

**HOUSING AUTHORITY
OF THE CITY OF RENO
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012
(Including Auditors' Report Thereon)**

HOUSING AUTHORITY OF THE CITY OF RENO
ANNUAL FINANCIAL REPORT
JUNE 30, 2012

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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, 2012, 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, 2012, 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 25, 2012, 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 Powe & associates

October 25, 2012

**HOUSING AUTHORITY OF THE CITY OF RENO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

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, 2012.

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

Capital assets saw the largest increase in assets this year from \$75.4 million last year to \$80.2 million in 2012. This is a result of purchasing a number of properties for future rehabilitation. Long term debt decreased from \$3.74 million in 2011 to \$3.56 million in 2012, an overall decrease of \$.18 million. Overall assets have increased by \$3.4 million over last year's \$56.2 million. Liabilities last year were \$5.32 million and this year they have decreased to \$5.27 million.

The total expenses for all Authority programs increased by \$2.7 million or 5.5%. Total expenses were \$49.3 million and \$52.0 million for fiscal years 2011 and 2012 respectively. The primary area of increase was in housing assistance payments expense. Total revenue was \$60.25 million and \$55.52 million for fiscal years 2011 and 2012 respectively. The greatest decrease 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, 2012
(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, 2012.

**HOUSING AUTHORITY OF THE CITY OF RENO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012
(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.

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.

**HOUSING AUTHORITY OF THE CITY OF RENO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012
(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 \$3.5 million to \$54.4 million in Fiscal 2012 up from \$50.9 million in fiscal 2011.

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

	<u>2012</u>	<u>2011</u>	<u>Dollar Change</u>	<u>Total % Change</u>
ASSETS				
Current and other assets	\$ 19.0	\$ 18.6	\$.4	2.2%
Capital assets	<u>40.7</u>	<u>37.6</u>	<u>3.1</u>	<u>8.2</u>
Total Assets	<u>\$ 59.7</u>	<u>\$ 56.2</u>	<u>\$ 3.5</u>	<u>6.2%</u>
LIABILITIES				
Current liabilities	\$ 1.1	\$ 0.9	\$ 0.2	22.2
Long-term liabilities	<u>4.2</u>	<u>4.4</u>	<u>(0.2)</u>	<u>(4.5)</u>
Total Liabilities	<u>5.3</u>	<u>5.3</u>	<u>(0.0)</u>	<u>(0.0)</u>
NET ASSETS				
Invested in capital assets, net of related debt	37.1	33.9	3.2	9.4%
Restricted net assets	2.1	2.4	(0.3)	(12.5)
Unrestricted net assets	<u>15.2</u>	<u>14.6</u>	<u>0.6</u>	<u>4.1</u>
Total Net Assets	<u>\$ 54.4</u>	<u>\$ 50.9</u>	<u>\$ 3.5</u>	<u>6.9%</u>

For more detailed information concerning fiscal year 2012 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 \$4.7 million over last year. This increase is due to the purchase of numerous foreclosed homes acquired under the Neighborhood Stabilization Program. Total assets increased by \$3.5 million and total net assets increased by \$3.5 million.

**HOUSING AUTHORITY OF THE CITY OF RENO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012
(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.

	2012	2011	Dollar Change	Total % Change
Revenues				
Tenant revenues – rents and other	\$ 4.2	\$ 3.9	\$.3	7.7%
Governmental subsidies and grants	50.7	56.1	(5.4)	(9.6)
Other revenues	<u>0.6</u>	<u>0.3</u>	<u>.3</u>	<u>100.0</u>
Total Revenues	<u>55.5</u>	<u>60.3</u>	<u>(4.8)</u>	<u>(8.0)</u>
Expenses				
Administrative	4.8	5.2	(0.4)	(7.7)
Tenant services	0.4	0.4	-	-
Utilities	0.9	0.9	-	-
Maintenance	2.7	2.4	0.3	12.5
Other expenses	2.1	1.0	1.1	110.0
Housing assistance payments	39.4	37.8	1.6	4.2
Depreciation	<u>1.7</u>	<u>1.6</u>	<u>0.1</u>	<u>30.8</u>
Total Expenses	<u>52.0</u>	<u>49.3</u>	<u>2.7</u>	<u>5.5</u>
Net Increase (Decrease) In Net Assets	<u>\$ 3.5</u>	<u>\$ 11.0</u>	<u>\$ (7.5)</u>	<u>(68.2)%</u>

**HOUSING AUTHORITY OF THE CITY OF RENO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012
(Continued)**

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

This year we experienced a decrease in revenues of \$4.8 million from \$60.3 million in 2011 to \$55.5 million in 2012. This decrease is predominantly in the Governmental Subsidies and Grants area for the Neighborhood Stabilization Program. Expenditures rose from \$49.3 million in 2011 to \$52.0 million in 2012. The housing assistance payments expense shows the greatest increase in expenses. With an increase in housing assistance payments expense of \$1.6 million.

Capital Assets and Debt Administration

Capital Assets

As of year end, the Authority had \$40.68 million invested in a variety of net capital assets as reflected in the following schedule, which represents a net increase of \$3,082,638 from the end of last year.

**TABLE 3
Capital Assets**

	6/30/2012	6/30/2011
Land	\$ 9,042,829	\$ 8,446,387
Buildings	70,287,008	66,146,559
Equipment - furniture, equipment	821,694	827,788
Accumulated Depreciation	(39,472,265)	(37,824,106)
Total	<u>\$ 40,679,266</u>	<u>\$ 37,596,628</u>

**HOUSING AUTHORITY OF THE CITY OF RENO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012
(Continued)**

Debt Outstanding

As of year-end, the Authority had \$3,564,000 in bonds outstanding compared to \$3,737,000 last year, a \$173,000 net decrease:

Outstanding Debt, at Year-End

	Totals	
	2012	2011
Long-term portion	\$ 3,384,000	\$ 3,564,000
Current portion	<u>180,000</u>	<u>173,000</u>
Total	<u>\$ 3,564,000</u>	<u>\$ 3,737,000</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, 2012**

	<u>Enterprise Fund</u> <u>Housing</u>
<u>ASSETS</u>	
Current Assets:	
Cash and investments (Note 3)	\$ 15,828,916
Due from other governments	326,588
Tenant accounts receivable (net of allowance for doubtful accounts)	3,904
Accounts receivable - other	8,232
Prepaid expenses	34,764
Notes receivable – current	901
Assets held for resale	2,096,422
Inventory	72,000
Total current assets	18,371,727
Noncurrent Assets:	
Notes receivable	512,008
Investment in partnerships (Note 4)	57,799
Bond issuance costs	33,353
Capital assets, net of accumulated depreciation of \$39,472,265 (Note 5)	40,679,266
Total noncurrent assets	41,282,426
Total assets	\$ 59,654,153
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable-vendors	\$ 232,633
Due to other agencies	132,429
Tenant security deposits	328,655
Accrued payroll	104,971
Deferred revenue	49,379
Notes payable - current (Note 6)	180,000
Compensated absences	43,273
Total current liabilities	1,071,340
Noncurrent Liabilities:	
Restricted – escrow accounts	222,603
OPEB Obligation (Note 9)	204,407
Compensated absences	389,468
Notes payable (Note 6)	3,384,000
Total noncurrent liabilities	4,200,478
Total liabilities	5,271,818
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	37,115,266
Restricted	2,088,014
Unrestricted	15,179,055
Total net assets	\$ 54,382,335

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 ASSETS -
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Enterprise Fund</u> <u>Housing</u>
<u>Operating Revenues</u>	
Grants	\$ 44,481,977
Rental income	4,198,906
Other	<u>512,704</u>
Total operating revenues	<u>49,193,587</u>
 <u>Operating Expenses</u>	
Administration	4,795,713
Utilities	851,316
Maintenance	2,747,674
Tenant services	385,872
Loss on sale of assets held for resale	884,888
General	598,137
Housing assistance payments	39,403,520
Depreciation and amortization	<u>1,732,903</u>
Total operating expenditures	<u>51,400,023</u>
 Operating income (loss)	 <u>(2,206,436)</u>
 <u>Non-Operating Revenues (Expenses)</u>	
Loss on sale of capital assets	(420,769)
Investment income	62,744
Interest expense	<u>(184,982)</u>
 Total non-operating revenue (loss)	 <u>(543,007)</u>
 Income (loss) before capital contributions	 (2,749,443)
 Capital contributions	 <u>6,269,245</u>
 Change in net assets	 3,519,802
 Net assets, beginning of year	 <u>50,862,533</u>
 Total net assets, ending	 <u>\$ 54,382,335</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, 2012**

	<u>Enterprise Fund</u> <u>Housing</u>
<u>Cash flows from operating activities:</u>	
Cash received from operating grants	\$ 44,885,301
Cash received from rents	4,210,202
Cash received from assets held for resale	1,742,179
Other cash receipts	512,048
Purchases of assets held for resale	(3,259,238)
Cash payments to employees for services	(3,197,771)
Cash payments to suppliers and consultants	(6,061,529)
Cash payments to landlords	(39,403,520)
Net cash provided (used) in operating activities	<u>(572,328)</u>
<u>Cash flows from capital and related financing activities:</u>	
Capital grants	6,269,245
Acquisition of fixed assets	(5,980,608)
Sale of fixed assets	746,546
Principal paid on capital debt	(173,000)
Interest paid on capital debt	(184,982)
Net cash (used) by capital and related financing activities	<u>677,201</u>
<u>Cash flows from investing activities:</u>	
Interest received	<u>62,744</u>
Net cash provided by investing activities	<u>62,744</u>
Net increase (decrease) in cash	167,617
Cash at beginning of year	15,661,299
Cash at end of year	<u>\$ 15,828,916</u>
<u>Reconciliation of operating income (loss) to net cash</u>	
<u>provided (used) by operating activities:</u>	
Operating income (loss)	\$ (2,206,436)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	1,732,903
Changes in assets and liabilities:	
Decrease in accounts receivable	21,911
Decrease in due from other governments	403,324
Increase in prepaid expenses	(8,688)
Increase in assets for resale	(317,170)
Decrease in investments in partnerships	5,228
Increase in notes receivable	(326,272)
Decrease in accounts payable	(14,861)
Increase in amounts due other governments	2,821
Decrease in compensated absences	(63,515)
Increase in other liabilities	198,427
Net cash provided (used) in operating activities	<u>\$ (572,328)</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, 2012

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, 2012 the Authority was administering the following programs which consisted of 6,990 units of low and moderate income housing:

	Number of Units
<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	34
	750
<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	3,218
	5,852
<u>Other Rental Programs:</u>	
Business Activities	284
Neighborhood Stabilization Programs I and II	78
Economic Development Initiative – Special Projects	10
Dollar Home Sales	16
	388
Total low and moderate income housing units being administered	6,990

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(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 2012.

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, 2012
(Continued)

Note 2 (continued)

The Authority has elected under GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America for governmental units. The Authority has elected not to follow subsequent private-sector guidance of the Financial Accounting Standards Board after November 30, 1989.

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 funds activities are included on its Statement of Net Assets. The Proprietary Fund's Net Assets are segregated into amounts Invested in Capital Assets, net of related debt; Restricted Assets; and Unrestricted Assets.

C. Fixed Assets

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

Fixed 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, all items of expendable equipment paid for from funds provided for the development of projects, and amounts of capital funds received from HUD for the purpose of purchasing capital improvements to its low rent 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 for the first full year of service. The estimated useful lives of the various asset categories are as follows:

Buildings	30 years
Improvements	15 years
Equipment and vehicles	5 to 10 years

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(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, 2012
(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, 2012 are as follows:

Cash and cash equivalents	\$ 6,699,000
Bonds and treasury securities	<u>9,129,916</u>
Total cash and investments	<u>\$ 15,828,916</u>

The \$6,699,000 of cash and cash equivalents reflect \$5,355,480 maintained on deposit in banks, \$1,350 of petty cash, and \$1,342,170 in money market mutual funds. Of the amounts deposited into bank checking, savings and money market accounts \$697,695 is covered by federal deposit insurance. The remaining \$6,001,305, 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 \$9,129,916 of bonds and treasury securities 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
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JUNE 30, 2012
(Continued)

Note 3 (continued)

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>
Bonds and treasury securities	<u>\$ 9,129,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,129,916</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, 2012 for each Authority investment type as provided by Standard and Poor's. The following is a categorization of credit risk of the security investments.

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

The bonds and treasury securities are carried at fair value and are categorized as follows at June 30, 2012:

	<u>Category</u>		<u>Total</u>
	<u>1</u>	<u>2</u>	
Bonds	<u>\$ -</u>	<u>\$ 9,129,916</u>	<u>\$ 9,129,916</u>

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(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	\$ 5,355,480	\$ 5,730,352	\$ (374,872)	\$ 6,746,072

Note 4 - INVESTMENTS IN PARTNERSHIPS

Investments in partnerships at June 30, 2012 consist of the following:

Joint Venture – Silver Sage Court	\$ (9,617)
Yorkshire Terrace Limited Partnership	<u>67,416</u>
	<u>\$ 57,799</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, 2012, the Authority's investment is \$(9,617). The joint venture is accounted for on the equity basis of accounting. The Authority's share of the decrease in equity for the 2012 fiscal year was \$5,284.

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, 2012, the Authority's investment is \$67,416. The partnership is accounted for on the equity basis of accounting. The Authority's share of partnership net loss for the fiscal year 2012 was \$438.

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 5 - CAPITAL ASSETS

The following is a summary of the Authority's changes in capital assets for the fiscal year ended June 30, 2012:

	<u>Balance</u> 7/1/11	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance</u> 6/30/12
Land	\$ 8,446,387	\$ 795,707	\$ (199,265)	\$ 9,042,829
Buildings & improvements	66,146,559	5,132,273	(991,824)	70,287,008
Equipment	<u>827,788</u>	<u>76,033</u>	<u>(82,127)</u>	<u>821,694</u>
	<u>\$ 75,420,734</u>	<u>\$ 8,351,248</u>	<u>\$ 1,237,215</u>	80,151,531
Less accumulated depreciation				<u>(39,472,265)</u>
Capital assets, net				<u>\$ 40,679,266</u>

Note 6 - LONG-TERM DEBT

Following is a summary of changes in long-term debt for the year ended June 30, 2012:

	<u>Balance</u> 7/1/11	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 6/30/12
Revenue refunding bonds	\$ 3,737,000	\$ -	\$ 173,000	\$3,564,000
Compensated absences (Note 7)	<u>496,256</u>	<u>-</u>	<u>63,515</u>	<u>432,741</u>
	<u>\$ 4,233,256</u>	<u>\$ -</u>	<u>\$ 236,515</u>	<u>\$ 3,996,741</u>

Refunding bonds debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Required</u> <u>Payments</u>
2013	\$ 180,000	\$ 176,418	\$ 356,418
2014	188,000	167,508	355,508
2015	197,000	158,202	355,202
2016	207,500	148,450	355,950
2017	218,500	138,180	356,680
2018-2022	1,272,000	517,278	1,789,278
2023-2026	<u>1,301,000</u>	<u>165,776</u>	<u>1,466,776</u>
	<u>\$ 3,564,000</u>	<u>\$ 1,471,812</u>	<u>\$ 5,035,812</u>

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 6 (continued)

The following is a summary of outstanding refunding bonds at June 30, 2012:

	<u>Amount Issued</u>	<u>Amount Outstanding</u>
<u>Revenue Bonds</u> – 2012 series, refunding of Ala Moana Apartments revenue bonds	<u>\$ 4,368,000</u>	<u>\$ 3,564,000</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 \$432,741 as of June 30, 2012.

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 contributes to the Public Employees Retirement System of the State of Nevada, (PERS), a cost sharing, multiple employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada. PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation.

The Public Retirement System of the State of Nevada issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775)687-4200.