

**HOUSING AUTHORITY OF THE CITY OF RENO
LETTER TO THOSE CHARGED WITH GOVERNANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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October 11, 2013

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

We have audited the financial position of the Housing Authority of the City of Reno as of and for the year ended June 30, 2013, and have issued our report thereon dated October 11, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material aspects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Housing Authority of the City of Reno. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Housing Authority of the City of Reno's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

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2. Other Information in Documents Containing Audited Financial Statements and Electronic Dissemination of Audited Financial Statements

Our responsibility for other information in documents containing the Housing Authority of the City of Reno's financial statements and our auditor's report does not extend beyond the financial information identified in the report. We do not have an obligation to perform any procedures to corroborate other information contained in such other documents.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information in any such sites or to consider the consistency of other information in the electronic site with the original documents.

3. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the Executive Director in our discussions about planning matters. Our understanding is that the Housing Authority's Executive Director has the responsibility for coordinating the audit process with my firm and for communicating to you significant audit matters.

4. Significant Audit Findings

A. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Housing Authority of the City of Reno are described in Note One to the financial statements.

B. Changes in Accounting Policies

As described in Note 2.D. to the financial statements during fiscal year 2013 the Authority adopted Governmental Accounting Standards Statements (GASB Statements) Numbers 62, 63 and 65. The adoption of these new statements did not have a significant financial reporting impact on the Authority during fiscal year 2013.

C. Significant and Unusual Transactions

No significant unusual transactions were noted during our audit.

D. Transactions Having a Lack of Authoritative Guidance

We noted no significant transactions entered into by the Housing Authority of the City of Reno during the 2013 fiscal year for which there is a lack of authoritative guidance.

E. Accounting Estimates

Accounting estimates are an integral part of financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimate affecting the financial statements was management's estimate of depreciation expense which estimates were based upon subsidiary schedules of capital assets and depreciation calculations using the straight-line method of depreciation. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relationship to the financial statements taken as a whole.

F. Sensitive and Unusual Financial Statement Disclosures

The disclosures in the financial statements are intended to be neutral, consistent and clear. Certain sensitive and unusual financial statement disclosures may be particularly sensitive because of their significance to financial statement users. We noted no sensitive and unusual financial statement disclosures in the June 30, 2013 financial statements.

5. Difficulties Encountered in Performing the Audit

We experienced no significant difficulties in dealing with management in performing and completing our audit.

6. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit other than those that are trivial, and communicate them to the appropriate level of management. There were no significant misstatements noted during our audit for the fiscal year ended June 30, 2013.

7. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of the audit.

8. Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 11, 2013.

9. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves the application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those financial statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

10. Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

11. Audit Issues

The Authority's accounting department is currently staffed by the Director of Administration, one accounting specialist and two accounting clerks. The department is managed by the Director of Administration. During the performance of our audit we found that none of the department's accounting specialists or accounting clerks had been trained or were knowledgeable in many of the daily, monthly, or annual tasks and procedures required to be performed by the Director of Administration. Therefore, if a situation were to occur where the Director of Administration had to be absent for a lengthy period or were to immediately terminate from the Authority there is no one trained to assume or perform some of the duties currently being performed by the Director of Administration.

During our fieldwork we also found that due to the numerous new accounting functions, procedures and standards required by the U.S. Department of Housing and Urban Development (HUD) and the Governmental Accounting Standards Board (GASB) the workload for the Director of Administration has increased significantly over the past few fiscal years. These increased duties and functions have also increased the possibility of the recently revised and increased required accounting procedures and functions not being performed properly or in a timely manner.

We believe that the Authority's system of internal accounting controls would be significantly improved if an additional position were added to the accounting department. The individual filling this position should be thoroughly experienced and knowledgeable in all aspects of governmental accounting. The individual should directly support the Director of Administration and be trained to perform all duties and functions currently being performed by the Director of Administration. We feel that having an individual experienced in all aspects of governmental accounting and knowledgeable in the duties and functions of the Director of Administration would greatly improve the Authority's internal controls on an on-going basis and would prove invaluable in the event of a lengthy illness or departure from service by the Director of Administration.

This information is intended solely for the use of the Board of Commissioners of the Housing Authority of the City of Reno and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely yours,

Wallace Rowe & Associates

Wallace Rowe & Associates

**HOUSING AUTHORITY
OF THE CITY OF RENO
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013
(Including Auditors' Report Thereon)**

**HOUSING AUTHORITY OF THE CITY OF RENO
ANNUAL FINANCIAL REPORT
JUNE 30, 2013**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Enterprise Fund Financial Statements:	
Statement of Net Position - Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Notes to the Financial Statements	12
Supplemental Information:	
Schedule of Expenditures of Federal Awards	27
Other Post-Employment Benefits Plan Schedule of Funding Progress	28
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	29
Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	31
Status of Prior Audit Findings	33
Schedule of Findings and Questioned Costs	34
Financial Data Schedule	35

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to be required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basis financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was performed 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 Schedule of Expenditures of Federal Awards on page 27 is 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 is not a required part of the basic financial statements. The accompanying Schedule of Funding Progress for OPEB on page 28 and the Financial Data Schedule on pages 35 through 39 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the Schedule of Funding Progress for OPEB, and the Financial Data Schedule are the responsibility of management and were derived and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the Schedule of Expenditures of Federal Awards, the Schedule of Funding Progress for OPEB, and the Financial Data Schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2013 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 financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Reno, Nevada's internal control over financial reporting and compliance.

Wallace Row + Associates

Pleasant Hill, California
October 11, 2013

**HOUSING AUTHORITY OF THE CITY OF RENO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013.

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

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$53,357,462. Of that amount \$14,934,571 is considered unrestricted net position and may be used to meet the Authority's ongoing obligations.
- Net position of the Authority decreased by \$1,024,873. The change reflects a net decrease of restricted net position of \$686,722, a decrease of unrestricted net position of \$244,484, and a decrease in net investment in capital assets of \$93,667.
- Revenues from all programs of \$50,361,244 consisted of HUD grants and subsidies of \$44,747,361, and rental, interest and other income of \$5,518,518, and transfer in of the net position of the former Yorkshire Terrace Limited Partnership of \$95,365. This represents a decrease in revenues from fiscal year 2012 of \$5,164,332.
- Total expenses for all programs for fiscal year 2013 were \$51,386,117. This represents a decrease in expenses of \$619,657 from the total fiscal year 2012 expenses of \$52,005,774.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which are comprised of the Proprietary Funds - Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows

Government-wide Financial Statements

The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities. These two statements report the net position of the Authority and changes in net position. The Authority's net position, (the difference between assets and liabilities), is one way to measure financial health or financial position of the Authority. Over time, increases or decreases in the Authority's net position is one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation, should be taken into consideration to determine the overall financial condition of the Authority.

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 Position 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 Position. 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 grant revenues, 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.

As previously stated, enterprise funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of the enterprise funds are included on the statement of net position. The focus of enterprise funds is on income measurement, which together with the maintenance of equity, is an important financial indicator.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Authority's schedule of expenditures of federal awards, schedule of completed capital fund projects, the schedule of funding progress for the employees; retirement plan and other postemployment benefits.

The Authority's 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 landlord Housing Assistance Payments. 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, 2013.

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.

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

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 Grants / Economic Development Initiative - The Economic Development Initiative Special Project Grant is a program to carry out projects to redevelop abandoned, idled or underutilized real property.

Net Position

A summary of the Authority's Statements of Net Position is presented in Table 1. As can be seen from Table 1, the net position decreased \$1,204,873 to \$53,357,462 in Fiscal 2013 down from \$54,382,335 in fiscal 2012.

TABLE 1
Condensed Statements of Net Position

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Total % Change</u>
ASSETS				
Current assets	\$ 17,450,857	\$ 18,371,727	\$ (920,870)	(5.0)%
Other noncurrent assets	934,041	603,160	330,881	54.9
Capital assets	<u>41,680,553</u>	<u>40,679,266</u>	<u>1,001,287</u>	<u>2.5</u>
Total Assets	<u>\$ 60,065,451</u>	<u>\$ 59,654,153</u>	<u>\$ 411,298</u>	<u>0.7%</u>
LIABILITIES				
Current liabilities	\$ 1,449,933	\$ 1,071,340	\$ 378,593	35.3
Noncurrent liabilities	<u>5,258,056</u>	<u>4,200,478</u>	<u>1,057,578</u>	<u>25.2</u>
Total Liabilities	<u>6,707,989</u>	<u>5,271,818</u>	<u>1,436,171</u>	<u>27.2</u>
NET POSITION				
Net investment in capital assets	37,021,599	37,115,266	(93,667)	(0.3)%
Restricted net position	1,401,292	2,088,014	(686,722)	(32.9)
Unrestricted net position	<u>14,934,571</u>	<u>15,179,055</u>	<u>(244,484)</u>	<u>(1.6)</u>
Total Net Position	<u>\$ 53,357,462</u>	<u>\$ 54,382,335</u>	<u>\$ (1,024,873)</u>	<u>(1.9)%</u>

For more detailed information concerning fiscal year 2013 see page 9 of the Statement of Net Position.

The following schedule compares the revenues and expenses for the current and previous fiscal years. The Authority is only engaged in business-type activities.

TABLE 2
Statement of Revenues, Expenses, and
Changes in Net Position
For the Year Ended June 30, 2013

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Total % Change</u>
<u>Revenues</u>				
Grants	\$ 44,747,361	\$ 50,751,222	\$ (6,003,861)	(11.8)%
Rental income	4,977,148	4,198,906	778,242	18.5
Interest income	44,414	62,744	(18,330)	(29.2)
Transfers in	95,365	-	95,365	
Other income	<u>496,956</u>	<u>512,704</u>	<u>(15,748)</u>	<u>(3.1)</u>
Total Revenues	<u>50,361,244</u>	<u>55,525,576</u>	<u>(5,164,332)</u>	<u>(9.3)%</u>
<u>Expenses</u>				
Administrative	5,547,874	4,795,713	752,161	15.7
Utilities	896,631	851,316	45,315	5.3
Maintenance	2,535,539	2,747,674	(212,135)	(7.7)
Tenant services	429,941	385,872	44,069	11.4
Housing assistance payments	38,007,898	39,403,520	(1,395,622)	(3.5)
General	526,613	598,137	(71,524)	(12.0)
Interest expense	232,618	184,982	47,636	25.8
Loss on sale of assets held for resale	803,112	884,888	(81,776)	(9.2)
Loss on investment in partnerships	23,165	-	23,165	
Loss on sale of capital assets	224,155	420,769	(196,614)	(46.7)
Depreciation and amortization	<u>2,158,571</u>	<u>1,732,903</u>	<u>425,668</u>	<u>24.6</u>
Total Expenses	<u>51,386,117</u>	<u>52,005,774</u>	<u>(619,657)</u>	<u>(1.2)</u>
Increase (Decrease) in Net Position	<u>\$ (1,024,873)</u>	<u>\$ 3,519,802</u>	<u>\$ 4,544,675</u>	<u>(129.1)</u>

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

This year the Authority experienced a decrease in revenues of \$5,164,332 from \$55,525,576 in 2012 to \$50,361,244 in 2013. This decrease is predominantly in Governmental Grants for the Neighborhood Stabilization Program and Housing Choice Voucher Program. Expenditures decreased from \$52,005,774 in 2012 to \$51,386,117 in 2013. The housing assistance payments expense shows the greatest decrease in expenses with a decrease \$1,395,622 during 2013 versus 2012.

Capital Assets and Debt Administration

Capital Assets

As of year end, the Authority had \$41,680,553 invested in net capital assets as reflected in the following schedule, which represents a net increase of \$1,001,287 from the 2012 balance.

TABLE 3

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Total % Change</u>
Land	\$ 9,647,038	\$ 9,042,829	\$ 604,209	6.7%
Buildings	31,743,240	31,324,797	418,443	1.3
Furniture and equipment	<u>290,275</u>	<u>311,640</u>	<u>(21,365)</u>	<u>(6.9)</u>
Net capital assets	<u>\$ 41,680,553</u>	<u>\$ 40,679,266</u>	<u>\$ 1,001,287</u>	<u>2.5%</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.

Request for information

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Mr. C. James Caufield, CPA, Director of Administration, Housing Authority of the City of Reno, 1525 E. Ninth Street, Reno, NV 89512, telephone number (775) 329-3630.

HOUSING AUTHORITY OF THE CITY OF RENO
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
JUNE 30, 2013

	<u>Enterprise Housing Fund</u>
ASSETS	
Current Assets:	
Cash and investments (Note 3)	\$ 15,994,082
Due from other governments	621,098
Tenant accounts receivable (net of allowance for doubtful accounts)	11,975
Accounts receivable - other	32,440
Prepaid expenses	36,048
Assets held for resale *	680,114
Inventory	75,100
Total current assets	<u>17,450,857</u>
Noncurrent Assets:	
Notes receivable	896,935
Bond issuance costs, net of accumulated amortization of (14,773)	37,106
Capital assets, net of accumulated depreciation* of \$41,622,906 (Note 4)	<u>41,680,553</u>
Total noncurrent assets	<u>42,614,594</u>
Total assets	60,065,451
DEFERRED OUTFLOWS OF RESOURCES	
Total assets and deferred outflow of resources	<u>\$ 60,065,451</u>
LIABILITIES	
Current Liabilities:	
Accounts payable-vendors	\$ 525,397
Due to other agencies	141,897
Tenant security deposits	369,231
Accrued payroll	103,894
Interest payable	2,966
Prepaid rent	43,089
Notes payable - current (Note 5)	222,211
Compensated absences (Note 6)	41,248
Total current liabilities	<u>1,449,933</u>
Noncurrent Liabilities:	
OPEB Obligation (Note 9)	235,156
Compensated absences (Note 6)	371,240
Notes payable (Note 5)	4,436,743
Other noncurrent liabilities	214,917
Total noncurrent liabilities	<u>5,258,056</u>
Total liabilities	6,707,989
DEFERRED INFLOWS OF RESOURCES	
Total liabilities and deferred inflows of resources	<u>6,707,989</u>
NET POSITION	
Net investment in capital assets	37,021,599
Restricted -	1,401,292
Unrestricted -	14,934,571
Total net position	<u>\$ 53,357,462</u>

The accompanying notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE CITY OF RENO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION -
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Enterprise Housing Fund</u>
<u>Operating Revenues</u>	
Rental income	\$ 4,977,148
Other	<u>496,956</u>
Total operating revenues	<u>5,474,104</u>
 <u>Operating Expenses</u>	
Administrative	5,547,874
Utilities	896,631
Maintenance	2,535,539
Tenant services	429,941
General	526,613
Housing assistance payments	38,007,898
Loss on sale of assets held for resale	803,112
Loss on investment in partnerships	23,165
Depreciation and amortization	<u>2,158,571</u>
Total operating expenditures	<u>50,929,344</u>
Operating income (loss)	<u>(45,455,240)</u>
 <u>Non-Operating Revenues (Expenses)</u>	
Grants	44,747,361
Investment income	44,414
Loss on sale of capital assets	(224,155)
Interest expense	<u>(232,618)</u>
Total non-operating revenue (loss)	<u>44,335,002</u>
Income (loss) before contributions and transfers	(1,120,238)
Transfers in (Note 7)	<u>95,365</u>
Change in net position	(1,024,873)
Net assets, beginning of year	<u>54,382,335</u>
Total net assets, ending	<u>\$ 53,357,462</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, 2013**

	<u>Enterprise Housing Fund</u>
<u>Cash flows from operating activities:</u>	
Cash received from rents	\$ 4,969,077
Cash received from assets held for resale	2,340,202
Other cash receipts	472,898
Purchases of assets held for resale	(2,098,411)
Cash payments to employees for services	(3,405,222)
Cash payments to suppliers for goods and services	(6,104,863)
Cash payments to landlords	<u>(38,007,898)</u>
Net cash provided (used) in operating activities	<u>(41,834,217)</u>
<u>Cash flows from noncapital financing activities:</u>	
Grants	44,452,851
Transfers	95,365
Notes receivable amounts issued	<u>(901)</u>
Net cash provided (used) in noncapital and financing activities	<u>44,547,315</u>
<u>Cash flows from capital and related financing activities:</u>	
Acquisition of fixed assets	(2,005,446)
Principal paid on capital debt	(352,982)
Interest paid on capital debt	<u>(233,918)</u>
Net cash (used) by capital and related financing activities	<u>(2,592,346)</u>
<u>Cash flows from investing activities:</u>	
Interest received	<u>44,414</u>
Net cash provided by investing activities	<u>44,414</u>
Net increase (decrease) in cash	165,166
Cash at beginning of year	<u>15,828,916</u>
Cash at end of year	<u>\$ 15,994,082</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>	
Operating income (loss)	\$ (45,455,240)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	2,158,571
Loss on sale of assets held for resale	803,112
Loss on investments in partnerships	23,165
Changes in assets and liabilities:	
Increase in tenants' accounts receivable	(8,071)
Increase in other accounts receivables	(24,208)
Decrease in prepaid expenses	3,867
Decrease in assets for resale	241,791
Decrease in investments in partnerships	67,566
Decrease in notes receivable	6,875
Increase in accounts payable	276,851
Increase in amounts due other governments	9,468
Decrease in compensated absences	(20,253)
Increase in other liabilities	<u>82,289</u>
Net cash provided (used) in operating activities	<u>\$ (41,834,217)</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 accompanying financial statements as blended component units of the Authority.

At June 30, 2013 the Authority was administering the following programs which consisted of 7,147 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	2,519
Veterans Affairs Special Vouchers	160
Special Allocations	<u>3,218</u>
	<u>5,924</u>
<u>Other Rental Programs:</u>	
Business Activities	336
Neighborhood Stabilization Programs I and II	107
Economic Development Initiative – Special Projects	10
Dollar Home Sales	<u>20</u>
	<u>473</u>
 Total low and moderate income housing units being administered	 <u><u>7,147</u></u>

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund financial Statements

The government-wide financial statements (i.e. the Statement of Net Position; the Statement of Revenues, Expenses, and changes in Net Position; and the Statement of Cash Flows) report the financial information of the Authority's operation as a whole.

For financial reporting purposes, the Authority reports all of its operations as a single business type activity in a single enterprise housing fund. Therefore, for the Authority the government-wide and fund financial statements are the same. These basic financial statements are presented in accordance with the standards established by the Governmental accounting Standards Board (GASB).

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured; basic of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basic of accounting relate to the timing of the measurement made, regardless of the measurement focus applied.

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. Nonexchange transactions are those in which the Authority receives value without directly giving equal value in exchange. These transactions include revenues from federal, state, and local assistance programs. Om these sources are recognized in the fiscal year in which all eligibility requirements have been met.

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

The Authority applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989 in accounting and reporting for its proprietary operations and it has implemented in fiscal year 2013 GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

Note 2 (continued)

C. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows all highly liquid cash and investments with a maturity of three months or less when purchased and cash restricted by federal governmental requirements are considered cash and cash equivalents.

Cash and cash equivalents include amounts in demand deposits and savings accounts. All of the Authority's investments can be converted to cash in a relatively short amount of time. Therefore, all cash and investments and amounts of restricted cash are reported in the Statement of Cash Flows.

2. Restricted Assets

Restricted cash, cash equivalents, and investments, represent deposits that are used for replacement reserves, security deposit payable amounts to tenants, and amounts that are required by grants from HUD to be used only to provide housing assistance for individuals and families that meet various income, age, and employment standards.

3. Receivables

All receivables are reported at their gross value and are reduced by an allowance for doubtful accounts if such an amount is considered applicable.

4. Inventories and Prepaid Assets

All inventories are valued at cost using the first in/first out (FIGO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

5. Capital Assets

Capital assets which include, land, buildings, improvements, and furniture and equipment, are reported at historical costs. Contributed capital assets are recorded at fair value at the time received. Interest expense during any development periods is capitalized.

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 useful life of the related asset. The estimated useful lives of the various asset categories are as follows:

Buildings	30 years
Improvements	15 years
Furniture and equipment	5 to 10 years

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

Note 2 (continued)

6. Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay.

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.

7. Taxes

The Authority is exempt from Federal and State income taxes. The Authority is also exempt from property taxes but makes payments in lieu of taxes on its owned housing units.

8. Encumbrances

Encumbrance accounting is not employed by the Authority.

9. Net Position

Net position represents the differences between assets and liabilities. Net position consists of net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets, consists of capital assets, net of depreciation, reduced by outstanding balances of borrowings used for the construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

10 Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position includes separate sections for deferred outflows and inflows of resources. These separate sections represents a consumption or acquisition of net position that applies to future periods and will not be recognized as outflows (expenses) or inflows (revenues) until that time.