

**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, 2010**

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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, 2010

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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, 2010, 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.

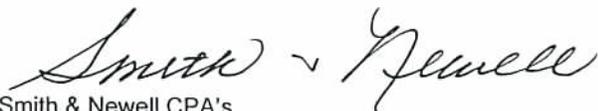
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2010, and the respective changes in financial position thereof for the year then ended 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 16, 2010, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The separately issued Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the financial statements. The Financial Data Schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script, reading "Smith & Newell". The signature is written in dark ink and is positioned above the printed name of the firm.

Smith & Newell CPA's
Yuba City, California
December 16, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

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, 2010. 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, 2010, the Authority had total net assets of \$289,127. This amount consisted of the total assets of \$321,666 less the total liabilities of \$32,539.

**Authority's Net Assets
June 30, 2010 and 2009**

	2010	2009	Variance	
ASSETS				
Current Assets	\$ 321,666	\$ 257,652	25%	\$ 64,014
Total Assets	321,666	257,652	25%	64,014
LIABILITIES				
Current Liabilities	8,683	9,372	-7%	(689)
Noncurrent Liabilities	23,856	21,384	12%	2,472
Total Liabilities	32,539	30,756	6%	1,783
NET ASSETS				
Restricted for public assistance programs	289,127	226,896	27%	62,231
Total Net Assets	\$ 289,127	\$ 226,896	27%	\$ 62,231

The total assets held increased 27% from the June 30, 2009 balance to \$289,127 at June 30, 2010. The decrease in total assets was primarily due to reduction in the amount of cash and investments on hand compared to the previous fiscal year. The total liabilities increased by \$1,783 from the prior year to an outstanding balance of \$32,539 on June 30, 2010. There was an increase in the compensated absences liability within the non-current category in the amount of \$2,880 which was offset slightly by a decrease in the net OPEB obligation.

Additional information on the Authority's long term liabilities can be found in Note 3B on page 16 of this report.

**Changes in Net Assets
For The Years Ended June 30, 2010 and 2009**

	2010	2009	Variance	Change
Revenues				
Operating Grants and Contributions	\$ 1,892,784	\$ 1,582,623	19.6%	\$ 310,161
General Revenues	5,845	11,104	-47.4%	(5,259)
Total Revenues	1,898,629	1,593,727	19.1%	304,902
Expenses				
Public Assistance	1,836,398	1,718,253	6.9%	118,145
Total Expenses	1,836,398	1,718,253	6.9%	118,145
Change in net assets	62,231	(124,526)	-150.0%	186,757
Net Assets – beginning	226,896	351,422	-35.4%	(124,526)
Net Assets - ending	\$ 289,127	\$ 226,896	27.4%	\$ 62,231

Revenues - The Authority's revenues for Fiscal Year 2009-10 consisted of program revenues in the amount of \$1,892,784. This was a 19.6 % increase over the previous year's \$1,582,623 in program revenues. Other sources of revenue were interest and investment earnings of \$669 and other revenues totaling \$5,176. 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 \$1,836,398. This was a 6.9% increase from the prior year expenditures of \$1,718,253. This increase was primarily due to an increase in the program revenues available and 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 2009-10 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 \$1,892,784. The Authority's program expenditures were \$1,833,926 in 2009-10 for programs under its operation, which was a \$137,453 increase over the 2008-09 program expenses amount of \$1,696,473. The Authority's fund balance increased \$64,703 bringing the ending balance to \$312,983 at June 30, 2010.

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 remain flat during fiscal year 2010-11.

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://www.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, 2010

	<u>Total Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 62,786
Accounts receivable	129,073
Due from other governmental agencies	4,145
Due from County of Nevada	39
Prepaid costs	<u>125,623</u>
Total Assets	<u>321,666</u>
<u>LIABILITIES</u>	
Accounts payable	557
Accrued salaries and benefits	7,725
Due to County of Nevada	401
Long-term liabilities:	
Due within one year	21,195
Due in more than one year	<u>2,661</u>
Total Liabilities	<u>32,539</u>
<u>NET ASSETS</u>	
Restricted for public assistance programs	<u>289,127</u>
Total Net Assets	<u><u>\$ 289,127</u></u>

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

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, 2010

	Section 8 Vouchers	Section 8 Vouchers FSS Escrow	Total
<u>ASSETS</u>			
Cash and investments	\$ 62,315	\$ 471	\$ 62,786
Accounts receivable	129,073	-	129,073
Due from other governmental agencies	4,145	-	4,145
Due from County of Nevada	39	-	39
Prepaid costs	125,623	-	125,623
Total Assets	\$ 321,195	\$ 471	\$ 321,666
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 557	\$ -	\$ 557
Accrued salaries and benefits	7,725	-	7,725
Due to County of Nevada	401	-	401
Total Liabilities	8,683	-	8,683
FUND BALANCES			
Reserved for:			
Prepaid costs	125,623	-	125,623
Unreserved, reported in:			
Special revenue funds			
Undesignated	186,889	471	187,360
Total Fund Balances	312,512	471	312,983
Total Liabilities and Fund Balances	\$ 321,195	\$ 471	\$ 321,666

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, 2010

Total Fund Balance - Total Governmental Funds \$ 312,983

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

(21,195)

Net OPEB obligation

(2,661)

Net Assets of Governmental Activities

\$ 289,127

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, 2010

	Section 8 Vouchers	Section 8 Vouchers FSS Escrow	Total
<u>REVENUES</u>			
Use of money and property	\$ 669	\$ -	\$ 669
Intergovernmental	1,892,784	-	1,892,784
Other revenues	5,176	-	5,176
Total Revenues	1,898,629	-	1,898,629
<u>EXPENDITURES</u>			
Current:			
Public assistance	1,833,926	-	1,833,926
Total Expenditures	1,833,926	-	1,833,926
Excess of Revenues Over (Under) Expenditures	64,703	-	64,703
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	-	471	471
Transfers out	(471)	-	(471)
Total Other Financing Sources (Uses)	(471)	471	-
Net Change in Fund Balances	64,232	471	64,703
Fund Balances - Beginning	248,280	-	248,280
Fund Balances - Ending	\$ 312,512	\$ 471	\$ 312,983

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, 2010**

Net Change in Fund Balances - Total Governmental Funds	\$ 64,703
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	(2,880)
Change in net OPEB obligation	408
	408
Change in Net Assets of Governmental Activities	\$ 62,231

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

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, 2010

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. 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.

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 only 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, 2010.

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, 2010

**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 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.

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 the 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 based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements.

In these financial statements, the fair value of the Authority's investments in the pool was based on unaudited quoted market values as provided by the County Treasurer. The pool has not provided or obtained any legally binding guarantees to support the value of participant equity in the investment pool.

The County Board of Supervisors monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the Board of Supervisors and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value.

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.

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.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

E. Receivables (Continued)

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 statement of activities.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are treated as an adjustment to expenditures or expenses; that is, a corresponding increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

See Note 3 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 2010 that were paid in June 2010.

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.

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.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

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, 2010.

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

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: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 51

GASB has issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce prior inconsistencies in accounting for these assets. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The Authority has evaluated the requirements of GASB 51 and has determined that it does not hold any intangible assets which would require restatement in the financial statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 3: DETAILED NOTES

A. Cash and Investments

At June 30, 2010, the Authority's cash and investments consisted of the following:

Investments	\$ 62,786
In County Treasurer's Pool	<u>\$ 62,786</u>
Total Cash and Investments	<u><u>\$ 62,786</u></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 \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the Authority's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits more than the \$250,000 insured amount are collateralized. The Authority does not have a formal investment policy that would further limit its deposits.

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 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 & 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 investments are managed in accordance with the County of Nevada investment policy. The Authority does not have a formal investment policy that limits concentration of credit risk.

B. Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year ended June 30, 2010:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2009</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2010</u>	<u>Amounts Due Within One Year</u>
Compensated Absences (Note 1J)	\$ 18,315	\$ 17,682	\$ 14,802	\$ 21,195	\$ 21,195
Net OPEB Obligation (Note 4B)	3,069	7,571	7,979	2,661	-
Total Long Term Liabilities	<u>\$ 21,384</u>	<u>\$ 25,253</u>	<u>\$ 22,781</u>	<u>\$ 23,856</u>	<u>\$ 21,195</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, 2010

NOTE 3: DETAILED NOTES (CONTINUED)

C. 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.

D. Interfund Transactions

Transfers

Transfers are indicative of re-allocations of special revenues. The following are the interfund transfer balances as of June 30, 2010:

	Transfer In	Transfer Out
Section 8 Vouchers	\$ -	\$ 471
Section 8 Vouchers FSS Escrow	471	-
Total	\$ 471	\$ 471

NOTE 4: EMPLOYEE BENEFITS

A. Employee's Retirement Plan

The Authority is a component unit of the County of Nevada and as such the Authority's employees are covered under the retirement plan of the County of Nevada.

The County contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by statute. Copies of PERS' annual financial report may be obtained from their executive office - 400 P Street, Sacramento, CA 95814.

Required disclosure information regarding employee's retirement plan can be found in the County's audited financial statements.

B. Other Post-Employment Benefits (OPEB)

The Authority is a component unit of the County of Nevada and as such the Authority's employees are covered under the post-employment benefit plan of the County of Nevada.

The County of Nevada provides, under a defined benefit plan, retiree healthcare benefits to qualifying employees retiring directly from the County. The benefit level is determined by date of hire and length of service. The County has contracted for medical coverage to be provided through an agent multiple-employer CalPERS Healthcare (PEMHCA) plan.

A portion of the County's post-employment benefit costs have been allocated to the Authority as follows:

Annual Required Contribution	\$ 7,546
Interest on Prior OPEB Obligation	498
Amortization of Prior Year Net OPEB Obligation	(473)
Annual OPEB Cost	7,571
Pay As You Go Contribution	(3,467)
Funding of Ful ARC Contribution	(4,512)
Increase (Decrease) in Net OPEB Obligation	(408)
Net OPEB Obligation - Beginning of Year	3,069
Net OPEB Obligation - End of Year	\$ 2,661

NEVADA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Nevada, California)
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 4: EMPLOYEE BENEFITS (CONTINUED)

B. Other Post-Employment Benefits (OPEB) (Continued)

Required disclosure information regarding post employment benefits can be found in the County's audited financial statements.

NOTE 5: RISK MANAGEMENT

The Authority is exposed to risk of loss related to torts, theft of, 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 6: RELATED PARTY TRANSACTIONS

The following is a summary of receivables from the County of Nevada as of June 30, 2010:

Section 8 Vouchers	\$ 39
Total Due from County of Nevada	<u>\$ 39</u>

The following is a summary of payables to the County of Nevada at June 30, 2010:

Section 8 Vouchers	\$ 401
Total Due to County of Nevada	<u>\$ 401</u>

NOTE 7: OTHER INFORMATION

A. Subsequent Events

On December 14, 2010, the Board of Commissioners of the Nevada County Housing Authority adopted a resolution authorizing the divestiture of and transfer of the Section 8 Housing Choice Voucher Assistance program to the Consolidated Area Housing Authority of Sutter County (CAHASC). This action is effective upon the formal approval by the Department of Housing and Urban Development, HUD. The Board of Commissioners, at this same meeting, adopted a resolution authorizing the contract with CAHASC for the management of the Nevada County's Housing Section 8 program beginning December 15, 2010, through June 30, 2011 at which time the program will transfer in its entirety.

Management has evaluated events subsequent to June 30, 2010 through December 16, 2010, the date on which the financial statements were available for issuance. Management has determined no other subsequent events requiring disclosure have occurred.

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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, 2010

	<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	\$ 7,800	\$ 7,800	\$ 669	\$ (7,131)
Intergovernmental	1,647,956	1,762,956	1,892,784	129,828
Other revenues	4,750	4,750	5,176	426
Total Revenues	<u>1,660,506</u>	<u>1,775,506</u>	<u>1,898,629</u>	<u>123,123</u>
<u>EXPENDITURES</u>				
Current:				
Public assistance	1,732,870	1,847,870	1,833,926	13,944
Total Expenditures	<u>1,732,870</u>	<u>1,847,870</u>	<u>1,833,926</u>	<u>13,944</u>
Excess of Revenues Over (Under) Expenditures	<u>(72,364)</u>	<u>(72,364)</u>	<u>64,703</u>	<u>137,067</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	1,000	1,000	-	(1,000)
Transfers out	(1,000)	(1,000)	(471)	529
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(471)</u>	<u>(471)</u>
Net Change in Fund Balances	<u>(72,364)</u>	<u>(72,364)</u>	<u>64,232</u>	<u>136,596</u>
Fund Balances - Beginning	<u>248,280</u>	<u>248,280</u>	<u>248,280</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 175,916</u>	<u>\$ 175,916</u>	<u>\$ 312,512</u>	<u>\$ 136,596</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, 2010

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.

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, 2010, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 16, 2010. 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.

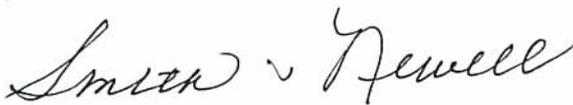
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 16, 2010

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