

**HOUSING AUTHORITY
OF THE COUNTY OF MARIN
BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007
(Including Auditors' Report Thereon)**

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of the
County of Marin
San Rafael, California

We have audited the accompanying financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Housing Authority of the County of Marin, California (the Authority), as of and for the year ended December 31, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of the County of Marin, California's, management. 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 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the County of Marin, California, as of December 31, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 29, 2008, on our consideration of the Housing Authority of the County of Marin, California's internal control over 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 important for assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the County of Marin, California's, basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Also, the Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Housing and Urban Development, Real Estate Assessment Center and is not a required part of the basic financial statements. The Financial Data Schedule and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Harn & Dolan".

September 29, 2008

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007**

As management of the Housing Authority of the County of Marin (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2007.

Financial Highlights

- C The assets of the Authority exceeded its liabilities at the close of the year by \$29.6 million. Of that amount, \$3.0 million was considered unrestricted net assets and may be used to meet the Authority' ongoing obligations.
- C Net assets of the Authority increased \$1.76 million. The change primarily reflects a net increase to current and non-current assets of \$3.2 million offset by a net increase in liabilities of \$1.5 million.
- C Total expenses for all programs were \$33.6 million for the year. Revenue from all programs primarily reflect HUD grants and subsidies of \$32 million and rental, interest earnings and other income of approximately \$2.8 million.
- C The Authority's long-term debt increased by \$1.46 million and primarily reflects the addition of blended component unit debt from the Marin County Housing Development Financing Corporation (MCHDFC) and the Marin Housing Development Corporation (MHDC).

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which are comprised of the government-wide financial statements - statements of net assets and statement of activities; and the fund financial statements - statements of net assets-proprietary funds, statement of revenues, expenses and changes in fund net assets - proprietary funds, and statement of cash flows - proprietary funds. This report also includes notes to the financial statements and supplementary information.

Government-Wide Financial Statements

The government-wide financial statements report information on the Authority as a whole, net of interfund activity.

The *Statement of Net Assets* presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Interfund receivable and payables, including short-term notes, of \$947,358 have been eliminated for this presentation.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007**

(Continued)

The *Statement of Activities* measures net revenue (expense) for each of the Authority's functions and reports revenue by program. General revenue is reported separately. The activities for the enterprise funds are presented by federal program administered by the Authority. Interfund revenue and expenses of \$1,389,625 have been eliminated for this presentation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The United States Department of Housing and Urban Development (HUD) require that certain funds be established. However, the Authority established other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other moneys. All of the funds of the Authority are categorized as enterprise funds. The minimum criteria for the determination of major funds as required by GASB 34 is that total assets, liabilities, revenue, or expenses of that individual fund are at least 10% of the corresponding total for all funds of the same category. The Authority's major enterprise funds for the 2007 fiscal year are the Public Housing, Housing Choice Voucher, HCD Projects, Revolving Loan Funds, and Blended Component Units.

Enterprise funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which together with the maintenance of equity, is an important financial indicator.

The *Statement of Net Assets* presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Fund Net Assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents the change in the Authority's cash and cash equivalents during the most recent fiscal year.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007**

(Continued)

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Supplemental Information

Various federal agencies require certain information to be included in this report. This information is included after the notes to the financial statements under the title "Supplemental Information".

Financial Analysis

As noted earlier, the Authority uses funds to help it control and manage money for particular purposes. Our analysis below focuses on the net assets (Table 1) and the changes in the net assets (Table 2) of the Authority as a whole. The largest portion of the Authority's net assets (61.69%) reflects its investment in capital assets, net of related debt (e.g. land, buildings and improvements, furniture, equipment and machinery, less notes payable used to purchase these assets). The Authority uses these capital assets to provide services to clients; consequently, these assets are not available for future spending.

**Table 1
Net Assets**

	<u>12/31/07</u>	<u>12/31/06</u>	<u>Variance</u>	<u>%</u>
Current Assets	\$ 3,607,611	\$ 4,248,555	\$ (640,944)	15.09%
Restricted Assets	5,668,730	2,537,268	3,131,462	123.42%
Capital assets (net of depreciation)	24,429,559	23,385,090	1,044,469	4.47%
Notes Receivable	<u>3,992,658</u>	<u>4,280,630</u>	<u>(287,972)</u>	6.73%
Total Assets	<u>\$ 37,698,558</u>	<u>\$ 34,451,543</u>	<u>\$ 3,247,015</u>	9.42%
Current Liabilities	\$ 1,262,617	\$ 1,059,726	202,891	19.15%
Payable from Restricted Assets	780,244	845,032	(64,788)	7.67%
Long Term Liabilities	<u>6,074,362</u>	<u>4,729,593</u>	<u>1,344,769</u>	28.43%
Total Liabilities	<u>\$ 8,117,223</u>	<u>\$ 6,634,351</u>	<u>\$ 1,482,872</u>	22.24%
Net Assets:				
Invested in Capital Assets	\$ 18,247,777	\$ 18,723,856	(476,079)	2.54%
Restricted net assets	8,346,472	5,504,054	2,842,418	51.64%
Unrestricted Net Assets	<u>2,987,086</u>	<u>3,589,282</u>	<u>(602,196)</u>	16.78%
Total Net Assets	<u>\$ 29,581,335</u>	<u>\$ 27,817,192</u>	<u>\$ 1,764,143</u>	6.34%

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007**

(Continued)

The following is an explanation of the significant changes as shown in Table 1 above:

- C Restricted Net Assets increased due to the need to restrict excess HAP funds received from HUD. These funds can be used only for housing assistance payments to aid Housing Choice Voucher clients only up to the number of units authorized by HUD.
- C At the end of the 2007 fiscal year, the Authority as a whole is able to report positive balances in all categories of Net Assets. Unrestricted net assets decreased by \$602,196 (16.8%) from the prior year.

CHANGE IN UNRESTRICTED NET ASSETS

	<u>2007</u>	<u>2006</u>
Unrestricted Net Assets - beginning of the year	\$ 3,589,282	\$ 2,778,686
Prior period adjustment:		
Rebate to Marin renters	-	278,545
Inclusion of MCHDFC and MHDC	347,966	-
Excess HAP funding pre January 1, 2007 and 2006	(1,121,516)	454,112
Net income (loss) before capital contribution	742,484	(741,150)
Adjustments:		
Depreciation (1)	1,222,739	1,125,965
Issuance of debt	217,000	-
Gain on sale of fixed assets (2)	117,318	2,758
Change in interest payable on long-term debt (1)	61,535	61,535
Use of restricted funds to cover expenses	11,237	-
Excess HAP funding (3)	(1,534,890)	-
Capital asset additions not funded by capital grants	(280,371)	(40,521)
Principle paid on debt	(188,449)	(39,811)
Net receipt of restricted CDBG loan funds	(91,079)	(181,974)
Interest on restricted funds (2)	(74,070)	(16,356)
Other revenue that is restricted (2)	(17,516)	-
Funding of reserves	(14,584)	(14,584)
Receipts of other restricted funds - DPAP (2)	-	(77,923)
Unrestricted Net Assets - end of the year	<u>\$ 2,987,086</u>	<u>\$ 3,589,282</u>

- (1) Reported as an expense and effects net income, but does not have an impact on unrestricted net assets.
- (2) Reported as revenue and effects net income, but does not have an impact on unrestricted net assets.
- (3) Grants received from HUD in excess of HAP are restricted for future HAP expense.

While results of operations is a significant measure of the Authority's activities, the analysis of the changes in unrestricted net assets provides a clearer change in financial well-being.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007**

(Continued)

**Table 2
Change in Net Assets**

	<u>12/31/07</u>	<u>12/31/06</u>	<u>Variance</u>	<u>%</u>
Operating Revenue:				
Rental and other	\$ 2,420,589	\$ 2,029,553	\$ 391,036	19.27%
Non-Operating Revenue				
Federal grants and subsidies	30,921,283	30,273,296	647,987	2.14%
State and local grants	1,112,606	1,081,095	31,511	2.91%
Interest	319,914	306,853	13,061	4.26%
Other	102,209	75,166	27,043	35.98%
Total Revenues	<u>34,876,601</u>	<u>33,765,963</u>	<u>1,110,638</u>	3.29%
Operating Expenses:				
Administration	(3,801,103)	(3,935,610)	134,507	3.42%
Tenant Services	(138,988)	(32,989)	(105,999)	321.32%
Utilities	(913,605)	(951,861)	38,256	4.02%
Maintenance	(2,014,160)	(1,775,956)	(238,204)	13.41%
General	(459,040)	(441,262)	(17,778)	4.03%
Interest	(190,520)	(130,849)	(59,671)	45.60%
Housing Assistance Payments	(24,844,968)	(25,044,176)	199,208	0.80%
Depreciation	(1,222,739)	(1,125,965)	(96,774)	8.59%
Total Operating Expenses	<u>(33,585,123)</u>	<u>(33,438,668)</u>	<u>(146,455)</u>	0.44%
Net income	<u>1,291,478</u>	<u>327,295</u>	<u>964,183</u>	
Prior Period Adjustments:				
Reclassification of city contributions	-	278,545		
Inclusion of MCHDFC and MHDC	472,665	-		
Total Prior Period Adjustments	<u>472,665</u>	<u>278,545</u>		
Increase (decrease) in Net Assets	<u>\$ 1,764,143</u>	<u>\$ 605,840</u>		

The following is an explanation of the significant changes shown in Table 2 above:

- C The increase in net assets of \$1.76 million primarily reflects the inclusion of MCHDFC and MHDC blended component units of \$472,665 and an increase in revenues of \$1.1 million.
- C Total revenue increased \$1.1 million primarily reflects an increase in Federal grants and subsidies, and a 19.27% increase in rental and other revenues.
- C Total expenses increased \$146,544 and primarily reflect a decrease in administration and HAP expenses of \$333,717, offset by an increase in maintenance and tenant service costs of \$344,203 and non-operating costs of \$156,536.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007**

(Continued)

Fund Net Assets Analysis

Table 3 shows an analysis of balances and transactions for the individual funds making up the agency-wide financial statements that comply with Generally Accepted Accounting Principles (GAAP).

**Table 3
Fund Net Assets**

	Public Housing	Housing Choice Vouchers	HCD Projects	Revolving Loan Funds	Blended Component Units	Nonmajor Funds	Total
Net assets, beginning of year	\$ 18,585,656	\$ 1,366,582	\$ (982,235)	\$ 5,668,543	\$ -	\$ 3,178,646	\$ 27,817,192
Operating income (loss)	(2,817,727)	(25,482,252)	(172,245)	(46,360)	113,528	(2,568,958)	(30,974,014)
Non-operating revenue (expenses):							
Grants	1,311,486	27,270,237	-	-	119,757	2,783,415	31,484,895
Gain on sale of capital assets	1,978	(13,609)	-	-	-	113,840	102,209
Interest	21,884	64,124	19,312	125,754	31,401	57,439	319,914
Debt-service interest	-	-	(61,535)	-	(60,937)	(68,048)	(190,520)
Net income (loss) before Contributions and transfers	(1,482,379)	1,838,500	(214,468)	79,394	203,749	317,688	742,484
Capital contributions	-	-	-	-	-	548,994	548,994
Equity transfer	1,092,041	-	-	-	-	(1,092,041)	-
Change in net assets	(390,338)	1,838,500	(214,468)	79,394	203,749	(225,359)	1,291,478
Prior period adjustment	-	-	-	-	472,665	-	472,665
Net change in fund net assets	(390,338)	1,838,500	(214,468)	79,394	676,414	(225,359)	1,764,143
Net assets, end of year	\$ 18,195,318	\$ 3,205,082	\$ (1,196,703)	\$ 5,747,937	\$ 676,414	\$ 2,953,287	\$ 29,581,335

Table 3 demonstrates the changes in net assets by program for the year ended December 31, 2007.

- C The capital assets of a closed Capital Fund Grant in the amount of \$1,092,041 were transferred from the Capital Fund to the Public Housing Program.
- C The inclusion of the MCHDFC and MHDC blended component units added \$676,414 to overall net assets.
- C The HCD Programs' net assets are in deficit. This is due to the fact that the buildings are depreciated on a straight line basis over a useful life of 30 years, while the loans associated with the acquisition of the properties are deferred. Therefore, assets decrease on an annual basis; while the liabilities increase, due to the deferred interest on the loans. This creates a situation whereby the net assets are in deficit.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007**

(Continued)

Debt

Our long term debt includes mortgage loans and notes payable. See the table below for the current year's activity. See also Note 7 to the Basic Financial Statements.

**Table 4
Outstanding Debt at Year End**

	<u>12/31/07</u>	<u>12/31/06</u>	<u>Payments</u>
HCD loans:			
Isabel Cook RHCP Project	\$ 810,158	\$ 810,158	\$ -
Fairfax Vest Pocket FHDP Project	2,051,161	2,051,161	-
Mortgages:			
4020 Civic Drive	1,021,412	1,047,134	25,723
Rental Acquisition Program units	31,534	89,104	57,571
Sundance Apartments	1,095,521	-	45,027
Bradley House	79,204	-	31,806
Local Governments:			
City of Tiburon	61,299	-	28,324
County of Marin	217,000	-	-
County of Marin	<u>89,281</u>	<u>-</u>	<u>-</u>
Total long-term debt	5,456,570	3,997,557	<u>\$ 188,451</u>
Short-term portion	<u>(233,038)</u>	<u>(42,300)</u>	
Long-term portion	<u>\$ 5,223,532</u>	<u>\$ 3,955,257</u>	

Economic Factors

The Housing Authority continues to be challenged with unpredictable Federal funding levels from the Department of Housing and Urban Development (HUD). For 2008, the funding level for Public Housing remains below fully funding at 88.96%. Greater uncertainty remains in light of the upcoming November 2008 election, resulting in a new President who will take Office January 2009. In 2008, the Authority began transitioning its reporting and budgeting practices to HUD's required Assets Management Model. The model places new challenges on Public Housing fee income and on how costs are assigned and recovered. The changes will require a change from past practices as the Authority tries to balance its future operating budgets.

State funding for various Supportive Services programs are approved on a July 1st fiscal year basis, which remains a challenge when determining the certainty of a program during the Authority's own calendar year budget process. The Authority will continue to plan conservatively to prevent allocation of resources towards a program that may be discontinued.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007**

(Continued)

Overall operating costs continue to rise as a result of new contractual obligations, and the trickle-down effect of rising fuel costs which affects utilities, transportation, vendor services, and the cost of office supplies and equipment. As a result, the organization will reassess its level of staffing in all areas. To offset rising programs costs, user fees and rental rates will also need to be reassessed for all property rental programs to ensure program stability.

Requests for Information

The financial report is designed to provide citizens, taxpayers and creditors with an overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer of the Housing Authority of the County of Marin, 4020 Civic Center Drive, San Rafael, CA, 94903.

HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

<u>ASSETS</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets		
Cash and investments (Note 2)	\$ 2,819,108	\$ 2,819,108
Due from other agencies	334,986	334,986
Tenant accounts receivable	196,886	196,886
Allowance for doubtful accounts	(130,075)	(130,075)
Other accounts receivable	136,285	136,285
Prepaid expenses	247,708	247,708
Short-term notes receivable (Note 5)	<u>2,713</u>	<u>2,713</u>
Total current assets	<u>3,607,611</u>	<u>3,607,611</u>
Restricted assets:		
Restricted cash (Note 3)	<u>5,668,730</u>	<u>5,668,730</u>
Capital assets (Note 6):		
Land	3,507,845	3,507,845
Buildings	39,022,243	39,022,243
Furniture and equipment	400,660	400,660
Construction in progress	760,026	760,026
Accumulated depreciation	<u>(19,261,215)</u>	<u>(19,261,215)</u>
Total capital assets	<u>24,429,559</u>	<u>24,429,559</u>
Other noncurrent assets:		
Long-term notes receivable (Note 5)	<u>3,992,658</u>	<u>3,992,658</u>
Total assets	<u>\$ 37,698,558</u>	<u>\$ 37,698,558</u>

HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

(Continued)

	Business-type Activities	Total
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 254,112	\$ 254,112
Accrued salaries and related costs	195,451	195,451
Due to other agencies	117,689	117,689
Other current liabilities	293,250	293,250
Deferred revenue (Note 8)	127,206	127,206
Current portion of compensated absences (Note 9)	41,871	41,871
Current portion of long-term debt (Note 7)	233,038	233,038
Total current liabilities	1,262,617	1,262,617
Payable from restricted assets:		
Tenant security deposits	238,800	238,800
Family self sufficiency escrows	541,444	541,444
Total payable from restricted assets	780,244	780,244
Other noncurrent liabilities:		
Long-term portion of compensated absences (Note 9)	125,618	125,618
Long-term debt (Note 7)	5,223,532	5,223,532
Deferred interest due on long-term debt (Note 7)	725,212	725,212
Total noncurrent liabilities	6,074,362	6,074,362
Total liabilities	8,117,223	8,117,223
<u>NET ASSETS (Note 10)</u>		
Investment in capital assets, net of related debt	18,247,777	18,247,777
Restricted net assets	8,346,472	8,346,472
Unrestricted net assets	2,987,086	2,987,086
Total net assets	29,581,335	29,581,335
Total liabilities and net assets	\$ 37,698,558	\$ 37,698,558

The accompanying notes are an integral part of this statement

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (expenses) revenue and changes in net assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Business-type Activities</u>
BUSINESS-TYPE ACTIVITIES:					
Federal programs:					
Housing Choice Voucher	\$ 24,860,098	\$ 80,517	\$ 27,270,237	\$ -	\$ 2,490,656
Public Housing	4,089,738	1,735,836	1,311,486	-	(1,042,416)
Shelter Plus Care Program	1,271,118	10,471	1,494,301	-	233,654
Public Housing Capital Fund Grant	310,482	-	310,482	548,994	548,994
Housing Opportunities for Persons with AIDS	242,253	756	251,066	-	9,569
Community Development Block Grant Public Housing	135,287	1,300	165,880	-	31,893
Family Self-Sufficiency under ROSS Public Housing	110,275	-	110,275	-	-
Neighborhood Networks Program	15,086	-	15,086	-	-
Resident Opportunity and Supportive Services - Elderly	52,413	-	52,413	-	-
Disaster Housing Assistance Program	-	-	9,616	-	9,616
State and local programs:					
HCD projects	424,333	226,936	-	-	(197,397)
Revolving loan programs	41,640	117,581	-	-	75,941
Other programs	1,680,995	192,823	284,018	-	(1,204,154)
Blended Component Units:					
MCHDFC	115,887	43,705	119,757	-	47,575
MHDC	235,518	292,593	-	-	57,075
Total business-type activities	<u>33,585,123</u>	<u>2,702,518</u>	<u>31,394,617</u>	<u>548,994</u>	<u>1,061,006</u>
Total primary government	<u>\$ 33,585,123</u>	<u>\$ 2,702,518</u>	<u>\$ 31,394,617</u>	<u>\$ 548,994</u>	<u>1,061,006</u>
General revenues:					
					128,263
					<u>102,209</u>
					230,472
					<u>1,291,478</u>
					27,817,192
					<u>472,665</u>
					<u>28,289,857</u>
					<u>\$ 29,581,335</u>

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2007

<u>ASSETS</u>	<u>Business-type Activities</u>						<u>Totals</u>
	<u>Public Housing</u>	<u>Housing Choice Voucher</u>	<u>HCD Projects</u>	<u>Revolving Loan Funds</u>	<u>Blended Components</u>	<u>Nonmajor Funds</u>	
Current assets:							
Cash and investments (Note 2)	\$ 115,636	\$ 560,313	\$ -	\$ 133,493	\$ 708,773	\$ 1,300,893	\$ 2,819,108
Due from other funds	-	-	-	116,880	40,248	660,949	818,077
Due from other agencies	-	-	-	-	-	334,986	334,986
Tenant accounts receivable	139,094	34,325	11,248	-	12,219	-	196,886
Allowance for doubtful accounts	(84,333)	(34,325)	(2,000)	-	(9,417)	-	(130,075)
Other accounts receivable	54,960	6,624	-	7,878	64,408	2,415	136,285
Prepaid expenses	110,251	23,683	5,925	80	7,093	100,676	247,708
Short-term notes receivable (Note 5)	-	-	-	-	-	131,994	131,994
Total current assets	<u>335,608</u>	<u>590,620</u>	<u>15,173</u>	<u>258,331</u>	<u>823,324</u>	<u>2,531,913</u>	<u>4,554,969</u>
Restricted assets:							
Restricted cash (Note 3)	<u>30,091</u>	<u>3,237,793</u>	<u>398,671</u>	<u>1,764,088</u>	<u>-</u>	<u>238,087</u>	<u>5,668,730</u>
Capital assets (Note 6):							
Land	1,227,931	-	967,857	-	714,752	597,305	3,507,845
Buildings	32,071,542	-	2,982,145	-	2,497,288	1,471,268	39,022,243
Furniture and equipment	152,278	75,226	-	-	10,000	163,156	400,660
Construction in progress	-	-	-	-	-	760,026	760,026
Accumulated depreciation	(15,223,419)	(47,465)	(1,731,424)	-	(1,750,107)	(508,800)	(19,261,215)
Total capital assets	<u>18,228,332</u>	<u>27,761</u>	<u>2,218,578</u>	<u>-</u>	<u>1,471,933</u>	<u>2,482,955</u>	<u>24,429,559</u>
Other noncurrent assets:							
Long-term notes receivable (Note 5)	-	-	-	3,992,658	-	-	3,992,658
Total assets	<u>\$ 18,594,031</u>	<u>\$ 3,856,174</u>	<u>\$ 2,632,422</u>	<u>\$ 6,015,077</u>	<u>\$ 2,295,257</u>	<u>\$ 5,252,955</u>	<u>\$ 38,645,916</u>

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2007**

(Continued)

	Business-type Activities						Totals
	Public Housing	Housing Choice Voucher	HCD Projects	Revolving Loan Funds	Blended Components	Nonmajor Funds	
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 1,810	\$ 48,624	\$ 180	\$ -	\$ 300	\$ 203,198	\$ 254,112
Accrued salaries and related costs	51,314	49,070	5,704	-	5,046	84,317	195,451
Due to other agencies	56,736	-	34,747	20,324	-	5,882	117,689
Due to other funds	630	-	178,555	-	124,452	514,440	818,077
Other current liabilities	-	-	-	245,750	-	47,500	293,250
Deferred revenue (Note 8)	7,908	-	2,110	-	1,913	115,275	127,206
Current portion of compensated absences (Note 9)	14,503	10,511	1,081	266	995	14,515	41,871
Current portion of long-term debt (Note 7)	-	-	-	-	316,933	45,386	362,319
Total current liabilities	132,901	108,205	222,377	266,340	449,639	1,030,513	2,209,975
Payable from restricted assets:							
Tenant security deposits	192,213	-	16,972	-	28,566	1,049	238,800
Family self sufficiency escrows	30,091	511,353	-	-	-	-	541,444
Other noncurrent liabilities:							
Long-term portion of compensated absences (Note 9)	43,508	31,534	3,245	800	2,985	43,546	125,618
Long-term debt (Note 7)	-	-	2,861,319	-	1,137,653	1,224,560	5,223,532
Deferred interest on long-term debt (Note 7)	-	-	725,212	-	-	-	725,212
Total liabilities	398,713	651,092	3,829,125	267,140	1,618,843	2,299,668	9,064,581
NET ASSETS (Note 10)							
Investment in capital assets, net of debt	18,228,332	27,761	(1,367,953)	-	146,628	1,213,009	18,247,777
Restricted net assets	-	2,726,440	398,671	5,219,121	-	2,240	8,346,472
Unrestricted net assets	(33,014)	450,881	(227,421)	528,816	529,786	1,738,038	2,987,086
Total net assets	18,195,318	3,205,082	(1,196,703)	5,747,937	676,414	2,953,287	29,581,335
Total liabilities and net assets	\$18,594,031	\$ 3,856,174	\$ 2,632,422	\$ 6,015,077	\$ 2,295,257	\$ 5,252,955	\$ 38,645,916

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-type Activities						Totals
	Public Housing	Housing Choice Voucher	HCD Projects	Revolving Loan Funds	Blended Components	Nonmajor Funds	
Operating revenue:							
Rents	\$ 1,668,823	\$ -	\$ 196,934	\$ -	\$ 435,313	\$ 17,700	\$ 2,318,770
Other	<u>67,013</u>	<u>25,759</u>	<u>11,369</u>	<u>-</u>	<u>11,040</u>	<u>1,376,263</u>	<u>1,491,444</u>
Total operating revenue	<u>1,735,836</u>	<u>25,759</u>	<u>208,303</u>	<u>-</u>	<u>446,353</u>	<u>1,393,963</u>	<u>3,810,214</u>
Operating expenses:							
Administration	996,802	1,475,799	75,502	45,083	77,779	2,439,029	5,079,994
Tenant services	17,223	121,692	73	-	-	-	138,988
Utilities	803,806	-	22,837	-	54,421	32,541	913,605
Maintenance	1,489,927	3,992	142,412	-	91,637	286,192	2,014,160
General	315,073	54,458	40,319	1,277	25,761	22,152	459,040
Housing assistance payments	-	23,838,167	-	-	-	1,117,535	24,955,702
Depreciation (Note 6)	<u>960,732</u>	<u>13,903</u>	<u>99,405</u>	<u>-</u>	<u>83,227</u>	<u>65,472</u>	<u>1,222,739</u>
Total operating expenses	<u>4,553,563</u>	<u>25,508,011</u>	<u>380,548</u>	<u>46,360</u>	<u>332,825</u>	<u>3,962,921</u>	<u>34,784,228</u>
Operating income (loss)	(2,817,727)	(25,482,252)	(172,245)	(46,360)	113,528	(2,568,958)	(30,974,014)
Nonoperating revenue (expenses):							
Grants:							
Federal	1,311,486	27,270,237	-	-	119,757	1,670,809	30,372,289
State and local	-	-	-	-	-	1,022,328	1,022,328
Private	-	-	-	-	-	90,278	90,278
Interest - unrestricted	21,884	9,366	-	8,173	31,401	57,439	128,263
Interest - restricted	-	54,758	19,312	-	-	-	74,070
Interest - mortgage loans	-	-	-	117,581	-	-	117,581
Gain on sale of fixed assets	1,978	(13,609)	-	-	-	113,840	102,209
Interest expense (Note 7)	<u>-</u>	<u>-</u>	<u>(61,535)</u>	<u>-</u>	<u>(60,937)</u>	<u>(68,048)</u>	<u>(190,520)</u>
Net income (loss) before contributions and transfers	(1,482,379)	1,838,500	(214,468)	79,394	203,749	317,688	742,484
Capital contributions	-	-	-	-	-	548,994	548,994
Transfers from (to) other funds	<u>1,092,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,092,041)</u>	<u>-</u>
Change in net assets	<u>(390,338)</u>	<u>1,838,500</u>	<u>(214,468)</u>	<u>79,394</u>	<u>203,749</u>	<u>(225,359)</u>	<u>1,291,478</u>
Net assets - beginning of year, as originally stated	18,585,656	1,366,582	(982,235)	5,668,543	-	3,178,646	27,817,192
Prior period adjustments (Note 11)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>472,665</u>	<u>-</u>	<u>472,665</u>
Net assets - beginning of year, as restated	<u>18,585,656</u>	<u>1,366,582</u>	<u>(982,235)</u>	<u>5,668,543</u>	<u>472,665</u>	<u>3,178,646</u>	<u>28,289,857</u>
Net assets - end of year	<u>\$ 18,195,318</u>	<u>\$ 3,205,082</u>	<u>\$ (1,196,703)</u>	<u>\$ 5,747,937</u>	<u>\$ 676,414</u>	<u>\$ 2,953,287</u>	<u>\$ 29,581,335</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-type Activities						Totals
	Public Housing	Housing Choice Voucher	HCD Projects	Revolving Loan Funds	Blended Components	Nonmajor Funds	
Cash flows from operating activities:							
Tenant receipts	\$ 1,564,998	\$ -	\$ 184,903	\$ -	\$ 329,573	\$ 48,402	\$ 2,127,876
Other receipts	20,561	19,135	11,369	-	(20,390)	97,320	127,995
Payroll and benefit expenditures	(1,134,831)	(946,614)	(145,876)	(30,546)	(79,537)	(1,745,550)	(4,082,954)
Administration expenditures	(116,061)	(125,250)	(15,279)	(11,463)	(3,580)	(412,068)	(683,701)
Tenant services expenditures	(17,223)	-	(73)	-	-	-	(17,296)
Utilities expenditures	(803,806)	-	(22,837)	-	(54,421)	(32,541)	(913,605)
Maintenance expenditures	(834,369)	44,632	(36,509)	-	(53,807)	(199,464)	(1,079,517)
General expenditures	(284,467)	(56,709)	(76,498)	(6)	(24,229)	(116,720)	(558,629)
Housing assistance payment expenditures	-	(23,752,664)	-	-	-	(1,117,535)	(24,870,199)
Net cash provided (used) by operating activities	<u>(1,605,198)</u>	<u>(24,817,470)</u>	<u>(100,800)</u>	<u>(42,015)</u>	<u>93,609</u>	<u>(3,478,156)</u>	<u>(29,950,030)</u>
Cash flows from noncapital financing activities:							
Operating grants received	1,341,509	27,270,237	-	-	119,757	3,110,984	31,842,487
Repayment of notes receivable	-	-	-	254,596	-	-	254,596
Deposits held on behalf of another entity	-	-	-	-	-	33,500	33,500
Interest received on notes receivable	-	-	-	116,138	-	-	116,138
Interfund transactions	(265,482)	(647,914)	104,147	309,153	(57,351)	557,447	-
Notes receivable issued	-	-	-	(219,113)	-	(1,597)	(220,710)
Net cash provided (used) by noncapital financing activities	<u>1,076,027</u>	<u>26,622,323</u>	<u>104,147</u>	<u>460,774</u>	<u>62,406</u>	<u>3,700,334</u>	<u>32,026,011</u>
Cash flows from capital financing activities:							
Grants received to acquire capital assets	-	-	-	-	-	548,994	548,994
Debt issued	-	-	-	-	-	217,000	217,000
Proceeds from sale of real property	2,500	-	-	-	-	217,026	219,526
Acquisition of capital assets	-	(17,500)	-	-	-	(872,454)	(889,954)
Principal paid on debt	-	-	-	-	(95,078)	(83,293)	(178,371)
Interest paid on debt	-	-	-	-	(60,937)	(68,048)	(128,985)
Net cash provided (used) by capital financing activities	<u>2,500</u>	<u>(17,500)</u>	<u>-</u>	<u>-</u>	<u>(156,015)</u>	<u>(40,775)</u>	<u>(211,790)</u>
Cash flows from investing activities:							
Interest receipts	21,884	9,366	-	8,172	31,401	57,440	128,263
Interest on restricted cash	-	54,757	19,313	26,834	-	-	100,904
Interest returned to granting agency	-	-	-	(40,324)	-	-	(40,324)
Net cash provided (used) by investing activities	<u>21,884</u>	<u>64,123</u>	<u>19,313</u>	<u>(5,318)</u>	<u>31,401</u>	<u>57,440</u>	<u>188,843</u>
Net increase (decrease) to cash	<u>\$ (504,787)</u>	<u>\$ 1,851,476</u>	<u>\$ 22,660</u>	<u>\$ 413,441</u>	<u>\$ 31,401</u>	<u>\$ 238,843</u>	<u>\$ 2,053,034</u>

HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)

	Business-type Activities						Totals
	Public Housing	Housing Choice Voucher	HCD Projects	Revolving Loan Funds	Blended Components	Nonmajor Funds	
Net increase(decrease) to cash	\$ (504,787)	\$ 1,851,476	\$ 22,660	\$ 413,441	\$ 31,401	\$ 238,843	\$ 2,053,034
Cash at beginning of year, as originally stated	650,514	1,946,630	376,011	1,484,140	-	1,300,137	5,757,432
Prior period adjustment	-	-	-	-	677,372	-	677,372
Cash beginning of year, restated	650,514	1,946,630	376,011	1,484,140	677,372	1,300,137	6,434,804
Cash at end of year	<u>\$ 145,727</u>	<u>\$ 3,798,106</u>	<u>\$ 398,671</u>	<u>\$ 1,897,581</u>	<u>\$ 708,773</u>	<u>\$ 1,538,980</u>	<u>\$ 8,487,838</u>
Cash and cash equivalents	\$ 115,636	\$ 560,313	\$ -	\$ 133,493	\$ 708,773	\$ 1,300,893	\$ 2,819,108
Restricted cash	30,091	3,237,793	398,671	1,764,088	-	238,087	5,668,730
Total cash at year end	<u>\$ 145,727</u>	<u>\$ 3,798,106</u>	<u>\$ 398,671</u>	<u>\$ 1,897,581</u>	<u>\$ 708,773</u>	<u>\$ 1,538,980</u>	<u>\$ 8,487,838</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (2,817,727)	\$ (25,482,252)	\$ (172,245)	\$ (46,360)	\$ 113,528	\$ (2,568,958)	\$ (30,974,014)
Adjustments to reconcile operating loss to net cash used by operating activities:							
Depreciation expense	960,732	13,903	99,405	-	83,227	65,472	1,222,739
Interfund transactions	463,824	647,914	17,071	4,719	(67,697)	(1,065,831)	-
Bad debt written off	-	-	-	1,188	-	-	1,188
(Increase) Decrease in:							
Tenants accounts receivable	(27,826)	-	(5,317)	-	617	-	(32,526)
Due from other agencies	-	14,625	-	-	-	-	14,625
Other receivable	(25,394)	(6,624)	-	-	(31,429)	24,949	(38,498)
Prepaid expenses	(14,858)	(2,250)	3,028	82	1,532	(94,568)	(107,034)
Increase (Decrease) in:							
Accounts payable	(90,992)	48,624	180	-	(10,788)	79,024	26,048
Accrued payroll	1,410	(1,069)	2,320	(1,644)	1,469	46,832	49,318
Compensated absences	(2,776)	(10,485)	-	-	(547)	29,223	15,415
Due to other governments	2,253	-	(45,347)	-	-	-	(43,094)
Tenant security deposits	(3,380)	-	(1,032)	-	2,362	3	(2,047)
Deferred revenues	(1,375)	-	1,137	-	1,335	5,698	6,795
FSS escrows	(49,089)	(39,856)	-	-	-	-	(88,945)
Net cash provided (used) by operating activities	<u>\$ (1,605,198)</u>	<u>\$ (24,817,470)</u>	<u>\$ (100,800)</u>	<u>\$ (42,015)</u>	<u>\$ 93,609</u>	<u>\$ (3,478,156)</u>	<u>\$ (29,950,030)</u>

Noncash Transactions:

☺ To facilitate the close-out of a Public Housing Capital Fund Grant, capital assets in the amount of \$1,092,041 were transferred to the Public Housing Program.

The accompanying notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) General Statement

The Housing Authority of the County of Marin (the Authority) is responsible for the development and implementation of housing programs and activities within the County of Marin.

The Authority is governed by a seven member Board of Commissioners. Five members of the Board of Commissioners are also members of the Marin County Board of Supervisors. The Board of Supervisors also appoint two tenant commissioners. The Authority was formed on January 26, 1942, by a resolution of the Marin County Board of Supervisors.

(B) Financial Reporting Entity

The Authority's combined financial statements include the accounts of all the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- *The organization is legally separate (can sue and be sued in their own name)
- *The Authority holds the corporate powers of the organization
- *The Authority appoints a voting majority of the organization's board
- *The Authority is able to impose its will on the organization
- *The organization has the potential to impose a financial benefit/burden on the Authority
- *There is financial dependency by the organization on the Authority

Based on the aforementioned criteria, the Marin County Housing Development Financing Corporation, a California nonprofit public benefit corporation (MCHDFC) and the Marin Housing Development Corporation, a California non-profit public benefit corporation (MHDC) are considered by the Authority to be blended component units. The Executive Director of the Authority has been given the authorization by both of the Corporations' Boards to appoint and dismiss their directors with or without cause. This has given the Authority significant influence over MCHDFC and MHDC and thus are included in the Authority's financial statements as blended component units.

(C) Basis of Presentation - Fund Accounting

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the Authority as a whole. They include all funds of the Authority. The Authority has no fiduciary funds. The statements distinguish between government and business-type

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

(Continued)

Note 1 (continued)

activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Authority's activities are strictly business-type.

Fund Financial Statements:

Fund financial statements of the Authority are organized into funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses/expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Authority considers all of its funds to be proprietary. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the Authority or if total assets, liabilities, revenues, or expenses of the individual fund are at least 10 percent of the Authority-wide total. The major enterprise funds for the fiscal year ended December 31, 2007 are the Public Housing, Housing Choice Voucher, HCD funded projects, Revolving Loan Programs and Blended Component Units.

The various funds are grouped by fund type in the combined basic financial statements as follows:

PROPRIETARY FUND TYPES

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are also used when the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

(D) Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Proprietary Fund Types are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded at the time liabilities are incurred. Under this basis of

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

(Continued)

Note 1 (continued)

accounting and measurement focus, the Authority applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

When the Authority incurs an expense for which both restricted and unrestricted resources may be used, it is the Authority's policy to use restricted resources first and then unrestricted resources as needed.

(E) Cash and Cash Equivalents

For the purpose of the cash flows, the Authorities consider all of their cash and investments, including restricted cash, to be cash and cash equivalents. The Authority considers all of their investments to be highly liquid and, therefore, cash equivalents.

(F) Capital Assets

Capital assets are valued at historical cost. Contributed capital assets are recorded at fair market value at the time received. Interest expense incurred during the development period is capitalized.

Capital assets acquired for Proprietary Funds are capitalized in the respective funds to which they apply. Depreciation of exhaustible capital assets used by Proprietary Funds is charged as an expense against operations, and accumulated depreciation is reported on the Proprietary Funds' balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. Structures are being depreciated over a useful life of thirty years, furniture and equipment over five years, and computer equipment over three years.

(G) Interfund Activity

Short-term amounts owed between funds are classified as "Due to/from other funds". For the purposes of the Authority-wide Statement of Net Assets, the due to/from other funds, totaling \$818,077, have been eliminated.

The Authority utilizes a fund to accumulate costs of the central office, including administration salaries and benefits, the maintenance and debt service of the office building, and other general administration costs. Each fund is charged a fee for services. These management fees, totaling \$1,278,891, have been eliminated from the Authority-wide Statement of Activities.

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

(Continued)

Note 1 (G) (continued)

A few of the tenants of the Housing Choice Voucher Program (CFDA # 14.871) have elected to live in housing units that are owned by the Authority or by its blended component units. These Housing Assistance Payments are recorded as expenditures in the Housing Choice Voucher Program and have been recorded as dwelling rent in the other programs. These transactions totaled \$110,734, with revenue of \$679 recorded in the Fairfax Vest Pocket Enterprise fund, \$30,948 in MCHDFC, and \$79,107 in MHDC. For the purpose of the Authority-wide Statement of Activities, this interfund revenue and expense has been eliminated.

Interfund transfers were made to close out one program. The capital assets of one completed Capital Fund Project, in the amount of \$1,092,041, were transferred to the Public Housing Enterprise Fund. For the purpose of the Authority-wide Statement of Activities, this interfund transfer has been eliminated.

(H) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets, including interest owed on the loans. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

(I) Operating Revenue and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Authority, these revenues are typically rental charges. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. All revenue and expenses not meeting these definitions are reported a nonoperating revenue and expenses.

(J) Change in Accounting Policies

During the current fiscal year, the Authority began accumulating their administration overhead in one fund. On January 1, 2007, the Central Office Enterprise Fund was created and currently accumulates the costs associated with the maintenance of the administration building, including debt service, along with the salaries and benefits associated with several key administration positions. Throughout the year each program was charged a central office fee. The Authority's management could not provide documentation to support the rationale for the allocation of these fees to all programs. These fees were

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

Note 1(J) (continued)

posted as administration expenses of each individual program and as revenue of the Central Office Enterprise Fund. Fees were charged to programs during 2007, as follows:

Housing Choice Voucher	\$ 537,180
Public Housing	463,824
Shelter Plus Care	134,067
CDBG Administration	28,319
HOPWA	8,812
RHCP - Isabel Cook	10,800
HCD - Fairfax Vest Pocket	6,950
Revolving Loan Funds	4,719
Other State and Local programs	41,863
MCHDFC	14,590
MHDC	<u>27,768</u>
	<u>\$ 1,278,892</u>

These revenue and expenses were eliminated from the Agency-wide Statement of Activities. In prior years, these costs were posted directly to the above programs and reported as salaries, benefits, office rent, telephone, utilities, etc. Therefore, this year's presentation of the Statement of Activities will report net revenue over expenses in a more favorable manner than in prior years for the above programs. Conversely, since the Central Office Enterprise Fund is combined with other funds in "Other State and Local Programs," the net revenue over expenses shown for the Other State and Local Programs will be considerably less favorable.

(K) Encumbrances

Encumbrance accounting is not employed by the Authority.

(L) Income Taxes

The Authority is exempt from Federal Income and California Franchise Taxes.

(M) Grant Restrictions

The Authority has received loans and grants from the U.S. Department of Housing and Urban Development to build and improve housing projects. The grants require that only individuals and families that meet various income, age and employment standards be housed or aided.

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

(Continued)

Note 2 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2007, are classified in the accompanying financial statements as follows:

Cash and investments	\$ 2,819,108
Restricted cash	<u>5,668,730</u>
Total cash and investments	<u>\$ 8,487,838</u>

Cash and investments as of December 31, 2007, consist of the following:

Cash on hand	\$ 300
Deposits with financial institutions	2,271,000
Investments	<u>6,216,538</u>
Total cash and investments	<u>\$ 8,487,838</u>

Investments Authorized by the Authority's Investment Policy

The Authority currently does not have an updated investment policy. However, the Authority has no investments except for the amounts deposited with the State of California, Local Agency Investment Fund (LAIF).

Disclosures Related to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. The Authority considers the deposits with LAIF to be cash equivalents, due to the fact that they are convertible to cash within a twenty-four hour period.

Disclosures Related to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

Note 2 (continued)

Concentration of Credit Risk

The Authority's investment are concentrated all in LAIF. These investments are owned by the following programs:

Housing Choice Voucher	\$ 2,736,638	44.0%
Public Housing	90,648	1.5
RHCP - Isabel Cook	189,984	3.1
FHDP - Fairfax Vest Pocket	198,847	3.2
Local Fund	803,610	12.9
Revolving Loan Programs	1,304,460	21.0
Rebate to Marin Renter	263,762	4.2
MCHDFC	628,493	10.1
MHDC	<u>96</u>	0.0
Total investments	<u>\$ 6,216,538</u>	

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires California banks and savings and loan associations to secure the Authority's deposits not covered by federal deposit insurance by pledging mortgages or government securities as collateral. The market value of mortgages must equal at least 150% of the face value of deposits. The market value of government securities must equal at least 110% of the face value of deposits. Such collateral must be held in the pledging bank's trust department in a separate depository in an account for the Authority.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (broker-dealer, etc) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The Housing Authority of the County of Marin has executed a "General Depository Agreement" with WestAmerica Bank. This agreement states that "any portion of the PHA funds not insured by a Federal insurance organization shall be fully (100%) and continuously

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

(Continued)

Note 2 (continued)

collateralized with specific and identifiable U.S. Government or Agency securities prescribed by HUD. Such securities shall be pledged and set aside in accordance with applicable law or Federal regulation.”

The Authority’s exposure to custodial credit risk is as follows:

Demand deposits with banks fully insured	\$ 100,000
Demand deposits with WestAmerica Bank, in excess of the amount insured but covered by the depository agreement	2,171,000
Investments in LAIF	<u>6,216,538</u>
Total deposits	<u><u>\$ 8,487,538</u></u>

Investment in State Investment Pool

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. Each government agency may invest up to \$30,000,000 in each account in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest or principal. The full faith and credit of the State of California secure investments in LAIF.

At December 31, 2007, an account was maintained in the name of the Housing Authority of the County of Marin for \$6,140,157. The total cost value of investment in LAIF was \$6,140,157. The total fair value of investments in LAIF was \$6,144,327. The fair value total includes an unrealized gain on investments of \$4,170. The unrealized gain was based on a fair value adjustment factor of 1.000679115 that was calculated by the State of California Treasurer’s Office. Of the \$6,140,157 invested in LAIF, \$6,216,538 is recorded as assets of the Authority. The difference includes \$76,381 of interest receivable as of December 31, 2007, shown as investments.

LAIF is a part of the State of California Pooled Money Investment Account (PMIA). At December 31, 2007, the fair value of the State of California Pooled Money Investment Account (PMIA), including accrued interest, was \$63,353,384,139. The PMIA portfolio had securities in the form of structured notes totaling \$2,745,132,000 and asset-backed securities totaling \$3,433,637,000. The PMIA has policies, goals and objectives for the portfolio to make certain that the goals of safety, liquidity, and yield are not jeopardized. These policies are formulated by investment staff and reviewed by both the PMIA and LAIF Advisory Boards on an annual basis.

During 2002, California Government code was added to the LAIF’s enabling legislation stating that “the right of a city, county...special district...to withdraw its deposited money from the LAIF upon demand may not be altered, impaired, or denied in any way by any state official or state

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

(Continued)

Note 2 (continued)

agency based upon the State’s failure to adopt a State Budget by July 1 of each new fiscal year.” In addition, it has been determined that the State of California cannot declare bankruptcy under Federal regulations. This allows other government code stating that “money placed with the state treasurer for deposit in the LAIF shall not be subject to ...transfer or loan...or impound or seizure by any state official or state agency” to stand.

Note 3 - RESTRICTED CASH

Restricted cash consists of funds that cannot be disbursed by the Authority unless approval is obtained from another government agency and funds held by the Authority on behalf of its clients. These balances are as follows:

Held by the Authority for Excess HAP	\$ 2,726,440
Held by the Authority for RHCP project replacement	199,825
Held by the Authority for FHDP project replacement and operations	198,846
Held by the Authority for CDBG revolving loan program	1,382,996
Held by the Authority for other revolving loan programs	381,092
Held by the Authority for tenant security deposits	190,532
Held by the Authority on behalf of FSS program participants	541,444
Held by the Authority on behalf of a issuer of a bond	<u>47,555</u>
Total restricted cash	<u>\$ 5,668,730</u>

The funds held for FHDP project replacement and operations, FSS escrows and portions of the funds held for the RHCP and CDBG programs are invested in the State of California Local Agency Investment Fund. The interest rate as of December 31, 2007, was 4.96% per annum. The remainder of the CDBG and RHCP program funds and the tenant security deposit funds and amounts held on behalf of the issuer of a bond are maintained in checking accounts. The CDBG, tenant security deposit and bond checking accounts earned interest at a rate of .05%, .4 and .25%, respectively, as of December 31, 2007. The other checking account earned no interest.

The funds held for the replacement and operations of the RHCP and FHDP projects can not be disbursed without the prior approval of the State of California, Department of Housing and Community Development. These funds are reported as restricted net assets (see also Note 11). The funds held for the CDBG revolving loan program may only be used to provide loans to qualified Marin County home owners (see also Note 5). These funds are reported as part of restricted net assets (see also Note 11). The excess HAP funds are also reported as restricted net assets (see Note 11). The amounts held for tenant security deposits and the amounts held on behalf of the FSS program participants are reported as payable from restricted assets.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

(Continued)

Note 4 - INTERFUND BALANCES

See the Financial Data Schedule in the Supplemental Information section of this report for detail of the interfund balances by program.

Note 5 - NOTES RECEIVABLE

Through various programs, the Authority has made deferred payment loans to individuals and organizations. The notes receivable are summarized as follows:

	<u>Balance</u> <u>12/31/06</u>	<u>Loans</u> <u>Issued</u>	<u>Loans</u> <u>Repaid</u>	<u>Loans</u> <u>Forgiven</u>	<u>Balance</u> <u>12/31/07</u>
Short-term loans:					
Employee Computer Acquisition	\$ 1,117	\$ 1,596	\$ -	\$ -	\$ 2,713
Long-term loans:					
CDBG Rehabilitation	3,683,777	70,000	(210,664)	-	3,543,113
Storm Damage Assistance	240,998	-	(13,396)	-	227,602
Double Unit Opportunity	32,495	-	-	-	32,495
Down Payment Assistance	47,800	10,000	-	-	57,800
Gates Cooperative	118,920	-	-	-	118,920
Rental Deposit Guarantee	<u>27,359</u>	<u>17,092</u>	<u>(30,026)</u>	<u>(1,697)</u>	<u>12,728</u>
Total long-term notes	<u>4,151,349</u>	<u>97,092</u>	<u>(254,086)</u>	<u>(1,697)</u>	<u>3,992,658</u>
Interfund loan to MHDC	<u>129,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,281</u>
Total notes receivable	<u>\$ 4,281,747</u>	<u>\$ 98,688</u>	<u>\$(254,086)</u>	<u>\$ (1,697)</u>	<u>\$ 4,124,652</u>

All of the above notes, except for the Down Payment Assistance Program, the Rental Deposit Guarantee Program, and the amounts loaned to employees, were issued to homeowners to aid in unit rehabilitation and are secured by recorded deeds of trust. The Down Payment Assistance Program notes were issued to very-low and low-income households to aid in the purchase of a home within certain housing developments in Marin County and are secured by recorded deeds of trust. The Rental Deposit Guarantee Program notes were issued to aid renters with security deposits and are secured by promise to pay agreements. The amounts loaned to employees are for a computer purchase loan program and are considered to be short-term. The loans are paid back over two years with the payments being withheld from the employees' payroll.

The CDBG rehabilitation loans are secured by deeds of trust, in the name of the County of Marin. Although, in legal form they are assets of the County of Marin, it is management's opinion that in substance they are assets of the Authority. This is a revolving loan program administered by the Authority. Any repayment of outstanding loans can only be used for new

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

(Continued)

Note 5 (continued)

loans. The entire net assets of the program have been restricted (see also Note 11). Annually, the County of Marin provides separate CDBG funding for the administration of this program.

The funds to start the Down Payment Assistance, Gates Cooperative, and Braun Silent Second Programs were donated by a private Non-Profit Corporation with the restriction that all repayment of principal and interest be used for new loans. Therefore, the net assets of these three programs have been restricted (see also Note 11). As of December 31, 2007, no loans have been made from the Braun Silent Second Program.

Note 6 - CAPITAL ASSETS

The following is a summary of the Authority's changes in capital assets for the fiscal year ended December 31, 2007.

	Balance <u>12/31/06</u>	Prior Year <u>Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/07</u>
Public Housing Program	\$ 33,888,669	\$ -	\$ 548,994	\$ (225,886)	\$ 34,211,777
Section 8 Programs	204,484	-	17,500	(146,758)	75,226
Rental Housing Construction	1,391,192	-	-	(713)	1,390,479
Family Hsg Demonstration	2,561,135	-	-	(1,612)	2,559,523
Mill Valley Condos	133,886	-	227,866	(80,307)	281,445
Local/Central Office	1,996,091	-	35,005	(126,567)	1,904,529
Other	98,296	-	-	(52,541)	45,755
Blended component units:					
MCHDFC	-	1,229,033	-	(4,971)	1,224,062
MHDC	-	2,007,589	-	(9,611)	1,997,978
	<u>\$ 40,273,753</u>	<u>\$ 3,236,622</u>	<u>\$ 829,365</u>	<u>\$ (648,966)</u>	<u>\$ 43,690,774</u>

The Authority calculates depreciation on a straight-line basis with the useful lives of capital assets being - 30 years for structures, 5 years for furniture and equipment, and 3 years for computer equipment. The following is a summary of the Authority's changes in depreciation for the fiscal year ended December 31, 2007:

	Balance <u>12/31/06</u>	Prior Period <u>Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/07</u>
Public Housing Program	\$ 14,488,052	\$ -	\$ 960,732	\$ (225,365)	\$ 15,223,419
Section 8 Programs	166,711	-	13,903	(133,149)	47,465
Rental Housing Construction	1,092,594	-	39,683	(713)	1,131,564
Family Hsg Demonstration	541,750	-	59,722	(1,612)	599,860
Mill Valley Condos	8,223	-	4,599	(6,402)	6,420
Local/Central Office	521,809	-	51,722	(109,625)	463,906
Other	69,524	-	9,151	(40,201)	38,474
MCHDFC	-	844,070	36,294	(4,971)	875,393
MHDC	-	837,392	46,933	(9,611)	874,714
	<u>\$ 16,888,663</u>	<u>\$ 1,681,462</u>	<u>\$ 1,222,739</u>	<u>\$ (531,649)</u>	<u>\$ 19,261,215</u>

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

(Continued)

Note 6 (continued)

The following is a summary of the Authority's capital assets by major class for the fiscal year ended December 31, 2007.

	Historical Cost	Accumulated Depreciation	Net
Land	\$ 3,507,845	\$ -	\$ 3,507,845
Buildings	39,022,243	(18,989,869)	20,032,374
Dwelling equipment	151,650	(151,650)	-
Office equipment	249,010	(119,696)	129,314
Construction in progress	760,026	-	760,026
	<u>\$ 43,690,774</u>	<u>\$ (19,261,215)</u>	<u>\$ 24,429,559</u>

Note 7 - LONG-TERM DEBT

Following is a summary of changes in long-term debt for the year ended December 31, 2007:

	Balance 12/31/06	Prior Period Adjustment	Additions	Deletions	Balance 12/31/07	Short Term
Notes Payable - HCD	\$ 2,861,319	\$ -	\$ -	\$ -	\$ 2,861,319	\$ -
Mortgages:						
Office bldg	1,047,134	-	-	(25,722)	1,021,412	25,353
Mill Valley Condos	89,104	-	-	(57,570)	31,534	20,033
MCHDFC - Bradley	-	111,010	-	(31,806)	79,204	34,412
MHDC - Sundance	-	1,140,548	-	(45,027)	1,095,521	34,112
Co of Marin	-	-	217,000	-	217,000	-
MCHDFC - City of Tiburon	-	89,623	-	(28,324)	61,299	29,847
MHDC - Co of Marin	-	89,281	-	-	89,281	89,281
	<u>3,997,557</u>	<u>1,430,462</u>	<u>217,000</u>	<u>(188,449)</u>	<u>5,456,570</u>	<u>233,038</u>
MHDC due to Authority	-	129,281	-	-	129,281	129,281
	<u>\$ 3,997,557</u>	<u>\$ 1,559,743</u>	<u>\$ 217,000</u>	<u>\$ (188,449)</u>	<u>\$ 5,585,851</u>	<u>\$ 362,319</u>

Following is a schedule of debt payment requirements to maturity for long-term debt other than the notes payable to HCD and the interfund note:

Year Ending December 31	Mortgages		Other Governments		Total
	Principal	Interest	Principal	Interest	
2008	\$ 113,910	\$ 140,672	\$ 119,128	\$ 2,507	\$ 376,217
2009	123,211	145,010	248,452	902	517,575
2010	87,177	137,477	-	-	224,654
2011	85,106	131,901	-	-	217,007
2012	966,412	103,727	-	-	1,070,139
2013-2017	352,811	260,055	-	-	612,866
2018-2022	490,305	122,560	-	-	612,865
2023-2027	8,739	48	-	-	8,787
	<u>\$ 2,227,671</u>	<u>\$ 1,041,450</u>	<u>\$ 367,580</u>	<u>\$ 3,409</u>	<u>\$ 3,640,110</u>

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

Note 7 (continued)

The Authority borrowed \$810,158 from the California Department of Housing and Community Development (HCD) to convert the Isabel Cook School into 18 units of low rent housing. The note, which is secured by a trust deed on the Isabel Cook project, is due on April 12, 2014. The loan is interest free. The Authority assumed a loan from HCD in the amount of \$2,051,161 when it acquired the Fairfax Vest Pocket housing project from a defunct nonprofit corporation. This loan accrues simple interest at a rate of three percent per annum. Principal and interest payments on this loan are payable to HCD only if the project generates surplus cash. Interest of \$61,535 was accrued and expensed for the fiscal year ended December 31, 2007. Total interest accrued on this loan as of December 31, 2007 is \$725,212. This amount has been reported as an "other noncurrent liability".

The Authority borrowed \$1,200,000 from WestAmerica Bank to purchase an office building. The note, dated July 21, 1997, is secured by a deed of trust on the office building property. As of September 1, 2007, the note requires monthly payments of \$7,869 and accrues interest at 6.840% per annum. This loan is due September 1, 2012 and will require a balloon payment of \$886,793. Interest expense of \$63,182 was incurred and paid on this loan.

In October 2003, the Authority borrowed \$194,000 from WestAmerica Bank to purchase three condos located in Mill Valley, California. The purpose of this acquisition was to retain affordable housing in the City of Mill Valley. The loan requires a monthly payment of \$1,810, carries an interest rate of 7.5% per annum, and is due July 2018. Interest expense of \$4,866 was incurred and paid on this loan. In 2004 and again in 2007, the Authority sold one of the three units. In both instances, a pay down on the principal of the note was made through escrow. This will result in the loan being paid off by the end of 2009.

On May 31, 2007, the County of Marin loaned \$217,000 to the Authority through its Inclusionary Housing Program. The purpose of this loan was the short-term acquisition of a below market rate unit that was in danger of foreclosure. This is a zero interest loan due on the earlier of May 31, 2009 or the sale of the property.

As described in footnote 11, MCHDFC and MHDC both became blended component units of the Authority beginning January 1, 2007. MCHDFC and MHDC are responsible for the following loans:

MCHDFC

The note payable to the Town of Tiburon accrues interest at a rate of 5.25% per annum, and requires monthly payments of \$2,696. The last payment on the loan is scheduled for December 31, 2009. Interest of \$4,030 was accrued and paid on this loan

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

Note 7 (continued)

The note payable to Wells Fargo Bank is secured by a deed of trust on property in the Town of Tiburon, known as the Bradley Housing Apartments. The loan requires monthly payments of \$3,287 and earns interest at a rate of 7.9% per annum. The loan is due April 10, 2010. Interest of \$1,279 was expensed, while \$7,635 was paid. The difference being an immaterial posting error to the general ledger.

MHDC

The MHDC mortgage is payable to WestAmerica Bank is secured by property in City of San Rafael, known as Sundance Apartments. The loan requires monthly payments of \$8,388, earns interest at a rate of 4.95% per annum, and has a balloon payment due August 1, 2008. Interest of \$55,628 was expensed and paid during 2007. MHDC has received a three month extension on the balloon payment. The loan balance, plus applicable interest, a total of \$1,073,556, is now due November 1, 2008. MHDC is in the process of refinancing this loan and has a signed "Commitment to Lend" with WestAmerica Bank. MHDC is planning to borrow \$100,000 more than it owes on the existing loan. The loan will be amortized over fifteen years, require monthly payments of \$10,214 and will earn interest at a rate of 6.6% per annum. The interest rate will reset at the beginning of the 6th and 11th loan years at the five year "Constant Maturity Treasury" rate plus a margin of 3.75%. For the schedule of debt payments schedule shown above, the rate is considered to be consistent throughout the fifteen years of the loan at 6.6%.

To help finance the acquisition of the Sundance Apartments, MHDC received three loans from local governments. Payments on these loans were contingent on positive cash flows. The loans to the City of San Rafael and County of Marin were due January 30, 2005, while the loan to the Authority was due January 30, 2006. On October 11, 2006, the City of San Rafael forgave the debt associated with its note. The other two loans remain outstanding. Both appear to be delinquent and are reported as short-term. MHDC is working with both agencies to resolve these issues.

HUD Debt

During the fiscal year ended December 31, 1999, HUD directed the Authority to remove all HUD-guaranteed debt from their books of accounts. This debt included \$4,205,253 of HUD permanent notes and \$2,064,306 of interest accrued on these notes. It also included \$2,018,000 of outstanding New Housing Bonds. These HUD-guaranteed notes and bonds have not been forgiven by HUD. The Public Housing Program's Annual Contributions Contract (ACC) states that all debt service requirements related to these notes and bonds will be HUD's responsibility. It is therefore management's opinion that the Authority is not liable for these notes unless the federal government fails to honor the ACC. Accordingly, these amounts have been removed from the Authority's books of accounts.

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

Note 8 - DEFERRED REVENUE

Deferred revenue consists of prepaid rents of \$11,931; receipts from various municipalities for the Below Market Rate Program, totaling \$84,577, to be reported as revenue in 2008; funds received from the County of Marin in the amount of \$25,000, to be reported as revenue of its Assistline program in 2008; and \$5,698 of ROSS funds requisitioned in excess of expenditures.

Note 9 - COMPENSATED ABSENCES

It is the Authority's policy to permit employees to accumulate earned but unused vacation leave up to a maximum of 240 hours. This leave will be used in future periods or paid to employees upon separation from the Authority. Accrued vacation leave has been valued by the Authority at \$175,428 as of December 31, 2007. Of this amount, \$167,489 has been allocated to all programs, and recorded as accrued liabilities. The Authority estimates that 25% of these compensated absences will be used by employees within the next year and, therefore, \$41,871 of the \$167,489 was shown as short-term. It is the Authority's policy to permit employees to accumulate earned but unused sick leave; however, the value of unused sick leave is not payable to employees upon separation from the Authority.

Note 10 - NET ASSETS

A. Investment in Capital Assets, Net of Related Debt

Investments in capital assets, net of related debt consists of the following:

Capital assets, net of depreciation (Note 6)	\$ 24,429,559
Long-term debt , net of interfund (Note 7)	(5,456,570)
Accrued interest on long-term debt (Note 7)	<u>(725,212)</u>
Investment in capital assets, net of related debt	<u>\$ 18,247,777</u>

B. Restricted Net Assets

Net assets are reported as restricted when constraints placed on the net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

(Continued)

Note 10 (continued)

The Authority has reported the following as restricted net assets:

Excess HAP funding	\$ 2,728,680
Replacement reserves:	
RHCP - 80-RHC-031	199,825
FHDP - 93-FHDP-011	112,856
Operating reserves - FHDP - 93-FHDP-011	85,990
Revolving loan program funds:	
CDBG	4,756,057
Down Payment Assistance Program	49,779
Gates Cooperative	184,300
Braun Silent Second	228,985
Restricted net assets	\$ 8,346,472

On January 11, 2007 HUD issued *Notice PIH 2006-03* (the Notice). On January 30, 2008, HUD issued *Notice PIH 2008-9*. Both notices address the proper manner in which HUD receipts should be accounted for and reported to HUD REAC. *Notice PIH 2006-3* instructed PHAs to no longer account for the Housing Choice Voucher grant as a cost reimbursement grant. All HUD funding received for this grant were to be retained by the Authority, with any excess HAP funding restricted as to its use -“may only be used to assist additional families up to the number of units under contract.” While *Notice PIH 2008-9* clarified the fact that all unused HAP funding should be reported as “restricted net assets.”

The revenue recognition directives contained in these Notices are a departure from the revenue recognition policy of years prior to 2005. In prior years, HUD grant revenue was recognized only to the extent that HAP expenses were incurred. During the most recent three years, HUD grant revenue has been recognized when received, regardless of whether or not HAP expenses have been incurred. The current excess HAP funding balance is made up of the following:

	Housing Choice Voucher	Disaster Voucher
Balance as of December 31, 2006 (shown unrestricted)	\$ 1,121,516	\$ -
Excess HAP funding for the current year	1,532,650	2,240
Interest earned on excess funding	54,758	-
Fraud, FSS forfeiture, and other income	17,516	-
Balance as of December 31, 2007 (restricted)	\$ 2,726,440	\$ 2,240

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

(Continued)

Note 10 (continued)

The RHCP and FHDP reserves are funded and held by the Authority. These funds may not be spent without prior, written approval from HCD.

The loans funds were received from various sources with the purpose of loaning the funds to qualified low income home buyers or home owners. The Authority administers several loan programs with various purposes and requirements. As of December 31, 2007, \$3,719,833 of the above \$5,219,121 restricted net assets have been loaned to homeowners within the County.

C. Deficit Unrestricted Net Assets

The following funds have a deficit unrestricted net asset balance as of December 31, 2007:

	<u>2007</u>	<u>2006</u>
Public Housing	\$ 33,013	\$ surplus
Isabel Cook (RHCP)	86,456	35,436
Fairfax Vest Pocket (FHDP)	140,964	115,797
Mortgage Credit Certificates	37,235	34,705
MHDC	304,434	n/a

Note 11 - PRIOR PERIOD ADJUSTMENTS

The Marin County Housing Development Financing Corporation (MCHDFC) and Marin Housing Development Corporation (MHDC) each own one rental housing project. Each of these two California non-profit public benefit corporations has a Board of Directors, but neither has any staff. Since these corporations were created, the Authority has administered their activity.

On October 10, 2006 each Board held a meeting and adopted amended by-laws. These by-laws gave the Executive Director of the Housing Authority of the County of Marin the authorization to fill any vacancies on the Boards and to remove any Director with or without cause. These amended by-laws changed the Authority's relationship with the corporations by giving the Authority control over each corporation. It is the Authority's position that these corporations are now blended component units of the Authority as defined by Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*.

The prior period adjustments consist of MCHDFC's and MHDC's net assets as of January 1, 2007 as follows:

MCHDFC	\$ 885,536
MHDC	<u>(412,871)</u>
	<u>\$ 472,665</u>

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

(Continued)

Note 12 - DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Authority contributes to the California Public Employees Retirement System (PERS), an agent multi-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statutes within the Public Employees' Retirement Law. PERS issues a separate comprehensive annual financial report. Copies of the PERS' annual financial report may be obtained from their executive office - 400 P Street - Sacramento, CA 95814.

B. Funding Policy

Participants are required to contribute 7% of their annual covered salary. The Authority makes 100% of this required contribution for top management employees, 75% for management employees, 50% for mid management employees, and 25% for confidential employees. In addition, the Authority allows each employee a fixed medical benefit allowance. If an employee does not use this benefit allowance on medical benefits then the amount remaining is contributed by the Authority to fund the employee's portion of PERS. Any further amounts of employee PERS contributions are made by the employees. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate was 7.112% for the first six months of the fiscal year and decreased to 6.921% of annual covered payroll beginning July 1, 2007. The rate is expected to decrease to 6.716% beginning July 1, 2008 and is projected to be 6.2% beginning July 1, 2009. The contribution requirements of plan members and the Authority are established and may be amended by PERS.

The Authority is a participant in the PERS 2% at 55 Risk Pool. During 2003, PERS determined that since the Authority's plan contained less than 100 active members, then it was required to participate in a risk pool. At that time, a Side Fund was created to account for the difference between the funded status of the Risk Pool and the funded status of the Authority's plan. As of June 30, 2006, the Side Fund had a balance of \$348,276, which will cause the required employer's contribution rate to be decreased by the amortization of the Side Fund. PERS intends to amortize this balance in the Side Fund over the next 7 years.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

(Continued)

Note 12 (continued)

C. Annual Pension Cost

For the fiscal year ended December 31, 2007, the Authority's annual pension cost of \$211,524 for PERS was equal to the Authority's required and actual contributions. The Authority made payments to PERS totaling \$419,864. This \$419,864 consisted of \$211,524 employer required contributions, \$118,606 employee required contributions made by the Authority on their behalf, \$87,377 employee required contributions made by the employees, and \$2,357 in overpayments. Payments are required to be made to PERS within fifteen days of the close of the service period. The Authority's PERS payments were made after this fifteen day period in 12 out of 27 (44%) pay periods for the fiscal year. When payment was late, the time ranged from seventeen to one hundred seventy-two days after close of the service period.

The required contribution for the fiscal year ended December 31, 2007, was determined as part of the June 30, 2004 (for the first six months of the fiscal year) and June 30, 2005 (for the second six months of the fiscal year) actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions used during the June 30, 2004 actuarial valuation included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3.0%. The actuarial assumptions used during the June 30, 2005 actuarial valuation included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen year period (smoothed market value). PERS unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

D. Three-Year Trend Information for PERS

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/04	\$ 76,340	100%	\$ 0
12/31/05	192,098	100%	0
12/31/06	209,152	100%	0

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

(Continued)

Note 12 (continued)

E. Required Supplemental Information

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
Risk pool's actuarial value:						
6/30/04	\$2,746,095,668	\$2,460,944,656	\$ 285,151,012	89.6%	\$ 743,691,970	38.3%
6/30/05	2,891,460,651	2,588,713,000	302,747,651	89.5%	755,046,679	40.1%
6/30/07	2,754,396,608	2,492,266,176	262,170,432	90.5%	699,897,835	37.5%

Note 13 - JOINT POWERS AGREEMENT - WORKERS' COMPENSATION INSURANCE

The Authority participates in a joint venture under a joint powers agreement (JPA) with the California Housing Workers' Compensation Authority (CHWCA). CHWCA was formed to provide workers' compensation insurance coverage for member housing authorities. At December 31, 2007, there were thirty-one members. The relationship between the Authority and CHWCA is such that CHWCA is not a component unit of the Authority for financial reporting purposes.

Condensed audited financial information for the year ended December 31, 2006 and 2007, is as follows:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Total assets	\$ 20,827,232	\$ 21,069,317
Total liabilities	<u>(11,838,302)</u>	<u>(11,427,502)</u>
Total net assets	<u>\$ 8,988,930</u>	<u>\$ 9,641,815</u>
Total revenues	\$ 5,886,727	\$ 6,568,300
Total expenses	<u>(6,539,612)</u>	<u>(2,322,943)</u>
Net change in net assets	<u>\$ (652,885)</u>	<u>\$ 4,245,357</u>

CHWCA had no long-term debt outstanding at December 31, 2007. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated. The Authority's annual premium is based on covered payroll. Premium paid for the calendar year ended December 31, 2007 was \$173,395. This is a 18% decrease over the prior year's premium. CHWCA issues a separate comprehensive annual financial report. Copies of this report may be obtained by contacting Bickmore Risk Services, 6371 Auburn Boulevard, Suite B, Citrus Heights, California, 95621.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

(Continued)

Note 14 - JOINT POWERS AGREEMENT - PROPERTY AND LIABILITY INSURANCE

The Authority participates in a joint venture under a Joint Powers Agreement (JPA) with the California Housing Authority Risk Management Agency (CHARMA). CHARMA was formed to provide property and liability coverage to its members. At May 31, 2007, there were six members other than the Authority. The Authority's property insurance deductible varies by location, however in no case is it more than \$25,000 per occurrence. The Authority's liability insurance has a \$10,000 deductible per occurrence. The Authority's automobile insurance has no deductible for comprehensive damage and collision damage. The Authority paid premiums to CHARMA of approximately \$285,000 during the fiscal year ended December 31, 2007. The relationship between the Authority and CHARMA is such that CHARMA is not a component unit of the Authority for financial reporting purposes.

CHARMA's governing board controls the operations of the JPA, including selection of management and approval of operating budgets independent of any influence by member authorities beyond their representation on the board. Each member pays a premium commensurate with the level of coverage requested, and shares surpluses and deficits proportionately to its participation in CHARMA.

Condensed audited financial information for the year ended May 31, 2006 and 2007, are as follows:

	<u>May 31, 2007</u>	<u>May 31, 2006</u>
Total assets	\$ 5,982,160	\$ 5,067,460
Total liabilities	<u>(862,486)</u>	<u>(892,879)</u>
Retained earnings	<u>\$ 5,119,674</u>	<u>\$ 4,174,581</u>
Total revenues	\$ 3,504,525	\$ 3,138,135
Total expenses	<u>(2,559,432)</u>	<u>(2,596,753)</u>
Net increase (decrease) in retained earnings	<u>\$ 945,093</u>	<u>\$ 541,382</u>

CHARMA has no long term debt outstanding at May 31, 2007. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

(Continued)

Note 15 - CONTINGENT LIABILITIES

A. Grants

The Authority has received funds from various federal, state, and local grant programs. It is possible that at some future date it may be determined that the Authority was not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Authority does not expect such disallowed amounts, if any, to materially affect the financial statements.

SUPPLEMENTAL INFORMATION

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>Department of Homeland Security</u>		
Direct Program:		
Disaster Housing Assistance Program	97.109	\$ <u> -</u>
 <u>Department of Housing and Urban Development (HUD)</u>		
Direct Programs:		
Shelter Plus Care	14.238	<u> 738,150</u>
Public and Indian Housing	14.850	<u> 1,311,486</u> *
Housing Choice Voucher Program	14.871	<u> 25,511,608</u> *
Public Housing Capital Fund	14.872	<u> 859,477</u>
Public Housing Neighborhood Networks Grant	14.875	<u> 15,086</u>
Resident Opportunities and Supportive Services - Elderly and Persons with Disabilities	14.876	<u> 52,413</u>
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Housing	14.877	<u> 110,274</u>
Passed through the County of Marin:		
Community Development Block Grant Rehabilitation Loan Program Administration Housing Search Specialist Total CDBG through the County of Marin	14.218	<u> 165,881</u> <u> 17,841</u> <u> 183,722</u>
Housing Opportunities for Persons with AIDS	14.241	<u> 251,066</u>
Passed through the City of Santa Rosa:		
Housing Choice Voucher Program	14.871	<u> 57,673</u>
Passed through CAHI		
Housing Choice Voucher Program	14.871	<u> 62,084</u>
Total HUD expenditures		<u> 29,153,039</u>
Total federal expenditures		<u>\$ <u>29,153,039</u></u>

* Tested as a major (type A) federal program.

The accompanying Independent Auditors' Report and notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. The schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the County of Marin, California, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. The Public and Indian Housing Program expenditures reported consist only of the operating subsidy amount received from HUD for the fiscal year ended December 31, 2007.
3. The expenditures reported for the Housing Choice Voucher and Disaster Housing Assistance Programs represent the program's operating expenditures in its entirety, less depreciation, and including expenditures for capital additions, regardless of the amount of HUD annual contributions received or earned.

	HCV	DHAP
Operating expenses	\$ 25,508,011	\$ -
Less depreciation	(13,903)	-
Plus capital additions	17,500	-
Total expenditures of federal awards	\$ 25,511,608	\$ -

4. Expenditures for the Public Housing Capital Fund, the Public Housing Neighborhood Network Grant, the Resident Opportunity and Supportive Services - Elderly and Persons with Disabilities, and the Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services programs reported agree with actual revenues and expenditures for the fiscal year.
5. Amounts reported for the Housing Opportunities for Persons with AIDS and Shelter Plus Care Programs agree with HUD revenue earned, which differs from expenditures due to administrative fees earned and other state and local grants received.
6. The amount reported as CDBG passed through the County of Marin includes two grants made to the Authority by the County. The expenditures reported are made up of revenue earned for reimbursement of qualified expenditures.
7. The amounts of Housing Choice Voucher Program funds shown passed through from the City of Santa Rosa and CAHI are HAP funds received from these agencies by MCHDFC for rents at Bradley House. Each of the units are subsidized by project based vouchers funded through these agencies.

HOUSING AUTHORITY OF THE COUNTY OF MARIN
FINANCIAL DATA SCHEDULE (CA052)
DECEMBER 31, 2007

1 of 10

Line Item No.	Account Description	Community Development Block Grants	Shelter Plus Care	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program
111	Cash - Unrestricted	\$ -	\$ -	\$ -	\$ 55,079	\$ 560,313	\$ -
113	Cash - Other Restricted	-	-	-	-	501,155	-
114	Cash - Tenant Security Deposits	-	-	-	-	-	-
100	Total Cash	-	-	-	55,079	1,061,468	-
122	Accounts Receivable - HUD	-	-	-	-	-	-
124	Accounts Receivable - Other Government	83,908	123,805	104,814	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	-	54,960	6,624	-
126	Accounts Rec - Tenants - Dwelling Rents	-	-	-	139,094	-	-
126	Allowance for Doubtful Accts - Dwelling Rents	-	-	-	(84,333)	-	-
126	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-
127	Notes Receivable - Current	-	-	-	-	-	-
128	Fraud Recovery	-	-	-	-	34,325	-
128	Allowance for Doubtful Accounts - Fraud	-	-	-	-	(34,325)	-
120	Total Receivables, net of allowances for doubtful accounts	83,908	123,805	104,814	109,721	6,624	-
131	Investments - Unrestricted	-	-	-	60,557	-	-
132	Investments Restricted	-	-	-	30,091	2,736,638	-
142	Prepaid Expenses and Other Assets	296	3,197	-	110,251	23,683	-
144	Interprogram Due From	-	34,931	-	-	-	-
150	Total Current Assets	84,204	161,933	104,814	365,699	3,828,413	-
161	Land	-	-	-	1,227,931	-	-
162	Buildings	-	-	-	32,071,542	-	-
163	Furniture, Equip & Machinery - Dwelling	-	-	-	141,650	-	-
164	Furniture, Equip & Machinery - Admin	-	45,755	-	10,628	75,226	-
166	Accumulated Depreciation	-	(38,474)	-	(15,223,419)	(47,465)	-
167	Construction In Progress	-	-	-	-	-	760,026
160	Total Fixed Assets, Net of Accum Deprn	-	7,281	-	18,228,332	27,761	760,026
171	Notes Receivable - Non Current	-	-	-	-	-	-
180	Total Non-Current Assets	-	7,281	-	18,228,332	27,761	760,026
190	Total Assets	\$ 84,204	\$ 169,214	\$ 104,814	\$ 18,594,031	\$ 3,856,174	\$ 760,026

HOUSING AUTHORITY OF THE COUNTY OF MARIN
FINANCIAL DATA SCHEDULE (CA052)
DECEMBER 31, 2007
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Line Item No.	Account Description	Community Development Block Grants	Shelter Plus Care	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program
312	Accounts Payable <= 90 Days	\$ -	\$ -	\$ -	\$ 1,810	\$ 48,624	\$ -
321	Accrued Wage/Payroll Taxes Payable	5,701	15,886	503	51,314	49,070	-
322	Accrued Compensated Absences - Current Portion	-	4,008	-	14,503	10,511	-
331	Accounts Payable - HUD PHA Programs	-	5,882	-	-	-	-
333	Accounts Payable - Other Government	-	-	-	56,736	-	-
341	Tenant Security Deposits	-	-	-	192,213	-	-
342	Deferred Revenues	-	-	-	7,908	-	-
343	Current Portion of Long-term Debt - Capital Projects	-	-	-	-	-	-
344	Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-
345	Other Current Liabilities	-	-	-	-	-	-
346	Accrued Liabilities - Other	-	-	-	-	-	-
347	Interprogram Due To	12,501	-	95,114	630	-	-
310	Total Current Liabilities	18,202	25,776	95,617	325,114	108,205	-
351	Long-term Debt, Net of Current - Capital Projects	-	-	-	-	-	-
354	Accrued Compensated Abs - Non Current	-	12,022	-	43,508	31,534	-
353	Noncurrent Liabilities - Other	-	-	-	30,091	511,353	-
350	Total Noncurrent Liabilities	-	12,022	-	73,599	542,887	-
300	Total Liabilities	18,202	37,798	95,617	398,713	651,092	-
508	Invested in Capital Assets, Net of Debt	-	7,281	-	18,228,332	27,761	760,026
511	Restricted Net Assets	-	-	-	-	2,726,440	-
512	Unrestricted Net Assets	66,002	124,135	9,197	(33,014)	450,881	-
513	Total Equity/Net Assets	66,002	131,416	9,197	18,195,318	3,205,082	760,026
600	Total Liabilities and Equity/Net Assets	\$ 84,204	\$ 169,214	\$ 104,814	\$ 18,594,031	\$ 3,856,174	\$ 760,026

HOUSING AUTHORITY OF THE COUNTY OF MARIN
FINANCIAL DATA SCHEDULE (CA052)
DECEMBER 31, 2007
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Line Item No.	Account Description	Community Development Block Grants	Shelter Plus Care	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program
703	Net Tenant Rental Revenue	\$ -	\$ -	\$ -	\$ 1,668,823	\$ -	\$ -
704	Tenant Revenue - Other	-	-	-	20,993	-	-
705	Total Tenant Revenue	-	-	-	1,689,816	-	-
706	HUD PHA Operating Grants	-	738,150	251,065	1,311,486	27,270,237	310,483
706	Capital Grants	-	-	-	-	-	548,994
708	Other Government Grants	165,881	756,151	-	-	-	-
711	Investment Income - Unrestricted	-	-	-	21,884	9,366	-
712	Mortgage Interest Income	-	-	-	-	-	-
714	Fraud Recovery	-	-	-	65	16,485	-
715	Other Revenue	1,300	10,471	756	45,954	9,274	-
716	Gain/Loss on Sale of Fixed Assets	(1,453)	(2,112)	(1,678)	1,979	(13,609)	-
720	Investment Income - Restricted	-	-	-	-	54,758	-
700	Total Revenue	\$ 165,728	\$ 1,502,660	\$ 250,143	\$ 3,071,184	\$ 27,346,511	\$ 859,477

HOUSING AUTHORITY OF THE COUNTY OF MARIN
FINANCIAL DATA SCHEDULE (CA052)
DECEMBER 31, 2007

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Line Item No.	Account Description	Community Development Block Grants	Shelter Plus Care	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program
911	Administrative Salaries	\$ 98,678	\$ 267,927	\$ 10,799	\$ 284,170	\$ 608,283	\$ 105,504
912	Auditing Fees	207	207	-	9,241	5,175	-
914	Compensated Absences	-	(8,301)	-	(2,776)	(10,485)	-
915	Employee Benefit Contrib - Admin	31,246	85,514	3,403	105,523	215,570	-
916	Other Operating - Administrative	33,147	237,649	11,503	570,643	657,256	11,380
921	Tenant Services - Salaries	-	-	-	-	90,403	-
923	Employee Benefit Contrib - Ten Svcs	-	-	-	-	31,289	-
924	Tenant Services - Other	-	-	-	17,223	-	-
931	Water	-	-	-	105,453	-	-
932	Electricity	-	-	-	265,361	-	-
933	Gas	-	-	-	293,688	-	-
938	Other Utilities Expense	-	-	-	139,305	-	-
941	Ordinary Maintenance - Labor	-	-	-	502,914	-	-
942	Ordinary Maintenance - Materials/Other	-	-	-	180,603	1,969	-
943	Ordinary Maintenance - Contract Costs	-	-	-	562,774	2,023	-
945	Employee Benefit Contrib - Ord Maint	-	-	-	243,636	-	-
961	Insurance Premiums	328	6,220	(87)	189,341	46,491	-
962	Other General Expenses	-	-	-	25,784	7,967	-
963	Payments in Lieu of Taxes	-	-	-	56,736	-	-
964	Bad Debt - Tenant Rents	-	-	-	43,212	-	-
966	Bad Debt - Other	-	-	-	-	-	-
967	Interest Expense	-	-	-	-	-	-
969	Total Operating Expenses	163,606	589,216	25,618	3,592,831	1,655,941	116,884
970	Excess Operating Revenue over Operating Expenses	2,122	913,444	224,525	(521,647)	25,690,570	742,593
971	Extraordinary Maintenance	-	-	-	-	-	193,599
973	Housing Assistance Payments	-	806,818	225,448	-	23,838,167	-
974	Depreciation Expense	-	9,151	-	960,732	13,903	-
900	Total Expenses	163,606	1,405,185	251,066	4,553,563	25,508,011	310,483
1010	Total Other Financing Sources (Uses)	-	-	-	-	-	-
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 2,122	\$ 97,475	\$ (923)	\$ (1,482,379)	\$ 1,838,500	\$ 548,994

HOUSING AUTHORITY OF THE COUNTY OF MARIN
FINANCIAL DATA SCHEDULE (CA052)
DECEMBER 31, 2007
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Line Item No.	Account Description	Community Development Block Grants	Shelter Plus Care	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program
1102	Debt Principal Payments - Enterprise Funds	-	-	-	-	-	-
1103	Beginning Equity	\$ 63,880	\$ 33,941	\$ 10,120	\$ 18,585,656	\$ 1,366,582	\$ 1,303,073
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$ -	\$ -	\$ -	\$ 1,092,041	\$ -	\$ (1,092,041)
1120	Unit Months Available	-	774	324	5,952	25,308	-
1121	Number of Unit Months Leased	-	774	322	5,871	24,620	-
1117	Administrative Fee Equity	-	-	-	-	478,642	-
1118	Housing Assistance Payments Equity	-	-	-	-	2,726,440	-

HOUSING AUTHORITY OF THE COUNTY OF MARIN
FINANCIAL DATA SCHEDULE (CA052)
DECEMBER 31, 2007
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Line Item No.	Account Description	State/Local	Component Units	Other Federal Program 1	Other Federal Program 2	Other Federal Program 3	Disaster Housing Assistance Grant	Total
111	Cash - Unrestricted	\$ 233,520	\$ 80,184	\$ -	\$ -	\$ -	\$ -	\$ 929,096
113	Cash - Other Restricted	650,516	-	-	-	-	-	1,151,671
114	Cash - Tenant Security Deposits	190,533	-	-	-	-	-	190,533
100	Total Cash	1,074,569	80,184	-	-	-	-	2,271,300
122	Accounts Receivable - HUD	-	-	-	8,206	4,910	-	13,116
124	Accounts Receivable - Other Government	9,343	-	-	-	-	-	321,870
125	Accounts Receivable - Miscellaneous	10,293	64,408	-	-	-	-	136,285
126	Accounts Rec - Tenants - Dwelling Rents	11,248	12,219	-	-	-	-	162,561
126	Allowance for Doubtful Accts - Dwelling Rents	(2,000)	(9,417)	-	-	-	-	(95,750)
126	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-
127	Notes Receivable - Current	131,994	-	-	-	-	-	131,994
128	Fraud Recovery	-	-	-	-	-	-	34,325
128	Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	(34,325)
120	Total Receivables, net of allowances for doubtful accounts	160,878	67,210	-	8,206	4,910	-	670,076
131	Investments - Unrestricted	1,200,866	628,589	-	-	-	-	1,890,012
132	Investments Restricted	1,559,797	-	-	-	-	-	4,326,526
142	Prepaid Expenses and Other Assets	103,188	7,093	-	-	-	-	247,708
144	Interprogram Due From	732,494	40,248	-	-	788	9,616	818,077
150	Total Current Assets	4,831,792	823,324	-	8,206	5,698	9,616	10,223,699
161	Land	1,565,162	714,752	-	-	-	-	3,507,845
162	Buildings	4,453,413	2,497,288	-	-	-	-	39,022,243
163	Furniture, Equip & Machinery - Dwelling	-	10,000	-	-	-	-	151,650
164	Furniture, Equip & Machinery - Admin	117,401	-	-	-	-	-	249,010
166	Accumulated Depreciation	(2,201,750)	(1,750,107)	-	-	-	-	(19,261,215)
167	Construction In Progress	-	-	-	-	-	-	760,026
160	Total Fixed Assets, Net of Accum Depn	3,934,226	1,471,933	-	-	-	-	24,429,559
171	Notes Receivable - Non Current	3,992,658	-	-	-	-	-	3,992,658
180	Total Non-Current Assets	7,926,884	1,471,933	-	-	-	-	28,422,217
190	Total Assets	\$ 12,758,676	\$ 2,295,257	\$ -	\$ 8,206	\$ 5,698	\$ 9,616	\$ 38,645,916

HOUSING AUTHORITY OF THE COUNTY OF MARIN
FINANCIAL DATA SCHEDULE (CA052)
DECEMBER 31, 2007
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Line Item No.	Account Description	State/Local	Component Units	Other Federal Program 1	Other Federal Program 2	Other Federal Program 3	Disaster Housing Assistance Grant	Total
312	Accounts Payable <= 90 Days	\$ 203,378	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ 254,112
321	Accrued Wage/Payroll Taxes Payable	67,931	5,046	-	-	-	-	195,451
322	Accrued Compensated Absences - Current Portion	11,854	995	-	-	-	-	41,871
331	Accounts Payable - HUD PHA Programs	20,324	-	-	-	-	-	26,206
333	Accounts Payable - Other Government	34,747	-	-	-	-	-	91,483
341	Tenant Security Deposits	18,021	28,566	-	-	-	-	238,800
342	Deferred Revenues	111,687	1,913	-	-	5,698	-	127,206
343	Current Portion of Long-term Debt - Capital Projects	45,386	187,652	-	-	-	-	233,038
344	Current Portion of Long-term Debt - Operating Borrowings	-	129,281	-	-	-	-	129,281
345	Other Current Liabilities	245,750	-	-	-	-	-	245,750
346	Accrued Liabilities - Other	47,500	-	-	-	-	-	47,500
347	Interprogram Due To	577,174	124,452	-	8,206	-	-	818,077
310	Total Current Liabilities	1,383,752	478,205	-	8,206	5,698	-	2,448,775
351	Long-term Debt, Net of Current - Capital Projects	4,085,879	1,137,653	-	-	-	-	5,223,532
354	Accrued Compensated Abs - Non Current	35,569	2,985	-	-	-	-	125,618
353	Noncurrent Liabilities - Other	725,212	-	-	-	-	-	1,266,656
350	Total Noncurrent Liabilities	4,846,660	1,140,638	-	-	-	-	6,615,806
300	Total Liabilities	6,230,412	1,618,843	-	8,206	5,698	-	9,064,581
508	Invested in Capital Assets, Net of Debt	(922,251)	146,628	-	-	-	-	18,247,777
511	Restricted Net Assets	5,617,792	-	-	-	-	2,240	8,346,472
512	Unrestricted Net Assets	1,832,723	529,786	-	-	-	7,376	2,987,086
513	Total Equity/Net Assets	6,528,264	676,414	-	-	-	9,616	29,581,335
600	Total Liabilities and Equity/Net Assets	\$ 12,758,676	\$ 2,295,257	\$ -	\$ 8,206	\$ 5,698	\$ 9,616	\$ 38,645,916

HOUSING AUTHORITY OF THE COUNTY OF MARIN
FINANCIAL DATA SCHEDULE (CA052)
DECEMBER 31, 2007
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Line Item No.	Account Description	State/Local	Component Units	Other Federal Program 1	Other Federal Program 2	Other Federal Program 3	Disaster Housing Assistance Grant	Total
703	Net Tenant Rental Revenue	\$ 214,634	\$ 435,313	\$ -	\$ -	\$ -	\$ -	\$ 2,318,770
704	Tenant Revenue - Other	1,769	-	-	-	-	-	22,762
705	Total Tenant Revenue	216,403	435,313	-	-	-	-	2,341,532
706	HUD PHA Operating Grants	-	-	15,086	52,413	110,274	9,616	30,068,810
706	Capital Grants	-	-	-	-	-	-	548,994
708	Other Government Grants	284,018	119,757	-	-	-	-	1,325,807
711	Investment Income - Unrestricted	65,612	31,401	-	-	-	-	128,263
712	Mortgage Interest Income	117,581	-	-	-	-	-	117,581
714	Fraud Recovery	-	-	-	-	-	-	16,550
715	Other Revenue	1,463,615	11,040	-	-	-	-	1,542,410
716	Gain/Loss on Sale of Fixed Assets	125,552	-	(6,470)	-	-	-	102,209
720	Investment Income - Restricted	19,312	-	-	-	-	-	74,070
700	Total Revenue	\$ 2,292,093	\$ 597,511	\$ 8,616	\$ 52,413	\$ 110,274	\$ 9,616	\$ 36,266,226

HOUSING AUTHORITY OF THE COUNTY OF MARIN
FINANCIAL DATA SCHEDULE (CA052)
DECEMBER 31, 2007
9 of 10

Line Item No.	Account Description	State/Local	Component Units	Other Federal Program 1	Other Federal Program 2	Other Federal Program 3	Disaster Housing Assistance Grant	Total
911	Administrative Salaries	\$ 842,543	\$ 23,596	\$ 1,951	\$ 10,465	\$ 57,345	\$ -	\$ 2,311,261
912	Auditing Fees	19,403	-	-	-	-	-	34,233
914	Compensated Absences	37,524	(547)	-	-	-	-	15,415
915	Employee Benefit Contrib - Admin	314,487	8,792	785	3,380	22,024	-	790,724
916	Other Operating - Administrative	279,022	45,938	12,350	38,568	30,905	-	1,928,361
921	Tenant Services - Salaries	-	-	-	-	-	-	90,403
923	Employee Benefit Contrib - Ten Svcs	-	-	-	-	-	-	31,289
924	Tenant Services - Other	73	-	-	-	-	-	17,296
931	Water	10,766	16,889	-	-	-	-	133,108
932	Electricity	29,718	6,327	-	-	-	-	301,406
933	Gas	6,574	12,195	-	-	-	-	312,457
938	Other Utilities Expense	8,319	19,010	-	-	-	-	166,634
941	Ordinary Maintenance - Labor	79,038	32,974	-	-	-	-	614,926
942	Ordinary Maintenance - Materials/Other	24,072	6,693	-	-	-	-	213,337
943	Ordinary Maintenance - Contract Costs	97,506	36,327	-	-	-	-	698,630
945	Employee Benefit Contrib - Ord Maint	34,388	15,644	-	-	-	-	293,668
961	Insurance Premiums	18,713	20,738	-	-	-	-	281,744
962	Other General Expenses	23,831	-	-	-	-	-	57,582
963	Payments in Lieu of Taxes	6,018	4,212	-	-	-	-	66,966
964	Bad Debt - Tenant Rents	7,538	810	-	-	-	-	51,560
966	Bad Debt - Other	1,188	-	-	-	-	-	1,188
967	Interest Expense	129,583	60,937	-	-	-	-	190,520
969	Total Operating Expenses	1,970,304	310,535	15,086	52,413	110,274	-	8,602,708
970	Excess Operating Revenue over Operating Expenses	321,789	286,976	(6,470)	-	-	9,616	27,663,518
971	Extraordinary Maintenance	-	-	-	-	-	-	193,599
973	Housing Assistance Payments	85,269	-	-	-	-	-	24,955,702
974	Depreciation Expense	155,726	83,227	-	-	-	-	1,222,739
900	Total Expenses	2,211,299	393,762	15,086	52,413	110,274	-	34,974,748
1010	Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 80,794	\$ 203,749	\$ (6,470)	\$ -	\$ -	\$ 9,616	\$ 1,291,478

HOUSING AUTHORITY OF THE COUNTY OF MARIN
FINANCIAL DATA SCHEDULE (CA052)
DECEMBER 31, 2007
10 of 10

Line Item No.	Account Description	State/Local	Component Units	Other Federal Program 1	Other Federal Program 2	Other Federal Program 3	Disaster Housing Assistance Grant	Total
1102	Debt Principal Payments - Enterprise Funds	-	-	-	-	-	-	-
1103	Beginning Equity	\$ 6,447,470	\$ -	\$ 6,470	\$ -	\$ -	\$ -	\$ 27,817,192
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$ -	\$ 472,665	\$ -	\$ -	\$ -	\$ -	\$ 472,665
1120	Unit Months Available	456	516	-	-	-	2	33,332
1121	Number of Unit Months Leased	434	509	-	-	-	-	32,530
1117	Administrative Fee Equity	-	-	-	-	-	-	478,642
1118	Housing Assistance Payments Equity	-	-	-	-	-	-	2,726,440

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Housing Authority of the
County of Marin
San Rafael, California

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the County of Marin, California, as of and for the year ended December 31, 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 29, 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 the Housing Authority of the County of Marin, California's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of Marin, California's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the County of Marin, California's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Housing Authority of the County of Marin, California'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 Housing Authority of the County of Marin,

California's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of the County of Marin, California's internal control. We consider the deficiency described in Section II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

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 Housing Authority of the County of Marin, California's internal control.

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the County of Marin, California'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*.

We noted certain matters that we reported to management of the Housing Authority of the County of Marin, California, in a separate letter dated September 29, 2008.

The Housing Authority of the County of Marin, California's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit this response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



September 29, 2008

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
Housing Authority of the
County of Marin
San Rafael, California

Compliance

We have audited the compliance of the Housing Authority of the County of Marin, California, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The Housing Authority of the County of Marin, California's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the County of Marin, California's management. Our responsibility is to express an opinion on the Housing Authority of the County of Marin, California's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the County of Marin, California's compliance with those requirements and performed such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of the County of Marin, California's compliance with those requirements.

In our opinion, the Housing Authority of the County of Marin, California complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

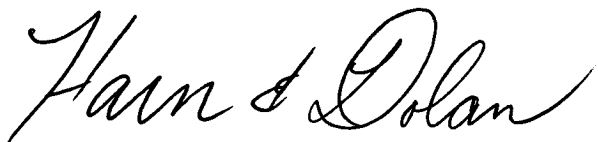
The management of the Housing Authority of the County of Marin, California is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of the County of Marin, California's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the County of Marin, California's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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 compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



September 29, 2008

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

The previous audit report for the year ended December 31, 2006 contained no audit findings.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2007**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unqualified
Going concern explanatory paragraph included?	no
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified not considered to be material weaknesses?	yes
Noncompliance material to financial statements noted?	no

Federal Awards

Dollar threshold used to distinguish between Type A and Type B programs	\$ 874,591
Auditee qualified as low-risk auditee?	yes
Identification of major programs:	
Type A programs tested as major:	
Public and Indian Housing	14.850
Housing Choice Voucher Program	14.871
Type of auditors' report issued on compliance for major programs:	unqualified
Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified not considered to be material weaknesses?	none reported
Any audit findings disclosed that are required to be reported in accordance with A-133, Section .510(a)?	no
Any known questioned costs reported?	no
Were prior audit findings related to direct funding shown in the Summary of Prior Audit Findings?	no

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2007**

(Continued)

Section II - Financial Statement Findings

II-2007-A - Tenant Accounting Systems Require Improvement

Criteria - The Authority administers several owned rental housing complexes, including Public Housing projects, two projects purchased or built with funding from the State of California, locally owned units, and two complexes owned by their blended component units. The Authority uses tenant ledger maintenance software, that does not link directly to the general ledger, to maintain the tenant rent and security deposits. Postings made to tenant accounts, if not made correctly, can throw off the general ledger or the tenant ledger. Reconciliations between the tenant ledgers and the general ledger are performed on a monthly basis. Differences are not always clearly identified and/or correctly on a timely basis.

Condition - As of December 31, 2007, the tenant ledgers (tenant accounts receivable register and security deposit register) do not agree with the general ledger. The differences range from a few dollars for a small project to nearly \$2,000 in the Public Housing Program. Although reconciliations have been performed, the differences noted have not been corrected well into 2008. Further, additional differences have been identified in 2008.

The Authority uses one bank account to deposit the majority of the tenant receipts. This bank account did not reconcile to the general ledger as of December 31, 2007. The account continues to not be in agreement with the general ledger well into 2008.

Questioned Costs - None

Cause - The Authority has not put a high enough priority on the accurate maintenance of the tenant ledger accounting module. Although reconciliations are being performed to identify differences between the general ledger and the tenant ledger accounting module, differences are not being corrected in a timely manner. Further, little effort is being expended to determine the root cause of these ledgers becoming out of balance.

Effect - The tenant ledger accounting module is not in agreement with the general ledger. None of the differences are material. However, the fact that the differences identified are not corrected in a timely manner and the root cause of these differences has not been identified indicates a significant deficiency in internal control. The severity of this deficiency increases due to the fact that some of these differences have effected cash, which cannot be reconciled to the general ledger.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2007**

(Continued)

II-2007-A (continued)

Recommendation - We recommend that the Authority strengthen controls over the tenant accounting systems. Determining the root cause of these errors, reconciling these accounts, and correcting all errors noted on a timely basis should be made a higher priority.

Authorities' Response - The Authority agrees with the finding and recommendation that the tenant ledgers and bank accounts should be reconciled to the general ledger, on a monthly basis. The Housing Authority intends to make these outstanding reconciliations a priority before the 2008 calendar year end. The reconciliation process will include identifying and resolving outstanding differences, with explanation, on a timely basis.

Section III - Federal Award Findings

none