



**BRANNAN COURT APARTMENTS
(Contract Number 86-32-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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**BRANNAN COURT APARTMENTS
(CONTRACT NUMBER 86-32-N)
A PROJECT OF THE
CAPITOL AREA DEVELOPMENT AUTHORITY
SACRAMENTO, CALIFORNIA**

Independent Auditor's Reports,
Financial Statements and Supplemental Information

For the Fiscal Years Ended June 30, 2009 and 2008

BRANNAN COURT APARTMENTS
(Contract Number 86-32-N)
A Project of the Capitol Area Development Authority
For the Fiscal Years Ended June 30, 2009 and 2008

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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 Brannan Court Apartments (Contract Number 86-32-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 all 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 Meni & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 1, 2009

BRANNAN COURT APARTMENTS
(Contract Number 86-32-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	\$ 507,139	\$ 449,331
Accounts receivable	232	-
Prepaid expenses	17,753	-
Restricted cash:		
Tenant security deposits	22,258	20,097
Insurance impounds	35,825	29,932
Total restricted cash	<u>58,083</u>	<u>50,029</u>
 Total current assets	 <u>583,207</u>	 <u>499,360</u>
Noncurrent assets:		
Restricted cash - reserve for replacements	109,751	94,429
Capital assets:		
Buildings and improvements, net of accumulated depreciation	<u>891,386</u>	<u>996,151</u>
 Total noncurrent assets	 <u>1,001,137</u>	 <u>1,090,580</u>
 Total assets	 <u>1,584,344</u>	 <u>1,589,940</u>
Liabilities		
Current liabilities:		
Accounts payable	7,207	18,906
Prepaid rent	-	4,417
Accrued interest payable	10,441	11,088
Security deposits	22,258	20,097
Notes payable, current portion	86,207	78,075
Total current liabilities	<u>126,113</u>	<u>132,583</u>
Noncurrent liabilities:		
Accrued interest payable	41,474	39,474
Notes payable	<u>1,372,962</u>	<u>1,459,169</u>
 Total liabilities	 <u>1,540,549</u>	 <u>1,631,226</u>
Net Assets (Deficit)		
Invested in capital assets, net of related debt	(567,783)	(541,093)
Restricted for replacements	109,751	94,429
Unrestricted	<u>501,827</u>	<u>405,378</u>
 Total net assets (deficit)	 <u>\$ 43,795</u>	 <u>\$ (41,286)</u>

See accompanying notes to financial statements.

BRANNAN COURT APARTMENTS
(Contract Number 86-32-N)
A Project of the Capitol Area Development Authority
Statements of Revenues, Expenses and Changes in Fund Net Assets (Deficit)
For the Fiscal Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues		
Rental revenue, net	\$ 430,564	\$ 417,948
Other revenues:		
Coin-operated laundry	3,975	4,365
Parking	24,304	21,384
Miscellaneous	2,292	1,658
	<u>461,135</u>	<u>445,355</u>
Operating expenses		
Payroll:		
On-site manager	12,504	12,024
Grounds and maintenance payroll	6,609	6,443
Payroll taxes and benefits	9,999	8,172
Total payroll	<u>29,112</u>	<u>26,639</u>
Administrative:		
Management fee	21,192	20,376
Audit	1,942	1,850
Media	528	327
Total administrative	<u>23,662</u>	<u>22,553</u>
Utilities:		
Electricity	10,215	9,385
Water and garbage	20,560	21,530
Gas	9,014	10,516
Total utilities	<u>39,789</u>	<u>41,431</u>
Operating and maintenance:		
Services and supplies	5,318	4,947
Contract maintenance and repairs	20,531	16,349
Courtesy patrol	1,392	1,320
Decorating and painting	15,910	12,364
Operating budget major repairs	-	16
Total operating and maintenance	<u>43,151</u>	<u>34,996</u>
Insurance and taxes:		
Insurance	15,763	15,640
Property taxes	6,184	5,938
Total insurance and taxes	<u>21,947</u>	<u>21,578</u>
Depreciation	<u>104,765</u>	<u>102,543</u>
Total operating expenses	<u>262,426</u>	<u>249,740</u>
Operating income	<u>198,709</u>	<u>195,615</u>
Non-operating revenues (expenses)		
Interest income	17,283	24,527
Interest expense	(130,911)	(138,338)
Total non-operating expenses, net	<u>(113,628)</u>	<u>(113,811)</u>
Change in net assets (deficit)	85,081	81,804
Net assets (deficit), beginning of year	<u>(41,286)</u>	<u>(123,090)</u>
Net assets (deficit), end of year	<u>\$ 43,795</u>	<u>\$ (41,286)</u>

See accompanying notes to financial statements.

BRANNAN COURT APARTMENTS
(Contract Number 86-32-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	\$ 425,915	\$ 420,725
Other receipts	30,571	27,407
Tenant security deposits received	15,748	11,486
Payroll and related costs	(29,112)	(26,639)
Administrative expenses	(23,662)	(22,553)
Utilities expense	(39,789)	(41,431)
Operating and maintenance expenses	(72,603)	(23,940)
Tenant security deposits paid	(13,587)	(11,164)
Insurance and taxes expense	(21,947)	(21,578)
Net cash provided by operating activities	<u>271,534</u>	<u>312,313</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	(44,426)
Principal payment on debt	(78,075)	(70,709)
Interest paid on debt	(129,558)	(136,924)
Net cash used for capital and related financing activities	<u>(207,633)</u>	<u>(252,059)</u>
Cash flows from investing activities:		
Interest receipts	<u>17,283</u>	<u>24,527</u>
Net increase in cash	81,184	84,781
Cash and cash equivalents, beginning of year	<u>593,789</u>	<u>509,008</u>
Cash and cash equivalents, end of year	<u>\$ 674,973</u>	<u>\$ 593,789</u>
Cash and cash equivalents	\$ 507,139	\$ 449,331
Restricted cash:		
Tenant security deposits	22,258	20,097
Insurance impound	35,825	29,932
Reserve for replacements	109,751	94,429
Total cash and cash equivalents	<u>\$ 674,973</u>	<u>\$ 593,789</u>

See accompanying notes to financial statements.

BRANNAN COURT APARTMENTS
(Contract Number 86-32-N)
A Project of the Capitol Area Development Authority
Statements of Cash Flows (Continued)
For the Fiscal Years Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 198,709	\$ 195,615
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	104,765	102,543
Changes in assets and liabilities:		
Accounts receivable	(232)	-
Prepaid expense	(17,753)	-
Accounts payable	(11,699)	11,056
Prepaid rent	(4,417)	2,777
Security deposits	2,161	322
Net cash provided by operating activities	\$ 271,534	\$ 312,313

See accompanying notes to financial statements.

BRANNAN COURT APARTMENTS
(Contract Number 86-32-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

Brannan Court Apartments (Project) is a 40-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 August 25, 1988, 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. 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.

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 the quoted market price. However, the value of the pool shares in the City's investment pool that may be withdrawn is determined based upon 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.

BRANNAN COURT APARTMENTS
(Contract Number 86-32-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 replacement reserves, insurance impounds, and tenant security deposits. Security deposits and replacement reserves are held in the City's investment pool. As required by the regulatory agreement with the CalHFA, the Project makes monthly impound deposits to cover hazard insurance, earthquake insurance and property taxes. These impound funds are held by CalHFA and expenses are subject to supervision and approval by CalHFA. All such deposits are fully insured and collateralized by the mortgagor in the Authority's name. The project also maintains deposits in an operating account with a financial institution which is fully insured and collateralized. 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 Project 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 10-30 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

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

	2009	2008
City of Sacramento investment pool	\$ 636,324	\$ 544,338
Deposits	2,824	19,519
Interest-bearing impound accounts	35,825	29,932
Total cash and cash equivalents	\$ 674,973	\$ 593,789

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 current 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 \$22,258 and \$20,097, respectively.

BRANNAN COURT APARTMENTS
(Contract Number 86-32-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 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>June 30, 2009</u>
Capital assets:				
Buildings and improvements	\$ 2,721,934	\$ -	\$ -	\$ 2,721,934
Less accumulated depreciation for:				
Buildings and improvements	<u>(1,725,783)</u>	<u>(104,765)</u>	<u>-</u>	<u>(1,830,548)</u>
Capital assets, net	<u>\$ 996,151</u>	<u>\$ (104,765)</u>	<u>\$ -</u>	<u>\$ 891,386</u>

	<u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2008</u>
Capital assets:				
Buildings and improvements	\$ 2,677,508	\$ 44,426	\$ -	\$ 2,721,934
Less accumulated depreciation for:				
Buildings and improvements	<u>(1,623,240)</u>	<u>(102,543)</u>	<u>-</u>	<u>(1,725,783)</u>
Capital assets, net	<u>\$ 1,054,268</u>	<u>\$ (58,117)</u>	<u>\$ -</u>	<u>\$ 996,151</u>

NOTE E - NOTES PAYABLE

Notes payable consist of the following:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
To California Housing Finance Agency:		
Monthly installments of \$17,303, including principal and interest at 9.95% to October 1, 2018, secured by the Project.	\$ 1,259,169	\$ 1,337,244
Principal and accrued interest at 1% due on October 1, 2018, secured by the Project.	<u>200,000</u>	<u>200,000</u>
	<u>\$ 1,459,169</u>	<u>\$ 1,537,244</u>

BRANNAN COURT APARTMENTS
(Contract Number 86-32-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)

Future maturities on notes payable are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 86,207	\$ 121,426	\$ 207,633
2011	95,187	112,446	207,633
2012	105,102	102,531	207,633
2013	116,050	91,583	207,633
2014	128,139	79,495	207,634
2015-2019	928,484	230,757	1,159,241
	<u>\$ 1,459,169</u>	<u>\$ 738,238</u>	<u>\$ 2,197,407</u>

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

<u>Balance</u> <u>June 30, 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>\$ 1,537,244</u>	<u>\$ -</u>	<u>\$ 78,075</u>	<u>\$ 1,459,169</u>	<u>\$ 86,207</u>

<u>Balance</u> <u>June 30, 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>\$ 1,607,953</u>	<u>\$ -</u>	<u>\$ 70,709</u>	<u>\$ 1,537,244</u>	<u>\$ 78,075</u>

NOTE F- ASSISTANCE FROM THE AUTHORITY

In 1987, the Project financed, along with equity funds from the Authority, the construction of the Brannan Court Apartment project. Upon completion of project construction, CalHFA paid off the construction loan and extended long-term financing to the project. The Authority's equity contribution to the Project remained until October 1, 1997 when CalHFA approved a partial return of \$92,697 of contributions back to the Authority. The net amount contributed by the Authority was \$1,077,661.

The Project realized an excess of revenue over expenses (excluding depreciation) of \$189,846 and \$184,347 for the fiscal years ended June 30, 2009 and 2008, respectively. The Authority is committed to fund any future deficits with additional contributions, as required.

SUPPLEMENTAL INFORMATION

BRANNAN COURT APARTMENTS
(Contract Number 86-32-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>\$ 507,139</u>
Restricted accounts:	
Tenant security deposits	\$ 22,258
Impound accounts	35,825
Replacement reserves	<u>109,751</u>
Total restricted accounts	<u>\$ 167,834</u>

The Project follows the practice of pooling its cash with all Authority projects into a central fund maintained by the Authority. All accounts are segregated on the books of the Authority. The impound accounts are maintained in interest bearing accounts by CalHFA.

Replacement Reserves

In accordance with the provisions of the regulatory agreement, restricted cash and investments are held by the Authority to be used for replacements of property with the approval of CalHFA as follows:

Balance, June 30, 2008	\$ 94,429
Deposits	12,200
Interest income	3,122
Balance, June 30, 2009	<u>\$ 109,751</u>

Impound Accounts

	<u>Taxes</u>	<u>Hazard Insurance</u>	<u>Earthquake Insurance</u>	<u>Total</u>
Balance at June 30, 2008	\$ 4,630	\$ 15,274	\$ 10,028	\$ 29,932
Deposits	6,270	9,105	9,130	24,505
Interest earned	711	-	-	711
Payments applied	<u>(2,000)</u>	<u>(6,700)</u>	<u>(10,623)</u>	<u>(19,323)</u>
Balance at June 30, 2009	<u>\$ 9,611</u>	<u>\$ 17,679</u>	<u>\$ 8,535</u>	<u>\$ 35,825</u>

BRANNAN COURT APARTMENTS
(Contract Number 86-32-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

Capital Assets

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

Balance at inception, June 1, 1988	\$2,520,537
Additions during fiscal year 2001	97,834
Additions during fiscal year 2006	59,137
Additions during fiscal year 2008	<u>44,426</u>
Balance at June 30, 2009	<u>\$2,721,934</u>

Accounts Payable

Accounts payable consist of \$7,207 payable to suppliers that are being paid on a current basis.

Accrued Interest

Accrued interest of \$51,915 represents \$10,441 of mortgage interest for June, 2009, due July 1, 2009, and \$41,474 of mortgage interest due October 1, 2018.

BRANNAN COURT APARTMENTS
(Contract Number 86-32-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	\$ 29,632
Other tenant rental income	429,948
Vacancy loss	13,277
Total gross potential rent	<u>\$ 472,857</u>

Surplus Cash Computation

Add:

Cash and cash equivalents	\$ 507,139
Tenant security deposits	22,258
Total available	<u>529,397</u>

Less - current obligations:

Accounts payable	7,207
Accrued interest	51,915
Tenant security deposits	22,258
Total current obligations	<u>81,380</u>

Surplus cash and cash equivalents at end of year	<u>\$ 448,017</u>
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Maximum distributions allowed under the
regulatory agreement with CalHFA

\$ -

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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Certified Public Accountants & Management Consultants

Board of Directors
Capitol Area Development Authority
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 Brannan Court Apartments, (Contract Number 86-32-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.

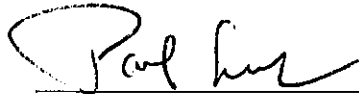
Macin Mini & O'Connell LLP


Certified Public Accountants

Sacramento, California
December 1, 2009

BRANNAN COURT APARTMENTS
(Contract Number 86-32-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 Brannan Court Apartments 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.

	<u>Executive Director</u>	<u>11/30/09</u>
Name	Title	Date

	<u>Controller</u>	<u>11/30/09</u>
Name	Title	Date