

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

AUDIT REPORT

JUNE 30, 2006

NEVADA COUNTY HOUSING AUTHORITY

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FINANCIAL SECTION



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, 2006, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2006, 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 November 9, 2006, 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.

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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company

A handwritten signature in black ink that reads "Bartig Basler & Ray, LLP". The signature is written in a cursive, flowing style.

Roseville, California
November 9, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

NEVADA COUNTY HOUSING AUTHORITY

Management's Discussion and Analysis For The Fiscal Year Ended June 30, 2006

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, 2006. 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 Revenues, Expenses and Changes in Net Assets presents information showing the change in the Authority's net assets during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are recorded and reported in this statement for some items that will result in cash flows in future periods. (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.

FINANCIAL POSITION

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

At June 30, 2006, the Authority's total assets of \$144,714 exceeded its total liabilities of \$27,554 by \$117,160 for a total net assets increase of 73% or \$49,725.

NEVADA COUNTY HOUSING AUTHORITY

Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2006

Authority's Net Assets June 30, 2006 and 2005

| | 2006 | 2005 | Variance | |
|------------------------------|-----------|----------|----------|----------|
| ASSETS | | | | |
| Total Current Assets | \$144,714 | \$94,200 | 54% | \$50,514 |
| Capital Assets | \$0 | \$0 | | \$0 |
| Total Assets | \$144,714 | \$94,200 | 54% | \$50,514 |
| LIABILITIES | | | | |
| Total Current Liabilities | \$27,554 | \$26,315 | 5% | \$1,239 |
| Total Noncurrent Liabilities | \$0 | \$0 | | |
| Total Liabilities | \$27,554 | \$26,315 | 5% | \$1,239 |
| NET ASSETS | | | | |
| Invested in cap Assets | \$0 | \$0 | | |
| Unrestricted | \$117,160 | \$67,885 | 73% | \$49,275 |
| Total Net Assets | \$117,160 | \$67,885 | 73% | \$49,275 |

The total assets held increased 54% to \$144,714 on June 30, 2006, from \$94,200 as of June 30, 2005. This was due to an increase in the cash held in the funds. The total liabilities increased by 5% with an outstanding balance of \$27,554 on June 30, 2006 from \$26,315 on June 30, 2005.

Changes in Net Assets For The Years Ended June 30, 2006 and 2005

| | 2006 | 2005 | Variance | Change |
|------------------------------------|-----------|-----------|----------|----------|
| Revenues | | | | |
| Operating Grants and Contributions | 1,485,519 | 1,442,504 | 3.0% | 43,015 |
| General Revenues | 2,737 | 4,688 | -41.6% | (1,951) |
| Total Revenues | 1,488,256 | 1,447,192 | 2.8% | 41,064 |
| Expenses | | | | |
| Public Assistance | 1,438,981 | 1,496,177 | -3.8% | (57,196) |
| Miscellaneous | 0 | 0 | | |
| Total Expenses | 1,438,981 | 1,496,177 | -3.8% | (57,196) |
| Change in net assets | 49,275 | (48,985) | -200.6% | 98,260 |
| Net Assets – beginning | 67,885 | 116,870 | -41.9% | (48,985) |
| Prior period adjustment | 0 | | 0.0% | 0 |
| Net Assets - ending | 117,160 | 67,885 | 72.6% | 49,275 |

NEVADA COUNTY HOUSING AUTHORITY

Management's Discussion and Analysis For The Fiscal Year Ended June 30, 2006

Revenues – The Authority's revenues for Fiscal Year 2005-06 increased 2.8% or \$41,064 for a total of \$1,488,256. Of this amount, \$1,485,519 was direct program revenues. This is a 3.0% increase over the previous year's \$1,442,504 in program revenues. The general revenues category, which is primarily interest earnings, decreased 41.6% or \$1,951 to a total of \$2,737.

Expenditures – Expenses for the Authority totaled \$1,438,981. This was a 3.8% decrease from the prior year expenses of \$1,496,177. The decrease was primarily due to a timing difference in the payment of the rental assistance between one year and the next.

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 States Department of Housing and Urban Development (HUD). The Fiscal year 2005-06 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 program revenues for the HUD Voucher program totaled \$1,485,519. The Authority expended \$1,438,981 in 2005-06 for programs under its operation, which was a 3.8% or \$57,196 decrease from the 2004-05 expenses of \$1,496,177.

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 to during the fiscal year 2006-07, due to a small increase in Federal/State funding, along with a reduction in overhead costs and costs of services and supplies.

Request for Information

This financial report is designed to provide a general overview of the County of Nevada's Housing Authority finances for all those with an interest in the County 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, Marcia L. Salter, 950 Maidu Avenue, Nevada City CA 95959. This entire report is available online at <http://new.mynevadacounty.com/auditor/>.

**BASIC FINANCIAL STATEMENTS –
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

NEVADA COUNTY HOUSING AUTHORITY

Statement of Net Assets
June 30, 2006

| | <u>Governmental Activities</u> |
|----------------------------------|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 131,378 |
| Due from County | <u>13,336</u> |
| Total Assets | <u><u>\$ 144,714</u></u> |
| LIABILITIES | |
| Accounts payable | \$ 458 |
| Due to County | 21,990 |
| Accrued payroll | <u>5,106</u> |
| Total Liabilities | <u>27,554</u> |
| NET ASSETS | |
| Unrestricted | <u>117,160</u> |
| Total Net Assets | <u>117,160</u> |
| Total Liabilities and Net Assets | <u><u>\$ 144,714</u></u> |

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

NEVADA COUNTY HOUSING AUTHORITY

Statement of Activities
For the Year Ended June 30, 2006

| Functions/Programs | Expenses | Net (Expense) Revenue and Changes in Net Assets | |
|-------------------------------|--------------|--|------------|
| | | Operating Grants and Contributions | Total |
| Governmental Activities: | | | |
| Public assistance | \$ 1,438,981 | \$ 1,485,519 | \$ 46,538 |
| Total Governmental Activities | \$ 1,438,981 | \$ 1,485,519 | 46,538 |
| | | | |
| | | General Revenues: | |
| | | Interest and investment earnings | 2,737 |
| | | Total General Revenues | 2,737 |
| | | Change in Net Assets | 49,275 |
| | | Net assets - beginning | 67,885 |
| | | Net assets - ending | \$ 117,160 |

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, 2006

| | Section 8 Vouchers | Section 8 Vouchers FSS Escrow | Total |
|--|-----------------------|----------------------------------|------------|
| ASSETS | | | |
| Cash and investments | \$ 124,643 | \$ 6,735 | \$ 131,378 |
| Due from County | 10,291 | 3,045 | 13,336 |
| Totals Assets | \$ 134,934 | \$ 9,780 | \$ 144,714 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 458 | \$ -- | \$ 458 |
| Accrued payroll | 5,106 | -- | 5,106 |
| Due to County | 19,419 | 2,571 | 21,990 |
| Total Liabilities | 24,983 | 2,571 | 27,554 |
| Fund Balances: | | | |
| Unreserved, undesignated | 109,951 | 7,209 | 117,160 |
| Total Liabilities and Fund Balances | \$ 134,934 | \$ 9,780 | \$ 144,714 |

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, 2006

| | Section 8 Vouchers | Section 8 Vouchers FSS Escrow | Total |
|--|-----------------------|----------------------------------|--------------|
| Revenues: | | | |
| Intergovernmental | \$ 1,485,519 | \$ -- | \$ 1,485,519 |
| Use of money and property | 2,492 | 245 | 2,737 |
| Total Revenues | 1,488,011 | 245 | 1,488,256 |
| Expenditures: | | | |
| Current: | | | |
| Public assistance | 1,433,843 | 5,138 | 1,438,981 |
| Total Expenditures | 1,433,843 | 5,138 | 1,438,981 |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | 54,168 | (4,893) | 49,275 |
| Other Financing Sources (Uses): | | | |
| Transfers in | -- | 2,477 | 2,477 |
| Transfers out | (2,477) | -- | (2,477) |
| Total Other Financing Sources (Uses) | (2,477) | 2,477 | -- |
| Net Change in Fund Balances | 51,691 | (2,416) | 49,275 |
| Fund Balances - Beginning | 58,260 | 9,625 | 67,885 |
| Fund Balances - Ending | \$ 109,951 | \$ 7,209 | \$ 117,160 |

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

NEVADA COUNTY HOUSING AUTHORITY

Notes To Basic Financial Statements
For The Fiscal Year Ended June 30, 2006

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 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.

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

NEVADA COUNTY HOUSING AUTHORITY

Notes To Basic Financial Statements For The Fiscal Year Ended June 30, 2006

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

charged to external parties. The Authority had no business-type activities at June 30, 2006.

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, they 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 interest income, 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 a separate accounting entity. 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.

NEVADA COUNTY HOUSING AUTHORITY

Notes To Basic Financial Statements
For The Fiscal Year Ended June 30, 2006

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:

- Section 8 Vouchers Fund – accounts for housing voucher activity.
- Section 8 Voucher Family Self Sufficiency (FSS) Escrow Fund – a special savings account to assist voucher recipients using the federal housing aid program.

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

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.

NEVADA COUNTY HOUSING AUTHORITY

Notes To Basic Financial Statements For The Fiscal Year Ended June 30, 2006

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

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

Receivables (continued)

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.

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, 2006.

NEVADA COUNTY HOUSING AUTHORITY

Notes To Basic Financial Statements
For The Fiscal Year Ended June 30, 2006

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

E. 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**

Total Authority cash and investments are as follows:

Investments:

| | |
|---------------------|-------------------|
| In Treasurer's pool | \$ <u>131,378</u> |
|---------------------|-------------------|

The Authority maintains all of its cash and investments with the Nevada County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Nevada's financial statements may be obtained by contacting the County of Nevada's Auditor-Controller's office at 950 Maidu Avenue, Nevada City DA. The Nevada County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Government Accounting Standards Board Statement No. 40 requires additional disclosures about a government's deposits and investments risks that include credit risk, custodial risk, concentration risk and interest rate risk. The Authority has no deposit or investment policy that addresses a specific type of risk.

Required disclosures for the Authority's deposit and investment risks at June 30, 2006, were as follows:

| | |
|------------------------------|----------------|
| Credit risk | Not rated |
| Custodial risk | Not applicable |
| Concentration of credit risk | Not applicable |
| Interest rate risk | 336 days |

NEVADA COUNTY HOUSING AUTHORITY

Notes To Basic Financial Statements
For The Fiscal Year Ended June 30, 2006

Note 3: **Interfund Transactions**

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:

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> | <u>Purpose</u> |
|----------------------|-------------------------------|-----------------|-------------------|
| Section 8 Vouchers | Section 8 Vouchers FSS Escrow | \$ <u>2,477</u> | Services provided |

Note 4: **Related Party Transactions**

The following is a summary of receivables from the County of Nevada as of June 30, 2006:

| | |
|-------------------------------|------------------|
| Section 8 Vouchers | \$ 10,291 |
| Section 8 Vouchers FSS Escrow | <u>3,045</u> |
| Total | <u>\$ 13,336</u> |

The following is a summary of advances from the County of Nevada as of June 30, 2006:

| | |
|-------------------------------|------------------|
| Section 8 Vouchers | \$ 19,419 |
| Section 8 Vouchers FSS Escrow | <u>2,571</u> |
| Total | <u>\$ 21,990</u> |

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.

NEVADA COUNTY HOUSING AUTHORITY

Notes To Basic Financial Statements
For The Fiscal Year Ended June 30, 2006

Note 6: **Insurance** (continued)

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.

REQUIRED SUPPLEMENTARY INFORMATION

NEVADA COUNTY HOUSING AUTHORITY

Budgetary Comparison Schedule
Section 8 Vouchers
For the Year Ended June 30, 2006

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$ 1,420,800 | \$ 1,420,800 | \$ 1,435,712 | \$ 14,912 |
| Use of money and property | 2,500 | 2,500 | 2,492 | (8) |
| Other revenue | -- | -- | -- | -- |
| Total Revenues | <u>1,423,300</u> | <u>1,423,300</u> | <u>1,438,204</u> | <u>14,904</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public assistance | <u>1,477,232</u> | <u>1,477,232</u> | <u>1,433,843</u> | <u>43,389</u> |
| Total Expenditures | <u>1,477,232</u> | <u>1,477,232</u> | <u>1,433,843</u> | <u>43,389</u> |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | <u>(53,932)</u> | <u>(53,932)</u> | <u>4,361</u> | <u>58,293</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers out | <u>(7,000)</u> | <u>(7,000)</u> | <u>(2,477)</u> | <u>4,523</u> |
| Net Financing Sources (Uses) | <u>(7,000)</u> | <u>(7,000)</u> | <u>(2,477)</u> | <u>4,523</u> |
| Net Change in Fund Balances | (60,932) | (60,932) | 1,884 | 62,816 |
| Fund Balance - Beginning | <u>58,260</u> | <u>58,260</u> | <u>58,260</u> | <u>--</u> |
| Fund Balance - Ending | <u>\$ (2,672)</u> | <u>\$ (2,672)</u> | <u>\$ 60,144</u> | <u>\$ 62,816</u> |

NEVADA COUNTY HOUSING AUTHORITY

Budgetary Comparison Schedule
Section 8 Vouchers FSS Escrow
For the Year Ended June 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|-----------------|-----------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Use of money and property | \$ 100 | \$ 100 | \$ 245 | \$ 145 |
| Total Revenues | <u>100</u> | <u>100</u> | <u>245</u> | <u>145</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public assistance | 14,863 | 14,863 | 5,138 | 9,725 |
| Total Expenditures | <u>14,863</u> | <u>14,863</u> | <u>5,138</u> | <u>9,725</u> |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | <u>(14,763)</u> | <u>(14,763)</u> | <u>(4,893)</u> | <u>9,870</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 7,000 | 7,000 | 2,477 | (4,523) |
| Net Financing Sources (Uses) | <u>7,000</u> | <u>7,000</u> | <u>2,477</u> | <u>(4,523)</u> |
| Net Change in Fund Balances | (7,763) | (7,763) | (2,416) | 5,347 |
| Fund Balance - Beginning | <u>9,625</u> | <u>9,625</u> | <u>9,625</u> | <u>--</u> |
| Fund Balance - Ending | <u>\$ 1,862</u> | <u>\$ 1,862</u> | <u>\$ 7,209</u> | <u>\$ 5,347</u> |

NEVADA COUNTY HOUSING AUTHORITY

Notes To Required Supplementary Information For The Fiscal Year Ended June 30, 2006

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



**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, 2006, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 9, 2006. 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.

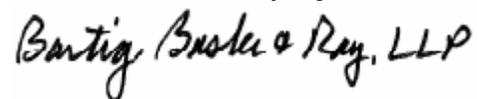
The Board of Commissioners and Grand Jury
Nevada County Housing Authority

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, LLP
A Gallina LLP Company

Handwritten signature in black ink that reads "Bartig Basler & Ray, LLP". The signature is written in a cursive, flowing style.

Roseville, California
November 9, 2006