

**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, 2008 and 2007

SOMERSET PARKSIDE APARTMENTS
(Contract Number 80-RHC-007)
A Project of the Capitol Area Development Authority
For the Fiscal Years Ended June 30, 2008 and 2007

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MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

Board of Directors
Capitol Area Development Authority
Sacramento, California

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OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Somerset Parkside Apartments (Contract Number 80-RHC-07) (Project), a project of the Capitol Area Development Authority (Authority) as of and for the fiscal years ended June 30, 2008 and 2007, 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 the Project's 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, 2008 and 2007, and the changes in its financial position and cash flows for the 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, 2008 and 2007, 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 November 28, 2008, on our consideration of the Authority's internal control over the Project's 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.

The Project has not presented Management's Discussion and Analysis which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Macie Mini & O'Connell LLP

Certified Public Accountants

Sacramento, California
November 28, 2008

SOMERSET PARKSIDE APARTMENTS
(Contract Number 80-RHC-007)
A Project of the Capitol Area Development Authority
Statements of Net Assets
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 65,027	\$ 75,014
Restricted cash - tenant security deposits	<u>7,400</u>	<u>7,850</u>
Total current assets	<u>72,427</u>	<u>82,864</u>
Noncurrent assets:		
Restricted cash - reserve for replacements	16,658	9,663
Capital assets:		
Buildings and improvements, net of accumulated depreciation	<u>293,364</u>	<u>350,120</u>
Total noncurrent assets	<u>310,022</u>	<u>359,783</u>
Total assets	<u>382,449</u>	<u>442,647</u>
Liabilities		
Current liabilities:		
Accounts payable	6,105	14,964
Prepaid rent	2,509	1,212
Due to State - HCD	42,069	44,404
Security deposits	<u>7,400</u>	<u>7,850</u>
Total current liabilities	<u>58,083</u>	<u>68,430</u>
Net Assets		
Invested in capital assets, net of related debt	293,364	350,120
Restricted for replacements	16,658	9,663
Unrestricted	<u>14,344</u>	<u>14,434</u>
Total net assets	<u>\$ 324,366</u>	<u>\$ 374,217</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenues		
Rental revenue, net	\$ 118,673	\$ 111,687
HCD annuities	27,802	28,491
Less: Excess program payments	(13,091)	(28,979)
Net HCD annuities	<u>14,711</u>	<u>(488)</u>
Other revenues:		
Coin-operated laundry	3,035	2,820
Parking	1,493	1,739
Miscellaneous	<u>2,126</u>	<u>2,957</u>
Total operating revenues	<u>140,038</u>	<u>118,715</u>
Operating expenses		
Payroll:		
Salaries and benefits	<u>29,774</u>	<u>27,901</u>
Administrative:		
Legal and accounting services	6,127	3,221
Management fee	14,652	14,160
Media	336	386
Total administrative	<u>21,115</u>	<u>17,767</u>
Utilities	<u>25,605</u>	<u>21,646</u>
Operating and maintenance:		
Services and supplies	9,404	1,720
Courtesy patrol	2,505	2,004
Maintenance contract	8,526	7,355
Decorating and painting	4,334	2,655
Repairs and maintenance	28,122	42,158
Total operating and maintenance	<u>52,891</u>	<u>55,892</u>
Insurance and taxes:		
Insurance	7,029	7,891
Property taxes	1,147	288
Total insurance and taxes	<u>8,176</u>	<u>8,179</u>
Depreciation	<u>56,756</u>	<u>57,675</u>
Total operating expenses	<u>194,317</u>	<u>189,060</u>
Operating loss	<u>(54,279)</u>	<u>(70,345)</u>
Non-operating revenues		
Interest income	<u>4,428</u>	<u>3,741</u>
Change in net assets	(49,851)	(66,604)
Net assets, beginning of year	<u>374,217</u>	<u>440,821</u>
Net assets, end of year	<u>\$ 324,366</u>	<u>\$ 374,217</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Rental receipts	\$ 119,970	\$ 111,824
HCD annuities	12,376	7,683
Other receipts	6,654	7,516
Tenant security deposits received	900	2,500
Payroll and related costs	(29,774)	(27,901)
Administrative expenses	(21,115)	(17,767)
Utilities expense	(25,605)	(21,646)
Operating and maintenance expenses	(61,750)	(57,648)
Tenant security deposits paid	(1,350)	(1,400)
Insurance and taxes expense	(8,176)	(8,179)
Net cash used for operating activities	<u>(7,870)</u>	<u>(5,018)</u>
Cash flows from investing activities:		
Interest receipts	<u>4,428</u>	<u>3,741</u>
Net decrease in cash	(3,442)	(1,277)
Cash and cash equivalents, beginning of year	92,527	93,804
Cash and cash equivalents, end of year	<u>\$ 89,085</u>	<u>\$ 92,527</u>
Cash and cash equivalents	\$ 65,027	\$ 75,014
Restricted cash:		
Tenant security deposits	7,400	7,850
Reserve for replacements	<u>16,658</u>	<u>9,663</u>
Total cash and cash equivalents	<u>\$ 89,085</u>	<u>\$ 92,527</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, 2008 and 2007

	2008	2007
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (54,279)	\$ (70,345)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	56,756	57,675
Changes in assets and liabilities:		
Accounts payable	(8,859)	(1,756)
Due to State - HCD	(2,335)	8,171
Prepaid rent	1,297	137
Security deposits	(450)	1,100
Net cash used for operating activities	\$ (7,870)	\$ (5,018)

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, 2008 and 2007

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 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 take place. 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 with 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 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, 2008 and 2007

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 1.4 years at June 30, 2008 and 1.0 year at June 30, 2007. At June 30, 2008 and 2007, 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.

Restricted cash and cash equivalents include replacement reserves and tenant security deposits.

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.

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 1 year, are stated at cost. Depreciation is calculated using the straight-line method over an estimated useful life of between 5 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, 2008 and 2007 amounted to \$7,400 and \$7,850, 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, 2008 and 2007

NOTE C - CAPITAL ASSETS

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

	<u>June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2008</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,425,758	\$ -	\$ -	\$ 1,425,758
Less accumulated depreciation for:				
Buildings and improvements	<u>(1,075,638)</u>	<u>(56,756)</u>	<u>-</u>	<u>(1,132,394)</u>
Capital assets being depreciated, net	<u>350,120</u>	<u>(56,756)</u>	<u>-</u>	<u>293,364</u>
Capital assets, net	<u>\$ 350,120</u>	<u>\$ (56,756)</u>	<u>\$ -</u>	<u>\$ 293,364</u>

	<u>June 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2007</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,425,758	\$ -	\$ -	\$ 1,425,758
Less accumulated depreciation for:				
Buildings and improvements	<u>(1,017,963)</u>	<u>(57,675)</u>	<u>-</u>	<u>(1,075,638)</u>
Capital assets being depreciated, net	<u>407,795</u>	<u>(57,675)</u>	<u>-</u>	<u>350,120</u>
Capital assets, net	<u>\$ 407,795</u>	<u>\$ (57,675)</u>	<u>\$ -</u>	<u>\$ 350,120</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 years is as follows:

	<u>2008</u>	<u>2007</u>
Beginning balance	\$ 9,663	\$ 18,592
Interest earned	595	963
Required deposits	6,400	6,400
Authorized expenditures	-	(16,292)
Ending balance	<u>\$ 16,658</u>	<u>\$ 9,663</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, 2008 and 2007

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, 2008, unexpended payments due back to HCD exceeded HCD authorized annuities by \$14,711. For the fiscal year ended June 30, 2007, HCD authorized annuities exceeded unexpended payments due back to HCD by \$488.

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 authorized budget. For the fiscal years ended June 30, 2008 and 2007, rental and program revenues exceeded qualifying operating costs by \$13,091 and \$28,979, respectively. Net unexpended program payments are reported as Due to State - HCD on the Project's statements of net assets.

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

	<u>2008</u>	<u>2007</u>
Beginning balance	\$ 44,404	\$ 36,233
Excess program payments for the current year	13,091	28,979
Payment to HCD	<u>(15,426)</u>	<u>(20,808)</u>
Ending balance	<u>\$ 42,069</u>	<u>\$ 44,404</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, so 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 HCD
For the Fiscal Year Ended June 30, 2008

Insurance

Insurance premiums are current as of June 30, 2008. 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: 2007/2008

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.

Diana L. Rutley
Authorized Signature

Diana L. Rutley
Printed Name

Property Manager
Title

10-20-08
Date

Explanation of other Withdrawals:

ADDITIONAL REQUESTED INFORMATION FOR FY:

2007/2008

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		

**Rental Housing Construction Program (RHCP) - Original
PROPOSED OPERATING COSTS**

Reporting Period: 07/01/2007 to 06/30/2008

Contract No: 80-RHC-007
Project Name: Somerset Parkside
Prepared by: Noelle Mussen, Accounting Manager
Date Prepared: 10/20/2008

Units/Sq. Ft. - Assisted: 26
Units/Sq. Ft. - Total: 26

Unit months: 312

ACCOUNT NAME	Account Codes	Proposed Budget	Proration Percentage	Assisted Units	Non-Assisted	Commercial	Proposed Total Budget
MANAGEMENT FEE: 6200/6300							
1 Management Fee	6320	14,652	100.00%	14,652	0	0	14,652
ADMINISTRATIVE EXPENSES: 6200/6300							
2 Advertising	6210	336	100.00%	336	0	0	336
3 Apartment Resale Expense (Cooperatives)	6235	0	100.00%	0	0	0	0
4 Other Renting Expenses	6250	100	100.00%	100	0	0	100
5 Office Salaries	6310	0	100.00%	0	0	0	0
6 Office Supplies	6311	0	100.00%	0	0	0	0
7 Office or Model Apartment Rent	6312	0	100.00%	0	0	0	0
8 Manager or Superintendent Salaries	6330	16,200	100.00%	16,200	0	0	16,200
9 Manager's or Supintendent's Rent Free Unit	6331	7,608	100.00%	7,608	0	0	7,608
10 Legal Expense - Project	6340	1,500	100.00%	1,500	0	0	1,500
11 Audit Expense - Project	6350	3,900	100.00%	3,900	0	0	3,900
12 Bookkeeping Fees/Accounting Services	6351	0	100.00%	0	0	0	0
13 Telephone and Answering Service Expenses	6360	0	100.00%	0	0	0	0
14 Bad Debt Expense	6370	0	100.00%	0	0	0	0
15 Miscellaneous Administrative Expenses (specify)	6390	0	100.00%	0	0	0	0
16 TOTAL ADMINISTRATIVE EXPENSE:	6200/6300T	29,644	100.00%	29,644	0	0	29,644
UTILITIES EXPENSE: 6400							
17 Fuel Oil/Coal	6420	0	100.00%	0	0	0	0
18 Electricity	6450	3,000	100.00%	3,000	0	0	3,000
19 Water	6451	0	100.00%	0	0	0	0
20 Gas	6452	2,000	100.00%	2,000	0	0	2,000
21 Sewer	6453	18,000	100.00%	18,000	0	0	18,000
22 TOTAL UTILITIES EXPENSE:	6400T	23,000	100.00%	23,000	0	0	23,000
OPERATING AND MAINTENANCE EXPENSES: 6500							
23 Janitor and Cleaning Payroll	6510	6,275	100.00%	6,275	0	0	6,275
24 Janitor and Cleaning Supplies	6515	6,000	100.00%	6,000	0	0	6,000
25 Janitor and Cleaning Contract	6517	7,950	100.00%	7,950	0	0	7,950
26 Exterminating Payroll/Contract	6519	0	100.00%	0	0	0	0
27 Exterminating Supplies	6520	0	100.00%	0	0	0	0
28 Garbage and Trash Removal	6525	3,000	100.00%	3,000	0	0	3,000
29 Security Payroll/Contract	6530	2,505	100.00%	2,505	0	0	2,505
30 Grounds Payroll	6535	0	100.00%	0	0	0	0
31 Grounds Supplies	6536	0	100.00%	0	0	0	0
32 Grounds Contract	6537	1,050	100.00%	1,050	0	0	1,050
33 Repairs Payroll	6540	0	100.00%	0	0	0	0
34 Repairs Material	6541	6,000	100.00%	6,000	0	0	6,000
35 Repairs Contract	6542	0	100.00%	0	0	0	0
36 Elevator Maintenance/Contract	6545	0	100.00%	0	0	0	0
37 Heating/Cooling Repairs and Maintenance	6546	0	100.00%	0	0	0	0
38 Swimming Pool Maintenance/Contract	6547	0	100.00%	0	0	0	0
39 Snow Removal	6548	0	100.00%	0	0	0	0
40 Decorating Payroll/Contract	6560	6,500	100.00%	6,500	0	0	6,500
41 Decorating Supplies	6561	0	100.00%	0	0	0	0
42 Vehicle and Maintenance Equipment Operation/Repairs	6570	0	100.00%	0	0	0	0
43 Misc. Operating and Maintenance Expenses (specify)	6590	20,000	100.00%	20,000	0	0	20,000
44 TOTAL OPERATING & MAINTENANCE EXPENSE:	6500T	59,280	100.00%	59,280	0	0	59,280
TAXES AND INSURANCE: 6700							
45 Real Estate Taxes	6710	325	100.00%	325	0	0	325
46 Payroll Taxes (Project's Share)	6711	0	100.00%	0	0	0	0
47 Misc. Taxes, Licenses and Permits	6719	0	100.00%	0	0	0	0
48 Property and Liability Insurance (Hazard)	6720	0	100.00%	0	0	0	0
49 Fidelity Bond Insurance	6721	0	100.00%	0	0	0	0
50 Worker's Compensation	6722	0	100.00%	0	0	0	0
51 Health Insurance/Other Employee Benefits	6723	0	100.00%	0	0	0	0
52 Other Insurance	6729	9,025	100.00%	9,025	0	0	9,025
53 TOTAL TAXES AND INSURANCE:	6700T	9,350	100.00%	9,350	0	0	9,350
ASSISTED LIVING/BOARD & CARE EXPENSES: 6900							
54 Food	6932	0	100.00%	0	0	0	0
55 Recreation and Rehabilitation	6980	0	100.00%	0	0	0	0
56 Rehabilitation Salaries	6983	0	100.00%	0	0	0	0
57 Other Service Expenses	6990	0	100.00%	0	0	0	0
58 TOTAL ASSISTED LIVING EXPENSES	6900T	0	100.00%	0	0	0	0
59 SUBTOTAL OPERATING COSTS:		135,926		135,926	0	0	135,926
60 CONTINGENCY RESERVE (RHCP-O Only):	3.00%	4,078		4,078	0	0	4,078
61 TOTAL OPERATING COSTS		140,004		140,004	0	0	140,004

SIGNATURES:

Management Agent By Capitol Area Development Authority Title Accounting manager Date 11/28/08
Borrower By _____ Title _____ Date _____
Sponsor (Local Agency) By _____ Title _____ Date _____

Rental Housing Construction Program (RHCP) - Original

PROPOSED CASH FLOW ANALYSIS

Reporting Period: 07/01/2007 to 06/30/2008

Contract No: 80-RHC-007
Project Name: Somerset Parkside
Prepared by: Noelle Mussen, Accounting Manager
Date Prepared: 10/20/2008

Units/Sq. Ft. - Assisted: 26
Units/Sq. Ft. - Total: 26

Unit months: 312

ACCOUNT NAME	Account Codes	Assisted Units Proposed	Non-Assisted Units Proposed	Commercial	Total Project Proposal
REVENUE ACCOUNTS/RENT REVENUE: 5100					
1 Rent Revenue - Gross Potential	5120	116,699	0	0	116,699
2 Tenant Assistance Payments	5121	0	0	0	0
3 Rent Revenue - Stores and Commercial	5140	0	0	0	0
4 Garage and Parking Spaces	5170	1,700	0	0	1,700
5 Flexible Subsidy Revenue	5180	0	0	0	0
6 Rent Revenue - Miscellaneous	5190	0	0	0	0
7 Excess Rent	5191	0	0	0	0
8 Rent Revenue/Insurance	5192	0	0	0	0
9 Special Claims Revenue	5193	0	0	0	0
10 Retained Excess Income	5194	0	0	0	0
11 GROSS POTENTIAL RENT (GR)	5100T	118,399	0	0	118,399
VACANCIES: 5200					
Vacancy percentage					
12 Apartments	5220	3.00%	0.00%	0.00%	3,501
13 Stores and Commercial	5240	0	0	0	0
14 Rental Concessions	5250	0	0	0	0
15 Garage and Parking Space	5270	0	0	0	0
16 Miscellaneous	5290	0	0	0	0
Total Vacancies	5200T	3,501	0	0	3,501
ASSISTED LIVING/BOARD & CARE REVENUE: 5300					
17 Food	5332	0	0	0	0
18 Recreation (Activities) and Rehabilitation	5380	0	0	0	0
19 Rehabilitation	5385	0	0	0	0
20 Other Service Revenue	5390	0	0	0	0
Total Living Revenues	5300T	0	0	0	0
FINANCIAL REVENUE: 5400					
21 Financial Revenue - Project Operations	5410	2,250	0	0	2,250
Total Financial Revenue	5400T	2,250	0	0	2,250
OTHER REVENUE: 5900					
22 Laundry and Vending Revenue	5910	3,000	0	0	3,000
23 NSF and Late Charges	5920	0	0	0	0
24 Damages and Cleaning Fees	5930	0	0	0	0
25 Forfeited Tenant Security Deposits	5940	0	0	0	0
26 Other Revenue	5990	0	0	0	0
Total other Revenue	5900T	3,000	0	0	3,000
27 EFFECTIVE GROSS RENT (EGR)	5152N	120,148	0	0	120,148
28 TOTAL OPERATING EXPENSES	6000T	140,004	0	0	140,004
29 NET OPERATING INCOME (NOI)	5000T	(19,856)	0	0	(19,856)
FINANCIAL EXPENSES: 6800					
30 Non-Contingent Debt Service (specify lender)					
1st Mortgage =	6895	0	0	0	0
2nd Mortgage =		0	0	0	0
3rd Mortgage =		0	0	0	0
31 HCD Required Payments	6890	0	0	0	0
32 Lease Payment	6890	0	0	0	0
33 Miscellaneous Financial Expenses	6890	0	0	0	0
Total Financial Expenses	6800T	0	0	0	0
FUNDED RESERVES: 1300					
34 Escrow Deposits	1310	0	0	0	0
35 Replacement Reserve-Deposit	1320	6,400	0	0	6,400
36 Operating Reserve-Deposit	1365	0	0	0	0
37 Other Reserves (specify)					
#1	1350	0	0	0	0
#2	1350	0	0	0	0
#3	1350	0	0	0	0
Total Reserve Deposits		6,400	0	0	6,400

Rental Housing Construction Program (RHCP) - Original

PROPOSED CASH FLOW ANALYSIS

Reporting Period: 07/01/2007 to 06/30/2008

Contract No: 80-RHC-007
Project Name: Somerset Parkside
Prepared by: Noelle Mussen, Accounting Manager
Date Prepared: 10/20/2008

Units/Sq. Ft. - Assisted: 26
Units/Sq. Ft. - Total: 26

Unit months: 312

ACCOUNT NAME	Account Codes	Assisted Units Proposed	Non-Assisted Units Proposed	Commercial	Total Project Proposal
38 PROJECT CASH FLOW (CF)		(26,256)	0	0	(26,256)
ADDITIONAL REVENUE:					
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		26,256			26,256
40 Withdrawal from Operating Reserves		0	0	0	0
41 Borrower Contribution		0	0	0	0
42 Other (specify) <u>Annuity for Capital improvements</u>		3,000	0	0	3,000
Total Additional Revenue		29,256	0	0	29,256
USE OF CASH FLOW:					
43 HCD Interest Payments		0	0	0	0
44 Asset Mgmt Fee (CHRP-R/SUHRP & HOME-pre-UMR Only)		0	0	0	0
45 Asset Mgmt Fee/Prtshp Costs (MHP/HOME under UMR)		0	0	0	0
46 Borrower Distributions		0	0	0	0
47 Residual Receipt Loan Payments		0	0	0	0
48 Other (specify) _____		0	0	0	0
Total Use of Cash Flow		0	0	0	0

SIGNATURES:

Management Agent	By	Title	Date
<i>Capital Area development Authority</i>	<i>Noelle Mussen</i>	<i>Accounting manager</i>	<i>11/28/08</i>
Borrower	By	Title	Date
Sponsor (Local Agency)	By	Title	Date

Annual Report

M&M 181 (03/05)

Rental Housing Construction Program (RHCP) - Original**APPROVED OPERATING COSTS**Reporting Period: 07/01/2007 to 06/30/2008

Contract: 80-RHC-007
 Project Name: Somerset Parkside
 Prepared by: Noelle Mussen, Accounting Manager
 Date Prepared: 10/20/2008

Units/Sq. Ft. - Assisted: 26
 Units/Sq. Ft. - Total: 26

Unit Months: 312

ACCOUNT NAME	ACCOUNT CODES	TOTAL EXPENSES			
		PROPOSED		HCD APPROVED	
		ANNUAL (A)	PUM (B)	ANNUAL (C)	PUM (D)
MANAGEMENT FEE: 6200/6300					
1 Management Fee	6320	14,652	46.96	14,652	46.96
ADMINISTRATIVE EXPENSES: 6200/6300					
2 Advertising	6210	336	1.08	336	1.08
3 Apartment Resale Expense (Cooperatives)	6235	0	0.00	0	0.00
4 Other Renting Expenses	6250	100	0.32	100	0.32
5 Office Salaries	6310	0	0.00	0	0.00
6 Office Supplies	6311	0	0.00	0	0.00
7 Office or Model Apartment Rent	6312	0	0.00	0	0.00
8 Manager and Superintendent Salaries	6330	16,200	51.92	16,200	51.92
9 Manager's or Superintendent's Rent Free Unit	6331	7,608	24.38	7,608	24.38
10 Legal Expense - Project	6340	1,500	4.81	1,500	4.81
11 Audit Expense - Project	6350	3,900	12.50	3,900	12.50
12 Bookkeeping Fees/Accounting Services	6351	0	0.00	0	0.00
13 Telephone and Answering Service Expenses	6360	0	0.00	0	0.00
14 Bad Debt Expense	6370	0	0.00	0	0.00
15 Miscellaneous Administrative Expenses (specify)	6390	0	0.00	0	0.00
16 TOTAL ADMINISTRATIVE EXPENSES	6200/6300T	29,644	95.01	29,644	95.01
UTILITIES EXPENSES: 6400					
17 Fuel Oil/Coal	6420	0	0.00	0	0.00
18 Electricity	6450	3,000	9.62	3,000	9.62
19 Water	6451	0	0.00	0	0.00
20 Gas	6452	2,000	6.41	2,000	6.41
21 Sewer	6453	18,000	57.69	18,000	57.69
22 TOTAL UTILITIES EXPENSES	6400T	23,000	73.72	23,000	73.72
OPERATING AND MAINTENANCE EXPENSES: 6500					
23 Janitor and Cleaning Payroll	6510	6,275	20.11	6,275	20.11
24 Janitor and Cleaning Supplies	6515	6,000	19.23	6,000	19.23
25 Janitor and Cleaning Contracts	6517	7,950	25.48	7,950	25.48
26 Exterminating Payroll/Contract	6519	0	0.00	0	0.00
27 Exterminating Supplies	6520	0	0.00	0	0.00
28 Garbage and Trash Removal	6525	3,000	9.62	3,000	9.62
29 Security Payroll/Contract	6530	2,505	8.03	2,505	8.03
30 Grounds Payroll	6535	0	0.00	0	0.00
31 Grounds Supplies	6536	0	0.00	0	0.00
32 Grounds Contract	6537	1,050	3.37	1,050	3.37
33 Repairs Payroll	6540	0	0.00	0	0.00
34 Repairs Material	6541	6,000	19.23	6,000	19.23
35 Repairs Contract	6542	0	0.00	0	0.00
36 Elevator Maintenance/Contract	6545	0	0.00	0	0.00
37 Heating/Cooling Repairs and Maintenance	6546	0	0.00	0	0.00
38 Swimming Pool Maintenance/Contract	6547	0	0.00	0	0.00
39 Snow Removal	6548	0	0.00	0	0.00
40 Decorating/Payroll Contract	6560	6,500	20.83	6,500	20.83
41 Decorating Supplies	6561	0	0.00	0	0.00
42 Vehicle and Maint. Equipment Operation/Repairs	6570	0	0.00	0	0.00
43 Misc. Operating and Maintenance Expenses (specify)	6590	20,000	64.10	23,000	73.72
44 TOTAL OPERATING & MAINTENANCE EXPENSES	6500T	59,280	190.00	62,280	199.62

Rental Housing Construction Program (RHCP) - Original

APPROVED OPERATING COSTS

Reporting Period: 07/01/2007 to 06/30/2008

Contract: 80-RHC-007
Project Name: Somerset Parkside
Prepared by: Noelle Mussen, Accounting Manager
Date Prepared: 10/20/2008

Units/Sq. Ft. - Assisted: 26
Units/Sq. Ft. - Total: 26

Unit Months: 312

		TOTAL EXPENSES			
		PROPOSED		HCD APPROVED	
TAXES AND INSURANCE: 6700					
45 Real Estate Taxes	6710	325	1.04	325	1.04
46 Payroll Taxes (Project's Share)	6711	0	0.00	0	0.00
47 Misc. Taxes, Licenses and Permits	6719	0	0.00	0	0.00
48 Property and Liability Insurance (Hazard)	6720	0	0.00	0	0.00
49 Fidelity Bond Insurance	6721	0	0.00	0	0.00
50 Worker's Compensation	6722	0	0.00	0	0.00
51 Health Insurance and Other Employee Benefits	6723	0	0.00	0	0.00
52 Other Insurance	6729	9,025	28.93	9,025	28.93
53 TOTAL TAXES AND INSURANCE	6700T	9,350	29.97	9,350	29.97
ASSISTED LIVING/BOARD & CARE EXPENSES; 6900					
54 Food	6932	0	0.00	0	0.00
55 Recreation and Rehabilitation	6980	0	0.00	0	0.00
56 Rehabilitation Salaries	6983	0	0.00	0	0.00
57 Other Service Expenses	6990	0	0.00	0	0.00
58 TOTAL ASSISTED LIVING EXPENSES	6900T	0	0.00	0	0.00
59 SUBTOTAL OPERATING COSTS		135,926	435.66	138,926	445.28
60 CONTINGENCY RESERVE (RHCP-O Only):	3.00%	4,078	13.07	4,168	13.36
61 TOTAL OPERATING COSTS		140,004	448.73	143,094	458.63

SIGNATURES:

Management	By	Title	Date
<i>Capitol Area Development Authority</i>	<i>[Signature]</i>	<i>Accounting manager</i>	<i>11/25/08</i>
Borrower	By	Title	Date

Sponsor (Local Agency)	By	Title	Date
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DEPARTMENTAL APPROVAL:

Department of Housing and Community Development	By	Title	Date
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Rental Housing Construction Program (RHCP) - Original

APPROVED PRORATION OF COSTS

Reporting Period: 07/01/2007 to 06/30/2008

Contract: 80-RHC-007
Project Name: Somerset Parkside
Prepared by: Noelle Mussen, Accounting Manager
Date Prepared: 10/20/2008

Units/Sq. Ft. - Assisted: 26
Units/Sq. Ft. - Total: 26

Unit Months: 312

ACCOUNT NAME	PRORATED EXPENSES									
	ACCOUNT CODES	% (E)	ASSISTED (F)	NON ASST. (G)	COMMERCIAL (H)	% (I)	ASSISTED (J)	NON ASST. (K)	COMMERCIAL (L)	
MANAGEMENT FEE: 6200/6300										
1 Management Fee	6320	100.00%	14,652	0	0	100.00%	14,652	0	0	
ADMINISTRATIVE EXPENSES: 6200/6300										
2 Advertising	6210	100.00%	336	0	0	100.00%	336	0	0	
3 Apartment Resale Expense (Cooperatives)	6235	100.00%	0	0	0	100.00%	0	0	0	
4 Other Renting Expenses	6250	100.00%	100	0	0	100.00%	100	0	0	
5 Office Salaries	6310	100.00%	0	0	0	100.00%	0	0	0	
6 Office Supplies	6311	100.00%	0	0	0	100.00%	0	0	0	
7 Office or Model Apartment Rent	6312	100.00%	0	0	0	100.00%	0	0	0	
8 Manager or Superintendent Salaries	6330	100.00%	16,200	0	0	100.00%	16,200	0	0	
9 Manager's or Superintendent's Rent Free Unit	6331	100.00%	7,608	0	0	100.00%	7,608	0	0	
10 Legal Expense - Project	6340	100.00%	1,500	0	0	100.00%	1,500	0	0	
11 Audit Expense - Project	6350	100.00%	3,900	0	0	100.00%	3,900	0	0	
12 Bookkeeping Fees/Accounting Services	6351	100.00%	0	0	0	100.00%	0	0	0	
13 Telephone and answering Service Expenses	6360	100.00%	0	0	0	100.00%	0	0	0	
14 Bad Debt Expense	6370	100.00%	0	0	0	100.00%	0	0	0	
15 Miscellaneous Administrative Expenses (specify)	6390	100.00%	0	0	0	100.00%	0	0	0	
16 TOTAL ADMINISTRATIVE EXPENSE:	6200/6300T		29,644	0	0		29,644	0	0	
UTILITIES EXPENSE: 6400										
17 Fuel Oil/Coal	6420	100.00%	0	0	0	100.00%	0	0	0	
18 Electricity	6450	100.00%	3,000	0	0	100.00%	3,000	0	0	
19 Water	6451	100.00%	0	0	0	100.00%	0	0	0	
20 Gas	6452	100.00%	2,000	0	0	100.00%	2,000	0	0	
21 Sewer	6453	100.00%	18,000	0	0	100.00%	18,000	0	0	
22 TOTAL UTILITIES EXPENSE:	6400T		23,000	0	0		23,000	0	0	
OPERATING AND MAINTENANCE EXPENSES: 6500										
23 Janitor and Cleaning Payroll	6510	100.00%	6,275	0	0	100.00%	6,275	0	0	
24 Janitor and Cleaning Supplies	6515	100.00%	6,000	0	0	100.00%	6,000	0	0	
25 Janitor and Cleaning Contracts	6517	100.00%	7,950	0	0	100.00%	7,950	0	0	
26 Exterminating Payroll/Contract	6519	100.00%	0	0	0	100.00%	0	0	0	
27 Exterminating Supplies	6520	100.00%	0	0	0	100.00%	0	0	0	
28 Garbage and Trash Removal	6525	100.00%	3,000	0	0	100.00%	3,000	0	0	
29 Security Payroll/Contract	6530	100.00%	2,505	0	0	100.00%	2,505	0	0	
30 Grounds Payroll	6535	100.00%	0	0	0	100.00%	0	0	0	
31 Grounds Supplies	6536	100.00%	0	0	0	100.00%	0	0	0	
32 Grounds Contract	6537	100.00%	1,050	0	0	100.00%	1,050	0	0	
33 Repairs Payroll	6540	100.00%	0	0	0	100.00%	0	0	0	
34 Repairs Material	6541	100.00%	6,000	0	0	100.00%	6,000	0	0	
35 Repairs Contract	6542	100.00%	0	0	0	100.00%	0	0	0	
36 Elevator Maintenance/Contract	6545	100.00%	0	0	0	100.00%	0	0	0	
37 Heating/Cooling Repairs and Maintenance	6546	100.00%	0	0	0	100.00%	0	0	0	
38 Swimming Pool Maintenance/Contract	6547	100.00%	0	0	0	100.00%	0	0	0	
39 Snow Removal	6548	100.00%	0	0	0	100.00%	0	0	0	
40 Decorating/Payroll Contract	6560	100.00%	6,500	0	0	100.00%	6,500	0	0	
41 Decorating Supplies	6561	100.00%	0	0	0	100.00%	0	0	0	
42 Vehicle and Maint. Equipment Operation/Reports	6570	100.00%	0	0	0	100.00%	0	0	0	
43 Misc. Operating and Maintenance Expenses (specify)	6590	100.00%	20,000	0	0	100.00%	23,000	0	0	
44 TOTAL OPERATING & MAINTENANCE EXPENSE:	6500T		59,280	0	0		62,280	0	0	
TAXES AND INSURANCE: 6700										
45 Real Estate Taxes	6710	100.00%	325	0	0	100.00%	325	0	0	
46 Payroll Taxes (Project's Share)	6711	100.00%	0	0	0	100.00%	0	0	0	
47 Misc. Taxes, Licenses and Permits	6719	100.00%	0	0	0	100.00%	0	0	0	
48 Property and Liability Insurance (Hazard)	6720	100.00%	0	0	0	100.00%	0	0	0	
49 Fidelity Bond Insurance	6721	100.00%	0	0	0	100.00%	0	0	0	
50 Worker's Compensation	6722	100.00%	0	0	0	100.00%	0	0	0	
51 Health Insurance/Other Employee Benefits	6723	100.00%	0	0	0	100.00%	0	0	0	
52 Other Insurance	6729	100.00%	9,025	0	0	100.00%	9,025	0	0	
53 TOTAL TAXES AND INSURANCE:	6700T		9,350	0	0		9,350	0	0	
ASSISTED LIVING/BOARD & CARE EXPENSES: 6900										
54 Food	6932	100.00%	0	0	0	0.00%	0	0	0	
55 Recreation and Rehabilitation	6980	100.00%	0	0	0	0.00%	0	0	0	
56 Rehabilitation Salaries	6983	100.00%	0	0	0	0.00%	0	0	0	
57 Other Service Expenses	6990	100.00%	0	0	0	0.00%	0	0	0	
58 TOTAL ASSISTED LIVING EXPENSES:	6900T		0	0	0		0	0	0	
59 SUBTOTAL OPERATING COSTS:			135,926	0	0		138,926	0	0	
60 CONTINGENCY RESERVE (RHCP-Q Only):	3.00%		4,078	0	0	3.00%	4,168	0	0	
61 TOTAL OPERATING COSTS			140,004	0	0		143,094	0	0	

SIGNATURES:

Management By _____ Title _____ Date _____
Capital Area Development Authority *Walt Yassen* *Accounting Manager* *11/28/08*
Borrower By _____ Title _____ Date _____

Sponsor (Local Agency)

By _____ Title _____ Date _____

DEPARTMENTAL APPROVAL:

Department of Housing and Community Development By _____ Title _____ Date _____

Rental Housing Construction Program (RHCP) - Original
APPROVED CASH FLOW ANALYSIS

Reporting Period 07/01/2007 to 06/30/2008

Contract: 80-RHC-007
Project Name: Somerset Parkside
Prepared by: Noelle Mussen, Accounting Manager
Date Prepared: 10/20/2008

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

ACCOUNT NAME	ASSISTED UNITS			NON-ASSISTED UNITS			TOTAL PROJECT		
	Account Codes	Proposed (A)	Approved (B)	Proposed (C)	Approved (D)	Commercial (E)	Proposed (F)	Approved (G)	Commercial (H)
REVENUE ACCOUNTS/RENT REVENUE: 5100									
1 Rent Revenue - Gross Potential	5120	116,699	118,198	0	0	0	116,699	118,198	0
2 Tenant Assistance Payments	5121	0	0	0	0	0	0	0	0
3 Rent revenue - Stores and Commercial	5140	0	0	0	0	0	0	0	0
4 Garage and Parking Spaces	5170	1,700	1,700	0	0	0	1,700	1,700	0
5 Flexible Subsidy Revenue	5180	0	0	0	0	0	0	0	0
6 Miscellaneous Rent Revenue	5190	0	0	0	0	0	0	0	0
7 Excess Rent	5191	0	0	0	0	0	0	0	0
8 Rent Revenue/Insurance	5192	0	0	0	0	0	0	0	0
9 Special Claims Revenue	5193	0	0	0	0	0	0	0	0
10 Retained Excess Income	5194	0	0	0	0	0	0	0	0
11 GROSS POTENTIAL RENT (GR)	5100T	118,399	119,898	0	0	0	118,399	119,898	0
VACANCIES: 5200									
Vacancy Percentage:									
12 Apartments -	5220	3.00%	3.00%	0.00%	0.00%	0.00%	3,501	3,546	0
13 Stores and Commercial	5240	0	0	0	0	0	0	0	0
14 Rental Concessions	5250	0	0	0	0	0	0	0	0
15 Garage and Parking Spaces	5270	0	0	0	0	0	0	0	0
16 Miscellaneous	5290	0	0	0	0	0	0	0	0
Total Vacancies	5200T	3,501	3,546	0	0	0	3,501	3,546	0
ASSISTED LIVING/BOARD & CARE REVENUES: 5300									
17 Food	5332	0	0	0	0	0	0	0	0
18 Recreation (Activities) and Rehabilitation	5380	0	0	0	0	0	0	0	0
19 Rehabilitation	5385	0	0	0	0	0	0	0	0
20 Other Service Revenue	5390	0	0	0	0	0	0	0	0
Total Living Revenue	6300T	0	0	0	0	0	0	0	0
FINANCIAL REVENUE: 5400									
21 Financial Revenue - Project Operations	5410	2,250	2,250	0	0	0	2,250	2,250	0
Total Financial Revenue	5400T	2,250	2,250	0	0	0	2,250	2,250	0
OTHER REVENUE: 5900									
22 Laundry and Vending Revenue	5910	3,000	3,000	0	0	0	3,000	3,000	0
23 NSF and Late Charges	5920	0	0	0	0	0	0	0	0
24 Damages and Cleaning Fees	5930	0	0	0	0	0	0	0	0
25 Forfeited Tenant Security Deposits	5940	0	0	0	0	0	0	0	0
26 Other Revenue	5990	0	0	0	0	0	0	0	0
Total Other Revenue	5900T	3,000	3,000	0	0	0	3,000	3,000	0
27 EFFECTIVE GROSS RENT (EGR)	5152T	120,148	121,602	0	0	0	120,148	121,602	0
28 TOTAL OPERATING EXPENSES	6000T	140,004	143,094	0	0	0	140,004	143,094	0
29 NET OPERATING INCOME (NOI)	5000T	(19,856)	(21,492)	0	0	0	(19,856)	(21,492)	0
FINANCIAL EXPENSES: 6800									
30 Non-Contingent Debt Service (specify lender)	6895	0	0	0	0	0	0	0	0
1st Mortgage		0	0	0	0	0	0	0	0
2nd Mortgage		0	0	0	0	0	0	0	0
3rd Mortgage		0	0	0	0	0	0	0	0
31 HCD Required Payments	6890	0	0	0	0	0	0	0	0
32 Lease Payment	6890	0	0	0	0	0	0	0	0
33 Miscellaneous Financial Expenses	6890	0	0	0	0	0	0	0	0
Total Financial Expenses	6800T	0	0	0	0	0	0	0	0
FUNDED RESERVES:									
34 Escrow Deposits	1300	0	0	0	0	0	0	0	0
35 Replacement Reserve-Deposit	1320	6,400	6,400	0	0	0	6,400	6,400	0
36 Operating Reserve-Deposit	1300	0	0	0	0	0	0	0	0
37 Other Reserves (specify)		0	0	0	0	0	0	0	0
#1	1330	0	0	0	0	0	0	0	0
#2	1330	0	0	0	0	0	0	0	0
#3	1330	0	0	0	0	0	0	0	0
Total Reserve Deposits		6,400	6,400	0	0	0	6,400	6,400	0
38 PROJECT CASH FLOW (CF)		(26,256)	(27,892)	0	0	0	(26,256)	(27,892)	0
ADDITIONAL REVENUE:									
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		26,256	27,802	0	0	0	26,256	27,802	0
40 Withdrawal from Operating Reserves		0	0	0	0	0	0	0	0
41 Borrower Contribution		0	0	0	0	0	0	0	0
42 Other (specify)		3,000	0	0	0	0	3,000	0	0
Total Additional Revenue		29,256	27,802	0	0	0	29,256	27,802	0
USE OF CASH FLOW:									
43 HCD Interest Payments		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
45 Asset Mgmt Fee/Private Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0
46 Borrower Distributions		0	0	0	0	0	0	0	0
47 Residual Receipt Loan Payments		0	0	0	0	0	0	0	0
48 Other (specify)		0	0	0	0	0	0	0	0
Total Use of Cash Flow		0	0	0	0	0	0	0	0

SIGNATURES:

Management By Capital Area Development Authority Title Accounting manager Date 11/28/08
Borrower By Dulhans Title Accounting manager Date 11/28/08
Sponsor (Local Agency) By _____ Title _____ Date _____

HCD Use Only:

Annuity Payment in the amount of \$27,802 for the fiscal year from 7/1/2007 to 6/30/2008
is approved for payment from the RHCP Annuity Fund.

Monitoring and Management Program Representative _____ Date _____
Department of Housing and Community Development

Monitoring and Management Program Manager _____ Date _____
Department of Housing and Community Development

Rental Housing Construction Program (RHCP) - Original

REPORT OF ACTUAL OPERATING COSTS

Reporting Period: 7/1/2007 to 06/30/2008

Contract No: 80-RHC-007
Project Name: Somerset Parkside
Prepared by: Noelle Mussen, Accounting Manager
Date Prepared: 10/20/2008

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	6320	14,652	14,652	0	0	0	0	14,652	14,652	0
ADMINISTRATIVE EXPENSES: 6200/6300										
2 Advertising	6210	336	336	0	0	0	0	336	336	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0	0	0	0
4 Other Renting Expenses	6250	100	4,300	0	0	0	0	100	4,300	(4,200)
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	16,200	16,200	0	0	0	0	16,200	16,200	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	1,500	2,227	0	0	0	0	1,500	2,227	(727)
11 Audit Expense - Project	6350	3,900	3,900	0	0	0	0	3,900	3,900	0
12 Bookkeeping Fees/Accounting Services	6351	0	0	0	0	0	0	0	0	0
13 Telephone and Answering Service Expenses	6380	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	29,644	34,571	0	0	0	0	29,644	34,571	(4,927)
UTILITIES EXPENSES: 6400										
17 Fuel Oil/Coal	6420	0	0	0	0	0	0	0	0	0
18 Electricity	6450	3,000	3,506	0	0	0	0	3,000	3,506	(506)
19 Water	6451	0	0	0	0	0	0	0	0	0
20 Gas	6452	2,000	1,324	0	0	0	0	2,000	1,324	676
21 Sewer	6453	18,000	18,838	0	0	0	0	18,000	18,838	(838)
22 TOTAL UTILITIES EXPENSES	6400T	23,000	23,667	0	0	0	0	23,000	23,667	(667)
OPERATING AND MAINTENANCE EXPENSES: 6500										
23 Janitor and Cleaning Payroll	6510	6,275	5,966	0	0	0	0	6,275	5,966	309
24 Janitor and Cleaning Supplies	6515	6,000	5,104	0	0	0	0	6,000	5,104	896
25 Janitor and Cleaning Contracts	6517	7,950	7,476	0	0	0	0	7,950	7,476	474
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	3,000	1,938	0	0	0	0	3,000	1,938	1,062
29 Security Payroll/Contract	6530	2,505	2,505	0	0	0	0	2,505	2,505	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	1,050	1,050	0	0	0	0	1,050	1,050	0
33 Repairs Payroll	6540	0	0	0	0	0	0	0	0	0
34 Repairs Material	6541	6,000	3,306	0	0	0	0	6,000	3,306	2,694
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	6,500	4,334	0	0	0	0	6,500	4,334	2,166
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	23,000	24,816	0	0	0	0	23,000	24,816	(1,816)
44 TOTAL OPERATING & MAINTENANCE EXPENSES	6500T	62,280	56,495	0	0	0	0	62,280	56,495	5,785
TAXES AND INSURANCE: 6700										
45 Real Estate Taxes	6710	325	1,147	0	0	0	0	325	1,147	(822)
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	7,029	0	0	0	0	9,025	7,029	1,996
53 TOTAL TAXES AND INSURANCE	6700T	9,350	8,176	0	0	0	0	9,350	8,176	1,174
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		138,926	137,561	0	0	0	0	138,926	137,561	1,365

**Rental Housing Construction Program (RHCP) - Original
ACTUAL CASH FLOW ANALYSIS**

Reporting Period: 07/01/2007 to 06/30/2008

Contract No: 80-RHC-007
Project Name: Somerset Parkside
Prepared by: Noelle Mussen, Accounting Manager
Date Prepared: 10/20/2008

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 Cashflow Variance (I)
		Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	
REVENUE ACCOUNTS/RENT REVENUE: 5100										
1 Rent Revenue	5120	118,198	118,673	0	0	0	0	118,198	118,673	475
2 Tenant Assistance Payments	5121	0	0	0	0	0	0	0	0	0
3 Rent revenue - Stores and Commercial	5140	0	0	0	0	0	0	0	0	0
4 Garage and Parking Spaces	5170	1,700	1,493	0	0	0	0	1,700	1,493	(206)
5 Flexible Subsidy Revenue	5185	0	0	0	0	0	0	0	0	0
6 Miscellaneous Rent Revenue	5190	0	0	0	0	0	0	0	0	0
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	119,898	120,166	0	0	0	0	119,898	120,166	268
<i>Total Vacancies (HCD Use Only)</i>		5200T	3,546	0	0	0	0	3,546	0	0
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>	6300T	0	0	0	0	0	0	0	0	0
FINANCIAL REVENUE: 5400										
21 Financial Revenue - Project Operations	5410	2,250	3,834	0	0	0	0	2,250	3,834	1,584
<i>Total Financial Revenue</i>	5400T	2,250	3,834	0	0	0	0	2,250	3,834	1,584
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	3,000	3,035	0	0	0	0	3,000	3,035	35
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	353	0	0	0	0	0	353	353
26 Other Revenue	5990	0	1,773	0	0	0	0	0	1,773	1,773
<i>Total Other Revenue</i>	5900T	3,000	5,162	0	0	0	0	3,000	5,162	2,162
27 EFFECTIVE GROSS RENT (EGR)	5152T	121,602	129,161	0	0	0	0	121,602	129,161	7,559
28 TOTAL OPERATING EXPENSES	6000T	143,094	137,561	0	0	0	0	143,094	137,561	5,533
29 NET OPERATING INCOME (NOI)	5000T	(21,492)	(8,400)	0	0	0	0	(21,492)	(8,400)	13,091
FINANCIAL EXPENSES: 6800										
30 Non-Contingent Debt Service (specify lender)	6895									
1st Mortgage =		0	0	0	0	0	0	0	0	0
2nd Mortgage =		0	0	0	0	0	0	0	0	0
3rd Mortgage =		0	0	0	0	0	0	0	0	0
31 HCD Required Payments	6890	0	0	0	0	0	0	0	0	0
32 Lease Payment	6890	0	0	0	0	0	0	0	0	0
33 Miscellaneous Financial Expenses	6890	0	0	0	0	0	0	0	0	0
<i>Total Financial Expenses</i>	6800T	0	0	0	0	0	0	0	0	0
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)										
#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
38 PROJECT CASH FLOW (CF)		(27,892)	(14,800)	0	0	0	0	(27,892)	(14,800)	13,091
ADDITIONAL REVENUE:										
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		27,802	27,802	0	0	0	0	27,802	27,802	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>		27,802	27,802	0	0	0	0	27,802	27,802	0
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/Prtrshp 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

OTHER REPORT



MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

Board of Directors
Capitol Area Development Authority
Sacramento, California

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3000 S Street, Suite 300
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WALNUT CREEK

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

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 the Somerset Parkside Apartments (Contract Number 80-RHC-007) (Project), a project of the Capitol Area Development Authority, as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated November 28, 2008. Our opinion includes an explanatory paragraph describing that the financial statements presents only the Project and does not purport to, and do not, present fairly the financial position or changes in financial position of the Capitol Area Development 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

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 and 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.

Macias Mini & O'Connell LLP

Certified Public Accountants

Sacramento, California

November 28, 2008