

**HOUSING AUTHORITY
OF THE CITY OF RENO
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010
(Including Auditors' Report Thereon)**

**HOUSING AUTHORITY OF THE CITY OF RENO
ANNUAL FINANCIAL REPORT
JUNE 30, 2010**

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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, 2010, 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, 2010, 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 November 30, 2010, 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.

**HOUSING AUTHORITY OF THE CITY OF RENO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010
(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, 2010

(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.

Neighborhood Stabilization Program – The Neighborhood Stabilization program is designed to stabilize neighborhoods through acquisition, rehabilitation, land banking, disposition, or demolition of abandoned and foreclosed residential property.

Economic Development Initiative – The 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, 2010
(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 \$6.3 million to \$39.9 million in Fiscal 2010 up from \$33.6 million in fiscal 2009.

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

	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Total % Change</u>
ASSETS				
Current and other assets	\$ 16.8	\$ 16.8	\$ -	-%
Capital assets	<u>29.8</u>	<u>23.5</u>	<u>6.3</u>	<u>26.8</u>
Total Assets	<u>\$ 46.6</u>	<u>\$ 40.3</u>	<u>\$ 6.3</u>	<u>15.6%</u>
LIABILITIES				
Short-term liabilities	\$ 1.5	\$ 1.3	\$ 0.2	15.4%
Long-term liabilities	<u>5.2</u>	<u>5.4</u>	<u>(0.2)</u>	<u>(3.7)</u>
Total Liabilities	<u>6.7</u>	<u>6.7</u>	<u>-</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	25.0	18.7	6.3	33.7
Restricted net assets	1.1	1.4	(0.3)	(21.4)
Unrestricted net assets	<u>13.8</u>	<u>13.5</u>	<u>0.3</u>	<u>2.2</u>
Total Net Assets	<u>\$ 39.9</u>	<u>\$ 33.6</u>	<u>\$ 6.3</u>	<u>18.8%</u>

For more detailed information concerning fiscal year 2010 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 \$6.3 million over last year. This dramatic increase is due to the purchase of numerous foreclosed homes under the Neighborhood Stabilizations Programs and the rehabilitation and modernization of Public Housing units using proceeds from the Capital Fund Recovery Grant. Total assets increased by \$6.3 million and total net assets also increased by \$6.3 million.

**HOUSING AUTHORITY OF THE CITY OF RENO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010
(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.

	2010	2009	Dollar Change	Total % Change
Revenues				
Tenant revenues – rents and other	\$ 3.6	\$ 3.6	\$ -	-%
Governmental subsidies and grants	50.5	42.5	8.0	18.8
Other revenues	<u>1.0</u>	<u>0.9</u>	<u>.1</u>	<u>11.1</u>
Total Revenues	<u>55.1</u>	<u>47.0</u>	<u>8.1</u>	<u>17.2</u>
Expenses				
Administrative	4.8	4.9	(0.1)	(2.0)
Tenant services	0.4	0.5	(0.1)	(20.0)
Utilities	0.9	0.8	.1	12.5
Maintenance	1.8	1.5	.3	20.0
General expenses	1.1	0.6	.5	83.3
Housing assistance payments	38.3	35.8	2.5	6.9
Depreciation	<u>1.5</u>	<u>1.7</u>	<u>(0.2)</u>	<u>(11.7)</u>
Total Expenses	<u>48.8</u>	<u>45.8</u>	<u>3.0</u>	<u>6.6</u>
Net Increase (Decrease)	<u>\$ 6.3</u>	<u>\$ 1.2</u>	<u>\$ 5.1</u>	<u>425.0%</u>

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

JUNE 30, 2010

(Continued)

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

This year we experienced an increase in revenues of \$8.1 million from \$47.0 million in 2009 to \$55.1 million in 2010. This increase is predominantly in the Governmental Subsidies and Grants area, specifically the Neighborhood Stabilization Program and the Capital Fund Recovery Grant. Expenditures rose from \$45.8 million in 2009 to \$48.8 million in 2010. The housing assistance payments area shows the greatest increase with \$2.5 million.

Capital Assets and Debt Administration

Capital Assets

As of year end, the Authority had \$29.8 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deletions and depreciation) of \$6,308,302 from the end of last year.

**TABLE 3
Capital Assets**

	<u>6/30/2010</u>	<u>6/30/2009</u>
Land and water rights	\$ 5,654,826	\$ 5,654,826
Buildings	53,524,328	49,530,288
Equipment - furniture, equipment	716,069	551,577
Construction in progress	5,320,033	2,480,955
Accumulated Depreciation	(36,269,556)	(34,756,618)
Total	<u>\$ 29,769,330</u>	<u>\$ 23,461,028</u>

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

**TABLE 4
Change in Capital Assets**

Beginning balance	\$ 23,461,028
Additions	7,821,240
Deletions	-
Depreciation	(1,512,938)
Ending balance	<u>\$ 29,769,330</u>

**HOUSING AUTHORITY OF THE CITY OF RENO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010
(Continued)**

Table 4 (Continued)

This year's major changes are:

<u>Capital Assets</u>	
Purchase and modernization completed on the Authority's public and private housing	\$ 6,997,610
Land	<u>823,630</u>
	<u>\$ 7,821,240</u>

Debt Outstanding

As of year-end, the Authority had \$4,704,420 in debt (bonds, notes, etc.) outstanding compared to \$4,932,688 last year, a \$228,268 net decrease:

Outstanding Debt, at Year-End

	Totals	
	2010	2009
Long-term portion	\$ 4,467,449	\$ 4,704,420
Current portion	<u>236,971</u>	<u>228,268</u>
Total	<u>\$ 4,704,420</u>	<u>\$ 4,932,688</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 avenues. With our existing financial resources we will pursue the purchase of additional land, development of existing land and/or purchase of existing housing stock.

Financial Contact

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

HOUSING AUTHORITY OF THE CITY OF RENO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	<u>Enterprise Fund</u> <u>Housing</u>
<u>ASSETS</u>	
Current Assets:	
Cash and investments (Note 3)	\$ 13,826,668
Restricted cash (Note 3)	1,829,278
Due from other governments	426,422
Tenant accounts receivable (net of allowance for doubtful accounts)	6,007
Accounts receivable - other	79,759
Prepaid expenses	12,618
Notes receivable - current	2,344
Assets held for resale	330,481
Inventory	72,000
Total current assets	16,585,577
Noncurrent Assets:	
Notes receivable	136,087
Investment in partnerships (Note 4)	79,714
Bond issuance costs	37,849
Capital assets, net of accumulated depreciation of \$36,269,556 (Note 5)	29,769,330
Total noncurrent assets	30,022,980
Total assets	\$ 46,608,557
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable-vendors	\$ 422,666
Due to other agencies	485,773
Tenant security deposits	239,268
Deferred revenue	21,164
Notes payable - current (Note 6)	236,971
Compensated absences	50,871
Total current liabilities	1,456,713
Noncurrent Liabilities:	
Restricted - escrow accounts	255,987
OPEB Obligation (Note 9)	113,932
Compensated absences	411,594
Notes payable (Note 6)	4,467,449
Total noncurrent liabilities	5,248,962
Total liabilities	6,705,675
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	25,064,910
Restricted	1,056,510
Unrestricted	13,781,462
Total net assets	\$ 39,902,882

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, 2010**

	<u>Enterprise Fund</u> <u>Housing</u>
<u>Operating Revenues</u>	
Grants	
Rental income	\$ 48,776,442
Other	3,636,454
Total operating revenues	<u>896,541</u> <u>53,309,437</u>
 <u>Operating Expenses</u>	
Administration	4,755,725
Utilities	901,853
Maintenance	1,810,709
Tenant services	358,773
General	337,711
Grant repayments to the City of Reno	648,417
Housing assistance payments	38,282,438
Depreciation and amortization	<u>1,515,187</u>
Total operating expenditures	<u>48,610,813</u>
Operating income (loss)	<u>4,698,624</u>
 <u>Non-Operating Revenues (Expenses)</u>	
Investment income	83,676
Interest expense	<u>(233,641)</u>
Total non-operating revenue (loss)	<u>(149,965)</u>
 Income (loss) before capital contributions	4,548,659
 Capital contributions	<u>1,742,279</u>
 Change in net assets	6,290,938
 Net assets, beginning of year	<u>33,611,944</u>
 Total net assets, ending	<u>\$ 39,902,882</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, 2010**

	<u>Enterprise Fund</u>
	<u>Housing</u>
<u>Cash flows from operating activities:</u>	
Cash received from operating grants	\$ 49,301,949
Cash received from rents	3,637,812
Other cash receipts	776,958
Cash payments to employees for services	(3,020,197)
Cash payments to suppliers and consultants	(5,711,349)
Cash payments to landlords	(38,282,438)
Net cash provided (used) in operating activities	6,702,735
<u>Cash flows from capital and related financing activities:</u>	
Capital grants	1,742,279
Acquisition of fixed assets	(7,821,240)
Principal paid on capital debt	(228,268)
Interest paid on capital debt	(233,641)
Net cash (used) by capital and related financing activities	(6,540,870)
<u>Cash flows from investing activities:</u>	
Interest received	83,676
Net cash provided by investing activities	83,676
Net increase (decrease) in cash	245,541
Cash at beginning of year	15,410,405
Cash at end of year	\$ 15,655,946
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>	
Operating income (loss)	\$ 4,698,624
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	1,515,187
Changes in assets and liabilities:	
Increase in accounts receivable	(11,620)
Decrease in due from other governments	525,507
Decrease in prepaid expenses	3,365
Increase in assets for resale	(153,312)
Decrease in investments in partnerships	9,868
Increase in notes receivable	(116,583)
Increase in accounts payable	102,743
Increase in amounts due other governments	73,227
Increase in compensated absences	27,814
Increase in other liabilities	27,915
Net cash provided by operating activities	\$ 6,702,735

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010 the Authority was administering the following programs which consisted of 6,861 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	34
	<u>750</u>
<u>Section 8 Housing Assistance Payments Programs:</u>	
Moderate Rehabilitation	5
Single Room Occupancy	22
Vouchers	2,492
Veterans Affairs Special Housing Vouchers	30
Special Allocations	3,218
	<u>5,767</u>
<u>Other Rental Programs:</u>	
Business Activities	291
Neighborhood Stabilization Programs I and II	35
Economic Development Initiative – Special Projects	6
Dollar Home Sales	12
	<u>344</u>
Total low and moderate income housing units being administered	<u><u>6,861</u></u>

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(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 Management's Discussion and Analysis for State and Local Governments*. GASB 34 requires that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and Statement of Activities display information about the primary government (the Authority). These statements include the financial activities of the overall Authority. These statements distinguish between the *governmental and business-type activities* of the Authority. Business-type activities are financed in whole or in part by fees charged to external parties. There were no governmental type activities for the Authority for fiscal year 2010.

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

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

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, 2010
(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 fund's 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, 2010
(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, 2010
(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, 2010 are as follows:

Cash and cash equivalents	\$ 7,049,634
Certificates of deposit	<u>8,606,312</u>
Total cash and investments	<u>\$ 15,655,946</u>

The \$7,049,634 of cash and cash equivalents reflect \$5,707,176 maintained on deposit in banks, \$1,200 of petty cash, and \$1,341,258 in money market mutual funds. Of the amounts deposited into bank checking, savings and money market accounts \$587,678 is covered by federal deposit insurance. The remaining \$6,461,756, 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 \$8,606,312 of certificates of deposit is 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, 2010
(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>
Certificates of deposit	<u>\$ 8,606,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,606,312</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, 2010 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 certificates of deposit are carried at fair value and are categorized as follows at June 30, 2010:

	<u>Category</u>		<u>Total</u>
	<u>1</u>	<u>2</u>	
Certificates of deposit	<u>\$ -</u>	<u>\$ 8,606,312</u>	<u>\$ 8,606,312</u>

HOUSING AUTHORITY OF THE CITY OF RENO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(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	\$ 5,707,176	\$ 5,738,879	\$ (31,703)	\$ 5,707,176

Note 4 - INVESTMENTS IN PARTNERSHIPS

Investments in partnerships at June 30, 2010 consist of the following:

Joint Venture – Silver Sage Court	\$ 11,086
Yorkshire Terrace Limited Partnership	<u>68,628</u>
	<u>\$ 79,714</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, 2010, the Authority's investment is \$11,086. The joint venture is accounted for on the equity basis of accounting. The Authority's share of the decrease in equity for the 2010 fiscal year was \$9,100.

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, 2010, the Authority's investment is \$68,628. The partnership is accounted for on the equity basis of accounting. The Authority's share of partnership net loss for the fiscal year 2010 was \$768.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(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, 2010:

	Balance <u>7/1/09</u>	Additions	Adjustments/ Deletions	Balance <u>6/30/10</u>
Land	\$ 5,654,826	\$ 823,630	\$ -	\$ 6,478,456
Buildings & improvements	52,011,243	6,975,708	(142,590)	58,844,361
Equipment	<u>551,577</u>	<u>21,902</u>	<u>142,590</u>	<u>716,069</u>
	<u>\$ 58,217,646</u>	<u>\$ 7,821,240</u>	<u>\$ -</u>	66,038,886
Less accumulated depreciation				<u>(36,269,556)</u>
Capital assets, net				<u>\$ 29,769,330</u>

Note 6 - LONG-TERM DEBT

Following is a summary of changes in long-term debt for the year ended June 30, 2010:

	Balance <u>7/1/09</u>	Additions	Deletions	Balance <u>6/30/10</u>
Revenue refunding bonds	\$ 4,065,000	\$ -	\$ (161,000)	\$ 3,904,000
Notes payable:				
Heath Family Trust	667,410	-	(55,565)	611,845
HOME Consortium	200,279	-	(11,704)	188,575
Compensated absences (Note 7)	<u>434,651</u>	<u>27,814</u>	<u>-</u>	<u>462,465</u>
	<u>\$ 5,367,340</u>	<u>\$ 27,814</u>	<u>\$ (228,269)</u>	<u>\$ 5,166,885</u>

Refunding bonds debt service requirements to maturity are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	Total Required <u>Payments</u>
2011	\$ 167,000	\$ 193,248	\$ 360,248
2012	173,000	184,982	357,982
2013	180,000	176,418	356,418
2014	188,000	167,508	355,508
2015	197,000	158,202	355,202
2016-2020	1,150,000	634,072	1,784,072
2021-2025	1,494,000	318,040	1,812,040
2026	<u>355,000</u>	<u>17,572</u>	<u>372,572</u>
	<u>\$ 3,904,000</u>	<u>\$ 1,850,042</u>	<u>\$ 5,754,042</u>

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

Note 6 (continued)

Notes payable debt service requirements to maturity are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	Total Required <u>Payments</u>
2011	\$ 69,971	\$ 29,866	\$ 99,837
2012	72,787	27,050	99,837
2013	75,714	24,123	99,837
2014	78,762	21,075	99,837
2015	81,935	17,902	99,837
2016-2020	371,044	45,929	416,973
2021-2025	50,207	2,668	52,875
	<u>\$ 800,420</u>	<u>\$ 168,613</u>	<u>\$ 969,033</u>

The following is a summary of outstanding refunding bonds and revenue notes:

	<u>Amount Issued</u>	<u>Amount Outstanding</u>
<u>Revenue Bonds</u> – 2010 series, refunding of Ala Moana Apartments revenue bonds	<u>\$ 4,368,000</u>	<u>\$ 3,904,000</u>
Total revenue bonds outstanding at June 30, 2010		<u>3,904,000</u>

Notes Payable:

Heath Family Trust for purchase of the Sarrazin Arms Apartments. Note matures 2019. Interest rate on the note is 4.15%	<u>\$ 1,350,000</u>	611,845
City of Reno note for the purchase of the Sarrazin Arms Apartments. Note matures 2022. Interest rate on the note is 3.00%	<u>\$ 300,000</u>	<u>188,575</u>
Total notes payable outstanding at June 30, 2010		<u>800,420</u>
Total bonds and notes payable at June 30, 2010		<u>\$ 4,704,420</u>

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(Continued)

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 1,500 hours. This leave will be used in future periods or partially 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 up to a maximum of 400 hours. Accrued vacation and sick leave have been valued by the Authority and have been recorded at \$462,465 as of June 30, 2010.

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

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.

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JUNE 30, 2010
(Continued)

Note 8 (continued)

Annual Pension cost:

For the fiscal year 2009/2010 the Authority's annual pension cost was \$616,144. The required contribution for fiscal year 2009/2010 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, 2007	\$ 478,067	100%	0
June 30, 2008	536,770	100%	0
June 30, 2009	531,290	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, 2010, the Authority had 21 retirees receiving benefits and 62 employees.