

**HOUSING AUTHORITY
OF THE COUNTY OF MARIN
(A Component Unit of the County of Marin)
BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Including Auditors' Report Thereon)**

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities and the major fund of the Housing Authority of the County of Marin, component unit of the County of Marin, California (the Authority), as of and for the year ended December 31, 2010, 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 2009 financial statements and, in our report dated September 23, 2010, we expressed unqualified opinions on the respective financial statements of the business-type activities and the major fund information.

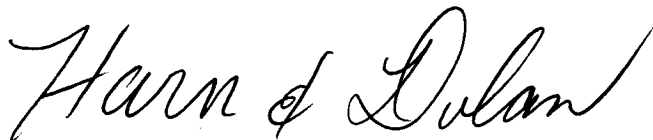
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 the major fund of the Housing Authority of the County of Marin, California, as of December 31, 2010, 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 our report dated September 16, 2011, 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 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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplemental information in accordance with accounting standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 as a whole. 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 financial statements. Also, the accompanying Financial Data Schedule is prepared for the purpose of additional analysis as required by the U.S. Department of Housing and Urban Development, Real Estate Assessment Center and is also not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and Financial Data Schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

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

September 16, 2011

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

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, 2010.

Financial Highlights

- C The assets of the Authority exceeded its liabilities at the close of the year by \$30.8 million. Of that amount, \$3.6 million was considered unrestricted net assets and may be used to meet the Authority' ongoing obligations.
- C Net assets of the Authority increased \$1.8 million. The change primarily reflects a net increase to restricted assets of \$0.8 million, an increase in capital assets, net of debt of \$0.4 million and an increase in unrestricted net assets of \$0.6 million.
- C Total expenses for all programs were \$39.4 million for the year. Revenue from all programs of \$41.4 million primarily reflects HUD grants and subsidies of \$35.2 million and rental, interest earnings and other income of approximately \$6.2 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 \$1,505,677 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 \$1,864,643 have been eliminated for this presentation.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

(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, 2010**

(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 (57.75%) 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>12/31/10</u>	<u>12/31/09</u>	<u>Variance</u>	<u>%</u>
Current Assets	\$ 5,879,636	\$ 4,481,078	\$ 1,398,558	31.21%
Restricted Assets	6,502,876	7,708,770	(1,205,894)	15.64%
Capital assets (net of depreciation)	23,652,573	23,291,949	360,624	1.55%
Notes Receivable	<u>4,101,177</u>	<u>4,184,578</u>	<u>(83,401)</u>	1.99%
Total Assets	<u>\$ 40,136,262</u>	<u>\$ 39,666,375</u>	<u>\$ 469,887</u>	1.18%
Current Liabilities	\$ 2,564,121	\$ 2,047,164	516,957	25.25%
Payable from Restricted Assets	573,668	2,656,680	(2,083,012)	78.41%
Long Term Liabilities	<u>6,206,973</u>	<u>5,975,925</u>	<u>231,048</u>	3.87%
Total Liabilities	<u>\$ 9,344,762</u>	<u>\$ 10,679,769</u>	<u>\$ (1,335,007)</u>	12.50%
Net Assets:				
Invested in Capital Assets	\$ 17,783,193	\$ 17,404,510	378,683	2.18%
Restricted net assets	9,403,055	8,565,480	837,575	9.78%
Unrestricted Net Assets	<u>3,605,252</u>	<u>3,016,616</u>	<u>588,636</u>	19.51%
Total Net Assets	<u>\$ 30,791,500</u>	<u>\$ 28,986,606</u>	<u>\$ 1,804,894</u>	6.23%

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

- C Restricted Net Assets increased by \$0.8 million primarily due to an increase in excess HAP funds. These funds can be used only for housing assistance payments to aid Housing Choice Voucher and Veterans Affairs Supportive Housing clients and only up to the number of vouchers authorized by HUD.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

(Continued)

- C At the end of the 2010 fiscal year, the Authority as a whole is able to report positive balances in all categories of Net Assets. Unrestricted net assets increased by \$588,636 (19.51%) from the prior year.

CHANGE IN UNRESTRICTED NET ASSETS

	<u>2010</u>	<u>2009</u>
Unrestricted Net Assets - beginning of the year	\$ 3,016,616	\$ 3,001,575
Net income (loss) before capital contribution	592,216	(2,325,536)
Prior period adjustment	(175,547)	-
Adjustments:		
Depreciation (1)	1,234,476	1,228,464
Book value of capital assets sold	-	201,910
Change in interest payable on long-term debt (1)	61,535	61,535
Excess HAP funding (3)	(677,971)	1,512,116
Net receipt of restricted CDBG/DPAP loan funds	(57,433)	(84,423)
Principle paid on debt	(79,594)	(374,125)
Interest on restricted funds (2)	(11,138)	(38,359)
Capital asset additions not funded by capital grants	(206,875)	(99,171)
Other revenue that is restricted (2)	(75,108)	(56,880)
Funding of reserves	<u>(15,925)</u>	<u>(14,584)</u>
Unrestricted Net Assets - end of the year	<u>\$ 3,605,252</u>	<u>\$ 3,016,616</u>

- (1) Reported as an expense and affects net income, but does not have an impact on unrestricted net assets.
(2) Reported as revenue and affects 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, 2010**

(Continued)

**Table 2
Change in Net Assets**

	<u>12/31/10</u>	<u>12/31/09</u>	<u>Variance</u>	<u>%</u>
Operating Revenue:				
Rental and other	\$ 4,135,716	\$ 2,800,156	\$ 1,335,560	47.70%
Non-Operating Revenue				
Federal grants and subsidies	35,194,509	30,658,649	4,535,860	14.79%
State and local grants	1,975,651	1,215,892	759,759	62.49%
Interest	77,999	153,185	(75,189)	49.08%
Other	<u>453</u>	<u>27,090</u>	<u>(26,637)</u>	98.33%
Total Revenues	<u>41,384,328</u>	<u>34,854,972</u>	<u>6,529,356</u>	18.73%
Operating Expenses:				
Administration	6,021,803	5,650,317	371,486	6.57%
Tenant Services	428,147	246,244	181,903	73.87%
Utilities	1,108,919	946,221	162,698	17.19%
Maintenance	1,887,251	1,951,129	(63,878)	3.27%
General	410,537	426,960	(16,423)	3.85%
Interest	203,484	212,987	(9,503)	4.46%
Housing Assistance Payments	28,109,270	25,925,302	2,183,968	8.42%
Depreciation	<u>1,234,476</u>	<u>1,232,558</u>	<u>1,918</u>	0.16%
Total Operating Expenses	<u>39,403,887</u>	<u>(36,591,718)</u>	<u>2,812,169</u>	7.69%
Net income	1,980,441	(1,736,746)	<u>3,717,187</u>	
Prior period adjustment	<u>(175,547)</u>	<u>-</u>		
Increase (decrease) in Net Assets	<u>\$ 1,804,894</u>	<u>\$ (1,736,746)</u>		

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

- Overall, the increase in net assets of \$1.8 million is primarily due to an increase in federal grants and subsidies of \$4.5 million offset by an increase in HAP expense of \$2.2 million and an increase in administration of \$0.4 million.
- Total revenue increased by \$6.5 million due to an increase in federal grants and subsidies of \$4.5 million and increase in rental and other income of \$1.3 million, of which \$1.2 million was due to the dissolution of CHARMA and the resulting one-time return of insurance premiums.
- Total expenses increased \$2.8 million primarily due to an increase in administration of \$0.4 million and a \$2.2 million increase in HAP expense.

Fund Net Assets Analysis

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

(Continued)

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 Incl. CF	Housing Choice Vouchers	HCD Projects	Revolving Loan Funds	Blended Component Units	Other Funds	Total
Net assets, beginning of year	\$ 18,423,650	\$ 3,340,679	\$ (1,638,564)	\$ 6,195,938	\$ 737,820	\$ 1,927,083	\$ 28,986,606
Prior period adjustment	<u>(70,593)</u>	<u>(78,345)</u>	<u>(3,156)</u>	<u>(175,547)</u>	<u>(5,885)</u>	<u>157,979</u>	<u>(175,547)</u>
Net assets, beginning restated	<u>18,353,057</u>	<u>3,262,334</u>	<u>(1,641,720)</u>	<u>6,020,391</u>	<u>731,935</u>	<u>2,085,062</u>	<u>28,811,059</u>
Operating income (loss)	(3,417,933)	(28,055,510)	(99,290)	(71,234)	36,023	(3,304,743)	(34,912,687)
Non-operating revenue (expenses):							
Grants	2,944,992	29,261,523	68,547	-	109,225	3,245,648	35,629,935
Interest	-	7,210	2,411	63,483	3,681	1,214	77,999
Gain on sale of capital assets	453	-	-	-	-	-	453
Debt-service interest	<u>-</u>	<u>-</u>	<u>(61,535)</u>	<u>-</u>	<u>(72,453)</u>	<u>(69,496)</u>	<u>(203,484)</u>
Net income (loss) before Contributions and transfers	(472,488)	1,213,223	(89,867)	(7,751)	76,476	(127,377)	592,216
Capital contributions	1,388,225	-	-	-	-	-	1,388,225
Operating transfer	<u>(16,001)</u>	<u>(3,314)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,315</u>	<u>-</u>
Net change in fund net assets	<u>899,736</u>	<u>1,209,909</u>	<u>(89,867)</u>	<u>(7,751)</u>	<u>76,476</u>	<u>(108,062)</u>	<u>1,980,441</u>
Net assets, end of year	<u>\$ 19,252,793</u>	<u>\$ 4,472,243</u>	<u>\$ (1,731,587)</u>	<u>\$ 6,012,640</u>	<u>\$ 808,411</u>	<u>\$ 1,977,000</u>	<u>\$ 30,791,500</u>

Table 3 demonstrates the changes in net assets by program for the year ended December 31, 2010.

- 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 Public Housing Program experienced an increase in net assets, the most notable factor being a one-time return of insurance premiums.
- C The Housing Choice Voucher Program also experienced an increase in net assets, primarily due to excess HAP funds which are restricted for future Housing Assistance Payments and a one-time return of insurance premiums.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

(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>12/31/10</u>	<u>12/31/09</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	939,448	968,520	29,072
Sundance Apartments	1,069,515	1,120,037	50,522
Line of Credit	210,000	-	-
Local Governments:			
Town of Tiburon	-	140,000	140,000
County of Marin	140,000	-	-
Marin County Redevelopment Agency	594,918	495,017	465,017
County of Marin	<u>89,281</u>	<u>89,281</u>	<u>-</u>
Total long-term debt	5,904,481	5,674,174	<u>\$ 684,611</u>
Short-term portion	<u>(1,030,058)</u>	<u>(803,949)</u>	
Long-term portion	<u>\$ 4,874,423</u>	<u>\$ 4,870,225</u>	

Economic Factors

The Housing Authority continues to be challenged with unpredictable Federal funding levels from the Department of Housing and Urban Development (HUD). Technically, Public Housing received full funding in 2010, however the Public Housing program will continue to operate at a deficit due to deficiencies in HUD formula calculations and allowable expenses.

The Authority continued to transition its reporting and budgeting practices to HUD's required Assets Management Model in 2010. 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 prolonged economic recession turns into a job-loss recovery, the Authority's portion of HAP payments will continue to increase.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

(Continued)

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

Overall operating costs continue to rise as a result of increasing HAP payments, new contractual obligations, tenant services costs, employer pension contributions, and other post employment expense (OPEB) increases. These increases are partially offset by internal systems improvements and full year reductions in insurance, janitorial and landscaping costs. 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, 94903-4173.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

<u>ASSETS</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets		
Cash and investments (Note 2)	\$ 3,211,127	\$ 3,211,127
Due from other agencies	470,562	470,562
Tenant accounts receivable	325,359	325,359
Allowance for doubtful accounts	(226,301)	(226,301)
Other accounts receivable	1,035,240	1,035,240
Prepaid expenses	179,234	179,234
Assets held for sale (Note 6)	876,693	876,693
Short-term notes receivable (Note 5)	<u>7,722</u>	<u>7,722</u>
Total current assets	<u>5,879,636</u>	<u>5,879,636</u>
Restricted assets:		
Restricted cash (Note 2 and 3)	<u>6,502,876</u>	<u>6,502,876</u>
Capital assets (Note 7):		
Land	3,471,928	3,471,928
Buildings	40,208,153	40,208,153
Furniture and equipment	447,647	447,647
Construction in progress	2,383,654	2,383,654
Accumulated depreciation	<u>(22,858,809)</u>	<u>(22,858,809)</u>
Total capital assets	<u>23,652,573</u>	<u>23,652,573</u>
Other noncurrent assets:		
Long-term notes receivable (Note 5)	<u>4,101,177</u>	<u>4,101,177</u>
Total assets	<u>\$ 40,136,262</u>	<u>\$ 40,136,262</u>

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

(Continued)

	Business-type Activities	Total
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 671,667	\$ 671,667
Due to other agencies	280,233	280,233
Accrued salaries and related costs	115,381	115,381
Other current liabilities	232,504	232,504
Deferred revenue (Note 9)	200,974	200,974
Current portion of compensated absences (Note 10)	33,304	33,304
Current portion of long-term debt (Note 8)	1,030,058	1,030,058
Total current liabilities	2,564,121	2,564,121
Payable from restricted assets:		
Tenant security deposits	201,038	201,038
Family self sufficiency escrows	372,630	372,630
Total payable from restricted assets	573,668	573,668
Other noncurrent liabilities:		
Long-term debt (Note 8)	4,874,422	4,874,422
Deferred interest due on long-term debt (Note 8)	909,817	909,817
Other Post Employment Benefit Liability (Note 13)	166,000	166,000
Loan liability (Note 5)	156,822	156,822
Long-term portion of compensated absences (Note 10)	99,912	99,912
Total noncurrent liabilities	6,206,973	6,206,973
 Total liabilities	 9,344,762	 9,344,762
<u>NET ASSETS (Note 11)</u>		
Investment in capital assets, net of related debt	17,783,193	17,783,193
Restricted net assets	9,403,055	9,403,055
Unrestricted net assets	3,605,252	3,605,252
 Total net assets	 30,791,500	 30,791,500
 Total liabilities and net assets	 \$ 40,136,262	 \$ 40,136,262

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, 2010**

<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	\$ 27,559,658	\$ 370,282	\$ 28,902,993	-	\$ 1,713,617
Public Housing	4,904,771	2,622,720	2,121,902	-	(160,149)
Shelter Plus Care Program	1,299,258	29,157	1,496,027	-	225,926
Public Housing Capital Fund Grant	237,283	-	693,539	580,770	1,037,026
Formula Capital Fund Stimulus Grant	28,004	-	28,004	739,144	739,144
Competitive Capital Fund Stimulus Grant	101,547	-	101,547	68,311	68,311
Housing Opportunities for Persons with AIDS	310,948	1,030	318,942	-	9,024
Community Development Block Grant Public Housing	143,957	3,359	183,976	-	43,378
Family Self-Sufficiency under ROSS	94,006	-	78,005	-	(16,001)
Disaster Housing Assistance Program	5,978	-	-	-	(5,978)
HUD-VA Supportive Housing Program	174,374	-	358,530	-	184,156
State and local programs:					
State HCD projects	345,013	225,143	68,547	-	(51,323)
County Homeless Prevention Program	786,869	-	814,558	-	27,689
Revolving Loan Programs	72,566	63,315	-	-	(9,251)
Other Programs	1,065,838	605,664	354,140	-	(106,034)
Central Office Cost Center	1,797,744	31,341	-	-	(1,766,403)
Blended Component Units:					
MCHDFC	165,813	74,490	109,225	-	17,902
MHDC	310,260	333,215	-	-	22,955
Total business-type activities	<u>39,403,887</u>	<u>4,359,716</u>	<u>35,629,935</u>	<u>1,388,225</u>	<u>1,973,989</u>
Total primary government	<u>\$ 39,403,887</u>	<u>\$ 4,359,716</u>	<u>\$ 35,629,935</u>	<u>\$ 1,388,225</u>	<u>1,973,989</u>
General revenues:					
Unrestricted interest					<u>6,452</u>
Total general revenues and special items					<u>6,452</u>
Change in net assets					<u>1,980,441</u>
Net assets - beginning of the year, originally stated					28,986,606
Prior period adjustment (Note 5)					<u>(175,547)</u>
Net assets - beginning of the year, restated					<u>28,811,059</u>
Net assets - end of the year					<u>\$ 30,791,500</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, 2010

(With comparative totals for 2009)

<u>ASSETS</u>	<u>Housing</u>	<u>2009 Totals</u>
Current assets:		
Cash and investments (Note 2)	\$ 3,211,127	\$ 2,536,793
Due from other funds (Note 4)	1,376,396	1,449,810
Due from other agencies	470,562	934,852
Tenant accounts receivable	325,359	234,880
Allowance for doubtful accounts	(226,301)	(146,620)
Other accounts receivable	1,035,240	136,649
Prepaid expenses	179,234	161,590
Assets held for sale (Note 6)	876,693	621,952
Short-term notes receivable (Note 5)	<u>137,003</u>	<u>130,263</u>
Total current assets	<u>7,385,313</u>	<u>6,060,169</u>
Restricted assets:		
Restricted cash (Note 2 and 3)	<u>6,502,876</u>	<u>7,708,770</u>
Capital assets (Note 7):		
Land	3,471,928	3,471,928
Buildings	40,208,153	39,564,819
Furniture and equipment	447,647	384,166
Construction in progress	2,383,654	1,512,156
Accumulated depreciation	<u>(22,858,809)</u>	<u>(21,641,120)</u>
Total capital assets	<u>23,652,573</u>	<u>23,291,949</u>
Other noncurrent assets:		
Long-term notes receivable (Note 5)	<u>4,101,177</u>	<u>4,184,578</u>
Total assets	<u>\$ 41,641,939</u>	<u>\$ 41,245,466</u>

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2010**

(With comparative totals for 2009)
(Continued)

	Housing	2009 Totals
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 671,667	\$ 383,559
Due to other funds (Note 4)	1,376,396	1,449,810
Due to other agencies	280,233	232,560
Accrued salaries and related costs	115,381	87,311
Other current liabilities	232,504	245,828
Deferred revenue (Note 9)	200,974	235,148
Current portion of compensated absences (Note 10)	33,304	58,809
Current portion of long-term debt (Note 8)	1,159,339	933,230
Total current liabilities	4,069,798	3,626,255
Payable from restricted assets:		
Deferred revenue - HUD (Note 9)	-	2,120,872
Tenant security deposits	201,038	201,360
Family self sufficiency escrows	372,630	334,448
Total payable from restricted assets	573,668	2,656,680
Other noncurrent liabilities:		
Long-term debt (Note 8)	4,874,422	4,870,225
Deferred interest on long-term debt (Note 8)	909,817	848,281
Other Post Employment Benefits Liability (Note 13)	166,000	81,000
Loan liability (Note 5)	156,822	-
Long-term portion of compensated absences (Note 10)	99,912	176,419
Total noncurrent liabilities	6,206,973	5,975,925
 Total liabilities	 10,850,439	 12,258,860
 <u>NET ASSETS</u> (Note 11)		
Investment in capital assets, net of debt	17,783,193	17,404,510
Restricted net assets	9,403,055	8,565,480
Unrestricted net assets	3,605,252	3,016,616
Total net assets	30,791,500	28,986,606
Total liabilities and net assets	\$ 41,641,939	\$ 41,245,466

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, 2010
(With comparative totals for 2009)

	<u>Housing</u>	<u>2009 Totals</u>
Operating revenue:		
Rents	\$ 2,296,494	\$ 2,374,795
Other	<u>3,703,865</u>	<u>2,546,933</u>
Total operating revenue	<u>6,000,359</u>	<u>4,921,728</u>
Operating expenses:		
Administration	7,788,207	7,468,542
Tenant services	428,147	246,243
Utilities	1,108,919	946,221
Maintenance	1,887,251	2,156,011
General	410,537	426,961
Housing assistance payments	28,207,510	26,023,767
Depreciation (Note 7)	<u>1,234,476</u>	<u>1,232,558</u>
Total operating expenses	<u>41,065,047</u>	<u>38,500,303</u>
Operating income (loss)	(35,064,688)	(33,578,575)
Nonoperating revenue (expenses):		
Grants:		
Federal	33,806,284	30,069,859
State and local	1,823,652	1,000,892
Private-	152,000	215,000
Interest - unrestricted	6,452	20,293
Interest - restricted	11,139	38,359
Interest - mortgage loans	60,408	94,533
Gain on sale of fixed assets	453	27,090
Interest expense (Note 8)	<u>(203,484)</u>	<u>(212,987)</u>
Net income (loss) before contributions	592,216	(2,325,536)
Capital contributions	<u>1,388,225</u>	<u>588,790</u>
Change in net assets	<u>1,980,441</u>	<u>(1,736,746)</u>
Net assets - beginning of year, as originally stated	28,986,606	30,723,352
Prior period adjustment (Note 5)	<u>(175,547)</u>	<u>-</u>
Net assets - beginning of year, restated	<u>28,811,059</u>	<u>30,723,352</u>
Net assets - end of year	<u>\$ 30,791,500</u>	<u>\$ 28,986,606</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, 2010
(With comparative totals for 2009)

	<u>Housing</u>	<u>2009 Totals</u>
Cash flows from operating activities:		
Tenant receipts	\$ 1,982,129	\$ 2,466,819
Other receipts	1,159,052	399,952
Payroll and benefit expenditures	(5,436,203)	(5,418,330)
Administration expenditures	(1,563,033)	(1,315,395)
Tenant services expenditures	(152,419)	(90,290)
Utilities expenditures	(1,108,919)	(946,221)
Maintenance expenditures	(896,658)	(758,683)
General expenditures	(359,248)	(248,757)
Housing assistance payment expenditures	<u>(28,070,303)</u>	<u>(26,075,420)</u>
Net cash used by operating activities	<u>(34,445,602)</u>	<u>(31,986,325)</u>
Cash flows from noncapital financing activities:		
Operating grants received	34,189,612	33,168,440
Funds returned to granting agencies	(45,216)	-
Repayment of notes receivable	304,535	359,943
Interest received on notes receivable	68,793	87,538
Related party transactions	(155,666)	-
Notes receivable issued	<u>(242,536)</u>	<u>(705,279)</u>
Net cash provided by noncapital financing activities	<u>34,119,522</u>	<u>32,910,642</u>
Cash flows from capital financing activities:		
Grants received to acquire capital assets	1,417,527	427,011
Debt issued	806,386	736,485
Proceeds from sale of assets held for sale	591,952	-
Proceeds from sale of real property	453	229,000
Acquisition of capital assets	(1,462,622)	(689,594)
Acquisition of assets held for sale	(846,693)	(621,952)
Principal paid on debt	(576,079)	(474,594)
Interest paid on debt	<u>(141,949)</u>	<u>(151,452)</u>
Net cash used by capital financing activities	<u>(211,025)</u>	<u>(546,096)</u>
Cash flows from investing activities:		
Interest receipts	6,452	20,243
Interest on restricted cash	15,867	54,687
Interest returned to granting agency	<u>(16,774)</u>	<u>(46,455)</u>
Net cash provided by investing activities	<u>5,545</u>	<u>28,475</u>
Net increase to cash	(531,560)	406,696
Cash at beginning of year	<u>10,245,563</u>	<u>9,838,867</u>
Cash at end of year	<u>\$ 9,714,003</u>	<u>\$ 10,245,563</u>

HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(With comparative totals for 2009)
(Continued)

	<u>Housing</u>	<u>2009 Totals</u>
Cash and cash	\$ 3,211,127	\$ 2,536,793
Restricted cash	<u>6,502,876</u>	<u>7,708,770</u>
Total cash at year end	<u>\$ 9,714,003</u>	<u>\$ 10,245,563</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (35,064,688)	\$ (33,578,575)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,234,476	1,232,558
Related party expenses	167,116	-
Funds returned to HUD	16,664	-
Bad debt written off	1,337	(180)
(Increase) Decrease in:		
Tenants accounts receivable	(10,798)	12,028
Due from other agencies	7,680	(8,368)
Other receivable	(739,146)	56,411
Prepaid expenses	(17,644)	3,765
Increase (Decrease) in:		
Accounts payable	(22,917)	104,117
Accrued payroll	28,070	24,246
Compensated absences	(102,012)	41,303
Due to other governments	61,015	47,615
Other current liabilities	-	(50)
Tenant security deposits	(322)	1,493
Deferred revenues	(127,615)	99,255
Other post retirement benefit	85,000	81,000
FSS escrows	<u>38,182</u>	<u>(102,943)</u>
Net cash used by operating activities	<u>\$ (34,445,602)</u>	<u>\$ (31,986,325)</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, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Housing Authority of the County of Marin (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

(A) Organization

The Housing Authority of the County of Marin (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 responsible for the development and implementation of housing programs and activities within the County of Marin. To accomplish this purpose, the Authority has entered into Annual Contributions Contracts with the U.S. Department of Housing and Urban Development (HUD) to operate assisted housing programs.

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. Although the Authority is a legally separate Agency; maintaining separate accounting records, data processing systems, staff, administration facilities, and pension plan; the fact that the governing board is the same as the County's defines the Authority as a blended component unit of the County of Marin. The Authority's financial information is therefore included as such in the Comprehensive Annual Financial Report of the County of Marin. A copy of this report may be obtained by contacting the County of Marin, Department of Finance, 3501 Civic Center Drive, San Rafael, California 94903.

(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

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

(Continued)

Note 1 (continued)

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 defines these entities as blended component units which are therefore included in the Authority's financial statements.

(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.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010**

(Continued)

Note 1 (continued)

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

PROPRIETARY FUND TYPES

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

(D) Measurement Focus/Basis of Accounting

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

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

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

(Continued)

Note 1 (continued)

(F) Capital Assets

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

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

(G) Interfund Activity

Short-term amounts owed between funds are classified as "Due to/from other funds". 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 \$1,376,396, 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. These overhead costs were fully allocated to the programs noted below using a plan which utilized a combination methodology of number of units for housing programs and the number of full-time employees for other programs. These allocated costs, totaling \$1,766,403, have been eliminated from the Authority-Wide Statement of Activities.

In addition, the Authority allocated \$189,513 of costs of the central office that had accumulated from prior years. These costs included \$94,835 of costs that had accumulated as of December 31, 2008, \$13,678 of costs associated with the fiscal year ended December 31, 2009, and \$81,000 in OPEB costs accrued for the fiscal year ended December 31, 2009. To be consistent with their cost allocation plan, these costs were allocated to all programs based on the same methodology noted above. These adjustments were recorded in each program as a prior period adjustment. When all programs are combined, the prior period adjustments eliminate themselves. Therefore, these transactions do not appear in the Authority-Wide Statement of Activities or Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010**

(Continued)

Note 1 (continued)

The expenses charged to each program are as follows:

	<u>12/31/2010</u>	<u>Prior Periods</u>
Housing Choice Voucher	\$ 580,332	\$ 78,335
Public Housing	768,595	70,593
Shelter Plus Care	122,379	15,699
CDBG Administration	40,608	5,327
HOPWA	7,045	892
RHCP - Isabel Cook	27,786	2,186
HCD - Fairfax Vest Pocket	10,815	970
Other State and Local programs	142,540	9,626
MCHDFC	22,951	2,002
MHDC	43,352	3,883
	<u>\$ 1,766,403</u>	<u>\$ 189,513</u>

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 \$98,240, with revenue of \$30,919 recorded in MCHDFC and \$67,321 in MHDC. For the purpose of the Authority-wide Statement of Activities, this interfund revenue and expense has been eliminated.

Interfund operating transfers were made between the noted Enterprise Funds as follows:

- \$ 456,256 From the Capital Fund to Public Housing to fund operating costs.
- \$ 55,397 From the Housing Choice Voucher to Local fund to fund office building improvements associated with interview areas.
- \$ 52,083 From Shelter Plus Care to Housing Choice Voucher to fund operating costs.
- \$ 16,001 From Public Housing to ROSS Family to fund operating costs.
- \$ 169 From Shelter Plus Care to HOPWA to fund operating costs.

For the purpose of the Authority-wide Statement of Activities, these interfund transfers totaling \$579,906 have been eliminated.

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

(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 has remained constant for 3 years. The amount is reported as *Due to Other Agencies*. PILOT has not been remitted to the County since 2008.

During 2009, the Authority became aware that the Cooperation Agreement with the County, signed on January 22, 1957, expired in 2002. This agreement defined the Authority's obligations to pay PILOT, defined above. Since its expiration, there is no legal basis for the payment of PILOT. The Authority did pay PILOT for a period of time after the expiration of the agreement. The Authority is obligated to seek the return of these funds. No receivable has been recorded for the possible return of these funds. The Authority has entered into discussion with legal counsel and County officials in an attempt to resolve the issue. A negotiated agreement has not yet been reached.

(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.

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

(Continued)

Note 1 (continued)

(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.

Note 2 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2010, are classified in the accompanying financial statements as follows:

Cash and investments	\$ 3,211,127
Restricted cash	<u>6,502,876</u>
Total cash and investments	<u>\$ 9,714,003</u>

Cash and investments as of December 31, 2010, consist of the following:

Cash on hand	\$ 300
Deposits with financial institutions	4,194,503
Investments	<u>5,519,200</u>
Total cash and investments	<u>\$ 9,714,003</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.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010**

(Continued)

Note 2 (continued)

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.

Concentration of Credit Risk

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

Housing Choice Voucher	\$ 2,678,090	48.5%
Public Housing	65,008	1.2
RHCP - Isabel Cook	210,170	3.8
FHDP - Fairfax Vest Pocket	226,340	4.1
Revolving Loan Programs	1,420,628	25.7
Other State and Local Programs	233,914	4.3
MCHDFC	<u>685,050</u>	12.4
Total investments	<u>\$ 5,519,200</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
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(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	3,804,543
Demand deposits held by EAH on behalf of the Authority (Note 17)	139,960
Investments in LAIF	<u>5,519,200</u>
Total deposits	<u>\$ 9,713,703</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, 2010, an account was maintained in the name of the Authority for \$5,513,990, its cost value. The total fair value of investments in LAIF was \$5,522,048. The fair value total includes an unrealized gain on investments of \$8,058. The unrealized gain was based on a fair value adjustment factor of 1.001461323 that was calculated by the State’s Treasurer’s Office. Of the \$5,513,990 invested in LAIF, \$5,519,200 is recorded as assets of the Authority. The difference includes \$5,210 of interest receivable as of December 31, 2010, shown as investments.

LAIF is a part of the State of California Pooled Money Investment Account (PMIA). At December 31, 2010, the fair value of the State of California Pooled Money Investment Account (PMIA), including accrued interest, was \$74,645,855,924. The PMIA portfolio had securities in the form of structured notes totaling \$1,300,000,000 and asset-backed securities totaling \$1,528,803,000. The PMIA has policies, goals and objectives for the portfolio to make certain that the goals of safety, liquidity, and yield are not jeopardized. These policies are formulated by investment staff and reviewed by both the PMIA and LAIF Advisory Boards on an annual basis.

During 2002, California Government code was added to the LAIF’s enabling legislation stating that “the right of a city, county...special district...to withdraw its deposited money from the LAIF

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
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(Continued)

Note 2 (continued)

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 11):	
Held by the Authority for Excess HAP	\$ 3,407,518
Held by the Authority for RHCP project replacement	220,011
Held by EAH for RHCP project replacement	4,761
Held by the Authority for FHDP project replacement and operations	226,340
Held by EAH for FHDP project replacement and operations	7,031
Held by the Authority for CDBG revolving loan program	1,756,905
Held by the Authority for other revolving loan programs	307,567
Offset by payable from restricted assets:	
Held by the Authority for tenant security deposits	154,396
Held by EAH for tenant security deposits	45,717
Held by the Authority on behalf of FSS program participants	<u>372,630</u>
Total restricted cash	<u>\$ 6,502,876</u>
Held by the Authority	\$ 6,445,367
Held by EAH in the name of the Authority (Note 17)	<u>57,509</u>
	<u>\$ 6,502,876</u>

The funds held by the Authority 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, 2010, was 0.46% 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% as of December 31, 2010. The other checking accounts earned no interest.

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(Continued)

Note 3 (continued)

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 FHDP reserves are not fully funded, see also Note 11. The funds held for the CDBG revolving loan program may only be used to provide loans to qualified Marin County home owners (see also Note 5).

Note 4 - INTERFUND BALANCES

Interfund balances are as follows:

	<u>Due From</u>	<u>Due To</u>
Public Housing	\$ 505,441	\$ -
Capital Fund - all	-	8,146
Housing Choice Voucher	-	95,182
Disaster HAP	646	-
HUD-VA Supportive Housing	243,283	-
Shelter Plus Care	116,490	-
HOPWA	-	27,118
ROSS - Elderly	-	2,100
ROSS - Family	-	17,076
CDBG	63,340	-
HCD Housing	-	317,314
Loan Programs	13,460	61,698
Central Office	-	146,257
Other State and Local	430,245	701,505
MCHDFC	548	-
MHDC	2,943	-
	<u>\$ 1,376,396</u>	<u>\$ 1,376,396</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
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(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 12/31/09</u>	<u>Loans Issued</u>	<u>Loans Repaid</u>	<u>Loans Forgiven</u>	<u>Balance 12/31/10</u>
Short-term loans:					
Subcontractor - Performing Stars	\$ -	6,000	-	-	6,000
Employee loans	<u>982</u>	<u>2,418</u>	<u>(1,678)</u>	<u>-</u>	<u>1,722</u>
Total short-term loans	982	8,418	(1,678)	-	7,722
Long-term loans:					
CDBG Rehabilitation	3,516,538	187,000	(262,104)	-	3,441,434
Storm Damage Assistance	210,142	3,700	(12,263)	-	201,579
American Dream Down payment	174,702	20,000	(27,880)	-	166,822
Gates Cooperative	118,920	10,892	-	-	129,812
Braun Silent Second	90,000	-	-	-	90,000
Down Payment Assistance	47,800	-	-	-	47,800
Double Unit Opportunity	20,012	-	-	-	20,012
Rental Deposit Guarantee	<u>6,464</u>	<u>-</u>	<u>(1,408)</u>	<u>(1,338)</u>	<u>3,718</u>
Total long-term notes	<u>4,184,578</u>	<u>221,592</u>	<u>(303,655)</u>	<u>(1,338)</u>	<u>4,101,177</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>\$ 4,314,841</u>	<u>\$ 230,010</u>	<u>\$(305,333)</u>	<u>\$ (1,338)</u>	<u>\$ 4,238,180</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, Braun Silent Second, and American Dream Down Payment 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 computer purchases. 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 final loan was made to a subcontractor of the Authority to provide operating cash flow. This loan is considered to be short-term.

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

HOUSING AUTHORITY OF THE COUNTY OF MARIN
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(Continued)

Note 5 (continued)

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

The funds to start the Down Payment Assistance, Gates Cooperative, and Braun Silent Second Programs were donated by a private Non-Profit Corporation with the restriction that all repayment of principal and interest be used for new loans. Therefore, the net assets of these three programs have been restricted (see also Note 11).

The funds for the American Dream Down Payment 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. In the fiscal year ended December 31, 2009, the entire amount received from the County of \$158,252 was reported as a current year expenditure on the Schedule of Expenditures of Federal Awards. The Authority believed that this program was to be administered similar to their other revolving loan fund programs. For these programs, notes receivable is offset by net assets, with loan repayments used to make new loans to qualified borrowers. Therefore, as of December 31, 2009, \$175,547 of net assets was reported for this program. However, during the current fiscal year, the County required that all repayments of these loans be refunded and the funding for any new loans be requisitioned from the County. The Authority now believes that this loan program would be more accurately reported with the notes receivable offset by a loan liability account and any program receipts in excess of expenditures reported as deferred revenue. This will more accurately report the activity as due back to the County when the loans are repaid. This required the Authority to restate beginning net assets for this program.

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 - ASSETS HELD FOR RESALE

Assets held for sale of \$876,693, consist of five below market rate units as of December 31, 2010. From time to time, the Authority acquires these below market rate units to preserve their affordability. The Authority's intent is to hold the properties for a short period of time while the title is cleared and until a qualified lower-income buyer can be located. These units were acquired using funds loaned on a short-term basis from the County of Marin and the Marin County Redevelopment Agency, in the amount of \$734,918. The Authority also drew \$210,000 on their line of credit to purchase one of these units.

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(Continued)

Note 7 - CAPITAL ASSETS

The following is a summary of the Authority's capital assets by major class for the fiscal year ended December 31, 2010.

	<u>12/31/2009</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>12/31/2010</u>
Capital assets, not being depreciated:					
Land	\$ 3,471,928	\$ -	\$ -	\$ -	\$ 3,471,928
Construction in progress	<u>1,512,156</u>	<u>1,388,225</u>	<u>(516,727)</u>	<u>-</u>	<u>2,383,654</u>
	<u>4,984,084</u>	<u>1,388,225</u>	<u>(516,727)</u>	<u>-</u>	<u>5,855,582</u>
Capital assets depreciated:					
Buildings	39,564,819	132,013	511,321	-	40,208,153
Dwelling equipment	10,000	55,400	172,061	(16,787)	220,674
Office equipment	<u>374,166</u>	<u>19,462</u>	<u>(166,655)</u>	<u>-</u>	<u>226,973</u>
	<u>39,948,985</u>	<u>206,875</u>	<u>516,727</u>	<u>(16,787)</u>	<u>40,655,800</u>
Total capital assets	<u>44,933,069</u>	<u>1,595,100</u>	<u>-</u>	<u>(16,787)</u>	<u>46,511,382</u>
Accumulated depreciation:					
Buildings	(21,345,454)	(1,186,036)	-	-	(22,531,490)
Dwelling equipment	(10,000)	(16,415)	(104,911)	-	(131,326)
Office equipment	<u>(285,666)</u>	<u>(32,025)</u>	<u>104,911</u>	<u>16,787</u>	<u>(195,993)</u>
Total accumulated depreciation	<u>(21,641,120)</u>	<u>(1,234,476)</u>	<u>-</u>	<u>16,787</u>	<u>(22,858,809)</u>
Total capital assets depreciated, net	<u>18,307,865</u>	<u>(1,027,601)</u>	<u>-</u>	<u>-</u>	<u>17,796,991</u>
Total capital assets, net	<u>\$23,291,949</u>	<u>\$ 360,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,652,573</u>

The following is a summary of the Authority's changes in capital assets for the fiscal year ended December 31, 2010.

	<u>Balance</u>		<u>Balance</u>
	<u>12/31/09</u>	<u>Additions</u>	<u>12/31/10</u>
Public Housing Program	\$ 35,609,394	\$ 1,402,323	\$ 37,001,089
Section 8 Programs	90,216	5,364	95,580
Rental Housing Construction	1,390,479	-	1,390,479
Family Hsg Demonstration	2,559,523	-	2,559,523
Mill Valley Condos	64,445	-	64,445
Local/Central Office	1,926,292	132,013	2,052,146
Other	45,755	-	45,755
Blended component units:			
MCHDFC	1,224,062	-	1,224,062
MHDC	<u>2,022,903</u>	<u>55,400</u>	<u>2,078,303</u>
	<u>\$ 44,933,069</u>	<u>\$ 1,595,100</u>	<u>\$ 46,511,382</u>

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(Continued)

Note 7 (continued)

The Authority calculates depreciation on a straight-line basis with the useful lives of capital assets being - 30 years for structures, 5 years for furniture and equipment, and 3 years for computer equipment.

The following is a summary of the Authority's changes in depreciation for the fiscal year ended December 31, 2010:

	Balance <u>12/31/08</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/09</u>
Public Housing Program	\$ 17,105,227	\$ 1,008,129	\$ (10,628)	\$ 18,102,728
Section 8 Programs	81,130	10,921	-	92,051
Rental Housing Construction	1,190,479	-	-	1,190,479
Family Hsg Demonstration	719,304	59,723	-	779,027
Mill Valley Condos	6,016	1,307	-	7,323
Local/Central Office	575,649	65,178	(6,159)	634,668
Other	45,754	-	-	45,754
MCHDFC	947,981	36,292	-	984,273
MHDC	<u>969,580</u>	<u>52,926</u>	<u>-</u>	<u>1,022,506</u>
	<u>\$ 21,641,120</u>	<u>\$ 1,234,476</u>	<u>\$ (16,787)</u>	<u>\$ 22,858,809</u>

Note 8 - LONG-TERM DEBT

Following is a summary of changes in long-term debt for the year ended December 31, 2010:

	Balance <u>12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/10</u>	Short Term
Notes Payable - HCD	\$ 2,861,319	\$ -	\$ -	\$ 2,861,319	\$ -
Mortgages:					
Office bldg	968,520	-	(29,072)	939,448	31,140
MHDC - Sundance	1,120,037	-	(50,522)	1,069,515	54,000
Line of credit	-	210,000	-	210,000	210,000
Co of Marin	-	140,000	-	140,000	140,000
Town of Tiburon	140,000	-	(140,000)	-	-
County of Marin,					
Redevelopment Agency	495,017	564,918	(465,017)	594,918	594,918
MHDC - Co of Marin	<u>89,281</u>	<u>-</u>	<u>-</u>	<u>89,281</u>	<u>-</u>
	5,674,174	914,918	(684,611)	5,904,481	1,030,058
MHDC due to Authority	<u>129,281</u>	<u>-</u>	<u>-</u>	<u>129,281</u>	<u>129,281</u>
	<u>\$ 5,803,455</u>	<u>\$ 914,918</u>	<u>\$ (684,611)</u>	<u>\$ 6,033,762</u>	<u>\$1,159,339</u>

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
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(Continued)

Note 8 (continued)

Following is a schedule of debt payment requirements to maturity for long-term debt that require monthly payments. The remaining loans are deferred or short-term.

Year Ending December 31	Office Building Mortgage		Sundance Mortgage		Total
	Principal	Interest	Principal	Interest	
2011	\$ 31,140	\$ 63,293	\$ 54,000	\$ 68,975	\$ 217,408
2012	908,308	46,036	57,675	65,300	1,077,319
2013	-	-	61,599	61,376	122,975
2014	-	-	65,789	57,186	122,975
2015	-	-	70,265	52,710	122,975
2016-2020	-	-	429,878	184,997	614,875
2021-2023	-	-	330,309	59,486	389,795
	<u>\$ 939,448</u>	<u>\$ 109,329</u>	<u>\$ 1,069,515</u>	<u>\$ 550,030</u>	<u>\$ 2,668,322</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, 2010. Total interest accrued on this loan as of December 31, 2010 is \$909,817. This amount has been reported as an “other noncurrent liability”.

The Authority borrowed \$1,200,000 from WestAmerica Bank to purchase an office building. The note, dated July 21, 1997, is secured by a deed of trust on the office building property. 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 \$886,337 at that time. Interest expense of \$65,362 was incurred and paid on this loan.

The Authority’s line of credit with WestAmerica Bank has a \$950,000 limit, carries an initial interest rate of 5.25% and is due July 31, 2011. The interest payments on this loan are required to be made monthly, while the principal amount is deferred until maturity. The Authority used the proceeds of this loan to purchase one of the five condos held for sale, see also Note 6. The balance due on this loan as of December 31, 2010 was \$210,000. Interest of \$4,134 was expensed and paid for the use of these funds.

The Authority has borrowed funds from a variety of local sources to acquire below market rate units in danger of foreclosure. These acquisitions are intended to be short-term. The purpose of these acquisitions is to preserve the affordability of these below market rate units. As of December 31, 2009, one loan from the Town of Tiburon and three loans from the Marin County Redevelopment Agency (RDA) were outstanding. During 2010, the Town of Tiburon

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(Continued)

Note 8 (continued)

loan and two of the RDA loans were paid off. Three new loans were made. One with the County of Marin and two with RDA. All of these loans are interest free.

MCHDFC and MHDC are blended component units of the Authority. MCHDFC and MHDC are responsible for the following loans:

MCHDFC

None

MHDC

The MHDC mortgage is payable to WestAmerica Bank and is secured by property in the City of San Rafael, known as Sundance Apartments. The 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. Effective November 1, 2013, the interest 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 \$72,453 was incurred and paid during the year on this loan.

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 loan with the County of Marin was forgiven in 2011. Since it will be written off in 2011, the amount is reported as long-term. The Authority loan appears to be delinquent and is reported as short-term.

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.

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(Continued)

Note 9 - DEFERRED REVENUE

Deferred revenue consists of prepaid rents of \$14,643; receipts from the Marin Community Foundation for FSS and Phoenix Programs, totaling \$172,500, to be reported as revenue in 2011; Capital Fund grant receipts of \$11,532, to be reported as revenue in 2011; and program income received in excess of program expenditures for the ADDI loan program in the amount of \$2,299.

Note 10 - 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 \$248,081 as of December 31, 2010. Of this amount, \$133,216 has been allocated to the Public Housing and Housing Choice Voucher Programs, and recorded as accrued liabilities. The remaining balance was not accrued as of December 31, 2010. The Authority estimates that 25% of these compensated absences will be used by employees within the next year and, therefore, \$33,304 of the \$133,216 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 11 - 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 7)	\$ 23,652,573
Long-term debt , net of interfund (Note 8)	(5,904,481)
Omit debt owed on assets held for sale (Note 6)	944,918
Accrued interest on long-term debt (Note 8)	<u>(909,817)</u>
Investment in capital assets, net of related debt	<u>\$ 17,783,193</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.

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(Continued)

Note 11 (continued)

The Authority has reported the following as restricted net assets:

Excess HAP funding	\$ 3,407,518
Replacement reserves:	
RHCP - 80-RHC-031	225,203
FHDP - 93-FHDP-011	141,508
Operating reserves - FHDP - 93-FHDP-011	97,241
Revolving loan program funds:	
CDBG	5,052,024
Down Payment Assistance Program	51,931
Gates Cooperative	190,260
Braun Silent Second	<u>237,370</u>
Restricted net assets	<u>\$ 9,403,055</u>

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 the Notices are a departure from the revenue recognition policy of years prior to 2005. Prior to 2005, HUD grant revenue was recognized only to the extent that HAP expenses were incurred. Since 2005, HUD grant revenue has been recognized when received, regardless of whether or not HAP expenses had been incurred. The Authority routinely expends less in HAP costs than the funding received from HUD. Accordingly, the Authority has accumulated the following excess HAP funds:

	Housing Choice Voucher	HUD-VA Supportive Housing
Balance as of December 31, 2009	\$ 2,588,102	\$ 59,127
Excess HAP funding for the current year	493,815	184,156
Interest earned on excess funding	7,210	-
Fraud, FSS forfeiture, and other income	<u>75,108</u>	<u>-</u>
Balance as of December 31, 2010	<u>\$ 3,164,235</u>	<u>\$ 243,283</u>

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(Continued)

Note 11 (continued)

The RHCP and FHDP reserve funds may not be spent without prior, written approval from HCD. The activity in these accounts are as follows:

	RHCP <u>Replacement</u>	FHDP <u>Replacement</u>	FHDP <u>Operating</u>
Balance as of December 31, 2009	\$ 218,920	\$ 133,134	\$ 93,619
Deposits required	5,172	7,641	3,112
Interest earned	1,111	733	510
Balance as of December 31, 2010	<u>\$ 225,203</u>	<u>\$ 141,508</u>	<u>\$ 97,241</u>
Total for FHDP		<u>\$ 238,749</u>	
Balance funded:			
Held by the Authority	\$ 220,011	\$ 226,340	
Held by EAH (Note 17)	<u>4,761</u>	<u>7,031</u>	
	<u>\$ 224,772</u>	<u>\$ 233,371</u>	

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, 2010, \$3,709,047 of the above \$5,531,585 restricted net assets have been loaned to homeowners within the County.

C. Deficit Unrestricted Net Assets

The following funds have a deficit unrestricted net asset balance as of December 31, 2010:

	<u>2010</u>	<u>2009</u>
Public Housing	\$ -	\$ 80,516
Isabel Cook (RHCP)	213,993	228,043
Fairfax Vest Pocket (FHDP)	190,907	186,811
MHDC	93,627	83,737
Mortgage Credit Certificates	48,782	49,838
Rental Deposit Guarantee Program	6,314	-
Homeless Prevention Program	360	-
Central Office	-	189,513

As reported in Note 15, CHARMA dissolved during 2010 and distributed its net assets to its participants. The financial position of several of the Authority's funds, including the Public Housing Program, was improved due to this one-time distribution of \$1.2 million to the Authority. As reported in Note 1G, the Authority distributed all costs accumulated in the COCC to all Federal, State, and Local programs during the current fiscal year, bringing the COCC net assets to zero.

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

(Continued)

Note 12 - DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

B. Funding Policy

Participants are required to contribute 7% of their annual covered salary. The Authority makes 100% of this required contribution for top management employees, 75% for management employees, 50% for mid management employees, and 25% for confidential employees. In addition, the Authority allows each employee a fixed medical benefit allowance. If an employee does not use this benefit allowance on medical benefits then the amount remaining is contributed by the Authority to fund the employee's portion of PERS. Any further amounts of employee PERS contributions are made by the employees. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate was 6.825% for the first six months of the fiscal year and increased to 6.927% of annual covered payroll beginning July 1, 2010. The rate is expected to increase to 9.539% beginning July 1, 2011 and is projected to be 10% beginning July 1, 2012. 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, 2009, the Side Fund had a value of \$92,128, 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 through June 30, 2011. The increase in contribution rate beginning July 1, 2011 is a result of the completion of the amortization of the side fund.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010**

(Continued)

Note 12 (continued)

C. Annual Pension Cost

For the fiscal year ended December 31, 2010, the Authority's annual pension cost of \$260,109 for PERS was equal to the Authority's required and actual contributions. The Authority made payments to PERS totaling \$522,676. This \$522,676 consisted of \$260,109 employer required contributions, \$172,730 employee required contributions made by the Authority on their behalf, and \$89,837 employee required contributions made by the employees.

The required contribution for the fiscal year ended December 31, 2010, was determined as part of the June 30, 2007 (for the first six months of the fiscal year) and June 30, 2008 (for the second six months of the fiscal year) actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions used during the June 30, 2007 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, 2008 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.

D. Trend Information for PERS

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/06	\$ 209,152	100%	\$ 0
12/31/07	211,524	100%	0
12/31/08	216,138	100%	0
12/31/09	248,163	100%	0
12/31/10	260,109	100%	0

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010**

(Continued)

Note 12 (continued)

E. Required Supplemental Information

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
Risk pool's actuarial value:						
6/30/05	\$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%
6/30/08	2,780,280,768	2,547,323,278	232,957,490	91.6%	688,606,681	33.8%
6/30/09	3,104,798,222	2,758,511,101	346,287,121	88.9%	742,981,488	46.6%

Note 13 - OTHER POST EMPLOYMENT BENEFITS

Plan Description: The Authority provides post-employment medical health care benefit to its retired employees and, in some instances, their spouses. Benefits include coverage in the CALPERS health plan. The Authority pays a portion of the premiums for the medical insurance for retirees. The majority of costs for this medical insurance costs is the responsibility of each retiree.

Eligibility: The Authority's retirees are eligible for membership in the plan upon retirement. Employees are eligible for retirement at age 50 and with 5 years of service or upon disability. As of December 31, 2010, the Authority had nine retirees who were eligible for the program and receiving benefits. The Authority had another sixty-one active employees, who are eligible for the program, but are not receiving benefits due to the fact that they are not yet retired from the Authority.

Requirements of GASB 45: The Government Accounting Standards Board (GASB) has mandated disclosure of other post employment benefit (OPEB) liabilities for all government employers beginning, for the Authority, December 31, 2009. During the prior fiscal years, the Authority had administered this program on a pay-as-you-go basis. Actual program costs were expensed in the period incurred. To comply with GASB 45, the Authority received an actuarial report for the program which estimated the present value of the projected benefits of the OPEB program. The actuarial report was performed by Bartel Associates, LLC.

Funding Policy: The goal of GASB 45 is to match recognition of retiree medical expense with the periods during which the benefit is earned. The entry age normal cost method effectively meets this goal in most circumstances. The Authority has adopted an entry age normal cost method to determine the present value of benefits and actuarial accrued liability. The plan currently has no assets. The amortization method is a level percent of payroll, which is identical to CALPERS. The amortization period is thirty years. The Authority has adopted

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010**

(Continued)

Note 13 (continued)

a pay-as-you-go policy and is not currently funding this liability above the monthly requirement. The Authority makes actual monthly payments to its healthcare provider for its portion of the retirees' premiums. The payments for 2010 totaled \$4,284. The Authority accrued the remaining actuarial determined liability of \$85,000, to recognize expense in the current fiscal year.

Annual Other Post Employment Benefit (OPEB) Cost and Net OPEB Obligation: The Authority's annual OPEB costs (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Interest on net OPEB obligation is based on the actuarial interest rate of 4.25% and is computed on the unfunded amount.

The following table shows the components of the annual OPEB cost, the amount actually contributed to the plan, and changes in the net OPEB obligation:

	<u>12/31/2010</u>	<u>12/31/2009</u>
Actuarial Present Value of Projected Benefits	<u>\$ 1,073,000</u>	<u>\$ 1,073,000</u>
Actuarial Accrued Liability, unfunded (UAAL)	<u>\$ 489,000</u>	<u>\$ 489,000</u>
Normal costs	\$ 69,000	\$ 69,000
Amortization of UAAL	25,000	16,000
Interest on net OPEB obligation	3,000	-
ARC adjustment for current fiscal year	<u>(7,706)</u>	<u>(200)</u>
Annual OPEB Cost/		
Annual Required Contribution (ARC)	89,294	84,800
Contributions made (pay-as-you-go)	<u>(4,284)</u>	<u>(3,800)</u>
Increase in net OPEB obligation	85,000	81,000
Net OPEB obligation - Beginning of year	<u>81,000</u>	<u>-</u>
Net OPEB obligation - End of year	<u>\$ 166,000</u>	<u>\$ 81,000</u>

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010**

(Continued)

Note 13 (continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2009	\$ 84,800	4.5%	\$ 81,000
12/31/2010	89,294	4.8%	166,000

Funding Status and Funding Progress: As of December 31, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$489,000, all of which is unfunded. The covered payroll (annual payroll of active employees covered by the plan) for the current fiscal year was \$3.8 million; therefore, unfunded actuarial accrued liability as a percentage of covered payroll is 13%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Required Supplemental Information:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Status</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2009	\$ -	\$ 489,000	\$ 489,000	0%	\$ 3,774,000	12.96%
12/31/2010	-	489,000	489,000	0%	3,800,000	12.87%

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010**

(Continued)

Note 14 - 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, 2010, 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, 2009 and 2010, is as follows:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Total assets	\$ 24,335,634	\$ 24,661,159
Total liabilities	<u>(11,246,706)</u>	<u>(11,107,053)</u>
Total net assets	<u>\$ 13,088,928</u>	<u>\$ 13,554,106</u>
Total revenues	\$ 5,080,007	\$ 5,027,589
Total expenses	<u>(5,545,185)</u>	<u>(3,080,978)</u>
Net change in net assets	<u>\$ (465,178)</u>	<u>\$ 1,946,611</u>

CHWCA had no long-term debt outstanding at December 31, 2010. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated. The Authority's annual premium is based on covered payroll. Premium paid for the calendar year ended December 31, 2010 was approximately \$126,000. 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 15 - JOINT POWERS AGREEMENT - PROPERTY AND LIABILITY INSURANCE

The Authority participated 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, 2009, there were six members other than the Authority. 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 paid 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 December 2008, the Directors discussed the dissolution of CHARMA effective May 31, 2010. CHARMA ceased to provide its members with insurance as of May 31, 2009.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010**

(Continued)

Note 15 (continued)

CHARMA continued to exist as an entity, to wind up the affairs of the Agency, until December 31, 2010.

Condensed audited financial information for the year ended May 31, 2009 and 2010, were as follows:

	<u>May 31, 2010</u>	<u>May 31, 2009</u>
Total assets	\$ 6,007,981	\$ 6,404,456
Total liabilities	<u>(263,403)</u>	<u>(549,892)</u>
Retained earnings	<u>\$ 5,744,578</u>	<u>\$ 5,854,564</u>
Total revenues	\$ 235,293	\$ 2,683,822
Total expenses	(345,279)	(1,980,084)
Equity distribution	<u>-</u>	<u>(626,620)</u>
Net increase (decrease) in retained earnings	<u>\$ (109,986)</u>	<u>\$ 77,118</u>

Due to the dissolution of CHARMA, each authority's share of year end assets, liabilities, and/or retained earnings were calculated. In August 2010, the Authority received \$396,955 from CHARMA. The final distributions were made in January and March 2011. At that time the Authority received \$806,436. This amount is reported as Other Accounts Receivable on the Statement of Net Assets. The entire amount of \$1,203,391 is reported as other revenue.

The Authority obtained insurance coverage, beginning June 1, 2009, through the Housing Authorities Risk Retention Pool (HARRP). HARRP was established by public housing authorities participating in an intergovernmental cooperation agreement pursuant to specific statutes in Oregon, Washington, California and Nevada for the purpose of operating and maintaining a cooperative program of risk management and loss indemnification. HARRP offers property, general, automobile, fidelity, and officers' liability insurance to participants. There were 90 member public housing authorities at December 31, 2010. The relationship between the Authority and HARRP is such that HARRP is not a component unit of the Authority for financial reporting purposes. It is the Authority's opinion that the HARRP insurance coverage is comparable to the CHARMA coverage. The property limits vary by site and carry a \$10,000 deductible per occurrence. The general liability limit is \$2 million with no deductible per occurrence. Errors and omissions has a \$2 million limit with a 10% co-pay as the deductible. The premium payments for 2010 were approximately \$77,400.

HOUSING AUTHORITY OF THE COUNTY OF MARIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

(Continued)

Note 16 - 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.

C. Request for Restitution for the Loss of Federal Funds

Prior to February 2010, the Authority had an agreement with a Corporation to administer its many revolving loan programs. The majority of these programs were begun with federal funds. In March 2010, the principal of the Corporation embezzled funds from many of its governmental clients, including the Authority. In September 2010, the Authority filed documents with the U.S. Attorney's Office requesting restitution in the amount of \$5,260.

Note 17 - RELATED PARTY

In January 2010, the Authority contracted with EAH Housing Inc to manage four of their non-federally funded housing projects. Two of the projects, Isabel Cook and Fairfax Vest Pocket have been funded by the State. The other two projects, Bradley House and Sundance, are owned by blended component units of the Authority. The Authority pays EAH management fees as well as reimburses EAH for costs incurred to maintain the units. EAH maintains separate cash accounts for operations, replacement reserves, and security deposits for each project.

During 2010, the Authority expensed \$167,117 in management fees for EAH, for these four projects. As of December 31, 2010, EAH and the Authority owed each other for expenditures made on behalf of the projects. The Authority's central office cost center is owed \$167,096 in costs incurred on behalf of the four projects and due from EAH. A payable in the same amount cannot be traced to the four projects' books of accounts. The four projects' accounts payable vendors balance total was \$178,547, a portion of which is due back to the Authority as well as other vendors and EAH. Internal controls over these interfund type transactions needs improvement in the future.

SUPPLEMENTAL INFORMATION

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Department of Housing and Urban Development (HUD)		
Direct Programs:		
HUD-Veterans Affairs Supportive Housing Program	14.VSH	\$ <u>174,374</u>
Shelter Plus Care	14.238	<u>909,621</u> *
Public and Indian Housing	14.850	<u>2,121,902</u>
Resident Opportunity and Supportive Services - Service Coordinators	14.870	<u>11,885</u>
Housing Choice Voucher Program	14.871	<u>28,288,070</u> *
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	14.877	<u>66,120</u>
Capital Fund Cluster:		
Public Housing Capital Fund	14.872	1,274,309
Competitive Capital Fund Stimulus Grant	14.884	169,858
Formula Capital Fund Stimulus Grant	14.885	<u>767,148</u>
		<u>2,211,315</u> *
Passed through the County of Marin:		
Community Development Block Grant Rehabilitation Loan Program Administration	14.218	<u>183,975</u>
Housing Opportunities for Persons with AIDS	14.241	<u>318,942</u>
Passed through CAHI		
Housing Choice Voucher Program	14.871	<u>109,225</u>
Total HUD expenditures		<u>34,395,429</u>
Total federal expenditures		<u>\$ 34,395,429</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, 2010**

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, 2010.
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	\$ 28,238,230	\$ 174,374
Plus capital additions	60,761	-
Less depreciation	(10,921)	-
Total expenditures of federal awards	\$ 28,288,070	\$ 174,374

4. Expenditures for the Public Housing Capital Fund, the Formula Capital Fund Stimulus Grant, the Competitive Capital Fund Stimulus Grant, 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 represents the operating grant received to administer the CDBG revolving loan program. 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.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
FINANCIAL DATA SCHEDULE (CA052) - BALANCE SHEET
DECEMBER 31, 2010**

	Public Housing (including Capital Fund)	Housing Choice Vouchers	Component Units	State/Local	Shelter Plus Care	Competitive Capital Fund Stimulus Grant	Formula Capital Fund Stimulus Grant
CFDA number:	14.850/14.872	14.871			14.238	14.884	14.885
111 Cash - Unrestricted	\$ 127,062	\$ 1,083,020	\$ 167,721	\$ 618,000			
112 Cash - Restricted - Modernization and Development				\$ 21,632			
113 Cash - Other Restricted	\$ 53,587	\$ 1,367,513		\$ 928,785			
114 Cash - Tenant Security Deposits	\$ 154,396		\$ 26,891	\$ 18,826			
100 Total Cash	\$ 335,045	\$ 2,450,533	\$ 194,612	\$ 1,587,243	\$ -	\$ -	\$ -
122 Accounts Receivable - HUD Other Projects	\$ 43,221				\$ 31,017	\$ 32,503	\$ 108,602
124 Accounts Receivable - Other Government		\$ 41,018		\$ 90,555	\$ 48,867		
125 Accounts Receivable - Miscellaneous	\$ 3,096		\$ 3,263	\$ 1,028,881			
126 Accounts Receivable - Tenants	\$ 303,630		\$ 11,239	\$ 11,651			
126.1 Allowance for Doubtful Accounts - Tenants	\$ (227,461)		\$ -	\$ -			\$ -
127 Notes, Loans, & Mortgages Receivable - Current				\$ 137,003			
128 Fraud Recovery		\$ 310,637					
128.1 Allowance for Doubtful Accounts - Fraud		\$ (310,637)					
120 Total Receivables, Net of Allow for Doubtful Accts	\$ 122,486	\$ 41,018	\$ 14,502	\$ 1,268,090	\$ 79,884	\$ 32,503	\$ 108,602
131 Investments - Unrestricted	\$ 11,421		\$ 685,050	\$ 518,854			
132 Investments - Restricted		\$ 2,359,048		\$ 1,572,197			
142 Prepaid Expenses and Other Assets	\$ 104,477	\$ 8,424		\$ 64,329	\$ 1,646		
144 Inter Program Due From	\$ 505,923	\$ 646	\$ 3,491	\$ 443,704	\$ 116,490		
145 Assets Held for Sale				\$ 876,693			
150 Total Current Assets	\$ 1,079,352	\$ 4,859,669	\$ 897,655	\$ 6,331,110	\$ 198,020	\$ 32,503	\$ 108,602
161 Land	\$ 1,227,931		\$ 714,752	\$ 1,529,245			
162 Buildings	\$ 33,220,132		\$ 2,522,213	\$ 4,465,808			
163 Furniture, Equipment & Machinery - Dwellings	\$ 155,274		\$ 65,400				
164 Furniture, Equipment & Machinery - Administration	\$ 14,098	\$ 95,580		\$ 71,540	\$ 45,754		
166 Accumulated Depreciation	\$ (18,102,729)	\$ (92,051)	\$ (2,006,778)	\$ (2,611,497)	\$ (45,754)		
167 Construction in Progress	\$ 2,383,654						
160 Total Capital Assets, Net of Accumulated Depreciation	\$ 18,898,360	\$ 3,529	\$ 1,295,587	\$ 3,455,096	\$ -	\$ -	\$ -
171 Notes, Loans and Mortgages Rec - Non-Current				\$ 3,934,355			
180 Total Non-Current Assets	\$ 18,898,360	\$ 3,529	\$ 1,295,587	\$ 7,389,451	\$ -	\$ -	\$ -
190 Total Assets	\$ 19,977,712	\$ 4,863,198	\$ 2,193,242	\$ 13,720,561	\$ 198,020	\$ 32,503	\$ 108,602

Community Development Block Grants	Housing Opportunities for Persons with AIDS	HOME Investment Partnerships Program	HUD-Veterans Affairs Supportive Housing Program	Public Housing Family Self Sufficiency under ROSS	Resident Opportunity and Supportive Services - Elderly	Resident Opportunity and Supportive Services	Disaster Housing Assistance Grant	Subtotal	Eliminations	Total
14.218	14.241	14.239	14.VSH	14.877	14.876	14.870	97.109			
								\$ 1,995,803		\$ 1,995,803
								\$ 21,632		\$ 21,632
								\$ 2,349,885		\$ 2,349,885
								\$ 200,113		\$ 200,113
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,567,433	\$ -	\$ 4,567,433
				\$ 5,191	\$ 2,100	\$ 11,885		\$ 234,519		\$ 234,519
\$ 14,822	\$ 40,781							\$ 236,043		\$ 236,043
								\$ 1,035,240		\$ 1,035,240
								\$ 326,520		\$ 326,520
								\$ (227,461)		\$ (227,461)
								\$ 137,003	\$ (129,281)	\$ 7,722
								\$ 310,637		\$ 310,637
								\$ (310,637)		\$ (310,637)
\$ 14,822	\$ 40,781	\$ -	\$ -	\$ 5,191	\$ 2,100	\$ 11,885	\$ -	\$ 1,741,864	\$ (129,281)	\$ 1,612,583
								\$ 1,215,325		\$ 1,215,325
								\$ 3,931,245		\$ 3,931,245
\$ 307	\$ 48	\$ 5						\$ 179,236		\$ 179,236
\$ 63,340			\$ 243,283					\$ 1,376,877	\$ (1,376,877)	\$ -
								\$ 876,693		\$ 876,693
\$ 78,469	\$ 40,829	\$ 5	\$ 243,283	\$ 5,191	\$ 2,100	\$ 11,885	\$ -	\$ 13,888,673	\$ (1,506,158)	\$ 12,382,515
								\$ 3,471,928		\$ 3,471,928
								\$ 40,208,153		\$ 40,208,153
								\$ 220,674		\$ 220,674
								\$ 226,972		\$ 226,972
								\$ (22,858,809)		\$ (22,858,809)
								\$ 2,383,654		\$ 2,383,654
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,652,572	\$ -	\$ 23,652,572
		\$ 166,822						\$ 4,101,177		\$ 4,101,177
\$ -	\$ -	\$ 166,822	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,753,749	\$ -	\$ 27,753,749
\$ 78,469	\$ 40,829	\$ 166,822	\$ 243,283	\$ 5,191	\$ 2,100	\$ 11,885	\$ -	\$ 41,642,422	\$ (1,506,158)	\$ 40,136,264

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

HOUSING AUTHORITY OF THE COUNTY OF MARIN
FINANCIAL DATA SCHEDULE (CA052) - BALANCE SHEET
DECEMBER 31, 2010
(Continued)

	Public Housing (including Capital Fund)	Housing Choice Vouchers	Component Units	State/Local	Shelter Plus Care	Competitive Capital Fund Stimulus Grant	Formula Capital Fund Stimulus Grant
CFDA number:	14.850/14.872	14.871			14.238	14.884	14.885
312 Accounts Payable <= 90 Days	\$ 142,982		\$ 62,657	\$ 321,920	\$ 11,630	\$ 32,503	\$ 99,975
321 Accrued Wage/Payroll Taxes Payable	\$ 36,300	\$ 32,804	\$ 1,347	\$ 34,625	\$ 8,027		
322 Accrued Compensated Absences - Current Portion	\$ 17,312	\$ 15,991					
331 Accounts Payable - HUD PHA Programs				\$ 2,249			
333 Accounts Payable - Other Government	\$ 169,990	\$ 64,441		\$ 43,554			
341 Tenant Security Deposits	\$ 154,396		\$ 26,897	\$ 19,745			
342 Deferred Revenues	\$ 26,070		\$ 106	\$ 172,500			
343 Current Portion of Long-term Debt - Capital Projects			\$ 54,001	\$ 31,139			
344 Current Portion of L/T Debt - Operating Borrowings			\$ 129,281	\$ 944,918			
345 Other Current Liabilities				\$ 232,504			
347 Inter Program - Due To	\$ -	\$ 95,181		\$ 1,219,069			\$ 8,627
310 Total Current Liabilities	\$ 547,050	\$ 208,417	\$ 274,289	\$ 3,022,223	\$ 19,657	\$ 32,503	\$ 108,602
351 Long-term Debt, Net of Current - Capital Projects			\$ 1,104,795	\$ 3,769,627			
353 Non-current Liabilities - Other	\$ 53,587	\$ 319,043		\$ 909,817			
354 Accrued Compensated Absences - Non Current	\$ 51,938	\$ 47,975					
355 Loan Liability - Non Current							
357 Accrued Pension and OPEB Liabilities	\$ 72,344	\$ 58,803	\$ 5,747	\$ 13,765	\$ 9,525		
350 Total Non-Current Liabilities	\$ 177,869	\$ 425,821	\$ 1,110,542	\$ 4,693,209	\$ 9,525	\$ -	\$ -
300 Total Liabilities	\$ 724,919	\$ 634,238	\$ 1,384,831	\$ 7,715,432	\$ 29,182	\$ 32,503	\$ 108,602
508.1 Invested In Capital Assets, Net of Related Debt	\$ 18,898,360	\$ 3,529	\$ 136,791	\$ (1,255,487)			
511.1 Restricted Net Assets		\$ 3,164,235		\$ 5,995,537			
512.1 Unrestricted Net Assets	\$ 354,433	\$ 1,061,196	\$ 671,620	\$ 1,265,079	\$ 168,838	\$ -	\$ -
513 Total Equity/Net Assets	\$ 19,252,793	\$ 4,228,960	\$ 808,411	\$ 6,005,129	\$ 168,838	\$ -	\$ -
600 Total Liabilities and Equity/Net Assets	\$ 19,977,712	\$ 4,863,198	\$ 2,193,242	\$ 13,720,561	\$ 198,020	\$ 32,503	\$ 108,602

Community Development Block Grants	Housing Opportunities for Persons with AIDS	HOME Investment Partnerships Program	HUD-Veterans Affairs Supportive Housing Program	Public Housing Family Self Sufficiency under ROSS	Resident Opportunity and Supportive Services - Elderly	Resident Opportunity and Supportive Services	Disaster Housing Assistance Grant	Subtotal	Eliminations	Total
14.218	14.241	14.239	14.VSH	14.877	14.876	14.870	97.109			
								\$ 671,667		\$ 671,667
\$ 1,960	\$ 320							\$ 115,383		\$ 115,383
								\$ 33,303		\$ 33,303
								\$ 2,249		\$ 2,249
								\$ 277,985		\$ 277,985
								\$ 201,038		\$ 201,038
		\$ 2,299						\$ 200,975		\$ 200,975
								\$ 85,140		\$ 85,140
								\$ 1,074,199	\$ (129,281)	\$ 944,918
								\$ 232,504		\$ 232,504
	\$ 27,118	\$ 7,706		\$ 5,191	\$ 2,100	\$ 11,885		\$ 1,376,877	\$ (1,376,877)	\$ -
\$ 1,960	\$ 27,438	\$ 10,005	\$ -	\$ 5,191	\$ 2,100	\$ 11,885	\$ -	\$ 4,271,320	\$ (1,506,158)	\$ 2,765,162
								\$ 4,874,422		\$ 4,874,422
								\$ 1,282,447		\$ 1,282,447
								\$ 99,913		\$ 99,913
		\$ 156,822						\$ 156,822		\$ 156,822
\$ 5,129	\$ 686							\$ 165,999		\$ 165,999
\$ 5,129	\$ 686	\$ 156,822	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,579,603	\$ -	\$ 6,579,603
\$ 7,089	\$ 28,124	\$ 166,827	\$ -	\$ 5,191	\$ 2,100	\$ 11,885	\$ -	\$ 10,850,923	\$ (1,506,158)	\$ 9,344,765
								\$ 17,783,193		\$ 17,783,193
			\$ 243,283					\$ 9,403,055		\$ 9,403,055
\$ 71,380	\$ 12,705	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,605,251		\$ 3,605,251
\$ 71,380	\$ 12,705	\$ -	\$ 243,283	\$ -	\$ -	\$ -	\$ -	\$ 30,791,499	\$ -	\$ 30,791,499
\$ 78,469	\$ 40,829	\$ 166,827	\$ 243,283	\$ 5,191	\$ 2,100	\$ 11,885	\$ -	\$ 41,642,422	\$ (1,506,158)	\$ 40,136,264

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

HOUSING AUTHORITY OF THE COUNTY OF MARIN
FINANCIAL DATA SCHEDULE (CA052) - PROFIT AND LOSS STATEMENT
DECEMBER 31, 2010

	Public Housing (Including Capital Fund)	Housing Choice Vouchers	Component Units	State/Local	Shelter Plus Care	Competitive Capital Fund Stimulus Grant	Formula Capital Fund Stimulus Grant
CFDA number:	14.850/14.872	14.871			14.238	14.884	14.885
70300 Net Tenant Rental Revenue	\$ 1,682,883		\$ 424,160	\$ 189,451			
70400 Tenant Revenue - Other	\$ 23,406		\$				
70500 Total Tenant Revenue	\$ 1,706,289	\$ -	\$ 424,160	\$ 189,451	\$ -	\$ -	\$ -
70600 HUD PHA Operating Grants	\$ 2,815,441	\$ 28,902,993	\$ 109,225		\$ 909,621	\$ 101,547	\$ 28,004
70610 Capital Grants	\$ 580,770					\$ 68,311	\$ 739,144
70800 Other Government Grants				\$ 1,237,246	\$ 586,405		
71100 Investment Income - Unrestricted	\$ -		\$ 3,682	\$ 2,770			
71200 Mortgage Interest Income				\$ 60,408			
71400 Fraud Recovery		\$ 118,994					
71500 Other Revenue	\$ 915,977	\$ 244,078	\$ 81,785	\$ 2,437,030	\$ 29,157		
71600 Gain or Loss on Sale of Capital Assets	\$ 453						
72000 Investment Income - Restricted	\$ -	\$ 7,210		\$ 3,929			
70000 Total Revenue	\$ 6,018,930	\$ 29,273,275	\$ 618,852	\$ 3,930,834	\$ 1,525,183	\$ 169,858	\$ 767,148
91100 Administrative Salaries	\$ 433,159	\$ 810,748	\$ 7,427	\$ 1,324,601	\$ 248,220	\$ 47,602	\$ 27,970
91200 Auditing Fees	\$ 13,987	\$ 16,325	\$ 1,019	\$ 15,821	\$ 5,124		
91300 Management Fee			\$ 93,877	\$ 73,239			
91500 Employee Benefit contributions - Administrative	\$ 188,310	\$ 360,387	\$ 5,610	\$ 489,714	\$ 96,668		
91700 Legal Expense	\$ 178,163	\$ 5,588	\$ 1,440	\$ 62,204	\$ 575		
91800 Travel	\$ 7,319	\$ 6,021	\$ 33	\$ 8,618	\$ 5,743		
91810 Allocated Overhead	\$ 768,595	\$ 580,332	\$ 66,302	\$ 181,142	\$ 122,379		
91900 Other	\$ 292,863	\$ 196,696	\$ 37,067	\$ 557,249	\$ 102,522	\$ 40,803	\$ 34
91000 Total Operating - Administrative	\$ 1,882,396	\$ 1,976,097	\$ 212,775	\$ 2,712,588	\$ 581,231	\$ 88,405	\$ 28,004
92100 Tenant Services - Salaries		\$ 201,279					
92300 Employee Benefit Contributions - Tenant Services		\$ 62,819					
92400 Tenant Services - Other	\$ 4,156		\$ 6,306	\$ 153,588			
92500 Total Tenant Services	\$ 4,156	\$ 264,098	\$ 6,306	\$ 153,588	\$ -	\$ -	\$ -
93100 Water	\$ 166,032		\$ 14,739	\$ 14,634			
93200 Electricity	\$ 318,776		\$ 4,596	\$ 33,092			
93300 Gas	\$ 278,644		\$ 10,979	\$ 5,053			
93600 Sewer	\$ 238,354		\$ 8,925	\$ 15,095			
93000 Total Utilities	\$ 1,001,806	\$ -	\$ 39,239	\$ 67,874	\$ -	\$ -	\$ -

Community Development Block Grants	Housing Opportunities for Persons with AIDS	HOME Investment Partnerships Program	HUD-Veterans Affairs Supportive Housing Program	ROSS - Family	ROSS - Elderly	Resident Opportunity and Supportive Services	Disaster Housing Assistance Grant	Subtotal	Eliminations	Total
14.218	14.241	14.239	14.VSH	14.877	14.876	14.870	97.109			
								\$ 2,296,494	\$ (98,240)	\$ 2,198,254
								\$ 23,406		\$ 23,406
\$	\$	\$	\$	\$ -	\$ -	\$ -	\$ -	\$ 2,319,900	\$ (98,240)	\$ 2,221,660
\$ 183,975	\$ 318,942		\$ 358,530	\$ 66,120		\$ 11,885		\$ 33,806,283		\$ 33,806,283
								\$ 1,388,225		\$ 1,388,225
								\$ 1,823,651		\$ 1,823,651
								\$ 6,452		\$ 6,452
								\$ 60,408		\$ 60,408
								\$ 118,994		\$ 118,994
\$ 3,358	\$ 1,030	\$ 1,047						\$ 3,713,462	\$ (1,766,403)	\$ 1,947,059
								\$ 453		\$ 453
								\$ 11,139		\$ 11,139
\$ 187,333	\$ 319,972	\$ 1,047	\$ 358,530	\$ 66,120	\$ -	\$ 11,885	\$ -	\$ 43,248,967	\$ (1,864,643)	\$ 41,384,324
\$ 89,328	\$ 11,507			\$ 60,216				\$ 3,060,778		\$ 3,060,778
\$ 1,323								\$ 53,599		\$ 53,599
								\$ 167,116		\$ 167,116
\$ 31,842	\$ 4,819			\$ 21,905				\$ 1,199,255		\$ 1,199,255
\$ 9,156								\$ 257,126		\$ 257,126
								\$ 27,734		\$ 27,734
\$ 40,608	\$ 7,045							\$ 1,766,403	\$ (1,766,403)	\$ -
\$ 10,891	\$ 6,478	\$ (295)				\$ 11,885		\$ 1,256,193		\$ 1,256,193
\$ 183,148	\$ 29,849	\$ (295)	\$ -	\$ 82,121	\$ -	\$ 11,885	\$ -	\$ 7,788,204	\$ (1,766,403)	\$ 6,021,801
								\$ 201,279		\$ 201,279
								\$ 62,819		\$ 62,819
								\$ 164,050		\$ 164,050
\$	\$	\$	\$	\$ -	\$ -	\$ -	\$ -	\$ 428,148	\$ -	\$ 428,148
								\$ 195,405		\$ 195,405
								\$ 356,464		\$ 356,464
								\$ 294,676		\$ 294,676
								\$ 262,374		\$ 262,374
\$	\$	\$	\$	\$ -	\$ -	\$ -	\$ -	\$ 1,108,919	\$ -	\$ 1,108,919

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

HOUSING AUTHORITY OF THE COUNTY OF MARIN
FINANCIAL DATA SCHEDULE (CA052) - PROFIT AND LOSS STATEMENT
DECEMBER 31, 2010
(Continued)

	Public Housing (Including Capital Fund)	Housing Choice Vouchers	Component Units	State/Local	Shelter Plus Care	Competitive Capital Fund Stimulus Grant	Formula Capital Fund Stimulus Grant
CFDA number:	14.850/14.872	14.871			14.238	14.884	14.885
94100 Ordinary Maintenance and Operations - Labor	\$ 738,099		\$ 6,099	\$ 11,937			
94200 Ordinary Maintenance and Operations - Materials	\$ 164,689	\$ 2,249	\$ 15,656	\$ 1,958			
94300 Ordinary Maintenance and Operations Contracts	\$ 480,784	\$ 2,254	\$ 63,316	\$ 97,782			
94500 Employee Benefit Contributions - Ordinary Maint	\$ 260,229		\$ 24	\$ 8,753			
94000 Total Maintenance	\$ 1,643,801	\$ 4,503	\$ 85,095	\$ 120,430	\$ -	\$ -	\$ -
96110 Property Insurance	\$ 68,662		\$ 15,463	\$ 6,968			
96120 Liability Insurance		\$ 8,502			\$ 1,442		
96130 Workmen's Compensation	\$ 77,652	\$ 11,681	\$ 425	\$ 13,663	\$ 2,975		
96100 Total insurance Premiums	\$ 146,314	\$ 20,183	\$ 15,888	\$ 20,631	\$ 4,417	\$ -	\$ -
96200 Other General Expenses	\$ 57,519	\$ 32,863	\$ 5,883	\$ 21,971	\$ 10,686		
96210 Compensated Absences	\$ 1,067	\$ 5,996	\$ (1,639)	\$ (90,984)	\$ (16,425)		
96300 Payments in Lieu of Taxes	\$ 56,663		\$ 16,988	\$ 3,926			
96400 Bad debt - Tenant Rents	\$ 88,517		\$ 170	\$ (200)			
96600 Bad debt - Other				\$ 1,274			
96000 Total Other General Expenses	\$ 203,766	\$ 38,859	\$ 21,402	\$ (64,013)	\$ (5,739)	\$ -	\$ -
96710 Interest of Mortgage (or Bonds) Payable			\$ 72,453	\$ 131,031			
96700 Total Interest Expense and Amortization Cost	\$ -	\$ -	\$ 72,453	\$ 131,031	\$ -	\$ -	\$ -
96900 Total Operating Expenses	\$ 4,882,239	\$ 2,303,740	\$ 453,158	\$ 3,142,129	\$ 579,909	\$ 88,405	\$ 28,004
97000 Excess of Operating Revenue over Operating Expenses	\$ 1,136,691	\$ 26,969,535	\$ 165,694	\$ 788,705	\$ 945,274	\$ 81,453	\$ 739,144
97100 Extraordinary Maintenance	\$ 20,280					\$ 13,142	
97300 Housing Assistance Payments	\$ -	\$ 25,923,569		\$ 979,787	\$ 841,728		
97400 Depreciation Expense	\$ 1,008,129	\$ 10,921	\$ 89,218	\$ 126,208			
90000 Total Expenses	\$ 5,910,648	\$ 28,238,230	\$ 542,376	\$ 4,248,124	\$ 1,421,637	\$ 101,547	\$ 28,004
10010 Operating Transfer In	\$ 456,256	\$ 52,729		\$ 55,397			
10020 Operating transfer Out	\$ (456,256)	\$ (55,397)			\$ (52,252)		
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out	\$ (16,001)						
10100 Total Other financing Sources (Uses)	\$ (16,001)	\$ (2,668)	\$ -	\$ 55,397	\$ (52,252)	\$ -	\$ -
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 92,281	\$ 1,032,377	\$ 76,476	\$ (261,893)	\$ 51,294	\$ 68,311	\$ 739,144

Community Development Block Grants	Housing Opportunities for Persons with AIDS	HOME Investment Partnerships Program	HUD-Veterans Affairs Supportive Housing Program	ROSS - Family	ROSS - Elderly	Resident Opportunity and Supportive Services	Disaster Housing Assistance Grant	Subtotal	Eliminations	Total
14.218	14.241	14.239	14.VSH	14.877	14.876	14.870	97.109			
								\$ 756,135		\$ 756,135
								\$ 184,552		\$ 184,552
								\$ 644,136		\$ 644,136
								\$ 269,006		\$ 269,006
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,853,829	\$ -	\$ 1,853,829
								\$ 91,093		\$ 91,093
								\$ 9,944		\$ 9,944
\$ 657	\$ 118							\$ 107,171		\$ 107,171
\$ 657	\$ 118	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208,208	\$ -	\$ 208,208
\$ 759		\$ 1,342					\$ 5,978	\$ 137,001		\$ 137,001
	\$ (27)							\$ (102,012)		\$ (102,012)
								\$ 77,577		\$ 77,577
								\$ 88,487		\$ 88,487
								\$ 1,274		\$ 1,274
\$ 759	\$ (27)	\$ 1,342	\$ -	\$ -	\$ -	\$ -	\$ 5,978	\$ 202,327	\$ -	\$ 202,327
								\$ 203,484		\$ 203,484
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,484	\$ -	\$ 203,484
\$ 184,564	\$ 29,940	\$ 1,047	\$ -	\$ 82,121	\$ -	\$ 11,885	\$ 5,978	\$ 11,793,119	\$ (1,766,403)	\$ 10,026,716
\$ 2,769	\$ 290,032	\$ -	\$ 358,530	\$ (16,001)	\$ -	\$ -	\$ (5,978)	\$ 31,455,848	\$ (98,240)	\$ 31,357,608
								\$ 33,422		\$ 33,422
	\$ 288,052		\$ 174,374					\$ 28,207,510	\$ (98,240)	\$ 28,109,270
								\$ 1,234,476		\$ 1,234,476
\$ 184,564	\$ 317,992	\$ 1,047	\$ 174,374	\$ 82,121	\$ -	\$ 11,885	\$ 5,978	\$ 41,268,527	\$ (1,864,643)	\$ 39,403,884
	\$ 169							\$ 564,551		\$ 564,551
							\$ (646)	\$ (564,551)		\$ (564,551)
				\$ 16,001				\$ 16,001		\$ 16,001
								\$ (16,001)		\$ (16,001)
\$ -	\$ 169	\$ -	\$ -	\$ 16,001	\$ -	\$ -	\$ (646)	\$ -	\$ -	\$ -
\$ 2,769	\$ 2,149	\$ -	\$ 184,156	\$ -	\$ -	\$ -	\$ (6,624)	\$ 1,980,440	\$ -	\$ 1,980,440

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

HOUSING AUTHORITY OF THE COUNTY OF MARIN
FINANCIAL DATA SCHEDULE (CA052) - PROFIT AND LOSS STATEMENT
DECEMBER 31, 2010
(Continued)

	Public Housing (Including Capital Fund)	Housing Choice Vouchers	Component Units	State/Local	Shelter Plus Care	Competitive Capital Fund Stimulus Grant	Formula Capital Fund Stimulus Grant
CFDA number:	14.850/14.872	14.871			14.238	14.884	14.885
11020 Required Annual Debt Principal Payments	\$ -	\$ -	\$ 50,522	\$ 29,072	\$ -	\$ -	\$ -
11030 Beginning Equity	\$ 18,423,650	\$ 3,274,928	\$ 737,820	\$ 6,090,281	\$ 133,243	\$ -	\$ -
11040 Prior Period Adjustments and Equity Transfers	\$ 736,862	\$ (78,345)	\$ (5,885)	\$ 176,741	\$ (15,699)	\$ (68,311)	\$ (739,144)
11170 Administrative Fee Equity		\$ 1,064,725					
11180 Housing Assistance Payments Equity		\$ 3,164,235					
11190 Unit Months Available	5,952	25,308	516	456	862		
11210 Number of Unit Months Leased	5,753	25,313	464	410	862		
11270 Excess Cash	\$ (14,572)						
11610 Land Purchases	\$ -						
11620 Building Purchases	\$ 1,388,225						
11630 Furniture & Equipment - Dwelling Purchases	\$ -						
11640 Furniture & Equipment - Administrative Purchases	\$ -						
11650 Leasehold Improvements Purchases	\$ -						
11660 Infrastructure Purchases	\$ -						
13510 CFFP Debt Service Payments	\$ -						
13901 Replacement Housing Factor Funds	\$ -						

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

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

We have audited the financial statements of the business-type activities and the major fund of the Housing Authority of the County of Marin, California, as of and for the year ended December 31, 2010, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 16, 2011. 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

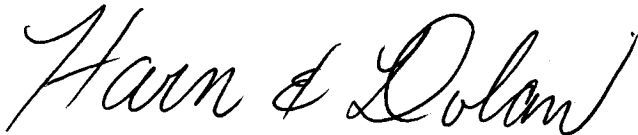
Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 16, 2011.

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 16, 2011

Harn & Dolan

Certified Public Accountants

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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, 2010. 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, 2010.

Internal Control Over Compliance

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 the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 16, 2011

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

The previous audit report for the year ended December 31, 2009 contained no audit findings.

**HOUSING AUTHORITY OF THE COUNTY OF MARIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unqualified
Is a going concern explanatory paragraph include in the audit report?	no
Is a significant deficiency disclosed?	no
Is any significant deficiency reported as a material weakness?	n/a
Is a material noncompliance disclosed?	no

Federal Awards

Dollar threshold used to distinguish between Type A and Type B programs \$ 1,031,863

Auditee qualified as low-risk auditee? yes

Identification of major programs:

Type A programs tested as major:

Shelter Plus Care Program 14.238

Housing Choice Voucher Program 14.871

Capital Fund Program Cluster:

Public Housing Capital Fund 14.872

Competitive Capital Fund Stimulus Grant 14.884

Formula Capital Fund Stimulus Grant 14.885

Type of auditors' report issued on compliance for major programs: unqualified

Is a significant deficiency reported for any major program? no

Is a significant deficiency reported for any major program as a material weaknesses? n/a

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