



FINANCIAL STATEMENT AND
INDEPENDENT AUDITORS' REPORT

**SAN DIEGO HOUSING COMMISSION
SCATTERED SITES HOUSING
DEVELOPMENT PROJECT NO. 80-RHC-002**

JUNE 30, 2007

San Diego Housing Commission
Scattered Sites Housing Development Project No. 80-RHC-002

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
of the San Diego Housing Commission

RE: Scattered Sites Housing Development Project No. 80-RHC-002

We have audited the accompanying statement of project operations of the San Diego Housing Commission's Scattered Sites Housing Development Project No. 80-RHC-002 (the Project) for the year ended June 30, 2007. The statement of project operations is the responsibility of the Project's management. Our responsibility is to express an opinion on the statement of project operations based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of project operations was prepared in conformity with the accounting and reporting practices prescribed by the California Department of Housing and Community Development, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the statement of project operations referred to above presents fairly, in all material respects, the results of operations of the San Diego Housing Commission's Scattered Sites Housing Development Project No. 80-RHC-002 for the year ended June 30, 2007, on the basis of accounting described in note 1.

Our audit was conducted for the purpose of forming an opinion on the statement of project operations. The accompanying supplemental information required by the California Department of Housing and Community Development on pages 8 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information, except for that portion marked "unaudited," on which we express no opinion has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.



This report is intended solely for the information and use of the San Diego Housing Commission and the 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.

Reznick Group, P.C.

Sacramento, California
January 15, 2008

San Diego Housing Commission
Scattered Sites Housing Development Project No. 80-RHC-002

STATEMENT OF PROJECT OPERATIONS

Year ended June 30, 2007

Revenue	
Total gross potential rents	\$ 153,727
Less vacancy loss	<u>17,815</u>
Total rental income	135,912
Other income	
Annuity grant income	70,321
Laundry income	<u>4,675</u>
Total revenue	<u>210,908</u>
Operating expenses	
Management fee	18,594
Administrative expenses	47,523
Utility expenses	37,054
Operating and maintenance expenses	77,110
Insurance and employee benefits	<u>23,070</u>
Total operating expenses	<u>203,351</u>
Income from operations	<u><u>\$ 7,557</u></u>

See notes to statement of project operations

San Diego Housing Commission
Scattered Sites Housing Development Project No. 80-RHC-002

NOTES TO STATEMENT OF PROJECT OPERATIONS

June 30, 2007

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

The statement of project operations of San Diego Housing Commission's Scattered Sites Housing Development Project No. 80-RHC-002 was prepared in conformity with the accounting and reporting practices prescribed by the California Department of Housing and Community Development. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Specifically, the statement of project operations does not reflect depreciation expense and interest income earned on restricted reserves. The statement of project operations also includes as expense the surplus cash generated during the year that will be paid to RHCP.

Use of Estimates

The preparation of the Statement of Project Operations in conformity with accounting and reporting practices prescribed by the California Department of Housing and Community Development, requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Project and the tenants of the Project are operating leases.

Annuity Grant Income

Grant income is recorded as revenue when received from the State of California to fund budget deficits. In the year in which the project generates a positive surplus cash, the project records an expenses for the amount of the surplus cash that will be refunded to the State of California.

NOTE 2 - MANAGEMENT FEE

The Project incurs a management fee to the San Diego Housing Commission for central office services which includes, but is not limited to bookkeeping, clerical and management overhead expenses, such as salaries and benefits, office supplies and equipment, data processing or computer services, postage, training and telephone services. This does not include the salary of the project manager whether onsite or offsite.

SUPPLEMENTAL INFORMATION REQUIRED
BY THE CALIFORNIA DEPARTMENT OF
HOUSING AND COMMUNITY DEVELOPMENT

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

Reporting Period: 07/01/2006 to 06/30/2007

Contract No: 80-RHC-002
Project Name: Scattered Sites
Prepared by: Christy Huerto
Date Prepared: 6/30/2007

Units/Sq. Ft. - Assisted: 38
Units/Sq. Ft. - Total: 38

Unit Months: 456

ACCOUNT NAME	Account Codes	ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
		Approved Cashflow "Unaudited" (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow "Unaudited" (G)	Actual Cashflow (H)	Cashflow Variance (I)
REVENUE ACCOUNTS/RENT REVENUE: 5100										
1 Rent Revenue	5120	148,006	153,727	0	0	0	0	148,006	153,727	5,721
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	0	0	0	0	0	0	0	0	0
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	148,006	153,727	0	0	0	0	148,006	153,727	5,721
<i>Total Vacancies (HCD Use Only)</i>	<i>5200T</i>	<i>4,440</i>	<i>17,815</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>4,440</i>	<i>0</i>	<i>0</i>
ASSISTED LIVING/BOARD & CARE REVENUES: 5300										
17 Food	5332	0	0	0	0	0	0	0	0	0
18 Recreation (Activities) and Rehabilitation	5380	0	0	0	0	0	0	0	0	0
19 Rehabilitation	5385	0	0	0	0	0	0	0	0	0
20 Other Service Revenue	5390	0	0	0	0	0	0	0	0	0
<i>Total Living Revenue</i>	<i>6300T</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
FINANCIAL REVENUE: 5400										
21 Financial Revenue - Project Operations	5410	1,179	0	0	0	0	0	1,179	0	(1,179)
<i>Total Financial Revenue</i>	<i>5400T</i>	<i>1,179</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,179</i>	<i>0</i>	<i>(1,179)</i>
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	3,899	4,675	0	0	0	0	3,899	4,675	776
23 NSF and Late Charges	5920	0	0	0	0	0	0	0	0	0
24 Damages and Cleaning Fees	5930	0	0	0	0	0	0	0	0	0
25 Forfeited Tenant Security Deposits	5940	0	0	0	0	0	0	0	0	0
26 Other Revenue	5990	0	0	0	0	0	0	0	0	0
<i>Total Other Revenue</i>	<i>5900T</i>	<i>3,899</i>	<i>4,675</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>3,899</i>	<i>4,675</i>	<i>776</i>

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

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Prepared by: Christy Huerto
Date Prepared: 6/30/2007

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Units/Sq. Ft. - Total: 38

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ACCOUNT NAME	Account Codes	ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
		Approved Cashflow "Unaudited" (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow "Unaudited" (G)	Actual Cashflow (H)	Cashflow Variance (I)
27 EFFECTIVE GROSS RENT (EGR)	5152T	148,644	158,402	0	0	0	0	148,644	158,402	9,758
28 TOTAL OPERATING EXPENSES	6000T	214,981	203,351	0	0	0	0	214,981	203,351	11,630
29 NET OPERATING INCOME (NOI)	5000T	(66,337)	(44,949)	0	0	0	0	(66,337)	(44,949)	21,388
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
Total Financial Expenses	6800T	0	0	0	0	0	0	0	0	0
FUNDED RESERVES:										
34 Escrow Deposits	1300									
1310		0	0	0	0	0	0	0	0	0
35 Replacement Reserve-Deposit	1320	7,557	7,557	0	0	0	0	7,557	7,557	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
Total Reserve Deposits		7,557	7,557	0	0	0	0	7,557	7,557	0
38 PROJECT CASH FLOW (CF)		(73,894)	(52,506)	0	0	0	0	(73,894)	(52,506)	21,388
ADDITIONAL REVENUE:										
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		73,894	73,894					73,894	73,894	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
Total Additional Revenue		73,894	73,894	0	0	0	0	73,894	73,894	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/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
Total Use of Cash Flow		0	0	0	0	0	0	0	0	0

Rental Housing Construction Program (RHCP) - Original

REPORT OF ACTUAL OPERATING COSTS

Reporting Period: 07/01/2006 to 06/30/2007

Contract No: 80-RHC-002
 Project Name: Scattered Sites
 Prepared by: Christy Huerto
 Date Prepared: 6/30/07

Units/Sq. Ft. - Assisted: 38
 Units/Sq. Ft. - Total: 38
 Unit Months: 456

ACCOUNT NAME	ACCOUNT CODES	UNIT EXPENSES						PROJECT TOTALS		
		Approved Assisted "Unaudited" (A)	Actual Assisted	Approved Non-Assisted	Actual Non-Assisted	Proposed Commercial	Actual Commercial	Approved Total Expenses "Unaudited"	Total Actual Expenses (B)	Project Variance (C)
MANAGEMENT FEE: 6200/6300										
1 Management Fee	6320	18,594	18,594	0	0	0	0	18,594	18,594	0
ADMINISTRATIVE EXPENSES: 6200/6300										
2 Advertising	6210	29	102	0	0	0	0	29	102	(73)
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0	0	0	0
4 Other Renting Expenses	6250	409	0	0	0	0	0	409	0	409
5 Office Salaries	6310	22,944	22,945	0	0	0	0	22,944	22,945	(1)
6 Office Supplies	6311	3,159	5,517	0	0	0	0	3,159	5,517	(2,358)
7 Office or Model Apartment Rent	6312	0	0	0	0	0	0	0	0	0
8 Manager and Superintendent Salaries	6330	10,675	10,675	0	0	0	0	10,675	10,675	0
9 Manager's or Superintendent's Rent Free Unit	6331	0	0	0	0	0	0	0	0	0
10 Legal Expense - Project	6340	260	11	0	0	0	0	260	11	249
11 Audit Expense - Project	6350	765	765	0	0	0	0	765	765	0
12 Bookkeeping Fees/Accounting Services	6351	3,762	3,762	0	0	0	0	3,762	3,762	0
13 Telephone and Answering Service Expenses	6360	24	0	0	0	0	0	24	0	24
14 Bad Debt Expense	6370	1,565	(100)	0	0	0	0	1,565	(100)	1,665
15 Miscellaneous Administrative Expenses (specify)	6390	3,931	3,846	0	0	0	0	3,931	3,846	85
16 TOTAL ADMINISTRATIVE EXPENSES	6200/6300T	47,523	47,523	0	0	0	0	47,523	47,523	0
UTILITIES EXPENSES: 6400										
17 Fuel Oil/Coal	6420	0	0	0	0	0	0	0	0	0
18 Electricity	6450	1,555	2,329	0	0	0	0	1,555	2,329	(774)
19 Water	6451	31,345	19,476	0	0	0	0	31,345	19,476	11,869
20 Gas	6452	14,717	15,249	0	0	0	0	14,717	15,249	(532)
21 Sewer	6453	0	0	0	0	0	0	0	0	0
22 TOTAL UTILITIES EXPENSES	6400T	47,617	37,054	0	0	0	0	47,617	37,054	10,563

Rental Housing Construction Program (RHCP) - Original

REPORT OF ACTUAL OPERATING COSTS

Reporting Period: 07/01/2006 to 06/30/2007

Contract No: 80-RHC-002
 Project Name: Scattered Sites
 Prepared by: Christy Huerto
 Date Prepared: 6/30/07

Units/Sq. Ft. - Assisted: 38
 Units/Sq. Ft. - Total: 38
 Unit Months: 456

ACCOUNT NAME	ACCOUNT CODES	UNIT EXPENSES						PROJECT TOTALS		
		Approved Assisted "Unaudited" (A)	Actual Assisted	Approved Non-Assisted	Actual Non-Assisted	Proposed Commercial	Actual Commercial	Approved Total Expenses "Unaudited"	Total Actual Expenses (B)	Project Variance (C)
OPERATING AND MAINTENANCE EXPENSES: 6500										
23 Janitor and Cleaning Payroll	6510	0	0	0	0	0	0	0	0	0
24 Janitor and Cleaning Supplies	6515	0	0	0	0	0	0	0	0	0
25 Janitor and Cleaning Contracts	6517	6,789	7,581	0	0	0	0	6,789	7,581	(792)
26 Exterminating Payroll/Contract	6519	1,000	1,868	0	0	0	0	1,000	1,868	(868)
27 Exterminating Supplies	6520	0	0	0	0	0	0	0	0	0
28 Garbage and Trash Removal	6525	2,280	3,047	0	0	0	0	2,280	3,047	(767)
29 Security Payroll/Contract	6530	600	613	0	0	0	0	600	613	(13)
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	3,400	7,299	0	0	0	0	3,400	7,299	(3,899)
33 Repairs Payroll	6540	17,906	16,230	0	0	0	0	17,906	16,230	1,676
34 Repairs Material	6541	8,412	3,268	0	0	0	0	8,412	3,268	5,144
35 Repairs Contract	6542	18,800	30,095	0	0	0	0	18,800	30,095	(11,295)
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	3,190	0	0	0	0	6,500	3,190	3,310
41 Decorating Supplies	6561	0	0	0	0	0	0	0	0	0
42 Vehicle and Maint. Equipment Operation/Repairs	6570	1,752	1,361	0	0	0	0	1,752	1,361	391
43 Misc. Operating and Maintenance Expenses (specify)	6590	0	2,558	0	0	0	0	0	2,558	(2,558)
44 TOTAL OPERATING & MAINTENANCE EXPENSES	6500T	67,439	77,110	0	0	0	0	67,439	77,110	(9,671)
TAXES AND INSURANCE: 6700										
45 Real Estate Taxes	6710	0	0	0	0	0	0	0	0	0
46 Payroll Taxes (Project's Share)	6711	0	0	0	0	0	0	0	0	0
47 Misc. Taxes, Licenses and Permits	6719	0	0	0	0	0	0	0	0	0
48 Property and Liability Insurance (Hazard)	6720	5,469	5,756	0	0	0	0	5,469	5,756	(287)
49 Fidelity Bond Insurance	6721	0	0	0	0	0	0	0	0	0
50 Worker's Compensation	6722	0	3,142	0	0	0	0	0	3,142	(3,142)
51 Health Insurance and Other Employee Benefits	6723	21,849	14,023	0	0	0	0	21,849	14,023	7,826
52 Other Insurance	6729	228	149	0	0	0	0	228	149	79
53 TOTAL TAXES AND INSURANCE	6700T	27,546	23,070	0	0	0	0	27,546	23,070	4,476
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		208,719	203,351	0	0	0	0	208,719	203,351	5,368

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
of the San Diego Housing Commission

We have audited the statement of project operation of the San Diego Housing Commission's Scattered Sites Housing Development Project No. 80-RHC-002 (the Project) for the year ended June 30, 2007, and have issued our report thereon dated January 15, 2008. 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 Project's internal control over 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over 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 statement is 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 Commissioners, management and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Reznick Group, P.C.

Sacramento, California
January 15, 2008