

**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, 2014 and 2013

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-007) (the Project), a project of the Capitol Area Development Authority (Authority) as of and for the fiscal years ended June 30, 2014 and 2013, 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 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 and the requirements of the *California Department of Housing and Community Development Audit Guide for the Rental Housing Construction Program*. 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 opinion.

Opinion

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, 2014 and 2013, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

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, 2014 and 2013, 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. Our opinion is not modified with respect to this matter.

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 18 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic 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 January 20, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California

January 20, 2015

SOMERSET PARKSIDE APARTMENTS
(Contract Number 80-RHC-007)
A Project of the Capitol Area Development Authority
For the Fiscal Years Ended June 30, 2014 and 2013

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SOMERSET PARKSIDE APARTMENTS
(Contract Number 80-RHC-007)
A Project of the Capitol Area Development Authority
Statements of Net Position
June 30, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,589	\$ 25,623
Residential accounts receivable	10,633	7,290
Prepaid expense	-	1,087
Receivable from HCD	7,940	-
Restricted cash - tenant security deposits	8,985	9,615
Total current assets	37,147	43,615
Noncurrent assets:		
Restricted cash - replacement reserves	32,773	28,448
Capital assets:		
Buildings and improvements, net of accumulated depreciation	20,980	68,014
Total noncurrent assets	53,753	96,462
Total assets	90,900	140,077
Liabilities		
Current liabilities:		
Accounts payable	8,894	2,459
Deferred revenue - prepaid rent	822	1,041
Due to State - HCD	-	14,744
Tenant security deposits	8,985	9,615
Total liabilities	18,701	27,859
Net Position		
Net investment in capital assets	20,980	68,014
Restricted for replacements	32,773	28,448
Unrestricted	18,446	15,756
Total net position	\$ 72,199	\$ 112,218

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues		
Rental revenue, net	\$ 131,150	\$ 122,400
HCD annuities	3,722	2,946
Excess program payments	13,815	1,717
Net HCD annuities	<u>17,537</u>	<u>4,663</u>
Other revenues:		
Coin-operated laundry	2,670	3,287
Parking	405	540
Miscellaneous	<u>3,097</u>	<u>2,396</u>
Total operating revenues	<u>154,859</u>	<u>133,286</u>
Operating expenses		
Payroll:		
Salaries and benefits	<u>39,336</u>	<u>34,548</u>
Administrative:		
Legal and accounting services	4,850	4,710
Management fee	16,476	16,476
Media	<u>540</u>	<u>516</u>
Total administrative	<u>21,866</u>	<u>21,702</u>
Utilities	<u>29,907</u>	<u>24,217</u>
Operating and maintenance:		
Services and supplies	7,023	2,217
Courtesy patrol	3,060	2,916
Maintenance contract	10,397	9,674
Decorating and painting	4,506	3,791
Repairs and maintenance	22,139	14,122
Bad debt expense	<u>-</u>	<u>3,469</u>
Total operating and maintenance	<u>47,125</u>	<u>36,189</u>
Insurance and taxes:		
Insurance	8,989	8,823
Property taxes	<u>1,073</u>	<u>1,150</u>
Total insurance and taxes	<u>10,062</u>	<u>9,973</u>
Depreciation	<u>47,034</u>	<u>46,601</u>
Total operating expenses	<u>195,330</u>	<u>173,230</u>
Operating loss	<u>(40,471)</u>	<u>(39,944)</u>
Non-operating revenues		
Interest income	<u>452</u>	<u>714</u>
Change in net position	(40,019)	(39,230)
Net position, beginning of year	<u>112,218</u>	<u>151,448</u>
Net position, end of year	<u>\$ 72,199</u>	<u>\$ 112,218</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Rental receipts	\$ 127,588	\$ 122,525
HCD annuities	(5,147)	2,946
Other receipts	6,172	6,223
Tenant security deposits received	855	4,720
Payroll and related costs	(39,336)	(34,548)
Administrative	(21,866)	(21,702)
Utilities	(29,907)	(24,217)
Operating and maintenance	(39,603)	(37,942)
Tenant security deposits paid	(1,485)	(3,455)
Insurance and taxes	(10,062)	(9,973)
Net cash provided by (used for) operating activities	<u>(12,791)</u>	<u>4,577</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant and equipment	<u>-</u>	<u>(4,500)</u>
Cash flows from investing activities:		
Interest receipts	<u>452</u>	<u>714</u>
Net increase (decrease) in cash	(12,339)	791
Cash and cash equivalents, beginning of year	63,686	62,895
Cash and cash equivalents, end of year	<u>\$ 51,347</u>	<u>\$ 63,686</u>
Reconciliation to the Statements of Net Position:		
Cash and cash equivalents	\$ 9,589	\$ 25,623
Restricted cash:		
Tenant security deposits	8,985	9,615
Replacement reserves	32,773	28,448
Total cash and cash equivalents	<u>\$ 51,347</u>	<u>\$ 63,686</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	\$ (40,471)	\$ (39,944)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation	47,034	46,601
Changes in assets and liabilities:		
Residential accounts receivable	(3,343)	867
Prepaid expense	1,087	(103)
Due from HCD	(7,940)	-
Accounts payable	6,435	(1,650)
Deferred revenue - prepaid rent	(219)	(742)
Due to State - HCD	(14,744)	(1,717)
Tenant security deposits	(630)	1,265
Net cash provided by (used for) operating activities	<u>\$ (12,791)</u>	<u>\$ 4,577</u>

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, 2014 and 2013

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 occur. 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. This revenue is recognized on the financial statements net of vacancy loss, low income subsidies, and loss to leases. Operating expenses for the Project include payroll expenses for employee services, administrative expenses, utilities expenses, operating and maintenance expenses, insurance and taxes expenses, 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 external 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, 2014 and 2013

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 2.27 years at June 30, 2014 and 2.01 years at June 30, 2013. At June 30, 2014 and 2013, the entire amount of the Project's cash and cash equivalents and restricted cash are invested in the City's external 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, 2014 and 2013 amounted to \$8,985 and \$9,615, 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, 2014 and 2013

NOTE C - CAPITAL ASSETS

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

	<u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
Capital assets not being depreciated				
Construction in progress	\$ 4,500	\$ -	\$ (4,500)	\$ -
Capital assets being depreciated				
Buildings and improvements	1,448,531	4,500	-	1,453,031
Less accumulated depreciation for:				
Buildings and improvements	<u>(1,385,017)</u>	<u>(47,034)</u>	<u>-</u>	<u>(1,432,051)</u>
Capital assets being depreciated, net	<u>63,514</u>	<u>(42,534)</u>	<u>-</u>	<u>20,980</u>
Capital assets, net	<u>\$ 68,014</u>	<u>\$ (42,534)</u>	<u>\$ (4,500)</u>	<u>\$ 20,980</u>

	<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
Capital assets:				
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>

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>2014</u>	<u>2013</u>
Beginning balance	\$ 28,448	\$ 29,944
Interest earned	339	523
Required deposits	6,400	6,400
Excess cash deposit	6,907	-
Authorized expenses	<u>(9,321)</u>	<u>(8,419)</u>
Ending balance	<u>\$ 32,773</u>	<u>\$ 28,448</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, 2014 and 2013

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, 2014, no additional unexpended payments are due back to HCD with a receivable due to the Authority of \$7,940 for 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.

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, rental and program revenues exceeded qualifying operating costs by \$14,744, with the adjusted balance either repaid to HCD or with HCD approval deposited into the Replacement Reserve. Net unexpended program payments are reported as Due to State - HCD on the Project's statements of net position.

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

	<u>2014</u>	<u>2013</u>
Due to State-HCD, beginning balance	\$ 14,744	\$ 16,461
Excess program payments for the current year	(3,722)	2,200
Excess cash transferred to Equipment Reserves	(6,907)	-
Payments to HCD	(5,147)	-
HCD correction	<u>1,032</u>	<u>(3,917)</u>
Due to State-HCD, ending balance	<u>\$ -</u>	<u>\$ 14,744</u>

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 of California 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, 2014

Account No.	2014
Operating revenues	
5120 Rent Revenue	\$ 124,676
5121 Tenant Assistance Payments	6,474
Rental revenue	131,150
HCD annuities	3,722
Excess program payments	13,815
Net HCD annuities	17,537
Other revenues:	
5910 Coin-operated laundry	2,670
5170 Parking	405
5190 Miscellaneous	3,097
Total operating revenues	154,859
Operating expenses	
Payroll:	
6330 Manager salaries	18,768
6331 Manager rent fee unit	7,152
6510 Janitor Payroll	13,416
Salaries and benefits	39,336
Administrative:	
6350 Accounting services	4,850
6320 Management fee	16,476
6210 Media	540
Total administrative	21,866
Utilities	
6450 Electricity	2,533
6452 Gas	579
6453 Water/Sewer	24,546
6525 Garbage	2,249
Total utilities	29,907

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, 2014

Account No.	2014
Operating and maintenance:	
6515 Services and supplies	\$ 7,023
6530 Courtesy patrol	3,060
6517 Janitor and Cleaning Contracts	9,173
6537 Grounds Contract	1,224
6560 Decorating and painting	4,506
6541 Repairs Material	10,601
6590 Misc. Ops. And Maint. Expense	2,217
Major Construction	9,321
Total operating and maintenance	47,125
Insurance and taxes:	
6729 Insurance	8,989
6710 Property taxes	1,073
Total insurance and taxes	10,062
Depreciation	47,034
Total operating expenses	195,330
Operating loss	(40,471)
Non-operating revenues	
5410 Interest income	452
Change in net position	\$ (40,019)
Reconciliation to Form 180	
Total operating revenues	\$ 154,859
Interest income	452
Less interest income for equipment replacement reserve	(339)
Less annuities and excess program payments	(17,537)
Effective gross rent from form 180	\$ 137,435
Total expenses	\$ 195,330
Less depreciation	(47,034)
Less major construction expense through replacment reserve	(9,322)
Total operating cost from form 180	\$ 138,974

Insurance

Insurance premiums are current as of June 30, 2014. The annual renewal policy was paid before the due date.

Project Name: Somerset Parkside

Contract #: 80-RHC-007

Sponsor's Name: Capitol Area Development Authority

Project Fiscal Year: 2013-2014

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.

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

1-9-15

Date

ANNUAL REPORT

RESERVE BALANCES AND SUPPLEMENTAL INFORMATION

AMC 182 (rev 8/2/06)

Explanation of other Withdrawals:

ADDITIONAL REQUESTED INFORMATION FOR FY:

2013-2014

ITEM	YES	NO	DATES PAID AND COMMENTS
1. Operating Reserves: Funded monthly? If not, how often?			Not Applicable
2. Replacement Reserves: Funded monthly? If not, how often?	X		
3. Security Deposit Acct. : Bal. equal to/greater than security deposit liability plus interest? Explain if "No".			Not Applicable
4. Taxes: Paid current, on time & no late fees incurred?	X		
5. Insurance: Is coverage according to Regulatory Agreement?	X		
6. Insurance: Paid current and the renewal policy paid on time?	X		
7. Required Debt Service: Paid current & always paid by due date?			Not Applicable
8. Debt: Has additional indebtedness been incurred? (If "YES", explain what, when and with whom.)		X	
9. Other Reserve Account?: Name other reserve accounts, how funded, who controls them and their purpose.			Not Applicable
10. Account Insurance: 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: 7/1/2013 to 6/30/14

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)
MANAGEMENT FEE: 6200/6300										
1 Management Fee or Sponsor Overhead	6320	16,476	16,476	0	0	0	0	16,476	16,476	0
ADMINISTRATIVE EXPENSES: 6200/6300										
2 Advertising	6210	540	540	0	0	0	0	540	540	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0	0	0	0
4 Other Renting Expenses	6250	100	0	0	0	0	0	100	0	100
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	18,768	18,768	0	0	0	0	18,768	18,768	0
9 Manager's or Superintendent's Rent Free Unit	6331	7,152	7,152	0	0	0	0	7,152	7,152	0
10 Legal Expense - Project	6340	1,000	0	0	0	0	0	1,000	0	1,000
11 Audit Expense - Project	6350	4,850	4,850	0	0	0	0	4,850	4,850	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
16 TOTAL ADMINISTRATIVE EXPENSES	6200/6300T	32,410	31,310	0	0	0	0	32,410	31,310	1,100
UTILITIES EXPENSES: 6400										
17 Fuel Oil/Coal	6420	0	0	0	0	0	0	0	0	0
18 Electricity	6450	3,000	2,533	0	0	0	0	3,000	2,533	467
19 Water	6451	0	0	0	0	0	0	0	0	0
20 Gas	6452	1,013	579	0	0	0	0	1,013	579	434
21 Sewer	6453	24,124	24,546	0	0	0	0	24,124	24,546	(422)
22 TOTAL UTILITIES EXPENSES	6400T	28,137	27,658	0	0	0	0	28,137	27,658	479
OPERATING AND MAINTENANCE EXPENSES: 6500										
23 Janitor and Cleaning Payroll	6510	6,670	13,416	0	0	0	0	6,670	13,416	(6,746)
24 Janitor and Cleaning Supplies	6515	2,300	7,023	0	0	0	0	2,300	7,023	(4,723)
25 Janitor and Cleaning Contracts	6517	9,000	9,173	0	0	0	0	9,000	9,173	(173)
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	3,500	2,249	0	0	0	0	3,500	2,249	1,251
29 Security Payroll/Contract	6530	3,060	3,060	0	0	0	0	3,060	3,060	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	1,224	1,224	0	0	0	0	1,224	1,224	0
33 Repairs Payroll	6540	0	0	0	0	0	0	0	0	0
34 Repairs Material	6541	6,500	10,601	0	0	0	0	6,500	10,601	(4,101)
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	4,506	0	0	0	0	5,000	4,506	494
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	2,500	2,217	0	0	0	0	2,500	2,217	283
44 TOTAL OPERATING & MAINTENANCE EXPENSES	6500T	39,754	53,469	0	0	0	0	39,754	53,469	(13,715)
TAXES AND INSURANCE: 6700										
45 Real Estate Taxes	6710	1,150	1,073	0	0	0	0	1,150	1,073	77
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	8,989	0	0	0	0	9,500	8,989	511
53 TOTAL TAXES AND INSURANCE	6700T	10,650	10,062	0	0	0	0	10,650	10,062	588
ASSISTED LIVING/BOARD & CARE EXPENSES: 6900										
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
58 TOTAL ASSISTED LIVING EXPENSES	6900T	0	0	0	0	0	0	0	0	0
61 TOTAL OPERATING COSTS		127,427	138,974	0	0	0	0	127,427	138,974	(11,547)

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: 07/01/2013 to 6/30/014

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)
REVENUE ACCOUNTS/RENT REVENUE: 5100										
1 Rent Revenue	5120	124,452	124,676	0	0	0	0	124,452	124,676	224
2 Tenant Assistance Payments	5121	6,324	6,474	0	0	0	0	6,324	6,474	150
3 Rent revenue - Stores and Commercial	5140	0	0	0	0	0	0	0	0	0
4 Garage and Parking Spaces	5170	1,200	405	0	0	0	0	1,200	405	(795)
5 Flexible Subsidy Revenue	5185	0	0	0	0	0	0	0	0	0
6 Miscellaneous Rent Revenue	5190	500	3,096	0	0	0	0	500	3,096	2,596
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
11 GROSS RENT REVENUE	5100T	132,476	134,651	0	0	0	0	132,476	134,651	2,175
<i>Total Vacancies (HCD Use Only)</i>	<i>5200T</i>	<i>3,734</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>3,734</i>	<i>0</i>	<i>0</i>
ASSISTED LIVING/BOARD & CARE REVENUES: 5300										
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>	<i>6300T</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
FINANCIAL REVENUE: 5400										
21 Financial Revenue - Project Operations	5410	830	113	0	0	0	0	830	113	(717)
<i>Total Financial Revenue</i>	<i>5400T</i>	<i>830</i>	<i>113</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>830</i>	<i>113</i>	<i>(717)</i>
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	3,260	2,670	0	0	0	0	3,260	2,670	(590)
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>	<i>5900T</i>	<i>3,260</i>	<i>2,670</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>3,260</i>	<i>2,670</i>	<i>(590)</i>
27 EFFECTIVE GROSS RENT (EGR)	5152T	132,832	137,435	0	0	0	0	132,832	137,435	4,602
28 TOTAL OPERATING EXPENSES	6000T	131,250	138,974	0	0	0	0	131,250	138,974	(7,725)
29 NET OPERATING INCOME (NOI)	5000T	1,583	(1,540)	0	0	0	0	1,583	(1,540)	(3,122)
FINANCIAL EXPENSES: 6800										
30 Non-Contingent Debt Service (specify lender)	6895	0	0	0	0	0	0	0	0	0
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>	<i>6800T</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
FUNDED RESERVES:										
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>		<i>6,400</i>	<i>6,400</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>6,400</i>	<i>6,400</i>	<i>0</i>
38 PROJECT CASH FLOW (CF)		(4,817)	(7,940)	0	0	0	0	(4,817)	(7,940)	(3,122)
ADDITIONAL REVENUE:										
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		3,722	3,722	0	0	0	0	3,722	3,722	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>		<i>3,722</i>	<i>3,722</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>3,722</i>	<i>3,722</i>	<i>0</i>
USE OF CASH FLOW:										
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>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

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 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, 2014, and the related notes to the financial statements, which collectively comprise the Project’s basic financial statements, and have issued our report thereon dated January 20, 2015.

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 opinion 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.

Macias Gini & O'Connell LLP

Sacramento, California
January 20, 2015