

**SEVENTEENTH STREET COMMONS
(CONTRACT NUMBER 99-024-N)
A PROJECT OF THE
CAPITOL AREA DEVELOPMENT AUTHORITY
SACRAMENTO, CALIFORNIA**

Independent Auditor's Reports,
Financial Statements and Supplemental Information

For the Fiscal Years Ended June 30, 2008 and 2007

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
For the Fiscal Years Ended June 30, 2008 and 2007

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Sacramento, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Seventeenth Street Commons (Contract Number 99-024-N) (Project), a project of the Capitol Area Development Authority (Authority), as of and for the fiscal years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over the Project's financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A, the financial statements present only the Project and do not purport to, and do not, present fairly the financial position of the Authority, as of June 30, 2008 and 2007, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Project as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated November 28, 2008 on our consideration of the Authority's internal control over the Project's 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Project has not presented Management's Discussion and Analysis which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maciel Mini & O'Connell LLP

Certified Public Accountants
Sacramento, California
November 28, 2008

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Statements of Net Assets
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 465,684	\$ 354,770
Accounts receivable	-	6,440
Prepaid expenses	3,911	-
Restricted cash:		
Impounds	10,500	6,182
Tenant security deposits	19,069	18,936
Total restricted cash	<u>29,569</u>	<u>25,118</u>
Total current assets	<u>499,164</u>	<u>386,328</u>
Noncurrent assets:		
Restricted cash - reserve for replacements	36,563	24,657
Capital assets:		
Buildings and improvements, net of accumulated depreciation	<u>1,385,137</u>	<u>1,486,544</u>
Total noncurrent assets	<u>1,421,700</u>	<u>1,511,201</u>
Total assets	<u>1,920,864</u>	<u>1,897,529</u>
Liabilities		
Current liabilities:		
Accounts payable	4,982	3,364
Prepaid rent	977	-
Security deposits	19,069	18,936
Notes payable, current portion	<u>42,143</u>	<u>40,833</u>
Total current liabilities	<u>67,171</u>	<u>63,133</u>
Noncurrent liabilities:		
Notes payable	<u>1,634,343</u>	<u>1,676,486</u>
Total liabilities	<u>1,701,514</u>	<u>1,739,619</u>
Net Assets		
Invested in capital assets, net of related debt	(291,349)	(230,775)
Restricted for impounds and reserves	47,063	30,839
Unrestricted	<u>463,636</u>	<u>357,846</u>
Total net assets	<u>\$ 219,350</u>	<u>\$ 157,910</u>

See accompanying notes to financial statements.

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Statements of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenues		
Rental revenue, net	\$ 281,002	\$ 269,458
CADA annuity	51,175	1,505
Other revenues:		
Coin-operated laundry	1,788	1,962
Parking	7,291	8,341
Miscellaneous	736	1,067
	<u>341,992</u>	<u>282,333</u>
Operating expenses		
Payroll:		
On-site manager	10,200	9,840
Grounds and maintenance payroll	6,316	6,706
Payroll taxes and benefits	7,044	7,044
Total payroll	<u>23,560</u>	<u>23,590</u>
Administrative:		
Management fee	17,460	16,860
Audit	1,850	1,700
Media	336	850
Total administrative	<u>19,646</u>	<u>19,410</u>
Utilities:		
Electricity	4,311	3,615
Water and garbage	26,255	17,688
Gas	1,290	1,217
Total utilities	<u>31,856</u>	<u>22,520</u>
Operating and maintenance:		
Services and Supplies	5,046	2,598
Maintenance and repairs	18,030	15,579
Courtesy patrol	4,275	3,420
Decorating and painting	9,770	2,194
Operating budget major repairs	3,335	7,505
Total operating and maintenance	<u>40,456</u>	<u>31,296</u>
Insurance and taxes:		
Insurance	13,976	19,397
Property taxes	3,480	2,320
Total insurance and taxes	<u>17,456</u>	<u>21,717</u>
Depreciation	<u>101,407</u>	<u>97,822</u>
Total operating expenses	<u>234,381</u>	<u>216,355</u>
Operating income	<u>107,611</u>	<u>65,978</u>
Non-operating revenues (expenses)		
Interest income	23,506	18,676
Interest expense	(69,677)	(70,920)
Total non-operating expenses, net	<u>(46,171)</u>	<u>(52,244)</u>
Change in net assets	61,440	13,734
Net assets, beginning of year	<u>157,910</u>	<u>144,176</u>
Net assets, end of year	<u>\$ 219,350</u>	<u>\$ 157,910</u>

See accompanying notes to financial statements.

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Rental receipts	\$ 288,419	\$ 269,196
CADA annuity	51,175	1,505
Other receipts	9,815	11,370
Tenant security deposits received	3,715	2,450
Payroll and related costs	(23,560)	(23,590)
Administrative expenses	(19,646)	(19,410)
Utilities expense	(31,856)	(22,520)
Operating and maintenance expenses	(42,749)	(32,355)
Tenant security deposits paid	(3,582)	(1,475)
Insurance and taxes expense	(17,456)	(21,717)
Net cash provided by operating activities	<u>214,275</u>	<u>163,454</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant and equipment	-	(71,700)
Principal payment on debt	(40,833)	(39,590)
Interest paid on debt	(69,677)	(70,920)
Net cash used for capital and related financing activities	<u>(110,510)</u>	<u>(182,210)</u>
Cash flows from investing activities:		
Interest receipts	<u>23,506</u>	<u>18,676</u>
Net increase (decrease) in cash	127,271	(80)
Cash and cash equivalents, beginning of year	<u>404,545</u>	<u>404,625</u>
Cash and cash equivalents, end of year	<u>\$ 531,816</u>	<u>\$ 404,545</u>
Cash and cash equivalents	\$ 465,684	\$ 354,770
Restricted cash:		
Impounds	10,500	6,182
Tenant security deposits	19,069	18,936
Reserve for replacements	<u>36,563</u>	<u>24,657</u>
Total cash and cash equivalents	<u>\$ 531,816</u>	<u>\$ 404,545</u>

See accompanying notes to financial statements.

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2008 and 2007

	2008	2007
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 107,611	\$ 65,978
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	101,407	97,822
Changes in assets and liabilities:		
Accounts receivable	6,440	(262)
Prepaid expense	(3,911)	-
Accounts payable	1,618	(1,059)
Prepaid rent	977	-
Security deposits	133	975
Net cash provided by operating activities	\$ 214,275	\$ 163,454

See accompanying notes to financial statements.

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2008 and 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

In accordance with a regulatory agreement, dated June 23, 2003, the Capitol Area Development Authority (Authority) manages the Project. The Authority is a joint powers agency with a Board of Directors comprised of appointees of the City of Sacramento (City) and the State of California. The accompanying financial statements are not intended to present fairly the financial position or changes in financial position of the Authority in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Project is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. The Project distinguishes operating from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Project's ongoing operations. The principal operating revenue of the Project is rental income from tenants of its housing units. Operating expenses for the Project include employee services, administrative expenses, maintenance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*, the Authority has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

Cash, Cash Equivalents and Restricted Cash

The Project participates in the City's investment pool. The City Treasurer pools cash with other City funds and invests to maximize income consistent with safe and prudent investment practices within the guidelines of the City's investment policy. The City, as a charter city, has adopted its own investment guidelines to guide investment of City funds by the Treasurer. These guidelines are consistent with the requirements of Government Code Section 53601. The City Council provides regulatory oversight of the City's investment pool and reviews its investment policy on a quarterly basis. The estimated fair value of investments in the pool is based upon quoted market prices. However, the value of the pool shares in the City's investment pool that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Project's position in the pool. The City's investment pool is unrated and the weighted average maturity is 1.4 years and 1.0 year at June 30, 2008 and 2007, respectively. Detailed disclosures, including investment policies and associated risk policies, regarding the Project's cash and investments are included in the notes to the Authority's basic financial statements.

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2008 and 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Restricted Cash (Continued)

Restricted cash and cash equivalents include reserves for equipment replacement and operating expense reserves, insurance impounds, and tenant security deposits. As required by the regulatory agreement with the CalHFA, the Project makes monthly deposits to cover replacement reserve requirements, hazard insurance, earthquake insurance and property taxes. These impound funds are held by CalHFA and expenses are subject to supervision and approval by that agency. All such deposits are fully insured and collateralized by the mortgagor in the Authority's name.

For purposes of the statements of cash flows, the Authority considers cash and cash equivalents to include all pooled cash and investments, including restricted account balances, as these pooled balances have the general characteristic of a demand deposit account.

Capital Assets

Capital assets, which are defined by the Authority as assets with an initial, individual cost of more than \$3,000 and an estimated useful life beyond 1 year, are stated at cost. Depreciation is calculated using the straight-line method over an estimated useful life of 10 to 30 years. Maintenance and repair costs are expensed as incurred. The building is pledged as security for notes payable.

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. Actual results could differ from these estimates.

NOTE B - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Security deposits are held in the City's investment pool. The Project maintains interest-bearing impound deposits, reserve for replacements and operating expense reserves with CalHFA as required by the Authority's note payable with the CalHFA. All such deposits and reserves are entirely insured or collateralized with securities held by the mortgagor in the Authority's name.

The Project's cash and cash equivalents at June 30, 2008 and 2007 are listed below.

	<u>2008</u>	<u>2007</u>
City of Sacramento investment pool	\$ 484,753	\$ 373,706
Deposits with CalHFA	47,063	30,839
Total cash and cash equivalents	<u>\$ 531,816</u>	<u>\$ 404,545</u>

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2008 and 2007

NOTE C - TENANT SECURITY DEPOSITS

The Project collects security deposits from tenants at the inception of the tenant lease. These deposits, which are reported in these financial statements as restricted cash, are refundable to the tenants to the extent there are no unpaid rents or damages to the housing unit. Tenant security deposits held as of June 30, 2008 and 2007 amounted to \$19,069 and \$18,936, respectively.

NOTE D - CAPITAL ASSETS

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

	<u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2008</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 2,047,228	\$ -	\$ -	\$ -	\$ 2,047,228
Less accumulated depreciation for:					
Buildings and improvements	(560,684)	(101,407)	-	-	(662,091)
Capital assets being depreciated, net	<u>1,486,544</u>	<u>(101,407)</u>	<u>-</u>	<u>-</u>	<u>1,385,137</u>
Capital assets, net	<u>\$ 1,486,544</u>	<u>\$ (101,407)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,385,137</u>
	<u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2007</u>
Capital assets not being depreciated:					
Construction in progress	\$ 71,700	\$ -	\$ -	\$ (71,700)	-
Capital assets being depreciated:					
Buildings and improvements	1,975,528	-	-	71,700	2,047,228
Less accumulated depreciation for:					
Buildings and improvements	(462,862)	(97,822)	-	-	(560,684)
Capital assets being depreciated, net	<u>1,512,666</u>	<u>(97,822)</u>	<u>-</u>	<u>71,700</u>	<u>1,486,544</u>
Capital assets, net	<u>\$ 1,584,366</u>	<u>\$ (97,822)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,486,544</u>

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2008 and 2007

NOTE E - NOTES PAYABLE

Notes payable consist of the following:

	June 30,	
	2008	2007
To California Housing Finance Agency:		
Monthly installments of \$7,836, including principal and interest at 5.25% to August, 2034, secured by the Project	\$ 1,313,891	\$ 1,338,243
To Sacramento Housing Finance Agency:		
Non-interest bearing note with annual principal payments of \$16,481 beginning December, 2003 and maturing the year 2028, secured by the Project	362,595	379,076
	\$ 1,676,486	\$ 1,717,319

Future maturities on notes payable are as follows:

Years Ending June 30,	Principal	Interest	Total
2009	\$ 42,143	\$ 68,368	\$ 110,511
2010	43,525	66,988	110,513
2011	44,977	65,533	110,510
2012	46,510	64,001	110,511
2013	48,125	62,386	110,511
2014-2018	268,058	284,494	552,552
2019-2023	323,647	228,904	552,551
2024-2028	395,884	156,668	552,552
2029-2033	440,319	62,803	503,122
2034-2035	23,298	204	23,502
	\$ 1,676,486	\$ 1,060,349	\$ 2,736,835

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Notes to the Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2008 and 2007

NOTE E - NOTES PAYABLE (CONTINUED)

The following is a summary of the note payable transactions for the years ended June 30, 2008 and 2007:

<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Amounts due</u> <u>within one year</u>
\$ 1,717,319	\$ -	\$ (40,833)	\$ 1,676,486	\$ 42,143
<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Amounts due</u> <u>within one year</u>
\$ 1,756,909	\$ -	\$ (39,590)	\$ 1,717,319	\$ 40,833

NOTE F- ASSISTANCE FROM THE AUTHORITY

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

During the fiscal years ended June 30, 2008 and 2007, the project realized an excess of revenues over expenses (excluding depreciation) of \$162,847 and \$111,556, respectively. The Authority is committed to fund any future deficits with contributions, as required.

NOTE G - COMMITMENTS

The project awarded an exterior painting contract for the amount of \$67,840. The painting project commenced in September 2008 and was completed in October 2008.

SUPPLEMENTAL INFORMATION

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Supplemental Information Required by the
California Housing Finance Agency
For the Fiscal Year Ended June 30, 2008

Cash

Unrestricted account:	
Operating account	<u>\$ 465,684</u>
Restricted accounts:	
Impounds	\$ 10,500
Tenant security deposits	19,069
Reserve for replacements	<u>36,563</u>
Total restricted accounts	<u>\$ 66,132</u>

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

Operating Expense and Replacement Reserves

In accordance with the provisions of the regulatory agreement, reserve accounts are maintained in accounts by CalHFA to be used for operating contingencies and replacements of property. Withdrawals are made upon approval by CalHFA. Activity during the year included:

	Reserve for <u>Replacements</u>
Balance, June 30, 2007	<u>\$ 24,657</u>
Deposits	10,150
Withdrawals	-
Interest income	<u>1,756</u>
Balance, June 30, 2008	<u><u>\$ 36,563</u></u>

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Supplemental Information Required by the
California Housing Finance Agency (Continued)
For the Fiscal Year Ended June 30, 2008

Impound Accounts

	<u>Taxes</u>	<u>Hazard Insurance</u>	<u>Earthquake Insurance</u>	<u>Total</u>
Balance at June 30, 2007	\$ 186	\$ 2,302	\$ 3,694	\$ 6,182
Deposits	15	9,790	4,372	14,177
Releases by CalHFA	(625)	-	-	(625)
Interest earned	424	407	-	831
Payments applied	<u>-</u>	<u>(7,069)</u>	<u>(2,996)</u>	<u>(10,065)</u>
Balance at June 30, 2008	<u>\$ -</u>	<u>\$ 5,430</u>	<u>\$ 5,070</u>	<u>\$ 10,500</u>

Capital Assets

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

Balance at inception, fiscal year 1999	\$ 1,240,000
Additions, fiscal year:	
2002	454,809
2003	60,312
2004	69,927
2005	110,231
2006	111,949
2007	-
2008	-
	<u>\$ 2,047,228</u>

Accounts Payable

Accounts payable consist of \$4,982 payable to suppliers that are being paid on a current basis.

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Supplemental Information Required by the
California Housing Finance Agency (Continued)
For the Fiscal Year Ended June 30, 2008

Gross Potential Rents

Gross potential rents includes:	
Qualified tenant rental income	\$ 53,388
Other tenant rental income	275,926
Vacancy loss	5,748
Total gross potential rent	<u>\$ 335,062</u>

Surplus Cash Computation

Add:	
Cash and cash equivalents	\$ 465,684
Tenant security deposits	19,069
Total available	<u>484,753</u>
Less - current obligations:	
Accounts payable	4,982
Tenant security deposits	19,069
Total current obligations	<u>24,051</u>
Surplus cash at end of year	<u>\$ 460,702</u>
Maximum distributions allowed under the regulatory agreement with CalHFA	<u>\$ -</u>

Accumulated Limited Distributions

At inception, there were no allowable accumulated limited distributions unpaid. Also, there were no accumulated limited distributions paid during the year.

OTHER REPORT



MACIAS GINI & O'CONNELL LLP
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Board of Directors
Capitol Area Development Authority
Sacramento, California

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

We have audited the financial statements of Seventeenth Street Commons, (Contract Number 99-024-N) (Project), a project of the Capitol Area Development Authority (Authority), as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated November 28, 2008. Our opinion includes an explanatory paragraph describing that the financial statements presents only the Project and does not purport to, and do not, present fairly the financial position or changes in the financial position of the Capitol Area Development Authority. 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.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of the Board of Directors, management, the California Housing Finance Agency and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.


Maciar Mini & O'Connell LLP

Certified Public Accountants

Sacramento, California
November 28, 2008

**SEVENTEENTH STREET COMMONS
CalHFA DEVELOPMENT NO. 99-024-N
A PROJECT OF THE CAPITOL AREA DEVELOPMENT AUTHORITY
CERTIFICATION OF OFFICERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

We, as officers of Capitol Area Development Authority (A Joint Powers Authority), hereby certify that we have examined the accompanying financial statements and supplemental data of Seventeenth Street Commons as of and for the fiscal year ended June 30, 2008, and, to the best of our knowledge and belief, these financial statements and data are complete and accurate.


Name

Executive Director
Title

11/28/08
Date


Name

Accounting manager
Title

11/28/08
Date