

*California Housing  
Finance Agency*

*OMB Circular A-133 Reports for the  
Year Ended June 30, 2006*

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO THE MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors  
California Housing Finance Agency  
Sacramento, California

### Compliance

We have audited the compliance of the California Housing Finance Fund (Fund), which is administered by the California Housing Finance Agency (Agency), a component unit of the State of California, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to the Fund's major federal program for the year ended June 30, 2006. The Fund's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Fund's compliance with those requirements.

In our opinion, the Agency, complied, in all material respects, with the requirements referred to above that are applicable to the Fund's major federal program for the year ended June 30, 2006.

### Internal Control Over Compliance

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the Agency's internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the Agency's internal control over compliance and its operation that we consider to be material weaknesses.

### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the Fund, which is administered by the Agency, a component unit of the State of California, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 6, 2006. Our audit was performed for the purpose of forming an opinion on the Fund's combined financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the Fund's combined financial statements. This schedule is the responsibility of the management of the Agency. Such information has been subjected to the auditing procedures applied in our audit of the Fund's combined financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the Fund's combined financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors, management of the Agency, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

October 6, 2006

*Deloitte + Touche LLP*

# CALIFORNIA HOUSING FINANCE FUND

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2006

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Federal Grantor/ Program Title	Federal CFDA Number	Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
DIRECT PROGRAM:		
Section 8 Housing Assistance Payments Program - Special Allocation	14.195	<u>\$73,987,152</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$73,987,152</u>

See Independent Auditors' Report and note to Schedule of Expenditures of Federal Awards.

# CALIFORNIA HOUSING FINANCE FUND

## NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2006

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### **Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the California Housing Finance Fund (Fund), which is administered by the California Housing Finance Agency, a component unit of the State of California, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

The Fund receives all grants directly from the US Department of Housing and Urban Development. All amounts received are passed through to subrecipients. During the year ended June 30, 2006, no non-cash awards were received.

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
California Housing Finance Agency  
Sacramento, California

We have audited the combined financial statements of the California Housing Finance Fund (Fund), which is administered by the California Housing Finance Agency (Agency), a component unit of the State of California, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 6, 2006. 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 Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund's combined financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the combined financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund's combined 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 of the Agency, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte + Touche LLP*

October 6, 2006

# CALIFORNIA HOUSING FINANCE FUND

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2006

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### Part I—Summary of Auditors' Results

The results of the audit of the California Housing Finance Fund (Fund), which is administered by the California Housing Finance Agency (Agency), a component unit of the State of California, for the year ended June 30, 2006, are summarized as follows:

- The independent auditors' report on the Fund's financial statements as of and for the year ended June 30, 2006 expressed an unqualified opinion
- No instances of noncompliance considered material to the financial statements was disclosed by the audit
- The independent auditors' report on compliance with requirements applicable to its major federal award program expressed an unqualified opinion for the year ended June 30, 2006
- The audit disclosed no findings required to be reported under OMB Circular A-133
- The Fund's major program was the U.S. Department of Housing and Urban Development Section 8 Housing Assistance Payments Program – Special Allocations (CFDA# 14.195)
- Based on a threshold of \$2,219,615 the Fund's program was a Type A program as defined in OMB Circular A-133
- The Agency qualified as a low-risk auditee as that term is defined in OMB Circular A-133.

### Part II—Financial Statement Findings Section

No reportable matters, as defined by Government Auditing Standards, were disclosed by the audit.

### Part III—Federal Award Findings and Questioned Costs Section

No reportable findings and questioned costs, as defined in OMB Circular A-133, were disclosed by the audit.