

**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, 2011 and 2010

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
For the Fiscal Years Ended June 30, 2011 and 2010

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Board of Directors
Capitol Area Development Authority
Sacramento, California

INDEPENDENT AUDITOR’S REPORT

We have audited the accompanying financial statements of Seventeenth Street Commons (Contract Number 99-024-N) (the Project), a project of the Capitol Area Development Authority (Authority) as of and for the fiscal years ended June 30, 2011 and 2010, 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 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, 2011 and 2010, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Project as of June 30, 2011 and 2010, 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 December 1, 2011 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 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.

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.

Macie Mini & O'Connell LLP

Sacramento, California
December 1, 2011

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Statements of Net Assets
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 467,995	\$ 446,579
Accounts receivable	2,354	15,397
Prepaid expenses	15,304	14,482
Restricted cash:		
Insurance impounds	15,135	13,819
Tenant security deposits	20,568	21,039
Total restricted cash	<u>35,703</u>	<u>34,858</u>
Total current assets	<u>521,356</u>	<u>511,316</u>
Noncurrent assets:		
Restricted cash - reserve for replacements	55,279	44,405
Capital assets:		
Buildings and improvements, net of accumulated depreciation	<u>1,160,845</u>	<u>1,268,508</u>
Total noncurrent assets	<u>1,216,124</u>	<u>1,312,913</u>
Total assets	<u>1,737,480</u>	<u>1,824,229</u>
Liabilities		
Current liabilities:		
Accounts payable	10,097	26,728
Prepaid rent	841	725
Tenant security deposits	20,568	21,039
Notes payable, current portion	<u>46,510</u>	<u>44,977</u>
Total current liabilities	<u>78,016</u>	<u>93,469</u>
Noncurrent liabilities:		
Notes payable	<u>1,499,334</u>	<u>1,545,844</u>
Total liabilities	<u>1,577,350</u>	<u>1,639,313</u>
Net Assets		
Invested in capital assets, net of related debt	(384,999)	(322,313)
Restricted for impounds and reserves	70,414	58,224
Unrestricted	<u>474,715</u>	<u>449,005</u>
Total net assets	<u>\$ 160,130</u>	<u>\$ 184,916</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues		
Rental revenue, net	\$ 289,549	\$ 276,695
Other revenues:		
Coin-operated laundry	1,923	1,669
Parking	6,794	6,916
Miscellaneous	<u>2,261</u>	<u>2,274</u>
Total operating revenues	<u>300,527</u>	<u>287,554</u>
Operating expenses		
Payroll:		
On-site manager	11,472	11,028
Grounds and maintenance payroll	12,392	7,302
Payroll taxes and benefits	<u>7,764</u>	<u>7,548</u>
Total payroll	<u>31,628</u>	<u>25,878</u>
Administrative:		
Management fee	19,632	18,876
Audit	2,090	2,029
Media	<u>516</u>	<u>540</u>
Total administrative	<u>22,238</u>	<u>21,445</u>
Utilities:		
Electricity	5,306	5,546
Water and garbage	29,900	24,328
Gas	<u>1,160</u>	<u>1,201</u>
Total utilities	<u>36,366</u>	<u>31,075</u>
Operating and maintenance:		
Services and supplies	5,802	5,402
Maintenance and repairs	27,256	20,094
Courtesy patrol	4,716	4,716
Decorating and painting	<u>5,469</u>	<u>20,830</u>
Total operating and maintenance	<u>43,243</u>	<u>51,042</u>
Insurance and taxes:		
Insurance	23,350	21,310
Property taxes	<u>3,656</u>	<u>1,483</u>
Total insurance and taxes	<u>27,006</u>	<u>22,793</u>
Depreciation	<u>107,663</u>	<u>106,797</u>
Total operating expenses	<u>268,144</u>	<u>259,030</u>
Operating income	<u>32,383</u>	<u>28,524</u>
Non-operating revenues (expenses)		
Interest income	8,364	9,653
Interest expense	<u>(65,533)</u>	<u>(66,988)</u>
Total non-operating expenses, net	<u>(57,169)</u>	<u>(57,335)</u>
Change in net assets	(24,786)	(28,811)
Net assets, beginning of year	<u>184,916</u>	<u>213,727</u>
Net assets, end of year	<u>\$ 160,130</u>	<u>\$ 184,916</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Rental receipts	\$ 302,708	\$ 260,851
Other receipts	10,978	10,859
Tenant security deposits received	4,690	9,845
Payroll and related costs	(31,628)	(25,878)
Administrative expenses	(22,238)	(21,445)
Utilities expense	(36,366)	(31,075)
Operating and maintenance expenses	(60,696)	(56,029)
Tenant security deposits paid	(5,161)	(8,367)
Insurance and taxes expense	(27,006)	(22,793)
Net cash provided by operating activities	<u>135,281</u>	<u>115,968</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant and equipment	-	(2,000)
Principal payment on debt	(44,977)	(43,523)
Interest paid on debt	(65,533)	(66,988)
Net cash used for capital and related financing activities	<u>(110,510)</u>	<u>(112,511)</u>
Cash flows from investing activities:		
Interest receipts	<u>8,364</u>	<u>9,653</u>
Net increase in cash and cash equivalents	33,135	13,110
Cash and cash equivalents, beginning of year	<u>525,842</u>	<u>512,732</u>
Cash and cash equivalents, end of year	<u>\$ 558,977</u>	<u>\$ 525,842</u>
Reconciliation to the Statement of Net Assets:		
Cash and cash equivalents	\$ 467,995	\$ 446,579
Restricted cash:		
Insurance impounds	15,135	13,819
Tenant security deposits	20,568	21,039
Reserve for replacements	<u>55,279</u>	<u>44,405</u>
Total cash and cash equivalents	<u>\$ 558,977</u>	<u>\$ 525,842</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 32,383	\$ 28,524
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	107,663	106,797
Changes in assets and liabilities:		
Accounts receivable	13,043	(15,397)
Prepaid expense	(822)	(2,532)
Accounts payable	(16,631)	(2,455)
Prepaid rent	116	(447)
Tenant security deposits	(471)	1,478
Net cash provided by operating activities	<u>\$ 135,281</u>	<u>\$ 115,968</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, 2011 and 2010

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.

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 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 1.42 years and 1.41 years as of June 30, 2011 and 2010, 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, 2011 and 2010

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 represent replacement reserves, insurance impounds, and tenant security deposits. Replacement reserve 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 nondepreciable 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, 2011 and 2010 are listed below.

	<u>2011</u>	<u>2010</u>
City of Sacramento investment pool	\$ 477,868	\$ 467,618
Deposit Account	10,695	-
Deposits with CalHFA	<u>70,414</u>	<u>58,224</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 558,977</u>	<u>\$ 525,842</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, 2011 and 2010

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, 2011 and 2010, amounted to \$20,568 and \$21,039, respectively.

NOTE D - CAPITAL ASSETS

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

	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2011</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 2,141,064	\$ -	\$ -	\$ -	\$ 2,141,064
Less accumulated depreciation for:					
Buildings and improvements	<u>(872,556)</u>	<u>(107,663)</u>	<u>-</u>	<u>-</u>	<u>(980,219)</u>
Capital assets, net	<u>\$ 1,268,508</u>	<u>\$ (107,663)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,160,845</u>
	<u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2010</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 2,115,068	\$ 25,996	\$ -	\$ -	\$ 2,141,064
Less accumulated depreciation for:					
Buildings and improvements	<u>(765,759)</u>	<u>(106,797)</u>	<u>-</u>	<u>-</u>	<u>(872,556)</u>
Capital assets, net	<u>\$ 1,349,309</u>	<u>\$ (80,801)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,268,508</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, 2011 and 2010

NOTE E - NOTES PAYABLE

Notes payable consist of the following:

	June 30,	
	2011	2010
To California Housing Finance Agency:		
Monthly installments of \$7,836, including principal and interest at 5.25% to August, 2034, secured by the Project	\$ 1,232,692	\$ 1,261,187
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	313,152	329,634
	\$ 1,545,844	\$ 1,590,821

Future maturities on notes payable are as follows:

Years Ending June 30,	Principal	Interest	Total
2012	\$ 46,510	\$ 64,001	\$ 110,511
2013	48,125	62,386	110,511
2014	49,827	60,684	110,511
2015	51,620	58,890	110,510
2016	53,510	57,001	110,511
2017-2021	299,651	252,900	552,551
2022-2026	364,702	187,849	552,551
2027-2031	432,763	103,321	536,084
2032-2034	199,136	12,428	211,563
	\$ 1,545,844	\$ 859,460	\$ 2,405,303

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, 2011 and 2010

NOTE E - NOTES PAYABLE (CONTINUED)

The following is a summary of the note payable transactions for the years ended June 30, 2011 and 2010:

<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Amounts due</u> <u>within one year</u>
<u>\$ 1,590,821</u>	<u>\$ -</u>	<u>\$ (44,977)</u>	<u>\$ 1,545,844</u>	<u>\$ 46,510</u>
 <u>Balance</u> <u>July 1, 2009</u>	 <u>Additions</u>	 <u>Retirements</u>	 <u>Balance</u> <u>June 30, 2010</u>	 <u>Amounts due</u> <u>within one year</u>
 <u>\$ 1,634,344</u>	 <u>\$ -</u>	 <u>\$ (43,523)</u>	 <u>\$ 1,590,821</u>	 <u>\$ 44,977</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, 2011 and 2010, the Project realized an excess of revenues over expenses (excluding depreciation) of \$82,877 and \$77,986, 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, 2011

Cash and cash equivalents	
Unrestricted account:	
Operating account	<u>\$ 467,995</u>
Restricted accounts:	
Insurance and tax impounds	15,135
Tenant security deposits	20,568
Reserve for replacements	<u>55,279</u>
Total restricted accounts	<u>90,982</u>
Total Cash and cash equivalents	<u><u>\$ 558,977</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, 2011 was as follows:

	<u>Reserve for</u> <u>Replacements</u>
Balance, June 30, 2010	\$ 44,405
Deposits	10,584
Interest income	290
Withdrawals	<u>-</u>
Balance, June 30, 2011	<u><u>\$ 55,279</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, 2011

Impound Accounts

	Hazard Insurance	Earthquake Insurance	Total
Balance at June 30, 2010	\$ 9,713	\$ 4,106	\$ 13,819
Deposits	9,315	3,620	12,935
Interest earned	64	-	64
CHFA adjustment	600	(600)	-
Payments applied	<u>(8,543)</u>	<u>(3,140)</u>	<u>(11,683)</u>
Balance at June 30, 2011	\$ 11,149	\$ 3,986	\$ 15,135

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
2009	67,840
2010	25,996
	<u>\$ 2,141,064</u>

Accounts Payable

Accounts payable in the amount of \$10,097 represents payables to suppliers. All accounts payable are current.

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, 2011

Gross Potential Rents

Gross potential rents includes:	
Qualified tenant rental income	\$ 61,803
Other tenant rental income	336,711
Vacancy loss	(21,151)
Total gross potential rent	<u>\$ 377,363</u>

Surplus Cash Computation

Add:	
Cash and cash equivalents	\$ 467,995
Tenant security deposits	20,568
Total available	<u>488,563</u>
Less - current obligations:	
Accounts payable	10,097
Tenant security deposits	20,568
Total current obligations	<u>30,665</u>
Surplus cash and cash equivalents at end of year	<u>\$ 457,898</u>

Maximum distributions allowed under the regulatory agreement with CalHFA	<u>\$ -</u>
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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

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, 2011, and have issued our report thereon dated December 1, 2011. Our report includes an explanatory paragraph describing that the financial statements present only a Project of the 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

Management of the Authority is responsible for establishing and maintaining effective 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 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

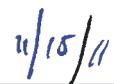
This report is intended solely for the information and use of the Board of Directors, management, the California Housing Finance Authority and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Maciel Mini & O'Connell LLP

Sacramento, California
December 1, 2011

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, 2011

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, 2011, and, to the best of our knowledge and belief, these financial statements and data are complete and accurate.

		
Name	Title	Date

		
Name	Title	Date