

**HOUSING AUTHORITY
OF THE CITY OF RENO
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011
(Including Auditors' Report Thereon)**

HOUSING AUTHORITY OF THE CITY OF RENO
ANNUAL FINANCIAL REPORT
JUNE 30, 2011

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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 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, 2011, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Housing Authority of the City of Reno, Nevada, as of June 30, 2011, and the respective changes in financial position, and 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 October 27, 2011, on our consideration of the Housing Authority of the City of Reno, Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 management's discussion and analysis 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Reno, Nevada's basic financial statements. The accompanying Schedule of Completed Capital Fund Projects, Schedule of Expenditures of Federal Awards, the Schedule of Other Post Employment Benefit Plan, and the 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 Rowe & Associates

October 27, 2011

**HOUSING AUTHORITY OF THE CITY OF RENO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

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, 2011.

The Management's Discussion and Analysis (MD&A) is an element of the 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

Investments in capital assets saw the largest increase in assets this year from \$29.8 million last year to \$37.6 million in 2011. This is a result of purchasing a number of properties for future rehabilitation. Long term debt decreased from \$5.2 million in 2010 to \$4.4 million in 2011, an overall decrease of \$.8 million. Overall assets have increased by \$9.6 million over last year's \$46.6 million. Liabilities last year were \$6.7 million and this year they have decreased to \$5.3 million.

The total expenses for all Authority programs increased by \$0.5 or 10.3%. Total expenses were \$48.8 million and \$49.3 million for fiscal years 2010 and 2011 respectively. The primary area of increase was in the maintenance area. Total revenue was \$55.1 million and \$60.3 million for fiscal years 2010 and 2011 respectively. The greatest increase was in governmental subsidies and grants.

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, 2011

(Continued)

Financial Analysis of the Authority

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 Statement of Net Assets, 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

Public and Indian Housing - Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. The Public and Indian 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 primarily based upon 30% of household income. The Public and Indian Housing Program also includes the Capital Fund 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 Housing Assistance Payments Program - Under the Section 8 Housing Assistance Payments 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 40 projects and 3,218 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, 2011.

**HOUSING AUTHORITY OF THE CITY OF RENO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011
(Continued)**

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:

Public Housing Capital Fund – This fund provides for capital, management, and financing activities, including payments of debt service and customary financing costs.

Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded – The Act provides funds for the capital and management activities of Public Housing Agencies as authorized under section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) (the “Act”), with the exception that funds cannot be used for operations or rental assistance. The funds will be used for capital and management activities, including modernization and development of public housing.

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

Community Development Block Entitlement Grants – The Community Development Block Grants are designed to develop viable urban communities by providing decent housing, a suitable environment, and expanding economic opportunities, principally for persons of low and moderate income.

Community Development Block Grants / Brownfields Economic Development Initiative – The Brownfield Economic Development Initiative is a program to carry out projects to redevelop abandoned, idled or underutilized real property.

**HOUSING AUTHORITY OF THE CITY OF RENO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011
(Continued)**

Net Assets

To begin our analysis, a summary of the Authority's Statements of Net Assets is presented in Table 1. As can be seen from the Table, net assets increased \$11.0 million to \$50.9 million in Fiscal 2011 up from \$39.9 million in fiscal 2010.

**TABLE 1
Condensed Statements of Net Assets
(In Millions of Dollars)**

	<u>2011</u>	<u>2010</u>	<u>Dollar Change</u>	<u>Total % Change</u>
ASSETS				
Current and other assets	\$ 18.6	\$ 16.8	\$ 1.8	10.7%
Capital assets	<u>37.6</u>	<u>29.8</u>	<u>7.8</u>	<u>26.2</u>
Total Assets	<u>\$ 56.2</u>	<u>\$ 46.6</u>	<u>\$ 9.6</u>	<u>20.6%</u>
LIABILITIES				
Short-term liabilities	\$ 0.9	\$ 1.5	\$ (0.6)	(40.0)%
Long-term liabilities	<u>4.4</u>	<u>5.2</u>	<u>(0.8)</u>	<u>(15.9)</u>
Total Liabilities	<u>5.3</u>	<u>6.7</u>	<u>(1.4)</u>	<u>(2.09)%</u>
NET ASSETS				
Invested in capital assets, net of related debt	33.9	25.0	8.9	35.6%
Restricted net assets	2.4	1.1	1.3	118.2
Unrestricted net assets	<u>14.6</u>	<u>13.8</u>	<u>0.8</u>	<u>5.8</u>
Total Net Assets	<u>\$ 50.9</u>	<u>\$ 39.9</u>	<u>\$ 11.0</u>	<u>27.6%</u>

For more detailed information concerning fiscal year 2011 see page 10 of the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

During this year the capital assets increased by \$7.8 million over last year. This dramatic increase is due to the purchase of numerous foreclosed homes acquired under the Neighborhood Stabilization Program. Total assets increased by \$9.6 million and total net assets increased by \$11.0 million.

**HOUSING AUTHORITY OF THE CITY OF RENO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011
(Continued)**

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 2
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.

	2011	2010	Dollar Change	Total % Change
Revenues				
Tenant revenues – rents and other	\$ 3.9	\$ 3.6	\$.3	8.3%
Governmental subsidies and grants	56.1	50.5	5.6	11.1
Other revenues	<u>.3</u>	<u>1.0</u>	<u>(.7)</u>	<u>(70.)</u>
Total Revenues	<u>60.3</u>	<u>55.1</u>	<u>5.2</u>	<u>9.2</u>
Expenses				
Administrative	5.2	4.8	0.4	8.3
Tenant services	0.4	0.4	-	-
Utilities	0.9	0.9	-	-
Maintenance	2.4	1.8	0.6	33.3
General expenses	1.0	1.1	(0.1)	(9.1)
Housing assistance payments	37.8	38.3	(0.5)	(13.1)
Depreciation	<u>1.6</u>	<u>1.5</u>	<u>0.1</u>	<u>6.7</u>
Total Expenses	<u>49.3</u>	<u>48.8</u>	<u>.5</u>	<u>10.3</u>
Net Increase (Decrease)	<u>\$ 11.0</u>	<u>\$ 6.3</u>	<u>\$ 4.7</u>	<u>74.6%</u>

**HOUSING AUTHORITY OF THE CITY OF RENO
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2011

(Continued)

Table 4 (Continued)

This year's major changes are:

Capital Assets

Purchase and modernization completed on	\$ 7,413,917
the Authority's public and private housing	<u>1,967,931</u>
Land	<u>\$ 9,381,848</u>

Debt Outstanding

As of year-end, the Authority had \$3,737,000 in bonds outstanding compared to \$4,704,420 last year, a \$967,420 net decrease:

Outstanding Debt, at Year-End

	Totals	
	2011	2010
Long-term portion	\$ 3,564,000	\$ 4,467,449
Current portion	<u>173,000</u>	<u>236,971</u>
Total	<u>\$ 3,737,000</u>	<u>\$ 4,704,420</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. The Authority has been aggressively purchasing and rehabilitating single family homes to help generate additional future funding.

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, 2011

Enterprise Fund
Housing

ASSETS

Current Assets:

Cash and investments (Note 3)	\$	15,661,299
Due from other governments		729,912
Tenant accounts receivable (net of allowance for doubtful accounts)		15,200
Accounts receivable - other		18,847
Prepaid expenses		26,076
Notes receivable – current		14,657
Assets held for resale		1,779,252
Inventory		<u>72,000</u>
Total current assets		<u>18,317,243</u>

Noncurrent Assets:

Notes receivable		171,980
Investment in partnerships (Note 4)		63,027
Bond issuance costs		35,601
Capital assets, net of accumulated depreciation of \$37,824,106 (Note 5)		<u>37,596,628</u>
Total noncurrent assets		<u>37,867,236</u>
Total assets	\$	<u><u>56,184,479</u></u>

LIABILITIES

Current Liabilities:

Accounts payable-vendors	\$	247,494
Due to other agencies		129,608
Tenant security deposits		285,828
Deferred revenue		35,142
Notes payable - current (Note 6)		173,000
Compensated absences		<u>56,605</u>
Total current liabilities		<u>927,677</u>

Noncurrent Liabilities:

Restricted – escrow accounts		222,037
OPEB Obligation (Note 9)		168,581
Compensated absences		439,651
Notes payable (Note 6)		<u>3,564,000</u>
Total noncurrent liabilities		<u>4,394,269</u>
Total liabilities		<u>5,321,946</u>

NET ASSETS

Invested in capital assets, net of related debt		33,859,628
Restricted		2,419,503
Unrestricted		<u>14,583,402</u>
Total net assets	\$	<u><u>50,862,533</u></u>

The accompanying notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE CITY OF RENO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Fund</u>
	<u>Housing</u>
<u>Cash flows from operating activities:</u>	
Cash received from operating grants	\$ 44,116,508
Cash received from rents	3,892,441
Other cash receipts	283,051
Cash payments to employees for services	(3,479,214)
Cash payments to suppliers and consultants	(6,719,187)
Cash paid for assets held for resale	(1,448,771)
Cash payments to landlords	(37,759,321)
Net cash provided (used) in operating activities	(1,114,493)
<u>Cash flows from capital and related financing activities:</u>	
Capital grants	11,640,349
Acquisition of fixed assets	(9,381,848)
Principal paid on capital debt	(967,420)
Interest paid on capital debt	(198,109)
Net cash (used) by capital and related financing activities	1,092,972
<u>Cash flows from investing activities:</u>	
Interest received	26,874
Net cash provided by investing activities	26,874
Net increase (decrease) in cash	5,353
Cash at beginning of year	15,655,946
Cash at end of year	\$ 15,661,299
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>	
Operating income (loss)	\$ (509,463)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	1,556,795
Changes in assets and liabilities:	
Decrease in accounts receivable	51,722
Increase in due from other governments	(303,490)
Increase in prepaid expenses	(13,458)
Increase in assets for resale	(1,448,771)
Decrease in investments in partnerships	16,687
Increase in notes receivable	(48,206)
Decrease in accounts payable	(175,172)
Decrease in amounts due other governments	(356,165)
Increase in compensated absences	33,791
Increase in other liabilities	81,237
Net cash provided (used) in operating activities	\$ (1,114,493)

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011 the Authority was administering the following programs which consisted of 6,990 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
Veterans Affairs Special Vouchers	115
Special Allocations	<u>3,218</u>
	<u>5,852</u>
<u>Other Rental Programs:</u>	
Business Activities	284
Neighborhood Stabilization Programs I and II	78
Economic Development Initiative – Special Projects	10
Dollar Home Sales	<u>16</u>
	<u>388</u>
 Total low and moderate income housing units being administered	 <u><u>6,990</u></u>

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

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 Managements 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 2011.

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. Revenues such as operating grants, rents, and other miscellaneous fees are recorded as operating revenues. Revenues such as investments earnings and capital grants are recorded as nonoperating revenues. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

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.

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. It is the policy of the Authority to expend amounts received by the Authority under Capital Fund Grants from HUD for operating costs, and these grant amounts are reflected on the Statement of Revenues, Expenses, and Changes in Net Assets as operating revenues.

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(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 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. 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 not to exceed between 26 - 52 days in addition. Unused sick leave will be allowed to accumulate up to 188 days; however, upon termination one half of sick leave accrued to a maximum 50 days is paid to the employee. An employee terminating employment shall be paid for any accumulated annual and sick leave at their current hourly rate of pay.

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, 2011
(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.

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 the Authority debt instruments or agency agreements. Cash and investments as of June 30, 2011 are as follows:

Cash and cash equivalents	\$ 6,762,813
Bonds	<u>8,898,486</u>
Total cash and investments	<u>\$ 15,661,299</u>

The \$6,762,813 of cash and cash equivalents reflect \$6,746,072 maintained on deposit in banks, \$1,150 of petty cash, and \$15,591 in money market mutual funds. Of the amounts deposited into bank checking, savings and money market accounts \$402,520 is covered by federal deposit insurance. The remaining \$6,360,293, 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 \$8,898,486 of bonds are carried at fair value.

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

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 3 (continued)

E. Cash Deposits

	<u>Carrying Amounts</u>	<u>Bank Balance Before Reconciling Items</u>	<u>Reconciling Items</u>	<u>Bank Balance After Reconciling Items</u>
Cash in bank	\$ <u>6,746,072</u>	\$ <u>7,327,968</u>	\$ <u>(581,896)</u>	\$ <u>6,746,072</u>

Note 4 - INVESTMENTS IN PARTNERSHIPS

Investments in partnerships at June 30, 2011 consist of the following:

Joint Venture – Silver Sage Court	\$ (4,333)
Yorkshire Terrace Limited Partnership	<u>67,360</u>
	<u>\$ 63,027</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 a one bedroom unit. 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, 2011, the Authority's investment is \$(4,333). The joint venture is accounted for on the equity basis of accounting. The Authority's share of the decrease in equity for the 2011 fiscal year was \$15,419.

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. As of June 30, 2011, the Authority's investment is \$67,360. The partnership is accounted for on the equity basis of accounting. The Authority's share of partnership net loss for the fiscal year 2011 was \$1,268.

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 6 (continued)

The following is a summary of outstanding refunding bonds at June 30, 2011:

	Amount Issued	Amount Outstanding
<u>Revenue Bonds</u> – 2011 series, refunding of Ala Moana Apartments revenue bonds	<u>\$ 4,368,000</u>	<u>\$ 3,737,000</u>

Note 7 - COMPENSATED ABSENCES

It is the Authority's policy to permit employees to accumulate earned but unused vacation leave up to a maximum of two years of earned vacation hours and to accumulate earned but unused sick leave up to a maximum of 400 hours. This leave will be used in future periods or paid to employees upon separation from the Authority: vacation hours are payable at the employee's payroll rate and sick leave is payable at one-half the employee's payroll rate. Combined long term and short term accrued vacation and sick leave have been valued by the Authority and have been recorded at \$496,256 as of June 30, 2011.

It is the Authority's policy to permit employees to accumulate earned but unused sick leave. Unused sick leave is payable up to a maximum of 400 hours at one-half the employees payroll rate upon separation from the Authority.

Note 8 - EMPLOYEES RETIREMENT PLAN

The Housing Authority of the City of Reno's (the Authority) defined benefit pension plan, the Public Employees Retirement System of Nevada (PERS), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Authority is part of the Public Agency portion of PERS, an agent multi-employer plan administered by PERS which acts as a common investment and administrative agent for participating public employers within the State of Nevada. A menu of benefit provisions as well as other requirements is established by state statutes within the Public Employees' Retirement Law. The Authority selects optional benefits provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance (other local methods). PERS issues a separate comprehensive annual financial report. Copies of the PERS annual financial report may be obtained from the PERS Executive Office located at:

Public Employees Retirement System of Nevada
693 West Nye Lane
Carson City, NV 89703

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 8 (continued)

Funding Policy:

The Authority is required to contribute 21.50% of covered employees' annual salary. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by PERS.

Annual Pension cost:

For the fiscal year 2010/2011 the Authority's annual pension cost was \$657,171. The required contribution for fiscal year 2010/2011 was determined as part of an annual actuarial valuation using entry age normal actuarial cost method with the contributions determined as a percentage of pay. The actuarial assumptions included (a) an 8.0% of annual return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 4.5% to 9.75% for members and (c) rate of payroll based on actual contributions for the prior year with an increase of 3%, payroll growth (funding) 6.5% per year and payroll growth (GASB disclosure) 5% per year. Both (a) (b) and (c) include an inflation factor component of 3.5%. The actuarial value of PERS's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period. PERS's unfunded accrued liability is amortized using a year-by-year closed amortization period where each amortization period is set at 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost APC</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 531,290	100%	0
June 30, 2010	616,144	100%	0
June 30, 2011	657,171	100%	0

Note 9 – OTHER POST EMPLOYMENT BENEFITS

Plan Description:

Eligible retirees receive health care coverage through two plans offered by the Housing Authority – City of Reno Group Health Plan or Hometown Health Plan or, if retiring prior to September 1, 2008, they could choose coverage under the Nevada Public Employee Benefit Plan (PEBP).

Retirement cost sharing provisions for the retiree health plan are as follows:

- There is no cost sharing for the City of Reno Group Health Plan and the Hometown Health Plan.
- Retirees are eligible to pay for coverage until age 65 or until they become eligible for Medicare, whichever comes first.

The Authority also offers its retirees dental, vision, and life insurance benefits. As of June 30, 2011, the Authority had 21 retirees receiving benefits and 62 employees.

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 9 (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

For the actuarial valuation, the entry age normal cost, level percent of pay; closed group method was used. The actuarial assumptions include a 4% discount rate. The healthcare trend rate assumption is 8.5% for 2011 grading down 5% by 2014. The actuarial value of assets is equal to the market value. The unfunded actuarial accrued liability attributable to both PEBP and Authority plan benefits is being amortized over an open amortization period of 30 years. Amortization payments for the PEBP liability are determined as level dollar payments. Amortization payments for the Authority plan liability are determined as a level percentage of projected payroll. A long-term inflation assumption of 3% was used in developing level percent amortization.

The required schedule of funding progress, presented as required supplementary information following the *Notes to the Financial Statements*, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Note 10 - JOINT POWERS AGREEMENTS

Property and Liability Insurance

The Authority participates in a joint venture under a Joint Powers Agreement (JPA) with the Housing Authorities Risk Retention Pool (HARRP). HARRP was formed to provide property and liability insurance coverage for member housing authorities. At December 31, 2010 there were 89 members. The relationship between the Authority and HARRP is such that HARRP is not a component unit of the Authority for financial reporting purposes.

Condensed audited financial information for the year ended December 31, 2010 is as follows:

Total assets	\$ 32,181,747
Total liabilities	(5,331,702)
Minority interest	<u>(10,017)</u>
Total members' equity	<u>\$ 26,840,028</u>
Total revenues	\$ 5,997,225
Total expenses	(5,048,083)
Minority income	<u>(1,243)</u>
Net increase in members' equity	<u>\$ 947,899</u>

HARRP had \$548,438 in long-term debt outstanding at December 31, 2010. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated.

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 11 - CONTINGENT LIABILITIES

Federal Grants

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

**HOUSING AUTHORITY OF THE CITY OF RENO
STATEMENT OF COMPLETED CAPITAL FUND PROJECTS
JUNE 30, 2011**

Capital Fund Project No. NV39P001-50107

Grant funds approved	\$	1,001,568
Grant funds received from HUD		<u>1,001,568</u>
Grant funds receivable	\$	<u> -</u>
Grant fund expended	\$	1,001,568
Grant funds received from HUD		<u>1,001,568</u>
Unexpended grant funds	\$	<u> -</u>

Capital Fund Project No. NV39P001-50108

Grant funds approved	\$	1,010,582
Grant funds received from HUD		<u>1,010,582</u>
Grant funds receivable	\$	<u> -</u>
Grant fund expended	\$	1,010,582
Grant funds received from HUD		<u>1,010,582</u>
Unexpended grant funds	\$	<u> -</u>

Capital Fund Project No. NV39S001-50109

Grant funds approved	\$	1,279,197
Grant funds received from HUD		<u>1,279,197</u>
Grant funds receivable	\$	<u> -</u>
Grant fund expended	\$	1,279,197
Grant funds received from HUD		<u>1,279,197</u>
Unexpended grant funds	\$	<u> -</u>

The accompanying Independent Auditors' Report and notes are an integral part of this statement

**HOUSING AUTHORITY OF THE CITY OF RENO
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2011**

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
July 1, 2009	-	\$1,885,791	0.00%	\$ 1,885,791	\$2,849,936	65.12%
July 1, 2010	-	\$1,885,532	0.00%	\$1,885,532	\$2,774,087	67.97%
July 1, 2011	-	\$1,922,683	0.00%	\$1,922,683	\$3,211,162	59.88%