

**CROPPER ROWE, LLP**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**NEVADA RURAL HOUSING AUTHORITY  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2015  
(Including Auditors' Report Thereon)**

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**NEVADA RURAL HOUSING AUTHORITY**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the financial Statements**

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Nevada Rural Housing Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Nevada Rural Housing Authority, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, the Schedule of Funding Progress for OPEB, the Schedule of the Authority's Proportionate Share of the Net Pension Liability, and the Schedule of the Authority's Pension Plan Contribution on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to be required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basis 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 Supplementary Information*

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Nevada Rural Housing Authority's basic financial statements. The Schedule of Expenditures of Federal Awards on page 36 is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Financial Data Schedule on pages 38 through 42 required by the U.S. Department of Housing and Urban Development is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the Financial Data Schedule are the responsibility of management and were derived 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.

### *Implementation of New Accounting Standards*

As disclosed in Note 1 to the financial statements, the Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 67*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year 2015.



### **Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 on our consideration of the Nevada Rural Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nevada Rural Housing Authority's internal control over financial reporting and compliance.

*Casper Row, LLP*

Walnut Creek, California  
December 4, 2015

## 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, 2015. 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 primarily provides housing assistance to low income families and individuals. The primary sources of funding are through governmental grants received from the U.S. Department of Housing and Urban Development (HUD), the U.S. Department of Agriculture (USDA) Rural Development grants, developer and management fees, and rent collections from its owned units or administered units.

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 \$14,150,397 at the close of fiscal year 2015 as opposed to \$16,408,166 for fiscal year 2014. The significant decrease in Net Position was primarily due to the prior period adjustment of \$2,580,908 as a result of the implementation of GASB 68.
- Total assets at June 30, 2015 were \$27,311,425. Of this, \$8,531,345 represents current assets, and \$18,780,080 represents non-current assets. Total assets at June 30, 2015 increased by \$396,564 from the June 30, 2014 balance of \$26,914,861.
- Net capital assets for the fiscal year 2015 increased by \$87,465 from \$14,478,986 at June 30, 2014 to \$14,566,451 at June 30, 2015. Capital assets are reflected at cost, less accumulated depreciation for all capital assets.
- At June 30, 2015 there was \$364,947 of deferred outflows of resources. There were no deferred outflows of resources at June 30, 2014.
- Total liabilities at June 30, 2015 were \$12,651,355. Of this, \$5,304,374 represents current liabilities, and \$7,346,981 represents non-current liabilities. Total liabilities at June 30, 2015 increased by \$2,244,660 from the June 30, 2014 balance of \$10,506,695.
- At June 30, 2015 there was \$712,959 of deferred inflows of resources. There were no deferred inflows of resources at June 30, 2014.
- As of June 30, 2015 the Authority's Unrestricted Net Position was \$8,121,098, its Restricted Net Position was \$1,281,192, and its Net Investment in Capital Assets was \$4,748,107. This represents a total Net Position at June 30, 2015 of \$14,150,397 compared to a total Net Position at June 30, 2014 of \$16,408,166.
- The primary source of revenues for the Authority for the fiscal year ended June 30, 2015 were grants from federal agencies. Grant revenues for the fiscal year 2015 were \$11,959,319 versus \$11,825,073 for fiscal year 2014.



- Operating revenues for the Authority for the 2015 fiscal year were \$15,871,016 and operating expenses were \$15,448,604. Operating revenues and expenses for the fiscal year 2014 were \$14,654,801 and \$14,150,597 respectively.
- The major program expenditure, as reflected on the Combined Statement of Revenues, Expenses, and Changes in Net Position, was for housing assistance payments. There was \$9,694,746 of housing assistance payment expenses for fiscal year 2015. This represents an increase of \$701,495 of the amount for fiscal year 2014 of \$8,993,251.
- Expenditures of Federal Awards amounted to \$11,824,616 for 2015 an increase of \$1,266,564 from the prior fiscal year's expenditures of \$10,558,052.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which are comprised of a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows and Notes to the Financial Statements.

## **Government-Wide Financial Statements**

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

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

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

## **Fund Financial Statements**

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

Enterprise funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The focus of enterprise funds is on income measurement, which together with the maintenance of equity, is an important financial indication.



## Notes to the Basic Financial Statements

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

### Component Unit

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

### Supplementary Information

The Schedule of Funding Progress for OPEB, the Schedule of the Authority's Proportionate Share of Net Pension Liability, the Schedule of the Authority's Pension Plan Contributions, the Schedule of Expenditures of Federal Awards and the Financial Data Schedule are presented for purposes of additional analysis as required by the and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, the Governmental Accounting Standards Board Statements (GASB), and the U.S. Department of Housing and Urban Development. These schedules can be found in the supplementary information sections of this report.

### Financial Analysis

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

### New Significant Accounting Standards Implemented

In fiscal year 2014-2015, the Authority adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board ("GASB") that relate to the Authority's pension plan. The Statements are:

1. Statement No. 68, *Accounting and Financial Reporting for pensions – an amendment of GASB Statement No. 27.*
2. Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

The significance of the Authority implementing Statement No. 68 is the reporting of the Authority's unfunded pension liability on the full accrual basis of accounting on the Authority's financial statements. There are new footnote disclosure requirements and supplementary schedules required by the Statement.

The measurement date for the pension liability is June 30, 2014. This date reflects a one year lag and was used so that these financial statements could be issued in a timely manner. Contributions made during fiscal year 2014 – 2015 are reported as deferred outflows of resources in accordance with Statement No. 71.

The implementation of these statements required that a prior period adjustment be made to the Authority's June 30, 2014 previously reported net position. This prior period adjustment decreased the Authority's reported Net Position June 30, 2014 by \$2,580,908 from \$16,408,166 to \$13,827,258 Please refer to Notes 6 and 7 for more information regarding the Authority's pension plan and prior period adjustment.

## 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, 2015. The budget was primarily used as a management tool. Budgets are prepared in accordance with the accounting procedures prescribed by the applicable funding agency and revised during the year as appropriate. There are some slight variances and the budget comparison to actual can be found just after the statement of comparative activities.

## Comparative Statement of Net Position

The following table reflects the Statement of Net Position at June 30, 2015 compared to prior year. The Authority is engaged only in Business-Type Activities:

### Nevada Rural Housing Authority Comparative Statement of Net Position June 30, 2015

	<u>2015</u>	<u>2014</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
<b>Assets and Deferred Outflows</b>				
Current assets	\$ 8,531,345	\$ 8,246,097	\$ 285,248	3.5%
Assets held for resale	56,438	56,438	-	
Mortgage loan receivable	4,100,000	4,100,000	-	
Mortgage interest receivable	57,191	33,340	23,851	71.5%
Capital Assets (net of accumulated depreciation)	14,566,451	14,478,986	87,465	0.6%
Deferred outflows	<u>364,947</u>	<u>-</u>	<u>364,947</u>	
Total Assets and Deferred Outflows	<u>\$ 27,676,372</u>	<u>\$ 26,914,861</u>	<u>\$ 761,511</u>	2.8%
<b>Liabilities and Deferred Inflows</b>				
Current liabilities	\$ 5,304,374	\$ 5,258,618	\$ 45,756	0.9%
Non-current liabilities	7,508,542	5,248,077	2,260,465	43.1%
Deferred inflows	<u>712,959</u>	<u>-</u>	<u>712,959</u>	
Total Liabilities and Deferred Outflows	<u>13,525,875</u>	<u>10,506,695</u>	<u>3,019,180</u>	28.7%
<b>Net Position</b>				
Net investment in Capital Assets	4,748,107	4,457,539	290,568	6.5%
Restricted	1,281,192	1,316,787	(35,595)	(2.7)%
Unrestricted	<u>8,121,098</u>	<u>10,633,840</u>	<u>(2,512,742)</u>	(23.6)%
Total Net Position	<u>\$ 14,150,397</u>	<u>\$ 16,408,166</u>	<u>\$ (2,257,769)</u>	(13.8)%



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

The following table presents the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2015 compared to prior year.

### Nevada Rural Housing Authority Comparative Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2015

	2015	2014	Increase/ Decrease	Percentage Change
<b><u>Operating Revenues</u></b>				
Grants	\$ 11,959,319	\$ 11,825,073	\$ 134,246	1.1%
Rents	621,216	623,372	(2,156)	(0.3)%
Mortgage issuer and lender fees	1,847,020	1,895,655	(48,635)	(2.6)%
Developer fees	640,150	-	640,150	
Other	803,311	310,701	492,610	158.5%
Total operating revenues	<u>15,871,016</u>	<u>14,654,801</u>	<u>1,216,215</u>	8.3%
<b><u>Operating Expenses</u></b>				
Administration	4,197,090	3,875,693	321,397	8.3%
Utilities	137,688	99,547	38,141	38.3%
Maintenance	637,316	585,307	52,009	8.9%
Tenant services	159,538	3,825	155,713	4,070.9%
General	174,894	180,930	(6,036)	(3.3)%
Housing Assistance Payments	9,694,746	8,993,251	701,495	7.8%
Depreciation	447,332	412,044	35,288	8.6%
Total operating expenses	<u>15,448,604</u>	<u>14,150,597</u>	<u>1,298,007</u>	9.2%
Operating Income (Loss)	<u>422,412</u>	<u>504,204</u>	<u>(81,792)</u>	(16.2)%
<b><u>Non-Operating Revenue (Expenses)</u></b>				
Interest Income	208,572	207,577	995	0.5%
Interest Expense	(228,841)	(205,617)	(23,224)	(11.3)%
Pension Expense	(79,004)	-	(79,004)	
Net Non-Operating Revenue (Loss)	<u>(99,273)</u>	<u>1,960</u>	<u>(101,233)</u>	(5,164.9)%
Change in Net Position	<u>323,139</u>	<u>506,164</u>	<u>(183,025)</u>	(36.2)%
Beginning Net Position, as Originally Stated	16,408,166	15,902,002	506,164	3.2%
Prior Period Adjustments	(2,580,908)	-	(2,580,908)	
Beginning Net Position, as Restated	<u>13,827,258</u>	<u>15,902,002</u>	<u>(2,074,744)</u>	(13.0)%
Net Position, End of Year	<u>\$ 14,150,397</u>	<u>\$ 16,408,166</u>	<u>\$(2,257,769)</u>	(13.8)%

### 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, 2015 decreased by \$2,074,769 from the June 30, 2014 balance.



## Changes in Capital Assets

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

### Nevada Rural Housing Authority Changes in Capital Assets (Net of Accumulated Depreciation)

	<u>2015</u>	<u>2014</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
Land	\$ 2,435,876	\$ 2,435,876	\$ -	-%
Buildings and Improvements	12,017,073	11,922,858	94,215	0.8%
Equipment	<u>113,502</u>	<u>120,251</u>	<u>(6,749)</u>	(5.6)%
Total	<u>\$ 14,566,451</u>	<u>\$ 14,478,985</u>	<u>\$ 87,466</u>	0.6%

The Authority's capital assets as of June 30, 2015 were \$14,566,451 (net of accumulated depreciation). During the fiscal year 2015 the Authority's net capital assets increased 87,466 or 0.6%. Additional information pertaining to the Authority's capital assets as of June 30, 2015 is presented in Note 3 to the Financial Statements.

## Changes in Long-Term Debt

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

### Nevada Rural Housing Authority Changes in Long-Term Debt

	<u>2015</u>	<u>2014</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
Notes payable	<u>\$ 9,818,344</u>	<u>\$ 9,878,826</u>	<u>\$ (60,482)</u>	(0.6)%
Total	<u>\$ 9,818,344</u>	<u>\$ 9,878,826</u>	<u>\$ (60,482)</u>	(0.6)%

At June 30, 2015 the Authority had long-term debt outstanding of \$9,818,344. During the fiscal year, the Authority's long-term debt decreased by \$60,482 or 0.6%. Additional information pertaining to the Authority's long-term debt as of June 30, 2015 is presented in Note 4 in the "Notes to the Financial Statements".

## Requests for information

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

**NEVADA RURAL HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	Primary Government Housing Fund	Component Unit Nevada Rural Partners	Total Combined
<u>ASSETS</u>			
Current Assets:			
Cash and investments (Note 3)	\$ 6,099,879	\$ 1,000	\$ 6,100,879
Restricted cash	1,200,431	-	1,200,431
Due from other agencies	269,321	-	269,321
Accounts receivable	958,891	-	958,891
Prepaid expenses	2,823	-	2,823
Total current assets	8,531,345	1,000	8,532,345
Assets held for resale	56,438	-	56,438
Mortgage loan receivable	4,100,000	-	4,100,000
Mortgage interest receivable	57,191	-	57,191
Capital assets, net of accumulated depreciation of \$2,869,521 (Note 3)	14,566,451	-	14,566,451
Total non-current assets	18,780,080	-	18,780,080
Total assets	27,311,425	1,000	27,312,425
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Plan (Note 7)	364,847	-	364,847
Total assets and deferred outflows of resources	\$ 27,676,272	\$ 1,000	\$ 27,677,272
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	\$ 164,237	-	164,237
Accounts payable – other agencies	33,650	-	33,650
Tenant security deposits	48,302	-	48,302
Accrued liabilities	195,810	-	195,810
Compensated absences	7,606	-	7,606
Interest payable	12,109	-	12,109
Notes payable (Note 4)	4,842,660	-	4,842,660
Total current liabilities	5,304,374	-	5,304,374
Noncurrent Liabilities:			
Compensated absences (Note 5)	68,454	-	68,454
Other noncurrent liabilities	142,621	-	142,621
Notes payable (Note 4)	4,975,684	-	4,975,684
OPEB payable (Note 8)	9,983	-	9,983
Pension Liability	2,311,800	-	2,311,800
Total noncurrent liabilities	7,508,542	-	7,508,542
Total liabilities	12,812,916	-	12,812,916
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension Plan (Note 7)	712,959	-	712,959
Total liabilities and deferred inflows of resources	13,525,875	-	13,525,875
<u>NET POSITION</u>			
Net investment in capital assets	4,748,107	-	4,748,107
Restricted	1,281,192	-	1,281,192
Unrestricted	8,121,098	1,000	8,122,098
Total Net Position	\$ 14,150,397	\$ 1,000	\$ 14,151,397

See accompanying notes to the financial statements

**NEVADA RURAL HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION -**  
**PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Primary Government Housing Fund	Component Unit Nevada Rural Partners	Total Combined
<u>Operating Revenues</u>			
Grants	\$ 11,959,319	\$ -	\$ 11,959,319
Rents	621,216	-	621,216
Mortgage issuer and lender fees	1,847,020	-	1,847,020
Developer fees	640,150	-	640,150
Other	803,311	-	803,311
Total operating revenues	<u>15,871,016</u>	<u>-</u>	<u>15,871,016</u>
<u>Operating Expenses</u>			
Administration	4,197,090	-	4,197,090
Utilities	137,688	-	137,688
Maintenance	637,316	-	637,316
Tenant Services	159,538	-	159,538
General	174,894	-	174,894
Housing assistance payments	9,694,746	-	9,694,746
Depreciation	447,332	-	447,332
Total operating expenditures	<u>15,448,604</u>	<u>-</u>	<u>15,448,604</u>
Operating income (loss)	<u>422,412</u>	<u>-</u>	<u>422,412</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest income - investments	28,138	-	28,138
Interest income – mortgage loans	180,434	-	180,434
Interest expense	(228,841)	-	(228,841)
Pension expense (Note 7)	(79,004)	-	(79,004)
Net non-operating revenue	<u>(99,273)</u>	<u>-</u>	<u>(99,273)</u>
Change in net position	<u>323,139</u>	<u>-</u>	<u>323,139</u>
Beginning net position, as previously stated	16,408,166	1,000	16,409,166
Prior period adjustment (Note 6)	<u>(2,580,908)</u>	<u>-</u>	<u>(2,580,908)</u>
Beginning net position, as restated	<u>13,827,258</u>	<u>1,000</u>	<u>13,828,258</u>
Ending net position	<u>\$ 14,150,397</u>	<u>\$ 1,000</u>	<u>\$ 14,151,397</u>

See accompanying notes to the financial statements.



**NEVADA RURAL HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Primary Government Housing Fund	Component Unit Nevada Rural Partners	Total Combined
<u>Cash flows from operating activities:</u>			
Grants received	\$ 11,776,900	\$ -	\$ 11,776,900
Cash received from rents	600,213	-	600,213
Development and management fees	2,385,178	-	2,385,178
Other cash receipts	146,922	-	146,922
Cash payments to suppliers and landlords	(13,471,264)	-	(13,471,264)
Cash payments to employees	(1,487,838)	-	(1,487,838)
Net cash provided (used) in operating activities	(49,889)	-	(49,889)
<u>Cash flows from capital and related financing activities:</u>			
Interest paid on long-term debt	(216,732)	-	(216,732)
Purchase of fixed assets	(534,798)	-	(534,798)
Principal payments of long-term debt	(60,482)	-	(60,482)
Net cash (used) by capital and related financing activities	(812,012)	-	(812,012)
<u>Cash flows from investing activities:</u>			
Interest received from investments	184,721	-	184,721
Net cash provided by investing activities	184,721	-	184,721
Net increase (decrease) in cash	(677,180)	-	(677,180)
Cash at beginning of year	7,977,490	1,000	7,978,490
Cash at end of year	\$ 7,300,318	\$ 1,000	\$ 7,301,318
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>			
Operating income (loss)	\$ 422,412	\$ -	\$ 422,412
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	447,332	-	447,332
Changes in assets and liabilities:			
Increase in accounts receivable	(779,384)	-	(779,384)
Increase in receivables from other agencies	(182,419)	-	(182,419)
Increase in prepaid expenses	(625)	-	(625)
Increase in accounts payable	89,970	-	89,970
Increase in accrued liabilities	11,290	-	11,290
Decrease in amounts due other agencies	(58,465)	-	(58,465)
Net cash provided by operating activities	\$ (49,889)	\$ -	\$ (49,889)

See accompanying notes to the financial statements.

**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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.

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

Discretely Presented Component Unit

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

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

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows) report the financial information of the Authority's operations as a whole.

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, 2015**

**Note 1 (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 2015 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 Cash Equivalents**

For purposes of the accompanying statement of cash flows, the Authority considers all of their cash and investments, 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, 2015**

**Note 1 (continued)**

*2. Restricted Assets*

Restricted cash, cash equivalents, and investments, represent deposits that are used for replacement reserves, security deposit payable amounts to tenants and amounts that are required by grants from HUD to be used only to provide housing assistance for individuals and families that meet various income, age, and employment standards.

*3. Receivables*

All receivables are reported at their gross value and are reduced by an allowance for doubtful accounts if such an amount is considered applicable.

*4. Inventories and prepaid assets*

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

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

*5. Capital Assets*

Capital assets which include land, buildings, improvements, and furniture and equipment, are reported at historical cost. Contributed capital assets are recorded at fair value at the time received. Interest expense during any development periods is capitalized.

Maintenance, minor repairs and replacements are recorded as expenses; extraordinary replacements of property resulting in property betterments are charged to the property accounts.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of the related asset. The estimated useful lives of the various asset categories are as follows:

Buildings	40 years
Improvements	15 years
Furniture and Equipment	5 years

*6. Compensated Absences*

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

*7. Taxes*

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

**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1 (continued)**

*8. Encumbrances*

Encumbrance accounting is not employed by the Authority.

*9. Net Position*

Net position represents the differences between assets and liabilities. Net position consists of 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.

*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.

**E. New GASB Pronouncements**

During fiscal year 2015 the Authority adopted the following GASB Statements:

Statement No. 68 - *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.*

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68.*

**F. 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.



**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1 (continued)**

**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.

**Note 2 - CASH AND INVESTMENTS**

Cash and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Unrestricted cash and investments	\$ 6,099,879
Restricted cash	<u>1,200,431</u>
Total cash and investments	<u>\$ 7,300,310</u>

Combined unrestricted and restricted cash and investments as of June 30, 2015, consist of the following:

Checking and savings deposits with financial institutions	\$ 849,150
Certificate of deposit	125,000
Guaranteed fixed annuity contracts	564,534
Money market accounts	5,761,226
Petty cash on hand	<u>400</u>
Total cash and investments	<u>\$ 7,300,310</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, 2015 the Authority was not invested in any of these types of 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, 2015 \$893,285 of the Authority's cash and investments are covered by FDIC insurance.



**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 3 - CAPITAL ASSETS**

The following is a summary of the Authority's changes in capital assets for the fiscal year ended June 30, 2015:

	Balance 7/1/14	Additions	Adjustments And Deletions	Balance 6/30/15
Land	\$ 2,435,876	\$ -	\$ -	\$ 2,435,876
Buildings and improvements	14,139,648	493,736	-	14,633,384
Equipment	325,650	41,062	-	366,712
Total capital assets	<u>16,901,174</u>	<u>534,798</u>	<u>-</u>	<u>17,435,972</u>
Less accumulated Depreciation:				
Buildings and Improvements	(2,216,790)	(399,521)	-	(2,616,311)
Equipment	<u>(205,399)</u>	<u>(47,811)</u>	<u>-</u>	<u>(253,210)</u>
Total accumulated depreciation	<u>(2,422,189)</u>	<u>(447,332)</u>	<u>-</u>	<u>(2,869,521)</u>
Total capital assets, net	<u>\$ 14,478,985</u>	<u>\$ 87,466</u>	<u>\$ -</u>	<u>\$ 14,566,451</u>

**Note 4 - LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Balance 7/1/14	Additions	Deletions	Balance 6/30/15
Mortgage notes	\$ 9,878,826	\$ 2,117	\$ (62,599)	\$ 9,818,344
Compensated Absences (Note 6)	69,519	6,541	-	76,060
	<u>\$ 9,948,345</u>	<u>\$ 8,658</u>	<u>\$ (62,599)</u>	<u>\$ 9,894,404</u>

**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 4 (continued)**

A description of the debt recorded at June 30, 2015 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 have been deferred until February 2034 at which time all deferred principal and interest is due.	\$ 212,526
Installment note, due February 1, 2041; secured by a consolidated deed of trust on real property and security agreement which includes an assignment of rents; interest at 9% per annum. Per an agreement with the USDA dated February 12, 2013 the monthly principal and interest payments have been deferred from March 2013 until February 2034 at which time all deferred principal and interest is due.	31,576
Installment note, due February 1, 2041; secured by a consolidated Deed of trust on real property and security agreement which includes interest at 10.75% per annum. Per an agreement with the USDA dated February 12, 2013 the monthly principal and interest payments have been deferred from March 2013 until February 2034 at which time all accrued principal and interest is due.	17,782
Installment note, due February 1, 2061; secured by a deed of trust on real property and security agreement which includes interest at 3.125%. Monthly principal and interest payments total \$1,000.	297,401
<u>Southwood Manor A</u>	
Installment note, due September 1, 2032; secured by a deed of trust on real property and security agreement which includes an assignment of rents; interest at 13.125% per annum; monthly principal and interest payments amount to \$1,524.	124,848
Installment note, due September 1, 2032; secured by a deed of trust on real property and security agreement which includes interest at 13.125% per annum, monthly principal and interest payments amount to \$1,451.	118,845
Installment note, due November 1, 2033; secured by a deed of trust on real property and security agreement which includes interest at 10.75% per annum; monthly principal and interest payments amount to \$1,214.	116,805

**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 4 (continued)**

Installment note, due December 16, 2030, secured by a deed of trust on real property and security agreement which includes an assignment of rents; interest at 6.875% per annum; monthly principal and interest payments amount to \$211. \$ 33,550

Installment note, due December 16, 2030, secured by a deed of trust on real property and security agreement which includes an assignment of rents; interest at 6.875% per annum; monthly principal and interest payments amount to \$589, reduced to \$398. 93,667

Southwood Senior Manor

Installment note, due July 24, 2034; secured by a deed of trust on real property and security agreement which includes an assignment of rents; interest at 10.75% per annum; monthly principal and interest payments amount to \$1,710. 166,155

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. 331,104

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. 164,820

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. 30,499

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. 518,752

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. 71,180



**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 4 (continued)**

Property located in Eureka County, Nevada

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

\$ 1,000,000

Eureka Canyon Apartments, Eureka, Nevada

A multifamily promissory note secured by a deed of trust. The note was issued on September 13, 2011 pursuant to a "Multifamily Grant Agreement". The original promissory note dated September 13, 2011 required quarterly interest only payments at a rate of 3% per annum. The original note required payment of all principal and interest no later than March 16, 2014. Per the associated "Multifamily Grant Agreement" it was intended that separate permanent financing was to be obtained prior to the March 16, 2014 loan due date to repay the multifamily promissory note. Section 100.G. of the Multifamily Grant Agreement also indicated if permanent financing for the Multifamily Project could not be obtained before the original maturity date of the note the lender would convert the grant (note) to a permanent loan. As of the date of this report the Authority has been unable to secure permanent financing to repay the original loan and is continuing to make quarterly interest only payments on the loan at 3% per annum. Management has indicated as of the date of this report negotiations between itself and the lender are on-going.

4,781,348

Property located in Elko County, Nevada

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

734,314

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.

709,437

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.

263,735

Total notes payable at June 30, 2015

\$ 9,818,344

**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 4 (continued)**

The following is a schedule of debt payment requirements to maturity for long-term obligations other than compensated absences:

Year Ending June 30,	Principal Payments	Interest Payments	Total Payments
2016	\$ 4,842,660	\$ 241,009	\$ 5,083,669
2017	1,066,252	86,405	1,152,657
2018	71,650	54,339	125,989
2019	77,555	48,435	125,990
2020	84,013	41,977	125,990
2021-2025	540,562	89,389	629,951
2026-2030	735,767	(148,319)	587,448
2031-2035	801,149	(124,634)	676,515
2036-2040	631,440	(247,392)	384,048
2041-2045	650,657	(155,051)	495,606
2046-2050	191,326	(35,291)	156,035
2051-2055	43,696	(5,094)	38,602
2056-2060	51,076	(12,474)	38,602
2061-2065	30,541	(10,092)	20,449
	<u>\$ 9,818,344</u>	<u>\$ (176,793)</u>	<u>\$ 9,641,551</u>

**Note 5 - COMPENSATED ABSENCES**

It is the Authority's policy to permit employees to accumulate earned but unused vacation leave. This leave will be used in future periods or paid to employees upon separation from the Authority. Employees also are entitled to receive unused sick leave at separation of service up to a maximum of \$8,000 based upon the number of years of service, after being with the Authority ten years or more. At June 30, 2015 accrued vacation and sick leave has been valued by the Authority and has been recorded as a short term liability of \$7,606 and a long-term liability of \$68,454.

**Note 6 – PRIOR PERIOD ADJUSTMENTS**

**Pension Plan:**

A prior period adjustment of \$2,580,908 was made to decrease the beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability.

The restatement of the beginning net position is summarized as follows:

Net positions at June 30, 2014, as previously stated	\$16,408,166
Net position liability adjustment	<u>(2,580,908)</u>
Net position at June 30, 2014, as restated	<u>\$13,827,258</u>



**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 7 – EMPLOYEES RETIREMENT PLAN**

***A. General Information about the Pension Plan***

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

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

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

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

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

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



**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 7 (continued)**

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

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

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

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

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

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

For the fiscal year ended June 30, 2014 and June 30, 2015 the Regular Statutory Employer/employee matching rate was 13.25%. The Regular Employer-pay contribution (EPC) rate was 25.75%.

For the year ended June 30, 2015, the contributions recognized as part of pension expense were as follows:

Contributions – employer	\$ 189,514
Contributions – employee	\$ 175,333

**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 7 (continued)**

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

**Pension Liability** - The following table shows the Plan's proportionate share of the regular risk pool collective net pension liability over the measurement period ended June 30, 2014:

	<b><u>Proportionate Share of Pension Liability</u></b>	<b><u>Pool Percentage</u></b>
Balance at 6/30/13 – Valuation date	\$ 2,916,890	.02218%
Balance at 6/30/14 – Measurement date	<u>2,311,800</u>	<u>.02218%</u>
Total Net Change	<u>\$ 605,090</u>	<u>.02218%</u>

The Authority's net pension liability (NPL) was measured as of June 30, 2014, and the total pension liability used to calculate the pension liability was determined by an actuarial valuation as of that date. The NPL of \$2,311,800 is measured as the proportionate share of the net pension liability of \$10,421,979,023 (or .02218%)

The employer allocation percentage of the net pension liability was based on the total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2014.

**Pension expense** – As of June 30, 2015, the Authority recognized pension expense of \$79,004.

**Deferred inflows/outflows** - At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Pension contributions subsequent to measurement date	\$ 364,847	\$ 0
Differences between actual and expected experience	0	(110,632)
Changes in assumptions	0	0
Net differences between projected and actual earnings on pension plan investments	0	(485,573)
Adjustment due to differences between actual Contributions and proportionate share of contributions	<u>0</u>	<u>(116,754)</u>
Total	<u>\$ 364,847</u>	<u>\$ (712,959)</u>



**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 7 (continued)**

\$348,112 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016 (measurement period ended June 30, 2015). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/inflows of Resources
2016	\$ 206,631
2017	(158,216)
2018	(158,216)
2019	(158,216)
2020	(36,833)
Thereafter	(43,262)

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability** – The System's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions:

Discount Rate	8.00%
Inflation	3.50%
Payroll Growth	5.00%, including inflation
Productivity pay increase	0.75%
Projected Salary Increase	4.60% to 9.75% depending on service Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other Assumptions	Same as those used in the June 30, 2014 funding actuarial valuation

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of the experience review completed in 2013.

**Discount Rate** – The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014 and June 30, 2013. 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, 2014, 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, 2014 and June 30, 2013.



**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 7 (continued)**

The following was the Pension Board adopted policy target asset allocation as of June 30, 2014:

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

\*As of June 30, 2014 PER's long-term inflation assumption was 3.5%

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

	Discount Rate - 1% (7.00%)	Current Discount Rate (8.00%)	Discount Rate +1% (9.00%)
Plan's Net Pension Liability	\$ 3,594,783	\$ 2,311,595	\$ 1,244,939

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

**Payable to the Pension Plan**

At June 30, 2015, the Authority reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

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

Plan Descriptions:

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

**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 8 (continued)**

Benefit provisions for the NVRHAEHBP are established pursuant to NRS 287.023 and amended through negotiations between the Authority and the respective associations. NRS 288.150 assigns the authority to establish benefit provisions to the Board of Trustees. The plan provides healthcare insurance for eligible retirees and their beneficiaries through the Authority's group health insurance plan, which covers both active and retired members. Under NRS 287.023, eligible retirees are able to participate in the plan with at the same premium rates as active employees, thereby benefitting from an implicit subsidy. Retirees are required to pay 100% of their premiums under the plan. As of June 30, 2015, three retirees were using this plan. The NVRHAEHBP does not issue a publicly available financial report.

Benefit provisions for the PEBP are administered by the State of Nevada. NRS 287.043 assigns the authority to establish and amend benefit provisions to the PEBP nine-member board of trustees. Authority employees who met the eligibility requirements effective September 1, 2008 for retirement within the Public Employee Retirement System had the option upon retirement to enroll in coverage under the PEBP. NRS 287.023 sunsetted the option to join PEBP for Authority employees who retired after December 29, 2008. Local governments are required to pay the same portion of cost of coverage for those persons joining PEBP that the State of Nevada pays for those persons retired from state service who have continued to participate in the plan. As of June 30, 2015, the Authority retirees were utilizing this benefit.

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

Funding Policy and Annual OPEB Cost:

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

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

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



**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 8 (continued)**

For the plan year ended June 30, 2015, retirees qualify for a monthly subsidy of \$116 at 5 years of service and \$636 at 20 years of service with incremental increases for each year of service in between. The contribution requirements of plan members and the Authority are established and amended by the PEBP board of trustees. As a participating employer, the Authority is billed for the subsidy on a monthly basis and is legally required under NRS 287.023 to provide for it. For fiscal year 2015, the Authority contributed \$2,844 to the plan for current premiums. The Authority did not prefund any future benefits.

Annual OPEB Cost and Net OPEB Obligation:

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

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligations (assets), by plan, for fiscal years 2013, 2014 and 2015 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	\$ 2,519	\$ 2,285	100%	9,138
6/30/14	\$ 3,356	\$ 2,831	100%	9,663
6/30/15	\$ 3,164	\$ 2,844	100%	9,983

The net OPEB obligation (NOPEBO) as of June 30, 2015, was calculated as follows:

Annual required contribution	\$ 3,396
Interest on the beginning net OPEB obligation	387
ARC adjustment	(619)
Annual OPEB expense	3,164
Contributions made	2,844
Increase (decrease) in net OPEB obligation	320
Net OPEB obligation (asset), beginning of year	9,663
Net OPEB obligation (asset), end of year	<u>\$ 9,983</u>



**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 8 (continued)**

Funded Status and Funding Progress:

The funded status of the plans as of June 30, 2015, was as follows:

Accrued actuarial liability (a)	\$ 55,181
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) – (b)	<u>55,181</u>
Covered payroll (c)	\$ 1,379,135
Unfunded actuarial accrued liability as a percentage of covered payroll (a – b)/c	4.0%

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

Actuarial Methods and Assumptions:

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

Significant methods and assumptions are as follows:

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

Actuarial Assumptions:

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

**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**Note 10 – OPERATING LEASES**

The Authority leases space for its central office under noncancelable leases expiring on August 31, 2016. There is an option to extend this lease for an additional two years. Total rents paid under this lease agreement for the fiscal year ended June 30, 2015 was \$127,366. The future minimum rental payment for this lease is as follows:

<u>Year ending June 30,</u>	
2016	\$ 145,963
2017	<u>24,411</u>
Total	<u>\$ 170,374</u>

**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 11 – SUBSEQUENT EVENTS**

Management evaluated all activity of the Authority through December 4, 2015, 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  
AS OF JUNE 30, 2015**

**Schedule of funding progress for OPEB**

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of covered Payroll
2011	June 30, 2011	\$ 0	\$ 49,560	\$ 49,560	0%	\$1,117,827	4.4%
2012	June 30, 2011	\$ 0	\$ 46,339	\$ 46,339	0%	\$1,091,306	4.3%
2013	June 30, 2011	\$ 0	\$ 46,055	\$ 46,055	0%	\$1,150,169	4.0%
2014	June 30, 2014	\$ 0	\$ 55,781	\$ 55,781	0%	\$1,269,561	4.3%
2015	June 30, 2014	\$ 0	\$ 55,181	\$ 55,181	0%	\$1,379,135	4.0%

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

	<u>6/30/14</u>
Plans' Proportion of the Net Pension Liability/(Asset)	0.02218%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 2,311,800
Plan's Covered-Employee Payroll	\$ 1,319,436 (3)
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage pf its Covered-Employee Payroll	175%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.51% (4)
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 7,446,953 (5)

**Schedule of the Authority's Pension Plan Contributions**

	<u>6/30/14</u>
Actuarially Determined Contribution	\$ 335,982 (2)
Contributions in Relation to the Actuarially Determined Contribution	<u>(335,982) (2)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>
Covered Payroll	\$ 1,319,436 (3)
Contributions as a Percentage of Covered-Employee Payroll	25.46%

Notes to Schedules:

- 1-Historical information is required only for measurement periods for which GASB 68 is applicable.
- 2-Employees are assumed to make contributions equal to the actuarially determined contributions.
- 3-Covered-employee payroll represented above is based on pensionable earnings provided by the employer.
- 4-Derived from CAFR p. 98. Fiduciary Net Position/Total Pension Liability \$33,575,081,157/\$43,997,060,157=76.31%.
- 5-Multiplied .02218% times \$33,575,081,157=\$7,446,953.

## **OTHER SUPPLEMENTARY INFORMATION**



**NEVADA RURAL HOUSING AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<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 Urban Development (HUD):			
Direct Programs:			
Rent Supplements – Rental Housing for			
Lower Income Families	14.149		\$ 91,443
Multifamily Housing Service Coordinators	14.191		77,357
Neighborhood Stabilization Program	14.256		36,340
Dollar Home Sales	14.313		4,757
Section 8 Housing Choice Vouchers	14.871		9,785,074
Mainstream Vouchers	14.879		<u>923,690</u>
Total U.S. Department of Housing and Urban Development			<u>10,918,661</u>
U.S. Department of Agriculture (USDA):			
Direct Programs:			
Rural Rental Assistance Payments	10.427		803,764
Rural Housing Preservation Grant	10.433		<u>49,340</u>
Total U.S. Department of Agriculture			<u>853,104</u>
Department of Energy (DOE):			
Passed through from State of Nevada Housing Division:			
Weatherization Assistance For Low-Income Persons	81.042	DOE/2015/02	<u>19,082</u>
Total Department of Energy			<u>19,082</u>
Department of Health and Human Services(HH&S):			
Passed through from State of Nevada Housing Division:			
Low Income Home Energy Assistance	93.568	LIHEA/2015/02	<u>33,769</u>
Total Department of Health and Human Services			<u>33,769</u>
Total Federal Expenditures			<u>\$ 11,824,616</u>

See Notes to Schedule of Expenditures of Federal Awards.

**NEVADA RURAL HOUSING AUTHORITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2015**

1. The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Nevada Rural Housing Authority (NRHA). The NRHA's reporting entity is defined in Note 1 to the financial statements.
2. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the NRHA under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of NRHA, it is not intended to and does not present the financial position, changes in net position, or cash flows of the NRHA.
3. The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. This is the same method of accounting as was used in the preparation of the Authority's basic financial statements.
4. The NRHA did not pass-through any federal awards to subrecipients during the fiscal year ended June 30, 2015.



## NEVADA RURAL HSG AUTH (NV905)

Carson City, NV

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	14.191 Multifamily Housing Service Coordinator s	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	14.145 Rent Supplements Rental Housing for Lower Income Families	6.1 Component Unit - Discretely Presented	93.568 Low- Income Home Energy Assistance	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$14,837		\$283,323				\$34,449		\$1,000			\$5,777,995	\$6,111,604		\$6,111,604
112 Cash - Restricted - Modernization and Development																
113 Cash - Other Restricted				\$1,174,923										\$1,174,923		\$1,174,923
114 Cash - Tenant Security Deposits		\$3,448		\$30,984									\$17,305	\$51,737		\$51,737
115 Cash - Restricted for Payment of Current Liabilities							\$0						\$25,508	\$25,508		\$25,508
100 Total Cash	\$0	\$18,285	\$0	\$1,489,230	\$0	\$0	\$0	\$34,449	\$0	\$1,000	\$0	\$0	\$5,820,808	\$7,363,772	\$0	\$7,363,772
121 Accounts Receivable - PHA Projects							\$1,584							\$1,584		\$1,584
122 Accounts Receivable - HUD Other Projects							\$74,858							\$74,858		\$74,858
124 Accounts Receivable - Other Government	\$5,871			\$25,595	\$7,565	\$13,981					\$4,651		\$135,215	\$192,879		\$192,879
125 Accounts Receivable - Miscellaneous							\$16,647						\$908,200	\$924,847		\$924,847
126 Accounts Receivable - Tenants		\$33		\$2,159			\$713						\$31,139	\$34,044		\$34,044
126.1 Allowance for Doubtful Accounts - Tenants		\$0		\$0			\$0	\$0					\$0	\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0	\$0	\$0	\$0	\$0			\$0		\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current																
128 Fraud Recovery							\$285,086	\$29,232						\$314,318		\$314,318
128.1 Allowance for Doubtful Accounts - Fraud					\$0		-\$285,086	-\$29,232						-\$314,318		-\$314,318
129 Accrued Interest Receivable													\$57,191	\$57,191		\$57,191
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$5,871	\$33	\$0	\$27,754	\$7,565	\$13,981	\$93,802	\$0	\$0	\$0	\$4,651	\$0	\$1,131,746	\$1,285,403	\$0	\$1,285,403
131 Investments - Unrestricted																
132 Investments - Restricted																
135 Investments - Restricted for Payment of Current Liability																
142 Prepaid Expenses and Other Assets													\$2,823	\$2,823		\$2,823
143 Inventories																
143.1 Allowance for Obsolete Inventories																
144 Inter Program Due From	\$266		\$79,545									\$9,441	\$62,540	\$151,792	-\$151,792	\$0
145 Assets Held for Sale													\$56,438	\$56,438		\$56,438
150 Total Current Assets	\$6,137	\$18,318	\$79,545	\$1,516,984	\$7,565	\$13,981	\$93,802	\$34,449	\$0	\$1,000	\$4,651	\$9,441	\$7,074,355	\$8,860,228	-\$151,792	\$8,708,436
161 Land		\$226,260	\$19,800	\$1,580,473									\$609,344	\$2,435,877		\$2,435,877
162 Buildings		\$446,585	\$66,582	\$7,363,162									\$6,757,054	\$14,633,383		\$14,633,383
163 Furniture, Equipment & Machinery - Dwellings				\$63,505				\$10,830						\$74,335		\$74,335
164 Furniture, Equipment & Machinery - Administration							\$105,624					\$24,013	\$162,740	\$292,377		\$292,377
165 Leasehold Improvements																
166 Accumulated Depreciation		-\$69,965	-\$10,649	-\$2,249,947			-\$75,703	-\$7,762				-\$24,013	-\$431,482	-\$2,869,521		-\$2,869,521
167 Construction in Progress																
168 Infrastructure																
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$602,880	\$75,733	\$6,757,193	\$0	\$0	\$29,921	\$3,068	\$0	\$0	\$0	\$0	\$7,097,656	\$14,566,451	\$0	\$14,566,451



171 Notes, Loans and Mortgages Receivable - Non-Current				\$0									\$4,100,000	\$4,100,000		\$4,100,000
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due																
173 Grants Receivable - Non-Current																
174 Other Assets																
175 Investments in Joint Ventures																
180 Total Non-Current Assets	\$0	\$602,880	\$75,733	\$6,757,193	\$0	\$0	\$29,921	\$3,068	\$0	\$0	\$0	\$0	\$11,197,656	\$18,666,451	\$0	\$18,666,451
200 Deferred Outflow of Resources													\$364,847	\$364,847		\$364,847
290 Total Assets and Deferred Outflow of Resources	\$6,137	\$621,198	\$155,278	\$8,274,177	\$7,565	\$13,981	\$123,723	\$37,517	\$0	\$1,000	\$4,651	\$9,441	\$18,636,858	\$27,891,526	-\$151,792	\$27,739,734
311 Bank Overdraft							\$62,462							\$62,462		\$62,462
312 Accounts Payable <= 90 Days	\$1			\$921	\$5	\$53					\$4,127	\$3,513	\$155,617	\$164,237		\$164,237
313 Accounts Payable >90 Days Past Due																
321 Accrued Wage/Payroll Taxes Payable	\$2,570			\$10,825	\$124		\$21,227	\$2,175				\$39	\$59,683	\$106,644		\$106,644
322 Accrued Compensated Absences - Current Portion	\$174				\$2		\$2,884				\$9	\$64	\$4,473	\$7,606		\$7,606
324 Accrued Contingency Liability																
325 Accrued Interest Payable				\$12,109										\$12,109		\$12,109
331 Accounts Payable - HUD PHA Programs																
332 Account Payable - PHA Projects																
333 Accounts Payable - Other Government				\$110									\$33,540	\$33,650		\$33,650
341 Tenant Security Deposits		\$4,146		\$28,540									\$15,616	\$48,302		\$48,302
342 Unearned Revenue		\$19	\$30	\$3,978								\$3,085	\$67,941	\$75,053		\$75,053
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				\$61,312									\$4,781,348	\$4,842,660		\$4,842,660
344 Current Portion of Long-term Debt - Operating Borrowings																
345 Other Current Liabilities							\$6,466	\$662					\$6,985	\$14,113		\$14,113
346 Accrued Liabilities - Other																
347 Inter Program - Due To					\$14,018	\$13,928	\$33,993				\$601		\$89,252	\$151,792	-\$151,792	\$0
348 Loan Liability - Current																
310 Total Current Liabilities	\$2,745	\$4,165	\$30	\$117,795	\$14,149	\$13,981	\$127,032	\$2,838	\$0	\$0	\$4,737	\$6,701	\$5,224,455	\$5,518,628	-\$151,792	\$5,366,836
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				\$3,975,684									\$1,000,000	\$4,975,684		\$4,975,684
352 Long-term Debt, Net of Current - Operating Borrowings																
353 Non-current Liabilities - Other													\$142,621	\$142,621		\$142,621
354 Accrued Compensated Absences - Non-Current	\$1,571				\$22		\$25,960				\$78	\$577	\$40,246	\$68,454		\$68,454
355 Loan Liability - Non-Current																
356 FASB 5 Liabilities																
357 Accrued Pension and OPEB Liabilities													\$2,321,783	\$2,321,783		\$2,321,783
350 Total Non-Current Liabilities	\$1,571	\$0	\$0	\$3,975,684	\$22	\$0	\$25,960	\$0	\$0	\$0	\$78	\$577	\$3,604,650	\$7,508,542	\$0	\$7,508,542
300 Total Liabilities	\$4,316	\$4,165	\$30	\$4,093,479	\$14,171	\$13,981	\$152,992	\$2,838	\$0	\$0	\$4,815	\$7,278	\$8,729,105	\$13,027,170	-\$151,792	\$12,875,378
400 Deferred Inflow of Resources													\$712,959	\$712,959		\$712,959
508.4 Net Investment in Capital Assets		\$602,880	\$75,733	\$2,720,195			\$29,921	\$3,068					\$1,316,310	\$4,748,107		\$4,748,107
511.4 Restricted Net Position				\$1,174,922			\$80,762						\$25,508	\$1,281,192		\$1,281,192
512.4 Unrestricted Net Position	\$1,821	\$14,153	\$79,515	\$285,581	-\$6,606	\$0	-\$139,952	\$31,611	\$0	\$1,000	-\$164	\$2,163	\$7,852,976	\$8,122,098		\$8,122,098
513 Total Equity - Net Assets / Position	\$1,821	\$617,033	\$155,248	\$4,180,698	-\$6,606	\$0	-\$29,269	\$34,679	\$0	\$1,000	-\$164	\$2,163	\$9,194,794	\$14,151,397	\$0	\$14,151,397
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,137	\$621,198	\$155,278	\$8,274,177	\$7,565	\$13,981	\$123,723	\$37,517	\$0	\$1,000	\$4,651	\$9,441	\$18,636,858	\$27,891,526	-\$151,792	\$27,739,734



NEVADA RURAL HSG AUTH (NV905)  
Carson City, NV

Entity Wide Revenue and Expense Summary

Submission Type Audited/A-133

Fiscal Year End: 06/30/2015

	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 Preservatio n Grants	14 871 Housing Choice Vouchers	14 879 Mainstream Vouchers	14 149 Rent Supplements _Rental Housing for Lower Income Families	6 1 Component Unit - Discretely Presented	93 568 Low- Income Home Energy Assistance	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue		\$46,069	\$8,316	\$272,569									\$294,262	\$621,216		\$621,216
70400 Tenant Revenue - Other										\$0				\$0		\$0
70500 Total Tenant Revenue	\$0	\$46,069	\$8,316	\$272,569	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$294,262	\$621,216		\$621,216
70600 HUD PHA Operating Grants							\$9,598,178	\$727,638						\$10,325,816		\$10,325,816
70610 Capital Grants																
70710 Management Fee																
70720 Asset Management Fee																
70730 Book Keeping Fee																
70740 Front Line Service Fee																
70750 Other Fees													\$725,199	\$725,199		\$725,199
70700 Total Fee Revenue																
70800 Other Government Grants	\$75,618			\$430,395	\$19,082	\$49,340			\$91,443		\$33,769	\$202,286	\$731,570	\$1,633,503		\$1,633,503
71100 Investment Income - Unrestricted		\$53		\$1,435			\$38						\$26,612	\$28,138		\$28,138
71200 Mortgage Interest Income								\$34					\$180,400	\$180,434		\$180,434
71300 Proceeds from Disposition of Assets Held for Sale																
71310 Cost of Sale of Assets																
71400 Fraud Recovery							\$19,101	\$1,959						\$21,060		\$21,060
71500 Other Revenue		\$124		\$11,747			\$41,630	\$181					\$2,489,940	\$2,543,622		\$2,543,622
71600 Gain or Loss on Sale of Capital Assets													\$600	\$600		\$600
72000 Investment Income - Restricted																
70000 Total Revenue	\$75,618	\$46,246	\$8,316	\$715,146	\$19,082	\$49,340	\$9,658,947	\$729,812	\$91,443	\$0	\$33,769	\$202,286	\$4,448,583	\$16,079,588		\$16,079,588
91100 Administrative Salaries	\$46,186				\$5,180		\$398,585	\$40,867			\$2,327	\$16,845	\$981,567	\$1,491,557		\$1,491,557
91200 Auditing Fees		\$69		\$1,226			\$20,179	\$2,069	\$416				\$2,379	\$26,338		\$26,338
91300 Management Fee	\$0	\$6,648	\$832	\$51,346	\$0	\$0			\$17,252		\$3,377	\$0	\$17,340	\$96,795		\$96,795
91310 Book-keeping Fee																
91400 Advertising and Marketing	\$1			\$928	\$976		\$7,357	\$754	\$721			\$30	\$196,742	\$207,509		\$207,509
91500 Employee Benefit contributions - Administrative	\$18,405			\$28,625	\$1,099		\$136,194	\$13,964	\$9,749		\$575	\$6,903	\$389,028	\$604,542		\$604,542
91600 Office Expenses	\$3,017	\$186		\$14,830	\$997		\$151,416	\$15,524	\$3,468			\$1,675	\$217,197	\$408,210		\$408,210
91700 Legal Expense			\$90	\$-97									\$35,343	\$35,336		\$35,336
91800 Travel					\$2,248		\$13,165	\$1,350				\$111	\$66,242	\$83,116		\$83,116
91810 Allocated Overhead	\$4,976			\$7,500	\$1,908	\$4,485	\$335,392	\$34,387				\$20,212	\$346,989	\$755,849		\$755,849
91900 Other	\$3,326	\$214		\$60,562	\$1,632	\$86	\$38,973	\$3,996			\$537	\$1,669	\$455,872	\$566,867		\$566,867
91000 Total Operating - Administrative	\$75,911	\$7,117	\$922	\$164,920	\$14,040	\$4,571	\$1,101,261	\$112,911	\$31,606	\$0	\$6,816	\$47,345	\$2,708,699	\$4,276,119		\$4,276,119
92000 Asset Management Fee																
92100 Tenant Services - Salaries																
92200 Relocation Costs																
92300 Employee Benefit Contributions - Tenant Services																



92400 Tenant Services - Other														\$159,538	\$159,538	\$159,538
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$159,538	\$159,538	\$159,538
93100 Water		\$42		\$18,912	\$17				\$3,453					\$2,227	\$24,651	\$24,651
93200 Electricity		\$82		\$7,838			\$2,971	\$305	\$1,942			\$88		\$14,760	\$27,986	\$27,986
93300 Gas				\$7,647					\$889						\$8,536	\$8,536
93400 Fuel																
93500 Labor																
93600 Sewer		\$1,876		\$37,059					\$10,133				\$808	\$49,876	\$49,876	\$49,876
93700 Employee Benefit Contributions - Utilities																
93800 Other Utilities Expense		\$39		\$19,377					\$5,147				\$2,076	\$26,639	\$26,639	\$26,639
93000 Total Utilities	\$0	\$2,039	\$0	\$90,833	\$17	\$0	\$2,971	\$305	\$21,564	\$0	\$0	\$88	\$19,871	\$137,688	\$137,688	\$137,688
94100 Ordinary Maintenance and Operations - Labor													\$2,822	\$2,822	\$2,822	\$2,822
94200 Ordinary Maintenance and Operations - Materials and Other		\$82		\$53,031	\$33		\$2,437	\$250	\$3,303			\$8,461	\$24,608	\$92,205	\$92,205	\$92,205
94300 Ordinary Maintenance and Operations Contracts		\$6,166	\$746	\$122,226	\$3,974	\$44,769	\$5,376	\$551	\$26,954		\$26,912	\$144,901	\$159,714	\$542,289	\$542,289	\$542,289
94500 Employee Benefit Contributions - Ordinary Maintenance																
94000 Total Maintenance	\$0	\$6,248	\$746	\$175,257	\$4,007	\$44,769	\$7,813	\$801	\$30,257	\$0	\$26,912	\$153,362	\$187,144	\$637,316	\$637,316	\$637,316
95100 Protective Services - Labor																
95200 Protective Services - Other Contract Costs																
95300 Protective Services - Other																
95500 Employee Benefit Contributions - Protective Services																
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance		\$3,075	\$426	\$15,753	\$928				\$6,108		\$41	\$928	\$16,699	\$43,957	\$43,957	\$43,957
96120 Liability Insurance							\$23,099	\$2,369						\$25,468	\$25,468	\$25,468
96130 Workmen's Compensation	\$1,446			\$3,087	\$90		\$13,620	\$1,396	\$893			\$563	\$24,770	\$45,865	\$45,865	\$45,865
96140 All Other Insurance								\$2,172						\$2,172	\$2,172	\$2,172
96100 Total Insurance Premiums	\$1,446	\$3,075	\$426	\$18,840	\$1,018	\$0	\$36,719	\$5,937	\$7,001	\$0	\$41	\$1,491	\$41,469	\$117,462	\$117,462	\$117,462
96200 Other General Expenses				\$8,473			\$21,188						\$2,467	\$32,128	\$32,128	\$32,128
96210 Compensated Absences																
96300 Payments in Lieu of Taxes		\$24		\$3,647					\$1,015				\$20,593	\$25,279	\$25,279	\$25,279
96400 Bad debt - Tenant Rents																
96500 Bad debt - Mortgages																
96600 Bad debt - Other																
96800 Severance Expense																
96000 Total Other General Expenses	\$0	\$24	\$0	\$12,120	\$0	\$0	\$21,188	\$0	\$1,015	\$0	\$0	\$0	\$23,060	\$57,407	\$57,407	\$57,407
96710 Interest of Mortgage (or Bonds) Payable				\$83,408									\$145,433	\$228,841	\$228,841	\$228,841
96720 Interest on Notes Payable (Short and Long Term)																
96730 Amortization of Bond Issue Costs																
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$83,408	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$145,433	\$228,841	\$228,841	\$228,841
96900 Total Operating Expenses	\$77,357	\$18,503	\$2,093	\$545,378	\$19,082	\$49,340	\$1,169,952	\$119,954	\$91,443	\$0	\$33,769	\$202,286	\$3,285,214	\$5,614,371	\$5,614,371	\$5,614,371
97000 Excess of Operating Revenue over Operating Expenses	-\$1,739	\$27,743	\$6,223	\$170,768	\$0	\$0	\$8,488,995	\$609,858	\$0	\$0	\$0	\$0	\$1,163,369	\$10,465,217	\$10,465,217	\$10,465,217



97100 Extraordinary Maintenance																
97200 Casualty Losses - Non-capitalized																
97300 Housing Assistance Payments				\$7,981			\$6,596,365	\$802,076					\$285,754	\$9,692,176	\$9,692,176	
97350 HAP Portability-In							\$2,570							\$2,570	\$2,570	
97400 Depreciation Expense		\$17,853	\$2,663	\$250,405			\$16,187	\$1,660					\$158,554	\$447,332	\$447,332	
97500 Fraud Losses																
97600 Capital Outlays - Governmental Funds																
97700 Debt Principal Payment - Governmental Funds																
97800 Dwelling Units Rent Expense																
90000 Total Expenses	\$77,357	\$36,366	\$4,756	\$803,764	\$19,082	\$49,340	\$9,785,074	\$923,690	\$91,443	\$0	\$33,769	\$202,286	\$3,729,522	\$15,756,449	\$15,756,449	
10010 Operating Transfer In													\$50,000	\$50,000	\$50,000	
10020 Operating transfer Out		-\$50,000												-\$50,000	-\$50,000	
10030 Operating Transfers from/to Primary Government																
10040 Operating Transfers from/to Component Unit																
10050 Proceeds from Notes, Loans and Bonds																
10060 Proceeds from Property Sales																
10070 Extraordinary Items, Net Gain/Loss																
10080 Special Items (Net Gain/Loss)																
10091 Inter Project Excess Cash Transfer In																
10092 Inter Project Excess Cash Transfer Out																
10093 Transfers between Program and Project - In																
10094 Transfers between Project and Program - Out																
10100 Total Other financing Sources (Uses)	\$0	-\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$50,000	\$0	\$0	
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$1,739	-\$40,120	\$3,560	-\$87,618	\$0	\$0	-\$126,127	-\$193,878	\$0	\$0	\$0	\$0	\$769,061	\$323,139	\$323,139	
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$54,692	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$54,692	\$54,692	
11030 Beginning Equity	\$3,560	\$657,153	\$151,688	\$4,268,316	-\$6,606	\$0	\$96,858	\$228,557	\$0	\$1,000	-\$164	\$2,163	\$11,006,641	\$16,409,166	\$16,409,166	
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0										-\$2,580,908	-\$2,580,908	-\$2,580,908	
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							-\$111,389							-\$111,389	-\$111,389	
11180 Housing Assistance Payments Equity							\$82,120							\$82,120	\$82,120	
11190 Unit Months Available		60		1090			17556	1800					588	21094	21094	
11210 Number of Unit Months Leased		58		976			17782	1974					321	21111	21111	
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																
12510 CFFP Debt Service Payments																
13901 Replacement Housing Factor Funds																

**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***

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Nevada Rural Housing Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 4, 2015.

**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 and not have been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Nevada Rural Housing Authority's financial statements are free of 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.

*Cappan Rowe, LLP*

Walnut Creek, California  
December 4, 2015



**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditors' Report

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

**Report on Compliance for Each Major Program**

We have audited the Nevada Rural Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Nevada Rural Housing Authority's major federal programs for the year ended June 30, 2015. The Nevada Rural Housing Authority's major 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 the requirements of laws, regulations, contracts, and grants applicable to major federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Nevada Rural Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Nevada Rural Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the Nevada Rural Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the Nevada Rural Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered the Nevada Rural Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Nevada Rural Housing Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the business-type activities, the one major fund, and the aggregate remaining fund information of the Nevada Rural Housing Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Nevada Rural Housing Authority's basic financial statements. We issued our report thereon dated December 4, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statement 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 OMB Circular A-133 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  
December 4, 2015



**NEVADA RURAL HOUSING AUTHORITY  
STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2015**

The previous audit report for the year ended June 30, 2014 contained no audit findings.

**NEVADA RURAL HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**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?	no
Noncompliance material to financial statements?	no

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	no
Reportable conditions identified not considered material weaknesses?	no
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings disclosed that are required to be reported in accordance with A-133, Section .510(a)?	no
Identification of major programs:	
Housing Voucher Cluster:	
Section 8 Housing Choice Vouchers	14.871
Mainstream Vouchers	14.879
Dollar threshold to distinguish between Type A and Type B programs	\$354,738
Auditee qualified as low risk auditee?	yes