

**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, 2015 and 2014



Certified  
Public  
Accountants

**SOMERSET PARKSIDE APARTMENTS**  
**(Contract Number 80-RHC-007)**  
**A Project of the Capitol Area Development Authority**

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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-007) (the Project), a project of the Capitol Area Development Authority (Authority) as of and for the fiscal years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Project's basic 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 Somerset Parkside Apartments (Contract Number 80-RHC-007) as of June 30, 2015 and 2014, 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, 2015 and 2014, 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***

***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***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 December 3, 2015 on our consideration of the Authority's internal control over financial reporting as it relates to the Project 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.

  
Sacramento, California  
December 3, 2015

**SOMERSET PARKSIDE APARTMENTS**  
**(Contract Number 80-RHC-007)**  
**A Project of the Capitol Area Development Authority**  
Statements of Net Position  
June 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ -	\$ 9,589
Residential accounts receivable	13,267	10,633
Receivable from CA Housing & Community Development (HCD)	50,920	7,940
Restricted cash - tenant security deposits	7,313	8,985
Total current assets	71,500	37,147
Noncurrent assets:		
Restricted cash - replacement reserves	30,501	32,773
Capital assets:		
Building and Improvements	1,453,031	1,453,031
Less: accumulated depreciation	(1,438,170)	(1,432,051)
Total capital assets	14,861	20,980
Total noncurrent assets	45,362	53,753
Total assets	116,862	90,900
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	14,353	8,894
Unearned revenue - prepaid rent	908	822
Due to the Authority	38,419	-
Due to CA HCD	2,530	-
Tenant security deposits	7,313	8,985
Total liabilities	63,523	18,701
<b>Net Position</b>		
Net investment in capital assets	14,861	20,980
Restricted for replacements	30,501	32,773
Unrestricted	7,977	18,446
Total net position	\$ 53,339	\$ 72,199

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Operating revenues</b>		
Rental revenue, net	\$ 107,977	\$ 131,150
HCD annuities	1,740	3,722
Excess program payments	38,710	13,815
Net HCD annuities	40,450	17,537
Other revenues:		
Coin-operated laundry	2,398	2,670
Parking	-	405
Miscellaneous	7,333	3,097
Total operating revenues	<u>158,158</u>	<u>154,859</u>
<b>Operating expenses</b>		
Payroll:		
Salaries and benefits	39,079	39,336
Administrative:		
Legal and accounting services	4,850	4,850
Management fee	16,476	16,476
Media	540	540
Total administrative	<u>21,866</u>	<u>21,866</u>
Utilities	33,512	29,907
Operating and maintenance:		
Services and supplies	7,623	7,023
Courtesy patrol	3,060	3,060
Maintenance contract	23,120	10,397
Decorating and painting	4,632	4,506
Repairs and maintenance	28,982	22,139
Total operating and maintenance	<u>67,417</u>	<u>47,125</u>
Insurance and taxes:		
Insurance	8,060	8,989
Property taxes	1,143	1,073
Total insurance and taxes	<u>9,203</u>	<u>10,062</u>
Depreciation	6,119	47,034
Total operating expenses	<u>177,196</u>	<u>195,330</u>
Operating loss	<u>(19,038)</u>	<u>(40,471)</u>
<b>Nonoperating revenues</b>		
Interest income	178	452
Change in net position	(18,860)	(40,019)
Net position, beginning of year	72,199	112,218
Net position, end of year	<u>\$ 53,339</u>	<u>\$ 72,199</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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Rental receipts	\$ 105,429	\$ 127,588
HCD annuities	-	(5,147)
Other receipts	9,731	6,172
Tenant security deposits received	1,723	855
Payroll and related costs	(39,079)	(39,336)
Administrative	(21,866)	(21,866)
Utilities	(33,512)	(29,907)
Operating and maintenance	(61,958)	(39,603)
Tenant security deposits paid	(3,395)	(1,485)
Insurance and taxes	(9,203)	(10,062)
Net cash used in operating activities	<u>(52,130)</u>	<u>(12,791)</u>
Cash flows from noncapital financing activities:		
Short-term borrowing from the Authority	38,419	-
Net cash provided by noncapital financing activities	<u>38,419</u>	<u>-</u>
Cash flows from investing activities:		
Interest receipts	178	452
Net cash provided by investing activities:	<u>178</u>	<u>452</u>
Net decrease in cash	(13,533)	(12,339)
Cash and cash equivalents, beginning of year	51,347	63,686
Cash and cash equivalents, end of year	<u>\$ 37,814</u>	<u>\$ 51,347</u>
Reconciliation to the Statements of Net Position:		
Cash and cash equivalents	\$ -	\$ 9,589
Restricted cash:		
Tenant security deposits	7,313	8,985
Replacement reserves	30,501	32,773
Total cash and cash equivalents	<u>\$ 37,814</u>	<u>\$ 51,347</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, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (19,038)	\$ (40,471)
Adjustments to reconcile operating loss to net used in operating activities:		
Depreciation	6,119	47,034
Changes in assets and liabilities:		
Residential accounts receivable	(2,634)	(3,343)
Prepaid expense	-	1,087
Receivable from CA HCD	(42,980)	(7,940)
Accounts payable	5,459	6,435
Unearned revenue - prepaid rent	86	(219)
Due to CA HCD	2,530	(14,744)
Tenant security deposits	(1,672)	(630)
Net cash used in operating activities	\$ (52,130)	\$ (12,791)

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, 2015 and 2014

**NOTE A – ORGANIZATION AND 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, 2015 and 2014**

**NOTE A - ORGANIZATION AND 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 2.15 years at June 30, 2015 and 2.27 years at June 30, 2014. At June 30, 2015 and 2014, 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, net of accumulated depreciation. 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 the basic 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, 2015 and 2014 amounted to \$7,313 and \$8,985, 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, 2015 and 2014**

**NOTE C - CAPITAL ASSETS**

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

	<u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Capital assets being depreciated				
Buildings and improvements	\$ 1,453,031	\$ -	\$ -	\$ 1,453,031
Less accumulated depreciation for:				
Buildings and improvements	<u>(1,432,051)</u>	<u>(6,119)</u>	<u>-</u>	<u>(1,438,170)</u>
Capital assets being depreciated, net	<u>20,980</u>	<u>(6,119)</u>	<u>-</u>	<u>14,861</u>
Capital assets, net	<u>\$ 20,980</u>	<u>\$ (6,119)</u>	<u>\$ -</u>	<u>\$ 14,861</u>

	<u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
Capital assets not being depreciated				
Construction in progress	<u>\$ 4,500</u>	<u>\$ -</u>	<u>\$ (4,500)</u>	<u>\$ -</u>
Capital assets:				
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>

**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>2015</u>	<u>2014</u>
Beginning balance	\$ 32,773	\$ 28,448
Interest earned	178	339
CADA annuity	198	-
Required deposits	6,400	6,400
Excess cash deposit	-	6,907
Authorized expenses	<u>(9,048)</u>	<u>(9,321)</u>
Ending balance	<u>\$ 30,501</u>	<u>\$ 32,773</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, 2015 and 2014**

**NOTE E - UNEXPENDED PROGRAM PAYMENTS**

As discussed in Note A, the HCD RHCP provides operating funds to the Project to cover the operating costs not covered by rental revenues. For the fiscal year ended June 30, 2015, unexpended payments of \$2,530 are due back to HCD and a receivable due to the Project of \$50,920 for operating costs in fiscal year 2014-2015 not covered by rental revenues.

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, 2015, rental and program revenues exceeded qualifying operating costs by \$2,530, 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 CA HCD on the Project's accompanying statements of net position.

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

	<u>2015</u>	<u>2014</u>
Due to CA HCD, beginning balance	\$ -	\$ 14,744
Excess program payments for the current year	-	(3,722)
Excess program payment per audit	4,270	-
Excess program payment for budget annuity	(1,740)	-
Excess cash transferred to Equipment Reserves		(6,907)
Payments to CA HCD	-	(5,147)
CA HCD correction	-	1,032
	<u>          </u>	<u>          </u>
Due to CA HCD, ending balance	<u>\$ 2,530</u>	<u>\$ -</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, 2015

**Account No.**

**Operating revenues**

5120	Rent Revenue	\$ 101,035
5121	Tenant Assistance Payments	6,942
	Rental revenue	<u>107,977</u>
	HCD annuities	1,740
	Excess program payments	<u>38,710</u>
	Net HCD annuities	<u>40,450</u>
	Other revenues:	
5910	Coin-operated laundry	2,398
5190	Miscellaneous	<u>7,333</u>
	Total operating revenues	<u>158,158</u>

**Operating expenses**

	Payroll:	
6330	Manager salaries	19,320
6331	Manager rent fee unit	7,608
6510	Janitor Payroll	<u>12,151</u>
	Salaries and benefits	<u>39,079</u>
	Administrative:	
6350	Accounting services	4,850
6320	Management fee	16,476
6210	Media	<u>540</u>
	Total administrative	<u>21,866</u>
	Utilities	
6450	Electricity	3,391
6452	Gas	905
6453	Water/Sewer	26,988
6525	Garbage	<u>2,228</u>
	Total utilities	<u>33,512</u>

**SOMERSET PARKSIDE APARTMENTS**  
**(Contract Number 80-RHC-007)**  
**A Project of the Capitol Area Development Authority**  
Supplemental Information Required by  
Housing and Community Development (Continued)  
For the Fiscal Year Ended June 30, 2015

**Account No.**

	Operating and maintenance:	
6515	Services and supplies	\$ 7,623
6530	Courtesy patrol	3,060
6517	Janitor and Cleaning Contracts	21,896
6537	Grounds Contract	1,224
6560	Decorating and painting	4,632
6541	Repairs Material	14,887
6590	Misc. Ops. And Maint. Expense	5,046
	Major Construction	9,049
	Total operating and maintenance	<u>67,417</u>
	Insurance and taxes:	
6729	Insurance	8,060
6710	Property taxes	1,143
	Total insurance and taxes	<u>9,203</u>
	Depreciation	<u>6,119</u>
	Total operating expenses	<u>177,196</u>
	Operating loss	<u>(19,038)</u>
	<b>Non-operating revenues</b>	
5410	Interest income	<u>178</u>
	Change in net position	<u>\$ (18,860)</u>
	<b>Reconciliation to Form 180</b>	
	Total operating revenues	\$ 158,158
	Interest income	178
	Less interest income for equipment replacement reserve	(178)
	Less annuities and excess program payments	(40,450)
	Less CADA annuity	(198)
	Effective gross rent from form 180	<u>\$ 117,510</u>
	Total expenses	\$ 177,196
	Less depreciation	(6,119)
	Less major construction expense through replacement reserve	(9,048)
	Total operating cost from form 180	<u>\$ 162,029</u>

Insurance

Insurance premiums are current as of June 30, 2015. The annual renewal policy was paid before the due date.

**OTHER REPORT**

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Project Name: Somerset Parkside

Contract #: 80-RHC-007

Sponsor's Name: Capitol Area Development Authority

Project Fiscal Year: 2014-2015

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

Date

11/23/15



Explanation of other Withdrawals:

**ADDITIONAL REQUESTED INFORMATION FOR FY:**

2014-2015

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

Rental Housing Construction Program -- Original

Actual Operating Costs

7. REPORT OF ACTUAL OPERATING COSTS

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

Reporting Period: 7/1/2014 to 6/30/015

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	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	19,320	19,320	0	0	0	0	19,320	19,320	0
9 Manager's or Superintendent's Rent Free Unit	6331	7,608	7,608	0	0	0	0	7,608	7,608	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
<b>16 TOTAL ADMINISTRATIVE EXPENSES</b>	<b>6200/6300T</b>	<b>33,418</b>	<b>32,318</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>33,418</b>	<b>32,318</b>	<b>1,100</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	3,391	0	0	0	0	3,000	3,391	(391)
19 Water	6451	0	0	0	0	0	0	0	0	0
20 Gas	6452	1,013	905	0	0	0	0	1,013	905	108
21 Sewer	6453	26,536	26,988	0	0	0	0	26,536	26,988	(452)
<b>22 TOTAL UTILITIES EXPENSES</b>	<b>6400T</b>	<b>30,549</b>	<b>31,284</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,549</b>	<b>31,284</b>	<b>(735)</b>
<b>OPERATING AND MAINTENANCE EXPENSES: 6500</b>										
23 Janitor and Cleaning Payroll	6510	6,870	12,151	0	0	0	0	6,870	12,151	(5,281)
24 Janitor and Cleaning Supplies	6515	2,300	7,623	0	0	0	0	2,300	7,623	(5,323)
25 Janitor and Cleaning Contracts	6517	9,000	21,896	0	0	0	0	9,000	21,896	(12,896)
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	2,229	0	0	0	0	3,500	2,229	1,271
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	14,887	0	0	0	0	6,500	14,887	(8,387)
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	4,632	0	0	0	0	5,000	4,632	368
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	5,046	0	0	0	0	2,500	5,046	(2,546)
<b>44 TOTAL OPERATING &amp; MAINTENANCE EXPENSES</b>	<b>6500T</b>	<b>39,954</b>	<b>72,748</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39,954</b>	<b>72,748</b>	<b>(32,794)</b>
<b>TAXES AND INSURANCE: 6700</b>										
45 Real Estate Taxes	6710	1,150	1,143	0	0	0	0	1,150	1,143	7
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	8,060	0	0	0	0	9,500	8,060	1,440
<b>53 TOTAL TAXES AND INSURANCE</b>	<b>6700T</b>	<b>10,650</b>	<b>9,203</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,650</b>	<b>9,203</b>	<b>1,447</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>131,047</b>	<b>162,029</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>131,047</b>	<b>162,029</b>	<b>(30,982)</b>

**Annual Report**

**Actual Cash Flow Analysis**

**Rental Housing Construction Program -- Original**

**8. ACTUAL CASH FLOW ANALYSIS**

AMC 181a (Rev. Oct 2009) (This version is used for RHCP-O only) 6/30/015

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	130,632	101,035	0	0	0	0	130,632	101,035	(29,597)
2 Tenant Assistance Payments	5121	6,624	6,942	0	0	0	0	6,624	6,942	318
3 Rent revenue - Stores and Commercial	5140	0	0	0	0	0	0	0	0	0
4 Garage and Parking Spaces	5170	1,200	0	0	0	0	0	1,200	0	(1,200)
5 Flexible Subsidy Revenue	5185	0	0	0	0	0	0	0	0	0
6 Miscellaneous Rent Revenue	5190	500	6,956	0	0	0	0	500	6,956	6,456
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>138,956</b>	<b>114,933</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>138,956</b>	<b>114,933</b>	<b>(24,023)</b>
<i>Total Vacancies (HCD Use Only)</i>										
	<b>5200T</b>	3,919	0	0	0	0	0	3,919	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>	<b>6300T</b>	0	0	0	0	0	0	0	0	0
<b>FINANCIAL REVENUE: 5400</b>										
21 Financial Revenue - Project Operations	5410	830	178	0	0	0	0	830	178	(652)
<i>Total Financial Revenue</i>	<b>5400T</b>	830	178	0	0	0	0	830	178	(652)
<b>OTHER REVENUE: 5900</b>										
22 Laundry and Vending Revenue	5910	3,260	2,398	0	0	0	0	3,260	2,398	(862)
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>	<b>5900T</b>	3,260	2,398	0	0	0	0	3,260	2,398	(862)
<b>27 EFFECTIVE GROSS RENT (EGR)</b>	<b>5152T</b>	<b>139,127</b>	<b>117,509</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>139,127</b>	<b>117,509</b>	<b>(21,618)</b>
<b>28 TOTAL OPERATING EXPENSES</b>	<b>6000T</b>	<b>134,978</b>	<b>162,029</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>134,978</b>	<b>162,029</b>	<b>(27,051)</b>
<b>29 NET OPERATING INCOME (NOI)</b>	<b>5000T</b>	<b>4,149</b>	<b>(44,520)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,149</b>	<b>(44,520)</b>	<b>(48,668)</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>	<b>6800T</b>	0	0	0	0	0	0	0	0	0
<b>FUNDED RESERVES:</b>										
34 Escrow Deposits	1300	0	0	0	0	0	0	0	0	0
35 Replacement Reserve-Deposit	1310	6,400	6,400	0	0	0	0	6,400	6,400	0
36 Operating Reserve-Deposit	1320	0	0	0	0	0	0	0	0	0
37 Other Reserves (specify)	1330	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>		6,400	6,400	0	0	0	0	6,400	6,400	0
<b>38 PROJECT CASH FLOW (CF)</b>		<b>(2,251)</b>	<b>(50,920)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,251)</b>	<b>(50,920)</b>	<b>(48,668)</b>
<b>ADDITIONAL REVENUE:</b>										
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		1,740	1,740	0	0	0	0	1,740	1,740	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>		1,740	1,740	0	0	0	0	1,740	1,740	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	0



**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, 2015, and the related notes to the financial statements, which collectively comprise the Project’s basic financial statements, and have issued our report thereon dated December 3, 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) as it relates to the Project 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 Project’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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Macias Gini & O'Connell LLP*

Sacramento, California

December 3, 2015