

**HOUSING AUTHORITY  
OF THE CITY OF RENO  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2014  
(Including Auditors' Report Thereon)**

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Reno, Nevada, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### 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, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Reno, Nevada, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## 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 9 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 basic 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 29 and the Financial Data Schedule on pages 30 through 44 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 March 20, 2015 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 Rowe + Associates*

Pleasant Hill, California  
March 20, 2015

**HOUSING AUTHORITY OF THE CITY OF RENO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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, 2014.

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 resulting in a net position of \$53,544,969 at June 30, 2014. Of that amount \$14,479,931 is considered unrestricted net position and may be used to meet the Authority's ongoing obligations.
- Total assets increased from \$60,065,451 at June 30, 2013 to \$60,087,355 at June 30, 2014 an increase of \$21,904 which was the net result of slight increase and decreases in the various assets accounts.
- During fiscal year 2014 net capital assets increased by \$390,579. This increase was the result of additions of \$3,570,304 and sales of previously owned capital assets of \$1,144,534, along with a net increase of accumulated depreciation \$2,035,191 associated with the remaining capital assets and the capital assets disposed of during the fiscal year.
- Total liabilities decreased from \$6,707,989 at June 30, 2013 to \$6,542,386 at June 30, 2014 a decrease of \$165,603 which was the net result of slight increases and decreases in the various liability accounts.
- Revenues for fiscal year 2014 from all programs totaling \$49,428,566 consisted of HUD grants and subsidies of \$43,560,819, and rental, interest and other income of \$5,867,747. This represents a decrease in revenues from fiscal year 2013 of \$932,678.
- Total expenses for all programs for fiscal year 2014 were \$49,241,059. This represents a decrease in expenses of \$2,145,058 from the total fiscal year 2013 expenses of \$51,386,117.

**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.

**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, 2014**

	<u>Enterprise Housing Fund</u>
<u>Operating Revenues</u>	
Grants	\$ 43,467,607
Rental income	5,124,777
Other	<u>803,868</u>
Total operating revenues	<u>49,396,252</u>
 <u>Operating Expenses</u>	
Administrative	5,789,364
Utilities	878,044
Maintenance	2,674,874
Tenant services	595,366
General	447,274
Housing assistance payments	36,012,151
Loss on sale of assets held for resale	243,993
Loss on investments in partnerships	8,204
Depreciation and amortization	<u>2,157,050</u>
Total operating expenditures	<u>48,806,320</u>
Operating income (loss)	<u>589,932</u>
 <u>Non-Operating Revenues (Expenses)</u>	
Investment income	32,314
Loss on sale of capital assets	(203,026)
Interest expense	<u>(231,713)</u>
Total non-operating revenue (loss)	<u>(402,425)</u>
Change in net position	187,507
Net position, beginning of year	<u>53,357,462</u>
Total net position, ending	<u>\$ 53,544,969</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, 2014**

	<u>Enterprise Housing Fund</u>
<u>Cash flows from operating activities:</u>	
Cash received from grants	\$ 43,714,795
Cash received from rents	5,205,870
Cash received from assets held for resale	477,088
Other cash receipts	595,289
Cash payments to employees for services	(3,478,986)
Cash payments to suppliers for goods and services	(6,932,785)
Cash payments to landlords	<u>(36,012,151)</u>
Net cash provided (used) in operating activities	<u>3,569,120</u>
 <u>Cash flows from capital and related financing activities:</u>	
Proceeds from sale of capital assets	850,754
Acquisition of capital assets	(3,570,304)
Principal paid on capital debt	(215,096)
Interest paid on capital debt	<u>(231,715)</u>
Net cash (used) by capital and related financing activities	<u>(3,166,361)</u>
 <u>Cash flows from investing activities:</u>	
Interest received	<u>32,314</u>
Net cash provided by investing activities	<u>32,314</u>
Net increase (decrease) in cash	435,073
Cash at beginning of year	<u>15,994,082</u>
Cash at end of year	<u>\$ 16,429,155</u>
 <u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>	
Operating income (loss)	\$ 589,932
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	2,157,050
Changes in assets and liabilities:	
Decrease in accounts receivable other governments	153,976
Decrease in tenants' accounts receivable	9,493
Increase in other receivables	(91,978)
Decrease in prepaid expenses	21,038
Decrease in assets for resale	680,114
Increase in accounts payable	42,146
Increase in amounts due other governments	14,549
Decrease in compensated absences	(49,576)
Increase in OPEB payable	48,543
Decrease in other liabilities	<u>(6,167)</u>
Net cash provided (used) in operating activities	<u>\$ 3,569,120</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, 2014**

**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.

Effective July 1, 2013 the Authority began participating in HUD's Moving to Work (MTW) Demonstration Program. The Moving to Work program primarily consists of grant funding and expenditures that were received and incurred under the Authority's previous Housing Choice Voucher Program, the Public and Indian Housing Program, the Capital Fund Program. The program provides the Authority greater flexibility in combining its HUD funding among the Authority's administrative, capital, and development activities. The MTW Program also exempts the Authority from many previous required regulations and reporting requirements.

At June 30, 2014 the Authority was administering the following programs which consisted of 7,151 units of low and moderate income housing:

	Number of Units
Moving to Work Program:	
Housing Complexes:	
Mineral Manor	144
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
Vouchers	2,519
Total units administered under the Moving to Work Program	3,270
<u>Other Administered Programs:</u>	
Moderate Rehabilitation and Single Room Occupancy	27
Veterans Affairs Special Vouchers	205
Special Allocations	3,182
Business Activities	331
Neighborhood Stabilization Programs I and II	104
Economic Development Initiative – Special Projects	11
Dollar Home Sales	21
Total units administered under other programs	3,881
Total units administered at June 30, 2014	7,151

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(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. Revenues from 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.

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(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 (FIFO) 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, 2014**  
**(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.

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 2 (continued)**

**D. Estimates**

Management of the Authority has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare the financial statements. Actual results may differ from those estimates.

**E. Budgets and Budgetary Accounting**

Each year the Authority's Board of Commissioners adopts an operating budget. This budget may be revised during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of adoption of the annual budget by the Authority's Board of Commissioners.

**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.

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 3 (continued)**

**B. Classification**

Cash and money market mutual funds 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, 2014 are as follows:

Cash and cash equivalents	\$	5,021,754
Money Market Mutual Funds		369,731
Certificates of Deposit		9,943,472
Treasury securities		<u>1,094,198</u>
Total cash and investments	\$	<u>16,429,155</u>

The \$5,021,754 of cash and cash equivalents consists of \$5,020,229 maintained on deposit in banks and \$1,525 of petty cash. Of the amounts deposited into bank checking and savings, \$603,217 is covered by federal deposit insurance. The remaining \$4,417,012, 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 \$9,943,472 of amounts maintained in Certificates of deposit are also covered by federal deposit insurance.

The \$1,463,929 of money market mutual funds and treasury securities are carried at fair value.

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

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Authority's investments 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>
Money market mutual funds and treasury securities	\$ 1,463,929	\$ -	\$ -	\$ 1,463,929

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 3 (continued)**

**D. Disclosures of 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. The actual rating as of June 30, 2014 for each Authority investment type is provided by Standard and Poor's.

**E. Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Nevada Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits: The Nevada Government Code requires Nevada banks and savings and loan associations to secure the Authority's deposits not covered by federal deposit insurance by pledging mortgages or government securities as collateral. The market value of mortgages must equal at least 150% of the face value of deposits. The market value of government securities must equal at least 110% of the face value of deposits. Such collateral must be held in the pledging bank's trust department in a separate depository in an account for the Authority.

**Note 4 - CAPITAL ASSETS**

The following is a summary of the Authority's changes in capital assets for the fiscal year ended June 30, 2014:

	Balance 6/30/13	Additions	Adjustments/ Deletions	Balance 6/30/14
Land	\$ 9,647,038	\$ 243,065	\$ (250,808)	\$ 9,639,295
Buildings & improvements	72,800,521	3,306,037	(874,077)	75,232,481
Equipment	<u>855,900</u>	<u>21,202</u>	<u>(19,649)</u>	<u>857,453</u>
	<u>83,303,459</u>	<u>3,570,304</u>	<u>(1,144,534)</u>	<u>85,729,229</u>
Less accumulated Depreciation:				
Buildings & Improvements	(41,057,281)	(2,071,791)	72,625	(43,056,447)
Equipment	<u>(565,625)</u>	<u>(54,154)</u>	<u>18,129</u>	<u>(601,650)</u>
Total accumulated Depreciation	<u>(41,622,906)</u>	<u>(2,125,945)</u>	<u>90,754</u>	<u>(43,658,097)</u>
Capital assets, net	<u>\$ 41,680,553</u>	<u>\$ 1,444,359</u>	<u>\$ (1,053,780)</u>	<u>\$ 42,071,132</u>

**HOUSING AUTHORITY OF THE CITY OF RENO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 5 - LONG-TERM DEBT**

Following is a summary of changes in long-term debt for the year ended June 30, 2014:

	Balance <u>6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/14</u>
Revenue refunding bonds	\$ 3,384,000	\$ -	\$ (188,000)	\$ 3,196,000
Notes Payable	1,274,954	-	(27,096)	1,247,858
Compensated absences	412,488	-	(49,576)	362,912
	<u>\$ 5,071,442</u>	<u>\$ -</u>	<u>\$ (264,672)</u>	<u>\$ 4,806,770</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>
2015	\$ 197,000	\$ 158,202	\$ 355,202
2016	207,500	148,450	355,950
2017	218,500	138,180	356,680
2018	229,500	127,364	356,864
2019	241,000	116,004	357,004
2020-2024	1,413,500	388,008	1,801,508
2025-2029	689,000	51,678	740,678
	<u>\$ 3,196,000</u>	<u>\$ 1,127,886</u>	<u>\$ 4,323,886</u>

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>
2015	\$ 28,684	\$ 62,617	\$ 91,301
2016	30,370	60,931	91,301
2017	32,145	59,156	91,301
2018	34,068	57,233	91,301
2019	775,198	43,117	818,315
2020-2024	38,969	27,356	66,325
2025-2029	83,005	26,596	109,601
2030-2034	101,843	18,572	120,415
2035-2039	112,862	7,704	120,566
2040-2044	10,714	107	10,821
	<u>\$ 1,247,858</u>	<u>\$ 363,389</u>	<u>\$ 1,611,247</u>

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**Note 5 (continued)**

The notes payable at June 30, 2014 consist of the following:

Note payable to Idaho-Nevada Community Development Financial Institution, Inc., due March 1, 2019, secured by a first deed of trust on real property located at 7900 Golden Valley Road, Reno, Nevada. Interest accrues on the note at 6.5% per annum with required monthly principal and interest payments of \$6,503. The balance outstanding on the loan at June 30, 2014 was \$866,852.

Note payable to the City of Reno-Washoe County Home Consortium, due February 1, 2041, secured by a junior deed of trust on real property located at 7900 Golden Valley Road, Reno, Nevada. Interest accrues on the note at 1.0% per annum with required annual principal and interest payments of \$10,819 beginning February 1, 2016, with the first payment being applied only to interest. The balance outstanding on the loan at June 30, 2014 was \$150,000.

Note payable to the City of Reno-Washoe County Home Consortium, due February 1, 2039, secured by a junior deed of trust on real property located at 7900 Golden Valley Road, Reno, Nevada. Interest accrues on the note at 3.0% per annum with required annual principal and interest payments of \$13,265. The balance outstanding on the loan at June 30, 2014 was \$231,006.

**Note 6 - 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 totaling \$362,912 has been valued and recorded by the Authority as of June 30, 2014.

**Note 7 - EMPLOYEES RETIREMENT PLAN**

The Housing Authority of the City of Reno employees is covered by the State of Nevada's Public Employees Retirement System (PERS). PERS was established on July 1, 1949 by the State Legislature and is governed by the Public Employees Retirement Board whose seven members are appointed by the Governor. All public employees who meet certain eligibility requirements participate in PERS, which is a cost-sharing multiple employer defined benefit plan.

The Authority does not exercise any control over PERS. NRS 286.110 states "respective participating public employers are not liable for any obligations of the system." PERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to PERS at 693 West Nye Lane, Carson City, Nevada 89703 or calling (775)687-4200.

**HOUSING AUTHORITY OF THE CITY OF RENO**  
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**Note 7 (continued)**

Benefits, as required by NRS, are determined by the number of years of accredited service at the time of retirement and the participant's highest average compensation in any 36 consecutive months. Benefit payments to which participants in PERS may be credited include pension, disability, and death benefits.

Contribution rates are established by the NRS, which are tied to the increase in taxable sales within the State each year and provide for yearly increases until such time as the actuarially determined unfunded liability of PERS is reduced to zero. The Authority is obligated to contribute all amounts due under PERS.

The Authority's contribution rates and amounts contributed for the last three years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual Contribution</u>	<u>Contribution Rates</u>
June 30, 2014	\$ 730,809	25.75%
June 30, 2013	\$ 743,621	23.75%
June 30, 2012	\$ 781,626	23.75%
June 30, 2011	\$ 657,171	21.50%

Amounts contributed are equal to the required contribution for each year.

**Note 8 – OTHER POST EMPLOYMENT BENEFITS**

Plan Information:

Eligible retirees may receive coverage through the Public Employee Benefit Plan (PEBP). PEBP is an agent multiple-employer defined benefit plan administered by the nine member governing board that provides medical, prescription, dental, vision, and life insurance benefits to retirees. Eligibility and subsidy requirements are governed by the NRS and can only be amended through legislation. In 2008, the NRS were amended and as a result of this amendment, the number of retirees for whom the Authority is obligated to provide postemployment benefits is limited to eligible employees who retired from the Authority prior to September 1, 2008. The PEBP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Public Employee Benefit Plan, 901 South Stewart Street, Suite 101, Carson City, NV 89701 or by calling (775)684-7000.

Funding Policy and OPEB Cost:

The Authority is required to provide a subsidy, based on years of service for its retirees that have enrolled in the PEBP. The subsidy is paid on a pay-as-you-go basis and is set by the State legislature. In fiscal year 2014, this subsidy ranged from \$118 to \$650 per retiree, per month.

**HOUSING AUTHORITY OF THE CITY OF RENO**  
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**(Continued)**

**Note 8 (continued)**

Annual OPEB cost for the plan is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed 30 years.

The Authority's OPEB cost, the amount contributed to the plan, and the net OPEB obligation for the current year were as follows:

Annual required contribution	\$ 92,748
Interest on net OPEB obligation	9,407
Adjustment of annual required contribution	<u>(11,682)</u>
Annual OPEB cost	90,473
Contributions made	<u>(41,930)</u>
Increase in the net OPEB	48,543
Net OPEB obligation (asset), beginning of year	<u>235,156</u>
Net OPEB obligation (asset), end of year	<u>\$ 283,699</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB plan and the net OPEB obligation for the fiscal years ended June 30, 2012, 2013, and 2014 were as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation (Asset)
June 30, 2012	\$ 85,942	\$ 50,116	58.31%	\$ 204,407
June 30, 2013	\$ 88,284	\$ 57,535	65.17%	\$ 235,156
June 30, 2014	\$ 90,473	\$ 41,930	46.34%	\$ 283,699

**Funded Status and Funding Progress:**

The funded status of the plan as of June 30, 2014, developed from a roll forward of the results of the October 24, 2012 valuation, is as follows:

	<u>June 30, 2014</u>
Actuarial accrued liability (AAL)	\$ 1,333,542
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,333,542</u>
Funded ratio (actuarial value of plan Assets/AAL)	0.0%
Covered payroll	N/A*
UAAL as percentage of covered payroll	N/A*

\*The Public Employee Benefit Plan is a closed plan, and therefore, there are no current covered employees.