

**SOMERSET PARKSIDE APARTMENTS  
(CONTRACT NUMBER 80-RHC-007)  
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

**SOMERSET PARKSIDE APARTMENTS**  
**(Contract Number 80-RHC-007)**  
**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 Somerset Parkside Apartments (Contract Number 80-RHC-07) (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 17 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information on pages 14 to 17 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 on pages 14 to 17 is fairly stated in all material respects in relation to the financial statements as a whole. The supplemental information on pages 12 and 13 are required by Housing and Community Development and the Project sponsor. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### ***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.

*Macinnis Mini & O'Connell LLP*

Sacramento, California  
December 10, 2013

**SOMERSET PARKSIDE APARTMENTS**  
**(Contract Number 80-RHC-007)**  
**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	\$ 25,623	\$ 24,601
Residential accounts receivable	7,290	8,157
Prepaid expense	1,087	984
Restricted cash - tenant security deposits	<u>9,615</u>	<u>8,350</u>
Total current assets	<u>43,615</u>	<u>42,092</u>
Noncurrent assets:		
Restricted cash - replacement reserves	28,448	29,944
Capital assets:		
Buildings and improvements, net of accumulated depreciation	<u>68,014</u>	<u>110,115</u>
Total noncurrent assets	<u>96,462</u>	<u>140,059</u>
Total assets	<u>140,077</u>	<u>182,151</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	2,459	4,109
Deferred revenue - prepaid rent	1,041	1,783
Due to State - HCD	14,744	16,461
Tenant security deposits	<u>9,615</u>	<u>8,350</u>
Total current liabilities	<u>27,859</u>	<u>30,703</u>
Total liabilities	<u>27,859</u>	<u>30,703</u>
<b>Net Position</b>		
Net investment in capital assets	68,014	110,115
Restricted for replacements	28,448	29,944
Unrestricted	<u>15,756</u>	<u>11,389</u>
Total net position	<u>\$ 112,218</u>	<u>\$ 151,448</u>

See accompanying notes to financial statements.

**SOMERSET PARKSIDE APARTMENTS**  
**(Contract Number 80-RHC-007)**  
**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	\$ 122,400	\$ 129,692
HCD annuities	2,946	10,455
Excess program payments	1,717	(16,461)
Net HCD annuities	<u>4,663</u>	<u>(6,006)</u>
Other revenues:		
Coin-operated laundry	3,287	3,420
Parking	540	1,020
Miscellaneous	<u>2,396</u>	<u>2,003</u>
Total operating revenues	<u>133,286</u>	<u>130,129</u>
<b>Operating expenses</b>		
Payroll:		
Salaries and benefits	<u>34,548</u>	<u>32,347</u>
Administrative:		
Legal and accounting services	4,710	4,573
Management fee	16,476	16,476
Media	516	516
Total administrative	<u>21,702</u>	<u>21,565</u>
Utilities	<u>24,217</u>	<u>32,670</u>
Operating and maintenance:		
Services and supplies	2,217	2,054
Courtesy patrol	2,916	2,772
Maintenance contract	9,674	7,136
Decorating and painting	3,791	796
Repairs and maintenance	14,122	6,468
Bad debt expense	3,469	-
Total operating and maintenance	<u>36,189</u>	<u>19,226</u>
Insurance and taxes:		
Insurance	8,823	8,226
Property taxes	1,150	1,079
Total insurance and taxes	<u>9,973</u>	<u>9,305</u>
Depreciation	<u>46,601</u>	<u>46,601</u>
Total operating expenses	<u>173,230</u>	<u>161,714</u>
Operating loss	<u>(39,944)</u>	<u>(31,585)</u>
<b>Non-operating revenues</b>		
Interest income	<u>714</u>	<u>1,254</u>
Change in net position	(39,230)	(30,331)
Net position, beginning of year	<u>151,448</u>	<u>181,779</u>
Net position, end of year	<u>\$ 112,218</u>	<u>\$ 151,448</u>

See accompanying notes to financial statements.

**SOMERSET PARKSIDE APARTMENTS**  
**(Contract Number 80-RHC-007)**  
**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	\$ 122,525	\$ 126,412
HCD annuities	2,946	(2,491)
Other receipts	6,223	6,443
Tenant security deposits received	4,720	860
Payroll and related costs	(34,548)	(32,347)
Administrative expenses	(21,702)	(21,565)
Utilities expense	(24,217)	(32,670)
Operating and maintenance expenses	(37,942)	(23,935)
Tenant security deposits paid	(3,455)	(2,050)
Insurance and taxes expense	(9,973)	(9,305)
Net cash provided by operating activities	<u>4,577</u>	<u>9,352</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant and equipment	<u>(4,500)</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>(4,500)</u>	<u>-</u>
Cash flows from investing activities:		
Interest receipts	<u>714</u>	<u>1,254</u>
Net increase in cash	791	10,606
Cash and cash equivalents, beginning of year	62,895	52,289
Cash and cash equivalents, end of year	<u>\$ 63,686</u>	<u>\$ 62,895</u>
Reconciliation to the Statement of Net Position:		
Cash and cash equivalents	\$ 25,623	\$ 24,601
Restricted cash:		
Tenant security deposits	9,615	8,350
Replacement reserves	<u>28,448</u>	<u>29,944</u>
Total cash and cash equivalents	<u>\$ 63,686</u>	<u>\$ 62,895</u>

See accompanying notes to financial statements.

**SOMERSET PARKSIDE APARTMENTS**  
**(Contract Number 80-RHC-007)**  
**A Project of the Capitol Area Development Authority**  
**Statements of Cash Flows (Continued)**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (39,944)	\$ (31,585)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	46,601	46,601
Changes in assets and liabilities:		
Residential accounts receivable	867	(770)
Prepaid expense	(103)	-
Accounts payable	(1,650)	(4,709)
Deferred revenue - prepaid rent	(742)	(2,510)
Due to State - HCD	(1,717)	3,515
Tenant security deposits	1,265	(1,190)
Net cash provided by operating activities	\$ 4,577	\$ 9,352

See accompanying notes to financial statements.



**SOMERSET PARKSIDE APARTMENTS**  
**(Contract Number 80-RHC-007)**  
**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

Somerset Parkside Apartments (Project) is a 26-unit apartment complex located in downtown Sacramento, California. It provides housing for eligible low-income families under the State of California Department of Housing and Community Development (HCD) Rental Housing Construction Program (RHCP). This program provides long-term financing to construct the housing project and monthly annuities to fund operating deficits.

In accordance with a regulatory agreement dated April 8, 1982, the Capitol Area Development Authority (Authority) manages the Project. The Authority is a joint powers agency with a Board of Directors comprised of appointees of the City of Sacramento (City) and the State of California. The accompanying financial statements are not intended to present fairly the financial position or changes in financial position and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America.

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 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 quoted market prices. 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.

**SOMERSET PARKSIDE APARTMENTS**  
**(Contract Number 80-RHC-007)**  
**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)

The City's investment pool is unrated and the weighted average maturity is 1.47 years at June 30, 2013 and 1.89 years at June 30, 2012. At June 30, 2013 and 2012, the entire amount of the Project's cash and cash equivalents and restricted cash are invested in the City's investment pool. 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.

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. Restricted cash includes replacement reserves and tenant security deposits.

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 between 10 to 30 years. Maintenance and repair costs are expensed as incurred.

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 – TENANT SECURITY DEPOSITS**

The Project collects security deposits from tenants at the inception of the tenant lease. These deposits, which are reported in these financial statements as restricted cash, 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 \$9,615 and \$8,350, respectively.

**SOMERSET PARKSIDE APARTMENTS**  
**(Contract Number 80-RHC-007)**  
**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 - CAPITAL ASSETS**

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

	<u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 4,500	\$ -	\$ 4,500
Total capital assets not being depreciated	<u>-</u>	<u>4,500</u>	<u>-</u>	<u>4,500</u>
Capital assets being depreciated				
Buildings and improvements	1,448,531	-	-	1,448,531
Less accumulated depreciation for:				
Buildings and improvements	<u>(1,338,416)</u>	<u>(46,601)</u>	<u>-</u>	<u>(1,385,017)</u>
Capital assets being depreciated, net	<u>110,115</u>	<u>(46,601)</u>	<u>-</u>	<u>63,514</u>
Capital assets, net	<u>\$ 110,115</u>	<u>\$ (42,101)</u>	<u>\$ -</u>	<u>\$ 68,014</u>
	<u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>
Capital assets:				
Buildings and improvements	\$ 1,448,531	\$ -	\$ -	\$ 1,448,531
Less accumulated depreciation for:				
Buildings and improvements	<u>(1,291,815)</u>	<u>(46,601)</u>	<u>-</u>	<u>(1,338,416)</u>
Capital assets being depreciated, net	<u>156,716</u>	<u>(46,601)</u>	<u>-</u>	<u>110,115</u>
Capital assets, net	<u>\$ 156,716</u>	<u>\$ (46,601)</u>	<u>\$ -</u>	<u>\$ 110,115</u>

**SOMERSET PARKSIDE APARTMENTS**  
**(Contract Number 80-RHC-007)**  
**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 D - REPLACEMENT RESERVES**

Replacement reserves, which are reported in these financial statements as restricted cash, are funded monthly to provide for future major additions, repairs or replacements. The replacement reserve activity for the fiscal years ended June 30 is as follows:

	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 29,944	\$ 15,253
Interest earned	523	608
Required deposits	6,400	18,000
Authorized expenditures	<u>(8,419)</u>	<u>(3,917)</u>
Ending balance	<u>\$ 28,448</u>	<u>\$ 29,944</u>

**NOTE E - UNEXPENDED PROGRAM PAYMENTS**

As stated in Note A, the HCD Rental Housing Construction Program provides operating funds to the Project to cover the operating costs not covered by rental revenues. For the fiscal year ended June 30, 2013, unexpended payments due back to HCD were less than the HCD authorized annuities by \$291. For the fiscal year ended June 30, 2012, unexpended payments due back to HCD were less than the HCD authorized annuities by \$3,515.

In determining the qualifying operating costs, HCD disallows certain expenses reflected in these financial statements. Specifically excluded are depreciation expense, repairs paid out of replacement reserves and asset acquisitions exceeding the authorized budget. For the fiscal years ended June 30, 2013 and 2012, rental and program revenues exceeded qualifying operating costs by \$14,744 and \$16,461 respectively. Net unexpended program payments are reported as Due to State - HCD on the Project's statements of net assets.

The activity in the account for the fiscal years ended June 30, are as follows:

	<u>2013</u>	<u>2012</u>
Due to State-HCD, beginning balance	\$ 16,461	\$ 12,946
Excess program payments for the current year	2,200	16,461
HCD correction	<u>(3,917)</u>	<u>(12,946)</u>
Due to State-HCD, ending balance	<u>\$ 14,744</u>	<u>\$ 16,461</u>

**SOMERSET PARKSIDE APARTMENTS**  
**(Contract Number 80-RHC-007)**  
**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 F - LEASED PROPERTY**

The land on which the Project is located is owned by the State of California. On June 12, 1981, a 60-year operating lease was entered into between the Authority and the State of California. This lease is without cost, therefore, it is not reflected in these financial statements.

The State of California or the Authority may terminate the lease at any time by giving 60 days notice. Should this lease be terminated, the developmental ground lease will be honored by the State on behalf of the Authority.

**SUPPLEMENTAL INFORMATION**

**SOMERSET PARKSIDE APARTMENTS  
(Contract Number 80-RHC-007)  
A Project of the Capitol Area Development Authority  
Supplemental Information Required by  
Housing and Community Development  
For the Fiscal Year Ended June 30, 2013**

**Insurance**

Insurance premiums are current as of June 30, 2013. The annual renewal policy was paid before the due date.

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Project Name: Somerset Parkside

Contract #: 80-RHC-007

Sponsor's Name: Capitol Area Development Authority

Project Fiscal Year: 2012-2013

The sponsor must send one copy of this *Annual Report Sponsor Certification* along with the annual *Audited Financial Statements* to the Department of Housing and Community Development within ninety (90) days (or within the period of time specified in the Regulatory Agreement, if different) after the end of the project fiscal year. The *Annual Report Sponsor Certification* must have original signatures. Please note that if additional information is required for a specific program's *annual reporting requirement*, that information must accompany the *Annual Audited Financial Statements* as a separate attachment. The *Annual Report* includes the *Sponsor Certification*, the *Audited Financial Statements* and all other annual reporting documents.

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**Sponsor Certification**

It is hereby certified that all of the representations made by the sponsor in the Regulatory Agreement and the financial disclosures contained in the *Annual Report* are true and correct, and that there is not any condition, event, or act which would constitute an event of default there under, or which with notice, passage of time, or both, would constitute such an event of default.

  
\_\_\_\_\_  
Authorized Signature

Diana L. Rutley  
\_\_\_\_\_  
Printed Name

Property Manager  
\_\_\_\_\_  
Title

11-14-13  
\_\_\_\_\_  
Date





**ANNUAL REPORT**

**RESERVE BALANCES AND SUPPLEMENTAL INFORMATION**

AMC 182 (rev 8/2/06)

Explanation of other Withdrawals:

**ADDITIONAL REQUESTED INFORMATION FOR FY:**

2012-2013

ITEM	YES	NO	DATES PAID AND COMMENTS
1. <b>Operating Reserves:</b> Funded monthly? If not, how often?			Not Applicable
2. <b>Replacement Reserves:</b> Funded monthly? If not, how often?	X		
3. <b>Security Deposit Acct. :</b> Bal. equal to/greater than security deposit liability plus interest? Explain if "No".			Not Applicable
4. <b>Taxes:</b> Paid current, on time & no late fees incurred?	X		
5. <b>Insurance:</b> Is coverage according to Regulatory Agreement?	X		
6. <b>Insurance:</b> Paid current and the renewal policy paid on time?	X		
7. <b>Required Debt Service:</b> Paid current & always paid by due date?			Not Applicable
8. <b>Debt:</b> Has additional indebtedness been incurred? (If "YES", explain what, when and with whom.)		X	
9. <b>Other Reserve Account?:</b> Name other reserve accounts, how funded, who controls them and their purpose.			Not Applicable
10. <b>Account Insurance:</b> Are all accounts insured by Federal Gov't?	X		

Annual Report

Actual Operating Costs

AMC 180a (Rev. Oct 2009) (This version is used for RHCP-O only)

Rental Housing Construction Program -- Original

7. REPORT OF ACTUAL OPERATING COSTS

Reporting Period: 7/1/2012 to 06/30/2013

Contract No: 80-RHC-007  
 Project Name: Somerset Parkside  
 Prepared by:  
 Date Prepared:

Units/Sq. Ft. - Assisted: 26  
 Units/Sq. Ft. - Total: 26  
 Unit Months: 312

ACCOUNT NAME	ACCOUNT CODES	UNIT EXPENSES						PROJECT TOTALS		
		Approved Assisted (A)	Actual Assisted	Approved Non-Assisted	Actual Non-Assisted	Proposed Commercial	Actual Commercial	Approved Total Expenses	Total Actual Expenses (B)	Project Variance (C)
<b>MANAGEMENT FEE: 6200/6300</b>										
1 Management Fee or Sponsor Overhead	6320	16,476	16,476	0	0	0	0	16,476	16,476	0
<b>ADMINISTRATIVE EXPENSES: 6200/6300</b>										
2 Advertising	6210	516	516	0	0	0	0	516	516	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0	0	0	0
4 Other Renting Expenses	6250	100	50	0	0	0	0	100	50	50
5 Office Salaries	6310	0	0	0	0	0	0	0	0	0
6 Office Supplies	6311	0	0	0	0	0	0	0	0	0
7 Office or Model Apartment Rent	6312	0	0	0	0	0	0	0	0	0
8 Manager and Superintendent Salaries	6330	18,216	18,216	0	0	0	0	18,216	18,216	0
9 Manager's or Superintendent's Rent Free Unit	6331	7,512	7,512	0	0	0	0	7,512	7,512	0
10 Legal Expense - Project	6340	1,000	0	0	0	0	0	1,000	0	1,000
11 Audit Expense - Project	6350	4,710	4,710	0	0	0	0	4,710	4,710	0
12 Bookkeeping Fees/Accounting Services	6351	0	0	0	0	0	0	0	0	0
13 Telephone and Answering Service Expenses	6360	0	0	0	0	0	0	0	0	0
14 Bad Debt Expense	6370	0	0	0	0	0	0	0	0	0
15 Miscellaneous Administrative Expenses (specify)	6390	0	0	0	0	0	0	0	0	0
<b>16 TOTAL ADMINISTRATIVE EXPENSES</b>	<b>6200/6300T</b>	<b>32,054</b>	<b>31,004</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,054</b>	<b>31,004</b>	<b>1,050</b>
<b>UTILITIES EXPENSES: 6400</b>										
17 Fuel Oil/Coal	6420	0	0	0	0	0	0	0	0	0
18 Electricity	6450	3,000	2,401	0	0	0	0	3,000	2,401	599
19 Water	6451	0	0	0	0	0	0	0	0	0
20 Gas	6452	1,013	477	0	0	0	0	1,013	477	536
21 Sewer	6453	24,124	18,501	0	0	0	0	24,124	18,501	5,623
<b>22 TOTAL UTILITIES EXPENSES</b>	<b>6400T</b>	<b>28,137</b>	<b>21,379</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,137</b>	<b>21,379</b>	<b>6,758</b>
<b>OPERATING AND MAINTENANCE EXPENSES: 6500</b>										
23 Janitor and Cleaning Payroll	6510	6,476	8,820	0	0	0	0	6,476	8,820	(2,344)
24 Janitor and Cleaning Supplies	6515	2,000	2,167	0	0	0	0	2,000	2,167	(167)
25 Janitor and Cleaning Contracts	6517	8,000	8,510	0	0	0	0	8,000	8,510	(510)
26 Exterminating Payroll/Contract	6519	0	0	0	0	0	0	0	0	0
27 Exterminating Supplies	6520	0	0	0	0	0	0	0	0	0
28 Garbage and Trash Removal	6525	8,100	2,838	0	0	0	0	8,100	2,838	5,262
29 Security Payroll/Contract	6530	2,916	2,916	0	0	0	0	2,916	2,916	0
30 Grounds Payroll	6535	0	0	0	0	0	0	0	0	0
31 Grounds Supplies	6536	0	0	0	0	0	0	0	0	0
32 Grounds Contract	6537	1,164	1,164	0	0	0	0	1,164	1,164	0
33 Repairs Payroll	6540	0	0	0	0	0	0	0	0	0
34 Repairs Material	6541	6,000	9,014	0	0	0	0	6,000	9,014	(3,014)
35 Repairs Contract	6542	0	0	0	0	0	0	0	0	0
36 Elevator Maintenance/Contract	6545	0	0	0	0	0	0	0	0	0
37 Heating/Cooling Repairs and Maintenance	6546	0	0	0	0	0	0	0	0	0
38 Swimming Pool Maintenance/Contract	6547	0	0	0	0	0	0	0	0	0
39 Snow Removal	6548	0	0	0	0	0	0	0	0	0
40 Decorating/Payroll Contract	6560	5,000	3,791	0	0	0	0	5,000	3,791	1,209
41 Decorating Supplies	6561	0	0	0	0	0	0	0	0	0
42 Vehicle and Maint. Equipment Operation/Repairs	6570	0	0	0	0	0	0	0	0	0
43 Misc. Operating and Maintenance Expenses (specify)	6590	2,000	5,109	0	0	0	0	2,000	5,109	(3,109)
<b>44 TOTAL OPERATING &amp; MAINTENANCE EXPENSES</b>	<b>6500T</b>	<b>41,656</b>	<b>44,329</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>41,656</b>	<b>44,329</b>	<b>(2,673)</b>
<b>TAXES AND INSURANCE: 6700</b>										
45 Real Estate Taxes	6710	1,150	1,150	0	0	0	0	1,150	1,150	0
46 Payroll Taxes (Project's Share)	6711	0	0	0	0	0	0	0	0	0
47 Misc. Taxes, Licenses and Permits	6719	0	0	0	0	0	0	0	0	0
48 Property and Liability Insurance (Hazard)	6720	0	0	0	0	0	0	0	0	0
49 Fidelity Bond Insurance	6721	0	0	0	0	0	0	0	0	0
50 Worker's Compensation	6722	0	0	0	0	0	0	0	0	0
51 Health Insurance and Other Employee Benefits	6723	0	0	0	0	0	0	0	0	0
52 Other Insurance	6729	9,500	8,822	0	0	0	0	9,500	8,822	678
<b>53 TOTAL TAXES AND INSURANCE</b>	<b>6700T</b>	<b>10,650</b>	<b>9,972</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,650</b>	<b>9,972</b>	<b>678</b>
<b>ASSISTED LIVING/BOARD &amp; CARE EXPENSES: 6900</b>										
54 Food	6932	0	0	0	0	0	0	0	0	0
55 Recreation and Rehabilitation	6980	0	0	0	0	0	0	0	0	0
56 Rehabilitation Salaries	6983	0	0	0	0	0	0	0	0	0
57 Other Service Expenses	6990	0	0	0	0	0	0	0	0	0
<b>58 TOTAL ASSISTED LIVING EXPENSES</b>	<b>6900T</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>61 TOTAL OPERATING COSTS</b>		<b>128,973</b>	<b>123,160</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>128,973</b>	<b>123,160</b>	<b>5,813</b>

**Annual Report**

**Actual Cash Flow Analysis**

AMC 181a (Rev. Oct 2009) (This version is used for RHCP-O only)

**Rental Housing Construction Program -- Original**

**8. ACTUAL CASH FLOW ANALYSIS**

Reporting Period: 07/01/2012 to 06/30/2013

Contract No: **80-RHC-007**  
 Project Name: **Somerset Parkside**  
 Prepared by:  
 Date Prepared:

Units/Sq. Ft. - Assisted: **26**  
 Units/Sq. Ft. - Total: **26**  
 Unit Months: **312**

ACCOUNT NAME	Account Codes	ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
		Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	Cashflow Variance (I)
<b>REVENUE ACCOUNTS/RENT REVENUE: 5100</b>										
1 Rent Revenue	5120	127,920	115,896	0	0	0	0	127,920	115,896	(12,024)
2 Tenant Assistance Payments	5121	6,684	6,504	0	0	0	0	6,684	6,504	(180)
3 Rent revenue - Stores and Commercial	5140	0	0	0	0	0	0	0	0	0
4 Garage and Parking Spaces	5170	1,200	540	0	0	0	0	1,200	540	(660)
5 Flexible Subsidy Revenue	5185	0	0	0	0	0	0	0	0	0
6 Miscellaneous Rent Revenue	5190	500	2,396	0	0	0	0	500	2,396	1,896
7 Excess Rent	5191	0	0	0	0	0	0	0	0	0
8 Rent Revenue/Insurance	5192	0	0	0	0	0	0	0	0	0
9 Special Claims Revenue	5193	0	0	0	0	0	0	0	0	0
10 Retained Excess Income	5194	0	0	0	0	0	0	0	0	0
<b>11 GROSS RENT REVENUE</b>	<b>5100T</b>	<b>136,304</b>	<b>125,336</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>136,304</b>	<b>125,336</b>	<b>(10,968)</b>
<i>Total Vacancies (HCD Use Only)</i>		5200T	3,838	0	0	0	0	3,838	0	0
<b>ASSISTED LIVING/BOARD &amp; CARE REVENUES: 5300</b>										
17 Food	5332	0	0	0	0	0	0	0	0	0
18 Recreation (Activities) and Rehabilitation	5380	0	0	0	0	0	0	0	0	0
19 Rehabilitation	5385	0	0	0	0	0	0	0	0	0
20 Other Service Revenue	5390	0	0	0	0	0	0	0	0	0
<i>Total Living Revenue</i>		6300T	0	0	0	0	0	0	0	0
<b>FINANCIAL REVENUE: 5400</b>										
21 Financial Revenue - Project Operations	5410	830	191	0	0	0	0	830	191	(639)
<i>Total Financial Revenue</i>		5400T	830	191	0	0	0	830	191	(639)
<b>OTHER REVENUE: 5900</b>										
22 Laundry and Vending Revenue	5910	3,000	3,287	0	0	0	0	3,000	3,287	287
23 NSF and Late Charges	5920	0	0	0	0	0	0	0	0	0
24 Damages and Cleaning Fees	5930	0	0	0	0	0	0	0	0	0
25 Forfeited Tenant Security Deposits	5940	0	0	0	0	0	0	0	0	0
26 Other Revenue	5990	0	0	0	0	0	0	0	0	0
<i>Total Other Revenue</i>		5900T	3,000	3,287	0	0	0	3,000	3,287	287
<b>27 EFFECTIVE GROSS RENT (EGR)</b>	<b>5152T</b>	<b>136,296</b>	<b>128,814</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>136,296</b>	<b>128,814</b>	<b>(7,482)</b>
<b>28 TOTAL OPERATING EXPENSES</b>	<b>6000T</b>	<b>132,842</b>	<b>123,160</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>132,842</b>	<b>123,160</b>	<b>9,682</b>
<b>29 NET OPERATING INCOME (NOI)</b>	<b>5000T</b>	<b>3,454</b>	<b>5,654</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,454</b>	<b>5,654</b>	<b>2,200</b>
<b>FINANCIAL EXPENSES: 6800</b>										
30 Non-Contingent Debt Service (specify lender)	6895									
1st Mortgage =		0	0	0	0	0	0	0	0	0
2nd Mortgage =		0	0	0	0	0	0	0	0	0
3rd Mortgage =		0	0	0	0	0	0	0	0	0
31 HCD Required Payments	6890	0	0	0	0	0	0	0	0	0
32 Lease Payment	6890	0	0	0	0	0	0	0	0	0
33 Miscellaneous Financial Expenses	6890	0	0	0	0	0	0	0	0	0
<i>Total Financial Expenses</i>		6800T	0	0	0	0	0	0	0	0
<b>FUNDED RESERVES:</b>										
34 Escrow Deposits	1310	0	0	0	0	0	0	0	0	0
35 Replacement Reserve-Deposit	1320	6,400	6,400	0	0	0	0	6,400	6,400	0
36 Operating Reserve-Deposit	1300	0	0	0	0	0	0	0	0	0
37 Other Reserves (specify)										
#1	1330	0	0	0	0	0	0	0	0	0
#2	1330	0	0	0	0	0	0	0	0	0
#3	1330	0	0	0	0	0	0	0	0	0
<i>Total Reserve Deposits</i>			6,400	6,400	0	0	0	6,400	6,400	0
<b>38 PROJECT CASH FLOW (CF)</b>		<b>(2,946)</b>	<b>(746)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,946)</b>	<b>(746)</b>	<b>2,200</b>
<b>ADDITIONAL REVENUE:</b>										
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		2,946	2,946	0	0	0	0	2,946	2,946	0
40 Withdrawal from Operating Reserves		0	0	0	0	0	0	0	0	0
41 Borrower Contribution		0	0	0	0	0	0	0	0	0
42 Other (specify)		0	0	0	0	0	0	0	0	0
<i>Total Additional Revenue</i>			2,946	2,946	0	0	0	2,946	2,946	0
<b>USE OF CASH FLOW:</b>										
43 HCD Interest Payments		0	0	0	0	0	0	0	0	0
44 Asset Mgmt Fee (CHRP-R/SUHRP & HOME-pre-UMR Only)		0	0	0	0	0	0	0	0	0
45 Asset Mgmt Fee/Prtshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46 Borrower Distributions		0	0	0	0	0	0	0	0	0
47 Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48 Other (specify)		0	0	0	0	0	0	0	0	0
<i>Total Use of Cash Flow</i>			0	0	0	0	0	0	0	0

**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**

Walnut Creek

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

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 Somerset Parkside Apartments (Contract Number 80-RHC-007) (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.

*Maciar Meiri & O'Connell LLP*

Sacramento, California

December 10, 2013