

**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, 2009**

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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, 2009

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# FINANCIAL SECTION

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- **Independent Auditor's Report**
  - **Management's Discussion and Analysis**
  - **Basic 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, 2009, 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.

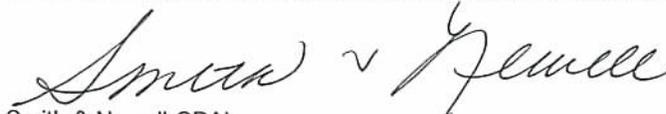
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2009, 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 December 30, 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 should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules as listed in the table of contents, are not a required part of the financial statements but are 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 basic financial statements. The separately issued Financial Data Schedule is available for purposes of additional analysis and is not a required part of the basic financial statements. The Financial Data Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Smith & Newell CPA's  
Yuba City, California  
December 30, 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, 2009

The following Management's Discussion and Analysis ("MD&A") of the County of Nevada Housing Authority's (the "Authority") financial performance provides an introduction to the financial statements for the year ended June 30, 2009. 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, 2009, the Authority had total net assets of \$226,896. This amount consisted of the total assets of \$257,652 less the total liabilities of \$30,756.

**Authority's Net Assets  
June 30, 2009 and 2008**

	2009	2008	Variance	Change
<b>ASSETS</b>				
Total Current Assets	\$257,652	\$359,015	-28%	(\$101,363)
Capital Assets	\$0	\$0		\$0
Total Assets	\$257,652	\$359,015	-28%	(\$101,363)
<b>LIABILITIES</b>				
Total Current Liabilities	\$9,372	\$7,593	23%	\$1,779
Total Noncurrent Liabilities	\$21,384	\$0	100%	\$21,384
Total Liabilities	\$30,756	\$7,593	305%	\$23,163
<b>NET ASSETS</b>				
Invested in cap Assets	\$0	\$0		
Unrestricted	\$226,896	\$351,422	-35%	(\$124,526)
Total Net Assets	\$226,896	\$351,422	-35%	(\$124,526)

The total assets held decreased 28% from the June 30, 2008 balance to \$257,652 at June 30, 2009. The decrease 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 \$23,163 from the prior year to an outstanding balance of \$30,756 on June 30, 2009. The increase is primarily due to the recognition of the unfunded portion of the Other Post Employment Benefits (OPEB) and the Compensated Absences.

*Additional information on the Authority's long term liabilities can be found in Note 2B on page 15 of this report.*

**Changes in Net Assets  
For The Years Ended June 30, 2009 and 2008**

	2009	2008	Variance	Change
<b>Revenues</b>				
Operating Grants and Contributions	1,582,623	1,615,200	-2.0%	(32,577)
General Revenues	11,104	18,869	-41.2%	(7,765)
Total Revenues	1,593,727	1,634,069	-2.5%	(40,342)
<b>Expenses</b>				
Public Assistance	1,718,253	1,554,167	10.6%	164,086
Miscellaneous	0	0		
Total Expenses	1,718,253	1,554,167	10.6%	164,086
Change in net assets	(124,526)	79,902	-255.8%	(204,428)
Net Assets – beginning	351,422	271,520	29.4%	79,902
Prior period adjustment	0	0	0.0%	0
Net Assets - ending	226,896	351,422	-35.4%	(124,526)

*Revenues* - The Authority's revenues for Fiscal Year 2008-09 consisted of program revenues in the amount of \$1,582,623. This was a 2 % decrease over the previous year's \$1,615,200 in program revenues. Other sources of revenue were interest and investment earnings of \$7,269 and other revenues totaling \$3,835. The decrease of earnings in this category was due to the fund maintaining less cash on hand and a reduced rate of interest return due to investment market conditions.

*Expenditures* - Expenditures for the Authority this fiscal year totaled \$1,718,253. This was a 10.6% increase from the prior year expenditures of \$1,554,167. This increase was primarily due to an increase in the number of rental vouchers in use for the Section 8 program.

### **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 2008-09 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 \$1,582,623. The Authority's program expenditures were \$1,696,869 in 2008-09 for programs under its operation, which was an \$142,702 increase over the 2007-08 program expenses amount of \$1,554,167. The Authority used a portion of the \$351,422 beginning fund balance for the increased program expenditures bringing the fund balance to an ending amount of \$248,280 at June 30, 2009.

### **Economic Factors and Next Year's Budget**

The Authority will continue to participate with the federally funded HUD programs. The program revenues are expected to increase approximately 4% during fiscal year 2009-10.

### **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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**BASIC 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, 2009

	<u><b>Total Governmental Activities</b></u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 122,078
Due from other governmental agencies	1,612
Due from County of Nevada	761
Prepaid costs	<u>133,201</u>
<b>Total Assets</b>	<u>257,652</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	1,789
Accrued salaries and benefits	6,925
Due to County of Nevada	658
Long-term liabilities:	
Due within one year	18,315
Due in more than one year	<u>3,069</u>
<b>Total Liabilities</b>	<u>30,756</u>
<b><u>NET ASSETS</u></b>	
Restricted for public assistance programs	<u>226,896</u>
<b>Total Net Assets</b>	<u><u>\$ 226,896</u></u>

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



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**BASIC 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, 2009**

	<u>Section 8 Vouchers</u>	<u>Section 8 Vouchers FSS Escrow</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 121,682	\$ 396	\$ 122,078
Due from other governmental agencies	1,612	-	1,612
Due from County of Nevada	761	-	761
Prepaid costs	133,201	-	133,201
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 257,256</b>	<b>\$ 396</b>	<b>\$ 257,652</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,789	\$ -	\$ 1,789
Accrued salaries and benefits	6,925	-	6,925
Due to County of Nevada	262	396	658
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>8,976</b>	<b>396</b>	<b>9,372</b>
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES</b>			
Reserved for:			
Prepaid costs	133,201	-	133,201
Unreserved, reported in:			
Special revenue funds			
Undesignated	115,079	-	115,079
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<b>Total Liabilities and Fund Balances</b>	<b>\$ 257,256</b>	<b>\$ 396</b>	<b>\$ 257,652</b>
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The notes to the basic 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, 2009

**Total Fund Balance - Total Governmental Funds** \$ 115,079

Amounts reported for governmental activities in the statement of net assets are different because:

Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.

Compensated absences

(18,315)

Net OPEB obligation

(3,069)

**Net Assets of Governmental Activities**

\$ 93,695

The notes to the basic 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, 2009**

	<b>Section 8 Vouchers</b>	<b>Section 8 Vouchers FSS Escrow</b>	<b>Total</b>
<b><u>REVENUES</u></b>			
Use of money and property	\$ 7,261	\$ 8	\$ 7,269
Intergovernmental	1,582,623	-	1,582,623
Other revenues	3,835	-	3,835
<b>Total Revenues</b>	<b>1,593,719</b>	<b>8</b>	<b>1,593,727</b>
<b><u>EXPENDITURES</u></b>			
Current:			
Public assistance	1,696,473	396	1,696,869
<b>Total Expenditures</b>	<b>1,696,473</b>	<b>396</b>	<b>1,696,869</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(102,754)</b>	<b>(388)</b>	<b>(103,142)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(102,754)</b>	<b>(388)</b>	<b>(103,142)</b>
<b>Fund Balances - Beginning</b>	<b>351,034</b>	<b>388</b>	<b>351,422</b>
<b>Fund Balances - Ending</b>	<b>\$ 248,280</b>	<b>\$ -</b>	<b>\$ 248,280</b>

The notes to the basic 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, 2009**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (103,142)</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences payable	(18,315)
Change in net OPEB obligation	<u>(3,069)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (124,526)</u></b>

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

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**BASIC FINANCIAL STATEMENTS**  
Notes to Basic Financial Statements

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**NEVADA COUNTY HOUSING AUTHORITY**  
(A Component Unit of the County of Nevada, California)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**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 forth 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 Authority. 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, 2009.

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, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements**

Fund financial statements of the Authority 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 Vouchers FSS Escrow fund is a special revenue fund used as a 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 BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**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 grants, entitlements, and donations. On an accrual basis, revenue 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 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. 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 Authority and 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. 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.

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 each 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, 2009, the County Treasurer has not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Nevada's financial statements may be obtained by contacting the County of Nevada's Auditor-Controller's office at 950 Maidu Avenue, Nevada City, CA 95959.

**NEVADA COUNTY HOUSING AUTHORITY**  
(A Component Unit of the County of Nevada, California)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

**E. Receivables**

In the government-wide financial 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 governmental 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.

**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. 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 financial statements.

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.

See Note 2 for details of interfund transactions, including receivables and payables at year end.

**G. Inventory**

Governmental fund inventories are recorded as expenditures at the time the inventory is purchased. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

**H. Prepaid Costs**

Prepaid costs represent housing assistance payments for July 2009 that were paid in June 2009.

**I. Long-Term Debt**

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide financial statements. The long-term debt consists primarily of compensated absences and net OPEB obligation

**NEVADA COUNTY HOUSING AUTHORITY**  
(A Component Unit of the County of Nevada, California)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

**J. Compensated Absences**

It is the Authority's policy to permit employees to accumulate a limited amount of earned but unused vacation or personal paid leave. An unlimited amount of sick leave may be accrued in accordance with the bargaining unit's MOU and, upon separation from Authority's service, will either be paid to the employee or converted to PERS service credit. In the government-wide financial statements the accrued compensated absences is recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements the expenditures and liabilities related to those obligations are recognized only when they mature. The Authority includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences.

**K. 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, 2009.

**L. 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 BASIC FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2009

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

**M. 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**

At June 30, 2009, the Authority's cash and investments consisted of the following:

Investments		
In County Treasurer's Pool		\$ 122,078
Total Cash and Investments		<u>\$ 122,078</u>

**Cash**

Custodial Credit Risk for Deposits - 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. Government Code requires that deposits in excess of the Federal Deposit Insurance Corporation coverage must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds.

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

**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 or better by Standards & Poor's or P-1 or better by Moody's Investors Service; and corporate bonds to the rating of A or better by both Standards and Poor's and Moody's Investors Service. No limits are placed on U.S. government agency securities and U.S. Treasuries. 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 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. Long-Term Liabilities**

<u>Type of Indebtedness</u>	<u>Balance July 1, 2008</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2009</u>	<u>Amounts Due Within One Year</u>
Compensated Absences (Note 1J)	\$ -	\$ 31,339	\$ 13,024	\$ 18,315	\$ 18,315
Net OPEB Obligation (Note 2E)	-	3,083	14	3,069	-
Total Long Term Liabilities	<u>\$ -</u>	<u>\$ 34,422</u>	<u>\$ 13,038</u>	<u>\$ 21,384</u>	<u>\$ 18,315</u>

**NEVADA COUNTY HOUSING AUTHORITY**  
 (A Component Unit of the County of Nevada, California)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**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, 2009:

Section 8 Vouchers	\$ 761
Total Due from County of Nevada	\$ 761

The following is a summary of payables to the County of Nevada at June 30, 2009:

Section 8 Vouchers	\$ 262
Section 8 Vouchers FSS Escrow	396
Total Due to County of Nevada	\$ 658

**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. Employee Benefits**

**Employee's Retirement Plan**

The Authority employees are considered to be County employees for retirement purposes. Required disclosure information regarding employee's retirement plan can be found in the County's audited financial statements.

**Post-Employment Benefits Other than Pensions**

The Authority employees are considered to be County employees for retirement purposes. Required disclosure information regarding post employment benefits can be found in the County's audited financial statements.

**F. 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

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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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>REVENUES</u></b>				
Use of money and property	\$ 15,000	\$ 15,000	\$ 7,261	\$ (7,739)
Intergovernmental	1,541,194	1,577,613	1,582,623	5,010
Other revenues	2,500	2,500	3,835	1,335
<b>Total Revenues</b>	<u>1,558,694</u>	<u>1,595,113</u>	<u>1,593,719</u>	<u>(1,394)</u>
<b><u>EXPENDITURES</u></b>				
Current:				
Public assistance	1,564,503	1,704,503	1,696,473	8,030
<b>Total Expenditures</b>	<u>1,564,503</u>	<u>1,704,503</u>	<u>1,696,473</u>	<u>8,030</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(5,809)</u>	<u>(109,390)</u>	<u>(102,754)</u>	<u>6,636</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(5,809)	(109,390)	(102,754)	6,636
<b>Fund Balances - Beginning</b>	<u>351,034</u>	<u>351,034</u>	<u>351,034</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 345,225</u>	<u>\$ 241,644</u>	<u>\$ 248,280</u>	<u>\$ 6,636</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, 2009**

**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 the Section 8 Vouchers major governmental fund. 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 did not adopt a budget for the Section 8 Vouchers FSS Escrow major special revenue fund.

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**

The Board of Commissioners 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, 2009, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 30, 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.

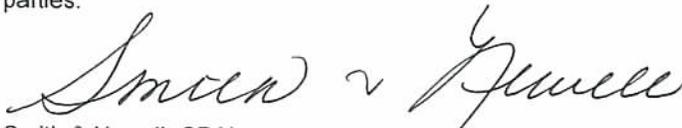
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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  
December 30, 2009

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