

**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, 2011 and 2010

SOMERSET PARKSIDE APARTMENTS
(Contract Number 80-RHC-007)
A Project of the Capitol Area Development Authority
For the Fiscal Years Ended June 30, 2011 and 2010

Table of Contents

	<i>Page(s)</i>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Net Assets	3
Statements of Revenues, Expenses and Changes in Fund Net Assets	4
Statements of Cash Flows	5-6
Notes to the Financial Statements	7-10
Supplemental Information:	
Supplemental Information Required by Housing and Community Development	11
Sponsor Certification	12
Reserve Balances and Supplemental Information.....	13-14
Rental Housing Construction Program - Original:	
Report of Actual Operating Costs.....	15
Actual Cash Flow Analysis.....	16
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 <i>Government Auditing Standards</i>	17-18

Board of Directors
Capitol Area Development Authority
Sacramento, California

INDEPENDENT AUDITOR’S REPORT

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 fiscal years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A, the financial statements present only the Project and do not purport to, and do not, present fairly, the financial position of the Authority as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Project as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated December 1, 2011 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 11 to 16 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information on pages 13 to 16 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 13 to 16 is fairly stated in all material respects in relation to the financial statements as a whole. The supplemental information on pages 11 to 12 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 the information.

Macie Mini & O'Connell LLP

Sacramento, California
December 1, 2011

SOMERSET PARKSIDE APARTMENTS
(Contract Number 80-RHC-007)
A Project of the Capitol Area Development Authority
Statements of Net Assets
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,496	\$ 69,811
Residential accounts receivable	7,387	-
Prepaid expense	984	897
Restricted cash - tenant security deposits	<u>9,540</u>	<u>9,200</u>
 Total current assets	 <u>45,407</u>	 <u>79,908</u>
Noncurrent assets:		
Restricted cash - replacement reserve	15,253	9,452
Capital assets:		
Buildings and improvements, net of accumulated depreciation	<u>156,716</u>	<u>206,133</u>
 Total noncurrent assets	 <u>171,969</u>	 <u>215,585</u>
 Total assets	 <u>217,376</u>	 <u>295,493</u>
Liabilities		
Current liabilities:		
Accounts payable	8,818	24,096
Deferred revenue - prepaid rent	4,293	537
Due to State - HCD	12,946	36,264
Tenant security deposits	<u>9,540</u>	<u>9,200</u>
Total current liabilities	<u>35,597</u>	<u>70,097</u>
 Net Assets		
Invested in capital assets, net of related debt	156,716	206,133
Restricted for replacements	15,253	9,452
Unrestricted	<u>9,810</u>	<u>9,811</u>
 Total net assets	 <u>\$ 181,779</u>	 <u>\$ 225,396</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 Assets
For the Fiscal Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues		
Rental revenue, net	\$ 124,346	\$ 115,863
HCD annuities	32,305	33,869
Less: Excess program payments	<u>(8,987)</u>	<u>(36,176)</u>
Net HCD annuities	<u>23,318</u>	<u>(2,307)</u>
Other revenues:		
CADA annuity	-	3,000
Coin-operated laundry	2,210	2,010
Parking	470	1,180
Miscellaneous	<u>1,276</u>	<u>911</u>
Total operating revenues	<u>151,620</u>	<u>120,657</u>
Operating expenses		
Payroll:		
Salaries and benefits	<u>36,358</u>	<u>31,446</u>
Administrative:		
Legal and accounting services	4,519	4,510
Management fee	16,476	15,840
Media	516	540
Total administrative	<u>21,511</u>	<u>20,890</u>
Utilities	<u>34,200</u>	<u>29,790</u>
Operating and maintenance:		
Services and supplies	2,640	1,276
Courtesy patrol	2,772	2,772
Maintenance contract	11,109	7,136
Decorating and painting	5,544	3,470
Repairs and maintenance	23,298	7,454
Total operating and maintenance	<u>45,363</u>	<u>22,108</u>
Insurance and taxes:		
Insurance	8,600	8,434
Property taxes	1,002	1,087
Total insurance and taxes	<u>9,602</u>	<u>9,521</u>
Depreciation	<u>49,417</u>	<u>53,248</u>
Total operating expenses	<u>196,451</u>	<u>167,003</u>
Operating loss	<u>(44,831)</u>	<u>(46,346)</u>
Non-operating revenues		
Interest income	<u>1,214</u>	<u>1,732</u>
Change in net assets	(43,617)	(44,614)
Net assets, beginning of year	<u>225,396</u>	<u>270,010</u>
Net assets, end of year	<u>\$ 181,779</u>	<u>\$ 225,396</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Rental receipts	\$ 120,715	\$ 114,902
HCD annuities	-	(9,490)
CADA annuity	-	3,000
Other receipts	3,956	4,101
Tenant security deposits received	3,580	3,350
Payroll and related costs	(36,358)	(31,446)
Administrative expenses	(21,511)	(20,890)
Utilities expense	(34,200)	(29,790)
Operating and maintenance expenses	(60,728)	(9,882)
Tenant security deposits paid	(3,240)	(2,600)
Insurance and taxes expense	(9,602)	(9,521)
Net cash (used by) provided by operating activities	<u>(37,388)</u>	<u>11,734</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant and equipment	<u>-</u>	<u>(22,773)</u>
Cash flows from investing activities:		
Interest receipts	<u>1,214</u>	<u>1,732</u>
Net decrease in cash	(36,174)	(9,307)
Cash and cash equivalents, beginning of year	88,463	97,770
Cash and cash equivalents, end of year	<u>\$ 52,289</u>	<u>\$ 88,463</u>
Reconciliation to the Statement of Net Assets:		
Cash and cash equivalents	\$ 27,496	\$ 69,811
Restricted cash:		
Tenant security deposits	9,540	9,200
Replacement reserves	<u>15,253</u>	<u>9,452</u>
Total cash and cash equivalents	<u>\$ 52,289</u>	<u>\$ 88,463</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (44,831)	\$ (46,346)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	49,417	53,248
Changes in assets and liabilities:		
Residential accounts receivable	(7,387)	-
Prepaid expenses	(87)	(79)
Accounts payable	(15,278)	12,305
Deferred revenue - prepaid rent	3,756	(961)
Due to State - HCD	(23,318)	(7,183)
Tenant security deposits	340	750
Net cash provided by operating activities	<u>\$ (37,388)</u>	<u>\$ 11,734</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, 2011 and 2010

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.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*, the Authority has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

Cash, Cash Equivalents and Restricted Cash

The Project participates in the City's investment pool. The City Treasurer pools cash 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, 2011 and 2010

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 1.42 years at June 30, 2011 and 1.41 year at June 30, 2010. At June 30, 2011 and 2010, 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, 2011 and 2010 amounted to \$9,540 and \$9,200, 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, 2011 and 2010

NOTE C - CAPITAL ASSETS

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

	<u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,448,531	\$ -	\$ -	\$ 1,448,531
Less accumulated depreciation for:				
Buildings and improvements	<u>(1,242,398)</u>	<u>(49,417)</u>	<u>-</u>	<u>(1,291,815)</u>
Capital assets being depreciated, net	<u>206,133</u>	<u>(49,417)</u>	<u>-</u>	<u>156,716</u>
Capital assets, net	<u><u>\$ 206,133</u></u>	<u><u>\$ (49,417)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 156,716</u></u>
	<u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,425,758	\$ 22,773	\$ -	\$ 1,448,531
Less accumulated depreciation for:				
Buildings and improvements	<u>(1,189,150)</u>	<u>(53,248)</u>	<u>-</u>	<u>(1,242,398)</u>
Capital assets being depreciated, net	<u>236,608</u>	<u>(30,475)</u>	<u>-</u>	<u>206,133</u>
Capital assets, net	<u><u>\$ 236,608</u></u>	<u><u>\$ (30,475)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 206,133</u></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>2011</u>	<u>2010</u>
Beginning balance	\$ 9,452	\$ 23,680
Interest earned	270	600
Required deposits	6,400	6,400
Authorized expenditures	<u>(869)</u>	<u>(21,228)</u>
Ending balance	<u><u>\$ 15,253</u></u>	<u><u>\$ 9,452</u></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, 2011 and 2010

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, 2011, unexpended payments due back to HCD was less than the HCD authorized annuities by \$23,318. For the fiscal year ended June 30, 2010, unexpended payments due to HCD exceeded HCD authorized annuities by \$2,307.

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, 2011 and 2010, rental and program revenues exceeded qualifying operating costs by \$8,987 and \$36,176 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:

	2011	2010
Due to State-HCD, beginning balance	\$ 36,264	\$ 43,447
Excess program payments for the current year	8,987	36,176
HCD reductions	(32,305)	(43,359)
Due to State-HCD, ending balance	\$ 12,946	\$ 36,264

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, 2011

Insurance

Insurance premiums are current as of June 30, 2011. The annual renewal policy was paid before the due date.

Project Name: Somerset Parkside

Contract #: 80-RHC-007

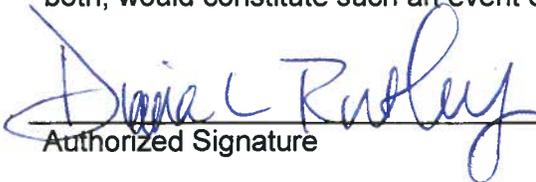
Sponsor's Name: Capitol Area Development Authority

Project Fiscal Year: 2010-2011

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

11-4-11

Date

ANNUAL REPORT

RESERVE BALANCES AND SUPPLEMENTAL INFORMATION

AMC 182 (rev 8/2/06)

Explanation of other Withdrawals:

ADDITIONAL REQUESTED INFORMATION FOR FY:

2010-2011

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: 7/1/2010 to 06/30/2011

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	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	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	18,216	18,216	0	0	0	0	18,216	18,216	0
9 Manager's or Superintendent's Rent Free Unit	6331	7,272	7,272	0	0	0	0	7,272	7,272	0
10 Legal Expense - Project	6340	1,000	80	0	0	0	0	1,000	80	920
11 Audit Expense - Project	6350	4,439	4,439	0	0	0	0	4,439	4,439	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	31,543	30,523	0	0	0	0	31,543	30,523	1,020
UTILITIES EXPENSES: 6400										
17 Fuel Oil/Coal	6420	0	0	0	0	0	0	0	0	0
18 Electricity	6450	3,000	2,709	0	0	0	0	3,000	2,709	291
19 Water	6451	0	0	0	0	0	0	0	0	0
20 Gas	6452	2,000	989	0	0	0	0	2,000	989	1,011
21 Sewer	6453	22,600	21,931	0	0	0	0	22,600	21,931	669
22 TOTAL UTILITIES EXPENSES	6400T	27,600	25,629	0	0	0	0	27,600	25,629	1,971
OPERATING AND MAINTENANCE EXPENSES: 6500										
23 Janitor and Cleaning Payroll	6510	6,526	10,870	0	0	0	0	6,526	10,870	(4,344)
24 Janitor and Cleaning Supplies	6515	6,000	2,640	0	0	0	0	6,000	2,640	3,360
25 Janitor and Cleaning Contracts	6517	8,884	9,993	0	0	0	0	8,884	9,993	(1,109)
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	7,600	8,571	0	0	0	0	7,600	8,571	(971)
29 Security Payroll/Contract	6530	2,772	2,772	0	0	0	0	2,772	2,772	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	1,116	1,116	0	0	0	0	1,116	1,116	0
33 Repairs Payroll	6540	0	0	0	0	0	0	0	0	0
34 Repairs Material	6541	6,000	4,112	0	0	0	0	6,000	4,112	1,888
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	7,000	5,544	0	0	0	0	7,000	5,544	1,456
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	17,000	18,317	0	0	0	0	17,000	18,317	(1,317)
44 TOTAL OPERATING & MAINTENANCE EXPENSES	6500T	62,898	63,935	0	0	0	0	62,898	63,935	(1,037)
TAXES AND INSURANCE: 6700										
45 Real Estate Taxes	6710	1,150	1,002	0	0	0	0	1,150	1,002	148
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	9,025	8,600	0	0	0	0	9,025	8,600	425
53 TOTAL TAXES AND INSURANCE	6700T	10,175	9,602	0	0	0	0	10,175	9,602	573
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		148,692	146,165	0	0	0	0	148,692	146,165	2,527

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: 07/01/2010 to 06/30/2011

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	122,268	124,346	0	0	0	0	122,268	124,346	2,078
2 Tenant Assistance Payments	5121	3,648	0	0	0	0	0	3,648	0	(3,648)
3 Rent revenue - Stores and Commercial	5140	0	0	0	0	0	0	0	0	0
4 Garage and Parking Spaces	5170	1,400	470	0	0	0	0	1,400	470	(930)
5 Flexible Subsidy Revenue	5185	0	0	0	0	0	0	0	0	0
6 Miscellaneous Rent Revenue	5190	500	1,276	0	0	0	0	500	1,276	776
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	127,816	126,092	0	0	0	0	127,816	126,092	(1,724)
<i>Total Vacancies (HCD Use Only)</i>	<i>5200T</i>	<i>3,668</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>3,668</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	1,230	945	0	0	0	0	1,230	945	(285)
<i>Total Financial Revenue</i>	<i>5400T</i>	<i>1,230</i>	<i>945</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,230</i>	<i>945</i>	<i>(285)</i>
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	1,870	2,210	0	0	0	0	1,870	2,210	340
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>1,870</i>	<i>2,210</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,870</i>	<i>2,210</i>	<i>340</i>
27 EFFECTIVE GROSS RENT (EGR)	5152T	127,248	129,247	0	0	0	0	127,248	129,247	1,999
28 TOTAL OPERATING EXPENSES	6000T	153,153	146,165	0	0	0	0	153,153	146,165	6,988
29 NET OPERATING INCOME (NOI)	5000T	(25,905)	(16,918)	0	0	0	0	(25,905)	(16,918)	8,987
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	1300	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)		0	0	0	0	0	0	0	0	0
#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)		(32,305)	(23,318)	0	0	0	0	(32,305)	(23,318)	8,987
ADDITIONAL REVENUE:										
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		32,305	32,305	0	0	0	0	32,305	32,305	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>32,305</i>	<i>32,305</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>32,305</i>	<i>32,305</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

Board of Directors
Capitol Area Development Authority
Sacramento, California

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of 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, 2011, and have issued our report thereon dated December 1, 2011. Our report includes an explanatory paragraph describing that the financial statements present only the Project of the Authority. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority’s internal control over the Project’s financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control over the Project’s financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over the Project’s financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, the State of California Department of Housing and Community Development and is not intended to be and should not be used by anyone other than these specified parties.

Maciel Mini & O'Connell LLP

Sacramento, California
December 1, 2011