

CROPPER ROWE, LLP

CERTIFIED PUBLIC ACCOUNTANTS

NEVADA RURAL HOUSING AUTHORITY
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018
(Including Auditors' Report Thereon)



NEVADA RURAL HOUSING AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Business-type Fund Financial Statements:	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13
Notes to the Financial Statements	15
Required Supplementary	
Schedule of the Authority's Proportionate Share of Net Pension Liability	37
Schedule of the Authority's Pension Plan Contributions	38
Schedule of the Authority's Changes in the Net OPEB Liability and Recalculated ratios	39
Schedule of the Authority's Pension Plan Contributions	40
Other Supplementary Information:	
Schedule of Expenditures of Federal Awards	42
Notes to Schedule of Expenditures of Federal Awards	43
Financial Data Schedule	44
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 <i>Government Auditing Standards</i>	49
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	51
Status of Prior Audit Findings	53
Schedule of Findings and Questioned Costs	54

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Nevada Rural Housing Authority (the "Authority") as of and for the year ended June 30, 2018, 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, the aggregate discretely presented component unit, and the aggregate remaining fund information of the Authority, as of June 30, 2018, 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 4-9, the Schedule of Proportionate Share of Net Pension Liability on page 37, the Schedule of Pension Plan Contributions on page 38, the Schedule of Changes in Net OPEB Liability and Related Ratios on page 39, and the Schedule of OPEB Plan Contributions on page 40 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 Authority's basic financial statements. The Schedule of Expenditures of Federal Awards on page 42 is required by the title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards*, and the accompanying Financial Data Schedule on pages 44-48, required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and 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 Data Schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2018, on our consideration of the 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, 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 Authority's internal control over financial reporting compliance.



CROPPER ROWE, LLP
Walnut Creek, California
October 23, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018. 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 and Continuum of Care program

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 \$11,462,496 at the close of fiscal year 2018 as opposed to \$13,171,258 for fiscal year 2017.
- Total assets at June 30, 2018 were \$18,407,413. Of this, \$5,891,414 represents current assets, and \$12,515,999 represents non-current assets. Total assets at June 30, 2018 decreased by \$1,573,159 from the June 30, 2017 balance of \$19,980,572.

- Net capital assets for the fiscal year 2018 increased by \$291,517 from \$7,566,182 at June 30, 2017 to \$7,857,699 at June 30, 2018. Capital assets are reflected at cost, less accumulated depreciation for all capital assets.
- At June 30, 2018 there was \$1,552,561 of deferred outflows of resources compared to \$1,526,618 at June 30, 2017. Proportionate share of contributions to pension and change in assumptions accounted for the variance, as discussed in Note 7 of the financial statements.
- Total liabilities at June 30, 2018 were \$8,218,274. Of this, \$680,054 represents current liabilities, and \$7,538,220 represents non-current liabilities. Total liabilities at June 30, 2018 increased by \$485,535 from the June 30, 2017 balance of \$7,732,739. This is primarily due to increased PERS liability, line of credit payable, and implementation of *Government Accounting Standards Board* pronouncement No. 75 for OPEB liability.
- At June 30, 2018, there was \$279,204 of deferred inflows of resources compared to \$603,193 at June 30, 2017. Proportionate share of contributions to pension and change in assumptions accounted for the variance, as discussed in Note 7 of the financial statements.
- As of June 30, 2018, the Authority's Unrestricted Net Position was \$3,269,895, its Restricted Net Position was \$3,547,217, and its Net Investment in Capital Assets was \$4,645,384. This represents a total Net Position at June 30, 2018 of \$11,462,496 compared to a total Net Position at June 30, 2017 of \$13,171,258.
- The primary source of revenues for the Authority for the fiscal year ended June 30, 2018 were grants from federal agencies. Grant revenues for the fiscal year 2018 were \$11,677,931 versus \$11,711,749 for fiscal year 2017.
- Operating revenues for the Authority for the 2018 fiscal year were \$14,762,511 and operating expenses were \$16,660,351. Operating revenues and expenses for the fiscal year 2017 were \$15,787,867 and \$16,596,596 respectively.
- The major program expenditure, as reflected on the Statement of Revenues, Expenses, and Changes in Net Position, was for housing assistance payments. There was \$9,321,886 of housing assistance payment expenses for fiscal year 2018. This represents an increase of \$120,065 of the amount for fiscal year 2017 of \$9,201,821.
- Expenditures of Federal Awards amounted to \$14,794,361 for 2018 for an increase of \$165,448 from the prior fiscal year's expenditures of \$14,628,913.

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 *Government Accounting Standards Board* No. 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.

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 title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards*, 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, 2018. 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.

Comparative Statement of Net Position

The following table reflects the Statement of Net Position at June 30, 2018 compared to prior year. The Authority is engaged only in Business-Type Activities:

Comparative Statement of Net Position				
June 30, 2018				
	<u>2018</u>	<u>2017</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Assets and Deferred Outflows				
Current assets	\$ 5,891,414	\$ 7,799,639	\$ (1,908,225)	(24.47)%
Mortgage loan receivable	4,560,903	4,523,987	36,916	0.82%
Mortgage interest receivable	97,397	90,764	6,633	7.31%
Capital Assets (net of accumulated depreciation)	7,857,699	7,566,182	291,517	3.85%
Deferred outflows	<u>1,552,561</u>	<u>1,526,618</u>	<u>25,943</u>	1.70%
Total Assets and Deferred Outflows	<u>19,959,974</u>	<u>21,507,190</u>	<u>(1,547,216)</u>	(7.19)%
Liabilities and Deferred Inflows				
Current liabilities	680,054	443,258	236,796	53.42%
Non-current liabilities	7,538,220	7,289,481	248,739	3.41%
Deferred inflows	<u>279,204</u>	<u>603,193</u>	<u>(323,989)</u>	(53.71)%
Total Liabilities and Deferred Inflows	<u>8,497,478</u>	<u>8,335,932</u>	<u>161,546</u>	1.94%
Net Position				
Net investment in Capital Assets	4,645,384	4,295,772	349,612	8.14%
Restricted	3,547,217	1,050,185	2,497,032	237.77%
Unrestricted	<u>3,269,895</u>	<u>7,825,301</u>	<u>(4,555,406)</u>	(58.21)%
Total Net Position	<u>\$ 11,462,496</u>	<u>\$ 13,171,258</u>	<u>\$ (1,708,762)</u>	(12.97)%

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

The table below presents the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2018 compared to prior year.

Comparative Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
<u>Operating Revenues</u>				
Grants	\$ 11,677,931	\$ 11,711,749	\$ (33,818)	(0.29)%
Rents	268,178	351,538	(83,360)	(23.71)%
Mortgage and Developer fees	1,505,045	2,398,828	(893,783)	(37.26)%
Other	<u>1,311,357</u>	<u>1,325,752</u>	<u>(14,395)</u>	(1.09)%
Total operating revenues	<u>14,762,511</u>	<u>15,787,867</u>	<u>(1,025,356)</u>	(6.49)%
<u>Operating Expenses</u>				
Administration	6,038,221	5,986,378	51,843	0.87%
Utilities	111,241	114,657	(3,416)	(2.98)%
Maintenance	460,818	557,430	(96,612)	(17.33)%
Tenant services	207,751	281,177	(73,426)	(26.11)%
General	212,373	156,646	55,727	35.58%
Housing Assistance Payments	9,321,886	9,201,821	120,065	1.30%
Depreciation	<u>308,061</u>	<u>298,487</u>	<u>9,574</u>	3.21%
Total operating expenses	<u>16,660,351</u>	<u>16,596,596</u>	<u>63,755</u>	0.38%
Operating Income (Loss)	<u>(1,897,840)</u>	<u>(808,729)</u>	<u>(1,089,111)</u>	134.67%
<u>Non-Operating Revenue (Expenses)</u>				
Interest Income	368,063	281,589	86,474	30.71%
Interest Expense	(56,130)	(75,574)	19,444	25.73%
Gain on sale of fixed assets	-	24,841	(24,841)	(100.00)%
Pension Expense	(85,413)	(10,037)	(75,376)	(750.98)%
OPEB Expense	<u>2,569</u>	<u>-</u>	<u>2,569</u>	-
Net Non-Operating Revenue (Loss)	<u>229,089</u>	<u>220,819</u>	<u>8,270</u>	3.75%
Change in Net Position	<u>(1,668,751)</u>	<u>(587,910)</u>	<u>(1,080,841)</u>	(183.8)%
Beginning Net Position, restated	<u>13,131,247</u>	<u>13,759,168</u>	<u>(627,921)</u>	(4.56)%
Net Position, End of Year	<u>\$ 11,462,496</u>	<u>\$ 13,171,258</u>	<u>\$ (1,708,762)</u>	(12.97)%

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, 2018 decreased by \$1,708,762.

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>2018</u>	<u>2017</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
Land	\$ 2,254,833	\$ 2,254,833	\$ -	-
Buildings and Improvements	5,465,528	5,192,708	272,820	5.25%
Equipment	<u>137,338</u>	<u>118,641</u>	<u>18,697</u>	15.76%
Total	<u>\$ 7,857,699</u>	<u>\$ 7,566,182</u>	<u>\$ 291,517</u>	3.85%

The Authority's capital assets as of June 30, 2018 were \$7,857,699 (net of accumulated depreciation). During the fiscal year 2018 the Authority's net capital assets increased \$291,517 or 3.85% primarily due to predevelopment costs relating to Low Income Housing Tax Credit Projects. Additional information pertaining to the Authority's capital assets as of June 30, 2018 is presented in Note 3 to the Financial Statements.

Changes in Mortgage Debt

Mortgage debt is presented below to illustrate changes from the prior year:

	<u>2018</u>	<u>2017</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Notes payable	\$ <u>3,212,315</u>	\$ <u>3,270,411</u>	\$ <u>(58,096)</u>	(1.78)%
Total	<u>\$ 3,212,315</u>	<u>\$ 3,270,411</u>	<u>\$ (58,096)</u>	(1.78)%

At June 30, 2018, the Authority had long-term debt outstanding of \$3,212,315. During the fiscal year, long-term debt decreased by \$58,096 or 1.78%. Additional information pertaining to the Authority's long-term debt as of June 30, 2018 is presented in Note 5 in the "Notes to the Financial Statements".

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 Controller at 3695 Desatoya Drive, Carson City, Nevada 89701.

BASIC FINANCIAL STATEMENTS

NEVADA RURAL HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Nevada Rural Housing Authority	Nevada Rural Housing Inc.	Total Combined
<u>ASSETS</u>			
Current Assets:			
Cash and investments (Note 2)	\$ 1,190,197	\$ 236,268	\$ 1,426,465
Restricted Cash (Note 2)	3,547,217	-	3,547,217
Due from other agencies	108,210	-	108,210
Accounts receivable	1,042,233	100,518	1,142,751
Prepaid expenses	3,557	-	3,557
Investments	-	189,077	189,077
Total current assets	5,891,414	525,863	6,417,277
Noncurrent assets:			
Mortgage loan receivable	4,560,903	-	4,560,903
Mortgage interest receivable	97,397	-	97,397
Capital assets, net (Note 3)	7,857,699	96,350	7,954,049
Total noncurrent assets	12,515,999	96,350	12,612,349
Total Assets	18,407,413	622,213	19,029,626
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
OPEB (Note 8)	3,207	-	3,207
Pension Plan (Note 7)	1,549,354	-	1,549,354
Total deferred outflows	1,552,561	-	1,552,561
Total assets and deferred outflows of resources	19,959,974	622,213	20,582,187
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	143,966	-	143,966
Tenant security deposits	25,764	-	25,764
Accrued liabilities	308,798	3,358	312,156
Line of credit (Note 4)	100,000	-	100,000
Compensated absences (Note 6)	9,361	-	9,361
Interest payable	28,287	-	28,287
Notes payable (Note 5)	63,878	-	63,878
Total current liabilities	680,054	3,358	683,412
Noncurrent liabilities:			
Compensated absences (Note 6)	84,250	-	84,250
Notes payable (Note 5)	3,148,437	111,530	3,259,967
OPEB payable (Note 8)	50,672	-	50,672
Pension liability (Note 7)	4,254,861	-	4,254,861
Total noncurrent liabilities	7,538,220	111,530	7,649,750
Total liabilities	8,218,274	114,888	8,333,162
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension Plan (Note 7)	279,204	-	279,204
Total liabilities and deferred inflows of resources	8,497,478	114,888	8,612,366
<u>NET POSITION</u>			
Net investment in capital assets	4,645,384	(15,180)	4,630,204
Restricted	3,547,217	-	3,547,217
Unrestricted	3,269,895	522,505	3,792,400
Total Net Position	\$ 11,462,496	\$ 507,325	\$ 11,969,821

The accompanying notes are an integral part of these financial statements.

NEVADA RURAL HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Nevada Rural Housing Authority	Nevada Rural Housing Inc.	Total Combined
<u>Operating Revenues</u>			
Grants	\$ 11,677,931	\$ -	\$ 11,677,931
Rents	268,178	11,976	280,154
Mortgage issuer and lender fees	1,431,045	-	1,431,045
Developer fees	74,000	-	74,000
Other	1,311,357	58,014	1,369,371
Total operating revenues	<u>14,762,511</u>	<u>69,990</u>	<u>14,832,501</u>
<u>Operating Expenses</u>			
Administration	6,038,221	121,670	6,159,891
Utilities	111,241	1,206	112,447
Maintenance	460,818	497	461,315
General	212,373	2,525	214,898
Tenant services	207,751	-	207,751
Housing assistance payments	9,321,886	-	9,321,886
Depreciation	308,061	2,818	310,879
Total operating expenses	<u>16,660,351</u>	<u>128,716</u>	<u>16,789,067</u>
Operating income (loss)	<u>(1,897,840)</u>	<u>(58,726)</u>	<u>(1,956,566)</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest income - investments	185,619	31	185,650
Interest income - mortgage loans	182,444	-	182,444
Interest expense	(56,130)	-	(56,130)
Pension gain/(expense) (Note 7)	(85,413)	-	(85,413)
OPEB gain/(expense) (Note 8)	2,569	-	2,569
Net non-operating revenue	<u>229,089</u>	<u>31</u>	<u>229,120</u>
Change in net position	<u>(1,668,751)</u>	<u>(58,695)</u>	<u>(1,727,446)</u>
Total beginning net position, as previously reported	13,171,258	566,020	13,737,278
Prior period adjustment - GASB No. 75 OPEB Liability	<u>(40,011)</u>	<u>-</u>	<u>(40,011)</u>
Total beginning net position, as restated	<u>13,131,247</u>	<u>566,020</u>	<u>13,697,267</u>
Total ending net position	<u>\$ 11,462,496</u>	<u>\$ 507,325</u>	<u>\$ 11,969,821</u>

The accompanying notes are an integral part of these financial statements.

NEVADA RURAL HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Nevada Rural Housing Authority	Nevada Rural Housing Inc.	Total Combined
<u>Cash flows from operating activities:</u>			
Grants received	\$ 11,752,700	\$ -	\$ 11,752,700
Cash received from rents	268,178	23,331	291,509
Development and management fees	1,505,045	58,177	1,563,222
Other cash receipts	2,685,965	-	2,685,965
Cash payments to suppliers and landlords	(9,759,193)	(137,540)	(9,896,733)
Cash payments to employees	(6,371,231)	-	(6,371,231)
Net cash provided (used) in operating activities	81,464	(56,032)	25,432
<u>Cash flows from capital and related financing activities:</u>			
Interest paid on long-term debt	(50,331)	-	(50,331)
Purchase of fixed assets	(599,578)	-	(599,578)
Principal paid	(58,096)	-	(58,096)
Pension and OPEB expense	(122,854)	-	(122,854)
Interest received from mortgage loans	175,811	-	175,811
Net cash provided (used) in capital and related financing activities	(655,048)	-	(655,048)
<u>Cash flows from investing activities:</u>			
Increase in principal during the year	(36,916)	-	(36,916)
Interest received from investments	185,618	31	185,649
Net cash provided (used) in investing activities	148,702	31	148,733
Net increase (decrease) in cash	(424,882)	(56,001)	(480,883)
Cash at beginning of year	5,162,296	292,269	5,454,565
Cash at end of year	\$ 4,737,414	\$ 236,268	\$ 4,973,682
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>			
Operating income (loss)	\$ (1,897,840)	\$ (58,726)	\$ (1,956,566)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	308,061	2,818	310,879
(Increase)/decrease in assets:			
Accounts receivable	1,374,608	11,355	1,385,963
Amounts due from other agencies	74,769	-	74,769
Other assets	-	-	-
Investments	-	163	163
Prepaid expenses	33,966	(11,642)	22,324
Increase/(decrease) in liabilities:			
Accounts payable	72,099	-	72,099
Tenant security deposits	(1,699)	-	(1,699)
Accrued liabilities	48,549	-	48,549
Line of credit	100,000	-	100,000
Accrued compensated absences	16,922	-	16,922
Net pension liability	261,311	-	261,311
Net OPEB obligation	40,650	-	40,650
Deferred inflows and outflows	(349,932)	-	(349,932)
Net cash provided by operating activities	\$ 81,464	\$ (56,032)	\$ 25,432
<u>Noncash investing, capital, and financing activities</u>			
Pension and OPEB expense	\$ (190,336)	\$ -	\$ (190,336)

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Nevada Rural Housing Inc. (NRHI) is a non-profit 501(c)3 that fills a role on behalf of the Authority when such a non-profit is needed. NRHI does not undertake business that is not in the interest of or which is not supported by the Authority. The Authority serves as the Developer for all Low Income Housing Tax Credit projects in which NRHI is the Managing Member of the tax credit entities' Managing Member. There is one board member in common between the two entities. The Authority is contracted by NRHI to provide administration and technical services necessary to handle its daily business affairs.

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.

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).

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 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, and collateral for line of credit.

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. Prepaid expenses

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

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.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Capital Assets (continued)

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 service 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. Other Postemployment Benefits (OPEB)

For purposes of measuring the Net OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

9. 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.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position includes separate sections for deferred outflows and inflows of resources. These separate sections 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.

11. 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.

12. Operating Revenues and Expenses

Operating revenues are those revenues that are generated from the primary operations of the Authority. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Authority. All other expenses are reported as nonoperating expenses.

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 2018 the Authority adopted the following GASB Statements:

Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

Statement No. 81 – *Irrevocable Split-Interest Agreements*

Statement No. 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

Statement No. 86 – *Certain Debt Extinguishment Issues*

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, 2018

Note 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

	<u>NRHA</u>	<u>NRHI</u>
Unrestricted cash and investments	\$ 1,190,197	\$ 236,268
Restricted cash	<u>3,547,217</u>	<u>-</u>
Total cash and investments	<u>\$ 4,737,414</u>	<u>\$ 236,268</u>

Combined unrestricted and restricted cash and investments as of June 30, 2018, consist of the following:

	<u>NRHA</u>	<u>NRHI</u>
Checking and savings deposits with financial institutions	\$ 523,042	\$ 236,268
Guaranteed fixed annuity contracts	516,022	-
Money market accounts	1,813,414	-
Mortgage backed securities	1,884,611	-
Petty cash on hand	<u>325</u>	<u>-</u>
Total cash and investments	<u>\$ 4,737,414</u>	<u>\$ 236,268</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, 2018, 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, 2018, \$3,677,868 of the Authority’s cash and investments were over the FDIC insurance limit.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 3 - CAPITAL ASSETS

The following is a summary of the Authority's changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Adjustments and Deletions	Balance June 30, 2018
Land	\$ 2,254,833	\$ -	\$ -	\$ 2,254,833
Buildings and improvements	7,399,659	476,537	-	7,876,196
Furniture and Equipment	396,761	99,465	-	496,226
Leasehold Improvements	<u>27,799</u>	<u>23,577</u>	<u>-</u>	<u>51,376</u>
Total capital assets	<u>10,079,052</u>	<u>599,579</u>	<u>-</u>	<u>10,678,631</u>
Less accumulated Depreciation:				
Buildings and Improvements	(2,233,906)	(226,025)	-	(2,459,931)
Furniture and Equipment	(278,120)	(80,768)	-	(358,888)
Leasehold Improvements	<u>(844)</u>	<u>(1,269)</u>	<u>-</u>	<u>(2,113)</u>
Total accumulated depreciation	<u>(2,512,870)</u>	<u>(308,062)</u>	<u>-</u>	<u>(2,820,932)</u>
Total capital assets, net	<u>\$ 7,566,182</u>	<u>\$ 291,517</u>	<u>\$ -</u>	<u>\$ 7,857,699</u>

The following is a summary of NRHI's changes in capital assets for the fiscal year ended June 30, 2018.

	Balance July 1, 2017	Additions	Adjustments and Deletions	Balance June 30, 2018
Land	\$ 43,274	\$ -	\$ -	\$ 43,274
Buildings	<u>70,455</u>	<u>-</u>	<u>-</u>	<u>70,455</u>
Total capital assets	<u>113,729</u>	<u>-</u>	<u>-</u>	<u>113,729</u>
Less accumulated Depreciation:				
Buildings	<u>(14,561)</u>	<u>(2,818)</u>	<u>-</u>	<u>(17,379)</u>
Total accumulated depreciation	<u>(14,561)</u>	<u>(2,818)</u>	<u>-</u>	<u>(17,379)</u>
Total capital assets, net	<u>\$ 99,168</u>	<u>\$ (2,818)</u>	<u>\$ -</u>	<u>\$ 96,350</u>

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 4 - LINE OF CREDIT

The Authority established two lines of credit on April 19, 2018. One in the amount of \$750,000 for an Operating Line of Credit and another in the amount of \$1,500,000 to be used for project development. All funds held with Bank of Texas (BOK) were put up as collateral in the form of Cavanal Hill Money Market Funds and Investments. As of June 30, 2018, a balance of \$100,000 was outstanding on the line of credit and was subsequently repaid in July 2018.

Note 5 - MORTGAGE DEBT

The following is a summary of changes in debt for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Mortgage notes	\$ 3,270,411	\$ -	\$ (58,096)	\$ 3,212,315
Compensated Absences (Note 6)	76,689	16,922	-	93,611
	<u>\$ 3,347,100</u>	<u>\$ 16,922</u>	<u>\$ (58,096)</u>	<u>\$ 3,305,926</u>

A description of the debt recorded at June 30, 2018 for the housing authority is as follows:

	<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

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 5 - MORTGAGE DEBT (continued)

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.	288,634
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Yerington Manor

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.	285,086
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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.	142,871
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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.	26,504
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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.	496,461
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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.	68,332
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Pinion Apartments

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.	714,578
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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.	684,284
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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.	243,681
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Total notes payable at June 30, 2018	\$ <u>3,212,315</u>
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NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 5 - MORTGAGE DEBT (continued)

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

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u> <u>Payments</u>
2019	\$ 63,878	\$ 43,022	\$ 102,321
2020	68,676	38,224	106,900
2021	73,884	33,016	106,900
2022	79,531	27,368	106,899
2023	85,656	21,244	106,900
2024 – 2028	539,965	(5,468)	534,497
2029 – 2033	457,466	(63,349)	394,117
2034 – 2038	643,477	(101,543)	541,934
2039 – 2043	763,421	(201,438)	561,983
2044 – 2048	295,214	(84,606)	210,608
2049 – 2053	45,672	(2,433)	43,239
2054 – 2058	47,985	(9,383)	38,602
2059 – 2063	47,490	(16,044)	36,025
	<u>\$ 3,212,315</u>	<u>\$ (321,390)</u>	<u>\$ 2,890,925</u>

Note 6 - 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, 2018 accrued vacation and sick leave, \$93,611, has been valued by the Authority and has been recorded as a short-term liability of \$9,361 and a long-term liability of \$84,250.

Note 7 – 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 PERS website at www.nvpers.org under Quick Links – Publications.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7 – EMPLOYEE RETIREMENT PLAN (continued)

Benefits Provided – Benefits, as required by the Nevada Revised Statutes (NRS or Statute), 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, and July 1, 2015, as determined below in plan provisions. 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 factor is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% service time factor. For members entering the system on or after July 1, 2015, there is a 2.25% factor. 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 become fully vested as to benefits upon completion of five years of service. Members entering the system on or after July 1, 2015 are eligible for retirement at age 65 with five years of service, or at age 62 with ten years of service, or at age 55 with thirty years of service, or at any age with thirty-three and one third years of service. See the chart below for details regarding vesting prior to June 30, 2015.

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.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Prior to Jan 1, 2010	Jan 1, 2010 to June 30, 2015	On or after Jul 1, 2015
Retirement age based on yrs of service	60 after 10 years, 65 after 5 years, any after 30 years	62 after 10 years, 65 after 5 years, any after 30 years	55 after 30 years, 62 after 10 years, 65 after 5 years, any after 33 1/3 years

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7 – EMPLOYEE RETIREMENT PLAN (continued)

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 of 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, 2017 the Regular Statutory Employer/employee matching rate was 14.50%. The Regular Employer-pay contribution (EPC) rate was 28.00%.

For the year ended June 30, 2018, the contributions recognized as part of pension expense were as follows:

Contributions – employer	\$ 339,809
Contributions – employee	\$ 239,686

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, 2017:

	Proportionate Share of Net <u>Pension Liability</u>	Pool <u>Percentage</u>
Balance at 6/30/16 – Measurement date	\$ 3,993,550	.02968%
Balance at 6/30/17 – Measurement date	<u>4,254,861</u>	<u>.03199%</u>
Total Net Change	<u>\$ 261,311</u>	<u>.00231%</u>

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7 – EMPLOYEE RETIREMENT PLAN (continued)

The Authority's net pension liability (NPL) was measured as of June 30, 2017, and the total pension liability used to calculate the pension liability was determined by an actuarial valuation as of that date. The NPL of \$4,254,861 is measured as the proportionate share of the net pension liability of \$13,299,844,084 (or .03199%)

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 the employer contributions relative to the total combined employer contributions for all employers for the period ended June 30, 2017.

Pension expense – As of June 30, 2018, the Authority recognized pension expense of \$85,413.

Deferred inflows/outflows - At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Pension contributions subsequent to measurement date	\$ 339,809	\$ -
Differences between actual and expected experience	-	(279,204)
Changes in assumptions	282,270	-
Net differences between projected and actual earnings on pension plan investments	27,626	-
Adjustment due to differences between actual Contributions and proportionate share of contributions	<u>899,649</u>	<u>-</u>
Total	<u>\$ 1,549,354</u>	<u>\$ (279,204)</u>

\$339,809 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, 2019 (measurement period ended June 30, 2018). 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>
2019	\$ (76,303)
2020	98,775
2021	25,209
2022	(69,551)
2023	35,964
2024	16,298
Thereafter	-

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7 – EMPLOYEE RETIREMENT PLAN (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability – The System’s net pension liability was measured as of June 30, 2017, 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:		
Investment Rate of Return		7.50%
Inflation		2.75%
Payroll Growth		5.00%, including inflation
Productivity pay increase		0.50%
Projected Salary Increase		4.25% to 9.15% depends on service. Includes inflation and productivity increases
Consumer Price Index		2.75%

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of the experience review completed in 2017.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% as of June 30, 2017. 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, 2017, 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, 2017.

The System’s policies which determine the investment portfolio target asset allocation are established by the Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System.

The following was the Pension Board adopted policy target asset allocation as of June 30, 2017:

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	100.0%	

*As of June 30, 2017, PER’s long-term inflation assumption was 2.75%.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7 – EMPLOYEE RETIREMENT PLAN (continued)

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, calculated using the discount rate of 7.50 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current discount rate:

	Discount Rate - 1%	Current Discount Rate	Discount Rate +1%
	(6.50%)	(7.50%)	(8.50%)
Plan’s Net Pension Liability	\$ 6,432,162	\$ 4,254,861	\$ 2,446,578

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 at www.nvpers.org.

Note 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The Authority has established a Retiree Healthcare Plan (HC Plan), Nevada Rural Housing Authority Employee Health Benefit Plan (NVRHAEHBP), and administers a single-employer defined benefit retiree healthcare plan. 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 NRHAEHBP 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. The Authority has implemented GASB No. 75 for the fiscal year ending June 30, 2018.

Under NRS 287.023, eligible retirees are able to participate in the plan at the same premium rates as active employees. Retirees are required to pay 100% of their premiums under the plan. As of June 30, 2018, four retirees were using this plan. The NVRHAEHBP does not issue a publicly available financial report.

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. While PEBP is generally closed to Authority retirees after September 1, 2008, former employees covered by PEBP at the time of their retirement (through a subsequent employer) may join the plan and the Authority is assessed a portion of their cost.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Employees Covered – As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	-
Inactive employees or beneficiaries currently receiving benefits	<u>4</u>
Total	<u><u>4</u></u>

Contributions – The HC Plan and its contribution requirements 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. The Authority is currently financing its PEBP OEPB liability on a pay-as-you-go basis. For the fiscal year ended June 30, 2018, the Authority's cash contributions were \$3,207 in payments.

Net OPEB Liability – The Authority's Net OPEB Liability was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2017 that was used to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount Rate	3.56%
Inflation	2.75%
Salary Increases	Not applicable; there are no active employees in this plan.
Mortality Rate	The basic morality rates used in this valuation are based on the recently published report of the Nevada Public employees Retirement System, dated June 30, 2015, except for a different basis used to project future morality improvements.
Non-disabled life rates for employees	Males: RP-200 Combined Healthy table Females: RP-2000 Combined Healthy Table set back 1 year
Disabled life rates for employees	Males and Females: RP-2000 Disabled Retiree Table, set forward 3 years

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Healthcare Authority plan medical premiums and per capita claims costs and the
Trend Authority's subsidy toward the cost of PEBP retiree coverage are assumed
to increase at the following rates:

PEBP
Subsidies

PEBP Subsidies		
Effective July 1	Pre- Medicare Subsidy Increase	Medicare Subsidy Increase
2018	6.50%	4.50%
2019	6.00%	4.50%
2020	5.75%	4.50%
2021	5.50%	4.50%
2022	5.25%	4.50%
2023 & later	5.00%	4.50%

Participation Retirees: All retirees currently covered by PEBP are assumed to retain
Rate their existing election until death

Medicare Absent contrary data, all individuals are assumed to be eligible for
Eligibility Medicare Parts A and B at 65. Retirees over age 65 who are eligible for
Medicare are assumed to remain ineligible for OPEB PEBP subsidies.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.56 percent. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Changes in the OPEB Liability – The changes in the Net OPEB Liability for the HC Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) – (b)
Balance at June 30, 2017			
<i>(Valuation Date June 30, 2016)</i>	\$ 56,418	\$ -	\$ 56,418
Changes recognized for the measurement period:			
Service Cost	-	-	-
Interest	1,601	-	1,601
Changes of assumptions	(4,168)	-	(4,168)
Contributions – employer	-	3,179	(3,179)
Net investment income	-	-	-
Benefit Payments	(3,179)	(3,179)	-
Administrative expense	-	-	-
Net Changes	(5,746)	-	(5,746)
Balance at June 30, 2018			
<i>(Measurement Date June 30, 2017)</i>	\$ 50,672	\$ -	\$ 50,672

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the Net OPEB Liability of the Authority if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	Discount Rate - 1% (2.56%)	Current Discount Rate (3.56%)	Discount Rate +1% (4.56%)
Net OPEB Liability	\$ 57,460	\$ 50,672	\$ 45,204

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates – The following presents the Net OPEB Liability of the Authority if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	Current Trend - 1%	Current Trend	Current Trend +1%
Net OPEB Liability	\$ 45,423	\$ 50,672	\$ 57,044

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

OPEB Plan Fiduciary Net Position – PEBP issues a publicly available financial report that may be obtained by writing to Public Employees Benefits Program, 901 S. Stewart Street, Suite 1001, Carson City, Nevada, 89701, or by accessing the website at www.pebp.state.nv.us/informed/financial.htm, or by calling (775) 684-7000.

Recognition of Deferred Outflows and Deferred Inflows of Resources – Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Immediately; no active employees in the program

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the fiscal year ended June 30, 2018, the Authority recognized OPEB expense of \$2,567. As of fiscal year ended June 30, 2018, the Authority reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions made subsequent to measurement date	\$ 3,207	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ 3,207</u>	<u>\$ -</u>

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The \$3,207 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the Net OPEB Liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<u>Fiscal Year</u> <u>Ended June 30:</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>Of Resources</u>
2019	\$ 3,207
2020	-
2021	-
2022	-
2023	-
Thereafter	-

Note 9 – 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.

Contingent Liability

For the West Minor Street Associates, LLC; West Minor Street Associates II, LLC; Sunridge Fallon Associates, LLC; Southwood Associates, LLC; and Jeanell Drive 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 repayment of permanent loans and payment of development fees for Southwood Associates, LLC 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.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 10 – OPERATING LEASES

The Authority leases space for its central office under noncancelable leases expiring on August 31, 2019. There are three options to extend this lease for an additional one year, per option. Total rent expense, including CAM charges, under this lease agreement for the fiscal year ended June 30, 2018 was \$202,723. Pursuant to an agreement with the lessor, CAM charges for calendar year 2017 are to be paid over 14 months ending in August 2019. The future minimum rental payments, including CAM charges, for this lease is as follows:

<u>Year ending June 30,</u>	
2019	\$ 199,208
2020	<u>33,201</u>
Total	<u>\$ 232,409</u>

Note 11– PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$40,010 was made to reduce beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of *Governmental Accounting Standards Board Statement 75* and the net other post-employment benefits (OPEB) long-term liability.

Net position at July 1, 2017, as previously stated	\$ 13,171,258
Recognition of Net OPEB Liability	<u>(40,011)</u>
Net position at July 1, 2017, as restated	<u>\$ 13,131,247</u>

Note 12– SUBSEQUENT EVENTS

Management evaluated all activity of the Authority through the date of the audit opinion, the date on which the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(Other than the MD&A)

**NEVADA RURAL HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

**Schedule of the Authority's Proportionate Share of the Net Pension Liability
Last 10 Years***

Measurement date	Fiscal year ended June 30,			
	2015	2016	2017	2018
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan's Proportion of the Net Pension Liability/(Asset)	0.02218%	0.02364%	0.02968%	0.03199%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 2,311,800	\$ 2,709,403	\$ 3,993,550	\$ 4,254,861
Plan's Covered-Employee Payroll	\$ 1,319,436	\$ 1,760,342	\$ 2,003,011	\$ 2,010,588
Plan's Proportionate Share of the Net Pension Liability/(asset) as a Percentage of its Covered-Employee Payroll	175%	154%	199%	212%
Plan's Proportionate Share of the Fiduciary Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.51%	75.13%	72.23%	74.40%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 7,446,953	\$ 8,181,974	\$ 10,388,602	\$ 12,376,433

* Fiscal year ending June 30, 2015 was the 1st year of implementation, therefore only four years of information is shown

**NEVADA RURAL HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

**Schedule of the Authority's Pension Plan Contributions
Last 10 Years***

Measurement date	Fiscal year ended June 30,			
	2015	2016	2017	2018
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Actuarially Determined Contributions	\$ 189,751	\$ 189,128	\$ 281,128	\$ 362,009
Contributions in Relation to the Actuarially Determined Contribution - Employer	\$ (189,751)	\$ (189,128)	\$ (281,128)	\$ (362,009)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,319,436	\$ 1,760,342	\$ 2,003,011	\$ 2,010,588
Contributions as a Percentage of Covered- Employee Payroll	14.38%	10.74%	14.04%	18.01%

Notes to Schedule:

Valuation Date: June 30, 2017

Methods and assumptions used to determine contributions rates:

Inflation rate	2.75%
Payroll Growth	5.00%, including inflation
Investment Rate of Return	7.50%
Productivity pay increase	0.50%
Projected salary increases	Regular: 4.25% to 9.15%, depending on service Rates include inflation and productivity increases

* Fiscal year ending June 30, 2015 was the 1st year of implementation, therefore only four years of information is shown

**NEVADA RURAL HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

**Schedule of the Authority's Changes in the Net OPEB Liability
and Related Ratios
Last 10 Years***

	Fiscal Year Ended June 30, 2018 <u>6/30/2017</u>
Measurement date	
Total OPEB Liability	
Changes recognized for the measurement period	
Service Cost	\$ -
Interest on OPEB Liability	1,601
Changes on benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(4,168)
Changes in benefit terms	<u>(3,179)</u>
Net change in total OPEB liability	<u>(5,746)</u>
Total OPEB Liability - Beginning	<u>56,418</u>
Total OPEB Liability - Ending	<u>50,672</u>
Total Fiduciary Net Position	
Contributions - employer	3,179
Net investment income	-
Benefit payments	<u>(3,179)</u>
Net change in Fiduciary Net Position	<u>-</u>
Total Fiduciary Net Position - Beginning	<u>-</u>
Total Fiduciary Net Position - Ending	<u>-</u>
Net OPEB Liability - Ending	<u><u>\$ 50,672</u></u>
Plan Fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered-employee payroll	\$ 2,010,588
Net OPEB liability as a percentage of covered employee payroll	2.52%

* Fiscal year ending June 30, 2018 was the 1st year of implementation, therefore only one year of information is shown

**NEVADA RURAL HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

**Schedule of the Authority's OPEB Plan Contributions
Last 10 Years***

	Fiscal Year Ended <u>June 30, 2018</u>
Measurement date	<u>6/30/2017</u>
Actuarially Determined Contributions (ADC)	\$ 3,179
Contributions in Relation to the Actuarially Determined Contribution	<u>\$ (3,179)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered Payroll	\$ 2,010,588
Contributions as a Percentage of Covered- Employee Payroll	0.16%

Notes to Schedule:

Valuation Date: June 30, 2017

Methods and assumptions used to determine contributions rates:

Funding method	Entry Age Normal Cost, closed group, level percent of pay
Asset valuation method	Market value of assets (\$0; no OPEB trust has been established)
Discount rate	3.56%
Participants valued	Only current PEBP retirees are valued.
Assumed wage inflation	Not applicable; there are no active employees in this plan.
General inflation rate	2.75%
Mortality	The basic mortality rates used in this valuation are based on the most recently published report of the Nevada Public Employees Retirement System, dated June 30, 2015, except for a different basis used to project future mortality improvements.

* Fiscal year ending June 30, 2018 was the 1st year of implementation, therefore only four years of information is shown

OTHER SUPPLEMENTARY INFORMATION

**NEVADA RURAL HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<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		\$ 97,386
Neighborhood Stabilization Program	14.256		44,074
Dollar Home Sales	14.313		5,118
Multifamily Housing Service Coordinators	14.191		73,291
Housing Voucher Cluster:			
Mainstream Vouchers	14.879		903,759
Section 8 Housing Choice Vouchers	14.871		<u>9,691,772</u>
Total U.S. Department of Housing and Urban Development			<u>10,815,400</u>
<u>U.S. Department of Agriculture (USDA):</u>			
Direct Programs:			
Rural Rental Assistance Programs	10.427		3,888,703
Rural Housing Preservation Grant	10.433		<u>16,020</u>
Total U.S. Department of Agriculture			<u>3,904,723</u>
<u>Department of Energy (DOE):</u>			
Passed through from State of Nevada Housing Division:			
Weatherization Assistance for Low-Income Persons	81.042	DOE/2016/02	<u>19,101</u>
Total Department of Energy			<u>19,101</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/2016/02	<u>55,137</u>
Total Department of Health and Human Services			<u>55,137</u>
Total Federal Expenditures			<u>\$ 14,794,361</u>

See Notes to the Schedule of Expenditures of Federal Awards

NEVADA RURAL HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

1. The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Nevada Rural Housing Authority (the "Authority"). The Authority'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 Authority under programs of the federal government for the year ended June 30, 2018. 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 Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.
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 Authority did not pass-through any federal awards to subrecipients during the fiscal year ended June 30, 2018.
5. Per compliance requirements, the \$3,888,703 of Rural Rental Assistance Program (CFDA #10.427) expenditures include the balance of the debt (\$3,212,315) outstanding at June 30, 2018.

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

Submission Type: Audited/Single Audit	Fiscal Year End: 06/30/2018										1 Business Activities	2 State/Local	6.1 Component Unit - Discrepancy Presented	Subtotal	ELIM	Total
	14.191 Multi-Family Housing Service Coordinators	14.258 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	14.148 Rent Supplements, Rental Housing for Lower Income Families	93.568 Low-Income Home Energy Assistance						
		\$ 22,072		\$ 192,919			\$ 20,624	\$ 143,609			\$ 810,973	\$ 236,268	\$ 236,268	\$ 1,426,465		\$ 1,426,465
	111 Cash - Unrestricted															
	112 Cash - Restricted - Modernization and Development															
	113 Cash - Other Restricted															
	114 Cash - Tenant Security Deposits															
	115 Cash - Restricted for Payment of Current Liabilities															
	109 Total Cash															
		\$ 20,590		\$ 1,421,112			\$ 37,882	\$ 143,609			\$ 1,423,060	\$ 236,268	\$ 236,268	\$ 3,089,071		\$ 3,089,071
	121 Accounts Receivable - PHA Projects															
	122 Accounts Receivable - HUD Other Projects															
	124 Accounts Receivable - Other Government															
	125 Accounts Receivable - Miscellaneous															
	126 Accounts Receivable - Tenants															
	126.1 Allowance for Doubtful Accounts - Tenants															
	126.2 Allowance for Doubtful Accounts - Other															
	127 Notes, Loans, & Mortgages Receivable - Current															
	128 Fraud Recovery															
	128.1 Allowance for Doubtful Accounts - Fraud															
	129 Accrued Interest Receivable															
	120 Total Receivables, Net of Allowances for Doubtful Accounts															
		\$ 14,505	\$ 321	\$ 16,615	\$ 298	\$ 2,561	\$ 29,713				\$ 1,199,736	\$ 100,518	\$ 100,518	\$ 1,346,353		\$ 1,346,353
	131 Investments - Unrestricted															
	132 Investments - Restricted															
	135 Investments - Restricted for Payment of Current Liability															
	140 Prepaid Expenses and Other Assets															
	143 Inventories															
	143.1 Allowance for Obsolete Inventories															
	144 Inter Program Due From															
	145 Assets Held for Sale															
	150 Total Current Assets															
		\$ 14,505	\$ 26,881	\$ 94,487	\$ 1,241,284	\$ 298	\$ 69,333	\$ 143,609			\$ 16,349,265	\$ 525,863	\$ 525,863	\$ 18,489,816	\$ (11,985,142)	\$ 6,514,674
	161 Land															
	162 Buildings															
	163 Furniture, Equipment & Machinery - Dwellings															
	164 Furniture, Equipment & Machinery - Administration															
	165 Leasehold Improvements															
	166 Accumulated Depreciation															
	167 Construction in Progress															
	168 Infrastructure															
	160 Total Capital Assets, Net of Accumulated Depreciation															
		\$ 540,200	\$ 67,743	\$ 5,659,280			\$ 26,444	\$ 2,075			\$ 1,552,287	\$ 96,351	\$ 96,351	\$ 7,954,050		\$ 7,954,050
	171 Notes, Loans and Mortgages Receivable - Non-Current															
	172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due															
	173 Grants Receivable - Non-Current															
	174 Other Assets															
	176 Investments in Joint Ventures															
	180 Total Non-Current Assets															
		\$ 540,200	\$ 67,743	\$ 5,659,280			\$ 26,444	\$ 2,075			\$ 1,552,287	\$ 96,351	\$ 96,351	\$ 7,954,050		\$ 7,954,050
	200 Deferred Outflow of Resources															
		\$ 32,384														
	280 Total Assets and Deferred Outflow of Resources															
		\$ 46,889	\$ 576,171	\$ 162,240	\$ 6,900,564	\$ 298	\$ 512,515	\$ 146,284			\$ 23,565,974	\$ 622,214	\$ 622,214	\$ 32,567,330	\$ (11,985,142)	\$ 20,582,188
	311 Bank Overdraft															
	312 Accounts Payable <= 90 Days															
	313 Accounts Payable >90 Days Past Due															
	321 Accrued Wage/Payroll Taxes Payable															
	322 Accrued Compensated Absences - Current Portion															
	324 Accrued Contingency Liability															
	325 Accrued Interest Payable															

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

Fiscal Year End: 06/30/2018																
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	14,879 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	6.1 Component Unit - Discreetly Presented	Subtotal	ELIM	Total
331 Accounts Payable - HUD PHA Programs																
332 Account Payable - PHA Projects																
333 Accounts Payable - Other Government																
341 Tenant Security Deposits																
342 Unearned Revenue																
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue																
344 Current Portion of Long-term Debt - Operating Borrowings																
345 Other Current Liabilities																
346 Accrued Liabilities - Other																
347 Inter Program - Due To																
348 Loan Liability - Current																
310 Total Current Liabilities																
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue																
352 Long-term Debt, Net of Current - Operating Borrowings																
353 Non-current Liabilities - Other																
354 Accrued Compensated Absences - Non Current																
355 Loan Liability - Non Current																
356 FASB 5 Liabilities																
357 Accrued Pension and OPEB Liabilities																
350 Total Non-current Liabilities																
300 Total Liabilities																
400 Deferred Inflow of Resources																
508.4 Net Investment in Capital Assets																
511.4 Restricted Net Position																
512.4 Unrestricted Net Position																
513 Total Equity - Net Assets / Position																
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net																

NEVADA RURAL HSG AUTH (NV905)
Carson City, NV

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	14,191 Multifamily Housing Service Coordinators	14,256 Neighborhood Stabilization Program (Recovery Act Funded)	14,313 Dollar Home Sales	10,427 Rural Housing 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 for Lower Income Families	93,568 Low- Income Home Energy Assistance	2 State/Local	1 Business Activities	6.1 Component Unit - Discreetly Presented	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue																
70300 Net Tenant Rental Revenue																
70400 Tenant Revenue - Other																
70400 Tenant Revenue - Other																
70500 Total Tenant Revenue	\$ -	\$ 49,394	\$ 9,900	\$ 208,884	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,976	\$ 280,154	\$ 280,154
70600 HUD PHA Operating Grants																
70610 Capital Grants																
70710 Management Fee							\$ 9,311,457	\$ 909,902					\$ -	\$ 10,221,359	\$ 10,221,359	\$ 10,221,359
70720 Asset Management Fee																
70730 Book Keeping Fee																
70740 Front Line Service Fee																
70750 Other Fees												\$ 1,346,394	\$ -	\$ 1,346,394		\$ 1,346,394
70700 Total Fee Revenue																
70800 Other Government Grants	\$ 75,560			\$ 324,919	\$ 19,101	\$ 17,798			\$ 97,386	\$ 55,116	\$ 304,665	\$ 562,027	\$ -	\$ 1,456,572		\$ 1,456,572
71100 Investment Income - Unrestricted		\$ 41		\$ 1,581								\$ 183,997	\$ 31	\$ 185,650		\$ 185,650
71200 Mortgage Interest Income												\$ 182,444	\$ -	\$ 182,444		\$ 182,444
71300 Proceeds from Disposition of Assets Held for Sale																
71310 Cost of Sale of Assets																
71400 Fraud Recovery							\$ 1,289	\$ 62					\$ -	\$ 1,351		\$ 1,351
71500 Other Revenue	\$ 1,155			\$ 11,935			\$ 61,187					\$ 1,394,380	\$ 58,014	\$ 1,526,671		\$ 1,526,671
71600 Gain or Loss on Sale of Capital Assets													\$ -	\$ -		\$ -
72000 Investment Income - Restricted													\$ -	\$ -		\$ -
72000 Total Revenue	\$ 75,560	\$ 50,590	\$ 9,900	\$ 547,319	\$ 19,101	\$ 17,798	\$ 9,373,933	\$ 909,964	\$ 97,386	\$ 55,116	\$ 304,665	\$ 3,669,242	\$ 70,021	\$ 15,200,595		\$ 15,200,595
91100 Administrative Salaries	\$ 42,699				\$ 2,619	\$ 451	\$ 494,056	\$ 49,980		\$ 8,846	\$ 53,282	\$ 1,470,923	\$ -	\$ 2,122,856		\$ 2,122,856
91200 Auditing Fees		\$ 73	\$ 14	\$ 8,600	\$ 123		\$ 25,486	\$ 2,578	\$ 2,900			\$ 3,450	\$ -	\$ 43,224		\$ 43,224
91300 Management Fee		\$ 6,828	\$ 990	\$ 44,068					\$ 19,233			\$ -	\$ 96,958	\$ 168,077		\$ 168,077
91310 Book-keeping Fee																
91400 Advertising and Marketing				\$ 1,381			\$ 237	\$ 24	\$ 884			\$ 341,923	\$ -	\$ 344,449		\$ 344,449
91500 Employee Benefit Contributions - Administrative	\$ 18,095				\$ 1,488	\$ 264	\$ 215,575	\$ 21,806		\$ 4,617	\$ 28,560	\$ 462,104	\$ -	\$ 752,512		\$ 752,512
91600 Office Expenses	\$ 1,072	\$ 246		\$ 15,716	\$ 7,514	\$ 66	\$ 204,293	\$ 20,697	\$ 3,286	\$ 1,360	\$ 8,853	\$ 339,630	\$ 152	\$ 602,855		\$ 602,855
91700 Legal Expense				\$ 153			\$ 1,892	\$ 188				\$ 107,858	\$ 500	\$ 110,621		\$ 110,621
91800 Travel					\$ 5,789		\$ 15,492	\$ 1,567			\$ 490	\$ 72,724	\$ -	\$ 96,062		\$ 96,062
91810 Allocated Overhead	\$ 7,184			\$ 46,457	\$ 1,459	\$ 937	\$ 346,804	\$ 35,084		\$ 3,014	\$ 25,682	\$ 822,372	\$ -	\$ 1,288,993		\$ 1,288,993
91900 Other	\$ 3,063			\$ 73,595	\$ 1,459	\$ 355	\$ 23,880	\$ 2,418		\$ 7	\$ 110	\$ 585,657	\$ 24,000	\$ 713,084		\$ 713,084
91900 Other																
91900 Total Operating - Administrative	\$ 72,113	\$ 7,147	\$ 1,004	\$ 189,960	\$ 18,993	\$ 2,073	\$ 1,327,694	\$ 134,314	\$ 26,303	\$ 17,844	\$ 116,977	\$ 4,206,641	\$ 121,670	\$ 6,242,733		\$ 6,242,733
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 207,751	\$ 207,751	\$ 207,751
93100 Water				\$ 12,691					\$ 3,061				\$ 385	\$ 16,137		\$ 16,137
93200 Electricity				\$ 6,990	\$ 5	\$ 1	\$ 4,260	\$ 431	\$ 2,369	\$ 18	\$ 121	\$ 8,663	\$ -	\$ 22,858		\$ 22,858
93300 Gas				\$ 6,367					\$ 886				\$ -	\$ 7,263		\$ 7,263
93400 Fuel																
93500 Labor																
93600 Sewer				\$ 34,057									\$ 575	\$ 49,635		\$ 49,635
93700 Employee Benefit Contributions - Utilities																
93800 Other Utilities Expense	\$ 860			\$ 9,971					\$ 5,477				\$ 246	\$ 16,554		\$ 16,554
93900 Total Utilities	\$ -	\$ 2,990	\$ -	\$ 70,076	\$ 5	\$ 1	\$ 4,260	\$ 431	\$ 24,676	\$ 18	\$ 121	\$ 8,663	\$ 1,206	\$ 112,447		\$ 112,447
94100 Ordinary Maintenance and Operations - Labor																

NEVADA RURAL HSG AUTH (NV905)
Carson City, NV

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	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	93,698 Low- Income Home Energy Assistance	2 State/Local	1 Business Activities	6,1 Component Unit - Discreetly Presented	Subtotal	ELIM	Total
94200 Ordinary Maintenance and Operations - Materials and Other																
94300 Ordinary Maintenance and Operations Contracts																
94500 Employee Benefit Contributions - Ordinary Maintenance																
94000 Total Maintenance	\$ -	\$ 12,348	\$ 1,021	\$ 81,070	\$ 5	\$ 13,922	\$ 2,637	\$ 207	\$ 5,416	\$ 709	\$ 8,848	\$ 4,513	\$ 497	\$ 65,097	\$ -	\$ 65,097
95100 Protective Services - Labor																
95200 Protective Services - Other Contract Costs																
95300 Protective Services - Other																
95500 Employee Benefit Contributions - Protective Services																
95000 Total Protective Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96110 Property Insurance																
96120 Liability Insurance																
96130 Workmen's Compensation	\$ 1,178	\$ 2,844	\$ 429	\$ 17,857	\$ 86	\$ 16	\$ 15,281	\$ 2,307	\$ 5,655	\$ 275	\$ 1,150	\$ 7,872	\$ 2,524	\$ 63,046	\$ -	\$ 63,046
96140 All Other Insurance																
96100 Total Insurance Premiums	\$ 1,178	\$ 2,844	\$ 429	\$ 19,845	\$ 86	\$ 16	\$ 38,069	\$ 3,853	\$ 6,621	\$ 275	\$ 2,870	\$ 38,286	\$ 2,524	\$ 117,516	\$ -	\$ 117,516
96200 Other General Expenses																
96210 Compensated Absences		\$ 1,054					\$ 23,704	\$ 2,398				\$ 1,288	\$ -	\$ 28,444	\$ -	\$ 28,444
96300 Payments in Lieu of Taxes																
96400 Bad debt - Tenant Rents		\$ 28		\$ 2,855					\$ 957			\$ -	\$ -	\$ 3,840	\$ -	\$ 3,840
96500 Bad debt - Mortgages																
96600 Bad debt - Other																
96800 Severance Expense																
96000 Total Other General Expenses	\$ -	\$ 1,082	\$ -	\$ 2,855	\$ -	\$ -	\$ 23,704	\$ 2,398	\$ 957	\$ -	\$ -	\$ -	\$ -	\$ 65,097	\$ -	\$ 65,097
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	\$ -	\$ -	\$ -	\$ 53,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,872	\$ -	\$ 56,129	\$ -	\$ 56,129
96900 Total Operating Expenses	\$ 73,291	\$ 26,211	\$ 2,454	\$ 459,699	\$ 19,101	\$ 16,020	\$ 1,398,435	\$ 141,470	\$ 97,966	\$ 55,137	\$ 317,941	\$ 4,562,230	\$ 125,897	\$ 7,295,272	\$ -	\$ 7,295,272
97000 Excess of Operating Revenue over Operating Expenses	\$ 2,259	\$ 24,379	\$ 7,446	\$ 87,620	\$ -	\$ 1,778	\$ 7,975,498	\$ 768,464	\$ -	\$ (21)	\$ (13,276)	\$ (892,986)	\$ (55,876)	\$ 7,905,323	\$ -	\$ 7,905,323
97100 Extraordinary Maintenance																
97200 Casualty Losses - Non-capitalized																
97300 Housing Assistance Payments																
97350 HAP Portability-In																
97400 Depreciation Expense		\$ 17,863	\$ 2,664	\$ 209,678			\$ 10,962	\$ 1,109						\$ 310,879	\$ -	\$ 310,879
97500 Fraud Losses																
97600 Capital Outlays - Governmental Funds																
97700 Debt Principal Payment - Governmental Funds																
97800 Dwelling Units Rent Expense																
90000 Total Expenses	\$ 73,291	\$ 44,074	\$ 5,118	\$ 676,388	\$ 19,101	\$ 16,020	\$ 9,691,772	\$ 903,759	\$ 97,966	\$ 55,137	\$ 317,941	\$ 4,899,395	\$ 128,715	\$ 16,928,037	\$ -	\$ 16,928,037
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																

NEVADA RURAL HSG AUTH (NV905)
Carson City, NV

Entity Wide Revenue and Expense Summary

Fiscal Year End: 06/30/2018

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	14,879 Mainstream Vouchers	14,149 Rent Supplements, Rental Housing for Lower Income Families	83,668 Low- Income Home Energy Assistance	2 State/Local	1 Business Activities	6,1 Component Unit - Discreetly Presented	Subtotal	ELIM	Total
10092 Inter Project Excess Cash Transfer Out												\$ 25,000	\$ -	\$ 25,000		\$ 25,000
10093 Transfers between Program and Project - In																
10094 Transfers between Project and Program - Out																
10100 Total Other financing Sources (Uses)	\$ -	\$ (25,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ (25,000)		\$ (25,000)
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 2,269	\$ (16,494)	\$ 4,782	\$ (129,069)	\$ -	\$ 1,778	\$ (317,839)	\$ 6,205	\$ -	\$ (21)	\$ (13,276)	\$ (1,205,093)	\$ (58,694)	\$ (1,727,442)		\$ (1,727,442)
11020 Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ 53,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,522		\$ 53,522
11030 Beginning Equity	\$ (63,765)	\$ 589,996	\$ 157,458	\$ 3,725,758	\$ (6,606)	\$ (2,149)	\$ (1,206,290)	\$ 134,168	\$ -	\$ (1,228)	\$ (46,209)	\$ 9,892,134	\$ -	\$ 13,171,257		\$ 13,171,257
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors																
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 Rents																
11100 Changes in Allowance for Doubtful Accounts - Other																
11170 Administrative Fee Equity														\$ (1,541,366)		\$ (1,541,366)
11180 Housing Assistance Payments Equity																
11190 Unit Months Available	\$ 60	\$ 12	\$ 816	\$ 12	\$ 12	\$ 12	\$ 17,793	\$ 1,800	\$ 380	\$ 12	\$ 12	\$ 282	\$ 12	\$ 17,237		\$ 17,237
11210 Number of Unit Months Leased	\$ 60	\$ 12	\$ 749	\$ 12	\$ 12	\$ 12	\$ 16,646	\$ 1,737	\$ 347	\$ 12	\$ 12	\$ 292	\$ 12	\$ 19,881		\$ 19,881
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 the Board of Commissioners
of the 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 Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Nevada Rural Housing Authority, as of and for the year ended June 30, 2018, 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 October 23, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Nevada Rural Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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

CROPPER ROWE, LLP
Walnut Creek, California
October 23, 2018

**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 Nevada Rural Housing Authority's (the "Authority") 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 Authority's major federal programs for the year ended June 30, 2018. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2018.

Report on Internal Control over Compliance

Management of the 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 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 Authority's internal control over compliance.

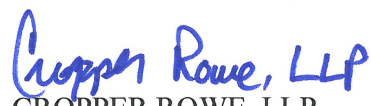
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and aggregate discretely presented component unit of the Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 23, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.


CROPPER ROWE, LLP
Walnut Creek, California
October 23, 2018

**NEVADA RURAL HOUSING AUTHORITY
STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

The previous audit report for the year ended June 30, 2017, contained no audit findings.

**NEVADA RURAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unmodified
Internal control over financial reporting:	
Material weaknesses identified?	no
Reportable conditions identified not considered material weaknesses?	none reported
Noncompliance material to financial statements?	no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	no
Reportable conditions identified not considered material weaknesses?	none reported
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516?	no
Identification of major programs:	
Housing Voucher Cluster:	
Section 8 Housing Choice Vouchers	14.871
Mainstream Vouchers	14.879
Rural Rental Assistance Payments	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	n/a
Section III - Federal Award Findings	n/a

**WINNEMUCCA MANOR APARTMENTS
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED
JUNE 30, 2018**

Table of Contents

Independent Accountants' Report on Applying Agreed-Upon Procedures.....	1
Financial Reports	
Multi-Family Housing Borrower Balance Sheet – Form RD 3560-10	4
Multiple Family Housing Project Budget – Form RD 3560-7	6

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Winnemucca Manor Apartments
c/o Nevada Rural Housing Authority
3695 Desatoya Drive
Carson City, Nevada

USDA Rural Development
Servicing Office
Carson City, Nevada

We have performed the procedures enumerated below, which were agreed to by the United States Department of Agriculture Rural Development and Winnemucca Manor Apartments ("Owner") the owner of Winnemucca Manor Apartments ("Project") located in Winnemucca, Nevada, solely to assist those parties in evaluating that the accompanying *Form RD 3560-10, Multi-Family Housing Borrower Balance Sheet*, and *Form RD 3560-7, Multiple Family Housing Project Budget* ("Financial Reports") and Supporting Documentation are prepared in accordance with the criteria specified in Rural Development Regulations contained in 7 CFR 3560 section 303(b) and section 306, in accordance with the determinations noted in Attachment 4-D of RD Handbook HB-2-3560, for the year ended June 30, 2018. The owner is responsible for the presentation of the financial reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of Rural Development and the owner. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We examined selected receipts, invoices, and cancelled checks (or check imaging on original bank statement) that support administrative; and operating and maintenance expenses presented on Form RD 3560-7, Part II, line items 1-10 and 19-32 to determine they were incurred as part of the ongoing operations of the project. We selected a representative sample of invoices and supporting documentation, based on the sample size determined by Rural Development in Attached 4-D of RD Handbook HB-2-3560, for expenses included in Lines 1-10 and 19-32 of Form RD 3560-7 and determined that the services were eligible expenses, in accordance with Attachment 4-A of HB-2-3560, and the shipping address agreed to the project address. In addition, we confirmed a sample of the expenditures with the vendors to determine the invoice paid agreed to the vendor's records.

Findings:

Total Number of Invoices in Population: 208
Total Dollar Amount of Invoices in Population: \$ 69,175
Total Number of Invoices Reviewed: 10
Total Dollar Amount of Invoices Reviewed: \$35,790
Total Number of Invoices in Vendor Confirmation Sample: 3
Total Dollar Amount of Invoices in Vendor Confirmation Sample: \$12,843
Total Number of Vendor Confirmations Not Received: 0
Total Dollar Amount of Vendor Confirmations Not Received: \$0
Total Number of Deviations: 0

2. We confirmed the balance in the replacement reserve account presented on Form RD 3560-7, Part III, and confirmed that no amounts were encumbered by the financial institution that holds the accounts. We determined that all balances are within the FDIC insurance limits. We determined number of reserve account withdrawals from the original bank statements and compared the withdrawals to the amounts approved by Rural Development on Form RD 3560-12. We compared the invoices and cancelled checks (or check imaging on original bank statement) to the approved withdrawals from Rural Development.

Findings:

Total Number of Reserve Account Withdrawals: 3
Total Number of Withdrawals Authorized by Rural Development: 3
Total Dollar Amount of Reserve Account Withdrawals: \$9,656.88
Total Dollar Amount of Withdrawals Authorized by Rural Development: \$9,656.88
Total Number of Deviations: 0
Total Dollar Amount of Deviations: \$0.00

The confirmation received from the financial institution agreed to the project's bank reconciliation and no encumbrances were noted on the confirmation. All withdrawals were paid to the vendors approved by Rural Development on Form RD 3560-12.

3. We obtained the Identity of Interest (IOI) company listing and Form RD 3560-31 from Rural Development and determined that the services provided and approved fees, if applicable, agree to the actual service and fees charged to the project. We examined a sample of invoices and determined that the services and charges are in accordance with the disclosures contained in Form RD 3560-31 as agreed to by Rural Development.

Findings:

Total Number of Forms RD 3560-31 Received: 0

The agree-upon procedures performed above and the management Representation Letter revealed no undisclosed IOI companies.

We were not engaged to, and did not, conduct an audit of the subject matter, the objective of which would be the expression of an opinion on the agreed-upon procedures applied to the financial reports and supporting documentation of Winnemucca Manor Apartments. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the owner and management agent of Winnemucca Manor Apartments, USDA Rural Development, and is not intended to be and should not be used by anyone other than these specified parties.

Cropper Rowe, LLP

CROPPER ROWE, LLP
Walnut Creek, California
October 25, 2018

Form RD3560-10
(02-05)

Position 3
**MULTI-FAMILY HOUSING
BORROWER BALANCE SHEET**
PART I-BALANCE SHEET

FORM APPROVED
OMB NO. 0575-0189

PROJECT NAME WINNEMUCCA MANOR	BORROWER NAME Winnemucca Manor	BORROWER ID AND PROJECT NO. 527615200 024
---	--	---

	CURRENT YEAR (07 - 01 -2017) (06 - 30 -2018)	PRIOR YEAR (07- 01 -2016) (06- 30 -2017)	COMMENTS
ASSETS			
CURRENT ASSETS			
1. GENERAL OPERATING ACCOUNT	26,911.80	37,545.00	
2. R.E. TAX & INSURANCE ACCOUNT	10,548.88	9,757.13	
3. RESERVE ACCOUNT	138,940.37	130,426.79	
4. SECURITY DEPOSIT ACCOUNT	3,988.58	3,702.27	
5. OTHER CASH (identify)	26,983.52	20,227.89	RD Deferred Loan acct
6. OTHER (identify)	75.00	75.00	Petty cash
7. TOTAL ACCOUNTS RECEIVABLE (Attach list)	5,548.04		
ACCTS RCVBL 0-30 DAYS \$ 5,548.04		6,050.60	
ACCTS RCVBL 30-60 DAYS \$ 0.00		0.00	
ACCTS RCVBL 60-90 DAYS \$ 0.00		0.00	
ACCTS RCVBL OVER 90 DAYS \$ 0.00		0.00	
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	0.00	0.00	
9. INVENTORIES (supplies)	(0.00)	(0.00)	
10. PREPAYMENTS	395.17	402.79	
11.	0.00	0.00	
12. TOTAL CURRENT ASSETS (Add 1 thru 11)	213,391.36	208,187.47	
FIXED ASSETS			
13. LAND	50,000.00	50,000.00	
14. BUILDINGS	1,012,385.51	988,289.20	
15. LESS: ACCUMULATED DEPRECIATION	(777,706.43)	(750,545.15)	
16. FURNITURE & EQUIPMENT	16,097.96	16,097.96	
17. LESS: ACCUMULATED DEPRECIATION	(16,097.96)	(16,097.96)	
18.	0.00	24,096.31	Capital improvements
19. TOTAL FIXED ASSETS (Add 13 thru 18)	284,679.08	311,840.36	
OTHER ASSETS			
20.	0.00	0.00	
21. TOTAL ASSETS (Add 12, 19, and 20)	498,070.44	520,027.83	
LIABILITIES AND OWNERS EQUITY			
CURRENT LIABILITIES			
22. TOTAL ACCOUNTS PAYABLE (Attach list)	10,136.31		
ACCTS PAYABLE 0-30 DAYS \$ 10,136.31		4,213.79	
ACCTS PAYABLE 30-60 DAYS \$ 0.00		0.00	
ACCTS PAYABLE 60-90 DAYS \$ 0.00		0.00	
ACCTS PAYABLE OVER 90 DAYS \$ 0.00		0.00	
23. NOTES PAYABLE (Attach list)	27,677.44	22,488.04	Accrued interest
24. SECURITY DEPOSITS	3,900.00	3,720.57	
25. TOTAL CURRENT LIABILITIES (Add 22 thru 24)	41,713.75	30,422.40	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

LONG-TERM LIABILITIES

26. NOTES PAYABLE RURAL DEVELOPMENT
27. OTHER (Identify) _____
28. **TOTAL LONG-TERM LIABILITIES** (Add 26 and 27) _____
29. **TOTAL LIABILITIES** (Add 25 and 28) _____
30. OWNER'S EQUITY (Net Worth) (21 minus 29) _____
31. **TOTAL LIABILITIES AND OWNER'S EQUITY**
(Add 29 and 30) _____

550,519.96	553,456.19	
0.00	0.00	
550,519.96	553,456.19	
592,233.71	583,878.59	
-94,163.27	-63,850.76	
498,070.44	520,027.83	

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

10-29-18

(Date)



(Signature of Borrower or Borrower's Representative)

Nept Agent

(Title)

PART II - THIRD PARTY VERIFICATION OF REVIEW

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 3560-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and any individual or organization doing business with the project or borrower.

(Date)

(Signature)

(Name and Title)

(Address)

☐ In lieu of the above verification and signature, a review completed, dated and signed by a person or firm qualified by license or certification is attached.

Position 3

Form RD 3560-7
(Rev. 05-06)**MULTIPLE FAMILY HOUSING PROJECT BUDGET/
UTILITY ALLOWANCE**FORM APPROVED
OMB NO.0575-0189

PROJECT NAME WINNEMUCCA MANOR		BORROWER NAME Winnemucca Manor		BORROWER ID AND PROJECT NO. 527615200 024	
Loan/Transfer Amount \$ 643.37		Note Rate Payment \$ 0.00		IC Payment \$ 0.00	
Reporting Period <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly	Budget Type <input type="checkbox"/> Initial <input checked="" type="checkbox"/> Regular Report <input type="checkbox"/> Rent Change <input type="checkbox"/> SNR <input type="checkbox"/> Other Servicing	Project Rental Type <input type="checkbox"/> Family <input checked="" type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH	Profit Type <input type="checkbox"/> Full Profit <input checked="" type="checkbox"/> Limited Profit <input type="checkbox"/> Non-Profit	The following utilities are master metered: <input type="checkbox"/> Electricity <input type="checkbox"/> Gas <input type="checkbox"/> Water <input type="checkbox"/> Sewer <input type="checkbox"/> Trash <input type="checkbox"/> Other _____	
				<input type="checkbox"/> I hereby request _____ units of RA. Current number of RA units 19.00. Borrower Accounting Method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual	

PART I—CASH FLOW STATEMENT

	CURRENT BUDGET (07 - 01 - 2017) (06 - 30 - 2018)	ACTUAL (07 - 01 - 2017) (06 - 30 - 2018)	PROPOSED BUDGET (- -) (- -)	COMMENTS or (YTD) (- -) (- -)
BEGINNING DATES				
ENDING DATES				
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	126,000.00	47,702.60	0.00	
2. RHS RENTAL ASSISTANCE RECEIVED		74,075.00		
3. APPLICATION FEES RECEIVED		100.00		
4. LAUNDRY AND VENDING	1,200.00	1,183.50	0.00	
5. INTEREST INCOME	150.00	330.99	0.00	
6. TENANT CHARGES	300.00	240.00	0.00	
7. OTHER - PROJECT SOURCES	12,000.00	0.00	0.00	
8. LESS (Vacancy and Contingency Allowance)	(6,300.00)		(0.00)	
9. LESS (Agency Approved Incentive Allowance)	(0.00)		(0.00)	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)]	133,350.00	123,632.09	0.00	
NON-OPERATIONAL CASH SOURCES				
11. CASH - NON PROJECT	0.00	0.00	0.00	
12. AUTHORIZED LOAN (Non-RHS)	0.00	0.00	0.00	
13. TRANSFER FROM RESERVE	14,300.00	9,656.88	0.00	
14. SUB-TOTAL (11 thru 13)	14,300.00	9,656.88	0.00	
15. TOTAL CASH SOURCES (10+14)	147,650.00	133,288.97	0.00	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES (From Part II)	98,530.00	93,564.21	0.00	
17. RHS DEBT PAYMENT	7,720.44	7,720.44	0.00	
18. RHS PAYMENT (Overage)		0.00		
19. RHS PAYMENT (Late Fee)		0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES		0.00		
21. TENANT UTILITY PAYMENTS		81.00		
22. TRANSFER TO RESERVE	18,039.00	18,170.46	0.00	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE .	1,500.00	7,500.00	0.00	
24. SUB-TOTAL (16 thru 23)	125,789.44	127,036.11	0.00	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	6,732.84	6,755.63	0.00	Deferred RD loan
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)	14,300.00	9,656.88	0.00	
27. MISCELLANEOUS	0.00	0.00	0.00	
28. SUB-TOTAL (25 thru 27)	21,032.84	16,412.51	0.00	
29. TOTAL CASH USES (24+28)	146,822.28	143,448.62	0.00	
30. NET CASH (DEFICIT) (15-29)	827.72	-10,159.65	0.00	
CASH BALANCE				
31. BEGINNING CASH BALANCE	44,489.90	47,377.13	0.00	
32. ACCRUAL TO CASH ADJUSTMENT		318.20		See page 6
33. ENDING CASH BALANCE (30+31+32)	45,317.62	37,535.68	0.00	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PART II—OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL	4,500.00	5,489.92	0.00	
2. MAINTENANCE AND REPAIRS SUPPLY	3,500.00	4,703.68	0.00	
3. MAINTENANCE AND REPAIRS CONTRACT	0.00	0.00	0.00	
4. PAINTING	3,000.00	4,392.57	0.00	
5. SNOW REMOVAL	1,800.00	1,048.85	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT	0.00	0.00	0.00	
7. GROUNDS	9,000.00	9,975.44	0.00	
8. SERVICES	1,500.00	0.00	0.00	
9. ANNUAL CAPITAL BUDGET (From Part I - Operating)	5,000.00	1,353.00	0.00	
10. OTHER OPERATING EXPENSES (Itemize)	0.00	0.00	0.00	
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10)	28,300.00	26,963.46	0.00	
12. ELECTRICITY <input checked="" type="checkbox"/> If master metered	1,900.00	1,608.78	0.00	
13. WATER <input type="checkbox"/> check box on	2,000.00	1,826.70	0.00	
14. SEWER <input type="checkbox"/> front	10,485.00	9,607.40	0.00	
15. FUEL (Oil/Coal/Gas)	2,800.00	2,496.54	0.00	
16. GARBAGE & TRASH REMOVAL	1,300.00	1,272.00	0.00	
17. OTHER UTILITIES	0.00	0.00	0.00	
18. SUB-TOTAL UTILITIES (12 thru 17)	18,485.00	16,811.42	0.00	
19. SITE MANAGEMENT PAYROLL	9,500.00	7,184.96	0.00	
20. MANAGEMENT FEE	14,160.00	13,865.00	0.00	
21. PROJECT AUDITING EXPENSE	1,500.00	1,500.00	0.00	
22. PROJECT BOOKKEEPING/ACCOUNTING	0.00	0.00	0.00	
23. LEGAL EXPENSES	0.00	0.00	0.00	
24. ADVERTISING	300.00	384.11	0.00	
25. TELEPHONE & ANSWERING SERVICE	2,400.00	2,960.29	0.00	
26. OFFICE SUPPLIES	1,400.00	2,726.46	0.00	
27. OFFICE FURNITURE & EQUIPMENT	625.00	643.94	0.00	
28. TRAINING EXPENSE	600.00	491.01	0.00	
29. HEALTH INS. & OTHER EMP. BENEFITS	9,600.00	8,956.27	0.00	
30. PAYROLL TAXES	2,500.00	2,243.19	0.00	
31. WORKER'S COMPENSATION	500.00	557.64	0.00	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize)	500.00	698.28	0.00	Bank chqs/backarc
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32)	43,585.00	42,211.15	0.00	
34. REAL ESTATE TAXES	2,160.00	2,160.00	0.00	
35. SPECIAL ASSESSMENTS	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS	0.00	30.00	0.00	UCC filing fee
37. PROPERTY & LIABILITY INSURANCE	6,000.00	5,388.18	0.00	
38. FIDELITY COVERAGE INSURANCE	0.00	0.00	0.00	
39. OTHER INSURANCE	0.00	0.00	0.00	
40. SUB-TOTAL TAXES & INSURANCE (34 thru 39)	8,160.00	7,578.18	0.00	
41. TOTAL O&M EXPENSES (11+18+33+40)	98,530.00	93,564.21	0.00	

PART III—ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	124,485.71	130,426.79	0.00	
2. TRANSFER TO RESERVE	18,039.00	18,170.46	0.00	
TRANSFER FROM RESERVE.....				
3. OPERATING DEFICIT	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (<i>Part V - Reserve</i>)	14,300.00	9,656.88	0.00	
5. BUILDING & EQUIPMENT REPAIR	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES	0.00	0.00	0.00	
7. TOTAL (3 thru 6)	(14,300.00)	(9,656.88)	(0.00)	
8. ENDING BALANCE [(1+2)-7]	128,224.71	138,940.37	0.00	

GENERAL OPERATING ACCOUNT:*

BEGINNING BALANCE	37,620.00	
ENDING BALANCE	26,986.80	

**REAL ESTATE TAX AND INSURANCE ESCROW
ACCOUNT:***

BEGINNING BALANCE	9,757.13	
ENDING BALANCE	10,548.88	

TENANT SECURITY DEPOSIT ACCOUNT:*

BEGINNING BALANCE	3,702.27	
ENDING BALANCE	3,988.58	

(*Complete upon submission of actual expenses.)

NUMBER OF APPLICANTS ON THE WAITING LIST	0.00	RESERVE ACCT. REQ. BALANCE....	0.00
NUMBER OF APPLICANTS NEEDING RA.....	0.00	AMOUNT AHEAD/BEHIND	0.00

PART IV—RENT SCHEDULE AND UTILITY ALLOWANCE

A. CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
CURRENT RENT TOTALS:									
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: ____/____/____

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
PROPOSED RENT TOTALS:								
						BASIC	NOTE	HUD

C. PROPOSED UTILITY ALLOWANCE - Effective Date: ____/____/____

MONTHLY DOLLAR ALLOWANCES									
BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL

PART V - ANNUAL CAPITAL BUDGET

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:							
Range	0	0	0	0	738	738	1
Refrigerator	0	0	0	0	615	615	1
Range Hood	0	0	0	0	0	0	0
Washers & Dryers	0	0	0	0	0	0	0
Other:	0	0	0	0	0	0	0
Carpet & Vinyl:							
1BR	0	0	9656.88	0	0	9656.88	3
2BR	0	0	0	0	0	0	0
3BR	0	0	0	0	0	0	0
4BR	0	0	0	0	0	0	0
Other:	0	0	0	0	0	0	0
Cabinets:							
Kitchens	0	0	0	0	0	0	0
Bathrooms	0	0	0	0	0	0	0
Other:	0	0	0	0	0	0	0
Doors:							
Exterior	0	0	0	0	0	0	0
Interior	0	0	0	0	0	0	0
Other:	0	0	0	0	0	0	0
Window Coverings:							
List:	0	0	0	0	0	0	0
Other:	0	0	0	0	0	0	0
Heating & Air Conditioning:							
Heating	0	0	0	0	0	0	0
Air Conditioning	0	0	0	0	0	0	0
Other:	0	0	0	0	0	0	0
Plumbing:							
Water Heater	0	0	0	0	0	0	0
Bath Sinks	0	0	0	0	0	0	0
Kitchen Sinks	0	0	0	0	0	0	0
Faucets	0	0	0	0	0	0	0
Toilets	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Major Electrical:							
List:		0	0	0	0	0	
Other:		0	0	0	0	0	
Structures:							
Windows	0	0	0	0	0	0	0
Screens	0	0	0	0	0	0	0
Walls		0	0	0	0	0	
Roofing		0	0	0	0	0	
Siding		0	0	0	0	0	
Exterior Painting		0	0	0	0	0	
Other		0	0	0	0	0	
Paving:							
Asphalt		0	0	0	0	0	
Concrete		0	0	0	0	0	
Seal & Stripe		0	0	0	0	0	
Other:		0	0	0	0	0	5
Landscape & Grounds:							
Landscaping		0	0	0	0	0	
Lawn Equipment		0	0	0	0	0	
Fencing		0	0	0	0	0	
Recreation Area		0	0	0	0	0	
Signs		0	0	0	0	0	
Other:		0	0	0	0	0	
Accessibility Features:							
List:		0	0	0	0	0	
Other:		0	0	0	0	0	
Automation Equipment:							
Site Management		0	0	0	0	0	
Common Area		0	0	0	0	0	
Other:		0	0	0	0	0	
Other:							
List:		0	0	0	0	0	
List:		0	0	0	0	0	
List:		0	0	0	0	0	
TOTAL CAPITAL EXPENSES:	0	0.00	9,656.88	0.00	1,353.00	11,009.88	5

PART VI -- SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

8-28-18
(DATE)


(Signature of Borrower or Borrower's Representative)

Mgmt Agent
(Title)

AGENCY APPROVAL (Rural Development Approval Official):

DATE:

COMMENTS:

Winnemucca Manor

Accrual to Cash adjustments

Cash -Sec Dep	\$286.31	
Accts Rec-Subsidy	\$(515.00)	
Accts Rec-Tenants	\$12.44	
Accounts Payable	\$264.33	
Accrued Payroll	\$95.65	
Sec Dep Refundable		\$(179.43)
Prepaid Rent	\$(282.50)	
Total	\$(318.20)	

**PINION APARTMENTS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018**

Table of Contents

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
Supplementary Information:	
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 <i>Government Auditing Standards</i>	12
Audit Findings on Compliance	14
Independent Accountants' Report on Applying Agreed-Upon Procedures	15
Accompanying Multi-Family Housing Borrower Balance Sheet - Form RD 3560-10	18
Accompanying Multiple Family Project Budget - Form RD 3560-7	20

INDEPENDENT AUDITORS' REPORT

Pinion Apartments
c/o Nevada Rural Housing Authority
3695 Desatoya Drive
Carson City, Nevada

USDA Rural Development
Servicing Office
Carson City, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of Pinion Apartments, a unit of Nevada Rural Housing Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Pinion Apartment's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Pinion Apartments' 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinion Apartments as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Pinion Apartments' basic financial statements. The accompanying *Multi-Family Housing Borrower Balance Sheet – Form RD 3560-10*, and *Multiple Family Project Budget – Form RD 3560-7* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates 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 accompanying supplementary information is 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 September 30, 2018, on our consideration of Pinion Apartments' 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 Nevada Rural Housing Authority's internal control over financial reporting and compliance.



CROPPER ROWE, LLP
Walnut Creek, California
October 25, 2018

PINION APARTMENTS
STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS

Current Assets

Cash	\$ 40,628
Cash - tenant security deposits	6,158
Accounts receivable	9,547
Prepaid expense	2,016
Total current assets	<u>58,349</u>

Restricted Deposits and Funded Reserves

Cash Reserve	<u>43,197</u>
Total Restricted deposits and funded reserves	<u>43,197</u>

Property and Equipment

Land	87,302
Buildings	1,857,149
Furniture and Fixtures	29,122
Less accumulated depreciation	<u>(219,474)</u>
Total property and equipment	<u>1,754,099</u>
Total Assets	<u>1,855,645</u>

LIABILITIES

Current Liabilities

Accounts payable	654
Other current liabilities	9,948
Security deposits refundable	5,871
Deferred Revenues	76
Current portion of long-term debt	<u>22,349</u>
Total current liabilities	38,898

Long-Term Liabilities

Mortgage payable - less current portion	<u>1,620,192</u>
Total Liabilities	<u>1,659,090</u>

NET POSITION

Investment in capital assets, net of related debt	111,558
Restricted	43,197
Unrestricted	<u>41,800</u>
Total Net Position	<u>\$ 196,555</u>

The accompanying auditors' report and notes are an integral part of these financial statements.

PINION APARTMENTS
STATEMENT OF FINANCIAL POSITION
June 30, 2018

Revenues, gains and other support	
Rental income	\$ 36,949
Rental assistance	180,323
Interest income	81
Other	<u>5,287</u>
Total revenue	<u>222,640</u>
Expenses and losses	
Contract Labor	14,764
Depreciation	50,132
Interest	27,316
Insurance	8,905
Management fees	16,275
Payroll expense	9,407
Repairs & maintenance	38,328
Supplies	4,735
Utilities	32,175
Utility allowance	5,725
Other	<u>26,039</u>
Total expenses	<u>233,801</u>
Change in net position	(11,161)
Net position, beginning of year	<u>207,716</u>
Net position, end of year	<u><u>\$ 196,555</u></u>

The accompanying auditors' report and notes are an integral part of these financial statements.

PINION APARTMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:

Cash received from tenants and USDA	\$ 220,266
Cash received from other	5,287
Cash received from interest	81
Cash paid for interest	(27,316)
Cash paid to suppliers and providers	(142,387)
Cash paid to employees	(9,407)

Net cash provided by operating activities	46,524
---	--------

Cash flows from financing activities:

Acquisition of capital assets	(29,122)
Deferred revenue	(502)
Principal payments on debt	(20,816)

Net cash used in financing activities	(50,440)
---------------------------------------	----------

Net change in cash	(3,916)
---------------------------	----------------

Cash and Equivalents, Beginning of Year	93,899
---	--------

Cash and Equivalents, End of Year	\$ 89,983
--	------------------

Reconciliation of change in net position to net cash provided/used by operating activities

Change in net position	(11,161)
Depreciation	50,132

Changes in operating assets and liabilities

(Increase)/Decrease in receivables	2,994
(Increase)/Decrease in prepaid expenses	722
Increase/(Decrease) in accounts payable	255
Increase/(Decrease) in other current liabilities	5,211
Increase/(Decrease) in tenant security deposits	(1,629)

Net Cash provided (used) by operating activities	46,524
--	--------

The accompanying auditors' report and notes are an integral part of these financial statements.

PINION APARTMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies

Description of Company

Pinion Apartments is owned by Nevada Rural Housing Authority (NRHA). NRHA acquired the Pinion Apartments to develop, construct, own, maintain, and operate a 26-unit rental housing project for persons of low and moderate income. Pinion Apartments is located in the city of Elko, Nevada. Pinion Apartments is regulated by USDA-Rural Development as to rent charges and operating methods. The financial statements and notes are representations of the management of Nevada Rural Housing Authority, which is responsible for the financial statements integrity and objectivity.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In addition, the financial statement presentation follows the recommendations of the Financial Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 117, *"Financial Statements of Non-Profit Organizations."* None of Pinion Apartments net assets are subject to donor imposed restrictions. Restrictions on certain reserves and escrow amounts are designated by USDA-Rural Development for monies received by the Pinion Apartments under Rural Development contracts. Accordingly, not all net assets are accounted for as unrestricted net assets according to SFAS No. 117.

Distributions

The Pinion Apartments loan agreement with the Nevada Housing Division stipulates, among other things that the Pinion Apartments will not make distributions of assets or income to any of its officers or commissioners.

Property and Equipment

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method. Expenditures for major renewals and betterments that extend the useful lives of property and equipment have been capitalized. Expenditures for routine repairs have been expensed as incurred. Depreciation is based on the following useful lives:

Buildings & Improvements Furniture & Fixtures	
<u>Years</u>	
10-40	Buildings & Improvements
3-10	Furniture & Fixtures

PINION APARTMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 Summary of Significant Accounting Policies, Continued

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All security deposits that are forfeited by tenants are included as rental income at the time of forfeiture. All leases between the company and the tenants of the property are operating leases.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Economic Dependency

A substantial amount of the revenues received by Pinion Apartments is received from the United States Department of Agriculture - Rural Development. Pinion Apartments received \$180,323 in rental subsidies and significant interest subsidies from the U.S.D.A. during fiscal year 2018. Operation of Pinion Apartments depends on continued funding from these sources.

Risk Management

Pinion Apartments is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance policies have been purchased to mitigate the exposure to such events. The insurance policies require minimal deductible amounts which Pinion Apartments will be required to pay in the event of any loss.

PINION APARTMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 Cash and Investments

Pinion Apartments' cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows. Policy allows for the investment of funds in time certificates of deposit with federally insured depositories and other investments as approved by the Board of Commissioners. All investments are stated at cost, and total cash and cash equivalents as shown on the statement of financial position consists of the following:

<u>Unrestricted Cash</u>	
Operating account	\$ 40,628
Cash – tenant security deposits	<u>6,158</u>
Total unrestricted cash	<u>46,786</u>
 <u>Restricted Cash</u>	
Cash reserve	<u>43,197</u>
Total restricted cash	<u>43,197</u>
 Total Unrestricted & Restricted Cash	
	<u><u>\$ 89,983</u></u>

At June 30, 2018, the carrying amount of Pinion Apartments deposits were covered by FDIC insurance.

NOTE 3 Accounts Receivable

Accounts receivable consist of amounts due from tenants and rental subsidies due from the USDA. Management believes that its credit review procedures and tenant deposits have adequately provided for usual and customary credit-related losses. Tenant receivables are determined to be past due after 30 days regardless of whether partial payments have been received. Based on the Pinion Apartments' policy for writing-off delinquent tenant receivables, and the balance of accounts receivable at June 30, 2018, a bad debt allowance is considered to be immaterial and has not been presented on the financial statements.

PINION APARTMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 **Properties and Equipment**

The following is a summary of changes in property and equipment for the year ended June 30, 2018:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2018</u>
Land	\$ 87,302	\$ -	\$ -	\$ 87,302
Building	1,857,149	-	-	1,857,149
Furniture and fixtures	-	29,122	-	29,122
Less: accumulated depreciation	<u>(169,342)</u>	<u>(50,132)</u>	<u>-</u>	<u>(219,474)</u>
Total property and equipment	<u>\$ 1,775,109</u>	<u>\$(21,010)</u>	<u>\$ -</u>	<u>\$ 1,754,099</u>

NOTE 5 **Long-Term Debts**

Each of the notes are secured by a deed of trust on real property and security agreements, which include an assignment of rents. The following are summaries of the long-term debt for the year ended June 30, 2018.

	<u>Due Date</u>	<u>Monthly Debt Service</u>	<u>Interest</u>
Pinion #1	08/01/47	\$ 1,694	7.25%
Pinion #2	03/01/43	\$ 1,677	7.75%
Pinion #3	10/01/52	\$ 2,320	1.00%

The following is a summary of long-term debt for the year ended June 30, 2018.

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Pinion #1	\$ 7,361	\$ 707,810	\$ 715,171
Pinion #2	9,470	675,576	685,046
Pinion #3	6,868	236,811	243,679
	<u>\$ 23,699</u>	<u>\$ 1,620,197</u>	<u>\$ 1,643,896</u>

PINION APARTMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 Long-Term Debts (continued)

Maturities of long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	22,349	26,025	\$ 48,374
2020	25,080	24,649	49,729
2021	26,564	23,165	49,729
2022	28,160	21,569	49,729
2023	29,875	19,854	49,729
2024-2028	179,992	68,653	248,645
2029-2052	1,330,521	350,398	1,680,919
Total	<u>\$ 1,642,541</u>	<u>\$ 534,313</u>	<u>\$ 2,176,854</u>

As is customary in the low-income housing industry, interest rates on loans used to finance the purchase of low-income housing are, in some cases, substantially below prevailing market rates and many loans bear interest rate subsidies and longer repayment terms than what is customary. As a result, debt discounts based on the future value of the cumulative differences between actual interest rates and prevailing market rates have not been reported on the Pinion Apartments' financial statements. The amount is not considered to be material and management is of the opinion that that recording these items would make the financial statements misleading.

Compensated absences have not been included on the financial statements because the amounts are not considered to be material.

NOTE 6. Related Parties

Management Fee

A management fee of \$16,275 was paid to the Weststates Property Management Company. Pinion Apartments pays a management fee totaling \$57 a month per occupied unit for the 26 apartments. Pinion allocates \$53 to Weststates Property Management Company (Weststates) for management of occupied unit and \$4 to Nevada Rural Housing Authority, the owner, for administrative fees, including insurance, property taxes, and major maintenance.

PINION APARTMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 Insurance

Pinion maintains insurance coverage as follows:

	<u>Deductible</u>	<u>Coverage for Each Incident</u>
Bodily Injury	\$ 25,000	\$ 2,000,000
Property Damage	\$ 25,000	\$ 2,000,000
Remediation Expense	\$ 25,000	\$ 2,000,000

NOTE 8. Subsequent Events

Management has reviewed events subsequent to June 30, 2018 up through the financial statement issuance date to evaluate their effect on the fair presentation of the financial statements. As of the issuance date of the financial statements. There have been no events subsequent to June 30, 2018 that are required to be disclosed in order to present fairly the financial position and results of operations

**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**

Pinion Apartments
c/o Nevada Rural Housing Authority
3695 Desatoya Drive
Carson City, Nevada

USDA Rural Development
Servicing Office
Carson City, Nevada

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the the business-type activities of Pinion Apartments as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Pinion Apartments' basic financial statements, and have issued our report thereon dated October 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pinion Apartments' 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 Pinion Apartments' internal control. Accordingly, we do not express an opinion on the effectiveness of Pinion Apartments' 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.

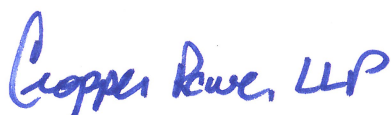
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Pinion Apartments' 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
October 25, 2018

**PINION APARTMENTS
AUDIT FINDINGS ON COMPLIANCE
JUNE 30, 2018**

Reportable conditions of non-compliance – None noted

Auditee's comments on prior audit resolution matters related to United States Department of Agriculture Rural Development programs – n/a

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Pinion Apartments
c/o Nevada Rural Housing Authority
3695 Desatoya Drive
Carson City, Nevada

USDA Rural Development
Servicing Office
Carson City, Nevada

We have performed the procedures enumerated below, which were agreed to by the United States Department of Agriculture Rural Development and Pinion Apartments ("Owner") the owner of Pinion Apartments ("Project") located in Elko, Nevada, solely to assist those parties in evaluating that the accompanying *Form RD 3560-10, Multi-Family Housing Borrower Balance Sheet, Form RD 3560-7, Multiple Family Housing Project Budget* ("Financial Reports") and Supporting Documentation are prepared in accordance with the criteria specified in Rural Development Regulations contained in 7 CFR 3560 section 303(b) and section 306, in accordance with the determinations noted in Attachment 4-D of RD Handbook HB-2-3560, for the year ended June 30, 2018. The owner is responsible for the presentation of the financial reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of Rural Development and the owner. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We examined selected receipts, invoices, and cancelled checks (or check imaging on original bank statement) that support administrative; and operating and maintenance expenses presented on Form RD 3560-7, Part II, line items 1-10 and 19-32 to determine they were incurred as part of the ongoing operations of the project. We selected a representative sample of invoices and supporting documentation, based on the sample size determined by Rural Development in Attached 4-D of RD Handbook HB-2-3560, for expenses included in Lines 1-10 and 19-32 of Form RD 3560-7 and determined that the services were eligible expenses, in accordance with Attachment 4-A of HB-2-3560, and the shipping address agreed to the project address. In addition, we confirmed a sample of the expenditures with the vendors to determine the invoice paid agreed to the vendor's records.

Findings:

Total Number of Invoices in Population: 314
Total Dollar Amount of Invoices in Population: \$ 94,055.60
Total Number of Invoices Reviewed: 15
Total Dollar Amount of Invoices Reviewed: \$35,474.43
Total Number of Invoices in Vendor Confirmation Sample: 3
Total Dollar Amount of Invoices in Vendor Confirmation Sample: \$14,703.40
Total Number of Vendor Confirmations Not Received: 1
Total Dollar Amount of Vendor Confirmations Not Received: \$3,774.74
Total Number of Deviations: 0

2. We confirmed the balance in the replacement reserve account presented on Form RD 3560-7, Part III, and confirmed that no amounts were encumbered by the financial institution that holds the accounts. We determined that all balances are within the FDIC insurance limits. We determined number of reserve account withdrawals from the original bank statements and compared the withdrawals to the amounts approved by Rural Development on Form RD 3560-12. We compared the invoices and cancelled checks (or check imaging on original bank statement) to the approved withdrawals from Rural Development.

Findings:

Total Number of Reserve Account Withdrawals: 1
Total Number of Withdrawals Authorized by Rural Development: 1
Total Dollar Amount of Reserve Account Withdrawals: \$29,122.00
Total Dollar Amount of Withdrawals Authorized by Rural Development: \$29,122.00
Total Number of Deviations: 0
Total Dollar Amount of Deviations: \$0.00

The confirmation received from the financial institution agreed to the project's bank reconciliation and no encumbrances were noted on the confirmation. All withdrawals were paid to the vendors approved by Rural Development on Form RD 3560-12.

3. We obtained the Identity of Interest (IOI) company listing and Form RD 3560-31 from Rural Development and determined that the services provided and approved fees, if applicable, agree to the actual service and fees charged to the project. We examined a sample of invoices and determined that the services and charges are in accordance with the disclosures contained in Form RD 3560-31 as agreed to by Rural Development.

Findings:

Total Number of Forms RD 3560-31 Received: 0

The agree-upon procedures performed above and the management Representation Letter revealed no undisclosed IOI companies.

We were not engaged to, and did not, conduct an audit of the subject matter, the objective of which would be the expression of an opinion on the agreed-upon procedures applied to the financial reports and supporting documentation of Pinion Apartments. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the owner and management agent of Pinion Apartments, USDA Rural Development, and is not intended to be and should not be used by anyone other than these specified parties.

Cropper Rowe, LLP

CROPPER ROWE, LLP
Walnut Creek, California
October 25, 2018

Form RD3560-10
(02-05)

Position 3
**MULTI-FAMILY HOUSING
BORROWER BALANCE SHEET**
PART I - BALANCE SHEET

FORM APPROVED
OMB NO. 0575-0189

PROJECT NAME	BORROWER NAME	BORROWER ID AND PROJECT NO.
Pinion Apartments	Nevada Rural Housing Authority	527615200 104

	BEGINNING DATES> ENDING DATES>	CURRENT YEAR (07 - 01 -2017) (06 - 30 -2018)	PRIOR YEAR (07 - 01 -2016) (06 - 30 -2017)	COMMENTS
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ASSETS**CURRENT ASSETS**

1. GENERAL OPERATING ACCOUNT		40,552.92	37,053.86	
2. R.E. TAX & INSURANCE ACCOUNT		0.00	0.00	
3. RESERVE ACCOUNT		43,197.14	48,965.42	
4. SECURITY DEPOSIT ACCOUNT		6,157.92	7,804.52	
5. OTHER CASH (identify)		75.00	75.00	Petty Cash
6. OTHER (identify)		0.00	0.00	
7. TOTAL ACCOUNTS RECEIVABLE (Attach list)		9,547.28		
ACCTS RCVBL 0-30 DAYS \$ 9,547.28			12,540.69	
ACCTS RCVBL 30-60 DAYS \$ 0.00			0.00	
ACCTS RCVBL 60-90 DAYS \$ 0.00			0.00	
ACCTS RCVBL OVER 90 DAYS \$ 0.00			0.00	
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS		0.00	0.00	
9. INVENTORIES (supplies)	(0.00)	(0.00)		
10. PREPAYMENTS		2,016.01	2,738.46	
11.		0.00	0.00	
12. TOTAL CURRENT ASSETS (Add 1 thru 11)		101,546.27	109,177.95	

FIXED ASSETS

13. LAND		87,302.00	87,302.00	
14. BUILDINGS		1,857,149.00	1,838,148.00	
15. LESS: ACCUMULATED DEPRECIATION	(216,562.14)	(169,341.52)		
16. FURNITURE & EQUIPMENT		29,122.00	0.00	
17. LESS: ACCUMULATED DEPRECIATION	(2,912.20)	(0.00)		
18.		0.00	19,001.00	
19. TOTAL FIXED ASSETS (Add 13 thru 18)		1,754,098.66	1,775,109.48	

OTHER ASSETS

20.		0.00	0.00	
21. TOTAL ASSETS (Add 12, 19, and 20)		1,855,644.93	1,884,287.43	

LIABILITIES AND OWNERS EQUITY**CURRENT LIABILITIES**

22. TOTAL ACCOUNTS PAYABLE (Attach list)		11,286.44		
ACCTS PAYABLE 0-30 DAYS \$ 10,677.25			5,712.99	
ACCTS PAYABLE 30-60 DAYS \$ 609.19			0.00	Accrued Int
ACCTS PAYABLE 60-90 DAYS \$ 0.00			0.00	
ACCTS PAYABLE OVER 90 DAYS \$ 0.00			0.00	
23. NOTES PAYABLE (Attach list)		0.00	0.00	
24. SECURITY DEPOSITS		5,871.35	7,500.00	
25. TOTAL CURRENT LIABILITIES (Add 22 thru 24)		17,157.79	13,212.99	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

LONG-TERM LIABILITIES

26. NOTES PAYABLE RURAL DEVELOPMENT

27. OTHER (*Identify*)

28. **TOTAL LONG-TERM LIABILITIES** *(Add 26 and 27).*

29. **TOTAL LIABILITIES** (*Add 25 and 28*)

30. OWNER'S EQUITY (Net Worth) (21 minus 29)

31. TOTAL LIABILITIES AND OWNER'S EQUITY

(Add 29 and 30)

1,398,862.16

1,414,573.31

243,678.65

248,783.40

HOME loan

1,642,540.81

1,663,356.71

1,659,698.60

1,676,569.70

195,946.33

207,717.73

1,855,644.93

1,884,287.43

Warning: Section 1001 of Title 18, United States Code provides: “Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

10-29-18

(Date)


(Signature of Borrower)

(Signature of Borrower or Borrower's Representative)

Agent

(Title)

PART II-THIRD PARTY VERIFICATION OF REVIEW

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 3560-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and any individual or organization doing business with the project or borrower.

(Date)

(Signature)

(Name and Title)

(Address)

☐ In lieu of the above verification and signature, a review completed, dated and signed by a person or firm qualified by license or certification is attached.

Position 3

Form RD 3560-7
(Rev. 05-06)**MULTIPLE FAMILY HOUSING PROJECT BUDGET/
UTILITY ALLOWANCE**FORM APPROVED
OMB NO.0575-0189

PROJECT NAME Pinion Apartments		BORROWER NAME Nevada Rural Housing Authority		BORROWER ID AND PROJECT NO. 527615200 104	
Loan/Transfer Amount \$ 3,370.79		Note Rate Payment \$ 0.00		IC Payment \$ 0.00	
Reporting Period <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly	Budget Type <input type="checkbox"/> Initial <input checked="" type="checkbox"/> Regular Report <input type="checkbox"/> Rent Change <input type="checkbox"/> SNR <input type="checkbox"/> Other Servicing	Project Rental Type <input checked="" type="checkbox"/> Family <input type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH	Profit Type <input type="checkbox"/> Full Profit <input checked="" type="checkbox"/> Limited Profit <input type="checkbox"/> Non-Profit	The following utilities are master metered: <input type="checkbox"/> Electricity <input type="checkbox"/> Gas <input type="checkbox"/> Water <input type="checkbox"/> Sewer <input type="checkbox"/> Trash <input type="checkbox"/> Other _____	
				<input type="checkbox"/> I hereby request _____ units of RA. Current number of RA units 25.00. Borrower Accounting Method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual	

PART I—CASH FLOW STATEMENT

	CURRENT BUDGET (07 - 01 - 2017) (06 - 30 - 2018)	ACTUAL (07 - 01 - 2017) (06 - 30 - 2018)	PROPOSED BUDGET (- -) (- -)	COMMENTS or (YTD) (- -) (- -)
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	238,560.00	36,949.03	0.00	
2. RHS RENTAL ASSISTANCE RECEIVED		180,323.02		
3. APPLICATION FEES RECEIVED		425.00		
4. LAUNDRY AND VENDING	2,250.00	4,602.00	0.00	
5. INTEREST INCOME	60.00	80.68	0.00	
6. TENANT CHARGES	1,000.00	260.00	0.00	
7. OTHER - PROJECT SOURCES	0.00	0.00	0.00	
8. LESS (Vacancy and Contingency Allowance)	(11,928.00)		(0.00)	
9. LESS (Agency Approved Incentive Allowance)	(0.00)		(0.00)	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)]	229,942.00	222,639.73	0.00	
NON-OPERATIONAL CASH SOURCES				
11. CASH - NON PROJECT	0.00	0.00	0.00	
12. AUTHORIZED LOAN (Non-RHS)	0.00	0.00	0.00	
13. TRANSFER FROM RESERVE	18,400.00	29,122.00	0.00	
14. SUB-TOTAL (11 thru 13)	18,400.00	29,122.00	0.00	
15. TOTAL CASH SOURCES (10+14)	248,342.00	251,761.73	0.00	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES (From Part II)	152,877.00	137,628.41	0.00	
17. RHS DEBT PAYMENT	40,449.48	40,449.48	0.00	
18. RHS PAYMENT (Overage)		0.00		
19. RHS PAYMENT (Late Fee)		0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES		0.00		
21. TENANT UTILITY PAYMENTS		5,725.00		
22. TRANSFER TO RESERVE	23,294.00	23,353.72	0.00	
23. RETURN TO OWNER NP ASSET MANAGEMENT FEE	2,000.00	7,500.00	0.00	
24. SUB-TOTAL (16 thru 23)	218,620.48	214,656.61	0.00	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	9,279.56	6,959.67	0.00	HOME loan - short pd
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)	18,400.00	29,122.00	0.00	
27. MISCELLANEOUS	0.00	0.00	0.00	
28. SUB-TOTAL (25 thru 27)	27,679.56	36,081.67	0.00	
29. TOTAL CASH USES (24+28)	246,300.04	250,738.28	0.00	
30. NET CASH (DEFICIT) (15-29)	2,041.96	1,023.45	0.00	
CASH BALANCE				
31. BEGINNING CASH BALANCE	25,907.75	37,128.86	0.00	
32. ACCRUAL TO CASH ADJUSTMENT		2,475.61		See page 6
33. ENDING CASH BALANCE (30+31+32)	27,949.71	40,627.92	0.00	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PART II—OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL	13,050.00	12,626.45	0.00	
2. MAINTENANCE AND REPAIRS SUPPLY	15,000.00	6,682.39	0.00	
3. MAINTENANCE AND REPAIRS CONTRACT	0.00	0.00	0.00	
4. PAINTING	5,000.00	4,460.62	0.00	
5. SNOW REMOVAL	3,000.00	1,604.59	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT	0.00	0.00	0.00	
7. GROUNDS	14,000.00	15,918.52	0.00	
8. SERVICES	500.00	0.00	0.00	
9. ANNUAL CAPITAL BUDGET (From Part V - Operating)	10,550.00	11,799.86	0.00	
10. OTHER OPERATING EXPENSES (Itemize)	0.00	0.00	0.00	
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10)	61,100.00	53,092.43	0.00	
12. ELECTRICITY <input type="checkbox"/> If master metered	3,500.00	3,665.04	0.00	
13. WATER <input type="checkbox"/> check box on	9,500.00	8,647.80	0.00	
14. SEWER <input type="checkbox"/> front.	17,000.00	15,127.84	0.00	
15. FUEL (Oil/Coal/Gas)	3,000.00	3,221.62	0.00	
16. GARBAGE & TRASH REMOVAL	4,800.00	4,733.88	0.00	
17. OTHER UTILITIES	0.00	0.00	0.00	
18. SUB-TOTAL UTILITIES (12 thru 17)	37,800.00	35,396.18	0.00	
19. SITE MANAGEMENT PAYROLL	10,000.00	6,367.06	0.00	
20. MANAGEMENT FEE	17,700.00	16,275.38	0.00	
21. PROJECT AUDITING EXPENSE	1,500.00	5,000.00	0.00	
22. PROJECT BOOKKEEPING/ACCOUNTING	0.00	0.00	0.00	
23. LEGAL EXPENSES	400.00	69.41	0.00	
24. ADVERTISING	300.00	357.45	0.00	
25. TELEPHONE & ANSWERING SERVICE	2,200.00	2,223.79	0.00	
26. OFFICE SUPPLIES	3,000.00	3,664.61	0.00	
27. OFFICE FURNITURE & EQUIPMENT	825.00	1,070.58	0.00	
28. TRAINING EXPENSE	600.00	221.15	0.00	
29. HEALTH INS. & OTHER EMP. BENEFITS	3,600.00	910.04	0.00	
30. PAYROLL TAXES	3,700.00	3,039.65	0.00	
31. WORKER'S COMPENSATION	900.00	730.71	0.00	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize)	750.00	1,033.34	0.00	Bank chqs/backgrc
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32)	45,475.00	40,963.17	0.00	
34. REAL ESTATE TAXES	2.00	2.00	0.00	
35. SPECIAL ASSESSMENTS	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS	0.00	0.00	0.00	
37. PROPERTY & LIABILITY INSURANCE	8,500.00	8,174.63	0.00	
38. FIDELITY COVERAGE INSURANCE	0.00	0.00	0.00	
39. OTHER INSURANCE	0.00	0.00	0.00	
40. SUB-TOTAL TAXES & INSURANCE (34 thru 39)	8,502.00	8,176.63	0.00	
41. TOTAL O&M EXPENSES (11+18+33+40)	152,877.00	137,628.41	0.00	

PART III—ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	41,182.60	48,965.42	0.00	
2. TRANSFER TO RESERVE	23,294.00	23,353.72	0.00	
TRANSFER FROM RESERVE.....				
3. OPERATING DEFICIT	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (<i>Part V - Reserve</i>)	18,400.00	29,122.00	0.00	
5. BUILDING & EQUIPMENT REPAIR	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES	0.00	0.00	0.00	
7. TOTAL (3 thru 6)	(18,400.00)	(29,122.00)	(0.00)	
8. ENDING BALANCE [(1+2)-7]	46,076.60	43,197.14	0.00	

GENERAL OPERATING ACCOUNT:*

BEGINNING BALANCE	37,053.86	
ENDING BALANCE	40,552.92	

REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:*

BEGINNING BALANCE	0.00	
ENDING BALANCE	0.00	

TENANT SECURITY DEPOSIT ACCOUNT:*

BEGINNING BALANCE	7,804.52	
ENDING BALANCE	6,157.92	

(*Complete upon submission of actual expenses.)

NUMBER OF APPLICANTS ON THE WAITING LIST	0.00	RESERVE ACCT. REQ. BALANCE....	0.00
NUMBER OF APPLICANTS NEEDING RA.....	0.00	AMOUNT AHEAD/BEHIND	0.00

PART IV—RENT SCHEDULE AND UTILITY ALLOWANCE

A. CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
CURRENT RENT TOTALS:						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: ____/____/____

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
PROPOSED RENT TOTALS:						BASIC	NOTE	HUD

C. PROPOSED UTILITY ALLOWANCE - Effective Date: ____/____/____

MONTHLY DOLLAR ALLOWANCES									
BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL

PART V - ANNUAL CAPITAL BUDGET

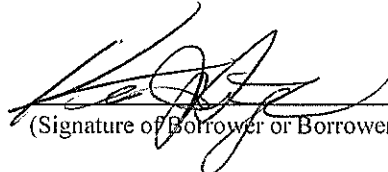
	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:							
Range	0	0	0	0	939.84	939.84	2
Refrigerator	0	0	0	0	1433.56	1433.56	2
Range Hood	0	0	0	0	0	0	0
Washers & Dryers	0	0	0	0	0	0	0
Other:	0	0	0	0	0	0	0
Carpet & Vinyl:							
1BR	0	0	0	0	0	0	0
2BR	0	0	0	0	8839.65	8839.65	4
3BR	0	0	0	0	0	0	0
4BR	0	0	0	0	0	0	0
Other:	0	0	0	0	0	0	0
Cabinets:							
Kitchens	0	0	0	0	0	0	0
Bathrooms	0	0	0	0	0	0	0
Other:	0	0	0	0	0	0	0
Doors:							
Exterior	0	0	0	0	0	0	0
Interior	0	0	0	0	0	0	0
Other:	0	0	0	0	0	0	0
Window Coverings:							
List:	0	0	0	0	0	0	0
Other:	0	0	0	0	0	0	0
Heating & Air Conditioning:							
Heating	0	0	0	0	0	0	0
Air Conditioning	0	0	0	0	0	0	0
Other:	0	0	0	0	0	0	0
Plumbing:							
Water Heater	0	0	0	0	0	0	0
Bath Sinks	0	0	0	0	0	0	0
Kitchen Sinks	0	0	0	0	0	0	0
Faucets	0	0	0	0	0	0	0
Toilets	0	0	0	0	0	0	0
Other	0	0	29122	0	0	29122	1
Major Electrical:							
List:		0	0	0	0	0	
Other:		0	0	0	0	0	
Structures:							
Windows	0	0	0	0	0	0	0
Screens	0	0	0	0	0	0	0
Walls		0	0	0	0	0	
Roofing		0	0	0	0	0	
Siding		0	0	0	586.81	586.81	
Exterior Painting		0	0	0	0	0	
Other		0	0	0	0	0	
Paving:							
Asphalt		0	0	0	0	0	
Concrete		0	0	0	0	0	
Seal & Stripe		0	0	0	0	0	
Other:		0	0	0	0	0	
Landscape & Grounds:							
Landscaping		0	0	0	0	0	
Lawn Equipment		0	0	0	0	0	
Fencing		0	0	0	0	0	
Recreation Area		0	0	0	0	0	
Signs		0	0	0	0	0	
Other:		0	0	0	0	0	
Accessibility Features:							
List:		0	0	0	0	0	
Other:		0	0	0	0	0	
Automation Equipment:							
Site Management		0	0	0	0	0	
Common Area		0	0	0	0	0	
Other:		0	0	0	0	0	
Other:							
List:		0	0	0	0	0	
List:		0	0	0	0	0	
List:		0	0	0	0	0	
TOTAL CAPITAL	0	0.00	29,122.00	0.00	11,799.86	40,921.86	9
EXPENSES:							

PART VI -- SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

8-28-18
(DATE)


(Signature of Borrower or Borrower's Representative)

Agent
(Title)

AGENCY APPROVAL (Rural Development Approval Official):

DATE:

COMMENTS:

Pinion Apartments
Accrual to Cash adjustments

Cash -Sec Dep	\$(1,646.60)
Accts Rec-Subsidy	\$(3,096.00)
Accts Rec-Tenants	\$102.59
Accounts Payable	\$(255.61)
Accrued Utilities	\$2,736.59
Accrued Payroll	\$(2,447.57)
Sec Dep Refundable	\$1,628.65
Prepaid Rent	\$502.34
Total	\$(2,475.61)

**YERINGTON MANOR APARTMENTS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018**

Table of Contents

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Cash Flows.....	5
Notes to the Financial Statements	6
Supplementary Information:	
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 <i>Government Auditing Standards</i>	12
Audit Findings on Compliance.....	14
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	15
Accompanying Multi-Family Housing Borrower Balance Sheet - Form RD 3560-10	18
Accompanying Multiple Family Project Budget - Form RD 3560-7	20

INDEPENDENT AUDITORS' REPORT

Yerington Manor Apartments
c/o Nevada Rural Housing Authority
3695 Desatoya Drive
Carson City, Nevada

USDA Rural Development
Servicing Office
Carson City, Nevada

We have audited the accompanying financial statements of the Yerington Manor Apartments, a unit of Nevada Rural Housing Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Yerington Manor Apartments' 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yerington Manor as of June 30, 2018, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Yerington Manor Apartments' basic financial statements. The accompanying *Multi-Family Housing Borrower Balance Sheet – Form RC 3560-10* and *Multiple Family Project Budget – Form RD 3560-7* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018, on our consideration of Yerington Manor Apartments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 Nevada Rural Housing Authority's internal control over financial reporting and compliance.



CROPPER ROWE, LLP
Walnut Creek, California
October 25, 2018

YERINGTON MANOR APARTMENTS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Current Assets

Cash	\$ 125,304
Cash - tenant security deposits	11,639
Accounts receivable	1,519
Prepaid expense	1,145
Total current assets	<u>139,607</u>

Restricted Deposits and Funded Reserves

Cash Reserve	<u>786,738</u>
Total Restricted deposits and funded reserves	<u>786,738</u>

Property and Equipment

Land	1,204,200
Furniture & Fixtures	7,050
Buildings	3,741,883
Less accumulated depreciation	<u>(1,332,630)</u>
Total property and equipment	<u>3,620,503</u>
Total Assets	<u>4,546,848</u>

LIABILITIES

Current Liabilities

Accounts payable	-
Other current liabilities	20,006
Security deposits refundable	11,511
Deferred revenue	1,172
Current portion of long-term debt	<u>34,176</u>
Total current liabilities	<u>66,865</u>

Long-Term Liabilities

Mortgage payable - less current portion	<u>985,078</u>
Total Liabilities	<u>1,051,943</u>

NET POSITION

Investment in capital assets, net of related debt	2,601,249
Restricted	786,738
Unrestricted	<u>106,918</u>
Total Net Position	<u>\$ 3,494,905</u>

The accompanying auditors' report and notes are an integral part of these financial statements.

YERINGTON MANOR APARTMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

Revenues

Rental income	\$ 124,182
Rental assistance	167,907
Interest income	1,170
Other	5,174
Total revenue	<u>298,433</u>

Expenses and losses

Contract Labor	34,243
Depreciation	132,384
Interest	15,351
Insurance	11,415
Management fees	33,160
Payroll expense	71,870
Repairs & maintenance	-
Supplies	10,429
Utilities	41,820
Utility allowance	1,205
Other	33,543
Total expenses	<u>385,420</u>

Change in net position	(86,987)
-------------------------------	----------

Net position, beginning of year	<u>3,581,892</u>
---------------------------------	------------------

Net position, end of year	<u><u>\$ 3,494,905</u></u>
----------------------------------	----------------------------

The accompanying auditors' report and notes are an integral part of these financial statements.

YERINGTON MANOR APARTMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:	
Cash received from tenants and USDA	\$ 294,913
Cash received for interest	1,170
Cash received from other	4,864
Cash paid to suppliers and providers	(168,498)
Cash paid for interest	(15,351)
Cash paid to employees	<u>(71,870)</u>
Net cash flows provided by investing activities	<u>45,228</u>
Cash flows from financing activities:	
Deferred revenues	(112)
Principal payments on debt	<u>(34,344)</u>
Net cash flows used in financing activities	<u>(34,456)</u>
Net change in cash	10,772
Cash and Equivalents, Beginning of Year	<u>912,909</u>
Cash and Equivalents, End of Year	<u><u>\$ 923,681</u></u>
Reconciliation of change in net position to net cash provided/used by operating activities	
Change in net position	\$ (86,987)
Depreciation	132,384
Changes in operating assets and liabilities	
(Increase)/Decrease in receivables	(310)
(Increase)/Decrease in prepaid rent	245
Increase/(Decrease) in accounts payable	(2,683)
Increase/(Decrease) in other current liabilities	2,829
Increase/(Decrease) in tenant security deposits	<u>(250)</u>
Net Cash provided by operating activities	<u><u>\$ 45,228</u></u>

The accompanying auditors' report and notes are an integral part of these financial statements.

YERINGTON MANOR APARTMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies

Description of Company

Yerington Manor Apartments is owned by Nevada Rural Housing Authority (NRHA). NRHA acquired the Yerington Manor Apartments to develop, construct, own, maintain, and operate a 52-unit rental housing project for persons of low and moderate income. Of these units 22 are USDA-RD subsidized and 30 units are HUD subsidized. The Yerington Manor Apartments is regulated by USDA-Rural Development as to rent charges and operating methods. The Yerington Manor Apartments is located in the city of Yerington, Nevada, and is currently known as Yerington Manor Apartments. The financial statements and notes are representations of the management of Yerington Manor Apartments, which is responsible for the financial statements integrity and objectivity.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In addition, the financial statement presentation follows the recommendations of the Financial Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 117, *"Financial Statements of Non-Profit Organizations."* None of Yerington Manor Apartments net assets are subject to donor-imposed restrictions. Restrictions on certain reserves and escrow amounts are designated by USDA-Rural Development for monies received by the Yerington Manor Apartments under Rural Development contracts. Accordingly, not all net assets are accounted for as unrestricted net assets according to SFAS No. 117.

Distributions

The Yerington Manor Apartments loan agreement with the Nevada Housing Division stipulates, among other things that the Yerington Manor Apartments will not make distributions of assets or income to any of its officers or commissioners.

Property and Equipment

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method. Expenditures for major renewals and betterments that extend the useful lives of property and equipment have been capitalized. Expenditures for routine repairs have been expensed as incurred. Depreciation is based on the following useful lives:

<u>Years</u>	
10 – 40	Buildings & Improvements
3 – 10	Furniture & Fixtures

YERINGTON MANOR APARTMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 Summary of Significant Accounting Policies, Continued

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All security deposits that are forfeited by tenants are included as rental income at the time of forfeiture. All leases between the company and the tenants of the property are operating leases.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Economic Dependency

A substantial amount of the revenues received by Yerington Manor Apartments is received from the United States Department of Agriculture - Rural Development. Yerington Manor Apartments received \$63,113 in rental subsidies from the U.S.D.A. and \$104,794 from HUD during fiscal year 2018. Operation of Yerington Manor Apartments depends on continued funding from these sources.

Risk Management

Yerington Manor Apartments is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance policies have been purchased to mitigate the exposure to such events. The insurance policies require minimal deductible amounts which Yerington Manor Apartments will be required to pay in the event of any loss.

YERINGTON MANOR APARTMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 **Cash and Investments**

Yerington Manor Apartments' cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows. Policy allows for the investment of funds in time certificates of deposit with federally insured depositories and other investments as approved by the Board of Commissioners. All investments are stated at cost, and total cash and cash equivalents as shown on the statement of financial position consists of the following:

<u>Unrestricted Cash</u>	
Operating account	\$ 125,304
Cash – tenant security deposit	<u>11,639</u>
Total unrestricted cash	<u>136,943</u>
 <u>Restricted Cash</u>	
Cash reserve	<u>786,738</u>
Total restricted cash	<u>786,738</u>
 Total Unrestricted & Restricted Cash	 <u><u>\$ 923,681</u></u>

At June 30, 2018, the carrying amount of Yerington Manor Apartments deposits were held in two institutions. The deposits exceeded the FDIC limit of \$250,000 by \$423,613.

NOTE 3 **Accounts Receivable**

Accounts receivable consist of amounts due from tenants and rental subsidies due from the USDA and HUD. Management believes that its credit review procedures and tenant deposits have adequately provided for usual and customary credit-related losses. Tenant receivables are determined to be past due after 30 days regardless of whether partial payments have been received. Based on the Yerington Manor Apartments' policy for writing-off delinquent tenant receivables, and the balance of accounts receivable at June 30, 2018 any bad debt allowance is considered to be immaterial and has not been presented on the financial statements.

YERINGTON MANOR APARTMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 Properties and Equipment

The following is a summary of changes in property and equipment for the year ended June 30, 2018.

	July 1, 2017	Additions	Disposals	June 30, 2018
Land	\$ 1,204,200	\$ -	\$ -	\$ 1,204,200
Furniture & fixture	7,050	-	-	7,050
Building	3,741,883	-	-	3,741,883
Less: accumulated depreciation	(1,200,246)	(132,384)	-	(1,332,630)
Total property and equipment	<u>\$ 3,752,887</u>	<u>\$(132,384)</u>	<u>\$ -</u>	<u>\$ 3,620,503</u>

NOTE 5 Long-Term Debts

Each of the notes are secured by a deed of trust on real property and security agreements, which include an assignment of rents. The following are summaries of the long-term debt for the year ended June 30, 2018.

	Due Date	Monthly Debt Service	Interest
Yerington Manor I #1	02/01/29	\$ 3,373	8.25%
Yerington Manor I #2	03/01/29	\$ 1,721	8.75%
Yerington Manor I #3	09/01/29	\$ 323	9.00%
Yerington Manor II #1	03/02/39	\$ 4,416	9.00%
Yerington Manor II #2	03/02/39	\$ 630	9.50%

	Current	Noncurrent	Total
Yerington Manor I #1	\$ 16,087	\$ 268,999	\$ 285,086
Yerington Manor I #2	7,747	135,124	142,871
Yerington Manor I #3	1,417	25,087	26,504
Yerington Manor II #1	7,906	488,555	496,461
Yerington Manor II #2	1,019	67,313	68,332
	<u>\$ 34,176</u>	<u>\$ 985,078</u>	<u>\$ 1,019,254</u>

YERINGTON MANOR APARTMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 Long-Term Debts, Continued

Maturities of long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 34,176	\$ 12,298	\$ 46,474
2020	40,478	8,972	49,450
2021	44,103	5,347	49,450
2022	48,053	1,397	49,450
2023	52,357	(2,907)	49,450
2024 – 2028	341,158	(93,908)	247,250
2029 – 2033	188,318	(81,448)	106,870
2034 – 2038	226,799	(142,678)	84,121
2039	43,812	(31,148)	12,664
Total	<u>\$ 1,019,254</u>	<u>\$(324,075)</u>	<u>\$ 695,179</u>

As is customary in the low-income housing industry, interest rates on loans used to finance the purchase of low-income housing are, in some cases, substantially below prevailing market rates and many loans bear interest rate subsidies and longer repayment terms than what is customary. As a result, debt discounts based on the future value of the cumulative differences between actual interest rates and prevailing market rates have not been reported on the Yerington Manor Apartments' financial statements. The amount is not considered to be material and management is of the opinion that that recording these items would make the financial statements misleading.

Compensated absences have not been included on the financial statements because the amounts are not considered to be material.

NOTE 6. Related Parties

Management Fee

A management fee of \$33,160 was paid to the Weststates Property Management Company. Yerington Manor Apartments pays the management fee totaling \$54 a month per occupied unit for the 52 apartments. Yerington Manor Apartments allocates \$50 to Weststates Property Management Company (Weststates) for management of occupied unit and \$4 to Nevada Rural Housing Authority, the owner, for administrative fees including insurance, property taxes, and major maintenance.

YERINGTON MANOR APARTMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 Insurance

Yerington Manor maintains insurance coverage as follows:

	<u>Deductible</u>	<u>Coverage for Each Incident</u>
Bodily Injury	\$ 25,000	\$ 2,000,000
Property Damage	\$ 25,000	\$ 2,000,000
Remediation Expense	\$ 25,000	\$ 2,000,000

NOTE 8 Subsequent Events

Management has reviewed events subsequent to June 30, 2018 up through the financial statement issuance date to evaluate their effect on the fair presentation of the financial statements. As of the issuance date of the financial statements. There have been no events subsequent to June 30, 2018 that are required to be disclosed in order to present fairly the financial position and results of operations.

**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**

Yerington Manor Apartments
c/o Nevada Rural Housing Authority
3695 Desatoya Drive
Carson City, Nevada

USDA Rural Development
Servicing Office
Carson City, Nevada

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Yerington Manor Apartments as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Yerington Manor Apartments' basic financial statements, and have issued our report thereon dated October 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yerington Manor Apartments' 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 Yerington Manor Apartments' internal control. Accordingly, we do not express an opinion on the effectiveness of Yerington Manor Apartments' 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Yerington Manor Apartments' 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

CROPPER ROWE, LLP
Walnut Creek, California
October 25, 2018

**YERINGTON MANOR APARTMENTS
AUDIT FINDINGS ON COMPLIANCE
JUNE 30, 2018**

Reportable conditions of non-compliance – None noted

Auditee's comments on prior audit resolution matters related to United States Department of Agriculture Rural Development programs – n/a

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Yerington Manor Apartments
c/o Nevada Rural Housing Authority
3695 Desatoya Drive
Carson City, Nevada

USDA Rural Development
Servicing Office
Carson City, Nevada

We have performed the procedures enumerated below, which were agreed to by the United States Department of Agriculture Rural Development and Yerington Manor Apartments ("Owner") the owner of Yerington Manor Apartments ("Project") located in Yerington, Nevada, solely to assist those parties in evaluating that the accompanying *Form RD 3560-10, Multi-Family Housing Borrower Balance Sheet, Form RD 3560-7, Multiple Family Housing Project Budget* ("Financial Reports") and Supporting Documentation are prepared in accordance with the criteria specified in Rural Development Regulations contained in 7 CFR 3560 section 303(b) and section 306, in accordance with the determinations noted in Attachment 4-D of RD Handbook HB-2-3560, for the year ended June 30, 2018. The owner is responsible for the presentation of the financial reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of Rural Development and the owner. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We examined selected receipts, invoices, and cancelled checks (or check imaging on original bank statement) that support administrative; and operating and maintenance expenses presented on Form RD 3560-7, Part II, line items 1-10 and 19-32 to determine they were incurred as part of the ongoing operations of the project. We selected a representative sample of invoices and supporting documentation, based on the sample size determined by Rural Development in Attached 4-D of RD Handbook HB-2-3560, for expenses included in Lines 1-10 and 19-32 of Form RD 3560-7 and determined that the services were eligible expenses, in accordance with Attachment 4-A of HB-2-3560, and the shipping address agreed to the project address. In addition, we confirmed a sample of the expenditures with the vendors to determine the invoice paid agreed to the vendor's records.

Findings:

Total Number of Invoices in Population: 279
Total Dollar Amount of Invoices in Population: \$162,578.50
Total Number of Invoices Reviewed: 15
Total Dollar Amount of Invoices Reviewed: \$36,740.09
Total Number of Invoices in Vendor Confirmation Sample: 3
Total Dollar Amount of Invoices in Vendor Confirmation Sample: \$22,191.00
Total Number of Vendor Confirmations Not Received: 0
Total Dollar Amount of Vendor Confirmations Not Received: \$22,191.00
Total Number of Deviations: 0
Total Dollar Amount of Deviations: \$0

2. We confirmed the balance in the replacement reserve account presented on Form RD 3560-7, Part III, and confirmed that no amounts were encumbered by the financial institution that holds the accounts. We determined that all balances are within the FDIC insurance limits. We determined number of reserve account withdrawals from the original bank statements and compared the withdrawals to the amounts approved by Rural Development on Form RD 3560-12. We compared the invoices and cancelled checks (or check imaging on original bank statement) to the approved withdrawals from Rural Development.

Findings:

Total Number of Reserve Account Withdrawals: 0
Total Number of Withdrawals Authorized by Rural Development: 0
Total Dollar Amount of Reserve Account Withdrawals: \$0.00
Total Dollar Amount of Withdrawals Authorized by Rural Development: \$0.00
Total Number of Deviations: 0
Total Dollar Amount of Deviations: \$0.00

The confirmation received from the financial institution agreed to the project's bank reconciliation and no encumbrances were noted on the confirmation. All withdrawals were paid to the vendors approved by Rural Development on Form RD 3560-12.

3. We obtained the Identity of Interest (IOI) company listing and Form RD 3560-31 from Rural Development and determined that the services provided and approved fees, if applicable, agree to the actual service and fees charged to the project. We examined a sample of invoices and determined that the services and charges are in accordance with the disclosures contained in Form RD 3560-31 as agreed to by Rural Development.

Findings:

Total Number of Forms RD 3560-31 Received: 0

The agree-upon procedures performed above and the management Representation Letter revealed no undisclosed IOI companies.

We were not engaged to, and did not, conduct an audit of the subject matter, the objective of which would be the expression of an opinion on the agreed-upon procedures applied to the financial reports and supporting documentation of Yerington Manor Apartments. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the owner and management agent of Yerington Manor Apartments, USDA Rural Development, and is not intended to be and should not be used by anyone other than these specified parties.



CROPPER ROWE, LLP
Walnut Creek, California
October 25, 2018

**MULTI-FAMILY HOUSING
BORROWER BALANCE SHEET****PART I - BALANCE SHEET**

PROJECT NAME Yerington Manor	BORROWER NAME Nevada Rural Housing Authority	BORROWER ID AND PROJECT NO. 527615200 093	
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	BEGINNING DATES > (07 - 01 - 2017)	PRIOR YEAR (07 - 01 - 2016)	COMMENTS
<u>ASSETS</u>	ENDING DATES > (06 - 30 - 2018)	(06 - 30 - 2017)	
CURRENT ASSETS			
1. GENERAL OPERATING ACCOUNT	64615.7600	74623.9100	
2. R.E. TAX & INSURANCE ACCOUNT	0.0000	0.0000	
3. RESERVE ACCOUNT	786737.8700	767833.0300	
4. SECURITY DEPOSIT ACCOUNT	11638.6700	12718.4200	
5. OTHER CASH (<i>identify</i>)	75.0000	75.0000	Petty Cash
6. OTHER (<i>identify</i>)	60613.5600	57658.8500	Laundry account
7. TOTAL ACCOUNTS RECEIVABLE (<i>Attach list</i>)	1519.4800		
ACCTS RCVBL 0-30 DAYS \$ 1519.4800		1208.5100	
ACCTS RCVBL 30-60 DAYS \$ 0.0000		0.0000	
ACCTS RCVBL 60-90 DAYS \$ 0.0000		0.0000	
ACCTS RCVBL OVER 90 DAYS \$ 0.0000		0.0000	
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	0.0000	0.0000	
9. INVENTORIES (<i>supplies</i>)	(0.0000)	(0.0000)	
10. PREPAYMENTS	1145.0500	1389.5400	
11. _____	0.0000	0.0000	
12. TOTAL CURRENT ASSETS (<i>Add 1 thru 11</i>)	926345.3900	915507.2600	
FIXED ASSETS			
13. LAND	1204200.0000	1204200.0000	
14. BUILDINGS	3741882.8000	3741882.8000	
15. LESS: ACCUMULATED DEPRECIATION	(1325579.9200)	(1193196.0400)	
16. FURNITURE & EQUIPMENT	7050.0000	7050.0000	
17. LESS: ACCUMULATED DEPRECIATION	(7050.0000)	(7050.0000)	
18. _____	0.0000	0.0000	
19. TOTAL FIXED ASSETS (<i>Add 13 thru 18</i>)	3620502.8800	3752886.7600	
OTHER ASSETS			
20. _____	0.0000	0.0000	
21. TOTAL ASSETS (<i>Add 12, 19, and 20</i>)	4546848.2700	4668394.0200	
LIABILITIES AND OWNERS EQUITY			
CURRENT LIABILITIES			
22. TOTAL ACCOUNTS PAYABLE (<i>Attach list</i>)	21177.6600		
ACCTS PAYABLE 0-30 DAYS \$ 21177.6600		21144.1200	
ACCTS PAYABLE 30-60 DAYS \$ 0.0000		0.0000	
ACCTS PAYABLE 60-90 DAYS \$ 0.0000		0.0000	
ACCTS PAYABLE OVER 90 DAYS \$ 0.0000		0.0000	
23. NOTES PAYABLE (<i>Attach list</i>)	0.0000	0.0000	
24. SECURITY DEPOSITS	11511.0000	11760.6700	
25. TOTAL CURRENT LIABILITIES (<i>Add 22 thru 24</i>)	32688.6600	32904.7900	

26. NOTES PAYABLE RURAL DEVELOPMENT

27. OTHER (*Identify*)

28. **TOTAL LONG-TERM LIABILITIES** (*Add 26 and 27*).

29. TOTAL LIABILITIES (Add 25 and 28)

30. OWNER'S EQUITY (Net Worth) (21 minus 29)

31. **TOTAL LIABILITIES AND OWNER'S EQUITY**
(Add 29 and 30)

1019254.1300

1053597.8800

0.0000

0.0000

1019254.1300

1053597.8800

1051942.7900

1086502.6700

3494905.4800

3581891.3500

4546848.2700

4668394.0200

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

10-29-78

(Date)



(Signature of Borrower or Borrower's Representative)

Mgmt Agent

(Title)

PART II-THIRD PARTY VERIFICATION OF REVIEW

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 3560-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and any individual or organization doing business with the project or borrower.

(Date)

(Signature)

(Name and Title)

(Address)

☐ In lieu of the above verification and signature, a review completed, dated and signed by a person or firm qualified by license or certification is attached.

Position 3

Form RD 3560-7
(Rev. 05-06)**MULTIPLE FAMILY HOUSING PROJECT BUDGET/
UTILITY ALLOWANCE**FORM APPROVED
OMB NO.0575-0189

PROJECT NAME Yerington Manor		BORROWER NAME Nevada Rural Housing Authority		BORROWER ID AND PROJECT NO. 527615200 093	
Loan/Transfer Amount \$ 4120.8300		Note Rate Payment \$ 0.0000		IC Payment \$ 0.0000	
Reporting Period <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly	Budget Type <input type="checkbox"/> Initial <input checked="" type="checkbox"/> Regular Report <input type="checkbox"/> Rent Change <input type="checkbox"/> SNR <input type="checkbox"/> Other Servicing	Project Rental Type <input type="checkbox"/> Family <input checked="" type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH	Profit Type <input type="checkbox"/> Full Profit <input checked="" type="checkbox"/> Limited Profit <input type="checkbox"/> Non-Profit	The following utilities are master metered: <input type="checkbox"/> Electricity <input type="checkbox"/> Gas <input type="checkbox"/> Water <input type="checkbox"/> Sewer <input type="checkbox"/> Trash <input type="checkbox"/> Other _____	
				<input type="checkbox"/> I hereby request _____ units of RA. Current number of RA units 21. Borrower Accounting Method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual	

PART I—CASH FLOW STATEMENT

	BEGINNING DATES ENDING DATES	CURRENT BUDGET (07 - 01 - 2017) (06 - 30 - 2018)	ACTUAL (07 - 01 - 2017) (06 - 30 - 2018)	PROPOSED BUDGET (- -) (- -)	COMMENTS or (YTD) (- -) (- -)
OPERATIONAL CASH SOURCES					
1. RENTAL INCOME		302,520.00	229105.8500	0.00	
2. RHS RENTAL ASSISTANCE RECEIVED			63113.0000		
3. APPLICATION FEES RECEIVED			0.0000		
4. LAUNDRY AND VENDING		3,800.00	2937.0000	0.00	
5. INTEREST INCOME		1,100.00	1169.7500	0.00	
6. TENANT CHARGES		2,000.00	2237.1300	0.00	
7. OTHER - PROJECT SOURCES		35,000.00	0.0000	0.00	Excess oper funds
8. LESS (Vacancy and Contingency Allowance)		(12,100.80)		(0.00)	
9. LESS (Agency Approved Incentive Allowance)		(0.00)		(0.00)	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)]		332,319.20	298562.7300	0.00	
NON-OPERATIONAL CASH SOURCES					
11. CASH - NON PROJECT		0.00	0.0000	0.00	
12. AUTHORIZED LOAN (Non-RHS)		0.00	0.0000	0.00	
13. TRANSFER FROM RESERVE		0.00	0.0000	0.00	
14. SUB-TOTAL (11 thru 13)		0.00	0.0000	0.00	
15. TOTAL CASH SOURCES (10+14)		332,319.20	298562.7300	0.00	
OPERATIONAL CASH USES					
16. TOTAL O&M EXPENSES (From Part II)		251,371.00	216522.1400	0.00	
17. RHS DEBT PAYMENT		49,449.96	49449.9600	0.00	
18. RHS PAYMENT (Overage)			130.0000		
19. RHS PAYMENT (Late Fee)			0.0000		
20. REDUCTION IN PRIOR YEAR PAYABLES			0.0000		
21. TENANT UTILITY PAYMENTS			1205.0000		
22. TRANSFER TO RESERVE		17,759.00	18904.8400	0.00	
23. RETURN TO OWNER NP ASSET MANAGEMENT FEE		13,075.00	16424.8300	0.00	
24. SUB-TOTAL (16 thru 23)		331,654.96	302636.7700	0.00	
NON-OPERATIONAL CASH USES					
25. AUTHORIZED DEBT PAYMENT (Non-RHS)		0.00	0.0000	0.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)		0.00	0.0000	0.00	
27. MISCELLANEOUS		0.00	0.0000	0.00	
28. SUB-TOTAL (25 thru 27)		0.00	0.0000	0.00	
29. TOTAL CASH USES (24+28)		331,654.96	302636.7700	0.00	
30. NET CASH (DEFICIT) (15-29)		664.24	-4074.0400	0.00	
CASH BALANCE					
31. BEGINNING CASH BALANCE		119,638.13	132357.7600	0.00	
32. ACCRUAL TO CASH ADJUSTMENT			-2979.4000		
33. ENDING CASH BALANCE (30+31+32)		120,302.37	125304.3200	0.00	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PART II—OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL	36,000.00	30,004.98	0.00	
2. MAINTENANCE AND REPAIRS SUPPLY	6,750.00	7,144.29	0.00	
3. MAINTENANCE AND REPAIRS CONTRACT	8,500.00	4,805.67	0.00	
4. PAINTING	1,000.00	563.36	0.00	
5. SNOW REMOVAL	750.00	1,415.58	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT	0.00	0.00	0.00	
7. GROUNDS	13,000.00	13,523.80	0.00	
8. SERVICES	500.00	0.00	0.00	
9. ANNUAL CAPITAL BUDGET (From Part V - Operating)	44,000.00	15,565.24	0.00	
10. OTHER OPERATING EXPENSES (Itemize)	0.00	0.00	0.00	
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10)	110,500.00	73,022.92	0.00	
12. ELECTRICITY If master metered	3,400.00	3,359.89	0.00	
13. WATER check box on	5,700.00	5,277.53	0.00	
14. SEWER front.	18,500.00	22,195.05	0.00	
15. FUEL (Oil/Coal/Gas)	1,700.00	1,544.49	0.00	
16. GARBAGE & TRASH REMOVAL	9,200.00	9,442.56	0.00	
17. OTHER UTILITIES	0.00	724.85	0.00	Rec room cable
18. SUB-TOTAL UTILITIES (12 thru 17)	38,500.00	42,544.37	0.00	
19. SITE MANAGEMENT PAYROLL	24,500.00	24,852.66	0.00	
20. MANAGEMENT FEE	33,696.00	33,160.44	0.00	
21. PROJECT AUDITING EXPENSE	5,000.00	5,000.00	0.00	
22. PROJECT BOOKKEEPING/ACCOUNTING	0.00	0.00	0.00	
23. LEGAL EXPENSES	125.00	83.43	0.00	
24. ADVERTISING	1,950.00	1,523.84	0.00	
25. TELEPHONE & ANSWERING SERVICE	1,800.00	1,597.31	0.00	
26. OFFICE SUPPLIES	2,000.00	2,088.96	0.00	
27. OFFICE FURNITURE & EQUIPMENT	1,650.00	1,586.02	0.00	
28. TRAINING EXPENSE	750.00	591.85	0.00	
29. HEALTH INS. & OTHER EMP. BENEFITS	10,000.00	11,024.21	0.00	
30. PAYROLL TAXES	7,000.00	5,988.15	0.00	
31. WORKER'S COMPENSATION	1,750.00	1,665.81	0.00	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize)	500.00	392.90	0.00	Bank chqs/backgrc
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32)	90,721.00	89,555.58	0.00	
34. REAL ESTATE TAXES	1,650.00	1,650.00	0.00	
35. SPECIAL ASSESSMENTS	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES & PERMITS	0.00	0.00	0.00	
37. PROPERTY & LIABILITY INSURANCE	10,000.00	9,749.27	0.00	
38. FIDELITY COVERAGE INSURANCE	0.00	0.00	0.00	
39. OTHER INSURANCE	0.00	0.00	0.00	
40. SUB-TOTAL TAXES & INSURANCE (34 thru 39)	11,650.00	11,399.27	0.00	
41. TOTAL O&M EXPENSES (11+18+33+40)	251,371.00	216,522.14	0.00	

PART III—ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	761,504.09	767,833.03	0.00	
2. TRANSFER TO RESERVE	17,759.00	18,904.84	0.00	
TRANSFER FROM RESERVE.....				
3. OPERATING DEFICIT	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (<i>Part V - Reserve</i>)	0.00	0.00	0.00	
5. BUILDING & EQUIPMENT REPAIR	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES	0.00	0.00	0.00	
7. TOTAL (3 thru 6)	(0.00)	(0.00)	(0.00)	
8. ENDING BALANCE [(1+2)-7]	779,263.09	786,737.87	0.00	

GENERAL OPERATING ACCOUNT:*

BEGINNING BALANCE	0.00	
ENDING BALANCE	0.00	

**REAL ESTATE TAX AND INSURANCE ESCROW
ACCOUNT:***

BEGINNING BALANCE	0.00	
ENDING BALANCE	0.00	

TENANT SECURITY DEPOSIT ACCOUNT:*

BEGINNING BALANCE	0.00	
ENDING BALANCE	0.00	

(*Complete upon submission of actual expenses.)

NUMBER OF APPLICANTS ON THE WAITING LIST	0	RESERVE ACCT. REQ. BALANCE....	0.0000
NUMBER OF APPLICANTS NEEDING RA.....	0	AMOUNT AHEAD/BEHIND	0.0000

PART IV—RENT SCHEDULE AND UTILITY ALLOWANCE

A. CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
CURRENT RENT TOTALS:						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: ____/____/____

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
PROPOSED RENT TOTALS:						BASIC	NOTE	HUD

C. PROPOSED UTILITY ALLOWANCE - Effective Date: ____/____/____

MONTHLY DOLLAR ALLOWANCES									
BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL

PART V - ANNUAL CAPITAL BUDGET

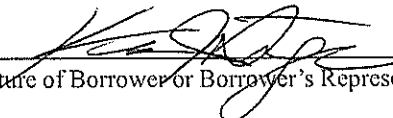
	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:							
Range	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Refrigerator	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Range Hood	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Washers & Dryers	0.00	0.00	0.00	0.00	1,630.88	1,630.88	1.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Carpet & Vinyl:							
1BR	0.00	0.00	0.00	0.00	11,984.36	11,984.36	3.00
2BR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3BR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4BR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cabinets:							
Kitchens	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bathrooms	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Doors:							
Exterior	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interior	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Window Coverings:							
List:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Heating & Air Conditioning:							
Heating	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Air Conditioning	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Plumbing:							
Water Heater	0.00	0.00	0.00	0.00	1,150.00	1,150.00	1.00
Bath Sinks	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kitchen Sinks	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Faucets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Toilets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Major Electrical:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Structures:							
Windows	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Screens	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Walls		0.00	0.00	0.00	0.00	0.00	
Roofing		0.00	0.00	0.00	0.00	0.00	
Siding		0.00	0.00	0.00	0.00	0.00	
Exterior Painting		0.00	0.00	0.00	0.00	0.00	
Other		0.00	0.00	0.00	0.00	0.00	
Paving:							
Asphalt		0.00	0.00	0.00	0.00	0.00	
Concrete		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Landscape & Grounds:							
Landscaping		0.00	0.00	0.00	0.00	0.00	
Lawn Equipment		0.00	0.00	0.00	0.00	0.00	
Fencing		0.00	0.00	0.00	0.00	0.00	
Recreation Area		0.00	0.00	0.00	0.00	0.00	
Signs		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	800.00	800.00	
Accessibility Features:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Automation Equipment:							
Site Management		0.00	0.00	0.00	0.00	0.00	
Common Area		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Other:							
List:		0.00	0.00	0.00	0.00	0.00	
List:		0.00	0.00	0.00	0.00	0.00	
List:		0.00	0.00	0.00	0.00	0.00	
TOTAL CAPITAL EXPENSES:	0	0.0000	0.0000	0.0000	15565.2400	15565.2400	5

PART VI -- SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

8-29-18
(DATE)


(Signature of Borrower or Borrower's Representative)

mgmt Agent
(Title)

AGENCY APPROVAL (Rural Development Approval Official):

DATE:

COMMENTS:

Yerington Manor
Accrual to Cash adjustments

Cash -Sec Dep \$(1,079.75)
Accts Rec-Subsidy \$338.00
Accts Rec-Tenants \$(27.03)
Accounts Payable \$2,682.78
Accrued Payroll \$703.43
Sec Dep Refundable \$249.67
Prepaid Rent \$112.30

Total \$2,979.40