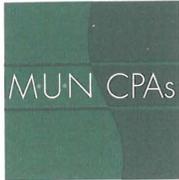

ABRAMS PARK
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
For the Years Ended June 30, 2013 and 2012

MANN, URRUTIA, NELSON CPAS & ASSOCIATES, LLP
2515 VENTURE OAKS WAY, SUITE 135
SACRAMENTO, CA 95833

**ABRAMS PARK
SPECIAL-PURPOSE FINANCIAL STATEMENTS
June 30, 2013 and 2012**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Marina, California

Abrams Park

We have audited the accompanying financial statements of special-purpose financial statements of Abrams Park (the Property) as of and for the year ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Property'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 the basis of accounting described in Note 1 to the financial statements; 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the special-purpose financial statements of Abrams Park (the Property) as of and for the year ended June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The special-purpose financial statements were prepared to present the financial position of Abrams Park as of June 30, 2013 and 2012, excluding the Property's capital assets, and the changes in its net position and cash flows for the years ending June 30, 2013 and 2012, for the purpose of complying with the management agreement dated December 7, 2007 between Alliance Communities, Inc, the City of Marina, and the City of Marina Abrams B Non-Profit Corporation, LLC (See Note 1) and are not intended to be a complete presentation of the Property's assets, liabilities, and activities. Please refer to the City of Marina's annual financial report for a complete representation of the financial position of Abrams Park.


Sacramento, California
October 18, 2013

**ABRAMS PARK
SPECIAL-PURPOSE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012**

ASSETS	2013	2012
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 979,740	\$ 1,014,562
Tenant receivables	3,755	12,163
Total Current Assets	983,495	1,026,725
NON-CURRENT ASSETS		
Cash restricted for equipment purchases (Note 2)	1,247,106	1,045,492
TOTAL ASSETS	\$ 2,230,601	\$ 2,072,217
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 58,693	\$ 47,815
Deferred revenue	7,983	12,758
Total Current Liabilities	66,676	60,573
NON-CURRENT LIABILITIES		
Tenant security deposits	261,163	262,142
Total Liabilities	327,839	322,715
Net position - unrestricted	1,902,762	1,749,502
TOTAL LIABILITIES AND NET POSITION	\$ 2,230,601	\$ 2,072,217

See Notes to Special-Purpose Financial Statements

ABRAMS PARK
SPECIAL-PURPOSE STATEMENTS OF ACTIVITIES AND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Rental income, net	\$ <u>2,890,322</u>	\$ <u>2,917,524</u>
OPERATING EXPENSES		
Administrative	353,396	246,762
Utilities	94,308	74,883
Operating and maintenance	708,767	492,689
Taxes and insurance	<u>65,130</u>	<u>61,032</u>
Total Operating Expenses	<u>1,221,601</u>	<u>875,366</u>
Net Operating income	<u>1,668,721</u>	<u>2,042,158</u>
OTHER INCOME		
Miscellaneous revenue	1,920	-
Interest income	<u>2,893</u>	<u>1,831</u>
Total Other Income	<u>4,813</u>	<u>1,831</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS TO OWNER	1,673,534	2,043,989
Distributions to Owner	<u>1,520,274</u>	<u>1,520,274</u>
CHANGE IN NET POSITION	153,260	523,715
NET POSITION, BEGINNING OF PERIOD	<u>1,749,502</u>	<u>1,225,787</u>
NET POSITION, END OF PERIOD	<u>\$ <u>1,902,762</u></u>	<u>\$ <u>1,749,502</u></u>

See Notes to Special-Purpose Financial Statements

**ABRAMS PARK
SPECIAL-PURPOSE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net position before distributions to owners	\$ 1,673,534	\$ 2,043,989
Adjustments to reconcile changes in net position to net cash flows provided by operating activities:		
Decrease (increase) in operating assets:		
Tenant receivables	8,408	(8,195)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	10,878	19,725
Deferred revenue	(4,775)	(11,327)
Tenant security deposits	(979)	15,990
Net cash flows provided by operating activities	<u>1,687,066</u>	<u>2,060,182</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash restricted for equipment purchases	<u>(201,614)</u>	<u>(221,962)</u>
Net cash flows used for investing activities	<u>(201,614)</u>	<u>(221,962)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Distributions to owners	<u>(1,520,274)</u>	<u>(1,520,274)</u>
Net cash flows used for financing activities	<u>(1,520,274)</u>	<u>(1,520,274)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(34,822)</u>	<u>317,946</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>1,014,562</u>	<u>696,616</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 979,740</u>	<u>\$ 1,014,562</u>

See Notes to Special-Purpose Financial Statements

ABRAMS PARK
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Abrams Park (the Property) consists of 194 housing units and is located at 2960 Carpenter Court, Marina, California. The complex is owned by the City of Marina and is leased to the City of Marina Abrams B Non-Profit Corporation, LLC, a California nonprofit public benefit corporation. The Property is managed by Alliance Communities, Inc.

Basis of Accounting

The Property has prepared the accompanying special-purpose financial statements to present the assets, liabilities, activities, and cash flows of the Property as of June 30, 2013 and 2012, excluding the Property's capital assets, pursuant to the management agreement (Management Agreement) between the City of Marina, City of Marina Abrams B Non-Profit Corporation, LLC and Alliance Communities, Inc. dated December 7, 2007. The agreement specifies that the Property prepare special-purpose financial statements in which the activities of the housing units are presented in accordance with United States generally accepted accounting principles, excluding the Property's capital assets, which are reported in the financial statements of the City of Marina. Please refer to the City of Marina's annual financial report for a complete presentation of the financial position of Abrams Park.

Use of Estimates

The preparation of these special-purpose financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short term maturities of those financial instruments.

Concentration of Credit Risk

Financial instruments that potentially subject the Property to concentrations of credit risk consist of cash and cash equivalents, to the extent they exceed federal insurance limits. The Property mitigates risks to its cash and cash equivalents by banking with creditworthy financial institutions.

Revenue Recognition

Rental income is recorded at maximum gross potential. Vacancy loss is recorded as a reduction in rental income. Rental units occupied by employees are included in gross rental income and as an offset through a revenue contra account to derive the net rental income as presented in the special-purpose Statement of Activities.

Deferred Revenue

Deferred revenue consists of tenant rental prepayments. Deferred revenue totaled \$7,983 and \$12,758 as of June 30, 2013 and 2012, respectively.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense totaled \$10,049 for the year ended June 30, 2013 and \$3,858 for the year ended June 30, 2012.

ABRAMS PARK
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rental Units Below Market Value

In accordance with the Management Agreement, tenants may qualify for rental rates below current market values according to household size and Income. For the year ended June 30, 2013, the Property had 64 units rented below market value. For the year ending June 30, 2012, the Property had 73 units rented below market value.

Subsequent Events

The Property has evaluated subsequent events through October 18, 2013, which is the date the financial statements were available to be issued.

NOTE 2: CASH AND CASH EQUIVALENTS

The Property maintains three accounts at one financial institution. As of June 30, 2013 and 2012, book balances totaled \$2,226,846 and \$2,060,054, respectively. Bank balances totaled \$2,241,165 and \$2,067,972 as of June 30, 2013 and 2012.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. As the Property's bank accounts are held by the City of Marina, collateral is pledged to cover the deposits at a margin of 110% as required.

Cash Restricted for Equipment Purchases

As required by the City of Marina, the Property maintains a capital reserve cash account for future capital purchases. As of June 30, 2013 and 2012, the reserve balance was \$1,247,106 and \$1,045,492, respectively, and was included in the book and bank balances above.

NOTE 3: MANAGEMENT AGREEMENT

As discussed in Note 1, the Property is managed under a management agreement between the City of Marina, City Marina Abrams B Non-Profit Corporation, LLC and Alliance Communities, Inc. Management fees paid to Alliance Communities, Inc., for the years ended June 30, 2013 and 2012 totaled \$72,881 and 72,746, respectively.

SUPPLEMENTAL INFORMATION

**ABRAMS PARK
SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Administrative		
Office salaries	\$ 64,431	\$ 60,012
Office supplies	81,856	12,404
Office support and development	10,030	7,173
Bank and credit bureau fees	8,654	6,543
Management fees	72,881	72,746
Management salaries	41,472	50,381
Management consulting fees	40,068	15,598
Legal	10,300	4,525
Audit	6,150	6,150
Telephone	7,505	7,372
Advertising and renting	<u>10,049</u>	<u>3,858</u>
Total Administrative	<u>353,396</u>	<u>246,762</u>
Utilities		
Electricity	6,420	6,088
Gas	966	732
Water, trash and sewer	<u>86,922</u>	<u>68,063</u>
Total Utilities	<u>94,308</u>	<u>74,883</u>
Operating and maintenance		
Janitorial services and supplies	6,197	3,140
Maintenance payroll	148,221	131,030
Maintenance services and supplies	55,943	51,858
Exterminating contract and supplies	2,255	3,526
Grounds contract and supplies	37,639	63,701
Security	917	1,480
Carpet cleaning and replacement	123,465	163,131
Other replacements	328,639	70,180
Miscellaneous	<u>5,491</u>	<u>4,643</u>
Total Operating and Maintenance	<u>708,767</u>	<u>492,689</u>
Taxes and insurance		
Payroll taxes	18,397	16,964
Property taxes	43,928	41,827
Property and liability insurance	<u>2,805</u>	<u>2,241</u>
Total Taxes and Insurance	<u>65,130</u>	<u>61,032</u>
Total Operating Expenses	<u>\$ 1,221,601</u>	<u>\$ 875,366</u>