



**SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)**

**A Project of the
Capitol Area Development Authority**

**Independent Auditor's Reports,
Financial Statements,
and Supplemental Information**

**For the Fiscal Years Ended
June 30, 2009 and 2008**

**CAPITOL AREA
DEVELOPMENT AUTHORITY**

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

Independent Auditor's Reports,
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SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
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Board of Directors
Capitol Area Development Authority
Sacramento, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic 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, 2009 and 2008, 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, in all material respects, the financial position of the Authority as of June 30, 2009 and 2008, 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 material respects, the financial position of the Project as of June 30, 2009 and 2008, 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, 2009, 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 basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Macior Mini & O'Connell LLP

Certified Public Accountants

Sacramento, California

December 1, 2009

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Statements of Net Assets
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 423,485	\$ 465,684
Prepaid expenses	11,950	3,911
Restricted cash:		
Impounds	21,976	10,500
Tenant security deposits	19,561	19,069
Total restricted cash	<u>41,537</u>	<u>29,569</u>
Total current assets	<u>476,972</u>	<u>499,164</u>
Noncurrent assets:		
Restricted cash - reserve for replacements	47,710	36,563
Capital assets:		
Buildings and improvements, net of accumulated depreciation	<u>1,349,309</u>	<u>1,385,137</u>
Total noncurrent assets	<u>1,397,019</u>	<u>1,421,700</u>
Total assets	<u>1,873,991</u>	<u>1,920,864</u>
Liabilities		
Current liabilities:		
Accounts payable	5,187	4,982
Prepaid rent	1,172	977
Security deposits	19,561	19,069
Notes payable, current portion	<u>43,523</u>	<u>42,142</u>
Total current liabilities	<u>69,443</u>	<u>67,170</u>
Noncurrent liabilities:		
Notes payable	<u>1,590,821</u>	<u>1,634,344</u>
Total liabilities	<u>1,660,264</u>	<u>1,701,514</u>
Net Assets		
Invested in capital assets, net of related debt	(285,035)	(291,349)
Restricted for impounds and reserves	69,686	47,063
Unrestricted	<u>429,076</u>	<u>463,636</u>
Total net assets	<u>\$ 213,727</u>	<u>\$ 219,350</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues		
Rental revenue, net	\$ 281,216	\$ 281,002
CADA annuity	-	51,175
Other revenues:		
Coin-operated laundry	1,707	1,788
Parking	6,281	7,291
Miscellaneous	<u>2,876</u>	<u>736</u>
Total operating revenues	<u>292,080</u>	<u>341,992</u>
Operating expenses		
Payroll:		
On-site manager	10,608	10,200
Grounds and maintenance payroll	7,386	6,316
Payroll taxes and benefits	<u>6,437</u>	<u>7,044</u>
Total payroll	<u>24,431</u>	<u>23,560</u>
Administrative:		
Management fee	18,156	17,460
Audit	1,942	1,850
Media	<u>540</u>	<u>336</u>
Total administrative	<u>20,638</u>	<u>19,646</u>
Utilities:		
Electricity	5,383	4,311
Water and garbage	24,612	26,255
Gas	<u>1,113</u>	<u>1,290</u>
Total utilities	<u>31,108</u>	<u>31,856</u>
Operating and maintenance:		
Services and supplies	4,018	5,046
Maintenance and repairs	17,590	18,030
Courtesy patrol	4,500	4,275
Decorating and painting	14,404	9,770
Operating budget major repairs	-	3,335
Total operating and maintenance	<u>40,512</u>	<u>40,456</u>
Insurance and taxes:		
Insurance	19,361	13,976
Property taxes	<u>3,396</u>	<u>3,480</u>
Total insurance and taxes	<u>22,757</u>	<u>17,456</u>
Depreciation	<u>103,668</u>	<u>101,407</u>
Total operating expenses	<u>243,114</u>	<u>234,381</u>
Operating income	<u>48,966</u>	<u>107,611</u>
Non-operating revenues (expenses)		
Interest income	13,779	23,506
Interest expense	<u>(68,368)</u>	<u>(69,677)</u>
Total non-operating expenses, net	<u>(54,589)</u>	<u>(46,171)</u>
Change in net assets	(5,623)	61,440
Net assets, beginning of year	<u>219,350</u>	<u>157,910</u>
Net assets, end of year	<u>\$ 213,727</u>	<u>\$ 219,350</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Rental receipts	\$ 281,411	\$ 288,419
CADA annuity	-	51,175
Other receipts	10,864	9,815
Tenant security deposits received	5,902	3,715
Payroll and related costs	(24,431)	(23,560)
Administrative expenses	(20,638)	(19,646)
Utilities expense	(31,108)	(31,856)
Operating and maintenance expenses	(48,346)	(42,749)
Tenant security deposits paid	(5,410)	(3,582)
Insurance and taxes expense	(22,757)	(17,456)
Net cash provided by operating activities	<u>145,487</u>	<u>214,275</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(67,840)	-
Principal payment on debt	(42,142)	(40,833)
Interest paid on debt	(68,368)	(69,677)
Net cash used for capital and related financing activities	<u>(178,350)</u>	<u>(110,510)</u>
Cash flows from investing activities:		
Interest receipts	<u>13,779</u>	<u>23,506</u>
Net increase (decrease) in cash	(19,084)	127,271
Cash and cash equivalents, beginning of year	<u>531,816</u>	<u>404,545</u>
Cash and cash equivalents, end of year	<u>\$ 512,732</u>	<u>\$ 531,816</u>
Cash and cash equivalents	\$ 423,485	\$ 465,684
Restricted cash:		
Impounds	21,976	10,500
Tenant security deposits	19,561	19,069
Reserve for replacements	<u>47,710</u>	<u>36,563</u>
Total cash and cash equivalents	<u>\$ 512,732</u>	<u>\$ 531,816</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 48,966	\$ 107,611
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	103,668	101,407
Changes in assets and liabilities:		
Accounts receivable	-	6,440
Prepaid expense	(8,039)	(3,911)
Accounts payable	205	1,618
Prepaid rent	195	977
Security deposits	492	133
Net cash provided by operating activities	<u>\$ 145,487</u>	<u>\$ 214,275</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, 2009 and 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Basis of Presentation

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

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

Cash, Cash Equivalents and Restricted Cash

The Project participates in the City's investment pool. The City Treasurer pools cash with other City funds and invests to maximize income consistent with safe and prudent investment practices within the guidelines of the City's investment policy. The City, as a charter city, has adopted its own investment guidelines to guide investment of City funds by the Treasurer. These guidelines are consistent with the requirements of Government Code Section 53601. The City Council provides regulatory oversight of the City's investment pool and reviews its investment policy on a quarterly basis. The estimated fair value of investments in the pool is based upon quoted market prices. However, the value of the pool shares in the City's investment pool that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Project's position in the pool. The City's investment pool is unrated and the weighted average maturities were 1.16 years and 1.4 years at June 30, 2009 and 2008, 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, 2009 and 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Restricted Cash (Continued)

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

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

Capital Assets

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

NOTE B - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

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

The Project's cash and cash equivalents at June 30, 2009 and 2008 are listed below.

	<u>2009</u>	<u>2008</u>
City of Sacramento investment pool	\$ 443,046	\$ 484,753
Interest bearing impound deposits	<u>69,686</u>	<u>47,063</u>
Total cash and cash equivalents	<u>\$ 512,732</u>	<u>\$ 531,816</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, 2009 and 2008

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, 2009 and 2008 amounted to \$19,561 and \$19,069, respectively.

NOTE D - CAPITAL ASSETS

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

	<u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2009</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 2,047,228	\$ 67,840	\$ -	\$ -	\$ 2,115,068
Less accumulated depreciation for:					
Buildings and improvements	<u>(662,091)</u>	<u>(103,668)</u>	<u>-</u>	<u>-</u>	<u>(765,759)</u>
Capital assets, net	<u>\$ 1,385,137</u>	<u>\$ (35,828)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,349,309</u>
	<u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2008</u>
Capital assets being depreciated:					
Buildings and improvements	2,047,228	-	-	-	2,047,228
Less accumulated depreciation for:					
Buildings and improvements	<u>(560,684)</u>	<u>(101,407)</u>	<u>-</u>	<u>-</u>	<u>(662,091)</u>
Capital assets, net	<u>\$ 1,486,544</u>	<u>\$ (101,407)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,385,137</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, 2009 and 2008

NOTE E - NOTES PAYABLE

Notes payable consist of the following:

	June 30,	
	2009	2008
To California Housing Finance Agency:		
Monthly installments of \$7,836, including principal and interest at 5.25% to August, 2034, secured by the Project.	\$ 1,288,230	\$ 1,313,891
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.	346,114	362,595
	\$ 1,634,344	\$ 1,676,486

Future maturities on notes payable are as follows:

Years Ending June 30,	Principal	Interest	Total
2010	\$ 43,522	\$ 66,988	\$ 110,510
2011	44,977	65,533	110,510
2012	46,510	64,001	110,511
2013	48,125	62,386	110,511
2014	49,827	60,684	110,511
2015-2019	278,042	274,509	552,551
2020-2024	336,622	215,930	552,552
2025-2029	412,743	139,808	552,551
2030-2034	373,976	42,142	416,118
	\$ 1,634,344	\$ 991,981	\$ 2,626,325

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, 2009 and 2008

NOTE E - NOTES PAYABLE (CONTINUED)

The following is a summary of the note payable transactions for the years ended June 30, 2009 and 2008:

<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Amounts due</u> <u>within one year</u>
<u>\$ 1,676,486</u>	<u>\$ -</u>	<u>\$ (42,142)</u>	<u>\$ 1,634,344</u>	<u>\$ 43,523</u>
<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Amounts due</u> <u>within one year</u>
<u>\$ 1,717,319</u>	<u>\$ -</u>	<u>\$ (40,833)</u>	<u>\$ 1,676,486</u>	<u>\$ 42,142</u>

NOTE F- ASSISTANCE FROM THE AUTHORITY

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

During the fiscal years ended June 30, 2009 and 2008, the project realized an excess of revenues over expenses (excluding depreciation) of \$98,045 and \$162,847, respectively. The Authority is 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, 2009

Cash

Unrestricted account:	
Operating account	<u>\$ 423,485</u>
Restricted accounts:	
Impounds	\$ 21,976
Tenant security deposits	19,561
Reserve for replacements	<u>47,710</u>
Total restricted accounts	<u>\$ 89,247</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.

Replacement Reserves

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

	<u>Reserve for</u> <u>Replacements</u>
Balance, June 30, 2008	\$ 36,563
Deposits	10,150
Interest Income	997
Balance, June 30, 2009	<u>\$ 47,710</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, 2009

Impound Accounts

	<u>Hazard</u> <u>Insurance</u>	<u>Earthquake</u> <u>Insurance</u>	<u>Total</u>
Balance at June 30, 2008	\$ 5,430	\$ 5,070	\$ 10,500
Deposits	9,838	4,267	14,105
Releases/adjustment by CalHFA	1,800	(1,800)	-
Interest earned	362	-	362
Payments applied	-	(2,991)	(2,991)
	<u> </u>	<u> </u>	<u> </u>
Balance at June 30, 2009	<u>\$ 17,430</u>	<u>\$ 4,546</u>	<u>\$ 21,976</u>

Capital Assets

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

Balance at inception, fiscal year 1999	\$ 1,240,000
Additions, fiscal year:	
2002	454,809
2003	60,312
2004	69,927
2005	110,231
2006	111,949
2009	67,840
	<u> </u>
	<u>\$ 2,115,068</u>

Accounts Payable

Accounts payable consist of \$5,187 payable to suppliers that are being paid on a current basis.

SEVENTEENTH STREET COMMONS
(Contract Number 99-024-N)
A Project of the Capitol Area Development Authority
Supplemental Information Required by the
California Housing Finance Agency (Continued)
For the Fiscal Year Ended June 30, 2009

Gross Potential Rents

Gross potential rents includes:	
Qualified tenant rental income	\$ 57,153
Other tenant rental income	275,231
Vacancy loss	13,237
Total gross potential rent	<u>\$ 345,621</u>

Surplus Cash Computation

Add:	
Cash and cash equivalents	\$ 423,485
Tenant security deposits	19,561
Total available	<u>443,046</u>
Less - current obligations:	
Accounts payable	5,187
Tenant security deposits	19,561
Total current obligations	<u>24,748</u>
Surplus cash at end of year	<u>\$ 418,298</u>
Maximum distributions allowed under the regulatory agreement with CalHFA	<u>\$ -</u>

Accumulated Limited Distributions

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

OTHER REPORT



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Board of Directors
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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 *GOVERNMENTAL AUDITING STANDARDS***

We have audited the financial statements of Seventeenth Street Commons, (Contract Number 99-024-N) (Project), a project of the Capital Area Development Authority (Authority), as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated December 1, 2009. Our report includes an explanatory paragraph describing that the financial statements present only the Project and do not purport to, and do not, present fairly the financial position or changes in financial position 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

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 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 statement 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.

Macia Heiri & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 1, 2009

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, 2009

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, 2009, and, to the best of our knowledge and belief, these financial statements and data are complete and accurate.

John Hunt Executive Director 11/30/2009
Name Title Date

Paula J. Jassan Controller 11/30/2009
Name Title Date