

**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, 2008 and 2007

BRANNAN COURT APARTMENTS
(Contract Number 86-32-N)
A Project of the Capitol Area Development Authority
For the Fiscal Years Ended June 30, 2008 and 2007

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Board of Directors
Capitol Area Development Authority
Sacramento, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Brannan Court Apartments (Contract Number 86-32-N) (Project), a project of the Capitol Area Development Authority (Authority), as of and for the fiscal years ended June 30, 2008 and 2007, 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 the Project's 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 the financial position of the Authority, as of June 30, 2008 and 2007, and the changes in its financial position and cash flows for the 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, 2008 and 2007, 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 November 28, 2008, on our consideration of the Authority's internal control over the Project's 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

The Project has not presented Management's Discussion and Analysis which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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.

Maciel Mini & O'Connell LLP

Certified Public Accountants

Sacramento, California
November 28, 2008

BRANNAN COURT APARTMENTS
(Contract Number 86-32-N)
A Project of the Capitol Area Development Authority
Statements of Net Assets
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 449,331	\$ 383,728
Restricted cash:		
Tenant security deposits	20,097	19,775
Insurance impound	29,932	26,701
Total restricted cash	<u>50,029</u>	<u>46,476</u>
 Total current assets	 <u>499,360</u>	 <u>430,204</u>
Noncurrent assets:		
Restricted cash - reserve for replacements	94,429	78,804
Capital assets:		
Buildings and improvements, net of accumulated depreciation	<u>996,151</u>	<u>1,054,268</u>
 Total noncurrent assets	 <u>1,090,580</u>	 <u>1,133,072</u>
 Total assets	 <u>1,589,940</u>	 <u>1,563,276</u>
Liabilities		
Current liabilities:		
Accounts payable	18,906	7,850
Prepaid rent	4,417	1,640
Accrued interest payable	11,088	11,674
Security deposits	20,097	19,775
Notes payable, current portion	78,075	70,709
Total current liabilities	<u>132,583</u>	<u>111,648</u>
Noncurrent liabilities:		
Accrued interest payable	39,474	37,474
Notes payable	<u>1,459,169</u>	<u>1,537,244</u>
 Total liabilities	 <u>1,631,226</u>	 <u>1,686,366</u>
Net Assets (Deficit)		
Invested in capital assets, net of related debt	(541,093)	(553,685)
Restricted for replacements	94,429	78,804
Unrestricted	<u>405,378</u>	<u>351,791</u>
 Total net assets (deficit)	 <u>\$ (41,286)</u>	 <u>\$ (123,090)</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
For the Fiscal Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenues		
Rental revenue, net	\$ 417,948	\$ 412,918
Other revenues:		
Coin-operated laundry	4,365	4,102
Parking	21,384	21,920
Miscellaneous	<u>1,658</u>	<u>990</u>
Total operating revenues	<u>445,355</u>	<u>439,930</u>
Operating expenses		
Payroll:		
On-site manager	12,024	11,616
Grounds and maintenance payroll	6,443	8,574
Payroll taxes and benefits	<u>8,172</u>	<u>8,172</u>
Total payroll	<u>26,639</u>	<u>28,362</u>
Administrative:		
Management fee	20,376	19,680
Audit	1,850	1,700
Media	<u>327</u>	<u>654</u>
Total administrative	<u>22,553</u>	<u>22,034</u>
Utilities:		
Electricity	9,385	8,939
Water and garbage	21,530	20,818
Gas	<u>10,516</u>	<u>10,481</u>
Total utilities	<u>41,431</u>	<u>40,238</u>
Operating and maintenance:		
Services and Supplies	4,947	12,513
Contract maintenance and repairs	16,349	18,904
Courtesy patrol	1,320	1,050
Decorating and painting	12,364	12,645
Operating budget major repairs	<u>16</u>	<u>10,130</u>
Total operating and maintenance	<u>34,996</u>	<u>55,242</u>
Insurance and taxes:		
Insurance	15,640	17,438
Property taxes	<u>5,938</u>	<u>4,603</u>
Total insurance and taxes	<u>21,578</u>	<u>22,041</u>
Depreciation	<u>102,543</u>	<u>100,322</u>
Total operating expenses	<u>249,740</u>	<u>268,239</u>
Operating income	<u>195,615</u>	<u>171,691</u>
Non-operating revenues (expenses)		
Interest income	24,527	21,085
Interest expense	<u>(138,338)</u>	<u>(145,064)</u>
Total non-operating expenses, net	<u>(113,811)</u>	<u>(123,979)</u>
Change in net assets (deficit)	81,804	47,712
Net assets (deficit), beginning of year	<u>(123,090)</u>	<u>(170,802)</u>
Net assets (deficit), end of year	<u>\$ (41,286)</u>	<u>\$ (123,090)</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Rental receipts	\$ 420,725	\$ 411,319
Other receipts	27,407	27,012
Tenant security deposits received	11,486	4,825
Payroll and related costs	(26,639)	(28,362)
Administrative expenses	(22,553)	(22,034)
Utilities expense	(41,431)	(40,238)
Operating and maintenance expenses	(23,940)	(66,747)
Tenant security deposits paid	(11,164)	(3,305)
Insurance and taxes expense	(21,578)	(22,041)
Net cash provided by operating activities	<u>312,313</u>	<u>260,429</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(44,426)	-
Principal payment on debt	(70,709)	(64,039)
Interest paid on debt	(136,924)	(143,595)
Net cash used for capital and related financing activities	<u>(252,059)</u>	<u>(207,634)</u>
Cash flows from investing activities:		
Interest receipts	<u>24,527</u>	<u>21,085</u>
Net increase in cash	84,781	73,880
Cash and cash equivalents, beginning of year	<u>509,008</u>	<u>435,128</u>
Cash and cash equivalents, end of year	<u>\$ 593,789</u>	<u>\$ 509,008</u>
Cash and cash equivalents	\$ 449,331	\$ 383,728
Restricted cash:		
Tenant security deposits	20,097	19,775
Insurance impound	29,932	26,701
Reserve for replacements	94,429	78,804
Total cash and cash equivalents	<u>\$ 593,789</u>	<u>\$ 509,008</u>

See accompanying notes to financial statements.

BRANNAN COURT APARTMENTS
(Contract Number 86-32-N)
Statements of Cash Flows (Continued)
For the Fiscal Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 195,615	\$ 171,691
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	102,543	100,322
Changes in assets and liabilities:		
Accounts payable	11,056	(11,505)
Prepaid rent	2,777	(1,599)
Security deposits	322	1,520
Net cash provided by operating activities	<u>\$ 312,313</u>	<u>\$ 260,429</u>

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, 2008 and 2007

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 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 maturity is 1.4 years and 1.0 year at June 30, 2008 and 2007, 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, 2008 and 2007

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, 2008 and 2007 are listed below.

	2008	2007
City of Sacramento investment pool	\$ 544,338	\$ 479,164
Deposits	19,519	3,143
Interest-bearing impound accounts	29,932	26,701
Total cash and cash equivalents	\$ 593,789	\$ 509,008

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, 2008 and 2007 amounted to \$20,097 and \$19,775, 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, 2008 and 2007

NOTE D - CAPITAL ASSETS

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

	<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	(1,623,240)	(102,543)	-	(1,725,783)
Capital assets, net	<u>\$ 1,054,268</u>	<u>\$ (58,117)</u>	<u>\$ -</u>	<u>\$ 996,151</u>

	<u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2007</u>
Capital assets:				
Buildings and improvements	\$ 2,677,508	\$ -	\$ -	\$ 2,677,508
Less accumulated depreciation for:				
Buildings and improvements	(1,522,918)	(100,322)	-	(1,623,240)
Capital assets, net	<u>\$ 1,154,590</u>	<u>\$ (100,322)</u>	<u>\$ -</u>	<u>\$ 1,054,268</u>

NNOTE E - NOTES PAYABLE

Notes payable consist of the following:

	June 30,	
	<u>2008</u>	<u>2007</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.	\$ 1,337,244	\$ 1,407,953
Principal and accrued interest at 1% due on October 1, 2018, secured by the Project.	<u>200,000</u>	<u>200,000</u>
	<u>\$ 1,537,244</u>	<u>\$ 1,607,953</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, 2008 and 2007

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>
2009	\$ 78,075	\$ 129,559	\$ 207,634
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
2014-2018	988,813	308,840	1,297,653
2019	67,810	1,412	69,222
	<u>\$ 1,537,244</u>	<u>\$ 867,797</u>	<u>\$ 2,405,041</u>

The following is a summary of the note payable transactions for the fiscal years ended June 30, 2008 and 2007:

<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>
<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Amounts due</u> <u>within one year</u>
<u>\$ 1,671,992</u>	<u>\$ -</u>	<u>\$ 64,039</u>	<u>\$ 1,607,953</u>	<u>\$ 70,709</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 contribution 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 \$184,347 and \$148,034 for the fiscal years ended June 30, 2008 and 2007, 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, 2008

Cash

Unrestricted account:	
Operating account	<u>\$ 449,331</u>
Restricted accounts:	
Tenant security deposits	\$ 20,097
Impound accounts	29,932
Replacement reserves	<u>94,429</u>
Total restricted accounts	<u>\$ 144,458</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, 2007	\$ 78,804
Deposits	12,200
Interest income	3,867
Payments applied	<u>(442)</u>
Balance, June 30, 2008	<u><u>\$ 94,429</u></u>

Impound Accounts

	<u>Taxes</u>	<u>Hazard Insurance</u>	<u>Earthquake Insurance</u>	<u>Total</u>
Balance at June 30, 2007	\$ 4,808	\$ 12,570	\$ 9,323	\$ 26,701
Deposits	3,960	9,900	8,040	21,900
Interest earned	1,626	-	-	1,626
Payments applied	<u>(5,764)</u>	<u>(7,196)</u>	<u>(7,335)</u>	<u>(20,295)</u>
Balance at June 30, 2008	<u><u>\$ 4,630</u></u>	<u><u>\$ 15,274</u></u>	<u><u>\$ 10,028</u></u>	<u><u>\$ 29,932</u></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, 2008

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, 2008	<u>\$2,721,934</u>

Accounts Payable

Accounts payable consist of \$18,906 payable to suppliers that are being paid on a current basis.

Accrued Interest

Accrued interest of \$50,562 represents \$11,088 of mortgage interest for June, 2008, due July 1, 2008, and \$39,474 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, 2008

Gross Potential Rents

Gross potential rents includes:	
Qualified tenant rental income	\$ 26,027
Other tenant rental income	420,903
Vacancy loss	12,224
Total gross potential rent	<u>\$ 459,154</u>

Surplus Cash Computation

Add:	
Cash and cash equivalents	\$ 449,331
Tenant security deposits	20,097
Total available	<u>469,428</u>
Less - current obligations:	
Accounts payable	18,906
Accrued interest	50,562
Tenant security deposits	20,097
Total current obligations	<u>89,565</u>
Surplus cash and cash equivalents at end of year	<u>\$ 379,863</u>

Maximum distributions allowed under the regulatory agreement with CalHFA	<u>\$ -</u>
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Accumulated Limited Distributions

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

OTHER REPORT



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Board of Directors
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 *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of Brannan Court Apartments, (Contract Number 86-32-N) (Project), a project of the Capitol Area Development Authority (Authority), as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated November 28, 2008. Our opinion includes an explanatory paragraph describing that the financial statements presents only the Project and does not purport to, and do not, present fairly the financial position or changes in financial position of the Capitol Area Development 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 control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Agency and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

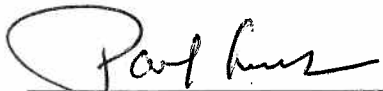
Macie Mini & O'Connell LLP

Certified Public Accountants

Sacramento, California
November 28, 2008

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, 2008

We, as officers of Capitol Area Development Authority (A 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, 2008, and, to the best of our knowledge and belief, these financial statements and data are complete and accurate.


Name

Executive Director
Title

11/29/08
Date


Name

Accounting Manager
Title

11/28/08
Date