NEVADA COUNTY HOUSING AUTHORITY
(A COMPONENT UNIT OF THE
COUNTY OF NEVADA, CALIFORNIA)

AUDIT REPORT

JUNE 30, 2004

NEVADA COUNTY HOUSING AUTHORITY

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners and Grand Jury
Nevada County Housing Authority
Nevada City, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Nevada County Housing Authority (a component unit of the County of Nevada, California) (Authority), as of and for the year ended June 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2005, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Board of Commissioners and Grand Jury
Nevada County Housing Authority

The Management's Discussion and Analysis and budgetary comparison information, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BARTIG, BASLER & RAY, CPAs, INC.

Bartig, Basler & Ray, CPAs, Inc.

Roseville, California
February 18, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

NEVADA COUNTY HOUSING AUTHORITY

Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2004

The following Management's Discussion and Analysis ("MD&A") of County of Nevada Housing Authority's (the "Authority") financial performance provides an introduction to the financial statements for the year ended June 30, 2004. The information contained in this MD&A should be considered in conjunction with the information contained in the Authority's financial statements.

Overview of the Financial Statements

Following this discussion and analysis are the basic financial statements of the Authority, together with the notes, which are essential to a full understanding of the data contained in the financial statements. The basic financial statements are designed to provide readers with a broad overview of the Authority's financial status.

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

The Statement of Net Activities 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 a future fiscal period (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements are prepared on the modified basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Authority is structured with two governmental funds with revenues recognized in the accounting period in which they become available and measurable and expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Interest on general long-term debt and certain similar accrued obligations are recognized when due.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

NEVADA COUNTY HOUSING AUTHORITY

Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2004

FINANCIAL POSITION

Analysis of the Authority as a Whole – Governmental Wide Financial Statements

At June 30, 2004, the Authority's total net assets of $116,870 consisted of $231,427 in cash and investments, $320 in receivables and $1,726 is due from others. Less amounts due to other funds and the County of $116,603.

Authority's Net Assets
June 30, 2004 and 2003

	2004	2003	Variance
ASSETS			
Total Current Assets	$ 233,357	$ 445,860	-48%
Capital Assets	--	--	
Total Assets	$ 233,357	$ 445,860	-48%
LIABILITIES			
Total Current Liabilities	$ 116,487	$ 112,065	4%
Total Noncurrent Liabilities	--	--	
Total Liabilities	116,487	112,065	4%
NET ASSETS			
Invested in Capital Assets	--	--	
Unrestricted	116,870	333,795	-65%
Total Net Assets	$ 116,870	$ 333,795	-65%

The total assets held decreased 48% from the June 30,2003 balance which was $445,357. There was a decrease in the accounts receivable balance in the fiscal year ending June 30, 2004, in the amount of $7,140 and prepaid expenses are $0 compared to $92,232 in the prior year. The total liabilities increased by 4% with an outstanding balance of $116,603 on June 30, 2004 from $112,065 on June 30, 2003. This decrease was in the amounts due to the County compared to the previous fiscal year.

Changes in Net Assets
For the Years Ended June 30, 2004 and 2003

	2004	2003	Variance
Revenues			
Operating Grants and Contributions	$ 1,563,693	$ 1,576,076	-0.79%
General Revenues	8,747	16,921	-48.31%
Total Revenues	1,572,440	1,592,997	-1.29%
Expenses			
Public Assistance	1,473,296	1,365,620	7.88%
Miscellaneous	--	31,215	-100.00%
Total Expenses	1,473,296	1,396,835	5.47%
Change in net assets	99,144	196,162	-49.46%
Net Assets – restated beginning	333,795	137,633	142.53%
Prior period adjustment	(316,069)	--	--
Net Assets – ending	$ 116,870	$ 333,795	-64.99%

Revenues – The Authority's revenues for Fiscal Year 2003-04 consisted of program revenues in the amount of $1,563,693. This is less than a 1% decrease over the previous year's $1,576,076 in program revenues. Other sources of revenue were interest earnings and miscellaneous revenues totaling $8,747.

Expenses – Expenses for the Authority totaled $1,473,296. This was a 5% increase from the prior year expenses of $1,396,835.

Prior Period Adjustment – The Net Assets adjustment of $316,069 was necessary to correct a deferred revenue amount in the prior year. The Authority had earned the revenue.

Analysis of the Fund Financial Statements

The Authority uses fund accounting to assure and demonstrate compliance with the legal requirements of the Housing Authority Law of the State of California and the United Stated Department of Housing and Urban Development (HUD). The Fiscal year 2003-04 fund financial statements reflect the activities of the two governmental funds of the authority on a modified accrual basis.

The funds of the Authority provide information on short-term inflows, outflows, and balances of available resources. The revenues for the HUD Voucher program were $1,572,323. The

The funds of the Authority provide information on short-term inflows, outflows, and balances of available resources. The revenues for the HUD Voucher program were $1,572,323. The Authority expensed $1,473,296 in 2003-04 for programs under its operation, which was an increase over the 2002-03 amount of $1,365,620.

Economic Factors and Next Year's Budget

The Authority will continue to participate with the federally funded HUD programs. The program revenues are expected to increase slightly during the fiscal year 2004-05. The additional revenue would be obtained by expanding the participation of property owners to provide suitable rental housing for eligible households currently on the waiting list.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Nevada County Auditor-Controller, Bruce A. Bielefelt, 950 Maidu Avenue, Nevada City CA 95959. This entire report is available online at www.co.nevada.ca.us.

BASIC FINANCIAL STATEMENTS –
GOVERNMENT-WIDE FINANCIAL STATEMENTS

NEVADA COUNTY HOUSING AUTHORITY

Statement of Net Assets
June 30, 2004

	Governmental Activities
ASSETS	
Cash and investments	$ 231,427
Accounts receivables	320
Due from County	1,610
Total Assets	$ 233,357
LIABILITIES	
Due to County	$ 116,487
Total Liabilities	116,487
NET ASSETS	
Unrestricted	116,870
Total Net Assets	116,870
Total Liabilities and Net Assets	$ 233,357

The accompanying notes are an integral part of these financial statements.

NEVADA COUNTY HOUSING AUTHORITY

Statement of Activities
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental Activities:			
Public assistance	$ 1,473,296	$ 1,563,693	$ 90,397
Total Governmental Activities	$ 1,473,296	$ 1,563,693	90,397

General Revenues:	
Interest and investment earnings	3,467
Miscellaneous	5,280
Total General Revenues	8,747
Change in Net Assets	99,144
Net assets - beginning	333,795
Prior period adjustments	(316,069)
Net assets - ending	$ 116,870

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

NEVADA COUNTY HOUSING AUTHORITY

Balance Sheet
Governmental Funds
June 30, 2004

	Section 8 Vouchers	Section 8 FSS Escrow	Total
ASSETS			
Cash and investments	$ 225,095	$ 6,332	$ 231,427
Accounts receivables	320	--	320
Due from other funds	116	--	116
Due from County	--	1,610	1,610
Totals Assets	$ 225,531	$ 7,942	$ 233,473
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	$ --	$ 116	$ 116
Due to County	116,487	--	116,487
Total Liabilities	116,487	116	116,603
Fund Balances:			
Unreserved, undesignated	109,044	7,826	116,870
Total Fund Balances	109,044	7,826	116,870
Total Liabilities and Fund Balances	$ 225,531	$ 7,942	$ 233,473

The accompanying notes are an integral part of these financial statements.

NEVADA COUNTY HOUSING AUTHORITY

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	Section 8 Vouchers	Section 8 FSS Escrow	Total
Revenues:			
Intergovernmental	$ 1,563,693	$ --	$ 1,563,693
Use of money and property	3,350	117	3,467
Miscellaneous revenue	5,280	--	5,280
Total Revenues	1,572,323	117	1,572,440
Expenditures:			
Current:			
Public assistance	1,473,296	--	1,473,296
Total Expenditures	1,473,296	--	1,473,296
Excess (Deficiency) of Revenue Over (Under) Expenditures	99,027	117	99,144
Other Financing Sources (Uses):			
Transfers in	13,824	3,019	16,843
Transfers out	(3,019)	(13,824)	(16,843)
Total Other Financing Sources (Uses)	10,805	(10,805)	--
Net Change in Fund Balances	109,832	(10,688)	99,144
Fund Balances - Beginning	90,213	18,524	108,737
Prior Period Adjustments	(91,001)	(10)	(91,011)
Fund Balances - Ending	$ 109,044	$ 7,826	$ 116,870

The accompanying notes are an integral part of these financial statements.

Note 1: Summary of Significant Accounting Policies

A. Description of the Reporting Entity

The Nevada County Housing Authority, the "Authority", a Component Unit of the County of Nevada, California, is a public agency formed on February 4, 1992 pursuant to provisions of the Housing Authority Law of the State of California. It is a public entity, separate and distinct from the County of Nevada, established to pursue United States Department of Housing and Urban Development (HUD) funding and manage low income housing programs. Pursuant to the Housing and Authority Law, the Board of Supervisors appointed themselves as Commissioners of the Authority.

The Authority, for financial purposes, includes all of the activity relevant to the operations of the Authority in two Special Revenue funds, as follows:

Section 8 Vouchers	Section 8 Vouchers Escrow

The Authority is considered to be a component unit of the County of Nevada under criteria set by Governmental Accounting Standards Board (GASB) Statement No. 14. These entities are legally separate from each other. The County elected officials have a continuing full or partial oversight responsibility over and accountability for fiscal matters of this entity. The criteria used to determine the scope of the reporting entity for financial reporting purposes are (1) exercise of oversight responsibility over such agencies by the governmental unit's elected officials, (2) selection of governing authority, (3) designation of management, (4) ability to significantly influence operations, and (5) accountability for fiscal matters.

Reporting component units on the County's financial statements can be blended or discretely presented. Blended component units, although legally separate entities, are in substance, part of the government's operations. Blended component units are an extension of the County and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County.

The Housing Authority is treated as a blended component unit of the County of Nevada.

Note 1: Summary of Significant Accounting Policies

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and statement of activities display information about the Authority. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Authority. Governmental activities, which are normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties. The Authority had no business-type activities at June 30, 2004.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Program expenses include direct expenses which are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function and allocated indirect expenses. Program revenues include 1) charges paid by the recipients of goods and services offered by the program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net assets are available, unrestricted resources are depleted first before the restricted resources are used.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Note 1: **Summary of Significant Accounting Policies** (continued)

B. **Basis of Presentation** (continued)

FUND FINANCIAL STATEMENTS (continued)

The Authority reports the following major governmental funds:

- The Section 8 Vouchers Fund is used to account for housing voucher activity.
- The Section 8 Voucher Family Self Sufficiency (FSS) Escrow fund is used as a special savings account to assist voucher recipients off of the federal housing aid program. This fund does not qualify as a major fund but the Authority chooses to report it as a major fund for presentation purposes.

C. **Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange include grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Interest, intergovernmental revenues and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

D. **Assets, Liabilities, and Equity**

Cash and Investments

The Authority pools cash and investment of all funds, except for amounts held by fiscal agents, with cash and investments of the County of Nevada. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income from pooled investments is allocated to all funds in the pool. Interest is allocated on the basis of average month end cash balance amounts for each fund as a percentage of the total balance.

Note 1: **Summary of Significant Accounting Policies** (continued)

D. **Assets, Liabilities, and Equity** (continued)

Cash and Investments (continued)

Investments are reported in the accompanying balance sheet at fair value which is determined using selected bases. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. Managed funds not listed on an established market are reported at the estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

Under Section 53601 of the California Government Code, as amended, the collateral underlying a government entity's investments must be "delivered" to the entity. If U.S. Treasury Bills are used as the underlying collateral, delivery may be made by book entry only. For all other collateral, the security must be physically delivered, either to the entity or a third-party custodial agent.

Under California Senate Bill No. 2115, passed by the California Legislature in 1986, when a bank is used as a third-party custodial agent, the bank is permitted to maintain the underlying securities in either a "Trust Department" or a "Safekeeping Department". All of the Authority's investments, as described in Note 2, are maintained in the "Safekeeping Departments" of applicable banks.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include grants and interest. Management has determined the Authority's receivables to be fully collectible. Accordingly, no allowance for doubtful accounts has been made.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as interest and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual method of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Note 1: **Summary of Significant Accounting Policies** (continued)

D. **Assets, Liabilities, and Equity** (continued)

Prepaid Costs

Certain payments to vendors reflect costs applicable to future accounting periods.

Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net assets and displayed in three components:

a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

FUND STATEMENTS

In the fund financial statements, governmental funds segregate portions of fund balance as reserves and designations. Reservations of fund balance are for amounts that are not available or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance are established by action of management and represent tentative plans that are subject to change. The Authority had no required reserves of fund balance at June 30, 2004.

Note 1: **Summary of Significant Accounting Policies** (continued)

E. **Revenues, Expenditures, and Expenses**

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, expenditures are classified as follows:

Government Funds – By Character	Current (further classified by function) Debt Service Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

F. **Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2: **Cash and Investments**

The Authority holds unrestricted cash and investments with the Treasurer of the County of Nevada in a cash and investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding the categorization of investments can be found in the County of Nevada's financial statements. The Nevada County Treasury Oversight Commission oversees the Treasurer's compliance with the County investment policy. The County's audit report discloses the required information in accordance with Governmental Accounting Standards Board Statement No. 3 (GASB No. 3).

Note 3: Interfund Transactions

Due To/From Other Funds

Operating receivables and payables between funds are classified as due from or due to other funds. The following are due from and due to balances as of June 30, 2004:

Receivable Fund	Payable Fund	Amount	Purpose
Section 8 Vouchers	Section 8 Vouchers FSS Escrow	$ 116	Services provided
		$ 116	

Transfers

Transfers are indicative of funding for subsidies of various Authority operations and reallocations of special revenues. The following schedule briefly summarizes the Authority's transfer activity:

Transfer From	Transfer To	Amount	Purpose
Section 8 Vouchers	Section 8 Vouchers FSS Escrow	$ 3,019	Services provided
Section 8 Vouchers FSS Escrow	Section 8 Vouchers	13,824	Services provided
		$ 16,843	

Note 4: Related Party Transactions

The following is a summary of receivables from the County of Nevada as of June 30, 2004:

Section 8 FSS Escrow	$ 1,610

The following is a summary of advances from the County of Nevada as of June 30, 2004:

Section 8 Vouchers	$ 116,487

Note 5: Portable Vouchers – Section 8 Rental Assistance

The Authority makes rental assistance payments for clients of other counties who reside in the County of Nevada. These payments are initially funded by the grant monies received directly from HUD for the clients of Nevada County. The Authority then bills the reciprocal county for the payments made on behalf of those clients who now reside in Nevada County. Consequently, the County of Nevada also owes reimbursements to other counties for amounts those counties paid on behalf of Nevada County clients who no longer reside in Nevada County.

Note 6: **Insurance**

The Authority is exposed to risk of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disaster. The Authority maintains insurance coverage against these potential risks of loss.

Because of the close relationship the Authority has with the County of Nevada, the Authority's coverage is provided by the County of Nevada. Disclosure of complete information on risk management can be found in the County of Nevada's financial statements.

Note 7: **Prior Period Adjustments**

Government Wide Statements:

- A prior period adjustment of $316,069 was posted to correct prior year balance of deferred revenue. The was earned in the prior period but not recognized.

Fund Statements:

- A prior period adjustment of $91,011 was made to correct the prior year deferred revenue balance.

REQUIRED SUPPLEMENTARY INFORMATION

NEVADA COUNTY HOUSING AUTHORITY

Budgetary Comparison Schedule
Section 8 Vouchers
For the Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental	$ 1,583,797	$ 1,583,797	$ 1,563,693	$ (20,104)
Use of money and property	--	--	3,350	3,350
Miscellaneous	--	--	5,280	5,280
Total Revenues	1,583,797	1,583,797	1,572,323	(11,474)
Expenditures:				
Current:				
Public assistance	1,568,297	1,562,320	1,473,296	89,024
Total Expenditures	1,568,297	1,562,320	1,473,296	89,024
Excess (Deficiency) of Revenue Over (Under) Expenditures	15,500	21,477	99,027	77,550
Other Financing Sources (Uses):				
Transfers in	--	--	13,824	13,824
Transfers out	(15,500)	(15,500)	(3,019)	12,481
Net Financing Sources (Uses)	(15,500)	(15,500)	10,805	26,305
Net Change in Fund Balances	--	5,977	109,832	103,855
Fund Balance - Beginning	90,213	90,213	90,213	--
Prior Period Adjustment	--	--	(91,001)	(91,001)
Fund Balance - Ending	$ 90,213	$ 96,190	$ 109,044	$ 12,854

NEVADA COUNTY HOUSING AUTHORITY

Budgetary Comparison Schedule
Section 8 Vouchers FSS Escrow
For the Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Use of money and property	$ --	$ --	$ 117	$ 117
Total Revenues	--	--	117	117
Expenditures:				
Current:				
Public assistance	15,500	15,500	--	15,500
Total Expenditures	15,500	15,500	--	15,500
Excess (Deficiency) of Revenue Over (Under) Expenditures	(15,500)	(15,500)	117	15,617
Other Financing Sources (Uses):				
Transfers in	15,500	15,500	3,019	(12,481)
Transfers out	--	--	(13,824)	(13,824)
Net Financing Sources (Uses)	15,500	15,500	(10,805)	(26,305)
Net Change in Fund Balances	--	--	(10,688)	(10,688)
Fund Balance - Beginning	18,524	18,524	18,524	--
Prior Period Adjustment	--	--	(10)	(10)
Fund Balance - Ending	$ 18,524	$ 18,524	$ 7,826	$ (10,698)

BUDGETARY BASIS OF ACCOUNTING

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Director submits to the Board of Commissioners a proposed draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

2. The Board of Commissioners reviews the proposed budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the proposed budget to obtain comments from interested persons.

3. Prior to July 1, the budget is adopted through the passage of an ordinance,

4. Any revisions that alter the total expenditures must be approved by the Board of Commissioners.

Formal budgetary integration is employed as a management control device during the year. The Authority presents a comparison of annual budgets to actual results for all major governmental funds. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The Authority uses an encumbrance system as an extension of normal budgetary accounting for the general and other governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Unencumbered appropriation lapse at year end. Encumbered appropriations are carried forward in the ensuing year's budget.

OTHER REPORT

Bartig, Basler & Ray
A Professional Corporation
Certified Public Accountants and Management Consultants

Frank V. Trythall
Brad W. Constantine
Bruce W. Stephenson
Roseanne M. Lopez
Jason J. Cardinet
Tyler K. Hunt

Curtis A. Orgill
M. Elba Zuniga

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Commissioners and Grand Jury
Nevada County Housing Authority
Nevada City, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Nevada County Housing Authority (a component unit of the County of Nevada, California) (Authority), as of and for the year ended June 30, 2004, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 18, 2005. 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 Authority'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 financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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The Board of Commissioners and Grand Jury
Nevada County Housing Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 that are required to be reported under *Government Auditing Standards.*

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

BARTIG, BASLER & RAY, CPAs, INC.

Bartig, Basler & Ray, CPAs, Inc.

Roseville, California
February 18, 2005

NEVADA COUNTY HOUSING AUTHORITY

Status of Prior Year Recommendations
June 30, 2004

Recommendation	Status
Grant Accounting	
We recommend that the Department maintain grant accounting records which can be reconciled to the primary accounting records of the County.	Implemented