

CROPPER ROWE, LLP

CERTIFIED PUBLIC ACCOUNTANTS

NEVADA RURAL HOUSING AUTHORITY
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016
(Including Auditors' Report Thereon)

NEVADA RURAL HOUSING AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Nevada Rural Housing Authority
Carson City, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Nevada Rural Housing Authority as of and for the year ended June 30, 2016, 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. 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 and the aggregate remaining fund information of the Nevada Rural Housing Authority, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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 3-8, the Schedule of Funding Progress for OPEB on page 33, and the

Schedule of the Authority's Proportionate Share of the Net Pension Liability on page 33, and the Schedule of the Authority's Pension Plan Contributions on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 the 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nevada Rural Housing Authority's basic financial statements. The Schedule of Expenditures of Federal Awards on page 35 is required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The accompanying Financial Data Schedule on pages 37 -41 is required by the U.S. Department of Housing and Urban Development and is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the Financial Data Schedule are the responsibility of management and were derived from 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 and the Financial Date 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 August 31, 2016, on our consideration of Nevada Rural Housing Authority'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 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 Nevada Rural Housing Authority's internal control over financial reporting and compliance.



CROPPER ROWE, LLP
Walnut Creek, California
August 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Nevada Rural Housing Authority, we offer readers of the Authority's financial statements this narrative, overview and analysis of the financial activities of Nevada Rural Housing Authority for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with Nevada Rural Housing Authority's financial statements as presented in this report.

The Nevada Rural Housing Authority (the Authority) is a Public Housing Authority as defined in Section 8 of the United States Housing Act of 1937, as amended and a public body corporate and politic established pursuant to the Nevada Revised Statute 616. The Authority was organized in 1973 under the laws of the State of Nevada to primarily provide housing assistance to low and moderate income families and individuals.

The Nevada Rural Housing Authority predominantly provides rental housing assistance to homeless, as well as low income families and individuals. The Authority also facilitates single family mortgage financing with down payment assistance and administers a Mortgage Credit Certificate program funded through Private Activity Bond Cap. In addition, the Authority acquires, develops and owns low income multifamily housing in rural areas of Nevada to promote, provide and preserve affordable housing across the State. Primary funding is as follows:

- Acquisition, development and rehabilitation of multifamily housing units has been funded mostly through federal tax credit partnerships that the Authority participates in
- Governmental grants received from the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA) Rural Development
- Developer and management fees
- Fees generated through its mortgage programs
- Rent collections from its owned or administered multifamily housing units.
- Other programs supporting Nevada's rural low income housing needs through Weatherization grant services, continuum of care and movement toward family self-sufficiency.

The following management discussion and analysis (MD&A) will discuss the results of the Authority's operations. Key financial information for the current fiscal year will be compared with those of the prior year.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources, resulting in a Net Position of \$13,759,168 at the close of fiscal year 2016 as opposed to \$14,150,397 for fiscal year 2015.
- Total assets at June 30, 2016 were \$27,671,425. Of this, \$8,797,956 represents current assets, and \$18,146,346 represents non-current assets. Total assets at June 30, 2016 decreased by \$5,847 from the June 30, 2015 balance of \$27,677,272.
- Net capital assets for the fiscal year 2016 decreased by \$674,014 from \$14,566,451 at June 30, 2015 to \$13,892,437 at June 30, 2016. Capital assets are reflected at cost, less accumulated depreciation

for all capital assets. Of the decrease, \$559,475 is due to transferring the Southwood apartment complex to a tax credit partnership in order to fund rehabilitation of the property. In addition, previously capitalized predevelopment expenses were reimbursed. The balance of the decrease is due to recorded depreciation.

- At June 30, 2016 there was \$727,123 of deferred outflows of resources compared to \$364,847 at June 30, 2015. This is due to reporting pension liabilities and expenses according to GASB 68 discussed in Note 6 of the financial statements.
- Total liabilities at June 30, 2016 were \$12,833,586. Of this, \$5,563,996 represents current liabilities, and \$7,269,590 represents non-current liabilities. Total liabilities at June 30, 2016 increased by \$182,231 from the June 30, 2015 balance of \$12,651,355. This is primarily due to reporting of pension liabilities per GASB 68 discussed in Note 6 of the financial statements.
- At June 30, 2016 there was \$1,077,671 of deferred inflows of resources compared to \$712,959 at June 30, 2015. This is due to reporting pension liabilities and expenses according to GASB 68 discussed in Note 6 of the financial statements.
- As of June 30, 2016 the Authority's Unrestricted Net Position was \$7,863,949, its Restricted Net Position was \$1,117,417, and its Net Investment in Capital Assets was \$4,778,802. This represents a total Net Position at June 30, 2016 of \$13,760,168 compared to a total Net Position at June 30, 2015 of \$14,151,397.
- The primary source of revenues for the Authority for the fiscal year ended June 30, 2016 were grants from federal agencies. Grant revenues for the fiscal year 2016 were \$11,968,691 versus \$11,959,319 for fiscal year 2015.
- Operating revenues for the Authority for the 2016 fiscal year were \$16,231,344 and operating expenses were \$16,462,075. Operating revenues and expenses for the fiscal year 2015 were \$15,871,016 and \$15,448,604 respectively.
- The major program expenditure, as reflected on the Combined Statement of Revenues, Expenses, and Changes in Net Position, was for housing assistance payments. There was \$9,461,397 of housing assistance payment expenses for fiscal year 2016. This represents a decrease of \$233,349 of the amount for fiscal year 2015 of \$9,694,746.
- Expenditures of Federal Awards amounted to \$11,695,980 for 2016 a decrease of \$128,636 from the prior fiscal year's expenditures of \$11,824,616.

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 a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows and Notes to the Financial Statements.

Government-Wide Financial Statements

The *Statement of Net Position* presents information on the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents the change in the Housing Authority's cash and cash equivalents during the most recent fiscal year.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some programs are required to be established by the United States Department of Housing and Urban Development (HUD). However, the Authority also administers other programs to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other moneys. All of the funds of the Authority are classified as an enterprise housing fund as a result of GASB 34.

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 these 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 indication.

Notes to the Basic Financial Statements

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

Component Unit

As is more fully described in Note 1.A, the government-wide financial statements include the financial information of Nevada Rural Partners, a discrete component unit of the Nevada Rural Housing Authority.

Supplementary Information

The Schedule of Funding Progress for OPEB, the Schedule of the Authority's Proportionate Share of Net Pension Liability, the Schedule of the Authority's Pension Plan Contributions, the Schedule of Expenditures of Federal Awards 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*, the Governmental Accounting Standards Board Statements (GASB), and the U.S. Department of Housing and Urban Development. These schedules can be found in the supplementary information sections of this report.

Financial Analysis

As we noted earlier, the Authority uses funds to help it control and manage money for particular purposes. A portion of the Authority's net assets reflect the investment in capital assets (e.g. land, buildings and improvements, furniture, equipment and machinery). The Authority uses these capital assets to provide services to clients; consequently, these assets are not available for future spending.

Economic Factors

The Housing Authority is primarily dependent upon HUD for the funding of operations. Therefore, the Housing Authority is affected more by the federal budget than by state or local economic conditions. Changes in HUD grants affect the number of households that can be assisted under these federally funded programs on an ongoing basis.

Budgetary Highlights

An agency-wide budget was prepared for the fiscal year ended June 30, 2016. The budget was primarily used as a management tool. Budgets are prepared in accordance with the accounting procedures prescribed by the applicable funding agency and revised during the year as appropriate. There are some slight variances and the budget comparison to actual can be found just after the statement of comparative activities.

Comparative Statement of Net Position

The following table reflects the Statement of Net Position at June 30, 2016 compared to prior year. The Authority is engaged only in Business-Type Activities:

Comparative Statement of Net Position				
June 30, 2016				
	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Assets and Deferred Outflows				
Current assets	\$ 8,797,956	\$ 8,532,345	\$ 265,611	3.11%
Assets held for resale	56,438	56,438	-	
Mortgage loan receivable	4,100,000	4,100,000	-	
Mortgage interest receivable	97,471	57,191	40,280	70.43%
Capital Assets (net of accumulated depreciation)	13,892,437	14,566,451	(674,014)	(4.63)%
Deferred outflows	<u>727,123</u>	<u>364,847</u>	<u>362,276</u>	99.24%
Total Assets and Deferred Outflows	<u>\$ 27,671,425</u>	<u>\$ 27,677,272</u>	<u>\$ (5,847)</u>	(0.02)%
Liabilities and Deferred Inflows				
Current liabilities	\$ 5,563,996	\$ 5,304,374	\$ 259,622	4.89%
Non-current liabilities	7,269,590	7,508,542	(238,952)	3.18%
Deferred inflows	<u>1,077,671</u>	<u>712,959</u>	<u>364,712</u>	51.15%
Total Liabilities and Deferred Inflows	<u>13,911,257</u>	<u>13,525,875</u>	<u>385,382</u>	2.85%
Net Position				
Net investment in Capital Assets	4,778,802	4,748,107	30,695	0.65%
Restricted	1,117,417	1,281,192	(163,775)	(12.78)%
Unrestricted	<u>7,863,949</u>	<u>8,122,098</u>	<u>(258,149)</u>	(3.18)%
Total Net Position	<u>\$ 13,760,168</u>	<u>\$ 14,151,397</u>	<u>\$ (391,229)</u>	(2.76)%

Comparative Statement of Revenues, Expenses, and Changes in Net Position

The table on the next page presents the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2016 compared to prior year.

Comparative Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
<u>Operating Revenues</u>				
Grants	\$ 11,968,691	\$ 11,959,319	\$ 9,372	0.08%
Rents	451,833	621,216	(169,383)	(27.27)%
Mortgage and Developer fees	2,722,308	2,487,170	235,138	9.50%
Other	<u>900,108</u>	<u>803,311</u>	<u>96,797</u>	<u>12.05%</u>
Total operating revenues	<u>16,042,940</u>	<u>15,871,016</u>	<u>171,924</u>	<u>1.08%</u>
<u>Operating Expenses</u>				
Administration	5,272,163	4,197,090	1,075,073	25.61%
Utilities/Maintenance	144,764	137,688	7,076	5.14%
Maintenance	551,806	637,316	(85,510)	(13.42)%
Tenant services	171,003	159,538	11,465	7.19%
General	235,170	174,894	60,276	34.46%
Housing Assistance Payments	9,461,397	9,694,746	(233,349)	(2.41)%
Depreciation	<u>437,368</u>	<u>447,332</u>	<u>(9,964)</u>	<u>(2.23)%</u>
Total operating expenses	<u>16,273,671</u>	<u>15,448,604</u>	<u>825,067</u>	<u>5.34%</u>
Operating Income (Loss)	<u>(230,731)</u>	<u>422,412</u>	<u>(653,143)</u>	<u>(154.62)%</u>
<u>Non-Operating Revenue (Expenses)</u>				
Interest Income	319,690	208,572	111,118	53.28%
Interest Expense	(210,168)	(228,841)	18,673	(8.16)%
Gain on sale of fixed assets	130,195	-0-	130,195	-
Pension Expense	<u>(400,215)</u>	<u>(79,004)</u>	<u>(321,211)</u>	<u>406.58%</u>
Net Non-Operating Revenue (Loss)	<u>(160,498)</u>	<u>(99,273)</u>	<u>(61,225)</u>	<u>61.67%</u>
Change in Net Position	<u>(391,229)</u>	<u>323,139</u>	<u>(714,368)</u>	<u>(221.07)%</u>
Beginning Net Position, as Originally Stated	14,151,397	16,409,166	(2,257,769)	(13.76)%
Prior Period Adjustments	<u>-0-</u>	<u>(2,580,908)</u>	<u>2,580,908</u>	<u>-</u>
Beginning Net Position, as Restated	<u>14,151,397</u>	<u>13,827,258</u>	<u>323,139</u>	<u>2.34%</u>
Net Position, End of Year	<u>\$ 13,760,168</u>	<u>\$ 14,151,397</u>	<u>\$ (391,229)</u>	<u>(2.76)%</u>

Analysis of the Authority's Overall Financial Position and Results of Operations:

As indicated in the above comparative statements the Authority's net position at June 30, 2016 decreased by \$391,229 from the June 30, 2015 balance.

Changes in Capital Assets

Capital assets (net of accumulated depreciation) are presented below illustrating changes from prior year:

Changes in Capital Assets (Net of Accumulated Depreciation)

	<u>2016</u>	<u>2015</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
Land	\$ 2,292,738	\$ 2,435,876	\$ (143,138)	(5.88)%
Buildings and Improvements	11,531,448	12,017,073	(485,625)	(4.04)%
Equipment	<u>68,251</u>	<u>113,502</u>	<u>(45,251)</u>	<u>(3.99)%</u>
Total	<u>\$ 13,892,437</u>	<u>\$ 14,566,451</u>	<u>\$ (674,014)</u>	<u>(4.63)%</u>

The Authority's capital assets as of June 30, 2016 were \$13,892,437 (net of accumulated depreciation). During the fiscal year 2016 the Authority's net capital assets decreased \$674,014 or 4.63% primarily due to the transfer of the Southwood multifamily housing complex in Yerington to tax credit funding for rehabilitation and expansion. Additional information pertaining to the Authority's capital assets as of June 30, 2016 is presented in Note 3 to the Financial Statements.

Changes in Long-Term Debt

Long-term debt is presented below to illustrate changes from the prior year:

Changes in Long-Term Debt

	<u>2016</u>	<u>2015</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
Notes payable	<u>\$ 9,113,635</u>	<u>\$ 9,818,344</u>	<u>\$ (704,709)</u>	<u>(7.18)%</u>
Total	<u>\$ 9,113,635</u>	<u>\$ 9,818,344</u>	<u>\$ (704,709)</u>	<u>(7.18)%</u>

At June 30, 2016 the Authority had long-term debt outstanding of \$9,113,635. During the fiscal year, long-term debt decreased by \$704,709 or 7.18%. Additional information pertaining to the Authority's long-term debt as of June 30, 2015 is presented in Note 4 in the "Notes to the Financial Statements". This is also primarily due to the transfer of the Southwood multifamily complex referred to above.

Requests for information

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Director of Finance at 3695 Desatoya Drive, Carson City, Nevada 89701.

NEVADA RURAL HOUSING AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Primary Government Housing Fund	Component Unit Nevada Rural Partners	Total Combined
<u>ASSETS</u>			
Current Assets:			
Cash and investments (Note 2)	\$ 6,018,318	\$ 1,000	\$ 6,019,318
Restricted Cash (Note 2)	1,021,471	-	1,021,471
Due from other agencies	425,142	-	425,142
Accounts receivable	1,263,887	-	1,263,887
Prepaid expenses	56,324	-	56,324
Other assets	11,814	-	11,814
Total current assets	8,796,956	1,000	8,797,956
Noncurrent assets:			
Assets held for resale	56,438	-	56,438
Mortgage loan receivable	4,100,000	-	4,100,000
Mortgage interest receivable	97,471	-	97,471
Capital assets, net of accumulated depreciation of \$2,738,120 (Note 3)	13,892,437	-	13,892,437
Total noncurrent assets	18,146,346	-	18,146,346
Total Assets	26,943,302	1,000	26,944,302
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Plan (Note 6)	727,123	-	727,123
Total assets and deferred outflows of resources	\$ 27,670,425	\$ 1,000	\$ 27,671,425
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	\$ 177,690	\$ -	\$ 177,690
Accounts payable - other agencies	86,684	-	86,684
Tenant security deposits	54,046	-	54,046
Accrued liabilities	443,772	-	443,772
Compensated absences (Note 5)	8,347	-	8,347
Interest payable	12,109	-	12,109
Notes payable (Note 4)	4,781,348	-	4,781,348
Total current liabilities	5,563,996	-	5,563,996
Noncurrent liabilities:			
Compensated absences (Note 5)	75,120	-	75,120
Other noncurrent liabilities	142,621	-	142,621
Notes payable (Note 4)	4,332,287	-	4,332,287
OPEB payable (Note 7)	10,159	-	10,159
Pension liability (Note 6)	2,709,403	-	2,709,403
Total noncurrent liabilities	7,269,590	-	7,269,590
Total liabilities	12,833,586	-	12,833,586
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension Plan (Note 6)	1,077,671	-	1,077,671
Total liabilities and deferred inflows of resources	13,911,257	-	13,911,257
<u>NET POSITION</u>			
Net investment in capital assets	4,778,802	-	4,778,802
Restricted	1,117,417	-	1,117,417
Unrestricted	7,862,949	1,000	7,863,949
Total Net Position	13,759,168	1,000	13,760,168

See notes to the Financial statements.

NEVADA RURAL HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016

	Primary Government	Component Unit	
	Housing Fund	Nevada Rural Partners	Total Combined
<u>Operating Revenues</u>			
Grants	\$ 11,968,691	\$ -	\$ 11,968,691
Rents	451,833	-	451,833
Mortgage issuer and lender fees	1,987,516	-	1,987,516
Developer fees	734,792	-	734,792
Other	900,108	-	900,108
Total operating revenues	16,042,940	-	16,042,940
<u>Operating Expenses</u>			
Administration	5,272,163	-	5,272,163
Utilities	144,764	-	144,764
Maintenance	551,806	-	551,806
General	171,003	-	171,003
Tenant services	235,170	-	235,170
Housing assistance payments	9,461,397	-	9,461,397
Depreciation	437,368	-	437,368
Total operating expenses	16,273,671	-	16,273,671
Operating income (loss)	(230,731)	-	(230,731)
<u>Non-Operating Revenues (Expenses)</u>			
Interest income - investments	129,822	-	129,822
Interest income - mortgage loans	189,868	-	189,868
Gain on sale of fixed assets	130,195	-	130,195
Interest expense	(210,168)	-	(210,168)
Pension expense (Note 6)	(400,215)	-	(400,215)
Net non-operating revenue	(160,498)	-	(160,498)
Change in net position	(391,229)	-	(391,229)
Total net position, beginning	14,150,397	1,000	14,151,397
Total net position, ending	\$ 13,759,168	\$ 1,000	\$ 13,760,168

See notes to the Financial statements.

NEVADA RURAL HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016

	Primary Government	Component Unit	
	Housing Fund	Nevada Rural Partners	Total Combined
<u>Cash flows from operating activities:</u>			
Grants received	\$ 11,812,870	\$ -	\$ 11,812,870
Cash received from rents	451,833	-	451,833
Development and management fees	734,792	-	734,792
Other cash receipts	2,517,313	-	2,517,313
Cash payments to suppliers and landlords	(10,497,653)	-	(10,497,653)
Cash payments to employees	(5,011,050)	-	(5,011,050)
Net cash provided (used) in operating activities	8,105	-	8,105
<u>Cash flows from capital and related financing activities:</u>			
Interest paid on long-term debt	(210,168)	-	(210,168)
Purchase of fixed assets	366,841	-	366,841
Principal payments of long-term debt	(704,709)	-	(704,709)
Net cash provided (used) in capital and related financing activities	(548,036)	-	(548,036)
<u>Cash flows from investing activities:</u>			
Interest received from investments	279,410	-	279,410
Net cash provided (used) in investing activities	279,410	-	279,410
Net increase (decrease) in cash	(260,521)	-	(260,521)
Cash at beginning of year	7,300,310	1,000	7,301,310
Cash at end of year	\$ 7,039,789	\$ 1,000	\$ 7,040,789
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>			
Operating income (loss)	\$ (230,731)	\$ -	\$ (230,731)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	437,368	-	437,368
Changes in assets and liabilities:			
Decrease in accounts receivable	(304,996)	-	(304,996)
Increase in amounts due from other agencies	(155,821)	-	(155,821)
Increase in other assets	(11,814)	-	(11,814)
Increase in prepaid expenses	(53,501)	-	(53,501)
Increase in accounts payable	13,453	-	13,453
Increase in accrued liabilities	261,113	-	261,113
Increase in amounts due other agencies	53,034	-	53,034
Net cash provided by operating activities	\$ 8,105	\$ -	\$ 8,105
<u>Noncash investing, capital, and financing activities</u>			
Disposal of property	\$ 704,587	\$ -	\$ 704,587

See notes to the Financial statements.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Nevada Rural Housing Authority (the Authority) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the more significant policies.

A. Definition of Reporting Entity

The Nevada Rural Housing Authority (the Authority) was established during 1973 by Nevada Revised Statute 616 and updated by Nevada Revised Statute 315. The Authority is governed by a five member Board of Commissioners appointed to four year terms. The Authority was organized to promote the health and safety of the residents of the State of Nevada and to develop more desirable neighborhoods and alleviate poverty in the counties, cities, and towns of the state by making provisions for decent, safe and sanitary low-rent housing facilities for persons of low and moderate income. Since being established, the Authority has not only administered a Section 8 (Housing Choice Voucher) program and other grants, but also introduced single family bond programs and acted as sponsor and developer to several affordable multifamily housing projects across rural Nevada.

The Authority has implemented the provisions of the Governmental Accounting Standards Board, codified in GASB section 2100, "Defining the Government Reporting". For financial reporting purposes the Authority's financial statements include all funds over and other organizations over which Authority officials exercise oversight responsibility. Oversight responsibility includes such duties as appointment of governing body members, budget review, approval of tax levies, responsibility for outstanding debt secured by the Authority's full faith and credit, or revenues, and the responsibility for funding deficits.

Discretely Presented Component Unit

The financial information of the Nevada Rural Community Partners, Inc (The Agency) is a legally separate entity from the Nevada Rural Housing Authority. However, beginning January 1, 2013 the Authority's Board of Commissioners also began acting as the Board of Directors for the Agency. The Authority also provides management services and financial assistance to the Agency.

The Basis of Presentation and Basis of Accounting used by the Nevada Rural Community Partners, Inc. are the same as those used by the Nevada Rural Housing Authority.

B. 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 operations as a whole.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 (continued)

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).

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

The financial statements and the Schedule of Expenditures of Federal Awards are reported using the *economic resources measurement focus* and the *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.

The Authority applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued before December 30, 1989 in accounting and reporting for its proprietary operations and it has implemented in fiscal year 2016 GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-December 30, 1989 FASB and AICPA Pronouncements for FASB Pronouncements after December 30, 1989.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* activities. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise housing fund are grants from federal funding agencies for housing assistance payments earned, administrative and developer fees, and rental income from its owned housing units. Operating expenses include employee services and supplies, administrative expenses, management fees, utilities, housing assistance payments to landlords, and depreciation of its capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Position

1. Cash and Investments

Cash

For purposes of the accompanying statement of cash flows, the Authority considers all of their cash, including restricted cash, to be cash and equivalents. The Authority considers all of their investments to be highly liquid and, therefore, to be cash equivalents.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 (continued)

Cash and cash equivalents include amounts in demand deposits, certificates of deposit, money market accounts, and savings accounts. All of the Authority's investments can be converted to cash in a relatively short amount of time and are therefore presented in the Statement of Cash Flows.

Investments

Investments are carried at fair value. Fair value is based on quoted market price, if applicable, otherwise the fair value hierarchy is as follows.

Level 1 – Values are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Certain inputs are unobservable inputs (supported by little or no market activity), such as the Authority's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Additional cash and investment disclosures are presented in Note 2. All of the Authority's investments are considered Level 1.

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items the financial statements.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 (continued)

5. Capital Assets

Capital assets which include land, buildings, improvements, and furniture and equipment, are reported at historical cost. 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 estimated useful life of the related asset. The estimated useful lives of the various asset categories are as follows:

Buildings	40 years
Improvements	15 years
Furniture and Equipment	5 years

6. Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred. A portion of unused sick leave is only payable to employees who have over 10 years of services upon termination of their employment.

7. Taxes

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

8. Net Position

Net position represents the differences between assets and liabilities. Net position consists of investment in capital assets, net of related debt; restricted net position; and unrestricted net position. Net position invested in capital assets, net of related debt, consists of capital assets, net of depreciation, reduced by the 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.

9. 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 represent a consumption or acquisition of net position that applies to future periods and will not be recognized as outflows (revenues) or inflows (expenses) until that time.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 (continued)

10. Pensions

For purposes of measuring the net pension liability (NPL) and deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) of the Authority's Public Employees' Retirement System (PERS) Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by Nevada PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

E. 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.

F. New GASB Pronouncements

During fiscal year 2016 the Authority adopted the following GASB Statements:

Statement No. 79 – *Certain External Investment Pools and Pool Participants*

Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

Statement No. 72 – *Fair Value Measurement and Application*

G. 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 the adoption of the annual budget.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Unrestricted cash and investments	\$ 6,019,318
Restricted cash	<u>1,021,471</u>
Total cash and investments	<u>\$ 7,039,789</u>

Combined unrestricted and restricted cash and investments as of June 30, 2016, consist of the following:

Checking and savings deposits with financial institutions	\$ 1,232,904
Certificate of deposit	125,000
Guaranteed fixed annuity contracts	581,495
Money market accounts	4,182,584
Mortgage backed securities	917,405
Petty cash on hand	<u>400</u>
Total cash and investments	<u>\$ 7,039,789</u>

Interest Rate Risk – Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from the rise in interest rates. To limit exposure to interest rate risk, the Nevada Revised Statutes limits banker's acceptances to 180 days maturities, repurchase agreements to 90 days, U.S. Treasuries and Agencies to less than 10 years, and commercial paper to 270 days maturity. At June 30, 2016 the Authority was not invested in any of these investments.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of its investments. In accordance with the Nevada Revised Statutes, the Authority limits its investment instruments by their credit risk. The Authority's investment in VALIC Guaranteed Fixed Deferred Annuity Contracts is rated by nationally recognized statistical rating organizations as "A".

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank or brokerage failure, the Authority's deposits may not be returned. The Authority's bank deposits are either covered by FDIC insurance or are collateralized. At June 30, 2016, \$1,298,095 of the Authority's cash and investments are covered by FDIC insurance.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 3 - CAPITAL ASSETS

The following is a summary of the Authority's changes in capital assets for the fiscal year ended June 30, 2016:

	<u>Balance 7/1/15</u>	<u>Additions</u>	<u>Adjustments And Deletions</u>	<u>Balance 6/30/16</u>
Land	\$ 2,435,876	\$ 95,833	\$ (238,970)	\$ 2,292,739
Buildings and improvements	14,633,384	372,108	(994,030)	14,011,462
Equipment	<u>366,712</u>	<u>-</u>	<u>(40,356)</u>	<u>326,356</u>
Total capital assets	<u>17,435,972</u>	<u>467,941</u>	<u>(1,273,356)</u>	<u>16,630,557</u>
Less accumulated Depreciation:				
Buildings and Improvements	(2,616,311)	(398,353)	534,650	(2,480,014)
Equipment	<u>(253,210)</u>	<u>(39,016)</u>	<u>34,120</u>	<u>(258,106)</u>
Total accumulated depreciation	<u>(2,869,521)</u>	<u>(437,369)</u>	<u>568,770</u>	<u>(2,738,120)</u>
Total capital assets, net	<u>\$ 14,566,451</u>	<u>\$ 30,572</u>	<u>\$ (704,586)</u>	<u>\$ 13,892,437</u>

Note 4 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	<u>Balance 7/1/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/16</u>
Mortgage notes	\$ 9,818,344	\$ -0-	\$ (704,709)	\$ 9,113,635
Compensated Absences (Note 5)	<u>76,060</u>	<u>7,407</u>	<u>-</u>	<u>83,467</u>
	<u>\$ 9,894,404</u>	<u>\$ 7,407</u>	<u>\$ (704,709)</u>	<u>\$ 9,197,102</u>

A description of the debt recorded at June 30, 2016 for the housing authority is as follows:

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 4 (continued)

	<u>Balance</u>
<u>Winnemucca Manor</u>	
Installment note, due February 1, 2041; secured by a consolidated deed of trust on real property and security agreement which includes an assignment of rents; interest at 8.5% per annum. Per an agreement with the USDA dated February 12, 2013 the monthly principal and interest payments are deferred until February 2034 at which time all deferred principal and interest is due.	\$ 212,526
Installment note, due February 1, 2041; secured by a consolidated deed of trust on real property and security agreement which includes an assignment of rents; interest at 9% per annum. Per an agreement with the USDA dated February 12, 2013 the monthly principal and interest payments have been deferred from March 2013 until February 2034 at which time all deferred principal and interest is due.	31,576
Installment note, due February 1, 2041; secured by a consolidated deed of trust on real property and security agreement which includes interest at 10.75% per annum. Per an agreement with the USDA dated February 12, 2013 the monthly principal and interest payments have been deferred from March 2013 until February 2034 at which time all accrued principal and interest is due.	17,782
Installment note, due February 1, 2061; secured by a deed of trust on real property and security agreement which includes interest at 3.125%. Monthly principal and interest payments total \$1,000.	294,650
<u>Yerington Manor</u>	
Installment note due February 1, 2029, secured by a deed of trust on real property and security agreement which includes an assignment of rents, interest at 8.25% per annum, required monthly principal and interest payments are \$3,373.	317,437
Installment note due March 1, 2029, secured by a deed of trust on real property and security agreement which includes an assignment of rents, interest at 8.75% per annum, required monthly principal and interest payments are \$1,721.	158,337
Installment note due December 25, 2029, secured by a deed of trust on real property and security agreement which includes an assignment of rents, interest at 9.00% per annum, required monthly principal and interest payments are \$323.	29,322
Installment note due March 2, 2039, secured by a deed of trust on real property and security agreement which includes an assignment of rents, interest at 9.00% per annum, monthly principal and interest payments amount to \$4,416.	512,186

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Installment note due March 2, 2039 secured by a deed of trust on real property and security agreement which includes an assignment of rents, interest at 9.5% per annum, monthly principal and interest payments amount to \$630. 70,345

Property located in Eureka County, Nevada

Note secured by a deed of trust on real property. The note plus any Accrued interest is payable in full no later than May 25, 2017. The note bears interest at 3% per annum. Payments of interest only are due on the first day of each quarter. 1,000,000

Eureka Canyon Apartments, Eureka, Nevada

A multifamily promissory note secured by a deed of trust. Issued on September 13, 2011 pursuant to a "Multifamily Grant Agreement", the original promissory note dated September 13, 2011 required quarterly interest only payments at 3% per annum. The original note required payment of all principal and interest no later than March 16, 2014. Per the associated "Multifamily Grant Agreement" separate permanent financing was to be obtained prior to the March 16, 2014 due date. Section 100.G. of the Multifamily Grant Agreement also indicated if permanent financing could not be obtained before the original maturity date the lender would convert the grant (note) to a permanent loan. As of the date of this report the Authority has entered into an agreement with Eureka County to sell the project to the County for the amount of the note. The Authority continues to make quarterly interest only payments on the loan at 3% per annum. *The sale of the property to the County closed on September 2, 2016. See Subsequent Event Note 10.* 4,781,350

Property located in Elko County, Nevada

Installment note secured by a deed of trust on real property. The note is payable in full no later than August 1, 2047. The note bears interest at 7.25% per annum. Monthly payments of principal and interest amount to \$1,694. 728,388

Installment note secured by a deed of trust on real property. The note is payable in full no later than March 1, 2043. The note bears interest at 7.25% per annum. Monthly payments of principal and interest amount to \$1,677. 702,530

Installment note secured by a deed of trust on real property. The note is payable in full no later than January 1, 2049. The note bears interest at 7.25% per annum. Monthly payments of principal and interest amount to \$2,320. 257,206

Total notes payable at June 30, 2016 \$ 9,113,635

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 4 (continued)

A schedule of debt payment requirements to maturity for long-term obligations other than compensated absences follows:

Year Ending <u>June 30,</u>	Principal <u>Payments</u>	Interest <u>Payments</u>	Total <u>Payments</u>
2017	\$ 5,836,701	\$ 78,213	\$ 5,914,914
2018	59,441	47,458	106,899
2019	63,872	43,027	106,899
2020	68,675	38,224	106,899
2021	73,884	33,015	106,899
2022-2026	464,320	70,179	534,497
2027-2031	514,829	(54,826)	460,003
2032-2036	551,065	(29,330)	521,735
2037-2041	615,283	(248,059)	367,224
2042-2046	616,618	(140,531)	476,087
2047-2051	131,698	(5,269)	126,429
2052-2056	45,082	(6,480)	38,602
2057-2061	52,695	(14,093)	38,602
2062-2066	19,472	(6,605)	12,867
	<u>\$ 9,113,635</u>	<u>\$ (195,077)</u>	<u>\$ 8,918,558</u>

Note 5 - COMPENSATED ABSENCES

It is the Authority's policy to permit employees to accumulate earned but unused vacation leave. This leave will be used in future periods or paid to employees upon separation from the Authority. Employees also are entitled to receive unused sick leave at separation of service up to a maximum of \$8,000 based upon the number of years of service, after being with the Authority ten years or more. At June 30, 2016 accrued vacation and sick leave, \$83,467, has been valued by the Authority and has been recorded as a short term liability of \$8,347 and a long-term liability of \$75,120.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6 – EMPLOYEE RETIREMENT PLAN

A. General Information about the Pension Plan

Plan Descriptions – Public Employee Retirement System of Nevada (PERS) administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system. The system was established by the Nevada Legislature in 1947, effective July 1, 1948. The system is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability.

Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS Comprehensive Annual Financial Report (CAFR) available on the PER's website at www.nvpers.org under Quick Links – Publications.

Benefits Provided – Benefits, as required by the Nevada Revised Statutes, are determined by the number of years accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on or after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Vesting – Regular members are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010 are eligible for retirement at age 65 with five years of service, or at age 62 with ten years of service, or at any age with thirty years of service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit up to 90% of average compensation.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6 (continued)

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous Plan		
	Prior to January 1, 2001	Prior to January 1, 2010	On or after January 1, 2010
Benefit Formula	2.50%	2.67%	2.50%
Benefit Vesting Formula	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age based on years of service	60-65, any year after 30 years	60 after 10 years, 65 after 5 years, any after 30 years	62 after 10 years, 65 after 5 years, any after 30 years
Monthly benefits, as a % of eligible completion	2.50%	2.67%	2.50%
Required employee contribution rates	13.25%	13.25%	13.25%
Required employer contribution rates	13.25%	13.25%	13.25%

Contributions – The authority for establishing and amending the obligation to make employer and member contribution rates, is set by statute. New hires, in agencies, which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one or two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

The system receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2015 and June 30, 2016 the Regular Statutory Employer/employee matching rate was 13.25%. The Regular Employer-pay contribution (EPC) rate was 25.75%.

For the year ended June 30, 2016, the contributions recognized as part of pension expense were as follows:

Contributions – employer	\$ 280,765
Contributions – employee	\$ 222,092

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6 (continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

Pension Liability - The following table shows the Plan's proportionate share of the regular risk pool collective net pension liability over the measurement period ended June 30, 2016:

	<u>Proportionate Share of Pension Liability</u>	<u>Pool Percentage</u>
Balance at 6/30/14 – Measurement date	\$ 2,311,800	.02218%
Balance at 6/30/15 – Measurement date	<u>2,709,403</u>	<u>.02364%</u>
Total Net Change	<u>\$ 397,603</u>	<u>.00146%</u>

The Authority's net pension liability (NPL) was measured as of June 30, 2015, and the total pension liability used to calculate the pension liability was determined by an actuarial valuation as of that date. The NPL of \$2,709,403 is measured as the proportionate share of the net pension liability of \$11,459,436,845 (or .02364%)

The employer allocation percentage of the net pension liability was based on the total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2015.

Pension expense – As of June 30, 2016, the Authority recognized pension expense of \$400,039.

Deferred inflows/outflows - At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 222,092	\$ 0
Differences between actual and expected experience	0	(203,794)
Changes in assumptions	0	0
Net differences between projected and actual earnings on pension plan investments	0	(146,759)
Adjustment due to differences between actual Contributions and proportionate share of contributions	<u>162,343</u>	<u>(222,872)</u>
Total	<u>\$ 384,435</u>	<u>\$ (573,425)</u>

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6 (continued)

\$222,092 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016 (measurement period ended June 30, 2015). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period <u>Ended June 30</u>	Deferred Outflows/inflows <u>of Resources</u>
2017	\$ 113,182
2018	(108,910)
2019	(108,910)
2020	20,463
2021	(33,677)
Thereafter	(71,138)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability – The System’s net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions:

Discount Rate	8.00%
Inflation	3.50%
Payroll Growth	5.00%, including inflation
Productivity pay increase	0.75%
Projected Salary Increase	4.60% to 9.75% depends on service rates, inflation and productivity
Consumer Price Index	3.50%
Other Assumptions	Same as those used in the June 30, 2015 funding actuarial valuation

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of the experience review completed in 2013.

Discount Rate – The discount rate used to measure the total pension liability was 8.00% as of June 30, 2015 and June 30, 2014. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan fiduciary net position at June 30, 2015, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015 and June 30, 2014.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6 (continued)

The following was the Pension Board adopted policy target asset allocation as of June 30, 2015:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return*
Domestic Equity	42.0%	5.50%
International Equity	18.0%	5.75%
Domestic Fixed Income	30.0%	0.25%
Private Markets	10.0%	6.80%
Total	<u>100.0%</u>	

*As of June 30, 2015 PER's long-term inflation assumption was 3.5%

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability/ (asset), calculated using the discount rate of 8.00 percent, as well as what the Authority's proportionate share of the net pension liability/ (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

	Discount Rate - 1% <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	Discount Rate +1% <u>(9.00%)</u>
Plan's Net Pension Liability	\$ 4,127,990	\$ 2,709,011	\$ 1,529,031

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, available on the PERS website.

Payable to the Pension Plan

At June 30, 2016, the Authority reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Descriptions:

The Nevada Rural Housing Authority (the Authority) administers a single-employer defined benefit healthcare plan, Nevada Rural Housing Authority Employee Health Benefit Plan (NVRHAEHBP). Additionally, the Authority contributes to an agent multiple-employer defined benefit postemployment healthcare plan, Public Employees' Benefits Plan (PEBP). Each plan provides medical, vision, dental, and life insurance benefits to eligible retired Authority employees and beneficiaries.

Benefit provisions for the NVRHAEHBP are established pursuant to NRS 287.023 and amended through negotiations between the Authority and the respective associations. NRS 288.150 assigns the authority to establish benefit provisions to the Board of Trustees. The plan provides healthcare insurance for eligible retirees and their beneficiaries through the Authority's group health insurance plan, which covers both active and retired members.

Under NRS 287.023, eligible retirees are able to participate in the plan with at the same premium rates as active employees, thereby benefitting from an implicit subsidy. Retirees are required to pay 100% of their premiums under the plan. As of June 30, 2016, three retirees were using this plan. The NVRHAEHBP does not issue a publicly available financial report.

Benefit provisions for the PEBP are administered by the State of Nevada. NRS 287.043 assigns the authority to establish and amend benefit provisions to the PEBP nine-member board of trustees. Authority employees who met the eligibility requirements effective September 1, 2008 for retirement within the Public Employee Retirement System had the option upon retirement to enroll in coverage under the PEBP. NRS 287.023 sunsetted

the option to join PEBP for Authority employees who retired after December 29, 2008. Local governments are required to pay the same portion of cost of coverage for those persons joining PEBP that the State of Nevada pays for those persons retired from state service who have continued to participate in the plan. As of June 30, 2016, the Authority retirees were utilizing this benefit.

The PEBP issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee's Benefits Program, 901 S. Stewart Street, Suite 1001, Carson City, NV, 89701, by accessing the website at www.pebp.state.nv.us/informed/financial.htm or calling (775) 684-7000.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 7 (continued)

Funding Policy and Annual OPEB Cost:

For NVRHAEHBP, contribution requirements of the plan members and the Authority are established and may be amended through negotiations between the Authority and the associations. Retirees pay 100% of the pay-as-you-go premiums based on a blended rate that blends active participants and retirees. The Authority's contribution requirements for retirees relate to the implicit subsidy that results from using the blended rates and is determined in actuarial studies contracted for by the Authority. The Authority participates in a community rated plan where the claims experience of the active and retired employees of all participating members are co-mingled in determining the premium rates for all the members.

The actuary has concluded that any change in their group's mix of retirees and actives would not reasonably be expected to affect the premium rates for the plan. In this circumstance, while an implicit subsidy may exist, it is not required to be disclosed. Consequently, there is no OPEB liability to be reported for the NVRHAEHBP.

For the PEBP, NRS 287.046 establishes the subsidies to be contributed toward the premium costs of the eligible retired Authority employees. Plan members receiving benefits have their monthly contribution deducted from their pension checks based on the health plan chosen by the retiree as reduced by the amount of the subsidy therefore, their contributions are not available.

For the plan year ended June 30, 2016, retirees qualify for a monthly subsidy of \$116 at 5 years of service and \$636 at 20 years of service with incremental increases for each year of service in between. The contribution requirements of plan members and the Authority are established and amended by the PEBP board of trustees. As a participating employer, the Authority is billed for the subsidy on a monthly basis and is legally required under NRS 287.023 to provide for it. For fiscal year 2016, the Authority contributed \$3,008 to the plan for current premiums. The Authority did not prefund any future benefits.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 7 (continued)

Annual OPEB Cost and Net OPEB Obligation:

The Authority's annual other postemployment benefit (OPEB) cost (expense) for the plans is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligations (assets), by plan, for fiscal years 2014, 2015 and 2016 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/14	\$ 3,356	\$ 2,831	100%	\$ 9,663
6/30/15	\$ 3,164	\$ 2,844	100%	\$ 9,983
6/30/16	\$ 3,184	\$ 3,008	100%	\$ 10,159

The net OPEB obligation (NOPEBO) as of June 30, 2016 was calculated as follows:

Annual required contribution	\$ 3,440
Interest on the beginning net OPEB obligation	399
ARC adjustment	<u>(655)</u>
Annual OPEB expense	3,184
Contributions made	<u>3,008</u>
Increase (decrease) in net OPEB obligation	176
Net OPEB obligation (asset), beginning of year	<u>9,983</u>
Net OPEB obligation (asset), end of year	<u><u>\$ 10,159</u></u>

Funded Status and Funding Progress:

The funded status of the plans as of June 30, 2016 was as follows:

Accrued actuarial liability (a)	\$ 54,544
Actuarial value of plan assets (b)	<u>-</u>
Unfunded actuarial accrued liability (a) – (b)	<u><u>54,544</u></u>
Covered payroll (c)	\$ 1,760,342
Unfunded actuarial accrued liability as a percentage of covered payroll (a – b)/c	3.1%

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 7 (continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the Authority and the plan members to that point. Actuarial calculations reflect long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions are as follows:

Actuarial valuation date	6/30/14
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level Dollar Closed
Asset valuation method	Market Value

Actuarial Assumptions:

Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate increases effective July 1, 2015	3.00%

Note 8 – CONTINGENT LIABILITIES

Federal Grants

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

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 8 (continued)

Contingent Liability

For the West Minor Street Associates, LLC, West Minor Street Associates II, LLC, and Sunridge Fallon Associates, LLC partnerships, the Nevada Rural Housing Authority (the Authority) has guaranteed performance regarding delivery of low-income housing tax credits, funding of operating deficits, and maintaining compliance with applicable provisions of Internal Revenue Code Section 42. In addition, the Authority has guaranteed performance regarding completion of construction, repayment of construction and/or permanent loans and payment of development fees for the Jeanell Drive Associates, LLC, West Minor Street Associate II, LLC and Southwood Associates, LLC partnerships under provisions of the same code. Failure to maintain compliance or to correct noncompliance within a specified time period could result in a default and create financial costs to the Authority. There are no outstanding faults that are probable in which the loss is estimable, which would be required to be accrued in these financial statements.

Note 9 – OPERATING LEASES

The Authority leases space for its central office under noncancelable leases expiring on August 31, 2016. There is an option to extend this lease for an additional two years. Total rents paid under this lease agreement for the fiscal year ended June 30, 2016 was \$142,837. The future minimum rental payment for this lease is as follows:

<u>Year ending June 30,</u>	
2017	<u>\$ 24,411</u>
Total	<u><u>\$ 24,411</u></u>

Note 10– SUBSEQUENT EVENTS

Management evaluated all activity of the Authority through August 31, 2016 the financial statements or disclosure in the notes to the financial statements.

The sale of the Eureka Canyon property to the County of Eureka closed on September 2, 2016, which eliminated the Authority's obligation of the property.

REQUIRED SUPPLEMENTARY INFORMATION
(Other than the MD&A)

**NEVADA RURAL HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 2016**

Schedule of funding progress for OPEB

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of covered Payroll
2012	June 30, 2011	\$ 0	\$ 46,339	\$ 46,339	0%	\$1,091,306	4.3%
2013	June 30, 2011	\$ 0	\$ 46,055	\$ 46,055	0%	\$1,150,169	4.0%
2014	June 30, 2014	\$ 0	\$ 55,781	\$ 55,781	0%	\$1,269,561	4.3%
2015	June 30, 2014	\$ 0	\$ 55,781	\$ 55,781	0%	\$1,379,135	4.0%
2016	June 30, 2014	\$ 0	\$ 54,544	\$ 54,544	0%	\$1,760,342	3.1%

Schedule of the Authority's Proportionate Share of the Net Pension Liability⁶

	6/30/2015	6/30/2014
Plan's Proportion of the Net Pension Liability/(Asset)	0.02364%	0.02218%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 2,709,403	\$ 2,311,800
Plan's Covered-Employee Payroll	\$ 1,760,342 (3)	\$ 1,319,436
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	154%	175%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.13% (4)	76.51%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 8,181,974 (5)	\$ 7,446,953

Schedule of the Authority's Pension Plan Contributions⁶

	6/30/2015	6/30/2014
Actuarially Determined Contribution	\$ 364,947 (2)	\$ 335,952
Contributions in Relation to the Actuarially Determined Contribution	(364,947) (2)	(335,952)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,760,342 (3)	\$ 1,319,436
Contributions as a Percentage of Covered-Employee Payroll	20.73%	25.46%

Notes to Schedules:

1-Historical information is required only for measurement periods for which GASB 68 is applicable.

2-Employees are assumed to make contributions equal to the actuarially determined contributions.

3-Covered-employee payroll represented above is based on pensionable earnings provided by the employer.

4-Derived from CAFR p. 94. Fiduciary Net Position/Total Pension Liability

\$34,610,720,184/\$46,070,157,029=75.13%.

5-Multiplied .02364% times \$34,610,720,184=\$8,181,974.

6- These dates match the valuation measurement date which lags the fiscal audit date by 1 year.

OTHER SUPPLEMENTARY INFORMATION

**NEVADA RURAL HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/ Pass Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Expenditures</u>
Department of Housing and <u>Urban Development (HUD):</u>			
Direct Programs:			
Rent Supplements – Rental Housing for Lower Income Families	14.149		\$ 86,336
Mainstream Vouchers	14.879		823,683
Neighborhood Stabilization Program	14.256		40,065
Dollar Home Sales	14.313		6,955
Multifamily Housing Service Coordinators	14.191		80,871
Section 8 Housing Choice Vouchers	14.871		<u>9,698,822</u>
 Total U.S. Department of Housing and Urban Development			 <u>10,736,732</u>
<u>U.S. Department of Agriculture (USDA):</u>			
Direct Programs:			
Rural Rental Assistance Programs	10.427		797,933
Rural Housing Preservation Grant	10.433		<u>97,800</u>
 Total U.S. Department of Agriculture			 <u>895,733</u>
<u>Department of Energy (DOE):</u>			
Passed through from State of Nevada Housing Division:			
Weatherization Assistance For Low-Income Persons	81.042	DOE/2015/02	<u>41,264</u>
 Total Department of Energy			 <u>41,264</u>
<u>Department of Health and Human Services(HH&S):</u>			
Passed through from State of Nevada Housing Division:			
Low Income Home Energy Assistance	93.568	LIHEA/2015/02	<u>22,251</u>
 Total Department of Health and Human Services			 <u>22,251</u>
 Total Federal Expenditures			 <u>\$ 11,695,980</u>

This statement was prepared on the accrual basis of accounting.

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

NEVADA RURAL HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

1. The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Nevada Rural Housing Authority (NRHA). The NRHA's reporting entity is defined in Note 1 to the financial statements.
2. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the NRHA under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of NRHA, it is not intended to and does not present the financial position, changes in net position, or cash flows of the NRHA.
3. The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. This is the same method of accounting as was used in the preparation of the Authority's basic financial statements.
4. The NRHA did not pass-through any federal awards to subrecipients during the fiscal year ended June 30, 2016.

NEVADA RURAL HSG AUTH (NV905)
Carson City, NV
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit
Fiscal Year End: 06/30/2016

	14.296 Neighborhood Stabilization Program (Recovery Act Funded)	14.310 Dollar Home Sales	10.427 Rural Rental Assistance Payments	81.042 Wider Housing Assistance for Low Income Persons	10.433 Rural Housing Preservation Grants	14.671 Housing Choice Vouchers	14.679 Mainstream Vouchers	14.149 Rent Supplements, Rent al Housing for Lower Income Families	Component Unit - Discretely Presented	83.588 Low-Income Home Energy Assistance	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$37,183		\$214,331			\$795	\$319,232		\$1,000			\$4,599,737	\$5,082,278		\$5,082,278
112 Cash - Restricted - Modernization and Development			\$986,023									\$2,682	\$988,705		\$988,705
113 Cash - Other Restricted			\$23,310									\$25,640	\$52,432		\$52,432
114 Cash - Tenant Security Deposits	\$4,452														
115 Cash - Restricted for Payment of Current Liabilities															
100 Total Cash	\$41,635	\$0	\$1,222,664	\$0	\$0	\$795	\$319,232	\$0	\$1,000	\$0	\$0	\$4,538,059	\$6,123,365	\$0	\$6,123,365
121 Accounts Receivable - PHA Projects						\$2,183							\$2,183		\$2,183
122 Accounts Receivable - HUD Other Projects															
124 Accounts Receivable - Other Government	\$5,746		\$14,799	\$8,014	\$16,179					\$11,480	\$82,108	\$79,637	\$188,011		\$188,011
125 Accounts Receivable - Miscellaneous			\$326,552			\$7,659				\$942,086		\$942,086	\$1,276,487		\$1,276,487
126 Accounts Receivable - Tenants	\$926		\$690			\$596				\$457		\$457	\$2,669		\$2,669
128.1 Allowance for Doubtful Accounts - Tenants	\$0		\$0	\$0	\$0	\$0				\$0	\$0	\$0	\$0		\$0
128.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0	\$0	\$0				\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current															
128 Fraud Recovery						\$8,550	\$870						\$9,420		\$9,420
128.1 Allowance for Doubtful Accounts - Fraud													\$-9,420		\$-9,420
129 Accrued Interest Receivable												\$97,471	\$97,471		\$97,471
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,706	\$0	\$342,041	\$8,014	\$16,179	\$10,638	\$0	\$0	\$0	\$11,480	\$52,108	\$1,19,651	\$1,566,831	\$0	\$1,566,831
131 Investments - Unrestricted												\$917,405	\$917,405		\$917,405
132 Investments - Restricted															
135 Investments - Restricted for Payment of Current Liability															
142 Prepaid Expenses and Other Assets															
143 Inventories						\$1,930	\$186					\$66,122	\$68,138		\$68,138
143.1 Allowance for Obsolete Inventories															
144 Inter Program Due From	\$782											\$487,495	\$571,166	\$571,166	\$0
145 Assets Held for Sale												\$56,438	\$56,438		\$56,438
150 Total Current Assets	\$6,578	\$42,561	\$1,594,705	\$8,014	\$16,179	\$13,263	\$319,418	\$0	\$1,000	\$11,480	\$52,108	\$7,185,170	\$9,333,363	\$571,166	\$9,722,197
161 Land															
162 Buildings	\$226,260	\$19,800	\$1,341,502									\$705,176	\$2,282,738		\$2,282,738
163 Furniture, Equipment & Machinery - Dwellings	\$446,585	\$86,562	\$6,592,416									\$6,005,879	\$14,011,462		\$14,011,462
164 Furniture, Equipment & Machinery - Administration			\$23,148			\$105,698	\$10,756				\$24,013	\$162,741	\$338,356		\$338,356
165 Leasehold Improvements															
166 Accumulated Depreciation	\$87,829	\$13,312	\$1,929,887			\$-88,340	\$-8,990				\$-24,013	\$-885,749	\$-2,738,120		\$-2,738,120
167 Construction in Progress															
168 Infrastructure															
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$595,016	\$6,027,179	\$0	\$0	\$17,358	\$1,766	\$0	\$0	\$0	\$0	\$7,188,047	\$13,882,436	\$0	\$13,882,436
171 Notes, Loans and Mortgages Receivable - Non-Current															
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due												\$4,100,000	\$4,100,000		\$4,100,000
173 Grants Receivable - Non-Current															
174 Other Assets															
176 Investments in Joint Ventures															
180 Total Non-Current Assets	\$0	\$595,016	\$6,027,179	\$0	\$0	\$17,358	\$1,766	\$0	\$0	\$0	\$0	\$11,288,047	\$17,982,436	\$0	\$17,982,436
200 Deferred Outflow of Resources												\$727,123	\$727,123		\$727,123
200 Total Assets and Deferred Outflow of Resources	\$6,578	\$62,577	\$15,599	\$8,014	\$16,179	\$30,621	\$21,184	\$0	\$1,000	\$11,480	\$52,108	\$19,200,340	\$28,022,922	\$571,166	\$27,451,756
311 Bank Overdraft															
313 Accounts Payable <= 90 Days												\$135,410	\$135,410		\$135,410
313 Accounts Payable >90 Days Past Due						\$1	\$1,434			\$750	\$17,879	\$155,110	\$171,858		\$171,858
321 Accrued Payroll Taxes Payable	\$4,469			\$1,868	\$797	\$33,170	\$3,176				\$3,641	\$70,381	\$115,502		\$115,502
322 Accrued Compensated Absences - Current Portion	\$483			\$11	\$8	\$2,611	\$268				\$39	\$4,930	\$8,348		\$8,348
324 Accrued Contingency Liability															
325 Accrued Interest Payable													\$12,109		\$12,109
331 Accounts Payable - HUD PHA Programs															
332 Account Payable - PHA Projects															
333 Accounts Payable - Other Government															

NEVADA RURAL HSG AUTH (NV905)
Carson City, NV
Entity Wide Balance Sheet Summary

Fiscal Year End: 06/30/2016

Submission Type: Audited/Single Audit

	14,191 Multifamily Housing Service Coordinators	14,296 Neighborhood Stabilization Program (Recovery Act Funded)	14,310 Dollar Home Sales	10,427 Rural Rental Assistance Payments	81,042 Wider Housing Assistance for Low Income Persons	10,433 Rural Housing Preservation Grants	14,671 Housing Choice Vouchers	14,679 Mainstream Vouchers	14,149 Rent Supplements, Rent all Housing for Lower Income Families	Component Unit - Discreetly Presented	Home Energy Assistance	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
341 Tenant Security Deposits		\$4,416		\$20,402									\$79,603	\$52,421		\$52,421
342 Unearned Revenue		\$82		\$2,900			\$0						\$79,788	\$82,760		\$82,760
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				\$55,353									\$5,781,347	\$5,836,700		\$5,836,700
344 Current Portion of Long-term Debt - Operating Borrowings																
345 Other Current Liabilities				\$13,166									\$13,383	\$26,589		\$26,589
346 Accrued Liabilities - Other													\$93,013	\$93,013		\$93,013
347 Inter Program - Due To				\$16,077	\$13,442	\$15,310	\$317,345				\$10,730	\$28,037	\$170,225	\$571,166	\$571,166	\$0
348 Loan Liability - Current																
310 Total Current Liabilities	\$3,982	\$4,508	\$0	\$122,319	\$14,522	\$16,105	\$387,217	\$5,078	\$0	\$0	\$11,480	\$49,408	\$6,376,040	\$6,070,846	-\$571,166	\$6,399,480
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue																
352 Long-term Debt, Net of Current - Operating Borrowings				\$3,276,834									\$0	\$3,276,834		\$3,276,834
353 Non-current Liabilities - Other																
354 Accrued Compensated Absences - Non Current	\$4,349				\$88	\$73	\$23,488	\$2,391				\$347	\$142,621	\$142,621		\$142,621
355 Loan Liability - Non Current													\$44,354	\$75,120		\$75,120
356 PAB 5 Liabilities																
357 Accrued Pension and OPEB Liabilities																
350 Total Non-Current Liabilities	\$4,349	\$0	\$0	\$3,276,834	\$88	\$73	\$23,488	\$2,391	\$0	\$0	\$0	\$347	\$2,719,562	\$2,719,562		\$2,719,562
300 Total Liabilities	\$8,331	\$4,508	\$0	\$3,399,253	\$14,610	\$16,179	\$387,715	\$7,469	\$0	\$0	\$11,480	\$49,755	\$2,905,547	\$6,214,237	\$0	\$6,214,237
400 Deferred Inflow of Resources																
508.4 Net Investment in Capital Assets		\$585,016	\$73,070	\$2,694,482			\$17,355	\$1,768	\$0				\$1,077,671	\$1,077,671		\$1,077,671
511.4 Restricted Net Position				\$1,008,333			\$0						\$1,067,700	\$4,778,802		\$4,778,802
512.4 Unrestricted Net Position	-\$1,753	\$38,053	\$82,888	\$489,406	-\$6,606	\$0	-\$377,452	\$311,951	\$0	\$1,000	\$0		\$28,322	\$1,036,655		\$1,036,655
513 Total Equity - Net Assets / Position	-\$1,753	\$823,069	\$155,959	\$4,192,631	-\$6,606	\$0	-\$380,094	\$313,717	\$0	\$1,000	\$0	\$2,163	\$8,940,082	\$13,780,168	\$0	\$13,780,168
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,578	\$627,577	\$155,959	\$7,591,884	\$8,014	\$16,179	\$30,621	\$321,184	\$0	\$1,000	\$11,480	\$52,108	\$19,200,340	\$28,022,922	-\$571,166	\$27,461,756

NEVADA RURAL HSG AUTH (NV905)

Carson City, NV

Program Revenue and Expense Summary

Fiscal Year End: 06/30/2016

Submission Type: Audited/Single Audit

	14,191 Multifamily Housing Service Coordinators	14,256 Neighborhood Stabilization Program (Recovery Act Funded)	14,313 Dollar Home Sales	10,427 Rural Rental Assistance Payments	81,042 Weatherization Assistance for Low-Income Persons	10,433 Rural Housing Preservation Grants	14,871 Housing Choice Vouchers	14,875 Mainstream Vouchers	14,149 Rent Supplements, Rental Housing for Lower Income Families	93,568 Low-Income Home Energy Assistance	2 State/Local	1 Business Activities	Total
70300 Net Tenant Rental Revenue		\$46,170	\$7,666	\$255,183								\$142,815	\$451,834
70400 Tenant Revenue - Other	\$0												
70500 Total Tenant Revenue		\$46,170	\$7,666	\$255,183	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$142,815	\$451,834
70600 HUD PHA Operating Grants													
70610 Capital Grants													
70710 Management Fee								\$1,101,985					\$1,101,985
70720 Asset Management Fee													
70730 Book Keeping Fee													
70740 Front Line Service Fee													
70750 Other Fees													
70700 Total Fee Revenue												\$857,183	\$857,183
70800 Other Government Grants	\$77,297			\$414,336	\$41,264	\$97,800			\$95,336	\$22,130	\$223,606	\$665,596	\$1,628,367
71100 Investment Income - Unrestricted		\$39		\$1,388			\$0					\$125,384	\$129,821
71200 Mortgage Interest Income													
71300 Proceeds from Disposition of Assets Held for Sale												\$189,868	\$189,868
71310 Cost of Sale of Assets													
71400 Fraud Recovery							\$15,186	\$736					\$15,922
71500 Other Revenue		\$80		\$9,665			\$114,465					\$2,622,112	\$2,746,322
71600 Gain or Loss on Sale of Capital Assets				\$129,284								\$800	\$130,184
72000 Investment Income - Restricted													
70000 Total Revenue	\$77,297	\$46,209	\$7,666	\$899,866	\$41,264	\$97,800	\$9,367,990	\$1,102,721	\$95,336	\$22,130	\$223,606	\$4,606,878	\$16,486,853
91100 Administrative Salaries	\$49,970			\$0	\$5,841	\$5,881	\$402,332	\$40,943	\$418	\$1,833	\$35,009	\$1,379,978	\$1,911,787
91200 Auditing Fees		\$78		\$1,232			\$22,934	\$2,334				\$3,200	\$30,196
91300 Management Fee		\$6,610	\$767	\$61,809		\$0			\$25,285			\$4,140	\$69,616
91310 Book-keeping Fee													
91400 Advertising and Marketing				\$1,459			\$10,802	\$1,099	\$1,009		\$27	\$219,564	\$233,860
91500 Employee Benefit Contributions - Administrative	\$21,165			\$0	\$2,772	\$2,996	\$15,211	\$15,388		\$744	\$11,596	\$872,851	\$1,078,723
91600 Office Expenses	\$1,276	\$439		\$19,016	\$811	\$224	\$138,015	\$14,045	\$6,947	\$6	\$3,700	\$242,793	\$498,442
91700 Legal Expense				\$468			\$4,774	\$468				\$88,077	\$103,795
91800 Travel					\$4,589	\$320	\$31,734	\$3,229			\$18	\$91,280	\$131,170
91810 Allocated Overhead	\$4,358			\$16,145	\$4,126	\$8,891	\$337,801	\$34,375		\$2,213	\$22,423	\$489,885	\$520,217
91900 Other	\$2,697			\$93,487	\$4,047	\$1,101	\$97,300	\$8,984			\$669	\$548,382	\$736,867
91000 Total Operating - Administrative	\$79,466	\$7,125	\$767	\$182,805	\$22,166	\$19,413	\$1,186,903	\$120,763	\$34,669	\$4,796	\$63,532	\$3,960,140	\$5,672,375
92000 Asset Management Fee													
92100 Tenant Services - Salaries													
92200 Relocation Costs													
92300 Employee Benefit Contributions - Tenant Services													
92400 Tenant Services - Other													
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$235,170	\$235,170
93100 Water		\$61		\$16,974								\$1,664	\$21,807
93200 Electricity		\$35		\$6,906	\$28	\$31	\$4,191	\$426	\$1,756		\$128	\$25,299	\$38,800
93300 Gas		\$25		\$7,247					\$871			\$5,143	\$8,143
93400 Fuel												\$632	\$632
93500 Labor													
93600 Sewer													
93700 Employee Benefit Contributions - Utilities		\$1,938		\$38,569			\$9,841					\$603	\$50,951
93800 Other Utilities Expense		\$91		\$17,273								\$1,642	\$24,251
93000 Total Utilities	\$0	\$2,150	\$0	\$66,969	\$28	\$31	\$4,191	\$426	\$20,801	\$0	\$128	\$30,040	\$144,764

NEVADA RURAL HSG AUTH (NV905)

Carson City, NV

Program Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	14,191 Multifamily Housing Service Coordinators	14,296 Neighborhood Stabilization Program (Recovery Act Funded)	14,313 Dollar Home Sales	10,427 Rural Rental Assistance Payments	81,042 Weatherization Assistance for Low-Income Persons	10,433 Rural Housing Preservation Grants	14,871 Housing Choice Vouchers	14,879 Mainstream Vouchers	14,149 Rent Supplements, Rental Housing for Lower Income Families	93,568 Low-Income Home Energy Assistance	2 State/Local	1 Business Activities	Total
94100 Ordinary Maintenance and Operations - Labor													
94200 Ordinary Maintenance and Operations - Materials and		\$26		\$60,187	\$843	\$235	\$2,601	\$265	\$3,841		\$7,474	\$16,643	\$92,115
94300 Ordinary Maintenance and Operations Contracts	\$0	\$10,239	\$3,087	\$116,406	\$17,171	\$77,878	\$7,554	\$769	\$19,947	\$17,444	\$150,727	\$39,470	\$459,932
94500 Employee Benefit Contributions - Ordinary Maintenance													
94000 Total Maintenance	\$0	\$10,265	\$3,087	\$176,593	\$18,014	\$78,113	\$10,155	\$1,034	\$22,788	\$17,444	\$158,201	\$56,113	\$551,807
95100 Protective Services - Labor													
95200 Protective Services - Other Contract Costs													
95300 Protective Services - Other													
95500 Employee Benefit Contributions - Protective Services													
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance													
96120 Liability Insurance		\$2,639	\$438	\$15,793	\$829		\$21,785	\$2,217	\$6,137		\$829	\$17,131	\$67,798
96130 Workmen's Compensation	\$1,405			\$2,969	\$207	\$243	\$12,988	\$1,220	\$936	\$11	\$918	\$29,148	\$49,725
96140 All Other Insurance													
96100 Total Insurance Premiums	\$1,405	\$2,639	\$438	\$18,762	\$1,036	\$243	\$34,753	\$3,537	\$7,073	\$11	\$1,747	\$46,279	\$117,523
96200 Other General Expenses							\$20,635	\$2,100					\$22,735
96210 Compensated Absences													
96300 Payments in Lieu of Taxes		\$23		\$11,835			\$1,015					\$17,773	\$30,748
96400 Bad debt - Tenant Rents													
96500 Bad debt - Mortgages													
96600 Bad debt - Other													
96800 Severance Expense													
96000 Total Other General Expenses	\$0	\$23	\$0	\$11,835	\$0	\$0	\$20,635	\$2,100	\$1,015	\$0	\$0	\$17,773	\$53,461
96710 Interest of Mortgage (or Bonds) Payable													
96720 Interest on Notes Payable (Short and Long Term)													
96730 Amortization of Bond Issue Costs													
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$63,936	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$146,233	\$210,169
96900 Total Operating Expenses	\$80,871	\$22,202	\$4,292	\$540,400	\$41,264	\$97,800	\$1,256,637	\$127,880	\$86,336	\$22,251	\$223,608	\$4,481,748	\$6,895,289
97000 Excess of Operating Revenue over Operating Expenses	-\$3,574	\$24,087	\$3,374	\$269,468	\$0	\$0	\$8,111,361	\$974,841	\$0	-\$121	\$0	\$125,130	\$9,534,954
97100 Extraordinary Maintenance													
97200 Casualty Losses - Non-capitalized													
97300 Housing Assistance Payments				\$9,822			\$3,375,591	\$894,522				\$329,451	\$9,407,386
97350 HAP Portability-In							\$54,011						\$54,011
97400 Depreciation Expense		\$17,863	\$2,663	\$248,711			\$12,584	\$1,281				\$154,266	\$437,988
97500 Fraud Losses													
97600 Capital Outlays - Governmental Funds													
97700 Debt Principal Payment - Governmental Funds													
97800 Dwelling Units Rent Expense													
90000 Total Expenses	\$80,871	\$40,065	\$6,955	\$797,933	\$41,264	\$97,800	\$9,698,823	\$823,683	\$86,336	\$22,251	\$223,608	\$4,964,465	\$16,884,054

NEVADA RURAL HSG AUTH (NV905)

Carson City, NV

Program Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	14,191 Multifamily Housing Service Coordinators	14,256 Neighborhood Stabilization Program (Recovery Act Funded)	14,313 Dollar Home Sales	10,427 Rural Rental Assistance Payments	81,042 Weatherization Assistance for Low-Income Persons	10,433 Rural Housing Preservation Grants	14,871 Housing Choice Vouchers	14,879 Mainstream Vouchers	14,149 Rent Supplements, Rental Housing for Lower Income Families	93,568 Low-Income Home Energy Assistance	2 State/Local	1 Business Activities	Total
10010 Operating Transfer In													
10020 Operating Transfer Out													
10030 Operating Transfers from/to Primary Government													
10040 Operating Transfers from/to Component Unit													
10050 Proceeds from Notes, Loans and Bonds													
10060 Proceeds from Property Sales													
10070 Extraordinary Items, Net Gain/Loss													
10080 Special Items (Net Gain/Loss)													
10091 Inter Project Excess Cash Transfer In													
10092 Inter Project Excess Cash Transfer Out													
10093 Transfers between Program and Project - In													
10094 Transfers between Project and Program - Out													
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$285	\$0	-\$285	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$3,574	\$6,224	\$711	\$11,933	\$0	\$0	-\$330,825	\$279,038	\$0	\$164	\$0	-\$357,872	-\$394,201
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$56,873	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$56,873
11030 Beginning Equity	\$1,921	\$617,033	\$155,246	\$4,160,688	-\$6,608	\$0	-\$29,269	\$34,679	\$0	-\$164	\$2,163	\$9,194,794	\$14,151,397
11040 Prior Period Adjustments, Equity Transfers and Correction	\$0	-\$188					\$0					\$3,160	\$2,972
11050 Changes in Compensated Absence Balance													
11060 Changes in Contingent Liability Balance													
11070 Changes in Unrecognized Pension Transition Liability													
11080 Changes in Special Term/Severance Benefits Liability													
11090 Changes in Allowance for Doubtful Accounts - Dwelling													
11100 Changes in Allowance for Doubtful Accounts - Other													
11170 Administrative Fee Equity							-\$165,523						-\$165,523
11180 Housing Assistance Payments Equity							-\$194,571						-\$194,571
11190 Unit Months Available		60	12	1043			17688	1800	380			600	21563
11210 Number of Unit Months Leased		59	12	923			17457	1748	353			130	20652
11270 Excess Cash													
11610 Land Purchases													
11620 Building Purchases													
11630 Furniture & Equipment - Dwelling Purchases													
11640 Furniture & Equipment - Administrative Purchases													
11650 Leasehold Improvements Purchases													
11660 Infrastructure Purchases													
13510 CFFP Debt Service Payments													
13901 Replacement Housing Factor Funds													

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To Board of Commissioners
Nevada Rural Housing Authority
Carson City, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the Nevada Rural Housing Authority, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Nevada Rural Housing Authority's basic financial statements, and have issued our report thereon dated August 31, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nevada Rural Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nevada Rural Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Nevada Rural Housing Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nevada Rural Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CROPPER ROWE, LLP

Walnut Creek, California

August 31, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

To the Board of Commissioners
Nevada Rural Housing Authority
Carson City, Nevada

Report on Compliance for Each Major Federal Program

We have audited the Nevada Rural Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Nevada Rural Housing Authority's major federal programs for the year ended June 30, 2016. Nevada Rural Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Nevada Rural Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Nevada Rural Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Nevada Rural Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Nevada Rural Housing Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Nevada Rural Housing Authority, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Nevada Rural Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Nevada Rural Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CROPPER ROWE, LLP
Walnut Creek, California
August 31, 2016

**NEVADA RURAL HOUSING AUTHORITY
STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

The previous audit report for the year ended June 30, 2015, contained no audit findings.

**NEVADA RURAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Reportable conditions identified not considered material weaknesses?	no
Noncompliance material to financial statements?	no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	no
Reportable conditions identified not considered material weaknesses?	no
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with A-133, Section .510(a)?	no
Identification of major programs:	
Housing Voucher Cluster:	
Section 8 Housing Choice Vouchers	14.871
Mainstream Vouchers	14.879
Rural Rental Assistance Programs	10.427
Dollar threshold to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low risk auditee?	yes
Section II - Financial Statement Findings	no
Section III - Federal Award Findings	no