of year	1,510,352	1,510,352	1,510,352	-
FUND BALANCE AT END OF YEAR	$ 1,510,352	$ 1,510,352	$ 1,150,572	$ (359,780)

The accompanying notes are an integral part of these financial statements.

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STATISTICAL SECTION

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STATISTICAL SECTION

This part of the Connector JPA's annual comprehensive financial report presents detailed information as context for understanding the information in the financial statements, note disclosures, and required supplementary information of the government's overall financial health.

Financial Trends – These schedules contain trend information to help the reader understand how the Connector JPA's financial performance changed over time.

Revenue Capacity – These schedules contain information to help the reader assess the Connector JPA's most significant local revenue source - sales tax and mitigation fees.

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the Connector JPA's financial activities take place and to help make comparisons over time and with other governments.

Sources – Unless otherwise noted; the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

Capital Southeast Connector JPA
Net Postion by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2015	**2016**	**2017**	**2018**
Governmental Activities				
Net investment in capital assets	$ -	$ -	$ 14,228,145	$ 22,468,803
Unrestricted	183,052	761,730	1,053,709	857,139
Total Governmental Activities Net Position	**$ 183,052**	**$ 761,730**	**$ 15,281,854**	**$ 23,325,942**

Source: Audited Financial Statements

Fiscal Year											
2019		**2020**		**2021**		**2022**		**2023**		**2024**	
$	28,036,205	$	33,292,560	$	38,524,772	$	45,818,856	$	50,940,717	$	53,775,510
	912,657		678,062		881,321		4,677,450		1,799,297		1,492,663
$	**28,948,862**	**$**	**33,970,622**	**$**	**39,406,093**	**$**	**50,496,306**	**$**	**52,740,014**	**$**	**55,268,173**

Capital Southeast Connector JPA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2015	**2016**	**2017**	**2018**
Expenses				
Governmental Activities:				
Public Ways and Facilities	$ 2,301,307	$ 2,696,040	$ -	$ -
Total governmental activities expenses	2,301,307	2,696,040	-	-
Program Revenues				
Capital grants and contributions	2,266,143	3,272,442	4,567,826	8,031,520
Net (expense) revenue	(35,164)	576,402	4,567,826	8,031,520
General Revenues and Other Changes in Net Position				
Investment earnings	1,019	2,276	3,976	12,568
Total general revenues	1,019	2,276	3,976	12,568
Change in Net Position	**$ (34,145)**	**$ 578,678**	**$ 4,571,802**	**$ 8,044,088**

Source: Audited Financial Statements

Fiscal Year					
2019	**2020**	**2021**	**2022**	**2023**	**2024**
$ -	$ -	$ -	$ 53,327	$ 51,037	$ -
-	-	-	53,327	51,037	-
5,607,891	5,010,652	5,429,750	11,124,809	2,207,017	2,366,163
5,607,891	5,010,652	5,429,750	11,071,482	2,155,980	2,366,163
15,029	11,108	5,721	18,731	87,728	57,633
15,029	11,108	5,721	18,731	87,728	57,633
$ 5,622,920	**$ 5,021,760**	**$ 5,435,471**	**$ 11,090,213**	**$ 2,243,708**	**$ 2,423,796**

Capital Southeast Connector JPA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2015	**2016**	**2017**	**2018**
General Fund				
Nonspendable	$ -	$ -	$ -	$ -
Assigned	38,421	-	-	-
Unassigned	144,631	761,730	1,020,681	857,139
Total General Fund	**$ 183,052**	**$ 761,730**	**$ 1,020,681**	**$ 857,139**

Source: Audited Financial Statements

Fiscal Year					
2019	**2020**	**2021**	**2022**	**2023**	**2024**
$ 3,892	$ 2,500	$ 2,500	$ 24,357	$ 37,633	$ 35,499
-	-	-	-	-	-
828,765	637,562	878,821	3,943,832	1,508,218	1,150,572
$ 832,657	**$ 640,062**	**$ 881,321**	**$ 3,968,189**	**$ 1,545,851**	**$ 1,186,071**

Capital Southeast Connector JPA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2015	**2016**	**2017**	**2018**
Revenues				
Intergovernmental	$ 2,242,976	$ 2,947,442	$ 4,409,798	$ 7,889,548
Member contributions	55,000	75,000	125,000	175,000
Interest earnings	1,372	2,276	3,976	12,568
Other	-	250,000	-	-
Total Revenues	**2,299,348**	**3,274,718**	**4,538,774**	**8,077,116**
Expenditures				
Capital outlay	2,301,307	2,696,040	4,279,823	8,240,658
Debt Service - lease payments				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	**2,301,307**	**2,696,040**	**4,279,823**	**8,240,658**
Excess (deficiency) of revenues over (under) expenditures	**(1,959)**	**578,678**	**258,951**	**(163,542)**
Net change in fund balance	**$ (1,959)**	**$ 578,678**	**$ 258,951**	**$ (163,542)**

Source: Audited Financial Statements

Fiscal Year					
2019	**2020**	**2021**	**2022**	**2023**	**2024**
$ 5,302,891	$ 4,827,652	$ 5,242,750	$ 10,874,809	$ 1,957,017	$ 2,116,163
225,000	225,000	225,000	250,000	250,000	250,000
15,029	11,108	5,721	18,731	87,728	57,633
-	-	-	-	-	-
5,542,920	**5,063,760**	**5,473,471**	**11,143,540**	**2,294,745**	**2,423,796**
5,567,402	5,256,355	5,232,212	8,006,855	4,664,480	2,730,562
-	-	-	44,853	49,929	46,919
-	-	-	4,964	2,674	6,095
5,567,402	**5,256,355**	**5,232,212**	**8,056,672**	**4,717,083**	**2,783,576**
(24,482)	**(192,595)**	**241,259**	**3,086,868**	**(2,422,338)**	**(359,780)**
$ (24,482)	**$ (192,595)**	**$ 241,259**	**$ 3,086,868**	**$ (2,422,338)**	**$ (359,780)**

Capital Southeast Connector JPA
Sales Tax and Mitigation Fee Collections and Receipts
Last Ten Fiscal Years
(modified accrual basis of accounting)
(000's)

Fiscal Year	Measure A Sales Tax Collected*	JPA Sales Tax Received**	Ratio
2015	$ 105,564	$ 1,846	1.75%
2016	110,708	2,711	2.45%
2017	116,878	150	0.13%
2018	119,188	5,014	4.21%
2019	131,757	231	0.18%
2020	131,591	2,344	1.78%
2021	153,560	561	0.37%
2022	172,916	158	0.09%
2023	174,234	-	0.00%
2024	177,813	-	0.00%
Totals	**$ 1,394,209**	**$ 13,015**	**0.93%**

* Source: Audited Financial Statements Sacramento Transportation Authority
** Source: Sacramento Transportation Authority
*** Fiscal year 2022 included accumulated fund balance from prior years

Mitigation Fees Collected*	JPA Mitigation Fees Received**	Ratio***
$ 4,624	$ -	0.00%
4,364	-	0.00%
7,848	2,276	29.00%
7,622	2,317	30.40%
6,684	4,659	69.70%
7,552	2,400	31.78%
8,957	4,007	44.74%
5,432	7,899	145.42%
6,003	1,957	32.60%
9,465	1,680	17.75%
$ 68,551	**$ 27,195**	**39.67%**

Capital Southeast Connector JPA
Private Sector Principal Employers
June 30, 2023 and 2014

	2023*			2014		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment**	**Employees**	**Rank**	**Percentage of Total County Employment**
UC Davis Healh System	16,075	1	2.30			
Kaiser Pemanente	10,934	2	1.56	9,109	2	1.47
Sutter/California Health Services	9,350	3	1.33	9,494	1	1.53
Dignity/Mercy Healthcare	7,353	4	1.05	7,397	3	1.19
Intel Corporation	5,000	5	0.71	6,000	5	0.97
Raley's Inc./Bel Air	2,756	6	0.39	6,240	4	1.01
Siemens Mobility Inc.	2,500	7	0.36			
Safeway	1,874	8	0.27			
Golden 1 Credit Union	1,776	9	0.25			
Pacific Gas and Electric Co.	1,370	10	0.20			
Wells Fargo & Co.				3,249	6	0.52
Hewlett-Packard				3,200	7	0.52
Cache Creek Casino Resort				2,400	8	0.39
Health Net of Califonia				2,358	9	0.38
VSP Global				2,223	10	0.36
Total	**58,988**		**8.42**	**51,670**		**8.34**

Source: June 30, 2023 Sacramento County Annual Comprehensive Financial Report (ACFR)
* Latest information available

Capital Southeast Connector JPA
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (000's)	Personal Income (000's)	Per Capital Personal Income	Unemployment Rate (percent)
2023*	1,588	$ 98,105,641	$ 61,775	3.9
2022	1,589	98,241,828	61,829	7.0
2021	1,559	90,908,707	58,307	9.3
2020	1,552	85,775,621	55,266	3.7
2019	1,541	80,969,087	52,544	3.8
2018	1,531	76,832,120	50,197	4.6
2017	1,514	72,878,458	48,122	5.4
2016	1,497	70,110,138	46,845	6.0
2015	1,478	65,486,553	44,303	7.3
2014	1,460	61,654,690	42,229	10.5

Source: June 30, 2023 Sacramento County Annual Comprehensive Financial Report (ACFR)
*Latest information available

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OTHER

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COMPLIANCE REPORT

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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Capital SouthEast Connector JPA
Mather, 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 the governmental activities and each major fund of the Capital SouthEast Connector JPA (the Connector JPA), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Connector JPA's basic financial statements, and have issued our report thereon dated November 5, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

Richardson & Company, LLP

November 5, 2024

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CAPITAL | SOUTHEAST
CONNECTOR JPA
Connecting Communities