

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

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
MARCH 31, 2014**

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REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Annual Financial Report
For the Year Ended March 31, 2014

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INTRODUCTORY SECTION

- **List of Officials**

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REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES

List of Officials

For the Year Ended March 31, 2014

| | | |
|------------------------------------|-----------------------|---------------|
| Diane Hodges, Chairperson | City of Live Oak | November 2014 |
| Tejinder S. Mann, Vice-Chairperson | City of Yuba City | December 2014 |
| Stan Cleveland | County of Sutter | January 2015 |
| Martha Griese | City of Yuba City | December 2014 |
| Charles Epp | City of Live Oak | February 2017 |
| Terry Lamphier | County of Nevada | June 2015 |
| Brian Foss | County of Nevada | June 2015 |
| Suzanne Gallaty | Tenant Representative | January 2015 |

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FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying 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 (Authority) as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of March 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 10 to the financial statements, in 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statements No. 60, 61 and 66. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Other Information

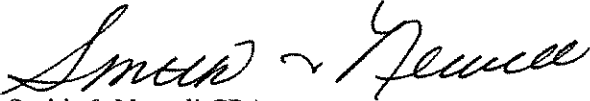
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 8, 2014 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 in considering the Authority's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
September 8, 2014

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**Management's Discussion and Analysis
(Unaudited)**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Regional Area Housing Authority of Sutter and Nevada Counties, California, we offer readers of the Housing Authority's financial statements this narrative overview and analysis of the financial activities of the Housing Authority for the fiscal year ended March 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information in our financial statements.

FINANCIAL HIGHLIGHTS

Entity-wide:

- The Housing Authority's total net position was \$11,192,723 as of March 31, 2014, all of which was business-type activities.
- Entity-wide business-type revenues include program revenues of \$12,090,280, and general revenues of \$416,479 for a total of \$12,506,759.
- Entity-wide Business-type expenses were \$12,229,034.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements, commonly referred to as the Housing Authority's Basic Financial Statements. Management's Discussion and Analysis introduces these statements and includes two different views of the Housing Authority's financial activities and position: (1) Government-Wide Financial Statements provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances; (2) Fund Financial Statements provide detailed information about the individual functions of Housing Authority programs, telling how services were financed in the short-term as well as what remains for future spending.

Each set of statements presents the Housing Authority's finances in a distinct way. To assist the reader in understanding the differences between them, a brief discussion of each follows, including the relationship of these statements to each other and the significant differences in the information they provide.

Government-Wide Financial Statements

The Government-Wide Financial Statements provide a broad overview of Housing Authority finances in a manner similar to private sector business. These statements present all non-fiduciary activities of the Housing Authority in the following area:

- **Business-Type Activities** – these services rely upon user fees and charges to help cover all or most of their costs. The Housing Authority's property rentals are reported here.

Within the framework of these activities, a Statement of Net Position and a Statement of Activities report information about the Housing Authority as a whole. These statements include all assets and liabilities of the Housing Authority (i.e., infrastructure and long-term debt) and use the accrual basis of accounting in which all the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

The two statements can be generally described as follows:

- **The Statement of Net Position** presents information on all the Housing Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Housing Authority is improving or deteriorating.
- **The Statement of Activities** presents information showing how the Housing Authority's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows.

Notably, these statements differ from the Fund Financial Statements in that they exclude certain interfund receivables, payables and other interfund activity as prescribed by GASB Statement No. 34.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the Housing Authority's most significant funds – not the Housing Authority as a whole. Management establishes funds to help control and manage money for particular purposes. Funds are organized into proprietary and fiduciary fund types.

- **Proprietary Funds** – when the Housing Authority charges customers for services it provides, whether outside customers or to other units of the Housing Authority, these services are generally reported in proprietary funds. Proprietary funds provide the same type of information as shown in the government-wide financial statements (i.e., business-type activities), only in more detail. The Housing Authority uses enterprise funds to account for its property rental operations.
- **Fiduciary Funds** – the Housing Authority is the trustee, or fiduciary, for certain funds held on behalf of external parties. The Housing Authority's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These activities are excluded from the Housing Authority's other financial statements because the resources of the funds are not available to support the Housing Authority's own programs. The Housing Authority is responsible for ensuring that the assets reported in these funds are used for the intended purposes.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report presents the following required supplementary information: Schedule of Funding Progress.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

Analysis of Net Position

| | Business-Type Activities | | Total | |
|----------------------------------|--------------------------|----------------------|-------------------|-------------|
| | 2014 | 2013 | Dollar Change | % Change |
| Assets: | | | | |
| Current and other assets | \$ 8,005,050 | \$ 7,673,969 | \$ 331,081 | 4.31 |
| Capital assets | 23,523,876 | 21,977,204 | 1,546,672 | 7.04 |
| Total Assets | 31,528,926 | 29,651,173 | 1,877,753 | 6.33 |
| Liabilities: | | | | |
| Current and other liabilities | 5,303,750 | 5,602,584 | (298,834) | (5.33) |
| Noncurrent liabilities | 15,032,453 | 13,133,591 | 1,898,862 | 14.46 |
| Total Liabilities | 20,336,203 | 18,736,175 | 1,600,028 | 8.54 |
| Net Position: | | | | |
| Net investment in capital assets | 9,095,927 | 9,431,424 | (335,497) | (3.56) |
| Restricted | - | 28,914 | (28,914) | (100.00) |
| Unrestricted | 2,096,796 | 1,454,660 | 642,136 | 44.14 |
| Total Net Position | \$ 11,192,723 | \$ 10,914,998 | \$ 277,725 | 2.54 |

Net position represents the difference between the Housing Authority's resources and its obligations. At March 31, 2014, the largest portion of the Housing Authority's total net position, 81 percent, reflects the investment in capital assets, less related debt outstanding used to acquire the capital assets. These capital assets are used by the Housing Authority to provide services to the citizens. These assets are not available for future spending. Additional capital asset information can be found in the Capital Asset and Debt Administration section of this MD&A. The unrestricted balance of net position may be used at the Housing Authority's discretion.

Statement of Changes in Net Position

| | Business-Type Activities | | Total | |
|------------------------------------|--------------------------|--------------|---------------|----------|
| | 2014 | 2013 | Dollar Change | % Change |
| Revenues: | | | | |
| Program Revenues: | | | | |
| Charges for services | \$ 9,475,647 | \$ 8,800,514 | \$ 675,133 | 7.67 |
| Operating grants and contributions | 2,614,633 | 3,403,442 | (788,809) | (23.18) |
| Capital grants and contributions | - | 769,711 | (769,711) | (100.00) |
| General Revenues: | | | | |
| Interest and investment earnings | 6,719 | 5,377 | 1,342 | 24.96 |
| Miscellaneous | 640,262 | 365,557 | 274,705 | 75.15 |
| Total Revenues | 12,737,261 | 13,344,601 | (607,340) | (4.55) |
| Expenses: | | | | |
| Public Housing | 1,551,829 | 1,357,297 | 194,532 | 14.33 |
| Rural Development | 2,078,840 | 1,918,552 | 160,288 | 8.35 |
| Business Activities | 1,290,347 | 1,074,462 | 215,885 | 20.09 |
| Housing Choice Vouchers | 6,735,558 | 7,002,695 | (267,137) | (3.81) |
| State/Local | 802,962 | 980,144 | (177,182) | (18.08) |
| Total Expenses | 12,229,034 | 12,333,150 | (104,116) | (.84) |
| Change in Net Position | 277,725 | 1,011,451 | (733,726) | (72.54) |
| Net Position – Beginning | 10,914,998 | 9,903,547 | 1,011,451 | 10.21 |
| Net Position - Ending | 11,192,723 | 10,914,998 | 277,725 | 2.54 |

Revenue

The Housing Authority's total revenue from business-type activities was \$12.7 million for the fiscal year ended March 31, 2014. Charges for services provided 74 percent of the total revenue received during the 2013/14 fiscal year. Intergovernmental operating revenues provided 21 percent of total revenues received during the fiscal year.

Expenses

Expenses of the Housing Authority for the year totaled \$12.2 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Housing Authority's investment in capital assets for its business-type activities as of March 31, 2014, was \$23,523,876 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, and equipment. Net additions to capital assets were \$2,281,131 and net additions to accumulated depreciation were (\$734,459). Therefore the Housing Authority's net investment in capital assets increased \$1,546,672 from March 31, 2013.

Long-term Debt

At the end of the current fiscal year, the Housing Authority had total long-term obligations outstanding of \$15,032,453, an increase of \$1,898,862 from March 31, 2013.

The following table shows the composition of the Housing Authority's total outstanding debt for proprietary funds.

Regional Area Housing Authority of Sutter and Nevada Counties Long-Term Debt

| | Business-Type Activities | |
|----------------------|--------------------------|---------------|
| | 2014 | 2013 |
| Revenue Bonds | \$ 4,972,690 | \$ 3,432,062 |
| Loans Payable | 9,454,759 | 9,186,340 |
| Line of Credit | 500 | 500 |
| OPEB Liability | 410,466 | 304,464 |
| Compensated Absences | 194,038 | 210,225 |
| Total Long-Term Debt | \$ 15,032,453 | \$ 13,133,591 |

ECONOMIC FACTORS

Since the Housing Authority is dependent on funding from HUD, Rural Development and State and local governments for a majority of its operations, the Authority is affected by the federal budget, proration, sequestration and other State and local economic conditions. With HUD subsidies continuing to be prorated, subsidy changes in for the Public Housing and Housing Choice Vouchers programs will not only affect the upkeep of the Public Housing properties, but the number of community households that can be assisted through the Housing Choice Voucher program.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Housing Authority's finances for all those with an interest in the Housing Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, at the Regional Housing Authority of Sutter and Nevada Counties, 1455 Butte House Rd., Yuba City, CA 95993.

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Basic Financial Statements

- **Government-Wide Financial Statements**

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REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Statement of Net Position
March 31, 2014

| | <u>Business-Type Activities</u> |
|----------------------------------|--|
| ASSETS | |
| Cash and investments | \$ 5,920,439 |
| Cash with fiscal agent | 382,264 |
| Receivables: | |
| Tenants, net | 128,374 |
| Operating reimbursement | 250,740 |
| Other | 59,603 |
| Prepaid costs | 1,346 |
| Deposits | 3,444 |
| Restricted assets: | |
| Cash and investments | 907,483 |
| Cash with fiscal agent | 351,357 |
| Total restricted assets | <u>1,258,840</u> |
| Capital assets: | |
| Nondepreciable assets | 3,684,416 |
| Depreciable assets, net | 19,839,460 |
| Total capital assets | <u>23,523,876</u> |
| Total Assets | <u>31,528,926</u> |
| LIABILITIES | |
| Accounts payable | 542,309 |
| Accrued interest | 90,750 |
| Prepaid tenant rent | 13,303 |
| Accrued salaries and benefits | 91,263 |
| Security deposits payable | 110,595 |
| Escrow deposits payable | 72,263 |
| Unearned revenue | 4,383,267 |
| Long-term liabilities: | |
| Due within one year | 403,533 |
| Due in more than one year | 14,628,920 |
| Total Liabilities | <u>20,336,203</u> |
| NET POSITION | |
| Net investment in capital assets | 9,095,927 |
| Unrestricted | 2,096,796 |
| Total Net Position | <u><u>\$ 11,192,723</u></u> |

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

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Statement of Activities
For the Year Ended March 31, 2014

| <u>Function/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Capital Grants and Contributions</u> | <u>Net (Expense) Revenue and Changes in Net Position Business- Type Activities</u> |
|---------------------------------------|----------------------|---------------------------------|---|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | | |
| Business-type activities | | | | | |
| Public Housing | \$ 1,551,829 | \$ 685,093 | \$ 763,623 | \$ - | (103,113) |
| Rural Development | 2,078,840 | 1,053,374 | 1,261,093 | - | 235,627 |
| Business Activities | 1,290,347 | 653,846 | 13,327 | - | (623,174) |
| Housing Choice Vouchers | 6,735,558 | 6,947,632 | - | - | 212,074 |
| State/Local | 802,962 | 135,702 | 576,590 | - | (90,670) |
| Total Business-Type Activities | \$ 12,459,536 | \$ 9,475,647 | \$ 2,614,633 | \$ - | (369,256) |
| General revenues: | | | | | |
| | | | | | 6,719 |
| | | | | | 640,262 |
| | | | | | <u>646,981</u> |
| | | | | | <u>277,725</u> |
| | | | | | <u>10,914,998</u> |
| | | | | | <u>\$ 11,192,723</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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REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Statement of Net Position
Proprietary Funds
March 31, 2014

| | <u>Public Housing</u> | <u>Rural Development</u> | <u>Business Activities</u> |
|--------------------------------|---------------------------|------------------------------|--------------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and investments | \$ 1,057,697 | \$ 4,392,268 | \$ 24,716 |
| Cash with fiscal agent | 230,498 | - | 151,766 |
| Receivables: | | | |
| Tenants, net | 17,254 | 16,608 | 12,577 |
| Operating reimbursement | - | - | 40,361 |
| Other | - | - | - |
| Prepaid costs | - | 1,346 | - |
| Due from other funds | - | 1,099,667 | - |
| Deposits | - | - | 3,444 |
| Total Current Assets | <u>1,305,449</u> | <u>5,509,889</u> | <u>232,864</u> |
| Restricted Assets: | | | |
| Cash and investments | - | 835,220 | - |
| Cash with fiscal agent | - | - | 351,357 |
| Total Restricted Assets | <u>-</u> | <u>835,220</u> | <u>351,357</u> |
| Capital Assets: | | | |
| Nondepreciable assets | 550,880 | 315,981 | 2,377,505 |
| Depreciable assets, net | 3,274,609 | 10,341,300 | 4,804,923 |
| Total Capital Assets | <u>3,825,489</u> | <u>10,657,281</u> | <u>7,182,428</u> |
| Total Assets | <u>\$ 5,130,938</u> | <u>\$ 17,002,390</u> | <u>\$ 7,766,649</u> |

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

| Housing Choice Vouchers | State/ Local | Totals |
|--|-------------------------|----------------------|
| \$ 221,321 | \$ 224,437 | \$ 5,920,439 |
| - | - | 382,264 |
| 76,202 | 5,733 | 128,374 |
| - | 210,379 | 250,740 |
| 59,603 | - | 59,603 |
| - | - | 1,346 |
| - | - | 1,099,667 |
| - | - | 3,444 |
| <u>357,126</u> | <u>440,549</u> | <u>7,845,877</u> |
| 72,263 | - | 907,483 |
| - | - | 351,357 |
| <u>72,263</u> | <u>-</u> | <u>1,258,840</u> |
| - | 440,050 | 3,684,416 |
| 9,044 | 1,409,584 | 19,839,460 |
| <u>9,044</u> | <u>1,849,634</u> | <u>23,523,876</u> |
| <u>\$ 438,433</u> | <u>\$ 2,290,183</u> | <u>\$ 32,628,593</u> |

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Statement of Net Position
Proprietary Funds
March 31, 2014

| | Public Housing | Rural Development | Business Activities |
|---|-------------------------------------|------------------------------|--------------------------------|
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 74,681 | \$ 79,174 | \$ 96,831 |
| Accrued interest | - | - | 90,750 |
| Prepaid tenant rent | 6,507 | 5,219 | 1,213 |
| Accrued salaries and benefits | 14,817 | 24,872 | 13,421 |
| Security deposits payable | 53,973 | 26,086 | 23,260 |
| Escrow deposits payable | - | - | - |
| Unearned revenue | - | 4,383,267 | - |
| Due to other funds | - | - | 1,099,667 |
| Compensated absences payable | 8,500 | 14,560 | 7,452 |
| Bonds payable | - | 18,806 | 71,507 |
| Loans payable | - | 240,795 | 23,416 |
| Line of credit | - | - | 500 |
| | Total Current Liabilities | 4,792,779 | 1,428,017 |
| Noncurrent Liabilities: | | | |
| OPEB liability | 80,599 | 113,638 | 51,743 |
| Compensated absences - net of current portion | 25,499 | 43,679 | 22,355 |
| Bonds payable - net of current portion | 1,625,000 | 655,257 | 2,602,120 |
| Loans payable - net of current portion | - | 6,932,226 | 2,258,322 |
| | Total Noncurrent Liabilities | 7,744,800 | 4,934,540 |
| | Total Liabilities | 12,537,579 | 6,362,557 |
| NET POSITION | | | |
| Net investment in capital assets | 2,200,489 | 2,810,197 | 2,226,563 |
| Unrestricted | 1,040,873 | 1,654,614 | (822,471) |
| | Total Net Position | \$ 4,464,811 | \$ 1,404,092 |

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

| Housing Choice Vouchers | State/ Local | Totals |
|--|-------------------------|----------------------|
| \$ 22,536 | \$ 269,087 | \$ 542,309 |
| - | - | 90,750 |
| 204 | 160 | 13,303 |
| 24,927 | 13,226 | 91,263 |
| - | 7,276 | 110,595 |
| 72,263 | - | 72,263 |
| - | - | 4,383,267 |
| - | - | 1,099,667 |
| 11,524 | 6,473 | 48,509 |
| - | - | 90,313 |
| - | - | 264,211 |
| - | - | 500 |
| <u>131,454</u> | <u>296,222</u> | <u>6,806,950</u> |
| 90,547 | 73,939 | 410,466 |
| 34,573 | 19,423 | 145,529 |
| - | - | 4,882,377 |
| - | - | 9,190,548 |
| <u>125,120</u> | <u>93,362</u> | <u>14,628,920</u> |
| <u>256,574</u> | <u>389,584</u> | <u>21,435,870</u> |
| 9,044 | 1,849,634 | 9,095,927 |
| 172,815 | 50,965 | 2,096,796 |
| <u>\$ 181,859</u> | <u>\$ 1,900,599</u> | <u>\$ 11,192,723</u> |

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended March 31, 2014

| | Public Housing | Rural Development | Business Activities |
|---|---------------------------|------------------------------|--------------------------------|
| OPERATING REVENUES | | | |
| Dwelling rents | \$ 664,810 | \$ 1,038,017 | \$ 624,608 |
| Housing assistance payments revenue and fees | - | - | - |
| Other tenant revenue | 20,283 | 15,357 | 29,238 |
| Other revenue | 269 | 31,838 | 338,340 |
| Total Operating Revenues | 685,362 | 1,085,212 | 992,186 |
| OPERATING EXPENSES | | | |
| Administrative | 422,520 | 646,450 | 360,009 |
| Tenant services | 12,656 | 9,955 | 12,169 |
| Utilities | 200,264 | 270,566 | 86,956 |
| Maintenance | 399,388 | 611,331 | 254,809 |
| Protective services | 14,829 | 20,704 | 5,788 |
| Insurance premiums | 20,632 | 31,044 | 8,809 |
| Other general expenses | 96,296 | 39,048 | 72,903 |
| Housing assistance payments | - | - | - |
| Amortization | - | - | 8,493 |
| Depreciation | 154,742 | 306,545 | 220,114 |
| Total Operating Expenses | 1,321,327 | 1,935,643 | 1,030,050 |
| Operating Income (Loss) | (635,965) | (850,431) | (37,864) |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Intergovernmental revenue | 763,623 | 1,261,093 | 13,327 |
| Interest income | 138 | 6,079 | 208 |
| Interest expense | - | (143,197) | (260,297) |
| Cost of issuance expense | (230,502) | - | - |
| Total Non-operating Revenue (Expenses) | 533,259 | 1,123,975 | (246,762) |
| Income (Loss) Before Transfers | (102,706) | 273,544 | (284,626) |
| Transfer in | 66,486 | - | - |
| Transfer out | - | - | (66,486) |
| Change in Net Position | (36,220) | 273,544 | (351,112) |
| Total Net Position - Beginning | 3,277,582 | 4,191,267 | 1,755,204 |
| Total Net Position - Ending | \$ 3,241,362 | \$ 4,464,811 | \$ 1,404,092 |

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

| Housing Choice Vouchers | State/ Local | Totals |
|--|-------------------------|----------------------|
| \$ - | \$ 131,531 | \$ 2,458,966 |
| 6,947,558 | - | 6,947,558 |
| 74 | 4,171 | 69,123 |
| 158,421 | 111,394 | 640,262 |
| <u>7,106,053</u> | <u>247,096</u> | <u>10,115,909</u> |
| 595,149 | 390,361 | 2,414,489 |
| 57,377 | 11,651 | 103,808 |
| 5,635 | 88,258 | 651,679 |
| 9,886 | 200,699 | 1,476,113 |
| - | - | 41,321 |
| 8,106 | 6,820 | 75,411 |
| 217,523 | 52,680 | 478,450 |
| 5,841,317 | - | 5,841,317 |
| - | - | 8,493 |
| 565 | 52,493 | 734,459 |
| <u>6,735,558</u> | <u>802,962</u> | <u>11,825,540</u> |
| <u>370,495</u> | <u>(555,866)</u> | <u>(1,709,631)</u> |
| - | 576,590 | 2,614,633 |
| 268 | 26 | 6,719 |
| - | - | (403,494) |
| - | - | (230,502) |
| <u>268</u> | <u>576,616</u> | <u>1,987,356</u> |
| 370,763 | 20,750 | 277,725 |
| - | - | 66,486 |
| - | - | (66,486) |
| <u>370,763</u> | <u>20,750</u> | <u>277,725</u> |
| <u>(188,904)</u> | <u>1,879,849</u> | <u>10,914,998</u> |
| <u>\$ 181,859</u> | <u>\$ 1,900,599</u> | <u>\$ 11,192,723</u> |

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2014

| | Public Housing | Rural Development | Business Activities |
|---|---------------------------|------------------------------|--------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 693,959 | \$ 1,082,686 | \$ 1,286,881 |
| Housing assistance payments on behalf of tenants | - | - | - |
| Payments to suppliers | (873,423) | (832,704) | (357,406) |
| Payments to employees | (528,479) | (820,152) | (341,524) |
| Net Cash Provided (Used) by Operating Activities | (707,943) | (570,170) | 587,951 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Intergovernmental revenues received | 763,623 | 1,173,891 | 13,327 |
| Transfers from other funds | 98,487 | - | - |
| Transfers to other funds | - | - | (98,487) |
| Interfund loans received | - | - | 1,325,446 |
| Interfund loans made | - | (1,099,667) | (225,779) |
| Interfund loans repaid | (159,586) | (1,315,328) | (2,284,291) |
| Interfund loan repayments received | 953,523 | 1,598,452 | 1,306,804 |
| Net Cash Provided (Used) by Noncapital Financing Activities | 1,656,047 | 357,348 | 37,020 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | (1,342,444) | (200,997) | (729,897) |
| Proceeds of debt | 1,625,000 | - | 492,731 |
| Cost of debt issuance | (230,502) | - | - |
| Principal paid on debt | - | (219,873) | (97,304) |
| Interest paid on debt | - | (143,197) | (252,047) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | 52,054 | (564,067) | (586,517) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest income | 138 | 6,079 | 208 |
| Net Cash Provided (Used) by Investing Activities | 138 | 6,079 | 208 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,000,296 | (770,810) | 38,662 |
| Balances - Beginning | 287,899 | 5,998,298 | 489,177 |
| Balances - Ending | \$ 1,288,195 | \$ 5,227,488 | \$ 527,839 |

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

| Housing Choice Vouchers | State/ Local | Totals |
|--|-------------------------|---------------------|
| \$ 95,209 | \$ 402,234 | \$ 3,560,969 |
| 6,947,558 | - | 6,947,558 |
| (6,301,436) | (378,690) | (8,743,659) |
| (428,515) | (427,003) | (2,545,673) |
| <u>312,816</u> | <u>(403,459)</u> | <u>(780,805)</u> |
| - | 576,590 | 2,527,431 |
| - | - | 98,487 |
| - | - | (98,487) |
| - | - | 1,325,446 |
| - | - | (1,325,446) |
| (371,362) | (493,101) | (4,623,668) |
| 269,948 | 494,941 | 4,623,668 |
| <u>(101,414)</u> | <u>578,430</u> | <u>2,527,431</u> |
| - | (7,795) | (2,281,133) |
| - | - | 2,117,731 |
| - | - | (230,502) |
| - | - | (317,177) |
| - | - | (395,244) |
| <u>-</u> | <u>(7,795)</u> | <u>(1,106,325)</u> |
| <u>266</u> | <u>28</u> | <u>6,719</u> |
| <u>266</u> | <u>28</u> | <u>6,719</u> |
| 211,668 | 167,204 | 647,020 |
| 81,916 | 57,233 | 6,914,523 |
| <u>\$ 293,584</u> | <u>\$ 224,437</u> | <u>\$ 7,561,543</u> |

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2014

| | Public Housing | Rural Development | Business Activities |
|--|---------------------------|------------------------------|--------------------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (635,965) | \$ (850,431) | \$ (37,864) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Amortization and depreciation | 154,742 | 306,545 | 228,607 |
| Decrease (increase) in: | | | |
| Accounts receivable - tenants, net | (5,282) | (2,595) | 8,642 |
| Accounts receivable - operating reimbursement | - | - | 286,509 |
| Prepaid costs | - | (22) | - |
| Deposits | - | - | (644) |
| Increase (decrease) in: | | | |
| Accounts payable | (240,138) | (43,718) | 57,080 |
| Prepaid tenant rent | 1,741 | 2,946 | 213 |
| Accrued salaries and benefits | (6,319) | (4,434) | 8,911 |
| Security deposits payable | 12,137 | (2,877) | 175 |
| Escrow deposits payable | - | - | - |
| OPEB liability | 18,057 | 31,119 | 16,279 |
| Compensated absences payable | (6,916) | (6,703) | 20,043 |
| Net Cash Provided (Used) by Operating Activities | \$ (707,943) | \$ (570,170) | \$ 587,951 |

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

| Housing Choice Vouchers | State/ Local | Totals |
|--|-------------------------|---------------------|
| \$ 370,495 | \$ (555,866) | \$ (1,709,631) |
| 565 | 52,493 | 742,952 |
| (65,211) | (969) | (65,415) |
| 268 | 154,846 | 441,623 |
| - | - | (22) |
| - | - | (644) |
| (22,692) | (39,677) | (289,145) |
| 58 | 160 | 5,118 |
| 1,929 | (7,678) | (7,591) |
| - | 1,101 | 10,536 |
| 1,599 | - | 1,599 |
| 23,528 | 17,019 | 106,002 |
| 2,277 | (24,888) | (16,187) |
| <u>\$ 312,816</u> | <u>\$ (403,459)</u> | <u>\$ (780,805)</u> |

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Statement of Fiduciary Net Position
Fiduciary Funds
March 31, 2014

| | Agency Fund |
|------------------------------------|------------------------|
| ASSETS | |
| Cash and investments | \$ 285,955 |
| Accounts receivable - tenants, net | 5,154 |
| Total Assets | 291,109 |
| LIABILITIES | |
| Accounts payable | 9,390 |
| Prepaid tenant rent | 570 |
| Security deposits payable | 7,850 |
| Agency obligations | 273,299 |
| Total Liabilities | \$ 291,109 |

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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REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES

Notes to Basic Financial Statements

For the Year Ended March 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Regional Housing Authority of Sutter and Nevada Counties (Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

The Consolidated Area Housing Authority of Sutter County was established in April 1946, by a resolution of the Sutter County Board of Supervisors and reorganized as the Consolidated Area Housing Authority of Sutter County, California in February 1994, by agreement between the City of Live Oak, the City of Yuba City and the County of Sutter. In April 2011, the Consolidated Area Housing Authority of Sutter County combined with the Nevada County Housing Authority and was reorganized as the Regional Housing Authority of Sutter and Nevada Counties (the Authority). The Authority is governed by a nine member Board of Commissioners. The Board of Commissioners is made up of two members appointed by the Sutter County Board of Supervisors, two members appointed by the City of Yuba City, two members appointed by the City of Live Oak and two members appointed by the Nevada County Board of Supervisors. The remaining member is a resident of affordable housing selected by the members of the Authority's Board of Commissioners and approved by Sutter County, City of Live Oak, City of Yuba City, and County of Nevada. Commissioners are appointed for four-year terms.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Reporting for component units on the Authority's financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the Authority's operations and, therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

For financial reporting purposes, the Authority's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the Board of Commissioners. The financial statements of the individual component units may be obtained by writing to the Regional Housing Authority of Sutter and Nevada Counties, 1455 Butte House Road, Yuba City, CA 95993.

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Blended Component Units

The blended component units of the Authority, which are included in Business Activities, are as follows:

Building Better Partnerships, Inc.
Healthy Housing, LLC

Joint Agencies

The California Affordable Housing Agency - Joint Powers Authority began operations on March 1, 2001, and has continued without interruption since that time. The Joint Powers Authority is composed of member housing agencies. All member agencies are on the Board of Directors who select an Executive Committee of five members. The operations are managed and expenses are approved by the Executive Director of the Joint Powers Authority. Complete audited financial statements can be obtained at the Authority's office: 580 Vallombrosa Avenue, Chico, CA, 95926. The Authority is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Boards.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information on all of the nonfiduciary activities of the Authority and its blended component units. These statements include the financial activities of the overall government, except fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements present the business-type activities of the Authority, which are financed in whole or in part by fees charged to external parties. The Authority's activities are all classified as business-type.

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the Authority's business-type activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. 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 that are not classified as program revenues are presented instead as general revenues.

Fund Financial Statements

The fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Funds are organized into the proprietary and fiduciary fund types. The operations of the Authority are organized on a series of sub-funds consolidated into five major enterprise proprietary funds which account for HUD based projects. An emphasis is placed on major funds within the enterprise proprietary category, each is displayed in a separate column.

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The Authority reports the following major proprietary funds:

- The Public Housing fund is an enterprise fund used to account for revenues and expenses for Public and Indian Housing programs.
- The Rural Development fund is an enterprise fund used to account for farm labor housing activities.
- The Business Activities fund is an enterprise fund used to account for activity related to apartment rental and administration of various projects.
- The Housing Choice Vouchers fund is an enterprise fund used to account for the Housing Voucher program.
- The State/Local fund is an enterprise fund used to account for activity related to various low-income housing rental programs.

The Authority reports the following additional fund type:

- Agency Fund accounts for assets held by the Authority as an agent for other governments or other funds. The Authority administers the Home 2 Families program for the City of Yuba City and accounts for this activity in an agency fund.

C. Basis of Accounting and Measurement Focus

The proprietary fund 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 revenues from grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services and assistance payments and fees from the Section 8 program. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds include trust funds and agency funds. All trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are reported using the accrual basis of accounting to recognize receivables and payables.

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash, Cash Equivalents, and Investments

Cash and investments consist of cash on hand, cash held in bank checking and savings accounts, cash held with fiscal agents, and cash on deposit in the State of California Local Agency Investment Fund (LAIF).

The Authority pools cash and investments of all funds except for amounts held by fiscal agent. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Income from pooled investments is allocated to the various funds based on the fund's average daily cash balance at quarter end in relation to the total pool investments. Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

Investments are reported in the accompanying Statement of Net Position at fair value which is determined using selected bases annually. 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.

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments, except cash with fiscal agent, of the proprietary funds are pooled with the Authority's pooled cash and investments.

E. Restricted Cash and Investments

The Authority reflects cash and investments held for the Rural Development supervised account of \$835,220 and Housing Choice Voucher escrow account of \$72,263 as restricted cash and investments. The Authority reflects Kingwood Commons debt service reserve account of \$351,357 as restricted cash with fiscal agent

F. Receivables

The Authority only accrues those revenues it deems collectible; as such, the Authority has no allowance for uncollectible accounts. The Authority expects to collect all receivables within one year.

G. Other Assets

Inventory

Inventory items are recorded as an expense at the time individual items are purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

Prepaid Costs

Prepayments made for services that will benefit periods beyond March 31, 2014 are recorded as prepaid costs. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES

Notes to Basic Financial Statements

For the Year Ended March 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

Capital assets, which include property, plant and equipment are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are valued at their estimated fair value at the date of donation. Capital assets are defined by the Authority as an asset with a cost greater than \$1,000 and an estimated useful life of more than two years. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is not included as part of the capitalized value.

Capital assets used in operations are depreciated or amortized using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| <u>Depreciable Asset</u> | <u>Estimated Lives</u> |
|-----------------------------|------------------------|
| Equipment | 2-10 years |
| Structures and improvements | 10-30 years |

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

I. 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.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenses. These services provide information on the net cost of each government 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 expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenses in the reimbursing fund and a corresponding decrease in 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.

J. Unearned Revenue

Under the accrual basis of accounting, revenue may be recognized only when it is earned. When assets are recognized in connection with a transaction before the earnings process is complete, those assets are offset by a corresponding liability for unearned revenue.

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences

It is the Authority's policy to permit employees to accumulate a limited amount of earned but unused vacation leave which vests with the employee and will be paid upon separation from Authority service. The liability for these compensated absences is recorded as long-term debt in the financial statements. The current portion of this debt is estimated based on historical trends. In the financial statements, the proprietary funds report the liability as it is incurred. The District includes its share of social security and medicare taxes payable on behalf of the employees in the accrual of compensated absences.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. At March 31, 2014, the Authority did not have any deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At March 31, 2014, the Authority did not have any deferred inflows of resources.

M. Grant Revenues

Grant revenues are recognized when specified related expenses have been incurred. In other grant programs, monies are virtually unrestricted as to purpose of expenses and are only revocable for failure to comply with prescribed compliance requirements. These revenues are recognized at the time of receipt, or earlier if susceptible to accrual criteria is met. Cash received prior to incurrence of the related expense is recorded as unearned revenue.

N. 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.

O. Implementation of Governmental Accounting Standards Board Statements (GASB)

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable to Regional Housing Authority of Sutter and Nevada Counties, in the current financial statements.

Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. This statement improves financial reporting by addressing issues related to service concession arrangements.

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES

Notes to Basic Financial Statements

For the Year Ended March 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Implementation of Governmental Accounting Standards Board Statements (GASB) (Continued)

Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34. The statement clarifies the reporting of equity interest in legally separate organizations and requires the primary government to report its equity interest in a component unit as an asset.

Statement No. 66, Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62. This statement improved accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statements No. 54 and No. 62.

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of March 31, 2014, the Authority's cash and investments consisted of the following:

Cash:

| | |
|--------------------------------------|------------------|
| Imprest cash | \$ 168 |
| Deposits (less outstanding warrants) | <u>7,112,951</u> |
| Total Cash in Authority Pool | 7,113,119 |
| Deposits with fiscal agents | <u>733,621</u> |
| Total Cash | <u>7,846,740</u> |

Investments:

| | |
|------------------------------|---------------------|
| Local Agency Investment Fund | <u>758</u> |
| Total Investments | <u>758</u> |
| Total Cash and Investments | <u>\$ 7,847,498</u> |

B. Cash

At year end, the carrying amount of the Authority's cash deposits (including amount in checking accounts and money market accounts) was \$7,112,951 and the bank balance was \$7,181,271. The difference between the bank balance and the carrying amount represents outstanding warrants and deposits in transit. In addition, the Authority had cash on hand of \$168.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits 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 complies with the requirements of the California Government Code. Under this code, deposits of more than \$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's investment policy does not further limit its deposits.

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments

Investments are selected based on safety, liquidity and yield. The Authority's investment policy is more restrictive than the California Government Code. Under the provisions of the Authority's investment policy and the California Government Code, the Authority may invest or deposit in the following:

- Local Agency bonds, US Treasury Obligations, State of California Obligations, CA Local Agency Obligations and US Agencies
- Banker's Acceptances
- Commercial Paper
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Reverse Repurchase Agreements
- Medium Term Notes
- Mutual Funds as permitted by the Government Code
- Collateralized Bank Deposits
- Mortgage Pass-Through Securities
- Time Deposits
- Local Agency Investment Fund (LAIF)

The investment policy specifically allows investment in LAIF and any other investment allowed by the California Government Code with prior Board of Commissioners approval.

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. To limit exposure to fair value losses resulting from increases in interest rates, the California Government Code limits investment maturities to a term appropriate to the need for funds so as to permit the Authority to meet all projected obligations. California Government Code limits the Authority's exposure to interest rate risk inherent in its portfolio by limiting individual maturities to 5 years or less. The Authority's investment policy does not further limit investments as a means of managing its exposure to fair value losses.

As of March 31, 2014, the Authority had the following investments:

| Investment Type | Interest Rates | Maturities | | Fair Value | Weighted Average Maturity (Years) |
|-------------------------------------|----------------|---------------|-------------|---------------|-----------------------------------|
| | | 0-1 year | 1-5 years | | |
| Pooled Investments | | | | | |
| Local Agency Investment Fund (LAIF) | Variable | \$ 758 | \$ - | \$ 758 | - |
| Total | | <u>\$ 758</u> | <u>\$ -</u> | <u>\$ 758</u> | <u>-</u> |

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES

Notes to Basic Financial Statements

For the Year Ended March 31, 2014

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. California Government Code sets specific parameters by type of investment to be met at the time of purchase. The Authority's formal investment policy does not further limit its investment choices. Presented below is the minimum rating required by (where applicable) the California Government Code, and the actual rating as of year end for each investment type.

| <u>Investment Type</u> | <u>Minimum Legal Rating</u> | <u>Standard & Poor's Rating</u> | <u>Moody's Rating</u> | <u>% of Portfolio</u> |
|------------------------|-----------------------------|-------------------------------------|-----------------------|-----------------------|
| LAIF | N/A | Unrated | Unrated | <u>100.00%</u> |
| Total | | | | <u><u>100.00%</u></u> |

Custodial Credit Risk - Custodial credit risk for investments 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. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

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's investment policy does not contain limitations on the amount that can be invested in any one issuer. All investments of the Authority are in the Local Agency Investment Fund which contain a diversification of investments. The Authority's investment policy does not further limit the exposure to concentration of credit risk.

D. Investments in External Investment Pools

Investment in Local Agency Investment Fund - The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. At March 31, 2014 the Authority's investment position in LAIF was \$758 which approximates fair value and is the same as the value of the pool shares. The total amount invested by all public agencies in LAIF on that day was \$57,546,444,456. Of that amount, 98.29% is invested in non-derivative financial products and 1.71% in structured notes and asset-backed securities. The value of the pool shares in LAIF is determined on an amortized cost basis, which approximates fair value. The Local Investment Advisory Board, which consists of five members designed by the State statutes, has oversight responsibility for LAIF.

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES

Notes to Basic Financial Statements

For the Year Ended March 31, 2014

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2014, was as follows:

| | <u>Balance</u> <u>April 1, 2013</u> | <u>Additions</u> | <u>Retirements/ Adjustments</u> | <u>Balance</u> <u>March 31, 2014</u> |
|--|--|--------------------|-------------------------------------|---|
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 3,359,103 | \$ 325,313 | \$ - | \$ 3,684,416 |
| Construction in progress | <u>2,750,090</u> | <u>23,777</u> | <u>(2,773,867)</u> | <u>-</u> |
| Total Capital Assets, Not Being Depreciated | <u>6,109,193</u> | <u>349,090</u> | <u>(2,773,867)</u> | <u>3,684,416</u> |
| Capital Assets, Being Depreciated: | | | | |
| Buildings and improvements | 30,850,014 | 1,932,041 | 2,773,867 | 35,555,922 |
| Equipment | <u>1,531,543</u> | <u>-</u> | <u>-</u> | <u>1,531,543</u> |
| Total Capital Assets, Being Depreciated | <u>32,381,557</u> | <u>1,932,041</u> | <u>2,773,867</u> | <u>37,087,465</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings and improvements | (15,570,956) | (684,847) | - | (16,255,803) |
| Equipment | <u>(942,590)</u> | <u>(49,612)</u> | <u>-</u> | <u>(992,202)</u> |
| Total Accumulated Depreciation | <u>(16,513,546)</u> | <u>(734,459)</u> | <u>-</u> | <u>(17,248,005)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>15,868,011</u> | <u>1,197,582</u> | <u>2,773,867</u> | <u>19,839,460</u> |
| Capital Assets, Net | <u>\$ 21,977,204</u> | <u>\$1,546,672</u> | <u>\$ -</u> | <u>\$ 23,523,876</u> |

Depreciation

Depreciation expense was charged to the business-type functions as follows:

| | |
|----------------------------|-------------------|
| Public Housing | \$ 154,742 |
| Rural Development | 306,545 |
| Business Activities | 220,114 |
| Housing Choice Vouchers | 565 |
| State/Local | <u>52,493</u> |
| Total Depreciation Expense | <u>\$ 734,459</u> |

NOTE 4: INTERFUND TRANSACTIONS

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due from and due to balances as of March 31, 2014:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|---------------------|---------------------------------|-------------------------------|
| Rural Development | \$ 1,099,667 | \$ - |
| Business Activities | <u>-</u> | <u>1,099,667</u> |
| Total | <u>\$ 1,099,667</u> | <u>\$ 1,099,667</u> |

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES

Notes to Basic Financial Statements

For the Year Ended March 31, 2014

NOTE 4: INTERFUND TRANSACTIONS (CONTINUED)

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, reimbursement of various Authority operations and re-allocations of special revenues. The following are the interfund transfer balances as of March 31, 2014:

| | <u>Transfer In</u> | <u>Transfer Out</u> |
|---------------------|------------------------|-------------------------|
| Public Housing | \$ 66,486 | \$ - |
| Business Activities | <u>-</u> | <u>66,486</u> |
| Total | <u>\$ 66,486</u> | <u>\$ 66,486</u> |

NOTE 5: UNEARNED REVENUE

At March 31, 2014, components of unearned revenue reported were as follows:

| | |
|--|---------------------|
| Rural Development | |
| ADA grant monies received prior to completion of earnings requirements | \$ 2,346,425 |
| Joe Serna grant monies received prior to completion of earnings requirements | <u>2,036,842</u> |
| Total | <u>\$ 4,383,267</u> |

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended March 31, 2014:

| | <u>Balance April 1, 2013</u> | <u>Additions/ Adjustments</u> | <u>Retirements/ Adjustments</u> | <u>Balance March 31, 2014</u> | <u>Due Within One Year</u> |
|-----------------------------|----------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|--------------------------------|
| Revenue Bonds | \$ 3,601,931 | \$ 1,625,000 | (\$ 92,865) | \$ 5,134,066 | \$ 98,806 |
| Less: Bond Discount | (169,869) | - | 8,493 | (161,376) | (8,493) |
| Revenue Bonds (Net) | <u>3,432,062</u> | <u>1,625,000</u> | <u>(84,372)</u> | <u>4,972,690</u> | <u>90,313</u> |
| Loans Payable | 9,186,340 | 492,795 | (224,376) | 9,454,759 | 264,211 |
| Line of Credit | 500 | - | - | 500 | 500 |
| OPEB Liability | 304,464 | 112,962 | (6,960) | 410,466 | - |
| Compensated Absences | <u>210,225</u> | <u>41,750</u> | <u>(57,937)</u> | <u>194,038</u> | <u>48,509</u> |
| Total Long-Term Liabilities | <u>\$ 13,133,591</u> | <u>\$ 2,272,507</u> | <u>(\$ 373,645)</u> | <u>\$ 15,032,453</u> | <u>\$ 403,533</u> |

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Individual issues of debt payable outstanding at March 31, 2014, are as follows:

Revenue Bonds Payable:

| | |
|---|------------------|
| AHA Multi-Family Housing Pool Revenues Bonds Series 2003B, issued in the amount of \$3,420,000 and payable in annual installments of \$25,000 to \$250,000, with an interest rate of 5.00 to 6.625 percent and maturity of January 1, 2033. These bonds were used to finance the acquisition of the Kingwood Commons Apartment complex. The loan agreement specifies that the Authority is required to maintain a coverage ratio of 1.00 to 1, however, the Authority has not met this coverage ratio. This failure to meet the coverage ratio does not constitute an event of default. | \$ 2,835,000 |
| California Affordable Housing Agency Multi Family Housing Revenue Bonds Series 2014A, issued in the amount of \$1,625,000 and payable in semi-annual interest installments of \$34,531, with an interest rate of 4.250 percent and a maturity of March 1, 2019. The bonds were used to finance the acquisition of the Devonshire Apartments. | 1,625,000 |
| Butte View Estate Bonds, issued in the amount of \$810,000 and payable in monthly payments of \$4,418 including interest at 5.14 percent and maturity of November 1, 2034. These bonds were used to finance the acquisition of the Butte View Estates Apartment complex. | <u>674,066</u> |
| Total Revenue Bonds Payable | <u>5,134,066</u> |

Loans Payable:

| | |
|---|---------|
| Rural Development Agency Loan, issued in the amount of \$290,000 and payable in monthly payments of \$863 including interest of 1 percent and maturity of October 1, 2026. This loan was used to finance rural development activities of the Authority. | 134,914 |
| Rural Development Agency Loan, issued in the amount of \$22,670 and payable in monthly payments of \$68 including interest of 1 percent and maturity of October 1, 2032. This loan was used to finance rural development activities of the authority. | 13,451 |
| Rural Development Agency Loan, issued in the amount of \$7,466 and payable in monthly payments of \$22 including interest of 1 percent and maturity of October 1, 2032. This loan was used to finance rural development activities of the Authority. | 4,430 |
| Rural Development Agency Loan, issued in the amount of \$47,378 and payable in monthly payments of \$141 including interest of 1 percent and maturity of October 1, 2032. This loan was used to finance rural development activities of the Authority. | 28,110 |
| Rural Development Agency Loan, issued in the amount of \$2,902 and payable in monthly payments of \$9 including interest of 1 percent and maturity of October 1, 2032. This loan was used to finance rural development activities of the Authority. | 1,722 |
| Rural Development Agency Loan, issued in the amount of \$4,875 and payable in monthly payments of \$15 including interest of 1 percent and maturity of October 1, 2032. This loan was used to finance rural development activities of the Authority. | 2,892 |

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Individual issues of debt payable outstanding at March 31, 2014, are as follows (Continued):

Loans Payable (Continued):

| | |
|--|-----------|
| Rural Development Agency Loan, issued in the amount of \$1,412,827 and payable in monthly payments of \$4,206 including interest of 1 percent and maturity of October 1, 2032. This loan was used to finance rural development activities of the Authority. | 838,332 |
| Rural Development Agency Loan, issued in the amount of \$139,644 and payable in monthly payments of \$416 including interest of 1 percent and maturity of October 1, 2032. This loan was used to finance rural development activities of the Authority. | 82,852 |
| Rural Development Agency Loan, issued in the amount of \$1,365,908 and payable in monthly installments of \$4,584 including interest of 1 percent and maturity on August 1, 2040. This loan was used to finance rural development activities of the Authority. | 1,252,065 |
| Rural Development Agency Loan, issued in the amount of \$3,000,000 and payable in monthly installments of \$9,168 including interest of 1 percent and maturity on August 1, 2042. This loan was used to finance rural development activities of the Authority. | 2,692,449 |
| Rural Development Agency Loan, issued in the amount of \$127,817 and payable in monthly installments of \$391 including interest of 1 percent and maturity on February 1, 2043. This loan was used to finance rural development activities of the Authority. | 113,545 |
| Rural Development Agency Loan, issued in the amount of \$311,897 and payable in monthly installments of \$1,468 including interest of 4 percent and maturity of December 1, 2043. This loan was used to finance the acquisition of the Centennial Arms apartment complex. | 305,311 |
| Rural Development Agency Loan, issued in the amount of \$634,023 and payable in monthly installments of \$2,289, including interest of 1.89 percent and maturity on December 1, 2043. This loan was used to finance the rehabilitation of the Centennial Arms apartment complex. | 624,255 |
| Rural Development Agency Loan, issued in the amount of \$549,801 and payable in monthly installments of \$2,034 including interest of 1 percent and maturity of November 1, 2043. This loan was used to finance the acquisition of the Butte View Estates apartment complex. | 529,314 |
| Umpqua Bank Loan, issued in the amount of \$576,000 and payable in monthly installments of \$3,392 including interest at 5.750 percent and maturity on February 15, 2040. The loan was used to finance the acquisitions of the Centennial Arms apartment complex. | 549,379 |
| Tri Counties Bank Loan, issued in the amount of \$940,000 and payable in monthly installments of \$5,997, including interest of 5.75 percent and maturity on January 25, 2036. This loan was used to finance the acquisition of 1455 Butte House Road. | 895,218 |
| Tri Counties Bank Loan, issued in the amount of \$73,125 and payable in monthly installments of \$485 including interest of 5.00 percent and maturity on July 29, 2032. This loan was used to finance rehabilitation of Miles Market. | 70,125 |

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Individual issues of debt payable outstanding at March 31, 2014, are as follows (Continued):

Loans Payable (Continued):

Umpqua Bank loan, issued in the amount of \$1,215,000 and payable in monthly interest only installments of 5.29 percent at the outstanding balance and maturity on October 21, 2019. The loan was used to finance the acquisition of properties related to the Trio program. As of March 31, 2014, \$492,795 in loan funds had been received. 491,395

City of Yuba City loan, issued in the amount of \$825,000. Interest is to accrue at the rate of 1 percent per annum. Payments are deferred unless there are sufficient residual receipts. The loan was used to finance the acquisition and rehabilitation of the Kingwood Commons Complex. 825,000

Total Loans Payable 9,454,759

Line of Credit:

Tri Counties Line of Credit, issued in the amount of \$250,000 and payable within one year with an interest rate of .75 percent and maturity of December 31, 2014. This line of credit was used to cover a shortfall of revenue until reimbursement is received from developer fund. 500

Total Line of Credit 500

Total Long-Term Liabilities \$ 14,589,325

Following is a schedule of debt payment requirements to maturity for long-term debt, excluding the City of Yuba City loan in the amount of \$825,000 which has no established repayment schedule, compensated absences that have indefinite maturities and OPEB which is reported in Note 10.

| Year Ended March 31 | Revenue Bonds | | |
|------------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 2015 | \$ 98,806 | \$ 288,008 | \$ 386,814 |
| 2016 | 104,796 | 283,737 | 388,533 |
| 2017 | 110,837 | 277,170 | 388,007 |
| 2018 | 116,934 | 270,223 | 387,157 |
| 2019 | 1,748,088 | 262,894 | 2,010,982 |
| 2020-2024 | 754,999 | 841,406 | 1,596,405 |
| 2025-2029 | 1,029,465 | 569,261 | 1,598,726 |
| 2030-2034 | 1,135,467 | 195,290 | 1,330,757 |
| 2035-2039 | <u>34,674</u> | <u>672</u> | <u>35,346</u> |
| Total | <u>\$ 5,134,066</u> | <u>\$ 2,988,661</u> | <u>\$ 8,122,727</u> |

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

| Year Ended March 31 | Loans Payable | | |
|------------------------|---------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2015 | \$ 264,212 | \$ 197,989 | \$ 462,201 |
| 2016 | 268,985 | 193,216 | 462,201 |
| 2017 | 273,912 | 188,289 | 462,201 |
| 2018 | 279,000 | 183,201 | 462,201 |
| 2019 | 284,257 | 177,944 | 462,201 |
| 2020-2024 | 1,998,032 | 689,557 | 2,687,589 |
| 2025-2029 | 1,657,760 | 512,458 | 2,170,218 |
| 2030-2034 | 1,615,682 | 322,407 | 1,938,089 |
| 2035-2039 | 1,260,121 | 144,457 | 1,404,578 |
| 2040-2044 | 551,536 | 48,334 | 599,870 |
| 2045-2049 | 40,847 | 31,372 | 72,219 |
| 2050-2054 | 49,874 | 22,345 | 72,219 |
| 2055-2059 | 60,896 | 11,323 | 72,219 |
| 2060-2064 | 24,645 | 924 | 25,569 |
| Total | <u>\$ 8,629,759</u> | <u>\$ 2,723,816</u> | <u>\$ 11,353,575</u> |

| Year Ended March 31 | Line of Credit | | |
|------------------------|----------------|--------------|---------------|
| | Principal | Interest | Total |
| 2014 | \$ 500 | \$ 29 | \$ 529 |
| Total | <u>\$ 500</u> | <u>\$ 29</u> | <u>\$ 529</u> |

NOTE 7: NET POSITION

The proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets - 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 position - Consists of net position 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 position - All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 7: NET POSITION (CONTINUED)

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position is available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 8: EMPLOYEES' RETIREMENT PLAN

A. Plan Description

The Authority contributes to the California Public Employees Retirement System (PERS), a cost-sharing 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 Q Street, Lincoln Plaza East, Sacramento, CA 95811.

B. Funding Policy

Plan members are required to contribute 7 percent of their annual covered salary and the Authority is required to contribute at an actuarially determined rate. The current rate is 13.644 percent for miscellaneous employees. The contribution requirements of plan members and the Authority are established and may be amended by PERS. The Authority's contribution to PERS for the years ending March 31, 2014, 2013 and 2012 were \$200,626, \$211,535 and \$225,086, respectively, equal to the required contributions for each year.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

Retirees of the Authority have an option to purchase medical coverage from a variety of providers. One option for medical coverage is the multiple-employer CalPERS Healthcare (PEMHCA) plan. If the employee selects the PEMHCA option, there is a requirement that the Authority pay a monthly contribution amount. The contribution levels are set in statute.

B. Funding Policy

The Authority has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. Funding Policy (Continued)

GASB 45 does not require pre-funding of OPEB benefits. Therefore, the Authority's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The Authority has elected not to establish an irrevocable trust at this time. The Board of Commissioners reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the Authority.

C. Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

| | |
|---|-------------------|
| Annual Required Contribution | \$ 112,962 |
| Contributions Made | <u>6,960</u> |
| Increase in Net OPEB Obligation | 106,002 |
| Net OPEB Obligation - Beginning of Year | <u>304,464</u> |
| Net OPEB Obligation - End of Year | <u>\$ 410,466</u> |

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior fiscal years is as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|---------------------|--|------------------------|
| March 31, 2012 | \$ 98,559 | 6.5% | \$ 205,676 |
| March 31, 2013 | 105,556 | 6.4% | 304,464 |
| March 31, 2014 | 112,962 | 6.2% | 410,466 |

D. Funded Status and Funding Progress

As of March 31, 2014, the present value of the actuarial accrued liability for benefits was \$858,292, all of which was unfunded. The covered payroll (annual payroll of employees covered by the plan) was \$1,545,119 and the ratio to the unfunded liability to the covered payroll was 55.5 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer as subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

E. Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire based on the most recent California PERS 2% at 55 Miscellaneous employees retirement plan valuation.

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies at the calculation date are based on the most recent California PERS retirement plan valuation. The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

Turnover - The probability that an employee will remain employed until the assumed retirement age was determined using the most recent California PERS Public Agency Miscellaneous retirement plan valuation.

Healthcare cost trend rate - The healthcare cost trend rate was assumed to increase on the contribution requirement - will be 5.0% per year.

Health insurance premiums - 2010 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid.

Payroll increase - Changes in the payroll for current employees are expected to increase at a rate of approximately 3.25% annually.

Discount rate - The calculation uses an annual discount rate of 4.5%. This is based on the assumed long-term return on plan assets or employer assets.

Actuarial cost method - The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2010 was twenty-nine years.

F. Plan For Funding

On an ongoing basis, the Authority will be reviewing its assumptions, comparing them against actual experience and recalculating the needed funding with the goal of paying for postemployment benefits out of interest earned on designated funds.

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES

Notes to Basic Financial Statements

For the Year Ended March 31, 2014

NOTE 10: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other housing authorities to participate in the Housing Authority Risk Retention Pool (HARRP). This joint venture is a public entity risk pool which serves as a common risk management and insurance program for property and liability coverage for 86 housing authority members. The Authority has also joined together with other housing authorities to participate in the California Housing Worker's Compensation Authority. This joint venture is a public entity risk pool which serves as a common risk management and insurance program for workers' compensation coverage for 31 housing authority members.

The Authority pays an annual premium to both of these joint ventures for its insurance coverage. The agreements with the joint ventures provide that they will be self-sustaining through member premiums and will reinsure through commercial companies for excess coverage.

There were no claims liability to be reported based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably determined.

The Authority continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11: OTHER INFORMATION

A. Contingent Liabilities

The Housing Authority has received funds from various federal, state and local grant programs. It is possible that at some future date it may be determined that the Authority was not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Authority does not expect such disallowed amount, if any, to materially affect the financial statements.

B. Subsequent Events

Management has evaluated events subsequent to March 31, 2014 through September 8, 2014, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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**Required Supplementary Information
(Unaudited)**

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REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Required Supplementary Information
For the Year Ended March 31, 2014

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

The table below shows a three year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of March 31, 2012, 2013 and 2014 for the Authority Other Postemployment Benefit Plan.

| Actuarial Valuation Date | Value of Assets (AVA) | Actuarial Accrued Liability (AAL) | Actuarial Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a % of Covered Payroll |
|--------------------------------|-----------------------------|--|--|-----------------|--------------------|---|
| March 31, 2012 | \$ 0 | \$ 701,153 | \$ 701,153 | 0.0% | \$ 1,740,757 | 40.3% |
| March 31, 2013 | 0 | 777,240 | 777,240 | 0.0% | 1,764,719 | 44.0% |
| March 31, 2014 | 0 | 858,292 | 858,292 | 0.0% | 1,545,119 | 55.5% |

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