

**HOUSING AUTHORITY  
OF THE CITY OF RENO  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2008  
(Including Auditors' Report Thereon)**

---

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2008**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Enterprise Fund Financial Statements:	
Statement of Net Assets - Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	11
Statement of Cash Flows - Proprietary Funds	12
<hr/>	
Notes to the Basic Financial Statements	13
Supplemental Information:	
Schedule of Expenditures of Federal Awards	26
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Compliance in Accordance with OMB Circular A-133	29
Status of Prior Audit Findings	31
Schedule of Findings and Recommendations	32
Financial Data Schedule	33

430 Verbena Court  
Pleasant Hill, CA 94523

(925) 229-1950  
Fax (925) 229-1952  
wroweassoc@aol.com

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Housing Authority of the City of Reno  
Reno, Nevada

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Housing Authority of the City of Reno, Nevada, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of the City of Reno, Nevada, 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 *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 respective financial position of the governmental activities, the business-type and each major fund of the Housing Authority of the City of Reno, Nevada, as of June 30, 2008, and the respective changes in financial position, and cash flows operations and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2009, on our consideration of the Housing Authority of the City of Reno, Nevada 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.

The managements' discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

---

*Wallace E. Rowe, CPA*

April 24, 2009

**HOUSING AUTHORITY OF THE CITY OF RENO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

As management of the Housing Authority of the City of Reno (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2008.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

Investment in capital assets saw the largest increase this year from \$16.4 million last year to \$17.1 million in 2008. This is a result of purchasing a parcel of land for future development. Overall assets have increased by \$.7 over last year's \$38.5 million. Liabilities last year were \$6.9 million and this year they are \$6.8 million which represents a slight decrease of \$.1 million. Short term liabilities are up .3 million which is a direct result of the increased Capital Fund activity.

The total expenses for all Authority programs increased by \$1.3 or 3.0%. Total expenses were \$43.3 million and \$44.6 million for fiscal years 2007 and 2008 respectively. The primary area of increase was in the administrative area. Total revenue was \$44.6 million and 45.4 million for fiscal years 2007 and 2008 respectively. The greatest increase was in Governmental subsidies and grants.

Overall, the financial statements indicate our financial health has improved from the prior year. We have seen an increase in our total net assets of .8 million and liabilities are down by .1 million. Revenues are stable and predictable.

**Required Financial Statements**

The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis in evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its rental income and other charges and profitability. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**HOUSING AUTHORITY OF THE CITY OF RENO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**Financial Analysis of the Authority**

Our analysis of the Authority begins on page 2 in the Financial Statement Section. One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Balance Sheet, and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority's activities in a way that will help answer this question. These two statements report the net assets of the Authority and changes in them. You can think of the Authority's net assets, (the difference between assets and liabilities), as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

**The Authority's Programs**

Business Type Programs

Conventional Public Housing - Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with the Department of Housing and Urban Development (HUD), and HUD provides Operating Subsidy and Capital Grant funding to enable the Authority to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Section 8 Special Allocation Program - Under the Section 8 Special Allocation Program the Authority is the Contract Administrator for the State of Nevada charged with carrying out 16 Incentive Based Performance Standards for HUD. Typical standards include approving tenant payments, processing rental adjustments, life threatening and non-life threatening health and safety issues, and conducting Management and Occupancy Reviews. Approximately 45 projects and 3,219 units are covered by this contract. This contract started October 1, 2000 with an initial two year period and three one-year renewal options. Since then we have been awarded several renewals, the most recent of which expires September 30, 2009.

**HOUSING AUTHORITY OF THE CITY OF RENO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

Section 8 Moderate Rehabilitation Program – Under the Section 8 Moderate Rehabilitation Program, the Authority administers contracts with landlords. This program is similar to the Housing Choice Voucher Program. This program is down to only one landlord with less than 10 units.

Business Activities – This represents non-HUD resources developed from a variety of activities that consist basically of housing units not receiving Federal financial assistance.

Other Programs

In addition to the programs above, the Authority also maintains the following:

Section 8 New Construction – Under the Section 8 New Construction program the Authority was under contract to administer three apartment complexes. The responsibilities were similar to the Section 8 Special Allocation Program listed above. As of July 1, 2007, these projects were assigned by HUD to our Section 8 Special Allocation Program.

---

Section 8 Single Residence Occupancy – Under the Section 8 Single Residence Occupancy Program the Authority oversees the functions related to one complex and is similar to the Section 8 Moderate Rehabilitation program.

Component Unit – The component unit is a separate corporation, Transitional Housing Corporation. This corporation owned a multi-family housing unit in which the Authority managed a Transitional Housing Grant from HUD. The grant has since expired and the housing unit has been sold.

Resident Opportunity and Supportive Services – This is a grant from HUD designed to help provide tenants with skills necessary to seek, obtain and maintain better employment.

Shelter Plus – Shelter Plus is a program where the Authority can obtain contract funding through the State of Nevada and provide physical inspections.

**HOUSING AUTHORITY OF THE CITY OF RENO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**Net Assets**

To begin our analysis, a summary of the Authority's Balance Sheets are presented in Table 1. As can be seen from the Table, net assets increased \$.8 million to \$32.4 million in Fiscal 2008 up from \$31.6 million in Fiscal 2007.

**TABLE 1  
Condensed Statements of Net Assets (Balance Sheets)  
(In millions of dollars)**

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Total % Change</u>
<b>ASSETS</b>				
Current and Other Assets	\$ 16.9	\$ 16.8	\$ 0.1	0.6%
Capital Assets	<u>22.3</u>	<u>21.7</u>	<u>0.6</u>	<u>(2.8)</u>
Total Assets	<u>\$ 39.2</u>	<u>\$ 38.5</u>	<u>0.7</u>	<u>1.8</u>
<b>LIABILITIES</b>				
Short-term Liabilities	\$ 1.3	\$ 1.0	\$ 0.3	30.0%
Long-term Liabilities	<u>5.5</u>	<u>5.9</u>	<u>(0.4)</u>	<u>(6.8)</u>
Total Liabilities	<u>6.8</u>	<u>6.9</u>	<u>(0.1)</u>	<u>(1.5)</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	17.1	16.4	0.7	4.3
Restricted Net Assets	2.3	0	0.2	9.5
Unrestricted Net Assets	<u>13.0</u>	<u>15.2</u>	<u>(0.1)</u>	<u>(0.8)</u>
Total Net Assets	<u>\$ 32.4</u>	<u>\$ 31.6</u>	<u>\$ 0.8</u>	<u>2.5%</u>

For more detailed information see page 10 for the Statement of Net Assets.

**Major Factors Affecting the Statement of Net Assets**

During this year the capital assets increased by .6 million over last year due to the fact that we acquired a lot for future housing and our increased efforts to spend Capital Fund monies. The lot remains unimproved and we have no plans to develop in the near future. Assets increased a total of .7 million and total net assets increased by .8 million.



**HOUSING AUTHORITY OF THE CITY OF RENO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

Table 2 presents details on the change in Unrestricted Net Assets

**TABLE 2  
Change of Unrestricted Net Assets**

	<b>Millions of Dollars</b>
Unrestricted Net Assets 6/30/07	13.1
Results from Operations	0.8
Capital Expenditures	<u>(0.9)</u>
Unrestricted Net Assets 6/30/08	<u>13.0</u>

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

**TABLE 3  
Statement of Revenues, Expenses and Changes in Net Assets  
(In Millions of Dollars)**

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	2008	2007	Dollar Change	Total % Change
<b>Revenues</b>				
Tenant Revenues – Rents and Other	\$3.7	\$3.6	\$0.1	2.8%
Governmental Subsidies and Grants	40.2	39.8	0.4	1.0
Other Revenues	<u>1.5</u>	<u>1.2</u>	<u>0.3</u>	<u>25.0</u>
<b>Total Revenues</b>	<u>45.4</u>	<u>44.6</u>	<u>0.8</u>	<u>1.8</u>
<b>Expenses</b>				
Administrative	4.8	4.0	0.8	20.0%
Tenant Services	0.7	0.5	0.2	40.0
Utilities	0.8	0.8	0.0	0.0
Maintenance	1.6	1.5	0.1	6.7
General Expenses	0.7	0.7	0.0	0.0
Housing Assistance Payments	34.1	34.0	0.1	0.3
Depreciation	<u>1.9</u>	<u>1.8</u>	<u>0.1</u>	<u>5.6</u>
<b>Total Expenses</b>	<u>44.6</u>	<u>43.3</u>	<u>1.3</u>	<u>3.0</u>
<b>Net Increase (Decrease)</b>	<u>\$ 0.8</u>	<u>\$ 1.3</u>	<u>\$(0.5)</u>	<u>(62.5)%</u>

**HOUSING AUTHORITY OF THE CITY OF RENO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Assets**

This year we experienced a slight increase in revenues of .8 million from 44.6 million in 2007 to 45.4 million in 2008. This increase is predominantly in the Governmental Subsidies and Grants area for the Capital Fund Program. Expenditures rose from 43.3 million in 2007 to 44.6 million in 2008. The administrative area shows the greatest increase with .8 million. With the conversion to Asset Management, fees are charged for services provided to all programs. These fees include management, bookkeeping and asset management. We also charge allowable fees for the Housing Choice Voucher program.

**Capital Assets and Debt Administration**

Capital Assets

As of year end, the Authority had \$22.3 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$578,433 from the end of last year.

**TABLE 4  
Capital Assets**

	<u>06/30/08</u>	<u>6/30/07</u>
Land and water rights	\$ 5,193,673	\$ 4,346,893
Buildings	48,027,015	47,380,124
Equipment – Furniture, Equipment	551,577	519,544
Accumulated Depreciation	(33,085,034)	(31,214,482)
Construction in Progress	<u>1,613,464</u>	<u>690,183</u>
Total	<u>\$ 22,300,695</u>	<u>\$ 21,722,262</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the notes to the financial statements.

**TABLE 5  
Change in Capital Assets**

Beginning Balance	\$21,722,262
Additions	2,486,176
Deletions	0
Depreciation	(1,907,743)
Ending Balance	<u>\$22,300,695</u>

This year's major changes are:

Capital Assets

Equipment

Modernization completed on Authority's public and private housing

Land

\$ 32,033
1,607,363
<u>846,780</u>
<u>\$ 2,486,176</u>

**HOUSING AUTHORITY OF THE CITY OF RENO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

Debt Outstanding

As of year-end, the Authority had \$5,372,197 in debt (bonds, notes, etc.) outstanding compared to \$5,362,530 last year, a \$9,667 net increase:

**Outstanding Debt, at Year-End**

	<b>2008</b>	<b>Totals 2007</b>
Business Activities	\$ 5,372,197	\$ 5,362,530
Less: Current Portion	<u>(219,840)</u>	<u>(62,010)</u>
Total	<u>\$ 5,152,357</u>	<u>\$ 5,300,520</u>

---

**Economic Factors**

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the Federal budget than by the State or local economic conditions.

Given the dependency upon HUD it is in the Authority's best interest to seek and pursue other economic sources. With the profits from prior year's sale of vacant land we will pursue the investment of these monies in either additional land, development of existing land and/or purchase of existing housing stock.

**Financial Contact**

Regarding this report, contact C. James Caufield, CPA, Director of Administration, Housing Authority of the City of Reno, 1525 E. Ninth Street, Reno, NV 89512, Tel. (775) 329-3630.

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2008**

	<u>Enterprise Fund</u> <u>Housing</u>
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and investments (Note 3)	\$ 15,541,434
Restricted cash	208,009
Due from other governments	616,495
Tenant accounts receivable (net of allowance for doubtful accounts)	3,448
Accounts receivable - other	193,431
Prepaid expenses	130,577
Notes receivable – current	2,208
Inventory	72,000
Total current assets	16,767,602
Noncurrent Assets:	
Notes receivable	22,920
Investment in partnerships (Note 4)	88,653
Bond issuance costs	48,346
Capital assets, net of accumulated depreciation of \$33,085,034 (Note 5)	22,300,695
Total noncurrent assets	22,460,614
Total assets	\$ 39,228,216
 <b><u>LIABILITIES</u></b>	
Current Liabilities:	
Accounts payable-vendors	\$ 395,781
Due to other agencies	265,455
Tenant security deposits	226,795
Accrued liabilities	65,757
Interest Payable	56,645
Notes payable - current	219,840
Compensated absences	45,431
Total current liabilities	1,275,704
Noncurrent Liabilities:	
Restricted – escrow accounts	223,702
Compensated absences	367,593
Notes payable (Note 6)	4,932,517
Total noncurrent liabilities	5,523,812
Total liabilities	6,799,516
 <b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	17,148,338
Restricted	2,276,918
Unrestricted	13,003,444
Total Net Assets	\$ 32,428,700

The accompanying notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE CITY OF RENO  
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET ASSETS -  
 PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Enterprise Fund</u> <u>Housing</u>
<u>Operating Revenues</u>	
Grants	
Rental income	\$ 38,971,886
Other	3,657,906
	<u>1,059,210</u>
Total operating revenues	<u>43,689,002</u>
<u>Operating Expenses</u>	
Administration	4,830,309
Utilities	808,241
Maintenance	1,625,747
Tenant services	666,850
Protective services	10,718
General	370,788
Housing assistance payments	34,092,194
Depreciation	<u>1,907,743</u>
Total operating expenditures	<u>44,312,590</u>
Operating income (loss)	<u>(623,588)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Capital grants	1,267,909
Investment income	405,543
Gain on sale of fixed assets	6,105
Interest expense	<u>(253,743)</u>
Net non-operating revenue (expenses)	<u>1,425,814</u>
Change in net assets	802,226
Net assets, beginning of year	<u>31,626,474</u>
Total net assets, ending	<u>\$ 32,428,700</u>

The accompanying notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE CITY OF RENO  
COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Enterprise Fund</u>
	<u>Housing</u>
<u>Cash flows from operating activities:</u>	
Cash received from operating grants	\$ 38,860,649
Cash received from rents	3,662,718
Other cash receipts	1,066,859
Cash payments to employees for services	(2,518,992)
Cash payments to suppliers and consultants	(5,736,016)
Cash payments to landlords	(34,092,194)
Net cash provided (used) in operating activities	1,243,024
<u>Cash flows from capital and related financing activities:</u>	
Capital grants	1,267,909
Acquisition of fixed assets	(2,489,929)
Principal paid on capital debt	(210,173)
Sale of fixed assets	6,105
Interest paid on capital debt	(256,526)
Net cash (used) by capital and related financing activities	(1,682,614)
<u>Cash flows from investing activities:</u>	
Note payments additions	(173)
Interest received	464,197
Net cash provided by investing activities	464,024
Net increase (decrease) in cash	24,434
Cash at beginning of year	15,725,009
Cash at end of year	\$ 15,749,443
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>	
Operating income (loss)	\$ (623,588)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,907,743
Changes in assets and liabilities:	
Decrease in accounts receivable	14,068
Increase in due from other governments	(111,237)
Increase in prepaid expenses	(38,452)
Decrease in accounts payable	(33,217)
Increase in amounts due other governments	149,221
Increase in compensated absences	35,486
Decrease in other liabilities	(57,000)
Net cash provided by operating activities	\$ 1,243,024

**The accompanying notes are an integral part of this statement.**

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**Note 1 - DEFINITION OF REPORTING ENTITY**

The Housing Authority of the City of Reno, Nevada (the Authority) was established on August 8, 1940 by a resolution of the City of Reno City Council. The Authority is a public body corporate and politically organized pursuant to the laws of Chapter 315 of the State of Nevada. The Authority is governed by a five member Board of Commissioners. The City Council appoints the members of the Board of Commissioners to a maximum of two four year terms.

Although they are legally separate entities from the Authority, the Washoe Affordable Housing Corporation and Transitional Housing Corporation are reported as if they were part of the Authority because their sole purpose is to work in conjunction with the Authority to assist with the provision of housing for low and moderate individuals, and the members of the Board of Commissioners of the Authority act as members of the Board of Directors of these corporations. Therefore, the financial information of the Washoe Affordable Housing Corporation and the Transitional Housing Corporation are included in the accompany financial statements as blended component units of the Authority.

At June 30, 2008 the Authority was administering the following programs which consisted of 6,768 units of low and moderate income housing:

	<u>Number of Units</u>
<u>Conventional Low Rent Program:</u>	
Mineral Manor	143
Tom Sawyer Village	100
Silverada Manor	149
Stead Manor	67
Hawk View Apartments	99
Essex Manor	105
Myra Birch Manor	53
John McGraw Court	<u>34</u>
	<u>750</u>
<u>Section 8 Housing Assistance Payments Programs:</u>	
Moderate Rehabilitation	5
Single Room Occupancy	22
Vouchers	2,492
Special Allocations	<u>3,219</u>
	<u>5,738</u>
<u>Other Rental Programs</u>	
Business Activities	<u>280</u>
Total low and moderate income housing units being administered	<u><u>6,768</u></u>

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**  
**(Continued)**

**Note 1 (continued)**

In addition to the low and moderate income housing units the Authority also administered the following programs:

Capital fund Program

Resident Opportunity and supportive Services Program

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The accompanying financial statements are presented on the basis set forth in Government Accounting Standards Board Statement 34, *Basic Financial Statements-and Management [s Discussion and Analysis-for State and Local Governments*. GASB 34 requires that the financial statements described below be presented.

**Government-wide Statements:** The Statement of Net Assets and Statement of Activities display information about the primary government (the Authority). These statements include the financial activities of the overall Authority. These statements distinguish between the *governmental and business-type activities* of the Authority. Business-type activities are financed in whole or in part by fees charged to external parties. There were no governmental type activities for the Authority for fiscal year 2008.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Authority and for each function of the Authority's governmental activities (if such activities were to exist). Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to the operations of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. There are no governmental fund types for this Authority.



**HOUSING AUTHORITY OF THE CITY OF RENO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**  
**(Continued)**

**Note 2 (continued)**

**B. Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis* of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when related cash flows take place.

Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Proprietary Fund Types**

Proprietary funds use the economic resources measurement focus. The accounting objectives are a determination of net income, financial position and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund net assets are segregated into investments in capital assets, net of related debt; restricted and unrestricted.

**C. Capital Assets**

Capital assets are valued at historical cost. Contributed capital assets are recorded at fair market value at the time received. Interest expense incurred during the development period is capitalized.

Capital assets include all land and site improvements thereon; all dwelling and nondwelling structures, including fixtures permanently attached thereto or installed in a fixed position; and all items of nonexpendable equipment acquired and held for the projects. It also includes items of expendable equipment paid for from funds provided for the development of the projects.

Maintenance, minor repairs and replacements are recorded as expenses; extraordinary replacements of property resulting in property betterments are charged to the property accounts.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of the related asset. The estimated useful lives of the various asset categories are as follows:

Buildings and improvements	15-30 years
Equipment and vehicles	5-7 years

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**  
**(Continued)**

**Note 2 (continued)**

**D. Receivables**

All receivables are reported at their gross value tenants' accounts receivable which will be reduced by an allowance for doubtful accounts if such an amount is considered applicable.

**E. Income Taxes**

The Authority is exempt from Federal Income and State taxes.

**F. Encumbrances**

Encumbrance accounting is not employed by the Authority.

**G. Inventories**

Inventory is valued at the lower of cost or market on a first-in, first-out basis (FIFO). Inventory consists of expendable maintenance supplies held for consumption. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories on hand at the fiscal year end are reported as assets.

**H. Employee Leave Benefits**

Regular full-time employees earn from 13 to 26 vacation days per year depending upon their length of employment. Each employee also earns 13 sick leave days per year. Unused annual leave may be accumulated but is not to exceed two years of earned vacation time. Unused sick leave will be allowed to accumulate, and up to a maximum of 400 hours of sick leave is paid to the employee at one-half the employee's pay rate upon his termination from the Authority.

**I. Grant Restrictions**

The Authority has received loans and grants from the U.S. Department of Housing and Urban Development to build and improve housing projects. The grants require that only individuals and families that meet various income, age and employment standards be housed or aided.

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**  
**(Continued)**

**Note 3 - CASH AND INVESTMENTS**

**A. Policies**

Nevada law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under Nevada Law this collateral is held in a separate investment pool by another institution in the Authority's name and places the authority ahead of general creditors of the institution.

The Authority and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the Authority employs the Trust Department of a bank as the custodian of certain managed investments regardless of their form.

The Authority's investments are carried at fair value as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of those adjustments in income for that fiscal year.

Cash and cash equivalents are considered to be liquid assets for purposes of measuring cash flows.

**B. Classification**

Cash and investments are classified in the financial statements as shown below based on whether or not their use is restricted under the terms of Authority debt instruments or agency agreements. Cash and investments as of June 30, 2008 are as follows:

Cash and cash equivalents	\$ 6,369,264
Investments with trustees	<u>9,380,179</u>
Total cash and investments	<u>\$ 15,749,443</u>

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**  
**(Continued)**

**Note 3 (continued)**

The \$15,749,443 of cash and cash equivalents reflect \$6,368,164 maintained on deposit in banks, \$1,100 of petty cash, \$4,604,070 in certificates of deposit, \$2,097,374 in money market mutual funds, \$1,087,918 in U.S. government securities, and \$1,590,817 in Federal Home Loan discount notes. Of the amounts deposited into banks and certificates of deposit, \$5,104,070 is covered by federal deposit insurance. The remaining \$1,264,094, as previously stated, is required by Nevada law to be collateralized by governmental securities with a market value of 110% of the deposit or with first trust deed mortgages with a value of 150% of the uninsured amount.

The \$9,380,179 of investments with trustees reflects amounts held by trust departments of various Authority lending agencies. These investments are carried at fair value.

Cash and cash equivalents are considered to be liquid assets for purposes of measuring cash flows.

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In General, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustees) to market rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

<u>Investment Type</u>	<u>12 Months or Less</u>	<u>One to Five Years</u>	<u>More Than Five Years</u>	<u>Total</u>
Certificates of Deposit	\$ 4,504,784	\$ 99,286	\$ -	\$ 4,604,070
Discount Notes	1,590,817	-	-	1,590,817
U.S. government securities	1,087,918	-	-	1,087,918
Mutual funds	2,097,374	-	-	2,097,374
Total	<u>\$ 9,280,893</u>	<u>\$ 99,286</u>	<u>\$ -</u>	<u>\$ 9,380,179</u>

**D. Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2008 for each Authority investment type as provided by Standard and Poor's. The following is a categorization of credit risk of the security investments.

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**  
**(Continued)**

**Note 3 (continued)**

The deposits and investments are classified by investment risk as prescribed by generally accepted accounting principles as follows:

Category 1 – Deposits which are insured by Deposit Insurance

Category 2 – Deposits which are collateralized

Category 3 – Deposits which are uninsured or uncollateralized

Investments are carried at fair value and are categorized as follows at June 30, 2008:

	Category		Total
	1	2	
Certificates of deposit	\$ 4,604,070	\$ 0	\$ 4,604,070
Money market mutual funds	-	2,097,374	2,097,374
U.S. Government Securities	-	1,087,918	1,087,918
Discount Notes	-	1,590,817	1,590,817
Total Investments	<u>\$ 4,604,070</u>	<u>\$ 4,776,109</u>	<u>\$ 9,380,179</u>

**E. Cash Deposits**

	Carrying Amounts	Bank Balance Before Reconciling Items	Reconciling Items	Bank Balance After Reconciling Items
Cash in bank	<u>\$ 6,368,164</u>	<u>\$ 6,985,898</u>	<u>\$ (617,734)</u>	<u>\$ 6,368,164</u>

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**  
**(Continued)**

**Note 4 - INVESTMENTS IN PARTNERSHIPS**

Investments in partnerships at June 30, 2008 consist of the following:

Joint Venture – Silver Sage Court	\$	17,762
Yorkshire Terrace Limited Partnership		<u>70,891</u>
		<u>\$ 88,653</u>

The Authority entered into a joint venture agreement with Silver Sage Corporation to construct a sixteen-unit affordable housing complex for the elderly. Each of the units is one bedroom. The joint venture agreement provided for the Authority to construct and administer the complex. The units were constructed on land previously owned by the Authority. As of June 30, 2008, the Authority's investment is \$20,056. The joint venture is accounted for on the equity basis of accounting. The authority's share of the decrease in equity for the 2008 fiscal year was \$2,294.

~~The Authority also entered into a limited partnership agreement with Yorkshire Terrace Limited Partnership. This partnership agreement was entered into for the purpose of constructing and administering a thirty-unit complex of three and four bedroom units. To assist with the construction costs the partnership received tax credits from the State of Nevada. The Authority acts as the general partner in the partnership and holds a one percent interest in the partnership. In order to construct the units the Authority contributed 5.21 acres of land for its one percent interest. The land was originally obtained by the Authority from the City of Reno. The partnership is accounted for on the equity basis of accounting. The Authority's share of partnership income for the fiscal year 2008 was \$687.~~

**Note 5 - CAPITAL ASSETS**

The following is a summary of the Authority's changes in capital assets for the fiscal year ended June 30, 2008:

	Balance <u>7/1/07</u>	Additions	Deletions	Balance <u>6/30/08</u>
Land	\$ 4,346,893	\$ 846,780	\$ -	\$ 5,193,673
Buildings & Improvements	48,070,307	1,570,172	-	49,640,479
Equipment	<u>519,544</u>	<u>32,033</u>	-	<u>551,577</u>
	<u>\$ 52,936,744</u>	<u>\$ 2,448,985</u>	<u>\$ -</u>	55,385,729
Less accumulated Depreciation				<u>(33,085,034)</u>
Capital assets, net				<u>\$ 22,300,695</u>