

**HOUSING AUTHORITY OF THE
CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada**

**MANAGEMENT'S DISCUSSION & ANALYSIS
AND AUDITED FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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**HOUSING AUTHORITY OF THE
CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada**

**REPORT ON EXAMINATION
OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the
City of North Las Vegas
North Las Vegas, Nevada 89030

San Francisco Office
Public Housing Division
San Francisco, California

We have audited the accompanying financial statements of the Housing Authority of the City of North Las Vegas as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of North Las Vegas, as of June 30, 2008, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2009 on our consideration of the Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Housing Authority of the City of North Las Vegas. The accompanying Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion; the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Rector, Lindsay & Reeder, P.C.
Certified Public Accountants

Snellville, Georgia
March 31, 2009

**HOUSING AUTHORITY OF THE
CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2008

The Management of the Housing Authority of the City of North Las Vegas ("The Authority") offers this narrative overview and analysis of its audited financial statements for fiscal year ended June 30, 2008. The goal is for the reader to better understand the Authority's financial activities and its overall financial position and to show whether current year revenues covered current year expenses and the extent to which the Authority has invested its capital assets.

FINANCIAL HIGHLIGHTS:

- * The assets of the HACNLV exceeded its liabilities as of June 30, 2008 by \$8,038,363 (Total Equity/Net Assets).
- * The Authority's investment in Capital Assets as of June 30, 2008 was \$3,748,768.
- * The Authority's total revenue for the fiscal year amounted to \$13,053,854.
- * The Authority's total operating expenses amounted to \$4,297,824. Therefore the Authority's total revenue exceeded its operating expenses by \$8,756,030. However, after non-operating expenses of \$11,518,506, the largest of which were \$11,157,233 representing for Housing Assistance Payments made to private market landlords on behalf of families participating in the Section 8 Program and \$349,273 representing depreciation, the Authority's expenses exceeded revenues by \$2,762,476.

OVERVIEW OF THE FINANCIAL STATEMENTS:

The following financial statements are included in this report:

- * Statement of Net Assets – reports the Authority's current financial resources: its cash and other current assets, its current and non-current liabilities and comparing those two elements, the resulting net assets of the Authority. A comparison between this year and the preceding year is also provided.
- * Statement of Revenue, Expenses and Changes in Fund Net Assets – reports the Authority's operating and non-operating revenues and its operating and non-operating expenses.
- * Statement of Cash Flows – reports the sources and uses of the Authority's Cash from operating activities, investing activities and capital financing activities.

ANALYSIS OF FINANCIAL STATEMENTS

The following are summary comparative statements of the Authority.

STATEMENT OF NET ASSETS

	As of June 30, 2008	As of June 30, 2007	Change
Cash & Investments	\$ 3,911,047	\$ 4,841,903	(930,856)
Other Current Assets	339,496	602,933	(263,437)
Non-Current Assets	8,490,634	8,722,685	(232,051)
Total Assets	<u>12,741,177</u>	<u>14,167,521</u>	<u>(1,426,344)</u>
Current Liabilities	1,779,484	334,905	1,444,579
Non-Current Liabilities	2,923,330	3,031,776	(108,446)
Total Liabilities	<u>4,702,814</u>	<u>3,366,681</u>	<u>1,336,133</u>
Invested in Capital Assets	3,748,768	3,870,924	(122,156)
Restricted Assets	3,356,788	5,313,852	(1,957,064)
Unrestricted Assets	932,807	1,616,064	(683,257)
Total Net Assets	<u>\$ 8,038,363</u>	<u>\$ 10,800,840</u>	<u>(2,762,477)</u>

The decrease in Cash & Investments is due to the spending of Section 8 supplement overpayments from HUD received the previous year. The decrease in Other Current Assets is due in part to the note receivable from the sale of Desert Mesa being classified as fully non-current with no amount shown as current. This receivable is due from the Alpha Omega Strategies as explained in the Notes to the Financial Statements. The decrease in Non-Current Assets is due in part to the 25% allowance for doubtful accounts placed on the long-term note receivable from Desert Mesa.

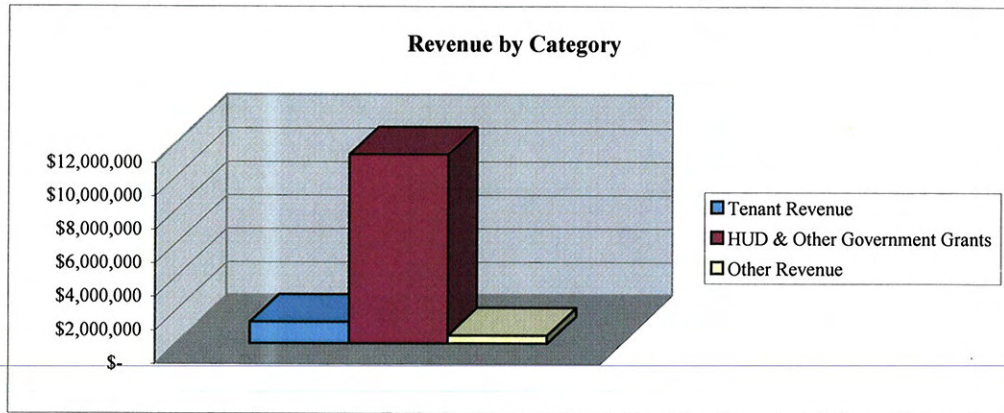
The increase in current liabilities is also due to the Cash Overdraft from the Voucher Program. The decrease in restricted net assets is due to the operating loss of the Voucher Program.

The above balances reflect the statement of net assets with the interfund receivables and payables of \$902,965 being eliminated.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

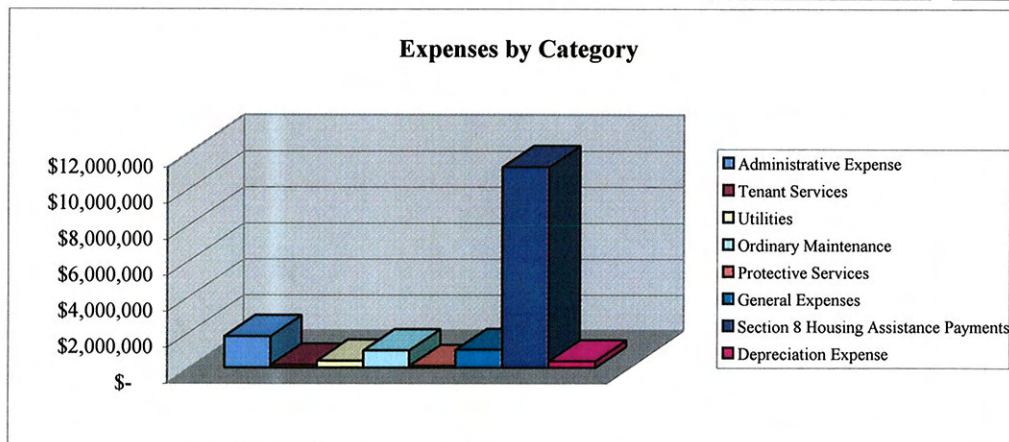
Revenues – The Authority had total revenue of \$13,053,854 broken down as follows:

Tenant Revenue	\$	1,275,586	10%
HUD & Other Government Grants		11,297,904	87%
Other Revenue		480,364	4%
Total	\$	13,053,854	100%



Expenses – The Authority had total expenses of \$15,816,330 broken down as follows;

Administrative Expense	\$	1,743,361	11%
Tenant Services		153,239	1%
Utilities		385,751	2%
Ordinary Maintenance		953,579	6%
Protective Services		92,938	1%
General Expenses		980,956	6%
Section 8 Housing Assistance Payments		11,157,233	71%
Depreciation Expense		349,273	2%
Total	\$	15,816,330	100%



The Authority's expenses exceeded revenues, excluding depreciation, by \$2,413,203. However, if depreciation of \$349,273 is included, the Authority had an excess of expenses over revenues of \$2,762,476.

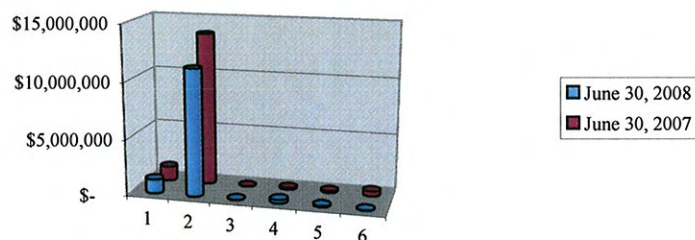
ANALYSIS OF ENTITY-WIDE REVENUE AND EXPENSES
PRIOR AND CURRENT FISCAL YEAR:

REVENUE GROUP	For the Year Ended June 30, 2008	For the Year Ended June 30, 2007	Change
1) Tenant Revenue	\$ 1,275,586	\$ 1,282,569	\$ (6,983)
2) HUD Operating & Capital Grants	11,261,228	13,615,625	(2,354,397)
3) Other Governmental Grants	36,676	21,969	14,707
4) Interest & Fraud Recovery	324,585	150,152	174,433
5) Other Revenue	112,267	158,391	(46,124)
6) Gain on Sale of Fixed Assets	43,512	434,420	(390,908)
Total Revenue	\$ 13,053,854	\$ 15,663,126	\$ (2,609,272)

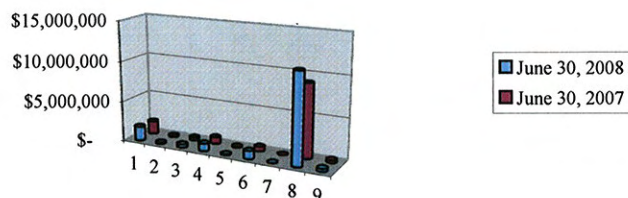
EXPENSE GROUP	For the Year Ended June 30, 2008	For the Year Ended June 30, 2007	Change
1) Administrative Expenses	\$ 1,743,361	\$ 1,577,691	\$ 165,670
2) Tenant Services (Leasing & Occupancy)	153,239	159,197	(5,958)
3) Utilities	385,751	362,064	23,687
4) Ordinary Maintenance	941,579	826,358	115,221
5) Protective Services	92,938	92,271	667
6) General Expenses	980,956	549,235	431,721
7) Extraordinary Maintenance and Casualty Loss	12,000	-	12,000
8) Housing Assistance Payments	11,157,233	9,052,672	2,104,561
9) Depreciation Expense	349,273	345,991	3,282
Total Expenses	\$ 15,816,330	\$ 12,965,479	\$ 2,850,851

Excess (Deficiency) of Revenue Over Expenses	\$ (2,762,476)	\$ 2,697,647	\$ (5,460,123)
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Revenue Group



Expense Group



SIGNIFICANT TRANSACTIONS

The Low Rent Public Housing program gained \$67,048 in HUD Subsidy and the Housing Choice Voucher (Section 8) program received \$2,361,339 less in HUD funding during fiscal 2008. **The HOME Investment Partnerships Program grant for \$68,050 was used to complete some of the deferred maintenance at Thunderbird Apartments, one of our Business Activities programs.**

Administrative salaries and benefits increased by 13% in fiscal 2008. **This was primarily due to a change in the organizational chart. The Property Manager and Section 8 Manager were replaced by a Chief Operating Officer.**

Ordinary Maintenance increased 14%, primarily due to increased salaries and benefits.

General Expenses decreased primarily due to the decrease in Bad Debt Expenses.

The Housing Authority can lease Section 8 Housing Choice units up to it's baseline of 1,371 units per month providing that the expense to do so does not exceed the Annual Contributions Contract for the year. Last year an average of 1,255 were leased and in fiscal 2008 an average of 1,165 were leased. There were 1,076 less unit months leased in fiscal 2008 than the previous year and the average Housing Assistance Payment decreased by \$9, going from \$657 to \$647 causing the increase in Housing Assistance Payments expenses by \$2,104,561.

BUDGETARY HIGHLIGHTS IN INDIVIDUAL PROGRAMS

Low-Rent Public Housing (Operations Only)

The Board-approved budget anticipated an operating income of \$1,840. Actual result of operation was net operating income before depreciation of \$107, an unfavorable budget variance of (\$1,733). The variance is a combination of factors.

Favorable factors included an increase in office rental income, reduced administrative salaries and benefits and reduced protective services contract. These favorable factors amounted to approximately \$119,000.

On the other hand, there were unfavorable factors including unrealized rental income due to high vacancies. Maintenance contracts, maintenance wages, utilities, collection losses and extraordinary maintenance exceeded budget. These unfavorable factors amounted to approximately (\$121,000).

The foregoing factors combined resulted in the overall budget variance of (\$1,733).

Section 8 Housing Choice Voucher Program

The Board-approved budget anticipated an operating loss of (\$95,972). Actual result of operation was operating deficit of \$2,053,007, an unfavorable budget variance of approximately \$1,952,000. The variance is a combination of factors:

Unfavorable factors included the decrease in funding from anticipated amounts of about \$967,000. At the same time HAP payments exceeded budgeted amounts by approximately \$976,000.

The foregoing factors combined resulted in the overall budget variance of approximately \$(1,952,000).

CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY DURING THE YEAR

Capital Assets

As of year-end, the Authority had \$6,471,321 invested in a variety of capital assets as reflected in the following schedule which represents a net decrease of \$161,697 or 2% from the previous year.

	2008	2007	Percentage Change
Land	\$ 1,469,819	\$ 1,469,819	0%
Buildings	15,621,178	15,621,178	0%
Furniture, Equipment & Machinery	260,046	284,912	-9%
Accumulated Depreciation	(11,446,187)	(11,131,111)	3%
Construction in Progress	566,465	388,220	46%
Total	6,471,321	6,633,018	-2%

The 2008 changes are summarized as follows:

Beginning Balance	\$ 6,633,018
Additions	197,549
Adjustments/Sale of Property	(9,971)
Depreciation	(349,275)
Ending Balance	6,471,321

Long-term Debt Activity

The Authority had agreements with local banks for three (3) loans used to finance the acquisition, rehabilitation and/or

Citibank	Bassler/McCarran Property 14 dwelling units	Original Loan:	\$	335,000
		Loan Balance:	\$	296,618
Citibank	Thunderbird Town Homes 100 dwelling units	Original Loan:	\$	2,600,000
		Loan Balance:	\$	2,425,934
Nevada State Bank	Desert Mesa Subdivision (Development and Construction in Progress) 123 single family units	Site Development Loan Value:	\$	3,425,000
		Construction Revolving Loan:	\$	3,500,000
		Loan Balance:	\$	-

The Citibank loans are payable from rental income earned from the properties.

The Nevada State Bank loans were paid off at the sale of Desert Mesa

CONCLUDING COMMENTS

The Authority's operations for the fiscal year ended June 30, 2008 had mixed results. The Capital Fund program resulted in operating revenues exceeding operating expenses. On the other hand, the Low Rent Public Housing, Section 8 Housing Choice Vouchers Program, Business Activities and the Component Unit, Housing Ventures Inc. (Non-Profit) resulted in a deficiency of revenues over operating expenses.

The Authority is cognizant of the financial constraints within the Low-Rent Housing Program and plans to increase the lease rate, implement closer cost controls and monitor rental revenue to make the program more economically successful.

The Authority, operating under constraints in the administrative budget is striving to lease up the Section 8 Housing Choice Voucher program.

The Authority has been exploring other financial strategies such as applying for more grants to augment its limited operating resources.

The Authority looks forward to a positive future.

CONTACT PERSON:

Fiscal Officer
Housing Authority of the City of North Las Vegas
1632 Yale Street
North Las Vegas, Nevada 89030
(702) 649-2451 x 111

**HOUSING AUTHORITY OF THE
CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada**

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,460,841
Accounts receivable - net of allowance	236,392
Inventories - net of allowance	33,801
Prepaid expenses	69,303
Total Current Assets	2,800,337

Non-current Assets

Capital Assets

Land	1,469,819
Buildings & improvements	15,621,178
Furniture & equipment	260,046
Construction in progress	566,465
Capital assets	17,917,508
Less: Accumulated depreciation	(11,446,187)
Capital assets, net	6,471,321
 Loans and notes receivable - non-current	 2,019,313
Total Noncurrent Assets	8,490,634

TOTAL ASSETS	\$ 11,290,971
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The accompanying notes are an integral part of the financial statements.

LIABILITIES

Current Liabilities

Accounts payable	\$	128,170
Accrued expenses		55,179
Unearned revenue		38,140
Tenant security deposits		60,187
Current portion - bonds, notes and loans payable		43,014
Other current liabilities		4,588
Total current liabilities		329,278

Non-current Liabilities

Bonds, notes and loans payable		2,679,539
Accrued compensated absences - net of current		222,656
Other non-current liabilities		21,135
Total noncurrent Liabilities		2,923,330

TOTAL LIABILITIES		3,252,608
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NET ASSETS

Investment in capital assets - net of related debt		3,748,768
Restricted net assets		3,356,788
Unrestricted net assets		932,807

TOTAL NET ASSETS		8,038,363
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TOTAL LIABILITIES AND NET ASSETS	\$	11,290,971
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HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

Operating Revenues:

Dwelling rent	\$ 1,275,586
Governmental grants & subsidy	11,100,355
Other income	112,267
	<hr/>
Total Operating Revenues	12,488,208

Operating Expenses

Administration	1,743,361
Tenant services	153,239
Utilities	385,751
Ordinary maintenance	953,579
Protective service	92,938
General expense	769,809
Housing assistance payments	11,157,233
Depreciation	349,273
	<hr/>
Total Operating Expenses	15,605,183

NET INCOME (LOSS) FROM OPERATIONS (3,116,975)

Nonoperating Revenues / (Expenses)

Investment income	324,585
Casualty losses	0
Gain/(Loss) on sale of capital assets	43,512
Interest expense	(211,147)
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Total Nonoperating Revenues (Expenses)	156,950

INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS (2,960,025)

Governmental grants - capital	197,549
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CHANGE IN NET ASSETS (2,762,476)

Net assets - beginning balance	10,800,839
Prior period adjustments	0
	<hr/>
Net assets - ending balance	\$ 8,038,363

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 1,641,945
Government grants & subsidy - operations	11,100,355
Payments to suppliers	(2,819,473)
Payments to landlords	(11,157,233)
Payments to employees	(1,251,990)
NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	(2,486,396)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Government grants - capital funding	197,549
Principal Payments - capital debt obligations	(39,541)
Interest payment on capital debt	(211,147)
Cash received from sale of assets	31,437
Acquisition and construction of capital assets - CFP	(197,549)
NET CASH PROVIDED/(USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(219,251)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	324,585
NET CASH PROVIDED FROM INVESTING ACTIVITIES	324,585
NET INCREASE/ (DECREASE) IN CASH & CASH EQUIVALENTS	(2,381,062)
CASH AT BEGINNING OF PERIOD	4,841,903
CASH AT END OF PERIOD	\$ 2,460,841

Reconciliation of operating income to net cash provided by operating activities

Net Income (Loss) from operations	\$ (3,116,975)
Prior period adjustments affecting working capital	0
Depreciation	349,273
Decrease (Increase) in accounts receivable	254,092
Decrease (Increase) in prepaid expenses	(1,848)
Decrease (Increase) in inventories	11,193
Decrease (Increase) in notes receivable (non-current)	70,354
Increase (Decrease) in unearned revenue	20,371
Increase (Decrease) in accounts payable	8,601
Increase (Decrease) in accrued expenses	39,062
Increase (Decrease) in other liabilities	2,610
Increase (Decrease) in tenant escrow accounts	(123,014)
Increase (Decrease) in tenant security deposits	(115)
NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	\$ (2,486,396)

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY:

1. Introduction:

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP). As permitted by GAAP, the Authority has elected pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Accounting*, to apply all relevant Government Accounting Standards Board (GASB) pronouncements and only applicable Financial Accounting Standards Board (FASB) pronouncements opinions issued on or after November 30, 1989 that do not contradict GASB pronouncements in the preparation of the financial statements. The more significant of the government's accounting policies are described below:

2. Organization:

The Housing Authority of the City of North Las Vegas ("The Authority") is a public body and a body corporate and politic organized under the laws of the State of Nevada by the City of North Las Vegas for the purpose of providing adequate housing for qualified low-income individuals. The City provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and maintains its own accounting system. Although the City of North Las Vegas appoints the governing board of the Authority, no other criteria established by Governmental Accounting Standards Board for inclusion of the Authority in the financial reports of the City of North Las Vegas are met. Therefore, a separate financial report is prepared for the Authority. Additionally, the Authority has entered into annual contribution contracts with the U.S. Department of Housing and Urban Development ("HUD") to be the administrator of the housing and housing related programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

3. Description of a Public Housing Authority:

Funding for the Housing Authority of the City of North Las Vegas is primarily from the United States Department of Housing and Urban Development (HUD) and from payments received from tenants of the Authority-owned housing. Under the Low Rent Public Housing Program, low income tenants pay a portion of the rental cost of public housing, based upon the income and need of the tenants. HUD funds the difference between the actual costs to operate the Low Rent Housing Program and the amounts paid by tenants through operating subsidies. These subsidies and debt service payments are made to or on behalf of the Authority under the terms and conditions of the annual contributions contract with HUD.

The Section 8 Housing Assistance Payments Program provides rental supplements to the owners of existing private housing who rent to qualifying individuals. The Authority processes all applicants for the Section 8 Housing Assistance Payments Program, places approved applicants in housing and pays the owner of the private housing a monthly rental supplement. Under the conditions of an annual contributions contract, HUD reimburses the Authority for the rental supplements and the administrative cost of managing the Program.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

3. Description of a Public Housing Authority: (Cont'd)

The Authority's combined financial statements include the accounts of all Authority operations. The criteria for including organizations as component units with the Authority's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include the following:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

On the basis of the application of these criteria, Housing Ventures Inc. is an entity that is required to be reported as a blended component unit of the Authority as follows:

Housing Ventures, Inc. – A Non-Profit Corporation set-up to manage non-aided properties owned by the Housing Authority.

The Housing Authority has entered into a partnership to provide low to moderate income persons with housing and obtain tax credits. The Partnership called Yale Keys Limited Partnership was formed in 2001 for the purposes of housing low-moderate income persons and to obtain tax-credits. The Partnership developed and constructed the Yale Keys Senior Apartments. Housing Ventures Inc. is the managing agent of Yale Keys Senior Apartments. Management of the complex began in November 2004. The PHA is the administrative partner and maintains the books and record of account.

The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts which include its assets, liabilities, fund equity, revenues and expenses/expenditures. The Authority uses the following fund:

Enterprise Fund – This fund is used to account for operations that are financed and operated in a manner similar to private businesses where the intent of the governing body is that the costs (expenditures, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenditures incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. All assets and liabilities associated with the Authority's activities are included on its statement of net assets. The Fund Net Assets are segregated into Invested in Capital Assets Net of Related Debt, Restricted Net Assets and Unrestricted Net Assets.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

3. Description of a Public Housing Authority: (Cont'd)

The Authority operates the following programs in the Enterprise Fund:

- 1) **Low Rent Public Housing** – The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income families and the elderly. This program also includes funds from sale of scattered-site public housing units that HUD has allowed the Authority to utilize to pursue Homeownership opportunities for low and moderate-income residents.
- 2) **Capital Fund Program** – The objective of these programs are to improve the physical condition of the Low Rent Public Housing units and upgrade the management of the program.
- 3) **Section 8 Housing Choice Voucher Program** – The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental assistance. HUD has entered into an Annual Contributions Contract (ACC) with the Authority that reimburses the Authority for the rental supplements paid to private landlords and the administrative costs of managing the program.
- 4) **Business Activities** – This program consists of projects that are not funded by HUD and include Non-Aided Housing, Thunderbird Town Homes, Home Rental Project, and the Revolving Fund. The purpose of these funds is to provide housing assistance and homeownership programs for low/moderate income families. The Revolving Fund serves as a central payment fund for the Authority's activities. The Authority operates the following programs under business activities:
 - a. **Non-Aided Housing** – The program for Housing Authority activities related to provision of housing opportunities but without federal assistance or operating subsidy.
 - b. **Thunderbird Town Homes** – The program established for the operation of Thunderbird Town Homes, a 100-unit multi-family complex that provides housing for low/moderate income families but without federal assistance or operating subsidy.
 - c. **Desert Mesa Project** – The program was established for the development of a single-family subdivision to provide homeownership opportunities for mixed-income homebuyers. In January 2005, the loan associated with this development became technically in default and the proposed development deemed financially non-viable. As a result, the project was abandoned and a request for proposal was solicited to locate a buyer for the development.. In December 2007, the development sold was sold to Desert Mesa I LLC. Under the agreement, the sales price was \$7,000,000 and the loan to Nevada State Bank which had previously been in default paid off. The remaining \$1.9 million was anticipated to be repaid from proceeds received as the homes were sold. As of April 28, 2008, this loan was technically in default. Since Desert Mesa I LLC failed to remit their initial payment as required, interest has been accruing on the outstanding balance at a rate of 2.0 percent above prime rate. As of June 30, 2008, this balance outstanding was \$2,080,437.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

3. Description of a Public Housing Authority: (Cont'd)

Business Activities (Cont'd)

In addition, a review of subsequent activity revealed that according to records recorded November 20, 2008 by the Clark County tax assessor, 31 of the 126 lots were sold for \$1,000,000. As of March 31, 2009, the Housing Authority of the City of North Las Vegas has received none of these proceeds. Since the sale of these lots represents approximately 25% of the total project, an allowance for doubtful accounts in the amount of \$520,109 has been recorded to recognize the loss of underlying available assets to facilitate repayment. The Housing Authority of the City of North Las Vegas will aggressively pursue collection of all amounts owed and use whatever legal measures available to protect their interests in the remaining 95 lots.

- d. HOME Rental Project – The program that consists of dwelling units, the original purchase and rehabilitation of which were funded by the HOME program and which provides housing opportunities for low/moderate income families.
- e. Revolving Fund – This fund was created for the purpose of a “master payer” for the wide array of Authority activities.

5) Blended - Component Units:

Housing Ventures, Inc. (“The Corporation”): - The Corporation is a non-profit corporation organized under the laws of the State of Nevada for the purpose of engaging in the management of Authority owned properties and joint partnership projects in which the Authority is the administrative partner. Until December 31, 2006, the Authority received management fees for managing the projects and these fees offset payroll and administrative costs associated with managing the following operation:

Yale/Keyes Limited Partnership - The Partnership of Yale/Keyes was formed in 2001 for the purpose of housing low-moderate income persons and to obtain tax credits. The PHA began managing the complex in November 2004 and ended management at the end of December 2006. The PHA is the administrative partner and maintains the books and records of account. Due to cash flow constraints, a receivable balance of \$400,058 was outstanding as of June 30, 2008. All of this amount is considered non-current as detailed in Note E.

4. Basis of Accounting and Measurement Focus:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All funds are accounted for on an economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

5. Encumbrances:

The Authority does not use encumbrance accounting.

6. Budgets:

The Authority is required by its HUD Annual Contributions Contracts to adopt an annual budget for the Low Rent Public Housing Program. In addition, the Authority is required by its HUD Annual contributions Contracts to adopt annual budgets for the Section 8 Programs. Both of these programs are combined with the other Enterprise Funds. Annual budgets are not required for capital projects funds as their budgets are approved for the length of the project. Appropriations are authorized at the function level. Management may transfer budget authorizations between functions except that increases for administration and capital expenditures categories must be approved by HUD. Budgeted amounts are as originally adopted or as amended by the Board and approved by HUD.

7. Cash and Cash Equivalents:

- a. The Authority cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when purchased to be cash equivalents.
- b. Investments are stated at market value, except for U. S. Treasury Bills, which are reported at amortized cost. The Authority reports all money market investments having a remaining maturity at time of purchase of one year or less at amortized cost. Investment securities are normally held to mature at par value and adjustments are made to the investment portfolio to reflect increases/(decreases) in gains made.
- c. All deposits of the Authority are made in Board designated depositories and are secured as required by HUD regulations. The Authority may designate as an official depository any bank or savings and loan association whose principal office is located in Nevada.
- d. Section 401 (e) of the annual contributions contract authorizes the Authority to invest in certain "approved investment securities" in accordance with HUD guidelines. The Housing Authority is also required to have a General Depository agreement with the financial institution which collects and disburses federal funds.

8. Deferred Charges:

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as deferred charges. These typically include prepaid insurance coverage and prepaid membership fees for the following fiscal year.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

9. Inventories:

Inventories are valued at the weighted average cost or market. Inventories consist primarily of maintenance materials and supplies held for consumption. The cost of these supplies is regarded as an expenditure at the time the items are consumed. Inventories are classified as deferred charges on the Statement of Net Assets

10. Reservations and Designations of Net Assets:

Reservations represent the portions of net assets, which are not appropriated for expenditure or have been segregated for specific future uses by legal mandate. Designations represent tentative plans for financial resource utilization in a future period. Restrictions represent legally restricted net assets which the use of the funds are determined by outside legal or statutory requirements.

11. Capital Assets:

Capital assets are recorded at cost. Expenses that materially increase the life or value of existing assets are capitalized. Ordinary maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is recognized at that time. Depreciation is determined utilizing the straight-line method over the following estimated useful lives:

Buildings	27.5 years
Building improvements	10 years
Furniture, equipment, and machinery	5 years

Capital assets in the proprietary fund types are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the useful lives of the respective assets ranging as follows: buildings, 27.5 years; equipment, 5 years; automobiles, 5 years; and building improvements, 10 years. The costs of assets retired or otherwise disposed of and the related accumulated depreciation have been eliminated from the respective accounts. Gains or losses resulting from such dispositions are recognized as current income.

Capitalization Policy for the Authority is items purchased or betterment, not repairs, in excess of \$5,000.00 and a useful life of one (1) year will be capitalized.

The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

Interest cost is capitalized on proprietary fund capital assets. Interest is not capitalized on assets acquired or constructed with gifts and grants (contributed capital) that are restricted by the donor or grantor to acquisition of those assets to the extent that funds are available from such grants and gifts.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

12. Compensation for Future Absences:

It is the Authority's policy to permit employees to accumulate earned but unused personal leave, which will be paid to the employees upon separation from Authority service. Annual leave is accrued annually at 80-160 hours per year up to a maximum accrual of 240-320 hours depending on the years of service. In the proprietary fund types vacation benefits are accrued in the period earned.

The Housing Authority has 12 holidays during the year and employees accrue a holiday if it falls on their scheduled day off. Accrued holidays must be taken within two years. Annual and holiday leave are fully vested as earned. Sick pay is granted at a rate of one day per month with no limit on accrual. After ten years of service, unused sick pay is vested at 50% for non-management employees and 100% for management level employees and is paid out at termination.

13. Operating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Authority are charges to customers for rents. Operating expenses 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 non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net assets below the non-operating revenue and expense.

14. The terms of the Board are as follows:

William Robinson, Chairman	June 30, 2011
Shirley J. Hogan, Vice-Chairman	June 30, 2011
Michael L. Montandon	June 30, 2009
Stephanie S. Smith	June 30, 2009
Robert L. Eliason	June 30, 2009

In addition to the above Commissioners, the Administrator of the Housing Authority is Don England, who serves on the Board as Secretary and is the Executive Director. Based upon the above criteria all the operations of the PHA are included in these financial statements and there are no operations or component units, which have been excluded in this report.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. Deficit fund balances:

There were no deficit equity positions in any of the Authority's programs. The Housing Choice Voucher program had an administrative fee equity deficit of \$531,120 as of June 30, 2008. This deficit position was offset by a Housing Assistance Payment equity balance of \$3,356,788 at June 30, 2008. The Authority acknowledges the need to reduce program operating expenses to more reasonable levels to insure continued program viability.

B. Expenses over Budget:

Some expenses in the Public Housing Program and Housing Choice Voucher Programs did exceed the budget during the June 30, 2008 fiscal year. These are detailed in the Management's Discussion and Analysis section of the report.

NOTE C - CASH AND INVESTMENTS:

All the deposits of the Housing Authority of the City of North Las Vegas are either insured or collateralized by using the Pooled Method whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by a third party on behalf of all depositaries. The Housing Authority of the City of North Las Vegas has no policy regarding custodial credit risk for deposits.

At June 30, 2008, the Authority's deposits had a carrying amount of \$2,459,541 and bank balances of \$2,455,146. Of the bank balances held in various financial institutions, \$200,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooled method. At June 30, 2008, the Authority's petty cash/change funds totaled \$1,300.

Investments - At June 30, 2008, the Authority's investment balances were as follows:

Investment Type	Market Value	Maturity	Rating
US Treasuries – Sweep	1,498,624	N/A	N/A
Money Market Investment Account	507,494	N/A	N/A
Overnight Investment(T-Bills)	449,028	N/A	N/A
Total	2,652,836		

Interest rate risk- As a means of limiting its exposure to market value losses arising from rising interest rates, the Authority's typically limits its investment portfolio to maturities of 6 months or less. The Housing Authority of the City of North Las Vegas has no specific policy regarding interest rate risk.

Credit risk - The Authority has no policy regarding credit risk.

Custodial credit risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's \$1,056,967 investments in repurchase agreements are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department. All other amounts are deposits in Wells Fargo Bank and are included in accounts covered by the State of Nevada collateral pool. The Authority has no policy on custodial credit risk.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE C - CASH AND INVESTMENTS: (Cont'd)

Concentration of credit risk - The Authority places no limit on the amount that it may invest in any one issuer. Approximately 73 percent of the Authority's investments are in Money Market Mutual Funds at Wells Fargo Brokerage Services, 19 percent is in overnight treasury sweeps, and the remainder is in Wells Fargo Bank regular deposit accounts.

Cash and investments at June 30, 2008 were as follows:

Checking accounts	\$ 4,395
Money Market	507,494
Securities	1,498,624
Sweep	449,028
Petty cash	<u>1,300</u>
Total	<u>\$ 2,460,841</u>

Note: The above balances are net of a cash overdraft for the Business Activities accounts in the amount of \$69,399 and an overdraft of \$1,380,807 which is shown due to the lack of available program cash to reflect the entire \$3,356,788 of restricted Housing Assistance Payment equity as of June 30, 2008. While HUD regulations require these amounts to be recorded on the program level financial statements, these amounts have been eliminated on the upper level financial statements.

Collateralization:

The Housing Authority of the City of North Las Vegas participates in the State of Nevada, Office of the State Treasurer Collateralization Pool. The July 3, 2008 Daily Depository report revealed that Wells Fargo Bank had the following depository activity:

Adjusted Deposit Ledger Balances	82,651,372
Required Collateral Balances (Based Upon 102%)	84,304,399
<u>Actual Market Value of Pledged Collateral</u>	<u>119,272,083</u>
<u>Excess Collateral Position</u>	<u>34,967,684</u>

NOTE D - ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2008, consisted of the following:

Tenants - (net of allowance of \$15,813)	\$ 20,629
A-R - HUD	80,182
A/R - County of Clark (HOME funds)	70,032
A/R - City of North Las Vegas - LIHTF	5,945
A/R - Current portion of Notes Receivable - net of allowance	0
A/R - Title Insurance Company (Mortgage Escrow Desert Mesa)	53,032
A/R - Clark County Transportation	5,612
A/R - Other	<u>960</u>
	<u>\$ 236,392</u>

Note: The above receivable balance excludes \$902,965 of inter-fund balances that have been eliminated as a result of financial statement consolidation.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE E - LOANS AND NOTES RECEIVABLE:

As of June 30, 2008, loans and notes receivable consisted of the following:

Yale Keyes

Notes receivable – Yale Keyes, dated July 27, 2005 (Interest rate – 11%; Due 07/27/2015)	\$ 275,837
Additional amounts due from Yale-Keyes (non-interest bearing)	124,221
Accrued interest on notes receivable – Yale Keyes	<u>58,927</u>
	<u>458,985</u>

Desert Mesa I LLC

Notes receivable – Alpha-Omega Strategies, dated December 27, 2007 (Default Interest rate = Prime + 2%; Due 09/15/2016)	1,900,000
Accrued interest on notes receivable due to default	<u>180,437</u>
Total notes receivable	2,080,437
Less allowance for uncollectible notes (See Finding 2008-4)	<u>(520,109)</u>
Net notes receivable amount	<u>1,560,328</u>

Total Notes receivable	<u>\$ 2,019,313</u>
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	Notes <u>Receivable</u>	Accrued Interest <u>Receivable</u>	<u>Total</u>
Current Portion	\$ 0	\$ 0	\$ 0
Long-term portion	<u>2,300,058</u>	<u>239,364</u>	<u>2,539,422</u>
	\$ 2,300,058	\$ 239,364	\$ 2,539,422
			<u>(520,109)</u>
Total Notes receivable			<u>\$ 2,019,313</u>

Yale/Keyes

On July 25, 2005, the Yale/Keyes Limited Partnership entered into a promissory note with the Housing Authority of the City of North Las Vegas for \$182,993. This note bears interest at 11% compounded annually and will be paid from excess cash flows of the Yale/Keyes development. If not paid sooner, the unpaid principal balance of the note shall be payable on July 27, 2015. All amounts associated with this note are considered long-term as of June 30, 2008. The remaining \$124,221 represents management fees receivable that are to be paid out of project cash flow as soon as available. This is not expected to occur during Fiscal 2009 so all amounts are considered non-current as of June 30, 2008.

Desert Mesa LLC [SEE FINDING 2008-04]

On December 19, 2007, the Housing Authority of the City of North Las Vegas completed the sale of the Desert Mesa subdivision to Desert Mesa I LLC, a Nevada Limited Liability Company. The terms of the sales agreement included the payoff of the Nevada State Bank loans, the payoff of outstanding liens on the property, and a seller carry back of \$1,900,000 which was anticipated to be repaid by Desert Mesa I LLC as units are sold. As of June 30, 2008 the entire \$1,900,000 was outstanding as no payments had been made even though they were scheduled to begin in quarterly amounts of \$52,777.78 on December 19, 2007. The Note was scheduled to be interest free if current but since Desert Mesa made no payments, \$180,437 of interest was accrued on the outstanding balance at a rate of 2.0 percent above prime rate.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE F - DEFERRED CHARGES:

Deferred charges at June 30, 2008, consisted of the following:

Inventory – (net of allowance for obsolete inventory of \$2,066)	\$ 33,801
Prepaid expenses / Insurance deposits	<u>69,303</u>
	<u>\$ 103,104</u>

NOTE G - DUE TO/(FROM) OTHER PROGRAMS:

Due to/(from) other programs at June 30, 2008, consisted of the following:

Public Housing Program	\$ 404,268
Housing Choice Voucher Program	498,697
Capital Fund Program	(44,535)
Business Activities	(752,500)
State/Local (LIHTF)	(5,945)
Component Units	<u>(99,985)</u>
Total	<u>\$ 0</u>

NOTE H - CAPITAL ASSETS:

A summary of changes in Net Capital Assets for the year ended June 30, 2008, was as follows:

	<u>Balance @</u> <u>6/30/2007</u>	<u>Additions</u>	<u>Adjustments/</u> <u>Retirements</u>	<u>Depreciation</u>	<u>Balance@</u> <u>6/30/2008</u>
Capital Assets:					
Land	\$ 1,469,819	\$ 0	\$ 0	\$ 0	\$ 1,469,819
Buildings	15,621,178	0	0	0	15,621,178
Equip & Furniture	284,912	0	(24,866)	0	260,046
Construction in Progress	<u>388,220</u>	<u>197,549</u>	<u>(19,304)</u>	<u>0</u>	<u>566,465</u>
	17,764,129	197,549	(44,170)	0	17,917,508
Accumulated Depreciation	<u>(11,131,111)</u>	<u>0</u>	<u>34,199</u>	<u>(349,275)</u>	<u>(11,446,187)</u>
Net Capital Assets	<u>\$ 6,633,018</u>	<u>\$ 197,549</u>	<u>\$ (9,971)</u>	<u>\$ (349,275)</u>	<u>\$ 6,471,321</u>

Current period activity

Balance at June 30, 2007	\$ 6,633,018
Business activities additions	0
Disposition of equipment	(9,971)
Capital Fund program additions	197,549
Depreciation expense	<u>(349,275)</u>
Balance at June 30, 2008	<u>\$ 6,471,321</u>

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE H - CAPITAL ASSETS: (Cont'd)

Accumulated depreciation by asset class:

	Balance <u>June 30, 2007</u>	Balance <u>June 30, 2008</u>	FY2008 <u>Net Change</u>
Buildings	\$ 10,201,208	\$ 10,201,208	\$ 0
Furniture & Equipment	<u>929,903</u>	<u>1,244,979</u>	<u>315,076</u>
	<u>\$ 11,131,111</u>	<u>\$ 11,446,187</u>	<u>\$ 315,076</u>

NOTE I - ACCOUNTS PAYABLE:

Accounts payable at June 30, 2008, consisted of the following:

Vendors & contractors payable	\$ 128,170
Tenant security deposits	<u>60,187</u>
Total	<u>\$ 188,357</u>

Note: The above payable balance excludes \$902,965 of inter-fund balances that have been eliminated as a result of financial statement consolidation.

NOTE J - ACCRUED LIABILITIES AND UNEARNED REVENUE:

Accrued liabilities and unearned revenue consisted of the following at June 30, 2008:

Accrued wages/payroll tax liability	\$ 29,617
Accrued compensated absences – current portion	28,222
Unearned revenue – Desert Mesa Grant	10,700
Restricted funds – resident boys & girls club	1,928
Tenants prepaid rent	27,440
Current portion of long term debt (see Note K)	<u>43,014</u>
	<u>\$ 140,921</u>

NOTE K - NOTES PAYABLE:

HOME Rental Income Fund

The Authority entered into an agreement with Citibank for a loan of \$335,000.00 at 7.55% per annum to build an apartment complex. The note is payable from lease rentals, payable by the Authority, which in turn, are secured in part by a pledge of the lease payments and value of the property. The monthly payment is \$2,353.85 including principal and interest. Final maturity date is anticipated for June 1, 2029. The remaining balance at June 30, 2008 is \$296,618.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE K - NOTES PAYABLE: (Cont'd)

Annual note payments were as follows:

HOME Rental Income Fund

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2009	6,058	22,188	28,246
2010	6,532	21,714	28,246
2011	7,042	21,204	28,246
2012	7,593	20,653	28,246
2013	8,012	20,234	28,246
2014-2018	50,352	90,878	141,230
2019-2023	80,675	60,555	141,230
2024-2028	104,569	36,661	141,230
2029	<u>25,785</u>	<u>2,461</u>	<u>28,246</u>
Total	<u>\$ 296,618</u>	<u>\$ 296,548</u>	<u>\$ 593,166</u>

Non-Aided Enterprise Fund (Thunderbird)

The Authority entered into an agreement with Citibank for a loan of \$2,600,000.00 at 7.70% per annum to purchase an apartment complex. The note is payable from lease rentals, payable by the Authority, which in turn, are secured in part by a Multifamily Deed of Trust, assignment of rents and security agreement. The monthly payment is \$18,536.97 including principal and interest. Final maturity date is anticipated for May 1, 2027. The remaining balance at June 30, 2008 is \$2,459,934.

Thunderbird

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2009	36,956	187,488	224,444
2010	39,905	184,539	224,444
2011	43,088	181,356	224,444
2012	46,525	177,919	224,444
2013	47,184	177,260	224,444
2014-2018	413,968	708,252	1,122,220
2019-2023	736,789	385,431	1,122,220
2024-2037	<u>1,061,519</u>	<u>60,701</u>	<u>1,122,220</u>
Total	<u>\$ 2,425,934</u>	<u>\$ 2,062,946</u>	<u>\$ 4,488,880</u>

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE K - NOTES PAYABLE: (Cont'd)

Changes in long-term debt are as follows:

	<u>HOME Rental Fund</u>	<u>Non-Aided Enterprise</u>
Balance at the beginning of the period	\$ 302,237	\$ 2,459,857
Principal retirements	(5,619)	(33,922)
Notes acquired	<u>0</u>	<u>0</u>
Balance at June 30, 2008	<u>\$ 296,618</u>	<u>\$ 2,425,935</u>

NOTE L - NON-CURRENT LIABILITIES:

Non-current liabilities consisted of the following at June 30, 2008:

FSS escrow deposits	\$ 21,135
Accrued compensated absences – non current portion	<u>222,656</u>
	<u>\$ 243,791</u>

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE M - PENSION PLAN:

All Authority full-time (20 or more weekly hours) employees are covered by the State of Nevada Public Employees Retirement System (the "System"), a multiple-employer, cost sharing defined benefit plan. The System was established in 1948 by the Legislature and is governed by the Public Employees' Retirement Board, whose seven members are appointed by the Governor. All public employees who meet certain eligibility requirements participate in the System.

The Authority's payroll covered by the System and contributions to the System for each of the last 3 year are summarized as follows:

<u>Fiscal Year</u>	<u>Covered Payroll</u>	<u>Total Payroll</u>	<u>Contributions</u>	<u>Percent of Payroll</u>
2008	\$ 1,261,731	\$ 1,357,511	\$ 257,061	92.94%
2007	\$ 1,085,455	\$ 1,179,065	\$ 214,377	92.06%
2006	\$ 1,169,934	\$ 1,229,090	\$ 213,806	95.26%

Contribution rates are established by Nevada Revised Statute 286.410. This statute, which is tied to the increase in taxable sales within the State each year, provides for yearly increases of up to one percent until such time as the actuarially determined unfunded liability of the System is reduced to zero. The Authority is obligated to contribute all amounts due under the System. The contribution rate during fiscal year 2008 was approximately 20% of all covered payroll.

The Authority's contribution represented less than one percent of total contributions required of all participating entities of the System.

The Authority's full-time employees are mandated by State law to participate in the System. Members who retire at age 65 with five years of service, age 60 with 10 years of service, or at any age with 30 years or more of service are entitled to a retirement benefit, payable monthly for life, equal to 2.5 to 2.76 percent of a member's average compensation for each year of service up to 30 years with a maximum of 90 percent for employees entering the System prior to July 1, 1985, and 75 percent for those entering after that date. Member's average compensation is the average of the member's highest compensation for 36 consecutive months. Benefits fully vest on reaching five years of service.

The System also provides death and disability benefits. Benefits are established by State statute. The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. The System does not make separate rate measurements of assets and pension benefit obligations of individual employers.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE M - PENSION PLAN: (Cont'd)

As of June 30, 2008 the most recent available valuation report, which is as of June 30, 2008, included the following financial information:

Total pension benefit obligation	\$ 29,791,810,969
Net assets available for benefits at market value	<u>22,701,359,958</u>
Unfunded pension benefit obligation (23.8%)	<u>\$ 7,090,451,011</u>

The Authority does not exercise any control over the System which is a component unit of the state of Nevada. Nevada Revised Statute 286.110 states that: "Respective participating public employers are not liable for any obligations of the system."

The unfunded accrued liability is to be amortized over a period of 24 years from July 1, 2000. The method of amortizing the unfunded accrued liability is the level percentage-of-payroll amortization, under which the dollar amounts of calculated amortization payments increase in direct proportion to the assumed growth rates.

Significant actuarial assumptions include an investment return rate of 8 percent per year compounded annually, and projected salary increases based on the assumed 5 percent inflation rate plus an age-related salary scale.

Six-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2008, Comprehensive Annual Financial Report, which may be obtained by writing to PERS, 693 W. Nye Lane, Carson City, Nevada 89703-1599, or by calling (775) 687-4200.

NOTE N - RELATED PARTIES:

1. The Authority's Revolving Fund acts as a common pay master for all the entities associated with the Authority and periodically receives reimbursement from them. Certain other expenditures are also paid by the Authority's program and are later reimbursed. At June 30, 2008, receivables and payables between these programs is outlined in Note 8.
2. The Housing Authority has formed a nonprofit corporation, Housing Ventures, Inc., who was the property manager of Thunderbird Apartments and Yale-Keys. As of June 30, 2008, Housing Ventures, Inc., has a payable to the Authority of \$99,985. The members of the Housing Authority Board of Commissioners, with the exception of the Resident Commissioner, serve as the Board Members for Housing Ventures, Inc. This entity is a part of the Component Unit.

NOTE O - CONTINGENCIES:

1. **Risk Management:** The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

At June 30, 2008, the Authority carried all insurance against all risks of loss, including property and general liability insurance through the Housing Authority Risk Retention Group (HARRG).

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE O - CONTINGENCIES: (Cont'd)

2. **Government Examinations:** The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the year ended June 30, 2008.

NOTE P - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES:

1. **Annual Contributions Contract SF-415** – Pursuant to the Annual Contributions Contract, HUD contributes an operating subsidy approved in the operating budget under the Annual Contributions Contract. Additional operating subsidy contributions for the year ended June 30, 2008, were \$646,287.
2. **Annual Contributions Contract SF-1401** – The Housing Choice Voucher Program provides for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The program provides for such payments with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by a participating family and related administrative expense. The Authority is also eligible to receive reimbursements for preliminary expenses to lease up, Homeownership and FSS Coordinator reimbursement.

HUD contributions for the year ended June 30, 2008, were as follows:

Housing Choice Vouchers	\$ <u>10,177,047</u>
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During the fiscal year ended June 30, 2008, the Housing Authority expended approximately \$2.1 million of housing assistance payments in excess of HUD advances. This contrasts with the \$2.7 million excess from Fiscal Year 2007. HUD reduced advances to the Authority during Calendar Year 2008 to compensate for the 2007 overpayments.

NOTE Q - ECONOMIC DEPENDENCY:

Both the PHA Owned Housing Program and the Housing Choice Voucher Program are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

NOTE R - IMPAIRMENT OF CAPITAL ASSETS:

In accordance with financial reporting standards issued by the Government Accounting Standards Board's, "Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" requires certain note disclosures During the fiscal year ended June 30, 2008, the Housing Authority of the City of North Las Vegas experienced the following impairments:

1. There were no units off-line for casualty losses as of June 30, 2008.
2. There were no permanent impairments experienced by the Housing Authority of the City of North Las Vegas that required material adjustments to the Statement of Net Assets.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

NOTE T - SUPPLEMENTAL INFORMATION:

The supplemental information has been included in order to show the financial statements of the Housing Authority on the GAAP basis of accounting but in the format of the HUD Handbook 7476.3, *Audit Guide*. This is due to the fact that some supplemental information is reviewed by the field office and provides greater detail concerning the operations of the Housing Authority.

**HOUSING AUTHORITY OF THE
CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada**

SINGLE AUDIT SECTION

FOR THE FISCAL YEAR ENDED JUNE 30, 2008



ACCOUNTANT'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL STRUCTURE OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Housing Authority of the
City of North Las Vegas
North Las Vegas, Nevada 89030

San Francisco Office
Public Housing Division
San Francisco, California

We have audited the financial statements of the Housing Authority of the City of North Las Vegas, as of and for the year ended June 30, 2008, and have issued our report thereon dated March 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Significant deficiencies are described in the accompanying schedule of findings and questioned costs as items no. 2008-01, 2008-02, 2008-03 & 2008-04.

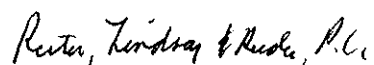
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items no. 2008-01, 2008-02, 2008-03 and 2008-04 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of North Las Vegas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of the 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*. We also noted certain matters that we reported to management of the Housing Authority of the City of North Las Vegas, in a separate letter dated March 31, 2009.

This report is intended solely for the information and use of the Housing Authority of the City of North Las Vegas, the State of Nevada, HUD and other federal audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.



Rector, Lindsay & Reeder, P.C.
Certified Public Accountants

Snellville, Georgia
March 31, 2009



**ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Housing Authority of the
City of North Las Vegas
North Las Vegas, Nevada 89030

San Francisco Office
Public Housing Division
San Francisco, California

Compliance

We have audited the compliance of the Housing Authority of the City of North Las Vegas with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Housing Authority of the City of North Las Vegas'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 Housing Authority of the City of North Las Vegas's management. Our responsibility is to express an opinion on the Housing Authority of the City of North Las Vegas' 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, *Audit 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 Housing Authority of the City of North Las Vegas'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 Housing Authority of the City of North Las Vegas's compliance with those requirements.

As described in item no. 2008-01 in the accompanying Schedule of Findings and Questioned Costs, the Housing Authority of the City of North Las Vegas did not comply with requirements regarding maintenance of tenant file requirements that are applicable to its Low Rent Public Housing Program. As described in Item no. 2008-02 in the accompanying Schedule of Findings and Questioned Costs, the Housing Authority of the City of North Las Vegas did not comply with requirements that are applicable to its Housing Choice Voucher Program. As described in Item no. 2008-03 in the accompanying Schedule of Findings and Questioned Costs, the Housing Authority of the City of North Las Vegas did not comply with requirements that are applicable to procurement for its Federal Programs. Compliance with such requirements is necessary, in our opinion, for the Housing Authority of the City of North Las Vegas to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Housing Authority of the City of North Las Vegas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Housing Authority of the City of North Las Vegas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Housing Authority of the City of North Las Vegas's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Housing Authority's internal control over compliance.

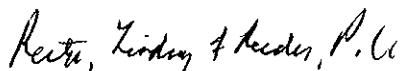
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in a Housing Authority's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Housing Authority's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items no. 2008-01, 2008-02 and 2008-03 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Housing Authority's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items no. 2008-01, 2008-02 & 2008-03 to be material weaknesses.

The Housing Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Housing Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the Housing Authority of the City of North Las Vegas, the State of Nevada, HUD and other 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.



Rector, Lindsay & Reeder, P.C.
Certified Public Accountants

Snellville, Georgia
March 31, 2009

**HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
FOR THE YEAR ENDED JUNE 30, 2008**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended June 30, 2007 contained two formal audit findings. Their status is as follows:

Finding 2007-01 Tenant File Maintenance Deficiencies CFDA #14.850
Material Weakness and Non-compliance

While many files had the appropriate HUD form 50058s for the period under review, several were missing the proper supporting documentation. In addition, many rent changes occurred without proper documentation to show that the tenant was properly notified.

Criteria: The Code of Federal regulations and HUD guidelines give the requirements for maintaining the tenant files for the Low Rent Program. Also, PHA policy and procedure dictates full compliance with these regulations as well as guidelines to be followed in maintaining these files.

Status: During the period under review, the HACNLV Public Housing Program entered a management agreement w/ the Housing Authority of the City of Las Vegas. While the files that have been updated by HACLV do show marked improvement, we do not feel that enough progress has been made to clear last year's audit finding. **As a result, this finding continues and is included in the current period as Finding 2008-1.**

Finding 2007-02 Housing Choice Voucher Program Deficiencies CFDA #14.871
Material Weakness and Significant Deficiency

Criteria The Housing Authority did not meet the required 95% threshold for expenditure of Housing Assistance Payments (HAP) portion of its budgetary authority for the Housing Choice Voucher Program. Continued failure to meet this target could place the future viability of the program at risk and could possibly lead to penalties and sanctions from HUD as well as permanent reductions in the size of the program. In addition, the Authority incurred an operating loss of \$69,402 for the administrative portion (Exclusive of any potential future recapture) of program operations for the fiscal year ended June 30, 2007. In addition, the Housing Authority had incurred a cumulative HCV administrative fee operational deficit of \$437,738 as of June 30, 2007 which indicates utilization of Housing Assistance Payment Equity cash balances to fund other PHA operations.

Status: Our review of Housing Choice Voucher Program activity for the year ended June 30, 2008 revealed that the PHA achieved a 95.7% utilization rate to meet the 95% utilization threshold. A review of operating results from the year ended June 30, 2008 revealed that the administrative fee deficit had increased to \$531,120, the administrative expense portion of the budget was \$1,300,843 which was \$135,443 over the budgeted amount of \$1,165,400 and the program was also reflecting an administrative cash overdraft of \$1,380,807 indicating that significant amounts of HCV equity were being utilized to fund other programs. **While the utilization of to audit threshold portion of the finding is cleared, the failure to adequately address the deficit administrative fee equity portion causes the finding to be repeated as Finding 2008-2.**

**HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
FOR THE YEAR ENDED JUNE 30, 2008**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor’s Results:

Financial Statements

Type of report issued on the financial statements:	Unqualified
Internal control over financial reporting:	
Material weakness (es) identified?	Yes
Significant Deficiency (ies) identified not considered to be material weaknesses?	No
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal controls over major programs:	
Material weakness (es) identified?	Yes
Significant Deficiency (ies) identified not considered to be material weaknesses?	No
Type of report issued on the compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in Accordance with Circular A-133, Section .510(a)?	Yes
Identification of major programs:	
-CFDA #14.850	Low Rent Public Housing (Type A)
-CFDA #14.871	Housing Choice Voucher Program (Type A)
-CFDA #14.872	Capital Fund Program (Type A)
Dollar threshold used to distinguish between Type A and Type B programs:	\$337,837
Did the Authority qualify as a low-risk auditee?	No

**HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
FOR THE YEAR ENDED JUNE 30, 2008**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2008**

Section II – Financial Statement Findings

Finding 2008-01 Public Housing Program Tenant File Maintenance Deficiencies ***CFDA #14.850***
Material Weakness and Significant Deficiency

Criteria: The Code of Federal regulations and HUD guidelines give the requirements for maintaining the tenant files for the Low Rent Program. Also, PHA policy and procedure dictates full compliance with these regulations as well as guidelines to be followed in maintaining these files.

Condition: A review of 20 tenant files for the Public Housing Program revealed the following errors/discrepancies:

- 4 of 20 files were not in agreement w/ the rent roll.
- 3 of 20 files either were missing an appropriate lease or lease addendum for a rent change.
- 3 of 20 files were missing an annual re-exam.
- 1 of 20 files was missing income verifications.
- 1 of 20 files was impossible to determine if calculation was correct.
- 1 of 20 files was missing an annual inspection.
- 2 of 20 files were missing applications for continued occupancy.
- 2 of 20 files were missing HUD form 9886.
- 2 of 20 files were missing Lead Based Paint notices.
- 6 of 20 files did not have a 50058 in the file to support the rent on the rent roll.
- 2 of 20 files were missing community service support.
- 2 of 20 files were missing 214 Citizenship forms.

Context: During the period under review, the HACNLV Public Housing Program entered a management agreement w/ the Housing Authority of the City of Las Vegas to manage the Public Housing Program. The files that were updated after the change in management showed marked improvement and it is anticipated that at the completion of the annual re-certification cycle that these deficiencies should be sufficiently addressed to correct this deficiency

Effect: Non-compliance.

Questioned costs: None

Recommendation: We recommend that the PHA review all Low Rent Public Housing Program tenant files for compliance with Federal program requirements. We recommend that the PHA continue to implement all required measures to insure that the files are maintained in accordance with HUD regulations and the PHA's Administrative Plan including units that have been rehabilitated with HOME program funds. Management is aware of these issues and appears to have adequate corrective action on these issues in place in such a manner that if the plan is followed, these issues should be resolved in the coming fiscal period.

PHA Reply (Corrective Action Plan): Effective July 1, 2008, administration of the Public Housing Program was transferred to the Housing Authority of the City of Las Vegas. As part of this transfer, HACLV will be performing a 100% review of all resident files to correct any remaining deficiencies.

Contact Person: Zelda Ellis, Director of Operations, Housing Authority City of Las Vegas (702)922-7020

Anticipated Completion Date: June 30, 2009

**HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
FOR THE YEAR ENDED JUNE 30, 2008**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2008**

Section II – Financial Statement Findings

Finding 2008-02 Housing Choice Voucher Program Deficiencies CFDA #14.871
Material Weakness and Significant Deficiency

Criteria: The Code of Federal regulations and HUD guidelines give the requirements for maintaining the Housing Choice Voucher Program. These requirements dictate that all unexpended Housing Assistance Payments (HAP) are to be shown as Restricted Assets and the related cash advanced to the PHA as well as any FSS escrow balances are also to be classified as restricted..

Condition, cause and context: For the year ended June 30, 2008, the Housing Assistance Payment program experienced a loss of \$2,053,007. While \$1,957,064 of this amount represented timing differences related to receipt of HAP advances in relation to HAP payments, the residual balance (\$95,943) was related to administrative expenditures in excess of available administrative program revenue. In addition, the administrative expense portion of the budget was \$1,300,843 which was \$135,443 over the budgeted amount of \$1,165,400. This excessive expenditure level brought the cumulative administrative deficit for the program was \$531,120 as of June 30, 2009. In addition, due to unreimbursed advances from other programs and other cash requirements this caused the administrative portion of the program to reflect a cash overdraft of \$1,380,807 for administrative program operations. The lack of available cash has severely jeopardized the continued viability of the program and also calls into question the utilization of program funding to supplement non-Federal Programs.

Effect: Non-compliance.

Questioned costs: N/A

Recommendation: We recommend that any available funds from other non-Federal programs be utilized to reduce the receivable from other programs and that the PHA investigate all available methods to achieve a break-even operational position for program operations on a going forward basis. The PHA should also seek additional funding sources to address the administrative program deficit to bring the programs reserves back to acceptable levels and make periodic reimbursements for all inter-program receivable and payable amounts

PHA Reply (Corrective Action Plan): In response to these issues, this program has been moved to HACLV in March 1, 2009. The Housing Authority of the City approved this measure via resolution on February 11, 2009 and City of North Las Vegas City Council approved the divestiture on February 18, 2009. The Housing Authority of the City of North Las Vegas will explore all available funding opportunities to address all program deficits.

Contact Person: Deloris Sawyer- Director of Housing Programs, Housing Authority of the City of Las Vegas, 702-382-3844

Anticipated Completion Date: June 30, 2009

**HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
FOR THE YEAR ENDED JUNE 30, 2008**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2008**

Section II – Financial Statement Findings

Finding 2008-03 Procurement Deficiencies

CFDA #14.850 & 14.872

Condition: A review of contracts sampled as part of our audit noted the following deficiencies related to procurement of the following services:

- 8 of 11 contracts/purchases were missing evidence of a RFP.
- 8 of 11 contracts/purchases were missing evidence of an advertisement.
- 8 of 11 contracts/purchases were missing evidence of a bid review.
- 8 of 11 contracts/purchases were missing evidence of a qualified contractor.
- 4 of 11 contracts/purchases were missing evidence of bid/performance bonds.
- 11 of 11 contracts/purchases were missing evidence of current insurance.
- 7 of 11 contracts/purchases were missing evidence of a notice to proceed.
- 11 of 11 contracts/purchases were missing evidence of federal disbarment review.

Context: This matter relates to contractual and procurement issues that could place PHA assets at risk with regards to future contract awards and operations. We recommend that the PHA review and update their procurement policy to prevent recurrence of the above-cited deficiencies.

Effect: Inconsistent application of operating policies can lead to potential liability issues, disallowed costs and non-compliance.

Cause: Lack of uniform application of agency policies and procedures. The Authority uses blanket purchase orders rather than formal contracts for all contractors during the year. There was no proof of RFPs or advertising where applicable. There was also no proof of insurance or notices to proceed in the contract files. We would recommend that the Authority begin a formalized contracting procedure w/ RFPs and advertisements (when applicable), formal contracts, notices to proceed, and progress reports. We also recommend that the Authority begin gathering liability insurance information on each contractor.

Recommendation: The Housing Authority of the City of North Las Vegas needs to review its vendor selection policy and update its operating procedures that relate to bid awards and procurement. Any policy changes and bid awards should continue to be approved by the Board of Commissioners and, upon adoption, be distributed to all departments. In addition, competitive bidding results, evidence of Davis-Bacon compliance, insurance, non-collusive affidavits, and other required documentation should be maintained in all contract files to ensure compliance with all State and Federal regulations.

PHA Reply (Corrective Action Plan): Effective July 1, 2008, the Public Housing Program was being managed by The Housing Authority of The City of Las Vegas (HACLV). In addition, the Housing Choice Voucher Program was transferred to HACLV during February 2009. As a result, all Federal programs are now either managed or controlled by HACLV. In addition, the Board of Commissioners of the Housing Authority of the City of North Las Vegas will adopted the HACLV's procurement policy as part of the Agency Plan effective April 11, 2009.

Contact Person: Frederick Haron, Director of Finance, Housing Authority City of Las Vegas (702)922-7020.

Anticipated Completion Date: June 30, 2009

**HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
FOR THE YEAR ENDED JUNE 30, 2008**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2008**

Section II – Financial Statement Findings

Finding 2008-04 Deficiencies related to Controls over Notes Receivable related to the sale of Desert Mesa Non-Federal Program

Condition: A review of subsequent activity revealed that during the audit period, the purchaser of the Desert Mesa Property defaulted on terms regarding the repayment of the \$1.9 million seller carry back outside of escrow of Notes Receivable that were to occur as lots of the development were sold .

Context: As part of its non-HUD business activities On December 19, 2006, the Housing Authority of the City of North Las Vegas completed the sale of the Desert Mesa subdivision to Desert Mesa I LLC, a Nevada Limited Liability Company. The terms of the sales agreement included the payoff of the Nevada State Bank loans, the payoff of outstanding liens on the property, and a seller carry back of \$1,900,000 which was anticipated to be repaid by Desert Mesa I LLC as units are sold. As of June 30, 2007, the entire \$1,900,000 was outstanding as the first payment was not due until fiscal year 2008. Thirty-six payments were scheduled to be made in quarterly amounts of \$52,777.78 that begin on December 19, 2007. The Note was to be considered interest free as long as payments are made into the escrow account on a timely basis. Since Desert Mesa I LLC failed to remit their initial payment as required, interest has been accruing on the outstanding balance at a rate of 2.0 percent above prime rate. As of June 30, 2008, this balance outstanding was \$2,080,437. In addition, a review of subsequent activity revealed that according to records recorded on November 20, 2008 by the Clark County tax assessor, 31 of the 126 lots were sold for \$1,000,000. As of March 31, 2009, the Housing Authority of the City of North Las Vegas has received none of these proceeds. Since the sale of these lots represents approximately 25% of the total project, an allowance for doubtful accounts in the amount of \$520, 109 has been recorded to recognize the loss of underlying available assets to facilitate repayment.

Effect: The inability to collect these outstanding amounts owed could seriously jeopardize the financial viability of the Housing Authority.

Cause: There appears to be no tracking mechanism in place to guarantee that repayment of these escrow amounts will occur.

Recommendation: The Housing Authority of the City of North Las Vegas needs to aggressively pursue collection of all amount owed and needs to take whatever legal measures are available to protect their interests. This should include legal action against Desert Mesa LLC and if possible attachment of a lien on the remaining 95 lots to protect the Housing Authority's interest in the development.

PHA Reply (Corrective Action Plan): The Housing Authority of the City of North Las Vegas will pursue all available legal measures to protect the Housing Authority's financial interests in the Desert Mesa development.

Contact Person: Gregory Rose, North Las Vegas Housing Authority-Agent, (702) 633-1004.

Anticipated Completion Date: Ongoing

**HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2008-01 Tenant File Maintenance Deficiencies ***CFDA #14.850***
Material Weakness and Non-compliance

Please refer to detail presented in Section II

Finding 2008-02 Housing Choice Voucher Program Deficiencies ***CFDA #14.871***
Material Weakness and Non-compliance

Please refer to detail presented in Section II

Finding 2008-03 Procurement Deficiencies
CFDA #14.850 & 14.872

Please refer to detail presented in Section II

GENERAL COMMENTS

1. **PHAS** – The PHA was designated troubled by HUD during the audit period as a result of the Housing Authority's Management Assessment System certification for the year ended June 30, 2007 as a result of a sub-standard Physical Inspection as a result of point reductions related to the condition of the units. In response to these deficiencies the Authority emptied Casa Rosa in October 2008 and has plans to demolish these units. The City of North Las Vegas has earmarked \$650,000 of Federal Stimulus Program grant funding to assist with the relocation and demolition of these units.
2. **Budgeted Salaries** - During our review of budget controls, we noted that several employees were significantly over budget with regards to salary expense. This was due to promotions; employees working out of salary class, resulting in wage increases; as well as much overtime necessitated by staff changes. An inquiry of staff revealed that no budget revision was completed to reflect the new salary amounts. We recommend that in the future, the PHA provide budget revisions to the Board of Commissioners to adequately document any significant variances from the previously approved budget. A review of subsequent activities revealed that the Housing Authority of the City of Las Vegas will continue providing this information on a monthly basis in their capacity as management agent.
3. **Due from Related Party (Yale/Keyes)** - Amount due from Yale/Keyes as of June 30, 2008 was \$ 269,188.97. A review of activities reveals that cash flow is not sufficient at this time to insure that the balance can be paid in FY2009. Accordingly, these amounts are classified as a long-term receivable. While \$182,993.50 of this amount has already been formalized in the form of a long-term note receivable, we recommend that the PHA formalize an additional note for the remaining balance.

**HOUSING AUTHORITY OF THE
CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada**

SUPPLEMENTAL INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

	Type	Federal CFDA #	Expenditures
FEDERAL GRANTOR			
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:			
Public Housing:			
Low Rent Public Housing Program	A - Major	14.850	\$ 646,287
Capital Fund Program	A - Major	14.872	437,894
Section 8 Programs			
Housing Choice Voucher Program	A - Major	14.871	10,177,047
TOTAL FEDERAL FINANCIAL AWARDS			\$ 11,261,228
Threshold between A & B Programs			\$ 337,837

The accompanying notes to the Schedule of Expenditure of Federal Awards are an integral part of this schedule.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of North Las Vegas and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - SUBRECIPIENTS:

The Housing Authority of the City of North Las Vegas provided no federal awards to subrecipients during the fiscal year ending June 30, 2008.

NOTE C - DISCLOSURE OF OTHER FORMS OF ASSISTANCE:

- The Housing Authority of the City of North Las Vegas received no federal awards of non-monetary assistance that are required to be disclosed for the year ended June 30, 2008.
- The Housing Authority of the City of North Las Vegas had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the fiscal year ended June 30, 2008.
- The Housing Authority of the City of North Las Vegas maintains the following limits of insurance as of the report date:

Property – including Boiler & Machinery	\$ 38,020,099
Liability	\$ 2,000,000
Commercial Auto	\$ 2,000,000
Worker Compensation	Statutory
Fidelity & Crime	\$ 50,000
Theft	\$ 10,000

Settled claims have not exceeded the above commercial insurance coverage limits over the past three years.

**HOUSING AUTHORITY OF THE
CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada**

**SUPPLEMENTAL INFORMATION
AND SPECIAL REPORTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

SCHEDULE OF CAPITAL FUND GRANT COSTS - UNCOMPLETED
JUNE 30, 2008

Annual Contributions Contract SF-415

PHASE NV39P007501-05

1. The Modernization Costs of Phase NV39P007501-05 are as follows:

Funds Approved	\$ 369,539
Funds Expended	<u>347,034</u>
Excess / (Deficiency) of Funds Approved	<u>\$ 22,505</u>
 Funds Advanced	 \$ 363,095
Funds Expended	<u>347,034</u>
Excess / (Deficiency) of Funds Advanced	<u>\$ 16,061</u>

2. Audit period additions were \$54,629 and accordingly were audited by Rector, Lindsay & Reeder, P.C.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

SCHEDULE OF CAPITAL FUND GRANT COSTS - UNCOMPLETED
JUNE 30, 2008

Annual Contributions Contract SF-415

PHASE NV39P007501-06

1. The Modernization Costs of Phase NV39P007501-06 are as follows:

Funds Approved	\$ 456,351
Funds Expended	<u>214,435</u>
Excess / (Deficiency) of Funds Approved	<u>\$ 241,916</u>
 Funds Advanced	 \$ 214,264
Funds Expended	<u>214,435</u>
Excess / (Deficiency) of Funds Advanced	<u>\$ (171)</u>

2. Audit period additions were \$195,236 and accordingly were audited by
Rector, Lindsay & Reeder, P.C.

HOUSING AUTHORITY OF THE CITY OF NORTH LAS VEGAS
North Las Vegas, Nevada

SCHEDULE OF CAPITAL FUND GRANT COSTS - UNCOMPLETED
JUNE 30, 2008

Annual Contributions Contract SF-415

PHASE NV39P007501-07

1. The Modernization Costs of Phase NV39P007501-07 are as follows:

Funds Approved	\$ 483,351
Funds Expended	<u>188,029</u>
Excess / (Deficiency) of Funds Approved	<u>\$ 295,322</u>
 Funds Advanced	 \$ 116,956
Funds Expended	<u>188,029</u>
Excess / (Deficiency) of Funds Advanced	<u>\$ (71,073)</u>

2. Audit period additions were \$188,029 and accordingly were audited by Rector, Lindsay & Reeder, P.C.