

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



**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2008**

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**NEVADA COUNTY
HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008**

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FINANCIAL SECTION

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

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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 (Authority), a component unit of the County of Nevada, California, as of and for the year ended June 30, 2008, 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.

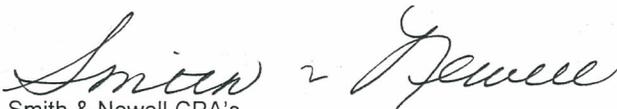
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2008, 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 January 16, 2009, on our consideration of the Authority'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 important for assessing the results of our audit.

The accompanying Required Supplementary Information, such as the 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's component unit financial statements. The separately issued Financial Data Schedule is available for purposes of additional analysis and is not a required part of the component unit financial statements. The Financial Data Schedule has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.



Smith & Newell CPA's
Yuba City, California
January 16, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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, 2008. 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 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, 2008, the Authority's total net assets of \$351,422 consisted of \$344,711 in cash and investments and \$14,304 in receivables less \$497 due to the County and outside vendors and accrued liability for salaries and benefits of \$7,096.

**Authority's Net Assets
June 30, 2008 and 2007**

	2008	2007	Variance	
ASSETS				
Total Current Assets	\$359,015	\$278,289	29%	\$80,726
Capital Assets	\$0	\$0		\$0
Total Assets	\$359,015	\$278,289	29%	\$80,726
LIABILITIES				
Total Current Liabilities	\$7,593	\$6,769	12%	\$824
Total Noncurrent Liabilities		\$0		
Total Liabilities	\$7,593	\$6,769	12%	\$824
NET ASSETS				
Invested in cap Assets	\$0	\$0		
Unrestricted	\$351,422	\$271,520	29%	\$79,902
Total Net Assets	\$351,422	\$271,520	29%	\$79,902

The total assets held increased 29% from the June 30, 2007 balance to \$359,015 at June 30, 2008. The increase in total assets was primarily due to the amount of cash and investments on hand compared to the previous fiscal year. The total liabilities increased by 12% with an outstanding balance of \$7,593 on June 30, 2008, up from \$6,769 on June 30, 2007.

**Changes in Net Assets
For The Years Ended June 30, 2008 and 2007**

	2008	2007	Variance	Change
Revenues				
Operating Grants and Contributions	1,615,200	1,576,216	2.5%	38,984
General Revenues	18,869	31,519	-40.1%	(12,650)
Total Revenues	1,634,069	1,607,735	1.6%	26,334
Expenses				
Public Assistance	1,554,167	1,453,374	6.9%	100,793
Miscellaneous	0	0		
Total Expenses	1,554,167	1,453,374	6.9%	100,793
Change in net assets	79,902	154,361	-48.2%	(74,459)
Net Assets – beginning	271,520	117,159	131.8%	154,361
Prior period adjustment	0	0	0.0%	0
Net Assets - ending	351,422	271,520	29.4%	79,902

Revenues - The Authority's revenues for Fiscal Year 2007-08 consisted of program revenues in the amount of \$1,615,200. This was a 2.5% increase over the previous year's \$1,576,216 in program revenues. Other sources of revenue were interest and investment earnings of \$16,192 and other revenues totaling \$2,677.

Expenditures - Expenses for the Authority totaled \$1,554,167. This was a 6.9% increase from the prior year expenses of \$1,453,374.

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 2007-08 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 \$1,615,200. The Authority expensed \$1,554,167 in 2007-08 for programs under its operation, which was a \$100,793 increase over the 2006-07 program expenses amount of \$1,453,374.

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 during fiscal year 2008-09.

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 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, Marcia L. Salter, 950 Maidu Avenue, Nevada City CA 95959. This entire report is available online at <http://new.mynevadacounty.com/auditor/>.

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FINANCIAL STATEMENTS
Government-Wide Financial Statements

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NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 344,711
Accounts receivable	158
Due from County of Nevada	<u>14,146</u>
Total Assets	<u>359,015</u>
<u>LIABILITIES</u>	
Accounts payable	308
Accrued salaries and benefits	7,096
Due to County of Nevada	<u>189</u>
Total Liabilities	<u>7,593</u>
<u>NET ASSETS</u>	
Unrestricted	<u>351,422</u>
Total Net Assets	<u><u>\$ 351,422</u></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 ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

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	\$ 1,554,167	\$ -	\$ 1,615,200	\$ -	\$ 61,033	\$ 61,033
Total Governmental Activities	<u>1,554,167</u>	<u>-</u>	<u>1,615,200</u>	<u>-</u>	<u>61,033</u>	<u>61,033</u>
Total	<u>\$ 1,554,167</u>	<u>\$ -</u>	<u>\$ 1,615,200</u>	<u>\$ -</u>	<u>61,033</u>	<u>61,033</u>
General revenues:						
Interest and investment earnings					16,192	16,192
Miscellaneous					2,677	2,677
Total General Revenues					<u>18,869</u>	<u>18,869</u>
Change in Net Assets					79,902	79,902
Net Assets - Beginning					271,520	271,520
Net Assets - Ending					<u>\$ 351,422</u>	<u>\$ 351,422</u>

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

FINANCIAL STATEMENTS
Fund Financial Statements

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NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	Section 8 Vouchers	Section 8 Vouchers FSS Escrow	Total Governmental Funds
<u>ASSETS</u>			
Cash and investments	\$ 344,323	\$ 388	\$ 344,711
Accounts receivable	158	-	158
Due from County of Nevada	14,146	-	14,146
Total Assets	\$ 358,627	\$ 388	\$ 359,015
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 308	\$ -	\$ 308
Accrued salaries and benefits	7,096	-	7,096
Due to County of Nevada	189	-	189
Total Liabilities	7,593	-	7,593
FUND BALANCES			
Undesignated	351,034	388	351,422
Total Liabilities and Fund Balances	\$ 358,627	\$ 388	\$ 359,015

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 GOVERNMENTAL FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF
NET ASSETS - GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total Fund Balance - Total Governmental Funds	\$ 351,422
No adjustments were needed to reconcile the Governmental Funds Balance Sheet to the Statement of Net Assets.	<u>-</u>
Net Assets of Governmental Activities	<u><u>\$ 351,422</u></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
FOR THE YEAR ENDED JUNE 30, 2008

	Section 8 Vouchers	Section 8 Vouchers FSS Escrow	Total Governmental Funds
<u>REVENUES</u>			
Use of money and property	\$ 15,922	\$ 270	\$ 16,192
Intergovernmental	1,615,200	-	1,615,200
Other revenues	2,677	-	2,677
Total Revenues	1,633,799	270	1,634,069
<u>EXPENDITURES</u>			
Current:			
Public assistance	1,541,426	12,741	1,554,167
Total Expenditures	1,541,426	12,741	1,554,167
Excess of Revenues Over (Under) Expenditures	92,373	(12,471)	79,902
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	-	752	752
Transfers out	(752)	-	(752)
Total Other Financing Sources (Uses)	(752)	752	-
Net Change in Fund Balances	91,621	(11,719)	79,902
Fund Balances - Beginning	259,413	12,107	271,520
Fund Balances - Ending	\$ 351,034	\$ 388	\$ 351,422

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, 2008**

Net Change in Fund Balances - Total Governmental Funds	\$ 79,902
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><u>\$ 79,902</u></u>

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

FINANCIAL STATEMENTS
Notes to Financial Statements

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NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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.

Based on the application of these criteria, the Nevada County Housing Authority is presented as a blended component unit within the County of Nevada'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, CA.

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. 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, 2008.

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 not properly included among program revenues are reported 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.

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.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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

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. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers revenues reported in the governmental funds to be available if they are collected within sixty days after the end of the current fiscal year. 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 various functions of the governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Cash and Investments

The Authority pools cash and investments of all funds 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. 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. Interest is allocated on the basis of average month end cash balance amounts for each fund as a percentage of the total balance.

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, 2008, 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.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County of Nevada's 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, 2008

**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 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 include revenue accruals such as 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. Interfund Transactions

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. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". 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.

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 governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

G. Inventory

Governmental fund inventories are recorded as expenditures at the time the inventory is purchased. The amount on hand at June 30, 2008, was not considered material.

H. Capital Assets

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

Government-Wide Financial 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.

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.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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

H. Capital Assets (Continued)

Government-Wide Financial Statements (Continued)

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 at the time of acquisition.

I. Net Assets/Fund Balance

Government-Wide Financial 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 Financial Statements

In the governmental 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, 2008.

I. Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

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

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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

J. Estimates

The preparation of 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: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 45

For fiscal year ended June 30, 2008, the County of Nevada has elected to early implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This statement addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. These benefits are collectively referred to as other postemployment benefits (OPEB). Complete disclosure can be found in the County of Nevada's financial statements.

GASB Statement No. 50

The County implemented GASB Statement No. 50, Pension Disclosures. This statement, an amendment of GASB Statement No. 25 and No. 27, enhances the information disclosed in the notes to the financial statements or presented as required supplementary information (RSI). Statement No. 50 is intended to improve the transparency and decision usefulness of reported information about pensions by state and local governmental plans and employers, and conforms to the applicable changes adopted in Statement No. 45. Complete disclosure can be found in the County of Nevada's financial statements.

NOTE 3: 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.

As of June 30, 2008, the Authority's cash and investments consisted of the following:

Investments	
In County Treasurer's Pool	\$ 344,711
Total Cash and Investments	<u>\$ 344,711</u>

Cash

The California Government Code requires California banks and savings and loan associations to collateralize an Authority's deposits by pledging government securities. The market value of pledged securities must equal at least 110 percent of an Authority's deposits. California law also allows financial institutions to collateralize Authority deposits by pledging first trust deed mortgage notes having a value of 150 percent of an Authority's total deposits. The Authority may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. Authority deposits in excess of the Federal Deposit Insurance Corporation's coverage are fully collateralized.

At year end, the Authority had no deposits outside the Nevada County Treasury.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3: DETAILED NOTES (CONTINUED)

A. Cash and Investments (Continued)

Investments

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 Moody's Investors Service. State law also limits investments in corporate bonds to the rating of A by Standards and Poor's or P-1 by Moody's 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 follows California Government Code which requires that deposits of more than \$100,000 must be collateralized. The Authority does not have a formal investment policy that would further 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, 2008:

	Transfer Out	Transfer In
Section 8 Vouchers	\$ 752	\$ -
Section 8 Vouchers FSS Escrow	-	752
Total	\$ 752	\$ 752

C. Related Party Transactions

The following is a summary of receivables from the County of Nevada as of June 30, 2008:

Section 8 Vouchers	\$ 14,146
Total Due from County of Nevada	\$ 14,146

The following is a summary of payables to the County of Nevada at June 30, 2008:

Section 8 Vouchers	\$ 189
Total Due to County of Nevada	\$ 189

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.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3: DETAILED NOTES (CONTINUED)

E. Insurance

The Authority is exposed to risk of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. 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.

NOTE 4: OTHER INFORMATION

A. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has released the following new standards:

Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, issued in November 2006. This Statement establishes accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The Statement establishes once any of five specified obligating events occurs, that a government is required to estimate the components of the expected pollution remediation outlays and determine whether the outlays for those components should be recorded as a liability or, if appropriate, capitalized when goods and services are acquired. GASB Statement No. 49 is effective for financial statements for years beginning after December 15, 2007.

Statement No. 51, Accounting and Financial Reporting for Intangible Assets requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. GASB Statement No. 51 is effective for financial statements for years beginning after June 15, 2009.

Statement No. 52, Land and Other Real Estate Held as Investments by Endowments improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. GASB Statement No. 52 is effective for financial statements for years beginning after June 15, 2008.

Statement No. 53, Accounting and Financial Reporting for Derivative Instruments addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts and futures contracts. GASB Statement No. 53 is effective for financial statements for years beginning after June 15, 2009.

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REQUIRED SUPPLEMENTARY INFORMATION
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NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SECTION 8 VOUCHERS - MAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
Use of money and property	\$ 3,500	\$ 15,999	\$ 15,922	\$ (77)
Intergovernmental	1,428,772	1,543,123	1,615,200	72,077
Other revenues	-	-	2,677	2,677
Total Revenues	1,432,272	1,559,122	1,633,799	74,677
<u>EXPENDITURES</u>				
Current:				
Public assistance	1,432,272	1,559,122	1,541,426	17,696
Total Expenditures	1,432,272	1,559,122	1,541,426	17,696
Excess of Revenues Over (Under) Expenditures	-	-	92,373	92,373
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	-	-
Transfers out	(4,500)	(4,500)	(752)	3,748
Total Other Financing Sources (Uses)	(4,500)	(4,500)	(752)	3,748
Net Change in Fund Balances	(4,500)	(4,500)	91,621	96,121
Fund Balances - Beginning	259,413	259,413	259,413	-
Fund Balances - Ending	\$ 254,913	\$ 254,913	\$ 351,034	\$ 96,121

See the accompanying note to the required supplementary information.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SECTION 8 VOUCHERS FSS ESCROW - MAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<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	\$ -	\$ -	\$ 270	\$ 270
Total Revenues	<u>-</u>	<u>-</u>	<u>270</u>	<u>270</u>
<u>EXPENDITURES</u>				
Current:				
Public assistance	-	12,741	12,741	-
Total Expenditures	<u>-</u>	<u>12,741</u>	<u>12,741</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>(12,741)</u>	<u>(12,471)</u>	<u>270</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	4,500	4,500	752	(3,748)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>4,500</u>	<u>4,500</u>	<u>752</u>	<u>(3,748)</u>
Net Change in Fund Balances	<u>4,500</u>	<u>(8,241)</u>	<u>(11,719)</u>	<u>(3,478)</u>
Fund Balances - Beginning	<u>12,107</u>	<u>12,107</u>	<u>12,107</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 16,607</u>	<u>\$ 3,866</u>	<u>\$ 388</u>	<u>\$ (3,478)</u>

See the accompanying note to the required supplementary information.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008

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.

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OTHER REPORT

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**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 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, 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated January 16, 2009. 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
January 16, 2009

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