

**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, 2013 and 2012

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
For the Fiscal Years Ended June 30, 2013 and 2012

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INDEPENDENT AUDITOR’S REPORT

Board of Directors
Capitol Area Development Authority
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Seventeenth Street Commons (Contract Number 99-024-N) (the Project), a project of the Capitol Area Development Authority (Authority) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions 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 from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013 and 2012, 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.

Opinions

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, 2013 and 2012, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 12 to 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013, on our consideration of the Authority'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 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 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 Authority's internal control over financial reporting and compliance.

Maciae Mini & O'Connell LLP

Sacramento, California

December 10, 2013

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Statements of Net Position
June 30, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 561,941	\$ 522,686
Accounts receivable	931	3,117
Prepaid expense	16,515	15,780
Restricted cash:		
Insurance impounds	14,923	11,471
Tenant security deposits	21,573	21,039
Total restricted cash	36,496	32,510
Total current assets	615,883	574,093
Noncurrent assets:		
Restricted cash - reserve for replacements	76,906	66,095
Capital assets:		
Building and Improvements	2,141,064	2,141,064
Less: accumulated depreciation	(1,195,548)	(1,087,882)
Net investment in capital assets	945,516	1,053,182
Total noncurrent assets	1,022,422	1,119,277
Total assets	1,638,305	1,693,370
Liabilities		
Current liabilities:		
Accounts payable	10,541	9,401
Prepaid rent	1,192	2,170
Tenant security deposits	21,573	21,039
Notes payable, current portion	49,827	48,125
Total current liabilities	83,133	80,735
Noncurrent liabilities:		
Notes payable, net of current portion	1,401,383	1,451,209
Total liabilities	1,484,516	1,531,944
Net Position		
Net investment in capital assets	(505,694)	(446,152)
Restricted for impounds and reserves	91,829	77,566
Unrestricted	567,654	530,012
Total net position	\$ 153,789	\$ 161,426

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 Position
For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues		
Rental revenue, net	\$ 308,244	\$ 299,953
Other revenues:		
Coin-operated laundry	1,340	1,231
Parking	12,926	12,190
Miscellaneous	<u>663</u>	<u>772</u>
Total operating revenues	<u>323,173</u>	<u>314,146</u>
Operating expenses		
Payroll:		
On-site manager	11,472	11,472
Grounds and maintenance payroll	10,224	9,457
Payroll taxes and benefits	<u>8,364</u>	<u>8,364</u>
Total payroll	<u>30,060</u>	<u>29,293</u>
Administrative:		
Management fee	21,444	20,520
Audit	2,217	2,152
Media	<u>516</u>	<u>516</u>
Total administrative	<u>24,177</u>	<u>23,188</u>
Utilities:		
Electricity	6,022	4,945
Water and garbage	29,579	30,265
Gas	<u>168</u>	<u>930</u>
Total utilities	<u>35,769</u>	<u>36,140</u>
Operating and maintenance:		
Services and supplies	3,304	3,674
Maintenance and repairs	22,675	18,528
Courtesy patrol	4,944	4,716
Decorating and painting	<u>18,441</u>	<u>10,029</u>
Total operating and maintenance	<u>49,364</u>	<u>36,947</u>
Insurance and taxes:		
Insurance	24,378	24,407
Property taxes	<u>3,794</u>	<u>2,304</u>
Total insurance and taxes	<u>28,172</u>	<u>26,711</u>
Depreciation	<u>107,666</u>	<u>107,663</u>
Total operating expenses	<u>275,208</u>	<u>259,942</u>
Operating income	<u>47,965</u>	<u>54,204</u>
Non-operating revenues (expenses)		
Interest income	6,783	11,093
Interest expense	<u>(62,385)</u>	<u>(64,001)</u>
Total non-operating expenses, net	<u>(55,602)</u>	<u>(52,908)</u>
Change in net position	(7,637)	1,296
Net position, beginning of year	<u>161,426</u>	<u>160,130</u>
Net position, end of year	<u>\$ 153,789</u>	<u>\$ 161,426</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Rental receipts	\$ 309,452	\$ 300,519
Other receipts	14,929	14,193
Tenant security deposits received	12,065	5,945
Payroll and related costs	(30,060)	(29,293)
Administrative expenses	(24,177)	(23,188)
Utilities expense	(35,769)	(36,140)
Operating and maintenance expenses	(48,959)	(38,119)
Tenant security deposits paid	(11,531)	(5,474)
Insurance and taxes expense	(28,172)	(26,711)
Net cash provided by operating activities	<u>157,778</u>	<u>161,732</u>
Cash flows from capital and related financing activities:		
Principal payment on debt	(48,124)	(46,510)
Interest paid on debt	(62,385)	(64,001)
Net cash used in capital and related financing activities	<u>(110,509)</u>	<u>(110,511)</u>
Cash flows from investing activities:		
Interest receipts	<u>6,783</u>	<u>11,093</u>
Net increase in cash and cash equivalents	54,052	62,314
Cash and cash equivalents, beginning of year	<u>621,291</u>	<u>558,977</u>
Cash and cash equivalents, end of year	<u>\$ 675,343</u>	<u>\$ 621,291</u>
Reconciliation to the Statements of Net Position:		
Cash and cash equivalents	\$ 561,941	\$ 522,686
Restricted cash:		
Insurance impounds	14,923	11,471
Tenant security deposits	21,573	21,039
Reserve for replacements	<u>76,906</u>	<u>66,095</u>
Total cash and cash equivalents	<u>\$ 675,343</u>	<u>\$ 621,291</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 (Continued)
For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 47,965	\$ 54,204
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	107,666	107,663
Changes in assets and liabilities:		
Accounts receivable	2,186	(763)
Prepaid expense	(735)	(476)
Accounts payable	1,140	(696)
Prepaid rent	(978)	1,329
Tenant security deposits	534	471
Net cash provided by operating activities	<u>\$ 157,778</u>	<u>\$ 161,732</u>

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, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

In accordance with a regulatory agreement, dated 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 and cash flows 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 flow occurs. 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. When both restricted and unrestricted resources are available for use, it is the Project's policy to use restricted resources first, then unrestricted resources as needed.

Cash, Cash Equivalents and Restricted Cash

The Project participates in the City's investment pool. The City Treasurer pools cash and other City funds and invests to maximize income consistent with safe and prudent investment practices within the guidelines of the City's investment policy. The City, as a charter city, has adopted its own investment guidelines to guide investment of City funds by the Treasurer. These guidelines are consistent with the requirements of California Government Code Section 53601. The City Council provides regulatory oversight of the City's investment pool and reviews its investment policy on a quarterly basis. The estimated fair value of investments in the pool is based upon the quoted market price. However, the value of the pool shares in the City's investment pool that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Project's position in the pool. The City's investment pool is unrated and the weighted average maturity is 1.47 years and 1.89 years as of June 30, 2013 and 2012, 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, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Restricted Cash (Continued)

Cash and cash equivalents represent operating accounts while restricted cash represents replacement reserves, insurance impounds, and tenant security deposits. Replacement reserves and insurance impound accounts are held in an interest bearing account by CalHFA. As required by the Authority's regulatory agreement with the CalHFA, the Project makes monthly deposits to cover replacement reserve requirements, hazard insurance, and earthquake insurance expenses. All disbursements from the CalHFA accounts are subject to supervision and approval by CalHFA. All such deposits and reserves are entirely insured or collateralized with securities held by the mortgagor in the Project's name.

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

Capital Assets

Capital assets, which are defined by the Authority as assets with an initial, individual cost of more than \$3,000 and an estimated useful life beyond one year, are stated at cost. 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 Project does not own land, only the building on the land and therefore there is no non-depreciable capital asset disclosed. The Project's 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

The Project's cash and cash equivalents at June 30, 2013 and 2012 are listed below.

	<u>2013</u>	<u>2012</u>
City of Sacramento investment pool	\$ 565,628	\$ 515,123
Deposit Account	17,886	28,602
Deposits with CalHFA	<u>91,829</u>	<u>77,566</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 675,343</u>	<u>\$ 621,291</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, 2013 and 2012

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, 2013 and 2012, amounted to \$21,573 and \$21,039, respectively.

NOTE D - CAPITAL ASSETS

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

	<u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2013</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 2,141,064	\$ -	\$ -	\$ -	\$ 2,141,064
Less accumulated depreciation for:					
Buildings and improvements	<u>(1,087,882)</u>	<u>(107,666)</u>	<u>-</u>	<u>-</u>	<u>(1,195,548)</u>
Capital assets, net	<u>\$ 1,053,182</u>	<u>\$ (107,666)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 945,516</u>
	<u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2012</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 2,141,064	\$ -	\$ -	\$ -	\$ 2,141,064
Less accumulated depreciation for:					
Buildings and improvements	<u>(980,219)</u>	<u>(107,663)</u>	<u>-</u>	<u>-</u>	<u>(1,087,882)</u>
Capital assets, net	<u>\$ 1,160,845</u>	<u>\$ (107,663)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,160,845</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, 2013 and 2012

NOTE E - NOTES PAYABLE

Notes payable consist of the following:

	June 30,	
	2013	2012
To California Housing Finance Agency:		
Monthly installments of \$7,836, including principal and interest at 5.25% annually to August, 2034, secured by the Project.	\$ 1,171,020	\$ 1,202,663
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.	280,190	296,671
	\$ 1,451,210	\$ 1,499,334

Future maturities on notes payable are as follows:

Years Ending June 30,	Principal	Interest	Total
2014	\$ 49,827	\$ 60,684	\$ 110,511
2015	51,620	58,890	110,510
2016	53,510	57,001	110,511
2017	55,501	55,009	110,510
2018	57,600	52,910	110,510
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	23,302	204	23,506
	\$ 1,451,210	\$ 733,073	\$ 2,184,283

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, 2013 and 2012

NOTE E - NOTES PAYABLE (CONTINUED)

The following is a summary of the note payable transactions for the fiscal ended June 30, 2013 and 2012:

<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amounts due</u> <u>within one year</u>
<u>\$ 1,499,334</u>	<u>\$ -</u>	<u>\$ (48,124)</u>	<u>\$ 1,451,210</u>	<u>\$ 49,827</u>
<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amounts due</u> <u>within one year</u>
<u>\$ 1,545,844</u>	<u>\$ -</u>	<u>\$ (46,510)</u>	<u>\$ 1,499,334</u>	<u>\$ 48,125</u>

NOTE F - ASSISTANCE FROM THE AUTHORITY

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

During the fiscal years ended June 30, 2013 and 2012, the Project realized an excess of revenues over expenses (excluding depreciation) of \$100,029 and \$108,959, respectively. The Authority has committed to fund any future deficits with contributions, as required.

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, 2013

Cash and cash equivalents	
Unrestricted account:	
Operating account	<u>\$ 561,941</u>
Restricted accounts:	
Insurance and tax impounds	14,923
Tenant security deposits	21,573
Reserve for replacements	<u>76,906</u>
Total restricted accounts	<u>113,402</u>
 Total Cash and cash equivalents	 <u><u>\$ 675,343</u></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.

Reserves for Replacements

In accordance with the provisions of the regulatory agreement, reserve accounts are maintained in accounts by CalHFA to be used for replacements of property. Withdrawals are made upon approval by CalHFA. Activity during the fiscal year ended June 30, 2013, was as follows:

	<u>Reserve for</u> <u>Replacements</u>
Balance, June 30, 2012	\$ 66,095
Deposits	10,584
Interest income	227
Balance, June 30, 2013	<u><u>\$ 76,906</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, 2013

Impound Accounts

	<u>Hazard Insurance</u>	<u>Earthquake Insurance</u>	<u>Total</u>
Balance at June 30, 2012	\$ 9,916	\$ 1,555	\$ 11,471
Deposits	8,958	6,823	15,781
Interest earned	35	-	35
CHFA adjustment	(2,237)	2,237	-
Payments applied	(7,412)	(4,952)	(12,364)
Balance at June 30, 2013	<u>\$ 9,260</u>	<u>\$ 5,663</u>	<u>\$ 14,923</u>

Capital Assets

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

	<u>Building & Improvements</u>
Capital assets balance, June 30, 2012	\$ 2,141,064
Additions	-
Capital assets balance, June 30, 2013	<u>\$ 2,141,064</u>

Accounts Payable

Accounts payable in the amount of \$10,541 represents payables to suppliers. All accounts payable are current.

Gross Potential Rents

Gross potential rents includes:

Qualified tenant rental income	\$ 69,074
Other tenant rental income	370,126
Vacancy loss	(34,302)
Total gross potential rents	<u>\$ 404,898</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, 2013

Management Fee

A property management fee of \$21,444 was incurred during 2013 for the property management services provided by the Agency.

Operating Cash Flow/Surplus Cash Computation

Operation Income	
Total income	\$ 329,956
Interest earned on restricted reserve accounts	(263)
Adjusted operation income	<u>329,693</u>
Operating expenses	<u>(167,542)</u>
Adjusted net income	162,151
Other activity	
Debt service	(110,509)
Deposits into Replacement Reserve Account	(10,584)
Total Other activity	<u>(121,093)</u>
Operating Cash Flow/Surplus Cash	<u><u>\$ 41,058</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

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

Board of Directors
Capitol Area Development Authority
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Seventeenth Street Commons (Contract Number 99-024-N) (Project), a project of the Capitol Area Development Authority (Authority), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 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*.

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.

Macie Mei & O'Connell LLP

Sacramento, California
December 10, 2013

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Certification of Officers
For the Fiscal Year Ended June 30, 2013

We, as officers of Capitol Area Development Authority (Joint Powers Authority), hereby certify that we have examined the accompanying financial statements and supplemental data of Seventeenth Street Commons as of and for the fiscal year ended June 30, 2013, and, to the best of our knowledge and belief, these financial statements and data are complete and accurate.

 Name	<u>Executive Director</u> Title	<u>12-8-13</u> Date
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 Name	<u>Controller</u> Title	<u>12-8-13</u> Date
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