

**HOUSING AUTHORITY
OF THE COUNTY OF MARIN
BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008
(Including Auditors' Report Thereon)**

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Statement of Net Assets	11
Statement of Activities	13
Statement of Net Assets - Proprietary Funds	14
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17
Notes to the Basic Financial Statements	19
Supplemental Information:	
Schedule of Expenditures of Federal Awards	43
Notes to the Schedule of Expenditures of Federal Awards	44
Statement of Completed Capital Fund Project	45
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	48
Status of Prior Audit Findings	50
Schedule of Findings and Questioned Costs	51

Harn & Dolan

Certified Public Accountants

2423 Stirrup Court

Walnut Creek, California 94596-6526

(925) 280-1693 Fax (925) 938-4829

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 and each major fund of the Housing Authority of the County of Marin, California (the Authority), as of and for the year ended December 31, 2008, 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. The prior year comparative information has been derived from the Authority's 2007 financial statements and, in our report dated September 29, 2008, we expressed unqualified opinions on the respective financial statements of the business-type activities, each major fund, and the aggregate remaining fund information.

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 and each major fund of the Housing Authority of the County of Marin, California, as of December 31, 2008, 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 28, 2009, 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. The accompanying Statement of Completed Capital Fund Project is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and Statement of Completed Capital Fund Project 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 "Hahn & Dolan".

September 28, 2009

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008**

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, 2008.

Financial Highlights

- C The assets of the Authority exceeded its liabilities at the close of the year by \$30.7 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 \$1.14 million. The change primarily reflects a net increase to restricted assets of \$1.7 million offset by a decrease in capital assets of \$0.4 million and an increase in current liabilities of \$0.3 million.
- C Total expenses for all programs were \$34.7 million for the year. Revenue from all programs primarily reflect HUD grants and subsidies of \$31.9 million and rental, interest earnings and other income of approximately \$3.9 million.

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 \$6,166,268 have been eliminated for this presentation.

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 \$1,377,271 have been eliminated for this presentation.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008**

(Continued)

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 considers all of its activity to be housing related and therefore, considers all the financial activity to be one major fund titled *Housing*.

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.

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.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008**

(Continued)

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 (58.06%) 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>12/31/08</u>	<u>12/31/07</u>	<u>Variance</u>	<u>%</u>
Current Assets	\$ 3,576,781	\$ 3,607,611	\$ (30,830)	0.85%
Restricted Assets	7,332,976	5,668,730	1,664,246	29.36%
Capital assets (net of depreciation)	24,038,456	24,429,559	(391,103)	1.60%
Notes Receivable	<u>3,894,909</u>	<u>3,992,658</u>	<u>(97,749)</u>	2.45%
Total Assets	<u>\$ 38,843,122</u>	<u>\$ 37,698,558</u>	<u>\$ 1,144,564</u>	3.04%
Current Liabilities	\$ 1,595,937	\$ 1,262,617	333,320	26.40%
Payable from Restricted Assets	637,258	780,244	(142,986)	18.33%
Long Term Liabilities	<u>5,886,575</u>	<u>6,074,362</u>	<u>(187,787)</u>	3.09%
Total Liabilities	<u>\$ 8,119,770</u>	<u>\$ 8,117,223</u>	<u>\$ 2,547</u>	0.03%
Net Assets:				
Invested in Capital Assets	\$ 17,838,427	\$ 18,247,777	(409,350)	2.24%
Restricted net assets	9,883,350	8,346,472	1,536,878	18.41%
Unrestricted Net Assets	<u>3,001,575</u>	<u>2,987,086</u>	<u>14,489</u>	0.49%
Total Net Assets	<u>\$ 30,723,352</u>	<u>\$ 29,581,335</u>	<u>\$ 1,142,017</u>	3.86%

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.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008**

(Continued)

- C At the end of the 2008 fiscal year, the Authority as a whole is able to report positive balances in all categories of Net Assets. Unrestricted net assets increased by \$14,489 (0.5%) from the prior year.

CHANGE IN UNRESTRICTED NET ASSETS

	<u>2008</u>	<u>2007</u>
Unrestricted Net Assets - beginning of the year	\$ 2,987,086	\$ 3,589,282
Prior period adjustment:		
Inclusion of MCHDFC and MHDC	-	347,966
Excess HAP funding pre January 1, 2008 and 2007	-	(1,121,516)
Net income (loss) before capital contribution	346,815	742,484
Adjustments:		
Depreciation (1)	1,228,464	1,222,739
Issuance of debt	101,468	217,000
Change in interest payable on long-term debt (1)	61,535	61,535
Excess HAP funding (3)	(1,253,333)	(1,534,890)
Net receipt of restricted CDBG/DPAP loan funds	(154,111)	(91,079)
Principle paid on debt	(144,756)	(188,449)
Interest on restricted funds (2)	(94,314)	(74,070)
Capital asset additions not funded by capital grants	(42,159)	(280,371)
Other revenue that is restricted (2)	(18,384)	(17,516)
Funding of reserves	(14,584)	(14,584)
Receipts of other restricted funds - DPAP (2)	(2,152)	-
Gain on sale of fixed assets (2)	-	117,318
Use of restricted funds to cover expenses	<u>-</u>	<u>11,237</u>
Unrestricted Net Assets - end of the year	<u>\$ 3,001,575</u>	<u>\$ 2,987,086</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, 2008**

(Continued)

**Table 2
Change in Net Assets**

	<u>12/31/08</u>	<u>12/31/07</u>	<u>Variance</u>	<u>%</u>
Operating Revenue:				
Rental and other	\$ 2,503,135	\$ 2,420,589	\$ 82,546	3.41%
Non-Operating Revenue				
Federal grants and subsidies	31,982,091	30,921,283	1,060,808	3.43%
State and local grants	1,072,132	1,112,606	(40,474)	3.64%
Interest	326,735	319,914	6,821	2.13%
Other	<u>-</u>	<u>102,209</u>	<u>(102,209)</u>	-
Total Revenues	<u>35,884,093</u>	<u>34,876,601</u>	<u>1,007,492</u>	2.89%
Operating Expenses:				
Administration	(4,476,249)	(3,801,103)	(675,146)	17.76%
Tenant Services	(159,643)	(138,988)	(20,655)	14.86%
Utilities	(979,718)	(913,605)	(66,113)	7.24%
Maintenance	(1,962,839)	(2,014,160)	51,321	0.25%
General	(464,363)	(459,040)	(5,323)	1.15%
Interest	(212,895)	(190,520)	(22,375)	11.74%
Housing Assistance Payments	(25,257,905)	(24,844,968)	(412,937)	1.66%
Depreciation	<u>(1,228,464)</u>	<u>(1,222,739)</u>	<u>(5,725)</u>	0.47%
Total Operating Expenses	<u>(34,742,076)</u>	<u>(33,585,123)</u>	<u>(1,156,953)</u>	3.44%
Net income	<u>1,142,017</u>	<u>1,291,478</u>	<u>(149,461)</u>	
Prior Period Adjustments:				
Inclusion of MCHDFC and MHDC	<u>-</u>	<u>472,665</u>		
Total Prior Period Adjustments	<u>-</u>	<u>472,665</u>		
Increase (decrease) in Net Assets	<u>\$ 1,142,017</u>	<u>\$ 1,764,143</u>		

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

- C The increase in net assets of \$1.14 million primarily reflects an increase in revenues of \$1 million, which is significantly due to an increase in Federal grants and subsidies.
- C Total expenses increased \$1.2 million and primarily reflect an increase in administration of \$0.7 million, HAP expenses of \$0.4 million, and utilities of \$0.1 million. The increase in HAP expense is offset by an increase in Federal grants.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008**

(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	Other Funds	Total
Net assets, beginning 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>
Operating income (loss)	(2,651,089)	(26,181,183)	(167,142)	(4,221)	(43,271)	(2,979,140)	(32,026,046)
Non-operating revenue (expenses):							
Grants	1,693,609	27,582,808	15,448	-	122,403	2,844,753	32,259,021
Interest	6,690	74,595	12,126	179,730	19,673	33,921	326,735
Debt-service interest	-	-	(61,535)	-	(80,926)	(70,434)	(212,895)
Net income (loss) before Contributions and transfers	(950,790)	1,476,220	(201,103)	175,509	17,879	(170,900)	346,815
Capital contributions	-	-	-	-	-	795,202	795,202
Operating transfer	1,055	-	-	-	-	(1,055)	-
Net change in fund net assets	<u>(949,735)</u>	<u>1,476,220</u>	<u>(201,103)</u>	<u>175,509</u>	<u>17,879</u>	<u>623,247</u>	<u>1,142,017</u>
Net assets, end of year	<u>\$ 17,245,583</u>	<u>\$ 4,681,302</u>	<u>\$ (1,397,806)</u>	<u>\$ 5,923,446</u>	<u>\$ 694,293</u>	<u>\$ 3,576,534</u>	<u>\$ 30,723,352</u>

Table 3 demonstrates the changes in net assets by program for the year ended December 31, 2008.

- 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.
- C The loss in the Public Housing Program is due primarily to depreciation expense of \$960,148.
- C The net income in the Housing Choice Voucher Program is primarily (91%) restricted for future Housing Assistance Payments.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008**

(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>12/31/08</u>	<u>12/31/07</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	995,665	1,021,412	25,747
Rental Acquisition Program units	11,550	31,534	19,984
Sundance Apartments	1,165,214	1,095,521	(69,693)
Bradley House	41,801	79,204	37,403
Local Governments:			
City of Tiburon	31,452	61,299	29,847
County of Marin	217,000	217,000	-
County of Marin	<u>89,281</u>	<u>89,281</u>	<u>-</u>
Total long-term debt	5,413,282	5,456,570	<u>\$ 43,288</u>
Short-term portion	<u>(458,896)</u>	<u>(233,038)</u>	
Long-term portion	<u>\$ 4,954,386</u>	<u>\$ 5,223,532</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%. 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 have required a change from past practices as the Authority tries to balance its future operating budgets.

The Authority also continues to be challenged by increasing Housing Assistance Program (HAP) payments. As the economic downturn turns into a full recession, the Authority's portion of HAP payments will continue to increase.

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

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008**

(Continued)

budget process. The Authority will continue to plan conservatively to prevent allocation of resources towards a program that may be discontinued.

Overall operating costs continue to rise as a result of increasing HAP payments, new contractual obligations, tenant services costs, and utility expense increases. The Authority continues to look for ways to improve the efficiency, effectiveness and economy of its programs and administration.

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, 2008**

<u>ASSETS</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets		
Cash and investments (Note 2)	\$ 2,505,891	\$ 2,505,891
Due from other agencies	571,162	571,162
Tenant accounts receivable	225,329	225,329
Allowance for doubtful accounts	(125,041)	(125,041)
Other accounts receivable	228,510	228,510
Prepaid expenses	165,355	165,355
Short-term notes receivable (Note 5)	<u>5,575</u>	<u>5,575</u>
Total current assets	<u>3,576,781</u>	<u>3,576,781</u>
Restricted assets:		
Restricted cash (Note 3)	<u>7,332,976</u>	<u>7,332,976</u>
Capital assets (Note 6):		
Land	3,507,845	3,507,845
Buildings	39,089,114	39,089,114
Furniture and equipment	346,773	346,773
Construction in progress	1,555,228	1,555,228
Accumulated depreciation	<u>(20,460,504)</u>	<u>(20,460,504)</u>
Total capital assets	<u>24,038,456</u>	<u>24,038,456</u>
Other noncurrent assets:		
Long-term notes receivable (Note 5)	<u>3,894,909</u>	<u>3,894,909</u>
Total assets	<u>\$ 38,843,122</u>	<u>\$ 38,843,122</u>

HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

(Continued)

	Business-type Activities	Total
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 360,420	\$ 360,420
Due to other agencies	134,978	134,978
Accrued salaries and related costs	63,065	63,065
Other current liabilities	336,319	336,319
Deferred revenue (Note 8)	193,776	193,776
Current portion of compensated absences (Note 9)	48,483	48,483
Current portion of long-term debt (Note 7)	458,896	458,896
Total current liabilities	1,595,937	1,595,937
Payable from restricted assets:		
Tenant security deposits	199,867	199,867
Family self sufficiency escrows	437,391	437,391
Total payable from restricted assets	637,258	637,258
Other noncurrent liabilities:		
Long-term portion of compensated absences (Note 9)	145,442	145,442
Long-term debt (Note 7)	4,954,386	4,954,386
Deferred interest due on long-term debt (Note 7)	786,747	786,747
Total noncurrent liabilities	5,886,575	5,886,575
 Total liabilities	 8,119,770	 8,119,770
<u>NET ASSETS</u> (Note 10)		
Investment in capital assets, net of related debt	17,838,427	17,838,427
Restricted net assets	9,883,350	9,883,350
Unrestricted net assets	3,001,575	3,001,575
 Total net assets	 30,723,352	 30,723,352
 Total liabilities and net assets	 \$ 38,843,122	 \$ 38,843,122

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, 2008**

<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	\$ 25,435,333	\$ 102,553	\$ 27,582,808	\$ -	\$ 2,250,028
Public Housing	4,224,831	1,914,250	1,618,609	-	(691,972)
Shelter Plus Care Program	1,244,874	2,600	1,390,569	-	148,295
Public Housing Capital Fund Grant	333,107	-	333,107	795,202	795,202
Housing Opportunities for Persons with AIDS	284,479	760	287,259	-	3,540
Community Development Block Grant Public Housing	133,778	4,350	160,989	-	31,561
Family Self-Sufficiency under ROSS	156,018	-	156,018	-	-
Resident Opportunity and Supportive Services - Elderly	85,055	-	85,055	-	-
Disaster Housing Assistance Program	18,843	-	23,029	-	4,186
State and local programs:					
HCD projects	381,947	178,478	15,448	-	(188,021)
Revolving loan programs	4,245	176,335	-	-	172,090
Other programs	519,769	165,377	343,809	-	(10,583)
Central Office Cost Center	1,413,761	9,396	-	-	(1,404,365)
Blended Component Units:					
MCHDFC	186,636	44,739	122,403	-	(19,494)
MHDC	319,400	306,271	-	-	(13,129)
Total business-type activities	<u>34,742,076</u>	<u>2,905,109</u>	<u>32,119,103</u>	<u>795,202</u>	<u>1,077,338</u>
Total primary government	<u>\$ 34,742,076</u>	<u>\$ 2,905,109</u>	<u>\$ 32,119,103</u>	<u>\$ 795,202</u>	<u>1,077,338</u>
General revenues:					
Unrestricted interest					<u>64,679</u>
Total general revenues and special items					<u>64,679</u>
Change in net assets					1,142,017
Net assets - beginning of the year					<u>29,581,335</u>
Net assets - end of the year					<u>\$ 30,723,352</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, 2008
(With comparative totals for 2007)

<u>ASSETS</u>	<u>Housing</u>	<u>2007 Totals</u>
Current assets:		
Cash and investments (Note 2)	\$ 2,505,891	\$ 2,819,108
Due from other funds (Note 4)	6,036,987	818,077
Due from other agencies	571,162	334,986
Tenant accounts receivable	225,329	196,886
Allowance for doubtful accounts	(125,041)	(130,075)
Other accounts receivable	228,510	136,285
Prepaid expenses	165,355	247,708
Short-term notes receivable (Note 5)	<u>134,856</u>	<u>131,994</u>
Total current assets	<u>9,743,049</u>	<u>4,554,969</u>
Restricted assets:		
Restricted cash (Note 3)	<u>7,332,976</u>	<u>5,668,730</u>
Capital assets (Note 6):		
Land	3,507,845	3,507,845
Buildings	39,089,114	39,022,243
Furniture and equipment	346,773	400,660
Construction in progress	1,555,228	760,026
Accumulated depreciation	<u>(20,460,504)</u>	<u>(19,261,215)</u>
Total capital assets	<u>24,038,456</u>	<u>24,429,559</u>
Other noncurrent assets:		
Long-term notes receivable (Note 5)	<u>3,894,909</u>	<u>3,992,658</u>
Total assets	<u>\$ 45,009,390</u>	<u>\$ 38,645,916</u>

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2008**

(With comparative totals for 2007)
(Continued)

	Housing	2007 Totals
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 360,420	\$ 254,112
Due to other funds (Note 4)	6,036,987	818,077
Due to other agencies	134,978	117,689
Accrued salaries and related costs	63,065	195,451
Other current liabilities	336,319	293,250
Deferred revenue (Note 8)	193,776	127,206
Current portion of compensated absences (Note 9)	48,483	41,871
Current portion of long-term debt (Note 7)	588,177	362,319
Total current liabilities	7,762,205	2,209,975
Payable from restricted assets:		
Tenant security deposits	199,867	238,800
Family self sufficiency escrows	437,391	541,444
Total payable from restricted assets	637,258	780,244
Other noncurrent liabilities:		
Long-term portion of compensated absences (Note 9)	145,442	125,618
Long-term debt (Note 7)	4,954,386	5,223,532
Deferred interest on long-term debt (Note 7)	786,747	725,212
Total noncurrent liabilities	5,886,575	6,074,362
 Total liabilities	 14,286,038	 9,064,581
 <u>NET ASSETS</u> (Note 10)		
Investment in capital assets, net of debt	17,838,427	18,247,777
Restricted net assets	9,883,350	8,346,472
Unrestricted net assets	3,001,575	2,987,086
Total net assets	30,723,352	29,581,335
Total liabilities and net assets	\$ 45,009,390	\$ 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, 2008
(With comparative totals for 2007)

	<u>Housing</u>	<u>2007 Totals</u>
Operating revenue:		
Rents	\$ 2,350,375	\$ 2,318,770
Other	<u>1,530,031</u>	<u>1,491,444</u>
Total operating revenue	<u>3,880,406</u>	<u>3,810,214</u>
Operating expenses:		
Administration	5,729,860	5,079,994
Tenant services	159,643	138,988
Utilities	979,718	913,605
Maintenance	1,962,839	2,014,160
General	464,363	459,040
Housing assistance payments	25,381,565	24,955,702
Depreciation (Note 6)	<u>1,228,464</u>	<u>1,222,739</u>
Total operating expenses	<u>35,906,452</u>	<u>34,784,228</u>
Operating income (loss)	(32,026,046)	(30,974,014)
Nonoperating revenue (expenses):		
Grants:		
Federal	31,186,889	30,372,289
State and local	932,214	1,022,328
Private-	139,918	90,278
Interest - unrestricted	64,679	128,263
Interest - restricted	94,315	74,070
Interest - mortgage loans	167,741	117,581
Gain on sale of fixed assets	-	102,209
Interest expense (Note 7)	<u>(212,895)</u>	<u>(190,520)</u>
Net income (loss) before contributions	346,815	742,484
Capital contributions	<u>795,202</u>	<u>548,994</u>
Change in net assets	<u>1,142,017</u>	<u>1,291,478</u>
Net assets - beginning of year, as originally stated	29,581,335	27,817,192
Prior period adjustment	<u>-</u>	<u>472,665</u>
Net assets - beginning of year, as restated	<u>29,581,335</u>	<u>28,289,857</u>
Net assets - end of year	<u>\$ 30,723,352</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, 2008
(With comparative totals for 2007)

	<u>Housing</u>	<u>2007 Totals</u>
Cash flows from operating activities:		
Tenant receipts	\$ 2,121,720	\$ 2,127,876
Other receipts	224,734	127,995
Payroll and benefit expenditures	(4,710,030)	(4,082,954)
Administration expenditures	(1,168,460)	(683,701)
Tenant services expenditures	(11,130)	(17,296)
Utilities expenditures	(979,718)	(913,605)
Maintenance expenditures	(900,092)	(1,079,517)
General expenditures	(296,058)	(558,629)
Housing assistance payment expenditures	<u>(25,343,206)</u>	<u>(24,870,199)</u>
Net cash used by operating activities	<u>(31,062,240)</u>	<u>(29,950,030)</u>
Cash flows from noncapital financing activities:		
Operating grants received	32,186,815	31,842,487
Repayment of notes receivable	426,566	254,596
Interest received on notes receivable	140,854	116,138
Deposits held on behalf of another entity	(47,500)	33,500
Notes receivable issued	<u>(241,385)</u>	<u>(220,710)</u>
Net cash provided by noncapital financing activities	<u>32,465,350</u>	<u>32,026,011</u>
Cash flows from capital financing activities:		
Grants received to acquire capital assets	795,202	548,994
Debt issued (refinanced)	101,468	217,000
Proceeds from sale of real property	-	219,526
Acquisition of capital assets	(835,727)	(889,954)
Principal paid on debt	(144,756)	(178,371)
Interest paid on debt	<u>(151,360)</u>	<u>(128,985)</u>
Net cash used by capital financing activities	<u>(235,173)</u>	<u>(211,790)</u>
Cash flows from investing activities:		
Interest receipts	64,680	128,263
Interest on restricted cash	118,412	100,904
Interest returned to granting agency	<u>-</u>	<u>(40,324)</u>
Net cash provided by investing activities	<u>183,092</u>	<u>188,843</u>
Net increase to cash	<u>1,351,029</u>	<u>2,053,034</u>
Cash at beginning of year, as originally stated	8,487,838	5,757,432
Prior period adjustment	<u>-</u>	<u>677,372</u>
Cash beginning of year, restated	<u>8,487,838</u>	<u>6,434,804</u>
Cash at end of year	<u>\$ 9,838,867</u>	<u>\$ 8,487,838</u>

HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(With comparative totals for 2007)
(Continued)

	<u>Housing</u>	<u>2007 Totals</u>
Cash and cash	\$ 2,505,891	\$ 2,819,108
Restricted cash	<u>7,332,976</u>	<u>5,668,730</u>
Total cash at year end	<u>\$ 9,838,867</u>	<u>\$ 8,487,838</u>
 Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (32,026,046)	\$ (30,974,014)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,228,464	1,222,739
Bad debt written off	225	1,188
(Increase) Decrease in:		
Tenants accounts receivable	(33,477)	(32,526)
Due from other agencies	(103,537)	14,625
Other receivable	(65,338)	(38,498)
Prepaid expenses	82,353	(107,034)
Increase (Decrease) in:		
Accounts payable	104,673	26,048
Accrued payroll	(132,385)	49,318
Compensated absences	26,436	15,415
Due to other governments	(1,473)	(43,094)
Other current liabilities	50	-
Tenant security deposits	(38,933)	(2,047)
Deferred revenues	801	6,795
FSS escrows	<u>(104,053)</u>	<u>(88,945)</u>
Net cash used by operating activities	<u>\$ (31,062,240)</u>	<u>\$ (29,950,030)</u>

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, 2008

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, pursuant to the State of California's Health and Safety Code, on January 26, 1942, by a resolution of the Marin County Board of Supervisors.

The Authority is a legally separate Agency, maintaining separate accounting records, data processing systems, staff, administration facilities, and pension plan. It is the Authority's opinion that the Authority should not be considered a blended component unit of the County of Marin due to the fact that, even though they share some members, the members of the two boards are different.

(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.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(Continued)

Note 1 (continued)

(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 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. Beginning January 1, 2008, the Authority considers all the activity of the Authority to be housing related and therefore, considers all the financial activity of the Authority to be one major fund titled Housing. As such, the Authority has no non-major funds.

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.

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

(Continued)

Note 1 (continued)

(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 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.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(Continued)

Note 1 (continued)

(G) Interfund Activity

Short-term amounts owed between funds are classified as “Due to/from other funds”. Interfund loans are included in “Short-term notes receivable” and “Current portion of long-term debt”. For the purposes of the Authority-Wide Statement of Net Assets, these interfund balances, totaling \$6,166,268, have been eliminated. See also Note 4.

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 below was charged a fee for services. The fees were not charged to the various programs based on a consistent methodology. Some programs were charged a per unit fee, others were charged based on a percentage of their budget, while other programs were charged nothing. These management fees, totaling \$1,253,611, have been eliminated from the Authority-Wide Statement of Activities. The expenses charged to each program are as follows:

Housing Choice Voucher	\$ 650,148
Public Housing	265,508
Shelter Plus Care	137,104
CDBG Administration	27,612
HOPWA	2,780
RHCP - Isabel Cook	10,812
HCD - Fairfax Vest Pocket	9,060
Revolving Loan Funds	975
Other State and Local programs	73,646
MCHDFC	31,290
MHDC	44,676
	\$ 1,253,611

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 \$123,660, with revenue of \$6,790 recorded in the Fairfax Vest Pocket Enterprise Fund, \$10,076 in the Rental Assistance Program Enterprise Fund, \$32,016 in MCHDFC, and \$74,778 in MHDC. For the purpose of the Authority-wide Statement of Activities, this interfund revenue and expense has been eliminated.

Interfund operating transfers of \$1,055 were made from the Central Office Enterprise Fund to the Public Housing Enterprise Fund. For the purpose of the Authority-wide Statement of Activities, this interfund transfer has been eliminated.

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

(Continued)

Note 1 (continued)

(H) Payment in Lieu of Taxes (PILOT)

In connection with the Public Housing Program, the Authority is obligated to make annual payments in lieu of property taxes based on the lesser of real property taxes or 10% of the dwelling rents, net of utility expense. During the current fiscal year, the Authority expensed the real property taxes of \$56,663 as PILOT. This calculation excluded the Marin City Public Housing property. The amount is reported as *Due to Other Agencies*.

(I) 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.

(J) 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 as nonoperating revenue and expenses.

(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, 2008

(Continued)

Note 2 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2008, are classified in the accompanying financial statements as follows:

Cash and investments	\$ 2,505,891
Restricted cash	<u>7,332,976</u>
Total cash and investments	<u>\$ 9,838,867</u>

Cash and investments as of December 31, 2008, consist of the following:

Cash on hand	\$ 300
Deposits with financial institutions	1,422,202
Investments	<u>8,416,365</u>
Total cash and investments	<u>\$ 9,838,867</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
DECEMBER 31, 2008**

(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	\$ 3,827,246	45.5%
Public Housing	98,571	1.2
RHCP - Isabel Cook	201,145	2.4
FHDP - Fairfax Vest Pocket	214,396	2.5
Local Fund	814,162	9.7
Revolving Loan Programs	2,340,132	27.8
Rebate to Marin Renter	272,529	3.2
MCHDFC	648,085	7.7
MHDC	<u>99</u>	0.0
Total investments	<u>\$ 8,416,365</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).

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(Continued)

Note 2 (continued)

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 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	\$ 250,000
Demand deposits with WestAmerica Bank, in excess of the amount insured but covered by the depository agreement	1,172,202
Investments in LAIF	<u>8,416,365</u>
Total deposits	<u>\$ 9,838,567</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, 2008, an account was maintained in the name of the Housing Authority of the County of Marin for \$8,373,577. The total cost value of investment in LAIF was \$8,373,577. The total fair value of investments in LAIF was \$8,398,810. The fair value total includes an unrealized gain on investments of \$25,233. The unrealized gain was based on a fair value adjustment factor of 1.003013411 that was calculated by the State of California Treasurer’s Office. Of the \$8,373,577 invested in LAIF, \$8,416,365 is recorded as assets of the Authority. The difference includes \$42,788 of interest receivable as of December 31, 2008, shown as investments.

LAIF is a part of the State of California Pooled Money Investment Account (PMIA). At December 31, 2008, the fair value of the State of California Pooled Money Investment Account (PMIA), including accrued interest, was \$63,610,592,461. The PMIA portfolio had securities in the form of structured notes totaling \$6,555,846,000 and asset-backed securities totaling \$1,625,227,000. 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.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(Continued)

Note 2 (continued)

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 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:

Offset by restricted net assets (Note 10):	
Held by the Authority for Excess HAP	\$ 3,950,336
Held by the Authority for RHCP project replacement	210,985
Held by the Authority for FHDP project replacement and operations	214,396
Held by the Authority for CDBG revolving loan program	1,932,513
Held by the Authority for other revolving loan programs	388,686
Offset by payable from restricted assets:	
Held by the Authority for tenant security deposits	198,669
Held by the Authority on behalf of FSS program participants	<u>437,391</u>
Total restricted cash	<u>\$ 7,332,976</u>

The funds held for FHDP project replacement and operations, FSS escrows and portions of the funds held for excess HAP and the RHCP and CDBG programs are invested in the State of California Local Agency Investment Fund. The interest rate as of December 31, 2008, was 2.54% per annum. The remainder of the excess HAP, CDBG and RHCP program funds, and the tenant security deposit funds are maintained in checking accounts. The CDBG and tenant security deposit checking accounts earned interest at a rate of 0.05% and 0.4%, respectively, as of December 31, 2008. The other checking accounts 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. 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).

As of December 31, 2008, restricted net assets for excess HAP totaled \$4,074,991. The restricted cash noted above is in deficit of the amount of restricted net assets by \$124,655.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2008**

(Continued)

Note 4 - INTERFUND BALANCES

Interfund balances are as follows:

	<u>Due From</u>	<u>Due To</u>
Public Housing	\$ 494,108	\$ 729,332
Capital Fund	-	249,493
Housing Choice Voucher	1,990,163	1,187,328
Disaster HAP	14,348	-
Shelter Plus Care	329,233	274,709
HOPWA	14,802	11,592
ROSS - Elderly	-	16,363
ROSS - Family	-	627
CDBG	49,228	55,931
HCD Housing	-	245,120
Loan Programs	156,386	241,094
Central Office	2,479,549	2,556,196
Other State and Local	330,113	266,587
MCHDFC	179,057	121,467
MHDC	-	81,148
	<u>\$ 6,036,987</u>	<u>\$ 6,036,987</u>
	<u>Current Note</u>	<u>Current Note</u>
	<u>Receivable</u>	<u>Payable</u>
Local Fund	\$ 129,281	\$ -
MHDC	-	129,281
	<u>\$ 129,281</u>	<u>\$ 129,281</u>

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(Continued)

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>12/31/07</u>	<u>Loans</u> <u>Issued</u>	<u>Loans</u> <u>Repaid</u>	<u>Loans</u> <u>Forgiven</u>	<u>Balance</u> <u>12/31/08</u>
Short-term loans:					
Employee loans	\$ 2,713	\$ 6,780	\$ (3,918)	\$ -	\$ 5,575
Long-term loans:					
CDBG Rehabilitation	3,543,113	263,907	(397,245)	-	3,409,775
Storm Damage Assistance	227,602	-	(13,881)	-	213,721
Gates Cooperative	118,920	-	-	-	118,920
American Dream Downpayment	-	63,580	-	-	63,580
Down Payment Assistance	57,800	-	(10,000)	-	47,800
Double Unit Opportunity	32,495	-	-	-	32,495
Rental Deposit Guarantee	<u>12,728</u>	<u>1,555</u>	<u>(5,440)</u>	<u>(225)</u>	<u>8,618</u>
Total long-term notes	<u>3,992,658</u>	<u>329,042</u>	<u>(426,566)</u>	<u>(225)</u>	<u>3,894,909</u>
Interfund loan - short-term:					
MHDC owes Local Fund	<u>129,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,281</u>
Total notes receivable	<u>\$ 4,124,652</u>	<u>\$ 335,822</u>	<u>\$(430,484)</u>	<u>\$ (225)</u>	<u>\$ 4,029,765</u>

The CDBG, Storm Damage, Gates Cooperative, and Double Unit Opportunity notes were issued to homeowners to aid in unit rehabilitation and are secured by recorded deeds of trust. The Down Payment Assistance and American Dream Downpayment Initiative 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 were for a variety of reasons. The majority of the loans were executed to recover payroll processing errors discovered during the current fiscal year. These loans 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 loans. The entire net assets of the program have been restricted (see also Note 10). Annually, the County of Marin provides separate CDBG funding for the administration of this program.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(Continued)

Note 5 (continued)

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 10). As of December 31, 2008, no loans have been made from the Braun Silent Second Program.

The funds for the American Dream Downpayment Initiative loans were granted to the Authority by the County of Marin. These funds appear to be Federal HOME Investment Partnership Program funds passed thru the County from the State. Although the Authority has issued loans in the amount of \$63,580 as of December 31, 2008, no funds have been received from the County as of the date of this report. Therefore, the expenditure of these funds has not been reported on the Schedule of Expenditures of Federal Awards.

See Note 7 for a description of the interfund loan. This loan is considered to be short-term and has been eliminated from the Authority-Wide Statement of Net Assets.

Note 6 - CAPITAL ASSETS

The following is a summary of the Authority's changes in capital assets for the fiscal year ended December 31, 2008.

	Balance <u>12/31/07</u>	Additions	Deletions	Balance <u>12/31/08</u>
Public Housing Program	\$ 34,211,777	\$ 795,203	\$ (29,175)	\$ 34,977,805
Section 8 Programs	75,226	14,990	-	90,216
Rental Housing Construction	1,390,479	-	-	1,390,479
Family Hsg Demonstration	2,559,523	-	-	2,559,523
Mill Valley Condos	281,445	-	-	281,445
Local/Central Office	1,904,529	27,168	-	1,931,697
Other	45,755	-	-	45,755
Blended component units:				
MCHDFC	1,224,062	-	-	1,224,062
MHDC	<u>1,997,978</u>	<u>-</u>	<u>-</u>	<u>1,997,978</u>
	<u>\$ 43,690,774</u>	<u>\$ 837,361</u>	<u>\$ (29,175)</u>	<u>\$ 44,498,960</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.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(Continued)

Note 6 (continued)

The following is a summary of the Authority's changes in depreciation for the fiscal year ended December 31, 2008:

	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/08</u>
Public Housing Program	\$ 15,223,419	\$ 960,149	\$ (29,175)	\$ 16,154,393
Section 8 Programs	47,465	17,002	-	64,467
Rental Housing Construction	1,131,564	39,682	-	1,171,246
Family Hsg Demonstration	599,860	59,722	-	659,582
Mill Valley Condos	6,420	7,343	-	13,763
Local/Central Office	463,906	56,368	-	520,274
Other	38,474	4,970	-	43,444
MCHDFC	875,393	36,294	-	911,687
MHDC	874,714	46,934	-	921,648
	<u>\$ 19,261,215</u>	<u>\$ 1,228,464</u>	<u>\$ (29,175)</u>	<u>\$ 20,460,504</u>

The following is a summary of the Authority's capital assets by major class for the fiscal year ended December 31, 2008.

	<u>Historical</u> <u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u>
Land	\$ 3,507,845	\$ -	\$ 3,507,845
Buildings	39,089,114	(20,187,692)	18,901,422
Dwelling equipment	10,000	(10,000)	-
Office equipment	336,773	(262,812)	73,961
Construction in progress	1,555,228	-	1,555,228
	<u>\$ 44,498,960</u>	<u>\$ (20,460,504)</u>	<u>\$ 24,038,456</u>

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(Continued)

Note 7 - LONG-TERM DEBT

Following is a summary of changes in long-term debt for the year ended December 31, 2008:

	Balance <u>12/31/07</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/08</u>	Short <u>Term</u>
Notes Payable - HCD	\$ 2,861,319	\$ -	\$ -	\$ 2,861,319	\$ -
Mortgages:					
Office bldg	1,021,412	-	(25,747)	995,665	27,171
Mill Valley Condos	31,534	-	(19,984)	11,550	11,550
MCHDFC - Bradley	79,204	-	(37,403)	41,801	37,231
MHDC - Sundance	1,095,521	101,468	(31,775)	1,165,214	45,211
Co of Marin	217,000	-	-	217,000	217,000
MCHDFC - City of Tiburon	61,299	-	(29,847)	31,452	31,452
MHDC - Co of Marin	<u>89,281</u>	<u>-</u>	<u>-</u>	<u>89,281</u>	<u>89,281</u>
	5,456,570	101,468	(144,756)	5,413,282	458,896
MHDC due to Authority	<u>129,281</u>	<u>-</u>	<u>-</u>	<u>129,281</u>	<u>129,281</u>
	<u>\$ 5,585,851</u>	<u>\$ 101,468</u>	<u>\$ (144,756)</u>	<u>\$ 5,542,563</u>	<u>\$ 588,177</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 <u>December 31</u>	<u>Mortgages</u>		<u>Other Governments</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$ 121,163	\$ 147,510	\$ 337,733	\$ 902	\$ 607,308
2010	84,225	137,838	-	-	222,063
2011	85,149	132,260	-	-	217,409
2012	965,942	111,328	-	-	1,077,270
2013	61,605	61,370	-	-	122,975
2014-2018	376,893	237,981	-	-	614,874
2019-2023	<u>519,253</u>	<u>90,983</u>	<u>-</u>	<u>-</u>	<u>610,236</u>
	<u>\$ 2,214,230</u>	<u>\$ 919,270</u>	<u>\$ 337,733</u>	<u>\$ 902</u>	<u>\$ 3,472,135</u>

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, 2008. Total interest accrued on this loan as of December 31, 2008 is \$786,747. This amount has been reported as an "other noncurrent liability".

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(Continued)

Note 7 (continued)

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. The note currently 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 at that time. Interest expense of \$68,700 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 \$1,734 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 loan was retired on July 10, 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.

MCHDFC and MHDC are blended component units of the Authority. 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 \$2,507 was accrued and paid on this loan.

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 \$5,324 was incurred and paid on this loan.

MHDC

The MHDC mortgage is payable to WestAmerica Bank and is secured by property in the City of San Rafael, known as Sundance Apartments. During 2008, the Authority refinanced the mortgage secured by this property with the same lender. The loan was refinanced for \$1,165,214, this is \$101,468 more than was owed on the expiring loan. The new loan, dated October 6, 2008, is amortized over 15 years, due October 1, 2023, requires monthly payments of \$10,248, and earns an initial interest rate of 6.6% per annum. No principal payments had been made on the new loan as of December 31, 2008. Effective November 1, 2013, the interest

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(Continued)

Note 7 (continued)

rate will be adjusted to a fixed rate based on the average yield on the U.S. Treasury Securities, adjusted to a constant maturity of five years plus 3.75%. The minimum interest rate for this loan will be 6.6% per annum. 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%. MHDC will incur a prepayment penalty if this loan is retired prior to October 6, 2013. Interest of \$73,095 was incurred and paid during the year on the both loans.

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, 2007. On October 11, 2007, 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.

Note 8 - DEFERRED REVENUE

Deferred revenue consists of prepaid rents of \$18,430; receipts from various municipalities for the Below Market Rate Program, totaling \$75,346, to be reported as revenue in 2009; funds received from the County of Marin in the amount of \$25,000, to be reported as revenue of its Assistline program in 2009; and funds received from the Marin Community Foundation of \$75,000, to be support emergency family needs during 2009.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(Continued)

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 \$197,854 as of December 31, 2008. Of this amount, \$193,925 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, \$48,483 of the \$193,925 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)	\$ 24,038,456
Long-term debt , net of interfund (Note 7)	(5,413,282)
Accrued interest on long-term debt (Note 7)	<u>(786,747)</u>
Investment in capital assets, net of related debt	<u>\$ 17,838,427</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. The Authority has reported the following as restricted net assets:

Excess HAP funding	\$ 4,074,991
Replacement reserves:	
RHCP - 80-RHC-031	210,985
FHDP - 93-FHDP-011	123,873
Operating reserves - FHDP - 93-FHDP-011	90,523
Revolving loan program funds:	
CDBG	4,910,168
Down Payment Assistance Program	51,931
Gates Cooperative	187,331
Braun Silent Second	<u>233,548</u>
Restricted net assets	<u>\$ 9,883,350</u>

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(Continued)

Note 10 (continued)

On January 11, 2006, HUD issued *Notice PIH 2006-03*. 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 was 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 four 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
Balance as of December 31, 2007	\$ 2,726,440
Excess HAP funding for the current year	1,255,572
Interest earned on excess funding	74,595
Fraud, FSS forfeiture, and other income	18,384
Balance as of December 31, 2008	\$ 4,074,991

In May 2009, HUD advised all housing authorities of the calendar year 2009 HAP renewal funding. Within this calculation, HUD assessed the amount of excess HAP funding held by housing authorities. A portion of this excess HAP funding will be recaptured during 2009 from most housing authorities. The Authority's 2009 funding will be reduced by \$1,981,340. The Authority will make up this reduction in funding by spending the excess HAP funds accumulated over the past years.

The excess HAP funds were not fully funded, see also Note 3. 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, 2008, \$3,576,496 of the above \$5,382,978 restricted net assets have been loaned to homeowners within the County.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(Continued)

Note 10 (continued)

C. Deficit Unrestricted Net Assets

The following funds have a deficit unrestricted net asset balance as of December 31, 2008:

	<u>2008</u>	<u>2007</u>
Public Housing	\$ 22,601	\$ 33,013
Isabel Cook (RHCP)	129,003	86,456
Fairfax Vest Pocket (FHDP)	165,291	140,964
Mortgage Credit Certificates	38,914	37,235
MHDC	109,266	304,434
Central Office	134,392	surplus

Note 11 - 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 6.921% for the first six months of the fiscal year and decreased to 6.716% of annual covered payroll beginning July 1, 2008. The rate is expected to increase slightly to 6.825% beginning July 1, 2009 and is projected to be 6.5% beginning

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

(Continued)

Note 11 (continued)

July 1, 2010. 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, 2007, the Side Fund had a value of \$186,208, 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 2 years.

C. Annual Pension Cost

For the fiscal year ended December 31, 2008, the Authority's annual pension cost of \$216,138 for PERS was equal to the Authority's required and actual contributions. The Authority made payments to PERS totaling \$432,156. This \$432,156 consisted of \$216,138 employer required contributions, \$131,843 employee required contributions made by the Authority on their behalf, \$83,953 employee required contributions made by the employees, and \$222 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 17 out of 27 (63%) pay periods for the fiscal year. When payment was late, the time ranged from nineteen to one hundred twenty-one days after close of the service period.

The required contribution for the fiscal year ended December 31, 2008, was determined as part of the June 30, 2005 (for the first six months of the fiscal year) and June 30, 2006 (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, 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 assumptions used during the June 30, 2006 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.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(Continued)

Note 11 (continued)

D. Three-Year Trend Information for PERS

Fiscal Year <u>Ended</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/05	\$ 192,098	100%	\$ 0
12/31/06	209,152	100%	0
12/31/07	211,524	100%	0

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:						
6/30/05	\$2,891,460,651	\$2,588,713,000	\$ 302,747,651	89.5%	\$ 755,046,679	40.1%
6/30/06	2,754,396,608	2,492,266,176	262,170,432	90.5%	699,897,835	37.5%
6/30/07	2,611,746,790	2,391,434,447	220,312,343	91.6%	665,522,859	33.1%

Note 12 - 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, 2008, 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, 2007 and 2008, is as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Total assets	\$ 23,509,064	\$ 20,827,232
Total liabilities	<u>(11,901,569)</u>	<u>(11,838,302)</u>
Total net assets	<u>\$ 11,607,495</u>	<u>\$ 8,988,930</u>
Total revenues	\$ 5,766,523	\$ 5,886,727
Total expenses	<u>(3,147,958)</u>	<u>(6,539,612)</u>
Net change in net assets	<u>\$ 2,618,565</u>	<u>\$ (652,885)</u>

CHWCA had no long-term debt outstanding at December 31, 2008. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated. The Authority's

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(Continued)

Note 12 (continued)

annual premium is based on covered payroll. Premium paid for the calendar year ended December 31, 2008 was \$189,951. This is a slight increase 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.

Note 13 - 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, 2008, 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 \$266,000 during the fiscal year ended December 31, 2008. 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. At the annual CHARMA Board of Directors meeting, held March 2009, the Directors discussed the dissolution of CHARMA effective May 31, 2010. CHARMA will cease to provide its members with insurance as of May 31, 2009.

Condensed audited financial information for the year ended May 31, 2007 and 2008, are as follows:

	<u>May 31, 2008</u>	<u>May 31, 2007</u>
Total assets	\$ 6,818,736	\$ 5,982,160
Total liabilities	<u>(1,041,290)</u>	<u>(862,486)</u>
Retained earnings	<u>\$ 5,777,446</u>	<u>\$ 5,119,674</u>
Total revenues	\$ 3,340,975	\$ 3,504,525
Total expenses	<u>(2,683,203)</u>	<u>(2,559,432)</u>
Net increase (decrease) in retained earnings	<u>\$ 657,772</u>	<u>\$ 945,093</u>

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

(Continued)

Note 13 (continued)

CHARMA has no long term debt outstanding at May 31, 2008. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated.

The Authorities obtained insurance coverage beginning June 1, 2009, through the Housing Authorities Risk Retention Pool (HARRP). It is the Authority's opinion that the HARRP insurance coverage is comparable to the CHARMA coverage. The premium payments for the remainder of 2009 are approximately \$48,000.

Note 14 - 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.

B. Litigation

The Authority is involved in various matters of litigation. It is the Authority's opinion that these matters of litigation will not have a material effect, if any, on the financial position of the Authority.

SUPPLEMENTAL INFORMATION

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>Department of Homeland Security</u>		
Passed through the Dept of HUD:		
Disaster Housing Assistance Program	97.109	\$ <u>18,843</u>
 <u>Department of Housing and Urban Development (HUD)</u>		
Direct Programs:		
Shelter Plus Care	14.238	<u>802,484</u>
Public and Indian Housing	14.850	<u>1,618,609</u> *
Housing Choice Voucher Program	14.871	<u>26,207,130</u> *
Public Housing Capital Fund	14.872	<u>1,128,309</u> *
Resident Opportunities and Supportive Services - Elderly and Persons with Disabilities	14.876	<u>85,055</u>
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Housing	14.877	<u>156,018</u>
Passed through the County of Marin:		
Community Development Block Grant Rehabilitation Loan Program Administration		160,989
Housing Search Specialist		<u>15,128</u>
Total CDBG through the County of Marin	14.218	<u>176,117</u>
Housing Opportunities for Persons with AIDS	14.241	<u>287,259</u>
Passed through CAHI		
Housing Choice Voucher Program	14.871	<u>122,403</u>
Total HUD expenditures		<u>30,583,384</u>
Total federal expenditures		<u>\$ 30,602,227</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, 2008**

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, 2008.
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	\$ 26,209,141	\$ 18,843
Less depreciation	(17,001)	-
Plus capital additions	14,990	-
Total expenditures of federal awards	\$ 26,207,130	\$ 18,843

4. Expenditures for the Public Housing Capital Fund, 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 consist of the revenue earned for reimbursement of qualified expenditures.
7. The amounts of Housing Choice Voucher Program funds shown passed through from CAHI are HAP funds received by MCHDFC for rents at Bradley House. Each of the units are subsidized by project based vouchers funded through this agency.
8. The Authority issued \$63,580 in first-time homebuyer loans under a contract with the County of Marin. The agreement with the County grants Federal HOME Investment Partnerships Program funds to the Authority to loan to low-income, first-time homebuyers. As of the date of this report, these funds have not been reimbursed by the County. Since reimbursement appears to be uncertain, no expenditures of Federal HOME funds were noted on the previous schedule.

HOUSING AUTHORITY OF THE COUNTY OF MARIN

**STATEMENT OF COMPLETED CAPITAL FUND PROJECT
ANNUAL CONTRIBUTION CONTACT SF-258
DECEMBER 31, 2008**

CA39P052501-05

Funds approved	\$ 1,165,161
Funds expended	<u>1,165,161</u>
Excess of funds approved	<u><u>\$ -</u></u>
Funds advanced	\$ 1,165,161
Funds expended	<u>1,165,161</u>
Excess of funds expended	<u><u>\$ -</u></u>

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

Harn & Dolan

Certified Public Accountants

2423 Stirrup Court

Walnut Creek, California 94596-6526

(925) 280-1693 Fax (925) 938-4829

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 and the major fund of the Housing Authority of the County of Marin, California, as of and for the year ended December 31, 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 28, 2009. 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.

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.

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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 28, 2009.

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.

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

September 28, 2009

Harn & Dolan

Certified Public Accountants

2423 Stirrup Court

Walnut Creek, California 94596-6526

(925) 280-1693 Fax (925) 938-4829

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, 2008. 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, 2008.

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 28, 2009

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

The previous audit report for the year ended December 31, 2007 contained the following audit findings:

II-2008-A - Tenant Accounting Systems Require Improvement

During our prior audit we noted that as of December 31, 2007, the tenant ledgers (tenant accounts receivable register and security deposit register) did 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 had been performed, the differences noted had not been corrected well into 2008. Further, it was noted that 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. These differences indicated a deficiency in internal control over the tenant accounting system.

During 2008 and 2009, the Authority took various steps to resolve these problems. The Authority used temporary staff to research errors, clean-up the subsidiary ledgers and agree them with the general ledger. Consultants were hired to assess the tenant accounting software and to identify areas in which the software needed improvement. Staff performed an assessment of the tenant accounting systems to determine where additional staff training was needed to facilitate the generation of accurate reports and ledgers. Finally, written procedures were developed to insure that postings to the tenant accounts receivable module are made accurately and consistently in the future.

The controls over the tenant accounting system appear to have improved.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2008**

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?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards

Dollar threshold used to distinguish between Type A and Type B programs	\$ 918,067
Auditee qualified as low-risk auditee?	no
Identification of major programs:	
Type A programs tested as major:	
Public and Indian Housing	14.850
Housing Choice Voucher Program	14.871
Public Housing Capital Fund	14.872
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

Section II - Financial Statement Findings

None

Section III - Compliance Findings

None