

**Seventeenth Street Commons  
(Contract Number 99-024-N)  
A Project of the Capitol Area Development Authority**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**June 30, 2017 and 2016**

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**Seventeenth Street Commons  
(Contract Number 99-024-N)  
A Project of the Capitol Area Development Authority**

Index

	<u>Page</u>
Independent Auditor's Report	2
Basic Financial Statements	
Statements of Net Position	4
Statements of Revenues, Expenses and Changes in Net Position	5
Statements of Cash Flows	7
Notes to the Financial Statements	9
Supplementary Information required by the California Housing Finance Agency	15
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 <i>Government Auditing Standards</i>	18
Certification of Officers	20

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"), which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

*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 audit. 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. 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 Seventeenth Street Commons as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Emphasis of Matter*

As described in Note 1, the financial statements present only the financial position and changes in financial position of the Project and do not purport to, and do not, present fairly, the financial position of the Authority as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the 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 supplementary information on pages 15 to 17 as required by the California Housing Finance Agency 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 supplementary 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 7, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Sacramento, California  
December 7, 2017

**Seventeenth Street Commons  
(Contract Number 99-024-N)  
A Project of the Capitol Area Development Authority**

**Statements of Net Position  
June 30, 2017 and 2016**

	<u>Assets</u>	
	2017	2016
Current assets		
Cash and cash equivalents	\$ 677,029	\$ 582,888
Accounts receivable	4,197	4,250
Prepaid expenses	10,482	-
Restricted cash and cash equivalents		
Insurance impounds	7,101	15,379
Tenant security deposits	21,204	22,654
Total restricted cash and cash equivalents	28,305	38,033
Total current assets	720,013	625,171
Noncurrent assets		
Restricted cash - replacement reserve	94,039	106,705
Capital assets		
Construction in progress	67,700	57,700
Building and Improvements	2,141,064	2,141,064
Less accumulated depreciation	(1,559,512)	(1,497,358)
Total capital assets	649,252	701,406
Total noncurrent assets	743,291	808,111
Total assets	\$ 1,463,304	\$ 1,433,282
	<u>Liabilities</u>	
Current liabilities		
Accounts payable	\$ 7,798	\$ 1,852
Prepaid rent	645	1,756
Tenant security deposits	21,204	22,654
Notes payable, current portion	57,600	55,501
Total current liabilities	87,247	81,763
Noncurrent liabilities		
Notes payable, net of current portion	1,183,152	1,240,752
Total liabilities	\$ 1,270,399	\$ 1,322,515
	<u>Net Position</u>	
Net investment in capital assets	\$ (591,500)	\$ (594,847)
Restricted for impounds and replacement reserve	101,140	122,084
Unrestricted	683,265	583,530
Total net position	\$ 192,905	\$ 110,767

See 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 Net Position  
Years Ended June 30, 2017 and 2016**

	2017	2016
Operating revenues		
Rental revenue, net	\$ 331,671	\$ 311,243
Other revenues		
Parking	11,730	12,591
Coin-operated laundry	3,020	2,500
Miscellaneous	2,476	3,479
Total operating revenues	348,897	329,813
Operating expenses		
Payroll		
Salaries and benefits	29,905	40,879
Total payroll	29,905	40,879
Administrative		
Management fee	25,530	24,440
Audit	3,800	2,285
Media	600	564
Total administrative	29,930	27,289
Utilities		
Electricity	4,305	5,261
Water and garbage	32,507	29,576
Gas	3,825	1,348
Total Utilities	40,637	36,185
Operating and maintenance		
Services and supplies	6,820	9,907
Maintenance and repairs	21,773	22,621
Courtesy patrol	5,740	5,460
Decorating and painting	4,374	12,811
Total operating and maintenance	38,707	50,799
Insurance and taxes		
Insurance	13,720	23,253
Property taxes	3,823	1,685
Total insurance and taxes	17,543	24,938

**Seventeenth Street Commons  
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A Project of the Capitol Area Development Authority**

**Statements of Revenues, Expenses and Changes in Net Position  
Years Ended June 30, 2017 and 2016**

	2017	2016
Depreciation	62,154	97,238
Total operating expenses	218,876	277,328
Operating income	130,021	52,485
Nonoperating revenues (expenses)		
Interest income	7,126	5,606
Interest expense	(55,009)	(57,001)
Total nonoperating revenues, net	(47,883)	(51,395)
Change in net position	82,138	1,090
Net position, beginning	110,767	109,677
Net position, end	\$ 192,905	\$ 110,767

See Notes to Financial Statements.

**Seventeenth Street Commons  
(Contract Number 99-024-N)  
A Project of the Capitol Area Development Authority**

**Statements of Cash Flows  
Years Ended June 30, 2017 and 2016**

	2017	2016
Cash flows from operating activities		
Rental receipts	\$ 330,613	\$ 309,641
Other receipts	17,226	18,570
Tenant security deposits received	4,625	10,555
Payroll and related costs	(29,905)	(40,879)
Administrative	(29,930)	(27,289)
Utilities	(40,637)	(36,185)
Operating and maintenance	(43,243)	(53,942)
Tenant security deposits paid	(6,075)	(6,965)
Insurance and taxes	(17,543)	(24,938)
	<u>185,131</u>	<u>148,568</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities		
Acquisition of capital assets	(10,000)	(37,700)
Principal payment on debt	(55,501)	(53,510)
Interest paid on debt	(55,009)	(57,001)
	<u>(120,510)</u>	<u>(148,211)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities		
Interest receipts	7,126	5,606
	<u>7,126</u>	<u>5,606</u>
Net cash provided by investing activities		
Net increase in cash and cash equivalents	71,747	5,963
Cash and cash equivalents, beginning	727,626	721,663
Cash and cash equivalents, end	<u>\$ 799,373</u>	<u>\$ 727,626</u>
Reconciliation to the statements of net position		
Cash and cash equivalents	\$ 677,029	\$ 582,888
Restricted cash and cash equivalents		
Insurance impounds	7,101	15,379
Tenant security deposits	21,204	22,654
Reserve for replacements	94,039	106,705
	<u>799,373</u>	<u>727,626</u>
Total cash and cash equivalents	<u>\$ 799,373</u>	<u>\$ 727,626</u>



**Seventeenth Street Commons  
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**Statements of Cash Flows  
Years Ended June 30, 2017 and 2016**

	2017	2016
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 130,021	\$ 52,485
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	62,154	97,238
Changes in assets and liabilities		
Accounts receivable	53	(1,316)
Prepaid expense	(10,482)	425
Accounts payable	5,946	(3,568)
Prepaid rent	(1,111)	(286)
Tenant security deposits	(1,450)	3,590
	<u>\$ 185,131</u>	<u>\$ 148,568</u>
Net cash provided by operating activities	<u>\$ 185,131</u>	<u>\$ 148,568</u>

**Seventeenth Street Commons  
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**Notes to Financial Statements  
June 30, 2017 and 2016**

**Note 1 - 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 December 30, 1982, 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 ("GAAP").

**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 and cash equivalents**

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 1.38 years and 1.88 years as of June 30, 2017 and 2016, 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.

Cash and cash equivalents and restricted cash and cash equivalents include operating accounts, 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

**Seventeenth Street Commons  
(Contract Number 99-024-N)  
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**Notes to Financial Statements  
June 30, 2017 and 2016**

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**

Accounts receivable are due from tenants and reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2017 and 2016, there is no allowance for doubtful accounts.

**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 5 to 30 years. Maintenance and repair costs are expensed as incurred. The Project does not own land, only the building on the land. The Project's building is pledged as security for notes payable.

**Impairment of capital assets**

The Authority reviews the capital assets of the Project for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of June 30, 2017, there has been no impairment of the capital assets.

**Rental income**

The Project's rental property is generally leased to tenants under one year non-cancelable operating leases. Rental income is recognized as rents become due. Rental payments received in advance are recorded as unearned revenue.

**Use of estimates**

The preparation of financial statements in conformity with GAAP 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 Financial Statements  
June 30, 2017 and 2016**

**Note 2 - Cash, cash equivalents and restricted cash and cash equivalents**

The Project's cash and cash equivalents are as follows at June 30:

	<u>2017</u>	<u>2016</u>
City investment pool	\$ 698,233	\$ 605,542
Deposits with CalHFA	<u>101,140</u>	<u>122,084</u>
Total	<u>\$ 799,373</u>	<u>\$ 727,626</u>

**Note 3 - 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 and cash equivalents, 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, 2017 and 2016, amounted to \$21,204 and \$22,654, respectively.

**Note 4 - Capital assets**

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

	<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
Capital assets not being depreciated				
Construction in progress	\$ 57,700	\$ 10,000	\$ -	\$ 67,700
Capital assets being depreciated				
Buildings and improvements	2,141,064	-	-	2,141,064
Less accumulated depreciation for Buildings and improvements	<u>(1,497,358)</u>	<u>(62,154)</u>	<u>-</u>	<u>(1,559,512)</u>
Capital assets, net	<u>\$ 701,406</u>	<u>\$ (52,154)</u>	<u>\$ -</u>	<u>\$ 649,252</u>
	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
Capital assets not being depreciated				
Construction in progress	\$ 20,000	\$ 37,700	\$ -	\$ 57,700
Capital assets being depreciated				
Buildings and improvements	2,141,064	-	-	2,141,064
Less accumulated depreciation for Buildings and improvements	<u>(1,400,120)</u>	<u>(97,238)</u>	<u>-</u>	<u>(1,497,358)</u>
Capital assets, net	<u>\$ 760,944</u>	<u>\$ (59,538)</u>	<u>\$ -</u>	<u>\$ 701,406</u>

**Seventeenth Street Commons  
(Contract Number 99-024-N)  
A Project of the Capitol Area Development Authority**

**Notes to Financial Statements  
June 30, 2017 and 2016**

**Note 5 - Notes payable**

Notes payable consist of the following at June 30:

	2017	2016
<u>Payable to CalHFA</u>		
Monthly installments of \$7,836, including principal and interest at 5.25% annually to maturity in September 2033 and secured by the Project.	\$ 1,026,486	\$ 1,065,506
<u>Payable to Sacramento Housing Financing Agency</u>		
Non-interest bearing note with annual principal payments of \$16,481 beginning December 2003 and maturing in 2028 and secured by the Project.	214,266	230,747
Total	\$ 1,240,752	\$ 1,296,253

Future maturities on the notes payable are as follows:

Years ending June 30	Principal	Interest	Total
2018	\$ 57,600	\$ 52,910	\$ 110,510
2019	59,811	50,699	110,510
2020	62,142	48,369	110,511
2021	64,597	45,913	110,510
2022	67,185	43,325	110,510
2023 - 2027	379,884	172,667	552,551
2028 - 2032	436,010	83,592	519,602
2033 - 2034	113,523	4,014	117,537
	\$ 1,240,752	\$ 501,489	\$ 1,742,241

**Seventeenth Street Commons  
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**Notes to Financial Statements  
June 30, 2017 and 2016**

The following is a summary of the notes payable transactions for the years ended June 30, 2017 and 2016:

Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Amounts due within one year
\$ 1,296,253	\$ -	\$ (55,501)	\$ 1,240,752	\$ 57,600

Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Amounts due within one year
\$ 1,349,763	\$ -	\$ (53,510)	\$ 1,296,253	\$ 55,501

**Note 6 - 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, 2017 and 2016, the Project realized an excess of revenues over expenses (excluding depreciation) of \$144,292 and \$98,328, respectively. The Authority has committed to fund any future deficits with contributions, as required.

**Note 7 - Subsequent events**

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date, require disclosure in the accompanying notes. Management evaluated the activity of the Project through December 7, 2017, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**Supplementary Information**

**Required by the California Housing Finance Agency**

**Seventeenth Street Commons  
(Contract Number 99-024-N)  
A Project of the Capitol Area Development Authority**

**Supplementary Information  
Year Ended June 30, 2017**

Cash and cash equivalents		
Unrestricted account		
Operating account	\$	677,029
Restricted accounts		
Insurance and tax impounds		7,101
Tenant security deposits		21,204
Reserve for replacements		94,039
Total restricted accounts		122,344
Total cash and cash equivalents	\$	799,373

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.

**Reserve 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 year ended June 30, 2017 was as follows:

Balance, June 30, 2016		\$ 106,705
Deposits		10,584
Withdrawals		(23,845)
Interest income		595
Balance, June 30, 2017	\$	94,039

**Impound Accounts**

	Hazard	Earthquake	Total
Balance, June 30, 2016	\$ 11,290	\$ 4,089	\$ 15,379
Deposits	10,370	5,452	15,822
Interest earned	71	-	71
CalHFA adjustment	3	-	3
Payments applied	(19,363)	(4,811)	(24,174)
Balance, June 30, 2017	\$ 2,371	\$ 4,730	\$ 7,101



**Seventeenth Street Commons  
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A Project of the Capitol Area Development Authority**

**Supplementary Information  
Year Ended June 30, 2017**

**Capital Assets**

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

Capital assets balance, June 30, 2016	\$	2,198,764
Additions - construction in progress		10,000
Capital assets balance, June 30, 2017	\$	2,208,764

**Accounts Payable**

Accounts payable in the amount of \$7,798 represents amounts due to suppliers. All accounts payable are current.

**Gross Potential Rents**

Qualified tenant rental income	\$	77,819
Other tenant rental income		371,600
Total gross potential rents		449,419
Less		
Vacancy loss		(25,271)
Loss to lease		(17,969)
Low income subsidy		(74,508)
Rental revenues, net	\$	331,671

**Management Fee**

A property management fee of \$25,530 was incurred during the fiscal year ended June 30, 2017 for the property management services provided by the Authority.

**Seventeenth Street Commons  
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**Supplementary Information  
Year Ended June 30, 2017**

**Operating cash flow/Surplus cash computation**

The operating cash flow/surplus cash generated by the Project during the year ended June 30, 2017 is as follows:

Operation income	
Total income	\$ 356,023
Interest earned on restricted reserve accounts	<u>(595)</u>
Adjusted operation income	<u>355,428</u>
Operating expenses less depreciation	<u>(156,722)</u>
Adjusted net income	<u>198,706</u>
Other activity	
Debt service	(110,510)
Deposits into replacement reserve account	<u>(10,584)</u>
Total other activity	<u>(121,094)</u>
Operating cash flow/surplus cash	<u>\$ 77,612</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, 2017.

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) (the "Project"), a project of the Capitol Area Development Authority ("Authority") as of and for the year ended June 30, 2017, 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 7, 2017.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 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 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*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

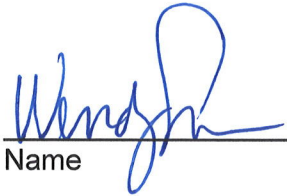
*CohnReznick LLP*

Sacramento, California  
December 7, 2017

**Seventeenth Street Commons  
(Contract Number 99-024-N)  
A Project of the Capitol Area Development Authority**

**Certification of Officers  
Year Ended June 30, 2017**

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 year ended June 30, 2017, and, to the best of our knowledge and belief, these financial statements and data are complete and accurate.



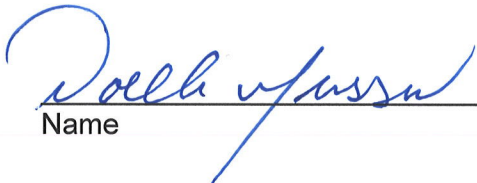
Name

Executive Director

Title

12-07-17

Date



Name

Controller

Title

12-7-17

Date

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