

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

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

June 30, 2016 and 2015

**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"), which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in fund net position and cash flows for the year 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 (Contract Number 99-024-N) as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Seventeenth Street Commons (Contract Number 99-024-N) as of and for the year ended June 30, 2015, were audited by other auditors whose report dated December 3, 2015, expressed an unmodified opinion on those statements.

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, 2016 and 2015, 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 6, 2016, 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 6, 2016

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

**Statements of Net Position
June 30, 2016 and 2015**

	<u>Assets</u>	
	2016	2015
Current assets		
Cash and cash equivalents	\$ 582,888	\$ 587,106
Accounts receivable	4,250	2,934
Prepaid expense	-	425
Restricted cash and cash equivalents		
Insurance impounds	15,379	17,022
Tenant security deposits	22,654	19,064
Total restricted cash and cash equivalents	38,033	36,086
Total current assets	625,171	626,551
Noncurrent assets		
Restricted cash - replacement reserve	106,705	98,471
Capital assets		
Construction in progress	57,700	20,000
Building and Improvements	2,141,064	2,141,064
Less accumulated depreciation	(1,497,358)	(1,400,120)
Total capital assets	701,406	760,944
Total noncurrent assets	808,111	859,415
Total assets	\$ 1,433,282	\$ 1,485,966
	<u>Liabilities</u>	
Current liabilities		
Accounts payable	\$ 1,852	\$ 5,420
Prepaid rent	1,756	2,042
Tenant security deposits	22,654	19,064
Notes payable, current portion	55,501	53,510
Total current liabilities	81,763	80,036
Noncurrent liabilities		
Notes payable, net of current portion	1,240,752	1,296,253
Total liabilities	\$ 1,322,515	\$ 1,376,289
	<u>Net Position</u>	
Net investment in capital assets	\$ (594,847)	\$ (588,819)
Restricted for impounds and replacement reserve	122,084	115,493
Unrestricted	583,530	583,003
Total net position	\$ 110,767	\$ 109,677

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, 2016 and 2015**

	2016	2015
Operating revenues		
Rental revenue, net	\$ 311,243	\$ 298,118
Other revenues		
Parking	2,500	3,021
Coin-operated laundry	12,591	12,779
Miscellaneous	3,479	2,864
Total operating revenues	329,813	316,782
Operating expenses		
Payroll		
On-site manager	12,360	11,880
Grounds and maintenance payroll	19,579	13,224
Payroll taxes and benefits	8,940	8,580
Total payroll	40,879	33,684
Administrative		
Management fee	24,440	23,400
Audit	2,285	2,285
Media	564	540
Total administrative	27,289	26,225
Utilities		
Electricity	5,261	5,171
Water and garbage	29,576	27,021
Gas	1,348	1,533
Total utilities	36,185	33,725
Operating and maintenance		
Services and supplies	9,907	6,528
Maintenance and repairs	22,621	24,826
Courtesy patrol	5,460	5,196
Decorating and painting	12,811	13,413
Total operating and maintenance	50,799	49,963
Insurance and taxes		
Insurance	23,253	23,429
Property taxes	1,685	3,582
Total insurance and taxes	24,938	27,011

**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, 2016 and 2015**

	2016	2015
Depreciation	97,238	101,000
Total operating expenses	277,328	271,608
Operating income	52,485	45,174
Nonoperating revenues (expenses)		
Interest income	5,606	4,955
Interest expense	(57,001)	(58,890)
Total nonoperating revenues, net	(51,395)	(53,935)
Change in net position	1,090	(8,761)
Net position, beginning	109,677	118,438
Net position, end	\$ 110,767	\$ 109,677

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, 2016 and 2015**

	2016	2015
Cash flows from operating activities		
Rental receipts	\$ 309,641	\$ 298,133
Other receipts	18,570	18,664
Tenant security deposits received	10,555	10,774
Payroll and related costs	(40,879)	(33,684)
Administrative	(27,289)	(26,225)
Utilities	(36,185)	(33,725)
Operating and maintenance	(53,942)	(37,546)
Tenant security deposits paid	(6,965)	(12,960)
Insurance and taxes	(24,938)	(27,011)
	<u>148,568</u>	<u>156,420</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities		
Acquisition of capital assets	(37,700)	(20,000)
Principal payment on debt	(53,510)	(51,620)
Interest paid on debt	(57,001)	(58,890)
	<u>(148,211)</u>	<u>(130,510)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities		
Interest receipts	5,606	4,955
	<u>5,606</u>	<u>4,955</u>
Net cash provided by investing activities		
Net increase in cash and cash equivalents	5,963	30,865
Cash and cash equivalents, beginning	721,663	690,798
Cash and cash equivalents, end	<u>\$ 727,626</u>	<u>\$ 721,663</u>
Reconciliation to the statements of net position		
Cash and cash equivalents	\$ 582,888	\$ 587,106
Restricted cash and cash equivalents		
Insurance impounds	15,379	17,022
Tenant security deposits	22,654	19,064
Reserve for replacements	106,705	98,471
	<u>106,705</u>	<u>98,471</u>
Total cash and cash equivalents	<u>\$ 727,626</u>	<u>\$ 721,663</u>

**Seventeenth Street Commons
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**Statements of Cash Flows
Years Ended June 30, 2016 and 2015**

	2016	2015
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 52,485	\$ 45,174
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	97,238	101,000
Changes in assets and liabilities		
Accounts receivable	(1,316)	(970)
Prepaid expense	425	9,921
Accounts payable	(3,568)	2,496
Prepaid rent	(286)	985
Tenant security deposits	3,590	(2,186)
Net cash provided by operating activities	\$ 148,568	\$ 156,420

**Seventeenth Street Commons
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**Notes to Financial Statements
June 30, 2016 and 2015**

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 1.88 years and 2.15 years as of June 30, 2016 and 2015, 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

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**Notes to Financial Statements
June 30, 2016 and 2015**

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, 2016 and 2015, 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, 2016, 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, 2016 and 2015**

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>2016</u>	<u>2015</u>
City investment pool	\$ 605,542	\$ 606,170
Deposits with CalHFA	<u>122,084</u>	<u>115,493</u>
Total	<u>\$ 727,626</u>	<u>\$ 721,663</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, 2016 and 2015, amounted to \$22,654 and \$19,064, respectively.

Note 4 - Capital assets

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

	<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>

	<u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</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>(1,400,120)</u>
Capital assets, net	<u>\$ 841,944</u>	<u>\$ (81,000)</u>	<u>\$ -</u>	<u>\$ 760,944</u>

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

**Notes to Financial Statements
June 30, 2016 and 2015**

Note 5 - Notes payable

Notes payable consist of the following at June 30:

	2016	2015
<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.	\$ 1,065,506	\$ 1,102,535
<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.	230,747	247,228
Total	\$ 1,296,253	\$ 1,349,763

Future maturities on the notes payable are as follows:

Years ending June 30	Principal	Interest	Total
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	64,597	45,913	110,510
2022 - 2026	364,702	187,849	552,551
2027 - 2031	432,763	103,321	536,084
2032 - 2034	199,137	12,428	211,565
	\$ 1,296,253	\$ 556,498	\$ 1,852,751

The following is a summary of the notes payable transactions for the years ended June 30, 2016 and 2015:

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
Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Amounts due within one year
\$ 1,401,383	\$ -	\$ (51,620)	\$ 1,349,763	\$ 53,510

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

**Notes to Financial Statements
June 30, 2016 and 2015**

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, 2016 and 2015, the Project realized an excess of revenues over expenses (excluding depreciation) of \$98,328 and \$92,239, respectively. The Authority has committed to fund any future deficits with contributions, as required.

Note 7 - Subsequent events

Management evaluated the activity of the Project through December 6, 2016, 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 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, 2016**

Cash and cash equivalents		
Unrestricted account		
Operating account	\$	582,888
Restricted accounts		
Insurance and tax impounds		15,379
Tenant security deposits		22,654
Reserve for replacements		106,705
Total restricted accounts		144,738
Total cash and cash equivalents	\$	727,626

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, 2016 was as follows:

Balance, June 30, 2015		\$ 98,471
Deposits		10,584
Withdrawals		(2,700)
Interest income		350
Balance, June 30, 2016	\$	106,705

Impound Accounts

	Hazard insurance	Earthquake insurance	Total
Balance, June 30, 2015	\$ 11,308	\$ 5,714	\$ 17,022
Deposits	10,409	5,693	16,102
Interest earned	50	-	50
CalHFA adjustment	2	40	42
Payments applied	(10,479)	(7,358)	(17,837)
Balance, June 30, 2016	\$ 11,290	\$ 4,089	\$ 15,379

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

**Supplementary Information
Year Ended June 30, 2016**

Capital Assets

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

Capital assets balance, June 30, 2015	\$	2,161,064
Additions - construction in progress		37,700
Capital assets balance, June 30, 2016	\$	2,198,764

Accounts Payable

Accounts payable in the amount of \$1,852 represents amounts due to suppliers. All accounts payable are current.

Gross Potential Rents

Qualified tenant rental income	\$	70,890
Other tenant rental income		364,396
Total gross potential rents		435,286
Less		
Vacancy loss		(34,951)
Loss to lease		(16,910)
Low income subsidy		(72,182)
Rental revenues, net	\$	311,243

Management Fee

A property management fee of \$24,440 was incurred during the fiscal year ended June 30, 2016 for the property management services provided by the Authority.

**Seventeenth Street Commons
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**Supplementary Information
Year Ended June 30, 2016**

Operating cash flow/Surplus cash computation

The operating cash flow/surplus cash generated by the Project during the year ended June 30, 2016 is as follows:

Operation income		
Total income	\$	335,419
Interest earned on restricted reserve accounts		<u>(350)</u>
Adjusted operation income		<u>335,069</u>
Operating expenses		<u>(180,090)</u>
Adjusted net income		<u>154,979</u>
Other activity		
Debt service		(110,511)
Deposits into replacement reserve account		<u>(10,584)</u>
Total other activity		<u>(121,095)</u>
Operating cash flow/surplus cash	\$	<u><u>33,884</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, 2016.

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 fiscal year ended June 30, 2016, 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 6, 2016.

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.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

Sacramento, California
December 6, 2016

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, 2016

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, 2016, and, to the best of our knowledge and belief, these financial statements and data are complete and accurate.


Name

EXECUTIVE DIRECTOR
Title

12/06/2016
Date


Name

Controller
Title

12/6/16
Date

Employer Identification Number: 94-2524680

COHN  REZNICK
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