
**NEVADA COUNTY
HOUSING AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF
NEVADA, CALIFORNIA)
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

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FOR THE YEAR ENDED JUNE 30, 2007**

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FINANCIAL SECTION

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 - **Management's Discussion and Analysis**
 - **Financial Statements**
 - **Required Supplementary Information**

INDEPENDENT AUDITOR'S REPORT

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

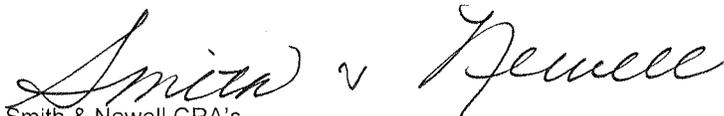
We have audited the accompanying financial statements of the governmental activities and each major fund of the Nevada County Housing Authority (Authority), a component unit of the County of Nevada, California, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic 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 opinions 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 the 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, 2007, and the respective changes in financial position 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 November 29, 2007, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis and the Budgetary Comparison Schedules as listed in the table of contents, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Smith & Newell CPA's
Yuba City, California
November 29, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The following Management's Discussion and Analysis ("MD&A") of the Nevada County Housing Authority's (the "Authority") financial performance provides an introduction to the financial statements for the year ended June 30, 2007. 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

Nevada County Housing Authority is regarded as a component unit of the County of Nevada. Following this discussion and analysis are the 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 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 Activities 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 accrual 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 financial statements.

FINANCIAL POSITION

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

At June 30, 2007, the Authority's total net assets of \$ 271,520 consisted of \$270,275 in cash and investments and \$8,014 in receivables less \$981 due to the County and accrued liability for salaries and benefits of \$5,788.

Authority's Net Assets June 30, 2007 and 2006

	2007	2006	Variance	
ASSETS				
Total Current Assets	\$278,289	\$144,714	92%	\$133,575
Capital Assets	\$0	\$0		\$0
Total Assets	\$278,289	\$144,714	92%	\$133,575
LIABILITIES				
Total Current Liabilities	\$6,769	\$27,554	-75%	(\$20,785)
Total Noncurrent Liabilities	\$0	\$0		
Total Liabilities	\$6,769	\$27,554	-75%	(\$20,785)
NET ASSETS				
Invested in cap Assets	\$0	\$0		
Unrestricted	\$271,520	\$117,160	132%	\$154,360
Total Net Assets	\$271,520	\$117,160	132%	\$154,360

The total assets held increased 132% from the June 30, 2006 balance to \$271,520 at June 30, 2007. The total liabilities decreased by 75% with an outstanding balance of \$6,769 on June 30, 2007 from \$27,554 on June 30, 2006. The net asset increase was reflected in the amount of cash and investments on hand compared to the previous fiscal year.

Changes in Net Assets For The Years Ended June 30, 2007 and 2006

	2007	2006	Variance	Change
Revenues				
Operating Grants and Contributions	1,576,216	1,485,519	6.1%	90,697
General Revenues	31,519	2,737	1051.2%	28,782
Total Revenues	1,607,735	1,488,256	8.0%	119,479
Expenses				
Public Assistance	1,453,374	1,438,981	1.0%	14,393
Miscellaneous	0	0		
Total Expenses	1,453,374	1,438,981	1.0%	14,393
Change in net assets	154,361	49,275	213.3%	105,086
Net Assets – beginning	117,159	67,885	72.6%	49,274
Prior period adjustment	0	0	0.0%	0
Net Assets - ending	271,520	117,160	131.7%	154,360

Revenues - The Authority's revenues for Fiscal Year 2006-07 consisted of program revenues in the amount of \$1,576,216. This was a 6.1% increase over the previous year's \$1,485,519 in program revenues. Other sources of revenue were interest and investment earnings of \$10,360 and other revenues totaling \$21,159.

Expenditures - Expenses for the Authority totaled \$1,453,374. This was a 1% increase from the prior year expenses of \$1,438,981.

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 2006-07 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 \$1,576,216. The Authority expensed \$1,453,374 in 2006-07 for programs under its operation, which was a \$14,393 increase over the 2005-06 program expenses amount of \$1,438,981.

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 decrease slightly during fiscal year 2007-08.

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/>.

FINANCIAL STATEMENTS
Government Wide Financial Statements

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Total
<u>ASSETS</u>		
Cash and investments	\$ 270,275	\$ 270,275
Due from County of Nevada	8,014	8,014
Total Assets	278,289	278,289
<u>LIABILITIES</u>		
Accrued salaries and benefits	5,788	5,788
Due to County of Nevada	981	981
Total Liabilities	6,769	6,769
<u>NET ASSETS</u>		
Unrestricted	271,520	271,520
Total Net Assets	\$ 271,520	\$ 271,520

The notes to the financial statements are an integral part of this statement.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Public assistance	\$ 1,453,374	\$ -	\$ 1,576,216	\$ -	\$ 122,842	\$ 122,842
Total Governmental Activities	<u>1,453,374</u>	<u>-</u>	<u>1,576,216</u>	<u>-</u>	<u>122,842</u>	<u>122,842</u>
Total Primary Government	<u>\$ 1,453,374</u>	<u>\$ -</u>	<u>\$ 1,576,216</u>	<u>\$ -</u>	<u>122,842</u>	<u>122,842</u>
General revenues:						
Interest and investment earnings					10,360	10,360
Miscellaneous					21,159	21,159
Total General Revenues and Transfers					<u>31,519</u>	<u>31,519</u>
Change in Net Assets					154,361	154,361
Net Assets - Beginning					<u>117,159</u>	<u>117,159</u>
Net Assets - Ending					<u>\$ 271,520</u>	<u>\$ 271,520</u>

The notes to the financial statements are an integral part of this statement.

FINANCIAL STATEMENTS
Fund Financial Statements

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	Section 8 Vouchers	Section 8 Vouchers FSS Escrow	Total
<u>ASSETS</u>			
Cash and investments	\$ 259,003	\$ 11,272	\$ 270,275
Due from County of Nevada	7,179	835	8,014
Total Assets	\$ 266,182	\$ 12,107	\$ 278,289
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accrued salaries and benefits	\$ 5,788	\$ -	\$ 5,788
Due to County of Nevada	981	-	981
Total Liabilities	6,769	-	6,769
FUND BALANCES			
Undesignated	259,413	12,107	271,520
Total Liabilities and Fund Balances	\$ 266,182	\$ 12,107	\$ 278,289

The notes to the financial statements are an integral part of this statement.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF
NET ASSETS - GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total Governmental Fund Balances	\$ 271,520
No adjustments were needed to reconcile the Governmental Fund Balance Sheet to the Statement of Net Assets.	<u>-</u>
Net Assets of Governmental Activities	<u>\$ 271,520</u>

The notes to the financial statements are an integral part of this statement.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Section 8 Vouchers	Section 8 Vouchers FSS Escrow	Total
<u>REVENUES</u>			
Use of money and property	\$ 9,999	\$ 361	\$ 10,360
Intergovernmental	1,576,216	-	1,576,216
Other revenues	21,159	-	21,159
	Total Revenues	361	1,607,735
<u>EXPENDITURES</u>			
Current:			
Public assistance	1,453,374	-	1,453,374
	Total Expenditures	-	1,453,374
	Excess of Revenues Over (Under) Expenditures	361	154,361
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	-	4,537	4,537
Transfers out	(4,537)	-	(4,537)
	Total Other Financing Sources (Uses)	4,537	-
	Net Change in Fund Balances	4,898	154,361
Fund Balances - Beginning	109,950	7,209	117,159
Fund Balances - Ending	\$ 259,413	\$ 12,107	\$ 271,520

The notes to the financial statements are an integral part of this statement.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$ 154,361
No adjustments were needed to reconcile the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	<u>-</u>
Change in Net Assets of Governmental Activities	<u>\$ 154,361</u>

The notes to the financial statements are an integral part of this statement.

FINANCIAL STATEMENTS
Notes to the Financial Statements

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Nevada County Housing Authority, the "Authority", is a component unit of the County of Nevada, California. The Authority 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. However, the County elected officials have a continuing full or partial oversight responsibility over and accountability for fiscal matters of the Authority. 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 units 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 Nevada County Housing Authority is presented as a blended component unit within the County of Nevada's financial statements.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the primary government, the Authority. These statements include the financial activities of the overall government. These statements report the governmental activities of the Authority, which are normally supported by taxes and inter-governmental revenues. The Authority had no business-type activities at June 30, 2007.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. 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.

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. The funds of the Authority are organized into the governmental category. 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
(A Component Unit of the County of Nevada, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

B. Basis of Presentation (Continued)

The Authority reports the following major governmental funds:

- The Section 8 Vouchers fund is a special revenue fund used to account for Section 8 housing voucher operations.
- The Section 8 Voucher Family Self Sufficiency (FSS) Escrow fund is a special revenue fund used as a special savings account to assist Section 8 voucher recipients using the Federal Housing Aid Program.

C. Basis of Accounting and Measurement Focus

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 property and sales tax, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility 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. Property taxes, interest, certain state and federal grants, 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 as well as expenditures related to claims and judgments 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. Cash and Investments

The Authority pools cash and investments with cash and investments of the County of Nevada. The County sponsors an investment pool that is managed by the County Treasurer. The Treasurer invests on behalf of most funds of the County and external participants in accordance with the California State Government Code and the County's investment policy. State statutes authorize the County to invest its cash surplus in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund.

Investment transactions are recorded on the trade date. Investments are reported at fair value which is determined using selected bases annually. The fair value represents the amount the County could reasonably expect to receive for an investment in a current sale between a willing buyer and seller. 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.

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains or losses are not apportioned to pool participants. During the fiscal year ended June 30, 2007, the County Treasurer has not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

Income from pooled investments is allocated to the individual funds or external participants based on the fund or participant's average daily cash balance at quarter end in relation to the total pool investments.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities generally include intergovernmental revenue and interest. Management has determined the Authority's receivables to be fully collectible. Accordingly no allowance for doubtful accounts has been established.

In the fund financial statements, material receivables in governmental funds generally include revenue accruals such as taxes, grants, 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 modified accrual, 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.

F. Inventory

Governmental fund inventories are recorded as expenditures at the time the inventory is purchased. The amount on hand at June 30, 2007, was not considered material.

G. Capital Assets

The accounting treatment over capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Government-Wide Statements

In the government-wide financial statements, property, plant, equipment, and infrastructure are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	3-25 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

H. Net Assets/Fund Balance

Government-Wide Statements

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

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

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

Fund Statements

In the fund financial statements, reserves and designations segregate portions of fund balance. 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 reserves or designations at June 30, 2007.

I. 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

J. Interfund Transfers

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

- Loans reported as receivables and payables are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.
- Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each governmental function and therefore are not eliminated in the process of preparing the government-wide statement of activities.
- Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are treated as an adjustment to expenditures or expenses; that is, a corresponding increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in expenditures or expenses in the reimbursed fund.
- All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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: DETAILED NOTES

A. Cash and Investments

The Authority follows the practice of pooling all cash and investments with the County of Nevada. Complete disclosure of County of Nevada investment policies can be found in the County audited financial statements.

Total Authority cash and investments are reported as follows:

Investments		
In County Treasurer's Pool		\$ 270,275
Total Cash and Investments		<u>\$ 270,275</u>

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All investments of the Authority are pooled with the County of Nevada investment pool. The Authority does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and County investment pool policy limit investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moodys' Investors Service. The Authority does not have a formal investment policy that would further limit its investment choices.

Custodial Credit Risk - Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The Authority does not have a formal investment policy that would limit the exposure to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The Authority has invested all cash in the County investment pool which contains a diversification of investments.

B. Interfund Transactions

Transfers

Transfers are indicative of funding for subsidies of various Authority operations and re-allocations of revenues. The following are interfund transfers for fiscal year ended June 30, 2007:

	Transfer Out	Transfer In
Section 8 Vouchers	\$ -	\$ 4,537
Section 8 Vouchers FSS Escrow	<u>4,537</u>	<u>-</u>
Total	<u>\$ 4,537</u>	<u>\$ 4,537</u>

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 2: DETAILED NOTES (CONTINUED)

C. Related Party Transactions

The following is a summary of receivables from the County of Nevada as of June 30, 2007:

Section 8 Vouchers	\$ 7,179
Section 8 Vouchers FS Escrow	<u>835</u>
Total Due from County of Nevada	<u><u>\$ 8,014</u></u>

The following is a summary of payables to the County of Nevada at June 30, 2007:

Section 8 Vouchers	<u>\$ 981</u>
Total Due to County of Nevada	<u><u>\$ 981</u></u>

D. 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 the 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.

E. 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 between the Authority and the County of Nevada, the Authority's liability coverage is provided by the County's insurance policies. Complete information on risk management can be found in the County of Nevada's audited financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
BUDGETARY COMPARISON SCHEDULE
SECTION 8 VOUCHERS - MAJOR SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Use of money and property	\$ 2,100	\$ 2,100	\$ 9,999	\$ 7,899
Intergovernmental	1,465,188	1,465,188	1,576,216	111,028
Other revenues	<u>38,000</u>	<u>38,000</u>	<u>21,159</u>	<u>(16,841)</u>
Total Revenues	<u>1,505,288</u>	<u>1,505,288</u>	<u>1,607,374</u>	<u>102,086</u>
<u>EXPENDITURES</u>				
Current:				
Public assistance	<u>1,498,288</u>	<u>1,498,288</u>	<u>1,453,374</u>	<u>44,914</u>
Total Expenditures	<u>1,498,288</u>	<u>1,498,288</u>	<u>1,453,374</u>	<u>44,914</u>
Excess of Revenues Over (Under) Expenditures	<u>7,000</u>	<u>7,000</u>	<u>154,000</u>	<u>147,000</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	-	-
Transfers out	<u>(7,000)</u>	<u>(7,000)</u>	<u>(4,537)</u>	<u>2,463</u>
Total Other Financing Sources (Uses)	<u>(7,000)</u>	<u>(7,000)</u>	<u>(4,537)</u>	<u>2,463</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>149,463</u>	<u>\$ 149,463</u>
Fund Balances - Beginning			<u>109,950</u>	
Fund Balances - Ending			<u>\$ 259,413</u>	

See accompanying note to the required supplementary information.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
BUDGETARY COMPARISON SCHEDULE
SECTION 8 VOUCHERS FSS ESCROW - MAJOR SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Use of money and property	\$ 150	\$ 150	\$ 361	\$ 211
Total Revenues	<u>150</u>	<u>150</u>	<u>361</u>	<u>211</u>
<u>EXPENDITURES</u>				
Current:				
Public assistance	<u>3,200</u>	<u>3,200</u>	<u>-</u>	<u>3,200</u>
Total Expenditures	<u>3,200</u>	<u>3,200</u>	<u>-</u>	<u>3,200</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,050)</u>	<u>(3,050)</u>	<u>361</u>	<u>3,411</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	7,000	7,000	4,537	(2,463)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>7,000</u>	<u>7,000</u>	<u>4,537</u>	<u>(2,463)</u>
Net Change in Fund Balances	<u>\$ 3,950</u>	<u>\$ 3,950</u>	<u>4,898</u>	<u>\$ 948</u>
Fund Balances - Beginning			<u>7,209</u>	
Fund Balances - Ending			<u>\$ 12,107</u>	

See accompanying note to the required supplementary information.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007

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 appropriations 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**

To the Governing Board
Board of Directors and Grand Jury
Nevada County Housing Authority
Nevada City, California

We have audited the financial statements of the governmental activities and major fund of the Nevada County Housing Authority (Authority) and a component unit of the County of Nevada, California as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 29, 2007. 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 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

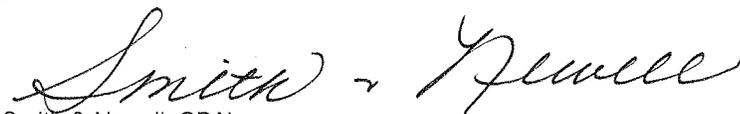
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over 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 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 statements 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.

This report is intended solely for the information and use of management, others within the organization, Governing Board, and the State Controller's Office and is not intended and should not be used by anyone other than these specified parties.



Smith & Newell, CPA's
Yuba City, California
November 29, 2007