

**REGIONAL HOUSING AUTHORITY OF
SUTTER AND NEVADA COUNTIES,
CALIFORNIA**

**DEBT SERVICE COVERAGE RATIO CALCULATION
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
MARCH 31, 2013**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
ARTICLE V SECTION 5.13(a) OF THE LOAN AGREEMENT
BY AND BETWEEN THE REGIONAL HOUSING AUTHORITY
OF SUTTER AND NEVADA COUNTIES AND
THE BANK OF NEW YORK**

To the Board of Commissioners
Regional Housing Authority of Sutter and Nevada Counties
Yuba City, California

We have audited the Schedule of Debt Service Coverage Ratio of the Regional Housing Authority of Sutter and Nevada Counties, as described in Article V Section 5.13(a) of the loan agreement, by and between the Authority and the Bank of New York (Lender) relating to multifamily housing pool revenue bonds (Sutter County Project Kingwood Commons Apartments) Series 2003 B for the year ended March 31, 2013.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of this schedule in accordance with the provisions of the loan agreement between the Authority and the Bank of New York; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error. This computation is the responsibility of the Regional Housing Authority of Sutter and Nevada Counties' management. Our responsibility is to express an opinion of the Authority's compliance based on our audit.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedule 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 schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, 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 schedule 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.

To the Board of Commissioners
Regional Housing Authority of Sutter and Nevada Counties
Yuba City, California

Opinion

In our opinion, the accompanying schedule referred to above presents fairly, in all material respects, the Schedule of Debt Service Coverage Ratio of the Authority for the year ended March 31, 2013. The Schedule of Debt Service Coverage Ratio indicates a coverage of .4851 to 1.00 percent. The required coverage ratio is 1.00 to 1.00 percent, therefore, in our opinion the Authority has not met the coverage ratio requirement for the fiscal year ended March 31, 2013.

Basis of Accounting

The Schedule of Debt Service Coverage Ratio of the Regional Housing Authority of Sutter and Nevada Counties was prepared on the basis of the provisions of the loan agreement, by and between the Authority and the Bank of New York, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the provisions of the loan agreement referred to above. Our opinion is not modified with respect to that matter.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Regional Housing Authority of Sutter and Nevada Counties (Authority) as of March 31, 2013 and our report thereon dated August 5, 2013, expressed an unmodified opinion on those financial statements and contained an emphasis of matter paragraph for adoption of new accounting guidance, GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, and GASB Statement No. 65, Items Previously Reported as Asset and Liabilities.

Restriction on Use

This report is intended solely for the information and use of the members of the Board of Commissioners and management of the Authority and the Lender for verification of compliance with the loan agreement and should not be used by anyone other than these specified parties.


Smith & Newell, CPAs
Yuba City, California
August 5, 2013

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Schedule of Debt Coverage Ratio
For the Year Ended March 31, 2013

Net Operating Income	(\$ 38,452)
Plus Adjustments to Arrive at Income Available for Debt Service:	
Insurance	6,064
Amortization	8,493
Depreciation	<u>156,630</u>
Income Available for Debt Service	<u>\$ 132,735</u>
Debt Service Requirement:	
Interest	\$ 203,631
Principal	<u>70,000</u>
Total Debt Service Requirement	<u>\$ 273,631</u>
Debt Service Coverage Ratio	<u>48.51%</u>

See Independent Auditor's Report

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