

**REGIONAL HOUSING AUTHORITY OF  
SUTTER AND NEVADA COUNTIES,  
CALIFORNIA**

**SINGLE AUDIT ACT  
REPORTS AND SCHEDULES  
FOR THE YEAR ENDED  
MARCH 31, 2012**

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**REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES**  
**Single Audit Act**  
**For the Year Ended March 31, 2012**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Regional Housing Authority of Sutter and Nevada Counties  
Yuba City, California

We have audited the financial statements of the business-type activities, each major fund and the aggregate remaining fund information of Regional Housing Authority of Sutter and Nevada Counties, Yuba City, California (District), as of and for the year ended March 31, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 15, 2012. 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

Management of the Authority is responsible for establishing and maintaining effective 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 entity'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.

To the Board of Commissioners  
Regional Housing Authority of Sutter and Nevada Counties  
Yuba City, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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, the Board of Commissioners, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Smith & Newell", written in black ink.

Smith & Newell, CPAs  
Yuba City, California  
August 15, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

To the Board of Commissioners  
Regional Housing Authority of Sutter and Nevada Counties  
Yuba City, California

Compliance

We have audited Regional Housing Authority of Sutter and Nevada Counties, Yuba City, California's (Authority) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2012. The Authority's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2012.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

To the Board of Commissioners  
Regional Housing Authority of Sutter and Nevada Counties  
Yuba City, California

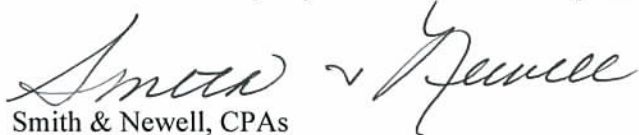
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities, each major fund and the aggregate remaining fund information of Regional Housing Authority of Sutter and Nevada Counties, Yuba City, California, as of and for the year ended March 31, 2012, and have issued our report thereon dated August 15, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Smith & Newell, CPAs  
Yuba City, California  
August 15, 2012



**REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended March 31, 2012**

<u>Federal Program/Pass Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Agency/ Pass-Through Entity Identifying Number</u>	<u>Disburse- ments/ Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>			
Direct Program:			
Rural Rental Assistance Payments	10.427	04-051-0946003474	\$ 1,032,793
<b>Total U.S. Department of Agriculture</b>			<u>1,032,793</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Direct Program:			
Public and Indian Housing	14.850	CA 048-000022-11D	100,693
Public and Indian Housing	14.850	CA 048-000032-11D	236,531
Public and Indian Housing	14.850	CA 048-000032-12D	115,455
<b>Subtotal 14.850</b>			<u>452,679</u>
Section 8 Housing Choice Vouchers	14.871	CA048VO	6,287,314
Public Housing Capital Fund	14.872	CA 30P048501-11	258,596
Public Housing Capital Fund	14.872	CA 30P048501-12	233,121
<b>Subtotal 14.872</b>			<u>491,717</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>7,231,710</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 8,264,503</u></u>

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

**REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended March 31, 2012**

**1. REPORTING ENTITY**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Regional Housing Authority of Sutter and Nevada Counties. The Regional Housing Authority of Sutter and Nevada Counties reporting entity is defined in Note 1 to the Authority's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

**2. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are generally recognized when they occur.

**3. RELATIONSHIP TO FINANCIAL STATEMENTS**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the Authority's financial statements, federal award revenues are reported principally in the Authority's financial statements as inter governmental revenue and housing assistance payments and fees.

**4. PASS -THROUGH ENTITIES' IDENTIFYING NUMBER**

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the Authority determined that no identifying number is assigned for the program or the Authority was unable to obtain an identifying number from the pass-through entity.

**REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended March 31, 2012**

**I. SUMMARY OF AUDITOR'S RESULTS**

<b>Financial Statements</b>	<u>Status</u>
1. Type of auditor's report issued	Unqualified
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
3. Noncompliance material to financial statement noted?	No

**Federal Awards**

1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
2. Type of auditor's report issued on compliance for major programs?	
All major programs	Unqualified
3. Any audit findings disclosed including those that are required to be reported in accordance with OMB Circular A-133 Section 510 (a)?	No
4. Identification of major programs:	
14.871      Section 8 Housing Choice Vouchers	
5. Dollar threshold used to distinguish between Type A and Type B programs?	\$ 300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	No

**II. FINANCIAL STATEMENT FINDINGS**

None

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None

**REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES**  
**Summary Schedule of Prior Audit Recommendations**  
**For the Year Ended March 31, 2012**

<u>Audit Reference</u>	<u>Status of Prior Audit Recommendations</u>
<b>11-FS-01</b>	<p><b>Cash</b></p> <p><b>Recommendation</b></p> <p>We recommend that the Authority record the bank account on the general ledger and reconcile it on a regular basis.</p> <p><b>Status</b></p> <p>Implemented</p>
<b>11-FS-02</b>	<p><b>Budget to Actual Comparison</b></p> <p><b>Recommendation</b></p> <p>We recommend that separate budgets be adopted for each individual special revenue fund.</p> <p><b>Status</b></p> <p>No longer applicable</p>
<b>11-FS-03</b>	<p><b>Deficit Fund Balance</b></p> <p><b>Recommendation</b></p> <p>We recommend that the Authority review the funds with deficit fund balances/net assets and determine if changes in operation are required or possible to improve their financial situation.</p> <p><b>Status</b></p> <p>In Progress</p>