

**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, 2013 and 2012

**BRANNAN COURT APARTMENTS**  
**(Contract Number 86-32-N)**  
**A Project of the Capitol Area Development Authority**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

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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 Brannan Court Apartments (Contract Number 86-32-N) (the Project), a project of the Capitol Area Development Authority (Authority) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements as listed in the table of contents.

#### *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 opinions 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 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 opinions.

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, 2013 and 2012, 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.

#### *Opinions*

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, 2013 and 2012, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 12 to 14 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 10, 2013, 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.

*Maciar Gini & O'Connell LLP*

Sacramento, California  
December 10, 2013

**BRANNAN COURT APARTMENTS**  
**(Contract Number 86-32-N)**  
**A Project of the Capitol Area Development Authority**  
**Statements of Net Position**  
**June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 892,633	\$ 824,016
Accounts receivable	1,857	4,034
Prepaid expenses	19,528	19,575
Restricted cash:		
Insurance and tax impounds	19,453	18,533
Tenant security deposits	24,855	23,370
Total restricted cash	<u>44,308</u>	<u>41,903</u>
 Total current assets	 <u>958,326</u>	 <u>889,528</u>
Noncurrent assets:		
Restricted cash - reserve for replacements	169,831	155,252
Capital assets:		
Building and Improvements	2,750,134	2,750,134
Less: accumulated depreciation	(2,231,425)	(2,135,577)
Net investment in capital assets	<u>518,709</u>	<u>614,557</u>
 Total noncurrent assets	 <u>688,540</u>	 <u>769,809</u>
 Total assets	 <u>1,646,866</u>	 <u>1,659,337</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	10,752	35,148
Prepaid rent	3,476	1,100
Accrued interest payable	7,103	8,065
Tenant security deposits	24,855	23,370
Notes payable, current portion	128,139	116,050
Total current liabilities	<u>174,325</u>	<u>183,733</u>
Noncurrent liabilities:		
Accrued interest payable	49,474	47,474
Notes payable, net of current portion	928,483	1,056,623
 Total liabilities	 <u>1,152,282</u>	 <u>1,287,830</u>
<b>Net Position</b>		
Net investment in capital assets	(537,913)	(558,116)
Restricted for replacements and impounds	189,284	173,785
Unrestricted	<u>843,213</u>	<u>755,838</u>
 Total net position	 <u>\$ 494,584</u>	 <u>\$ 371,507</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 Position**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Operating revenues</b>		
Rental revenue, net	\$ 447,823	\$ 445,146
Other revenues:		
Coin-operated laundry	3,416	4,003
Parking	28,184	26,177
Miscellaneous	<u>2,520</u>	<u>1,005</u>
Total operating revenues	<u>481,943</u>	<u>476,331</u>
<b>Operating expenses</b>		
Payroll:		
On-site manager	12,996	12,996
Grounds and maintenance payroll	11,131	9,815
Payroll taxes and benefits	<u>8,712</u>	<u>8,712</u>
Total payroll	<u>32,839</u>	<u>31,523</u>
Administrative:		
Management fee	27,480	23,820
Audit	2,217	2,152
Media	504	504
Legal fee	<u>2,297</u>	<u>-</u>
Total administrative	<u>32,498</u>	<u>26,476</u>
Utilities:		
Electricity	11,846	11,301
Water and garbage	19,397	23,135
Gas	<u>7,065</u>	<u>8,127</u>
Total utilities	<u>38,308</u>	<u>42,563</u>
Operating and maintenance:		
Services and Supplies	8,537	8,417
Contract maintenance and repairs	18,721	20,846
Courtesy patrol	1,536	1,464
Decorating and painting	<u>23,169</u>	<u>15,349</u>
Total operating and maintenance	<u>51,963</u>	<u>46,076</u>
Insurance and taxes:		
Insurance	19,722	18,419
Property taxes	<u>7,013</u>	<u>4,002</u>
Total insurance and taxes	<u>26,735</u>	<u>22,421</u>
Depreciation	<u>95,848</u>	<u>95,923</u>
Total operating expenses	<u>278,191</u>	<u>264,982</u>
Operating income	<u>203,752</u>	<u>211,349</u>
<b>Non-operating revenues (expenses)</b>		
Interest income	11,945	19,940
Interest expense	<u>(92,620)</u>	<u>(103,660)</u>
Total non-operating expenses, net	<u>(80,675)</u>	<u>(83,720)</u>
Change in net position	123,077	127,629
Net position, beginning of year	<u>371,507</u>	<u>243,878</u>
Net position, end of year	<u>\$ 494,584</u>	<u>\$ 371,507</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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Rental receipts	\$ 452,376	\$ 441,070
Other receipts	34,120	31,185
Tenant security deposits received	11,190	5,940
Payroll and related costs	(32,839)	(31,523)
Administrative expenses	(32,498)	(26,476)
Utilities expense	(38,308)	(42,563)
Operating and maintenance expenses	(76,312)	(48,366)
Tenant security deposits paid	(9,705)	(5,600)
Insurance and taxes expense	(26,735)	(22,421)
Net cash provided by operating activities	<u>281,289</u>	<u>301,246</u>
Cash flows from capital and related financing activities:		
Principal payment on debt	(116,051)	(105,102)
Interest paid on debt	(91,582)	(102,532)
Net cash used in capital and related financing activities	<u>(207,633)</u>	<u>(207,634)</u>
Cash flows from investing activities:		
Interest receipts	11,945	19,940
Net cash provided by investing activities:	<u>11,945</u>	<u>19,940</u>
Net increase in cash	85,601	113,552
Cash and cash equivalents, beginning of year	<u>1,021,171</u>	<u>907,619</u>
Cash and cash equivalents, end of year	<u>\$ 1,106,772</u>	<u>\$ 1,021,171</u>
Reconciliation to the Statement of Net Position:		
Cash and cash equivalents	\$ 892,633	\$ 824,016
Restricted cash:		
Insurance and tax impounds	19,453	18,533
Tenant security deposits	24,855	23,370
Reserve for replacements	169,831	155,252
Total cash and cash equivalents	<u>\$ 1,106,772</u>	<u>\$ 1,021,171</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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 203,752	\$ 211,349
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	95,848	95,923
Changes in assets and liabilities:		
Accounts receivable	2,177	(2,458)
Prepaid expenses	47	(97)
Accounts payable	(24,396)	(2,193)
Prepaid rent	2,376	(1,618)
Tenant security deposits	1,485	340
Net cash provided by operating activities	<u>\$ 281,289</u>	<u>\$ 301,246</u>
Noncash investing, capital and financing activities:		
Acquisition of capital assets through accounts payable	\$ -	\$ 28,200

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, 2013 and 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General

Brannan Court Apartments (Project) is a 40-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 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 and cash flows 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 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. 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.

Cash, Cash Equivalents and Restricted Cash

The Project participates in the City's 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 1.47 years and 1.89 years as of June 30, 2013 and 2012, 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, 2013 and 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash, Cash Equivalents and Restricted Cash (Continued)

Cash, cash equivalents and restricted cash include operating accounts, replacement reserves, insurance and tax impounds, and tenant security deposits. Insurance and tax impound accounts are held in an interest bearing account by CalHFA. As required by the Authority's regulatory agreement with the CalHFA, the Project makes monthly deposits to cover hazard insurance, earthquake insurance, and property tax 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.

Operating accounts, tenant security deposits and replacement reserves are held in both the City's 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.

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. Depreciation is calculated using the straight-line method over an estimated useful life of 10 to 30 years. Maintenance and repair costs are expensed as incurred. The Project does not own land, only the building on the land and therefore there is no non-depreciable capital asset disclosed. The Project's 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, 2013 and 2012 are listed below.

	2013	2012
City of Sacramento investment pool	\$ 1,058,610	\$ 1,002,368
Deposit Account	28,709	-
Deposits with CalHFA	19,453	18,533
Total cash, cash equivalents, and restricted cash	\$ 1,106,772	\$ 1,021,171

**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, 2013 and 2012**

**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, 2013 and 2012 amounted to \$24,855 and \$23,370, respectively.

**NOTE D - CAPITAL ASSETS**

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

	<u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>
Capital assets:				
Buildings and improvements	\$ 2,750,134	\$ -	\$ -	\$ 2,750,134
Less accumulated depreciation for:				
Buildings and improvements	<u>(2,135,577)</u>	<u>(95,848)</u>	<u>-</u>	<u>(2,231,425)</u>
Capital assets, net	<u>\$ 614,557</u>	<u>\$ (95,848)</u>	<u>\$ -</u>	<u>\$ 518,709</u>
	<u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>
Capital assets:				
Buildings and improvements	\$ 2,721,934	\$ 28,200	\$ -	\$ 2,750,134
Less accumulated depreciation for:				
Buildings and improvements	<u>(2,039,654)</u>	<u>(95,923)</u>	<u>-</u>	<u>(2,135,577)</u>
Capital assets, net	<u>\$ 682,280</u>	<u>\$ (67,723)</u>	<u>\$ -</u>	<u>\$ 614,557</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, 2013 and 2012**

**NOTE E - NOTES PAYABLE**

Notes payable consist of the following:

	June 30,	
	2013	2012
To California Housing Finance Agency:		
Monthly installments of \$17,303, including principal and interest at 9.95% annually to October 1, 2018, secured by the Project.	\$ 856,622	\$ 972,673
Principal and accrued interest at 1% annually due on October 1, 2018, secured by the Project.	<u>200,000</u>	<u>200,000</u>
	<u><u>\$ 1,056,622</u></u>	<u><u>\$ 1,172,673</u></u>

Future maturities on notes payable are as follows:

Years Ending June 30,	Principal	Interest	Total
2014	\$ 128,139	\$ 79,495	\$ 207,634
2015	141,486	66,147	207,633
2016	156,224	51,409	207,633
2017	172,498	35,136	207,634
2018	190,466	76,653	267,119
2019	267,809	1,412	269,221
	<u><u>\$ 1,056,622</u></u>	<u><u>\$ 310,252</u></u>	<u><u>\$ 1,366,874</u></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, 2013 and 2012**

**NOTE E - NOTES PAYABLE (CONTINUED)**

The following is a summary of the notes payable transactions for the fiscal years ended June 30, 2013 and 2012:

<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amounts due</u> <u>within one year</u>
<u>\$ 1,172,673</u>	<u>\$ -</u>	<u>\$ 116,051</u>	<u>\$ 1,056,622</u>	<u>\$ 128,139</u>
<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amounts due</u> <u>within one year</u>
<u>\$ 1,277,775</u>	<u>\$ -</u>	<u>\$ 105,102</u>	<u>\$ 1,172,673</u>	<u>\$ 116,050</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 \$218,925 and \$223,552 for the fiscal years ended June 30, 2013 and 2012, respectively. The Authority has 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, 2013**

Cash and cash equivalents

Unrestricted account:

Operating account	\$ 892,633
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Restricted accounts:

Insurance and tax impounds	19,453
Tenant security deposits	24,855
Reserve for replacements	169,831

Total restricted accounts	214,139
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Total cash and cash equivalents	\$ 1,106,772
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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.

Reserves for Replacements

In accordance with the provisions of the regulatory agreement, reserve accounts are maintained in accounts by CalHFA to be used for replacements of property. Withdrawals are made upon approval by CalHFA. Activity during the fiscal year ended June 30, 2013 was as follows:

Balance, June 30, 2012	\$ 155,252
Deposits	12,200
Interest income	2,379
Balance, June 30, 2013	\$ 169,831

**BRANNAN COURT APARTMENTS**  
**(Contract Number 86-32-N)**  
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**Supplemental Information Required by the**  
**California Housing Finance Agency**  
**For the Fiscal Year Ended June 30, 2013**

Impound Accounts

	<u>Taxes</u>	<u>Hazard Insurance</u>	<u>Earthquake Insurance</u>	<u>Total</u>
Balance at June 30, 2012	\$ 1,445	\$ 10,548	\$ 6,540	\$ 18,533
Deposits	1,065	9,166	9,675	19,906
Interest earned	56			56
Impound refunds	(1,044)	-	-	(1,044)
CHFA adjustment	-	(1,759)	1,759	-
Payments applied	-	(8,465)	(9,533)	(17,998)
Balance at June 30, 2013	<u>\$ 1,522</u>	<u>\$ 9,490</u>	<u>\$ 8,441</u>	<u>\$ 19,453</u>

Capital Assets

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

	<u>Building &amp; Improvements</u>
Capital assets balance, June 30, 2012	\$ 2,750,134
Additions	-
Capital assets balance, June 30, 2013	<u>\$ 2,750,134</u>

Accounts Payable

Accounts payable in the amount of \$10,752 represents payables to suppliers. All accounts payable are current.

Accrued Interest

Accrued interest of \$56,577 represents \$7,103 of mortgage interest for June, 2013, due July 1, 2013, and \$49,474 of mortgage interest due October 1, 2018.



**BRANNAN COURT APARTMENTS**  
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**California Housing Finance Agency**  
**For the Fiscal Year Ended June 30, 2013**

Gross Potential Rents

Gross potential rents includes:

Qualified tenant rental income	\$ 29,051
Other tenant rental income	540,759
Vacancy loss	(43,708)
Total gross potential rents	<u>\$ 526,102</u>

Management Fee

A property management fee of \$27,480 was incurred during 2013 for the property management services provided by the Agency.

Operating Cash Flow/Surplus Cash Computation

Operation Income	
Total income	\$ 493,888
Interest earned on restricted reserve accounts	(2,379)
Adjusted operation income	<u>491,509</u>
Operating expenses	<u>(182,343)</u>
Adjusted net income	309,166
Other activity	
Debt service	(207,633)
Deposits into Replacement Reserve Account	(12,200)
Deposits into Debt Retirement Reserve Account	(10,815)
Total Other activity	<u>(230,648)</u>
Operating Cash Flow/Surplus Cash	<u>\$ 78,518</u>

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**

**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 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, 2013, and the related notes to the financial statements, which collectively comprise the Authority’s financial statements, and have issued our report thereon dated December 10, 2013.

**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 opinions 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 a 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 Authority’s financial statements are free from 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**

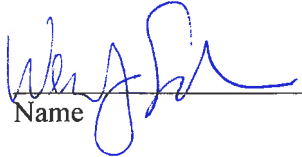
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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

*Maclean Meiri & O'Connell LLP*

Sacramento, California  
December 10, 2013

**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, 2013**

We, as officers of Capitol Area Development 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, 2013, and, to the best of our knowledge and belief, these financial statements and data are complete and accurate.

	<u>Executive Director</u>	<u>12-3-13</u>
Name	Title	Date

	<u>Controller</u>	<u>12-3-13</u>
Name	Title	Date