

**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, 2015 and 2014



Certified  
Public  
Accountants

**SEVENTEENTH STREET COMMONS**  
**(Contract Number 99-024-N)**  
**A Project of the Capitol Area Development Authority**

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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 fiscal years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Project's basic 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 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 and the requirements of the *Audited Financial Statement Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency*. 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 opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Seventeenth Street Commons (Contract Number 99-024-N) as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

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, 2015 and 2014, 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. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

*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 11 to 13 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic 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 3, 2015 on our consideration of the Authority's internal control over financial reporting as it relates to the Project 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* in considering the Authority's internal control over financial reporting and compliance.



Sacramento, California  
December 3, 2015

**SEVENTEENTH STREET COMMONS**  
**(Contract Number 99-024-N)**  
**A Project of the Capitol Area Development Authority**  
Statements of Net Position  
June 30, 2015 and 2014

|  | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|
| <b>Assets</b>                              |             |             |
| Current assets:                            |             |             |
| Cash and cash equivalents                  | \$ 587,106  | \$ 566,726  |
| Accounts receivable                        | 2,934       | 1,964       |
| Prepaid expense                            | 425         | 10,346      |
| Restricted cash:                           |             |             |
| Insurance impounds                         | 17,022      | 15,152      |
| Tenant security deposits                   | 19,064      | 21,250      |
| Total restricted cash                      | 36,086      | 36,402      |
| Total current assets                       | 626,551     | 615,438     |
| Noncurrent assets:                         |             |             |
| Restricted cash - reserve for replacements | 98,471      | 87,670      |
| Capital assets:                            |             |             |
| Construction in progress                   | 20,000      | -           |
| Building and Improvements                  | 2,141,064   | 2,141,064   |
| Less: accumulated depreciation             | (1,400,120) | (1,299,120) |
| Total capital assets                       | 760,944     | 841,944     |
| Total noncurrent assets                    | 859,415     | 929,614     |
| Total assets                               | 1,485,966   | 1,545,052   |
| <b>Liabilities</b>                         |             |             |
| Current liabilities:                       |             |             |
| Accounts payable                           | 5,420       | 2,924       |
| Prepaid rent                               | 2,042       | 1,057       |
| Tenant security deposits                   | 19,064      | 21,250      |
| Notes payable, current portion             | 53,510      | 51,620      |
| Total current liabilities                  | 80,036      | 76,851      |
| Noncurrent liabilities:                    |             |             |
| Notes payable, net of current portion      | 1,296,253   | 1,349,763   |
| Total liabilities                          | 1,376,289   | 1,426,614   |
| <b>Net Position</b>                        |             |             |
| Net investment in capital assets           | (588,819)   | (559,439)   |
| Restricted for impounds and reserves       | 115,493     | 102,822     |
| Unrestricted                               | 583,003     | 575,055     |
| Total net position                         | \$ 109,677  | \$ 118,438  |

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, 2015 and 2014

|  | <u>2015</u>       | <u>2014</u>       |
|--|-------------------|-------------------|
| <b>Operating revenues</b>                |                   |                   |
| Rental revenue, net                      | \$ 298,118        | \$ 297,504        |
| Other revenues:                          |                   |                   |
| Coin-operated laundry                    | 3,021             | 2,668             |
| Parking                                  | 12,779            | 12,937            |
| Miscellaneous                            | 2,864             | 1,876             |
| Total operating revenues                 | <u>316,782</u>    | <u>314,985</u>    |
| <b>Operating expenses</b>                |                   |                   |
| Payroll:                                 |                   |                   |
| On-site manager                          | 11,880            | 11,472            |
| Grounds and maintenance payroll          | 13,224            | 14,316            |
| Payroll taxes and benefits               | 8,580             | 8,364             |
| Total payroll                            | <u>33,684</u>     | <u>34,152</u>     |
| Administrative:                          |                   |                   |
| Management fee                           | 23,400            | 22,416            |
| Audit                                    | 2,285             | 2,285             |
| Media                                    | 540               | 540               |
| Total administrative                     | <u>26,225</u>     | <u>25,241</u>     |
| Utilities:                               |                   |                   |
| Electricity                              | 5,171             | 5,542             |
| Water and garbage                        | 27,021            | 27,377            |
| Gas                                      | 1,533             | 1,433             |
| Total utilities                          | <u>33,725</u>     | <u>34,352</u>     |
| Operating and maintenance:               |                   |                   |
| Services and supplies                    | 6,528             | 9,962             |
| Maintenance and repairs                  | 24,826            | 26,201            |
| Courtesy patrol                          | 5,196             | 5,196             |
| Decorating and painting                  | 13,413            | 23,374            |
| Total operating and maintenance          | <u>49,963</u>     | <u>64,733</u>     |
| Insurance and taxes:                     |                   |                   |
| Insurance                                | 23,429            | 29,902            |
| Property taxes                           | 3,582             | 2,276             |
| Total insurance and taxes                | <u>27,011</u>     | <u>32,178</u>     |
| Depreciation                             | 101,000           | 103,572           |
| Total operating expenses                 | <u>271,608</u>    | <u>294,228</u>    |
| Operating income                         | <u>45,174</u>     | <u>20,757</u>     |
| <b>Non-operating revenues (expenses)</b> |                   |                   |
| Interest income                          | 4,955             | 4,576             |
| Interest expense                         | (58,890)          | (60,684)          |
| Total non-operating expenses, net        | <u>(53,935)</u>   | <u>(56,108)</u>   |
| Change in net position                   | (8,761)           | (35,351)          |
| Net position, beginning of year          | 118,438           | 153,789           |
| Net position, end of year                | <u>\$ 109,677</u> | <u>\$ 118,438</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, 2015 and 2014

|   | <u>2015</u>       | <u>2014</u>       |
|---|-------------------|-------------------|
| Cash flows from operating activities:                     |                   |                   |
| Rental receipts   | \$ 298,133        | \$ 296,336        |
| Other receipts  | 18,664            | 17,481            |
| Tenant security deposits received                         | 10,774            | 15,712            |
| Payroll and related costs                                 | (33,684)          | (34,152)          |
| Administrative  | (26,225)          | (25,241)          |
| Utilities   | (33,725)          | (34,352)          |
| Operating and maintenance                                 | (37,546)          | (66,181)          |
| Tenant security deposits paid                             | (12,960)          | (16,035)          |
| Insurance and taxes                                       | (27,011)          | (32,178)          |
| Net cash provided by operating activities                 | <u>156,420</u>    | <u>121,390</u>    |
| Cash flows from capital and related financing activities: |                   |                   |
| Acquisition of capital assets                             | (20,000)          | -                 |
| Principal payment on debt                                 | (51,620)          | (49,827)          |
| Interest paid on debt                                     | (58,890)          | (60,684)          |
| Net cash used in capital and related financing activities | <u>(130,510)</u>  | <u>(110,511)</u>  |
| Cash flows from investing activities:                     |                   |                   |
| Interest receipts   | <u>4,955</u>      | <u>4576</u>       |
| Net increase in cash and cash equivalents                 | 30,865            | 15,455            |
| Cash and cash equivalents, beginning of year              | <u>690,798</u>    | <u>675,343</u>    |
| Cash and cash equivalents, end of year                    | <u>\$ 721,663</u> | <u>\$ 690,798</u> |
| Reconciliation to the Statements of Net Position:         |                   |                   |
| Cash and cash equivalents                                 | \$ 587,106        | \$ 566,726        |
| Restricted cash:  |                   |                   |
| Insurance impounds  | 17,022            | 15,152            |
| Tenant security deposits                                  | 19,064            | 21,250            |
| Reserve for replacements                                  | <u>98,471</u>     | <u>87,670</u>     |
| Total cash and cash equivalents                           | <u>\$ 721,663</u> | <u>\$ 690,798</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, 2015 and 2014

|   | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
| Reconciliation of operating income to net cash provided by operating activities:        |             |             |
| Operating income  | \$ 45,174   | \$ 20,757   |
| Adjustments to reconcile operating income to net cash provided by operating activities: |             |             |
| Depreciation  | 101,000     | 103,572     |
| Changes in assets and liabilities:  |             |             |
| Accounts receivable   | (970)       | (1,033)     |
| Prepaid expense   | 9,921       | 6,169       |
| Accounts payable  | 2,496       | (7,617)     |
| Prepaid rent  | 985         | (135)       |
| Tenant security deposits  | (2,186)     | (323)       |
| Net cash provided by operating activities   | \$ 156,420  | \$ 121,390  |

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, 2015 and 2014

**NOTE A – ORGANIZATION AND 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 authority with a Board of Directors comprised of appointees of the City of Sacramento (City) and the State of California. The accompanying basic 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. This revenue is recognized on the financial statements net of vacancy loss, low income subsidies, and loss to leases. Operating expenses for the Project include payroll expenses for employee services, administrative expenses, utilities expenses, operating and maintenance expenses, insurance and taxes expenses, 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 external 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 2.15 years and 2.27 years as of June 30, 2015 and 2014, 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, 2015 and 2014

**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 remits 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 external 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.

Accounts Receivable

The Project has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the result that would have been obtained had the allowance method been followed.

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, net of accumulated depreciation. 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 are no nondepreciable capital assets 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.

**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, 2015 and 2014

**NOTE B - CASH, CASH EQUIVALENTS AND RESTRICTED CASH**

The Project's cash and cash equivalents at June 30, 2015 and 2014 are listed below.

|   | <u>2015</u>       | <u>2014</u>       |
|---|-------------------|-------------------|
| City of Sacramento investment pool                | \$ 606,170        | \$ 570,953        |
| Deposit Account                                   | -                 | 17,023            |
| Deposits with CalHFA                              | <u>115,493</u>    | <u>102,822</u>    |
| Total cash, cash equivalents, and restricted cash | <u>\$ 721,663</u> | <u>\$ 690,798</u> |

**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, 2015 and 2014, amounted to \$19,064 and \$21,250, respectively.

**NOTE D - CAPITAL ASSETS**

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

|                                       | <u>July 1, 2014</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Transfers</u> | <u>June 30, 2015</u> |
|---------------------------------------|---------------------|--------------------|------------------|------------------|----------------------|
| Capital assets not being depreciated: |                     |                    |                  |                  |                      |
| Construction in progress              | \$ -                | \$ 20,000          | \$ -             | \$ -             | \$ 20,000            |
| Capital assets being depreciated:     |                     |                    |                  |                  |                      |
| Buildings and improvements            | \$ 2,141,064        | \$ -               | \$ -             | \$ -             | \$ 2,141,064         |
| Less accumulated depreciation for:    |                     |                    |                  |                  |                      |
| Buildings and improvements            | <u>(1,299,120)</u>  | <u>(101,000)</u>   | <u>-</u>         | <u>-</u>         | <u>(1,400,120)</u>   |
| Capital assets, net                   | <u>\$ 841,944</u>   | <u>\$ (81,000)</u> | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 760,944</u>    |

|                                    | <u>July 1, 2013</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Transfers</u> | <u>June 30, 2014</u> |
|------------------------------------|---------------------|---------------------|------------------|------------------|----------------------|
| Capital assets being depreciated:  |                     |                     |                  |                  |                      |
| Buildings and improvements         | \$ 2,141,064        | \$ -                | \$ -             | \$ -             | \$ 2,141,064         |
| Less accumulated depreciation for: |                     |                     |                  |                  |                      |
| Buildings and improvements         | <u>(1,195,548)</u>  | <u>(103,572)</u>    | <u>-</u>         | <u>-</u>         | <u>(1,299,120)</u>   |
| Capital assets, net                | <u>\$ 945,516</u>   | <u>\$ (103,572)</u> | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 841,944</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, 2015 and 2014

**NOTE E - NOTES PAYABLE**

Notes payable consist of the following:

|   | June 30,     |              |
|---|--------------|--------------|
|   | 2015         | 2014         |
| To California Housing Finance Agency:   |              |              |
| Monthly installments of \$7,836, including principal and interest at 5.25% annually to September, 2033, secured by the Project.                   | \$ 1,102,535 | \$ 1,137,674 |
| 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. | 247,228      | 263,709      |
|   | \$ 1,349,763 | \$ 1,401,383 |

Future maturities on notes payable are as follows:

| Fiscal Years<br>Ending June 30, | Principal    | Interest   | Total        |
|---------------------------------|--------------|------------|--------------|
| 2016                            | \$ 53,510    | \$ 57,001  | \$ 110,511   |
| 2017                            | 55,501       | 55,009     | 110,510      |
| 2018                            | 57,600       | 52,910     | 110,510      |
| 2019                            | 59,811       | 50,699     | 110,510      |
| 2020                            | 62,142       | 48,369     | 110,511      |
| 2021-2025                       | 350,294      | 202,257    | 552,551      |
| 2026-2030                       | 430,522      | 122,042    | 552,564      |
| 2031-2034                       | 280,383      | 25,212     | 305,595      |
|                                 | \$ 1,349,763 | \$ 613,499 | \$ 1,963,262 |

The following is a summary of the note payable transactions for the fiscal years ended June 30, 2015 and 2014:

| Balance<br>July 1, 2014 | Additions | Retirements | Balance<br>June 30, 2015 | Amounts due<br>within one year |
|-------------------------|-----------|-------------|--------------------------|--------------------------------|
| \$ 1,401,383            | \$ -      | \$ (51,620) | \$ 1,349,763             | \$ 53,510                      |
| Balance<br>July 1, 2013 | Additions | Retirements | Balance<br>June 30, 2014 | Amounts due<br>within one year |
| \$ 1,451,210            | \$ -      | \$ (49,827) | \$ 1,401,383             | \$ 51,620                      |

**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, 2015 and 2014

**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, 2015 and 2014, the Project realized an excess of revenues over expenses (excluding depreciation) of \$92,239 and \$68,221, 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, 2015

|                                 |            |
|---------------------------------|------------|
| Cash and cash equivalents       |            |
| Unrestricted account:           |            |
| Operating account               | \$ 587,106 |
| Restricted accounts:            |            |
| Insurance and tax impounds      | 17,022     |
| Tenant security deposits        | 19,064     |
| Reserve for replacements        | 98,471     |
| Total restricted accounts       | 134,557    |
| Total Cash and cash equivalents | \$ 721,663 |

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, reserves 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, 2015 was as follows:

|                        |   |
|------------------------|---|
|                        | <u>Reserve for</u><br><u>Replacements</u> |
| Balance, June 30, 2014 | \$ 87,670                                 |
| Deposits               | 10,584                                    |
| Interest income        | 218                                       |
| Balance, June 30, 2015 | \$ 98,472                                 |

**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, 2015

Impound Accounts

|                          | <u>Hazard<br/>Insurance</u> | <u>Earthquake<br/>Insurance</u> | <u>Total</u>     |
|--------------------------|-----------------------------|---------------------------------|------------------|
| Balance at June 30, 2014 | \$ 10,346                   | \$ 4,806                        | \$ 15,152        |
| Deposits                 | 9,932                       | 5,854                           | 15,786           |
| Interest earned          | 29                          | -                               | 29               |
| CHFA adjustment          | 61                          | (61)                            | -                |
| Payments applied         | <u>(9,060)</u>              | <u>(4,885)</u>                  | <u>(13,945)</u>  |
| Balance at June 30, 2015 | <u>\$ 11,308</u>            | <u>\$ 5,714</u>                 | <u>\$ 17,022</u> |

Capital Assets

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

|                                       | <u>Building &amp;<br/>Improvements</u> |
|---------------------------------------|--|
| Capital assets balance, June 30, 2014 | \$ 2,141,064                           |
| Additions - construction in progress  | 20,000                                 |
| Capital assets balance, June 30, 2015 | <u>\$ 2,161,064</u>                    |

Accounts Payable

Accounts payable in the amount of \$5,420 represents amounts due to suppliers. All accounts payable are current.

Gross Potential Rents

Gross potential rents includes:

|                                |                   |
|--------------------------------|-------------------|
| Qualified tenant rental income | \$ 58,562         |
| Other tenant rental income     | 400,729           |
| Vacancy loss                   | <u>(29,000)</u>   |
| Total gross potential rents    | <u>\$ 430,291</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, 2015

Management Fee

A property management fee of \$23,400 was incurred during the fiscal year ended June 30, 2015 for the property management services provided by the Agency.

Operating Cash Flow/Surplus Cash Computation

|  |                         |
|--|-------------------------|
| Operation Income                               |                         |
| Total income                                   | \$ 321,737              |
| Interest earned on restricted reserve accounts | (218)                   |
| Adjusted operation income                      | <u>321,519</u>          |
|  |                         |
| Operating expenses                             | <u>(170,608)</u>        |
| Adjusted net income                            | 150,911                 |
|  |                         |
| Other Activity                                 |                         |
| Debt service                                   | (110,510)               |
| Deposits into Replacement Reserve Account      | <u>(10,584)</u>         |
| Total other activity                           | (121,094)               |
|  |                         |
| Operating Cash Flow/Surplus Cash               | <u><u>\$ 29,817</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 fiscal year ended June 30, 2015.

**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, 2015, and the related notes to the financial statements, which collectively comprise the Project’s basic financial statements, and have issued our report thereon dated December 3, 2015.

**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) as it relates to the Project to determine the audit procedures that are appropriate in the circumstances 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. 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 Project’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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Sacramento, California

December 3, 2015

**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, 2015

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, 2015, and, to the best of our knowledge and belief, these financial statements and data are complete and accurate.

|                              |                                    |                           |
|------------------------------|------------------------------------|---------------------------|
| <u>Wendy Swinder</u><br>Name | <u>Executive Director</u><br>Title | <u>12/08/2015</u><br>Date |
|------------------------------|------------------------------------|---------------------------|

|                             |                            |                        |
|-----------------------------|----------------------------|------------------------|
| <u>Dolle Yassen</u><br>Name | <u>Controller</u><br>Title | <u>12-3-15</u><br>Date |
|-----------------------------|----------------------------|------------------------|

Employer Identification Number: 94-2524680