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November 20, 2015

To the Board of Commissioners  
and Executive Director  
Housing Authority of the  
County of Contra Costa  
Martinez, California

We have audited the financial statements of the business-type activities of the Housing Authority of the County of Contra Costa, component unit of the County of Contra Costa, California (the Authority) for the year ended March 31, 2015. We did not audit the financial statements of the Authority's component units which were audited by other auditors and the reports were furnished to us. Professional standards require that we provide you with information about our responsibilities under generally accepted accounting standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated December 18, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Housing Authority of the County of Contra Costa, California's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over the financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provision is not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Authority's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Authority's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it does not provide a legal determination on the Authority's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management Discussion and Analysis (MD&A), which supplements the basic financial statements, is to apply certain limited

procedures in accordance with generally accepted auditing standards. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the Schedule of Expenditures of Federal Awards, the Financial Data Schedule and the Statement of Completed Capital Fund Program Project, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and method of preparing the information to determine that the information complies with accounting principles generally accepted in the United State of America, the methods of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We have not been engaged to report on the Schedule of Relevant Statistics which accompanies the financial statements but is not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information has not been audited and we did not express an opinion or provide any assurance on it.

#### Planned Scope and Timing of the Audit

The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgement about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatement may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We noted no material misstatement that required communication to you during our audit.

Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new

accounting policies were adopted and the application of existing policies were not changed during the fiscal year ended March 31, 2015. As described in Note 1.S. to the financial statements, the Authority considered the effect that new GASB pronouncements would have on the financial statements. Specifically, the Authority considered the effects of GASB No 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No 27*, and anticipates that the full implementation of this Statement will have a material impact on the financial statements beginning next fiscal year. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statement were:

- Allowance for uncollectible tenant accounts receivable: Management's estimate is based on past experience and subsequent collections. We inquired with management on the need for the amount of the allowances.
- Depreciation on capital assets: Management's estimate of the useful lives of its capital assets is based on historical information about similar assets, the length of time the assets are expected to meet service and technology demands, and the Authority's maintenance policy for the assets. These estimates have remained consistent for several years. We evaluated the key factors and assumption used to develop the depreciation estimates in determining that they are reasonable in relation to the financial statements taken as a whole.
- OPEB liability: Management's estimate is derived from actuarial valuations obtained from experts. We agreed the OPEB liability and the other information contained in the OPEB footnote to the amounts reported in the actuarial report dated January 23, 2015, for the period beginning April 1, 2014, by Nicolay Consulting Group.
- Noncurrent liability for insurance claims: Management's estimate is derived from advice received from its insurance carriers.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most significant disclosure affecting the financial statements were:

- (1) The disclosure of the related parties - component units, both blended and discreetly presented, in Note 14 to the financial statements. This disclosure describes the Authority's relationship, including financial, with its component units
- (2) The disclosure of the retirement plan in Note 11 to the basic financial statements. This disclosure discusses the pension plan, its funding policy, and the Authority's estimated unfunded liability as of December 31, 2014. This footnote is significant due to the requirement of agencies to implement GASB Statement No 68 - *Accounting and Financial Reporting for Pensions*, beginning, for the Authority, next fiscal year. This GASB Statement requires all agencies to record any unfunded liability as a liability to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For the purpose of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreement arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 20, 2015.

*Management Consultation with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the government unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

This information is intended solely for the use of the Board of Commissioners and management of the Housing Authority of the County of Contra Costa and is not intended to be, and should not be, used by anyone other than these specified parties.

Very Truly Yours,

Harn & Dolan, CPA's