

**NEVADA RURAL HOUSING AUTHORITY
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014
(Including Auditors' Report Thereon)**

NEVADA RURAL HOUSING AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Nevada Rural Housing Authority, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the Schedule of Funding Progress for OPEB on page 27 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 28 required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Financial Data Schedule on pages 30 through 34 required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and 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.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014 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.

Wallace Rowe & Associates

Pleasant Hill, California
December 5, 2014

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, 2014. 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 of the Authority exceeded its liabilities at the close of fiscal year 2014 by \$16,408,166 as opposed to \$15,902,002 for fiscal year 2013.
- Total assets at June 30, 2014 were \$26,914,861. Of this, \$8,246,097 represents current assets, and \$18,668,764 represents non-current assets. Total assets at June 30, 2014 increased by \$2,092,123 from the June 30, 2013 balance of \$24,822,738.
- Total liabilities at June 30, 2014 were \$10,506,695. Of this, \$5,258,618 represents current liabilities, and \$5,248,077 represents non-current liabilities. Total liabilities at June 30, 2014 decreased by \$1,585,959 from the June 30, 2013 balance of \$8,920,736.
- Cash, cash equivalent and investment balances at June 30, 2014 were \$7,977,490, representing an increase of \$1,531,276 from the 2013 ending fiscal year balance of \$6,446,214.
- Operating revenues for the Authority for the 2014 fiscal year were \$14,654,801 and operating expenses were \$14,150,597. Operating revenues and expenses for the fiscal year 2013 were \$15,768,763 and \$14,173,952 respectively.
- Net capital assets for the fiscal year 2014 increased by \$1,891,663 from \$12,587,323 at June 30, 2013 to \$14,478,986 at June 30, 2014. Capital assets are reflected at cost, less accumulated depreciation for all purchased capital assets.
- Expenditures of Federal Awards amounted to \$10,558,052, for 2014 an increase of \$786,612 from the prior fiscal year's expenditures of \$9,771,440.
- 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 \$8,993,251 of housing assistance payment expenses for fiscal year 2014. This represents a decrease of \$113,770 of the amount for fiscal year 2013 of \$9,107,021.

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.

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.

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.

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.

Supplemental Information

The schedule of expenditures of federal awards and schedule of funding progress for OPEB 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, and Governmental Accounting Standards Board Statements. These schedules can be found in the Supplemental Information section 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.

Long-term Debt

The long-term debt includes mortgage notes payable. Much more detail about our long-term debt is presented in Note 5 to the financial statements.

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, 2014. 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.

Analysis of the Changes in Government-wide Net Position

The Authority's government-wide net position increased by \$506,164 during the fiscal year 2013-2014. The changes in the Authority's specific revenue and expense accounts are reflected in the following "Comparative Statement of Revenues, Expenses, and Changes in Net Position". The decrease in developer and lender fees and the increase in grant revenues were the more significant increases or decreases in the Authority's revenues or expenses for the fiscal year 2013-2014.

Nevada Rural Housing Authority
Comparative Statement of Net Position
June 30, 2014

	<u>2014</u>	<u>2013</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
Assets				
Current Assets	\$ 8,246,097	\$ 8,017,044	\$ 229,053	2.9%
Assets held for resale	56,438	56,438	-	
Mortgage note receivable	4,100,000	4,100,000	-	
Mortgage interest receivable	33,340	61,933	(28,593)	(46.2)%
Capital Assets (net of accumulated depreciation)	<u>14,478,986</u>	<u>12,587,323</u>	<u>1,891,663</u>	15.0%
Total Assets	<u>\$ 26,914,861</u>	<u>\$ 24,822,738</u>	<u>\$ 2,092,123</u>	8.4%
Liabilities				
Current Liabilities	\$ 5,258,618	\$ 5,490,451	\$ (245,806)	(4.2)%
Non-current Liabilities	<u>5,248,077</u>	<u>3,430,285</u>	<u>1,831,765</u>	53.0%
Total Liabilities	<u>10,506,695</u>	<u>8,920,736</u>	<u>1,585,959</u>	17.8%
Net Position				
Net investment in Capital Assets	4,457,539	4,388,601	68,938	1.6%
Restricted	1,316,787	1,595,843	(279,056)	(17.5)%
Unrestricted	<u>10,633,840</u>	<u>9,917,558</u>	<u>716,282</u>	7.2%
Total Net Position	<u>\$ 16,408,166</u>	<u>\$ 15,902,002</u>	<u>\$ 506,164</u>	3.2%

Nevada Rural Housing Authority
Comparative Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2014

	<u>2014</u>	<u>2013</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
<u>Operating Revenues</u>				
Grants	\$ 11,825,073	\$ 10,372,258	\$ 1,452,815	14.0%
Rents	623,372	556,418	66,954	12.0%
Developer and lender fees	1,497,603	4,783,518	(3,285,915)	(68.7)%
Other	<u>708,753</u>	<u>56,589</u>	<u>652,164</u>	1,152.5%
Total operating revenues	<u>14,654,801</u>	<u>15,768,783</u>	<u>(1,113,982)</u>	(7.1)%
<u>Operating Expenses</u>				
Administration	3,875,693	3,517,377	358,316	10.2%
Utilities	99,547	112,143	(12,596)	(11.2)%
Maintenance	585,307	589,893	(4,586)	(0.8)%
Tenant services	3,825	-	3,825	
General	180,930	504,739	(323,809)	(64.2)%
Housing Assistance Payments	8,993,251	9,107,021	(113,770)	(1.2)%
Depreciation	<u>412,044</u>	<u>342,779</u>	<u>69,265</u>	20.2%
Total operating expenses	<u>14,150,597</u>	<u>14,173,952</u>	<u>(23,355)</u>	(0.2)%
Operating Income (Loss)	<u>504,204</u>	<u>1,594,831</u>	<u>(1,090,627)</u>	(68.4)%
<u>Non-Operating Revenue (Expenses)</u>				
Interest Income	207,577	199,485	8,092	4.1%
Interest Expense	<u>(205,617)</u>	<u>(166,636)</u>	<u>(38,981)</u>	(23.4)%
Net Non-Operating Revenue (Loss)	<u>1,960</u>	<u>32,849</u>	<u>(30,809)</u>	(94.0)%
Change in Net Position	506,164	1,627,680	(1,121,516)	(68.9)%
Net Position, Beginning of Year	<u>15,902,002</u>	<u>14,274,322</u>	<u>1,627,680</u>	11.4%
Net Position, End of Year	<u>\$ 16,408,166</u>	<u>\$ 15,902,002</u>	<u>\$ 506,164</u>	3.2%

Capital assets for the Authority's activities are presented below to illustrate changes from the prior year:

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

	<u>2014</u>	<u>2013</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
Land	\$ 2,435,876	\$ 2,348,574	\$ 87,302	3.7%
Buildings and Improvements	11,922,859	10,097,169	1,825,690	18.1%
Equipment	<u>120,251</u>	<u>141,580</u>	<u>(21,329)</u>	(15.1)%
Total	<u>\$ 14,478,986</u>	<u>\$ 12,587,323</u>	<u>\$ 1,891,663</u>	15.5%

The Authority's capital assets as of June 30, 2014 were \$14,478,986 (net of accumulated depreciation). During the fiscal year 2014 the Authority's net capital assets increased \$1,891,663 or 15.5%. Additional information pertaining to the Authority's capital assets as of June 30, 2014 is presented in Note 4 to the Financial Statements.

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

	<u>2014</u>	<u>2013</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
Mortgage notes payable	<u>\$ 9,878,826</u>	<u>\$ 8,198,722</u>	<u>\$ 1,680,104</u>	20.5%
Total	<u>\$ 9,878,826</u>	<u>\$ 8,198,722</u>	<u>\$ 1,680,104</u>	20.5%

At June 30, 2014 the Authority had long-term debt outstanding of \$9,878,826. During the fiscal year, the Authority's long-term debt increased by \$1,680,722 or 20.5%. Additional information pertaining to the Authority's long-term debt as of June 30, 2014 is presented in Note 5 in the "Notes to the Financial Statements".

Requests for information

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the 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, 2014

	Primary Government Housing Fund	Component Unit Nevada Rural Partners	Total Combined
ASSETS			
Current Assets:			
Cash and investments (Note 3)	\$ 7,977,490	\$ 1,000	\$ 7,978,490
Due from other agencies	86,902	-	86,902
Tenant accounts receivable	55,047	-	55,047
Accounts receivable - other	124,460	-	124,460
Prepaid expenses	2,198	-	2,198
Total current assets	8,246,097	1,000	8,247,097
Assets held for resale	56,438	-	56,438
Mortgage loan receivable	4,100,000	-	4,100,000
Mortgage interest receivable	33,340	-	33,340
Capital assets, net of accumulated depreciation of \$2,422,188 (Note 4)	14,478,986	-	14,478,986
Total non-current assets	18,668,764	-	18,668,764
Total assets	26,914,861	1,000	26,915,861
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
Total assets and deferred outflows of resources	\$ 26,914,861	\$ 1,000	\$ 26,915,861
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 76,618	-	76,618
Accounts payable – other agencies	92,115	-	92,115
Tenant security deposits	52,813	-	52,813
Unearned revenue	83,084	-	83,084
Accrued liabilities	101,436	-	101,436
Compensated absences	6,953	-	6,953
Notes payable	4,845,599	-	4,845,599
Total current liabilities	5,258,618	-	5,258,618
Noncurrent Liabilities:			
Compensated absences (Note 8)	62,566	-	62,566
Other noncurrent liabilities	142,621	-	142,621
OPEB payable (Note 7)	9,663	-	9,663
Notes payable (Note 5)	5,033,227	-	5,033,227
Total noncurrent liabilities	5,248,077	-	5,248,077
Total liabilities	10,506,695	-	10,506,695
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
Total liabilities and deferred inflows of resources	10,506,695	-	-
NET POSITION			
Net investment in capital assets	4,457,539	-	4,457,539
Restricted	1,316,787	-	1,316,787
Unrestricted	10,633,840	1,000	10,634,840
Total Net Position	\$ 16,408,166	\$ 1,000	\$ 16,409,166

The accompanying notes are an integral part of this statement.

**NEVADA RURAL HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION -
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Primary Government Housing Fund</u>	<u>Component Unit Nevada Rural Partners</u>	<u>Total Combined</u>
<u>Operating Revenues</u>			
Grants	\$ 11,825,073	\$ -	\$ 11,825,073
Rents	623,372	-	623,372
Development and lender fees	1,497,603	-	1,497,603
Other	708,753	-	708,753
Total operating revenues	<u>14,654,801</u>	<u>-</u>	<u>14,654,801</u>
<u>Operating Expenses</u>			
Administration	3,875,693	-	3,875,693
Utilities	99,547	-	99,547
Maintenance	585,307	-	585,307
Tenant Services	3,825	-	3,825
General	180,930	-	180,930
Housing assistance payments	8,993,251	-	8,993,251
Depreciation	412,044	-	412,044
Total operating expenditures	<u>14,150,597</u>	<u>-</u>	<u>14,150,597</u>
Operating income (loss)	<u>504,204</u>	<u>-</u>	<u>504,204</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest income - investments	27,177	-	27,177
Interest income – mortgage loans	180,400	-	180,400
Interest expense	(205,617)	-	(205,617)
Net non-operating revenue	<u>1,960</u>	<u>-</u>	<u>1,960</u>
Change in net position	506,164	-	506,164
Total net position, beginning	<u>15,902,002</u>	<u>1,000</u>	<u>15,903,002</u>
Total net position, ending	<u>\$ 16,408,166</u>	<u>\$ 1,000</u>	<u>\$ 16,409,166</u>

The accompanying notes are an integral part of this statement.

NEVADA RURAL HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2014

	Primary Government Housing Fund	Component Unit Nevada Rural Partners	Total Combined
<u>Cash flows from operating activities:</u>			
Grants received	\$ 11,653,133	\$ -	\$ 11,653,133
Cash received from rents	572,034	-	572,034
Development and management fees	2,535,033	-	2,535,033
Other cash receipts	987,009	-	987,009
Cash payments to suppliers and landlords	(12,264,378)	-	(12,264,378)
Cash payments to employees	(1,358,504)	-	(1,358,504)
Net cash provided (used) in operating activities	<u>2,124,327</u>	<u>-</u>	<u>2,124,327</u>
<u>Cash flows from noncapital financing activities:</u>			
Interest received on notes receivable	<u>208,993</u>	<u>-</u>	<u>208,993</u>
Net cash provided (used) in noncapital Financing activities	<u>208,993</u>	<u>-</u>	<u>208,993</u>
<u>Cash flows from capital and related financing activities:</u>			
Interest paid on long-term debt	(205,617)	-	(205,617)
Purchase of fixed assets	(2,303,708)	-	(2,303,708)
Receipts from additional long-term debt	1,726,567	-	1,726,567
Principal payments of long-term debt	(46,463)	-	(46,463)
Net cash (used) by capital and related financing activities	<u>(829,221)</u>	<u>-</u>	<u>(829,221)</u>
<u>Cash flows from investing activities:</u>			
Interest received from investments	<u>27,177</u>	<u>-</u>	<u>27,177</u>
Net cash provided by investing activities	<u>27,177</u>	<u>-</u>	<u>27,177</u>
Net increase (decrease) in cash	1,531,276	-	1,531,276
Cash at beginning of year	6,446,214	1,000	6,447,214
Cash at end of year	<u>\$ 7,977,490</u>	<u>\$ 1,000</u>	<u>\$ 7,978,490</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>			
Operating income (loss)	\$ 504,204	\$ -	\$ 504,204
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	412,044	-	412,044
Changes in assets and liabilities:			
Decrease in accounts receivable - other	1,315,686	-	1,315,686
Decrease in receivables from other agencies	39,269	-	39,269
Increase in tenants' accounts receivable	(51,338)	-	(51,338)
Increase in prepaid expenses	(1,394)	-	(1,394)
Decrease in accounts payable	(38,615)	-	(38,615)
Increase in accrued liabilities	44,350	-	44,350
Decrease in amounts due other agencies	(99,879)	-	(99,879)
Net cash provided by operating activities	<u>\$ 2,124,327</u>	<u>\$ -</u>	<u>\$ 2,124,327</u>

The accompanying notes are an integral part of this statement.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 - 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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows) report the financial information of the Authority's 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, 2014

Note 2 (continued)

B. 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 2014 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.

C. 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, 2014

Note 2 (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.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 2 (continued)

7. Taxes

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

8. 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.

D. Estimates

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

E. Budgets and Budgetary Accounting

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

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 3 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Unrestricted cash and investments	\$ 6,683,539
Restricted cash	<u>1,293,951</u>
Total cash and investments	<u>\$ 7,977,490</u>

Combined unrestricted and restricted cash and investments as of June 30, 2014, consist of the following:

Checking and savings deposits with financial institutions	\$ 1,909,437
Certificate of deposit	125,000
Guaranteed fixed annuity contracts	548,090
Money market accounts	5,394,488
Petty cash on hand	<u>475</u>
Total cash and investments	<u>\$ 7,977,490</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, 2014 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, 2014 \$978,092 of the Authority's cash and investments are covered by FDIC insurance.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 4 - CAPITAL ASSETS

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

	<u>Balance</u> <u>7/1/13</u>	<u>Additions</u>	<u>Adjustments</u> <u>And Deletions</u>	<u>Balance</u> <u>6/30/14</u>
Land	\$ 2,348,574	\$ 87,302	\$ -	\$ 2,435,876
Buildings and improvements	12,038,706	2,200,487	(99,545)	14,139,648
Equipment	<u>309,732</u>	<u>15,918</u>	<u>-</u>	<u>325,650</u>
Total capital assets	<u>14,697,012</u>	<u>2,303,707</u>	<u>(99,545)</u>	<u>16,901,174</u>
Less accumulated Depreciation:				
Buildings and Improvements	(1,941,539)	(374,795)	99,545	(2,216,789)
Equipment	<u>(168,150)</u>	<u>(37,249)</u>	<u>-</u>	<u>(205,399)</u>
Total accumulated depreciation	<u>(2,109,689)</u>	<u>(412,044)</u>	<u>99,545</u>	<u>(2,422,188)</u>
Total capital assets, net	<u>\$ 12,587,323</u>	<u>\$ 1,891,663</u>	<u>\$ -</u>	<u>\$ 14,478,986</u>

Note 5 - LONG-TERM DEBT

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

	<u>Balance</u> <u>7/1/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/14</u>
Mortgage notes	\$ 8,198,722	\$ 1,726,567	\$ (46,463)	\$ 9,878,826
Compensated Absences (Note 6)	<u>52,365</u>	<u>17,154</u>	<u>-</u>	<u>69,519</u>
	<u>\$ 8,251,087</u>	<u>\$ 1,743,721</u>	<u>\$ (46,463)</u>	<u>\$ 9,948,345</u>

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5 (continued)

A description of the debt recorded at June 30, 2014 for the housing authority is as follows:

	<u>Balance</u>
<u>Winnemucca Manor</u>	
Installment note, due February 20, 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 September 22, 2013 the monthly principal and interest payments have been deferred until February 2034 at which time all accrued principal and interest is due.	\$ 210,809
Installment note, due February 20, 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 September 22, 2013 the monthly principal and interest payments have been deferred until February 1, 2034 at which time all accrued principal and interest is due.	31,322
Installment note, due February 20, 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 September 22, 2013 the monthly principal and interest payments have been deferred until February 1, 2034 at which time all accrued principal and interest is due.	17,638
Installment note, due February 1, 2034; 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.	300,068
<u>Southwood Manor A</u>	
Installment note, due February 2, 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.	126,621
Installment note, due February 2, 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.	120,538

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5 (continued)

Installment note, due February 2, 2032; 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.	\$ 118,705
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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.	33,766
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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.	94,267
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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.	168,667
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Yerington Manor

Installment note due February 1, 2029, secured by a deed of trust on real property and security agreement which includes an assignment of rents, interest at 8.25% per annum, required monthly principal and interest payments are \$3,373.	343,692
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Installment note due March 1, 2029, secured by a deed of trust on real property and security agreement which includes an assignment of rents, interest at 8.75% per annum, required monthly principal and interest payments are \$1,721.	170,762
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Installment note due December 25, 2029, secured by a deed of trust on real property and security agreement which includes an assignment of rents, interest at 9.00% per annum, required monthly principal and interest payments are \$323.	31,575
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NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5 (continued)

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. \$ 524,755

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. 71,939

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

Note secured by a deed of trust on real property. The note plus any accrued interest is payable in full no later than March 16, 2014. The note bears interest at 3% per annum. Payments of interest only are on the first day of each quarter until the maturity date of the loan. 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. 739,826

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. 716,389

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. 270,352

Housing Choice Voucher Program

Note payable secured by title to an automobile purchased on April 4, 2012. The note is non-interest bearing and requires thirty-six monthly principal payments of \$579. 5,787

Total notes payable at June 30, 2014 \$ 9,878,826

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5 (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
2015	\$ 4,845,599	\$ 104,658	\$ 4,950,257
2016	63,062	100,078	163,140
2017	1,068,082	64,641	1,132,723
2018	73,565	59,158	132,723
2019	79,557	53,166	132,723
2020-2024	509,280	154,309	663,589
2025-2029	751,553	(97,815)	653,738
2030-2034	796,011	(217,629)	578,382
2035-2039	652,235	(117,702)	534,533
2040-2044	828,949	(232,005)	596,944
2045-2049	210,933	(84,221)	126,712
	<u>\$ 9,878,826</u>	<u>\$ (213,362)</u>	<u>\$ 9,665,464</u>

Note 6 – EMPLOYEES RETIREMENT PLAN

Plan Description: All permanent employees of the Nevada Rural Housing Authority are eligible to participate in the Public Employees' Retirement System of Nevada (NVPERS), an agent multi-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of Nevada. The fund provides retirement, disability, and death benefits based on the employees' years of service, age and final compensation. The Public Employees Retirement Board of the State of Nevada issues a publicly available financial report that includes financial statements and required supplementary information of PERS. That report may be obtained from the Public Employees Retirement System, 693 West Nye Street, Carson City, Nevada 89703.

Funding Policy and Annual Pension Cost: Depending upon the employee election the employee pays all or a portion of the required contribution for employees covered under the plan. PERS' basic funding policy provides for contributions at a level pattern of cost as a percentage of salary throughout an employee's work lifetime, in order to accumulate sufficient assets to pay benefits when due. Although PERS receives an actuarial valuation on an annual basis indicating the contributions rates required to fund PERS on an actuarial reserve basis, both for funding purposes and GASB disclosure purposes, contributions actually made are according to the required rates established by the State Legislature. The employer paid contribution rate, as a percentage of covered payroll for the year ended June 30, 2014 was 12.50% for regular members. The Authority's contributions to PERS for the years ended June 30, 2014, 2013, and 2011 were \$173,410, \$151,593, and \$141,710 respectively, equal to the required statutory contributions for each year.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 6 (continued)

The Authority's contributions to NVPERS for the fiscal years ended June 30 were as follows:

Trend Analysis

<u>Plan</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
Regular Employees	6/30/12	\$ 141,710	100%	\$ 0
Regular Employees	6/30/13	\$ 151,593	100%	\$ 0
Regular Employees	6/30/14	\$ 173,410	100%	\$ 0

Note 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Descriptions:

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

Benefit provisions for the NVRHAEHBP are established pursuant to NRS 287.023 and amended through negotiations between the Authority and the respective associations. NRS 288.150 assigns the authority to establish benefit provisions to the Board of Trustees. The plan provides healthcare insurance for eligible retirees and their beneficiaries through the Authority's group health insurance plan, which covers both active and retired members. Under NRS 287.023, eligible retirees are able to participate in the plan with at the same premium rates as active employees, thereby benefitting from an implicit subsidy. Retirees are required to pay 100% of their premiums under the plan. As of June 30, 2014, 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, 2014, the Authority retirees were utilizing this benefit.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 7 (continued)

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

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. For the plan year ended June 30, 2014, 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 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 2014, the Authority contributed \$2,831 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.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 7 (continued)

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 2012, 2013 and 2014 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	\$ 2,499	\$ 2,138	85.58%	\$ 9,114
6/30/13	\$ 2,519	\$ 2,285	100%	9,438
6/30/14	\$ 3,356	\$ 2,831	100%	9,663

The net OPEB obligation (NOPEBO) as of June 30, 2014, was calculated as follows:

Annual required contribution	\$ 3,356
Interest on the beginning net OPEB obligation	374
ARC adjustment	<u>(585)</u>
Annual OPEB expense	3,145
Contributions made	<u>2,831</u>
Increase (decrease) in net OPEB obligation	314
Net OPEB obligation (asset), beginning of year	<u>9,349</u>
Net OPEB obligation (asset), end of year	<u><u>\$ 9,663</u></u>

Funded Status and Funding Progress:

The funded status of the plans as of June 30, 2014, was as follows:

Accrued actuarial liability (a)	\$ 55,181
Actuarial value of plan assets (b)	<u>-</u>
Unfunded actuarial accrued liability (a) – (b)	<u>55,181</u>
Covered payroll (c)	\$ 0
Unfunded actuarial accrued liability as a percentage of covered payroll (a – b)/c	0.0%

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.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 7 (continued)

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:	
2013	7.00%
2014	3.00%
2015 and later	8.00%

Note 8 - 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. At June 30, 2014 accrued vacation and sick leave has been valued by the Authority and has been recorded as a short term liability of \$6,953 and a long-term liability of \$62,566.

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.

NEVADA RURAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 9 (continued)

Contingent Liability

For the West Minor Street Associates, LLC and Sunridge Fallon Associates, LLC partnerships, the Nevada Rural Housing Authority (the Authority) has guaranteed performance regarding completion of construction, repayment of construction and/or permanent loans, delivery of low-income housing tax credits, funding of operating deficits, payment of development fees, and maintaining compliance with applicable provisions of Internal Revenue Code Section 42. 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 defaults 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, 2014. There is option to extend this lease for two years at the then current market rate. Total rents paid under this lease agreement for the fiscal year ended June 30, 2014 was \$110,293. The future minimum rental payment for this lease is as follows:

<u>Year ending June 30,</u>	
2015	\$ 18,382
Total	<u>\$ 18,382</u>

Note 11 – SUBSEQUENT EVENTS

Management evaluated all activity of the Authority through December 5, 2014, 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.

**NEVADA RURAL HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 2014**

Schedule of funding progress for OPEB

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of covered Payroll</u>
2010	June 30, 2008	\$ 0	\$ 276,345	\$ 276,345	0%	\$ 975,277	28.3%
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%	0	0.0%

**NEVADA RURAL HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<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		\$ 94,726
Mainstream Vouchers	14.879		919,685
Multifamily Housing Service Coordinators	14.191		77,550
Section 8 Housing Choice Vouchers	14.871		<u>9,039,146</u>
 Total U.S. Department of Housing and Urban Development			 <u>10,131,107</u>
U.S. Department of Agriculture (USDA):			
Direct Programs:			
Rural Rental Assistance Programs	10.427		349,097
Rural Housing Preservation Grant	10.433		<u>34,381</u>
 Total U.S. Department of Agriculture			 <u>383,478</u>
Department of Energy (DOE):			
Passed through from State of Nevada Housing Division:			
Weatherization Assistance For Low-Income Persons	81.042	DOE/2014/02	<u>14,127</u>
 Total Department of Energy			 <u>14,127</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/2014/02	<u>29,340</u>
 Total Department of Health and Human Services			 <u>29,340</u>
 Total Federal Expenditures			 <u>\$ 10,558,052</u>

This statement was prepared on the accrual basis of accounting.

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

NEVADA RURAL HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014

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, 2014. 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, 2014.

NEVADA RURAL HSG AUTH (NV905)

Carson City, NV

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.191 Multifamily Housing Service Coordinators	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	10.427 Rural Rental Assistance Payments	2 State/Local	1 Business Activities	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	14.313 Dollar Home Sales	81.042 Weatherization Assistance for Low-Income Persons	14.149 Rent Supplements_R ental Housing for Lower Income Families	6.1 Component Unit - Discretely Presented	93.568 Low- Income Home Energy Assistance	10.433 Rural Housing Preservation Grants	ELIM	Total
111 Cash - Unrestricted			\$312,744	\$213,532		\$8,093,754	\$36,383				\$1,000				\$6,657,413
112 Cash - Restricted - Modernization and Development															
113 Cash - Other Restricted		\$170,173		\$1,134,108											\$1,304,281
114 Cash - Tenant Security Deposits				\$30,854		\$24,155	\$3,840								\$58,849
115 Cash - Restricted for Payment of Current Liabilities						\$12,506									\$12,506
100 Total Cash	\$0	\$170,173	\$312,744	\$1,378,494	\$0	\$6,130,415	\$40,223	\$0	\$0	\$0	\$1,000	\$0	\$0	\$0	\$8,033,049
121 Accounts Receivable - PHA Projects															
122 Accounts Receivable - HUD Other Projects															
124 Accounts Receivable - Other Government	\$14,408	\$30		\$24,993	\$14,035	\$11,110						\$5,196	\$17,130		\$86,902
125 Accounts Receivable - Miscellaneous		\$5,218				\$119,242									\$124,460
126 Accounts Receivable - Tenants				\$2,989		\$52,031	\$27								\$55,047
126.1 Allowance for Doubtful Accounts - Tenants				\$0		\$0	\$0					\$0	\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0	\$0	\$0	\$0					\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current															
128 Fraud Recovery		\$296,288	\$30,380												\$326,668
128.1 Allowance for Doubtful Accounts - Fraud		-\$296,288	-\$30,380												-\$326,668
129 Accrued Interest Receivable						\$33,340									\$33,340
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$14,408	\$5,248	\$0	\$27,982	\$14,035	\$215,723	\$27	\$0	\$0	\$0	\$0	\$5,196	\$17,130	\$0	\$299,749
131 Investments - Unrestricted						\$0									\$0
132 Investments - Restricted															
135 Investments - Restricted for Payment of Current Liability															
142 Prepaid Expenses and Other Assets					\$669	\$879						\$650			\$2,198
143 Inventories															
143.1 Allowance for Obsolete Inventories															
144 Inter Program Due From						\$919,508		\$73,291						-\$992,799	\$0
145 Assets Held for Sale						\$56,438									\$56,438
150 Total Current Assets	\$14,408	\$175,421	\$312,744	\$1,406,476	\$14,704	\$7,322,963	\$40,250	\$73,291	\$0	\$0	\$1,000	\$5,846	\$17,130	-\$992,799	\$8,391,434
161 Land				\$1,580,472		\$609,344	\$228,260	\$19,800							\$2,435,876
162 Buildings				\$7,363,162		\$6,263,319	\$448,585	\$66,582							\$14,139,648
163 Furniture, Equipment & Machinery - Dwellings				\$63,505		\$121,678									\$165,183
164 Furniture, Equipment & Machinery - Administration		\$105,624	\$10,830		\$24,013										\$140,467
165 Leasehold Improvements															
166 Accumulated Depreciation		-\$59,515	-\$6,102	-\$1,999,542	-\$24,013	-\$272,929	-\$52,102	-\$7,985							-\$2,422,188
167 Construction in Progress															
168 Infrastructure															
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$46,109	\$4,728	\$7,007,597	\$0	\$6,721,412	\$620,743	\$78,397	\$0	\$0	\$0	\$0	\$0	\$0	\$14,478,986
171 Notes, Loans and Mortgages Receivable - Non-Current						\$4,100,000									\$4,100,000
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due															

173 Grants Receivable - Non Current															
174 Other Assets															
176 Investments in Joint Ventures															
180 Total Non-Current Assets	\$0	\$46,109	\$4,728	\$7,007,597	\$0	\$10,821,412	\$620,743	\$78,397	\$0	\$0	\$0	\$0	\$0	\$0	\$18,578,986
190 Total Assets	\$14,408	\$221,530	\$317,472	\$8,414,073	\$14,704	\$18,144,375	\$680,993	\$151,688	\$0	\$0	\$1,000	\$5,846	\$17,130	-\$992,799	\$26,970,420
200 Deferred Outflow of Resources															
290 Total Assets and Deferred Outflow of Resources	\$14,408	\$221,530	\$317,472	\$8,414,073	\$14,704	\$18,144,375	\$680,993	\$151,688	\$0	\$0	\$1,000	\$5,846	\$17,130	-\$992,799	\$26,970,420
311 Bank Overdraft		\$54,559													\$54,559
312 Accounts Payable <= 90 Days	\$24			\$18,461	\$63	\$58,060						\$10			\$76,618
313 Accounts Payable >90 Days Past Due															
321 Accrued Wage/Payroll Taxes Payable	\$2,661	\$17,186	\$1,762	\$6,425	\$710	\$36,410						\$110			\$65,264
322 Accrued Compensated Absences - Current Portion	\$169	\$2,606	\$267		\$50	\$3,852						\$9			\$6,853
324 Accrued Contingency Liability															
325 Accrued Interest Payable															
331 Accounts Payable - HUD PHA Programs		\$232	\$82,343												\$82,575
332 Account Payable - PHA Projects															
333 Accounts Payable - Other Government						\$9,540									\$9,540
341 Tenant Security Deposits				\$27,021		\$21,952	\$3,840								\$52,813
342 Unearned Revenue				\$2,159		\$80,825									\$83,084
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				\$58,464		\$4,781,348									\$4,839,812
344 Current Portion of Long-term Debt - Operating Borrowings															
345 Other Current Liabilities		\$20,852	\$2,139			\$9,884									\$32,874
346 Accrued Liabilities - Other						\$3,298									\$3,298
347 Inter Program - Due To	\$6,479				\$11,272	\$945,509			\$6,606			\$5,803	\$17,130	-\$992,799	\$0
348 Loan Liability - Current		\$5,787													\$5,787
310 Total Current Liabilities	\$9,333	\$101,222	\$86,510	\$112,530	\$12,095	\$5,950,778	\$3,840	\$0	\$6,606	\$0	\$0	\$5,932	\$17,130	-\$992,799	\$5,313,177
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				\$4,033,227		\$1,000,000									\$5,033,227
352 Long-term Debt, Net of Current - Operating Borrowings															
353 Non-current Liabilities - Other						\$142,621									\$142,621
354 Accrued Compensated Absences - Non Current	\$1,515	\$23,450	\$2,405		\$446	\$34,672						\$78			\$62,566
355 Loan Liability - Non Current															
356 FASB 5 Liabilities															
357 Accrued Pension and OPEB Liabilities						\$9,663									\$9,663
350 Total Non-Current Liabilities	\$1,515	\$23,450	\$2,405	\$4,033,227	\$446	\$1,186,956	\$0	\$0	\$0	\$0	\$0	\$78	\$0	\$0	\$5,248,077
300 Total Liabilities	\$10,848	\$124,672	\$88,915	\$4,145,757	\$12,541	\$7,137,734	\$3,840	\$0	\$6,606	\$0	\$0	\$6,010	\$17,130	-\$992,799	\$10,561,254
400 Deferred Inflow of Resources															
508.4 Net Investment in Capital Assets	\$0	\$40,322	\$4,728	\$2,915,906	\$0	\$797,443	\$620,743	\$78,397	\$0	\$0	\$0	\$0	\$0	\$0	\$4,457,539
511.4 Restricted Net Position	\$0	\$170,173	\$0	\$1,134,108	\$0	\$12,506	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,316,787
512.4 Unrestricted Net Position	\$3,560	-\$113,637	\$223,829	\$218,302	\$2,163	\$10,196,692	\$36,410	\$73,291	-\$6,606	\$0	\$1,000	-\$164	\$0		\$10,834,840
513 Total Equity - Net Assets / Position	\$3,560	\$96,858	\$228,557	\$4,268,316	\$2,163	\$11,006,841	\$657,153	\$151,688	-\$6,606	\$0	\$1,000	-\$164	\$0	\$0	\$16,408,166
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$14,408	\$221,530	\$317,472	\$8,414,073	\$14,704	\$18,144,375	\$680,993	\$151,688	\$0	\$0	\$1,000	\$5,846	\$17,130	-\$992,799	\$26,970,420

NEVADA RURAL HSG AUTH (NV905)

Carson City, NV

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.191 Multifamily Housing Service Coordinators	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	10.427 Rural Rental Assistance Payments	2 State/Local	1 Business Activities	14.230 Neighborhood Stabilization Program (Recovery Act Compliant)	14.313 Dollar Home Sales	81.042 Weatherization Assistance for Low-Income Persons	14.148 Rural Supplements Rental Housing for Lower Income Families	6.1 Component Unit - Discretely Presented	93.588 Low- Income Home Energy Assistance	10.433 Rural Housing Preservation Grants	ELIM	Total
70300 Net Tenant Rental Revenue				\$268,647		\$302,431	\$44,155	\$8,139							\$623,372
70400 Tenant Revenue - Other															
70500 Total Tenant Revenue	\$0	\$0	\$0	\$268,647	\$0	\$302,431	\$44,155	\$8,139	\$0	\$0	\$0	\$0	\$0		\$623,372
70600 HUD PHA Operating Grants		\$9,039,146	\$919,685												\$9,958,831
70610 Capital Grants															
70710 Management Fee															
70720 Asset Management Fee															
70730 Book Keeping Fee															
70740 Front Line Service Fee															
70750 Other Fees															
70700 Total Fee Revenue															
70800 Other Government Grants	\$77,550			\$349,097	\$170,466	\$1,096,555			\$14,127	\$94,726		\$29,340	\$34,381		\$1,866,242
71100 Investment Income - Unrestricted		\$69	\$173	\$1,504		\$25,379	\$52								\$27,177
71200 Mortgage Interest Income						\$180,400									\$180,400
71300 Proceeds from Disposition of Assets Held for Sale															
71310 Cost of Sale of Assets															
71400 Fraud Recovery		\$19,553	\$2,005												\$21,558
71500 Other Revenue		\$19,806	\$719	\$248,648		\$1,914,920	\$705								\$2,184,798
71600 Gain or Loss on Sale of Capital Assets															
72000 Investment Income - Restricted															
70000 Total Revenue	\$77,550	\$9,078,574	\$922,562	\$667,896	\$170,466	\$3,519,685	\$44,912	\$8,139	\$14,127	\$94,726	\$0	\$29,340	\$34,381		\$14,862,378
91100 Administrative Salaries	\$48,823	\$387,901	\$36,786		\$17,516	\$874,573			\$1,031			\$1,059			\$1,367,689
91200 Auditing Fees		\$20,400	\$2,096	\$6,375		\$2,545	\$70			\$530					\$32,016
91300 Management Fee	\$6,870	\$0	\$0	\$64,742	\$17,149	\$21,015	\$6,616	\$824	\$1,433	\$31,411		\$2,935	\$3,126		\$156,121
91310 Book-keeping Fee															
91400 Advertising and Marketing	\$26	\$10,176	\$1,039	\$1,310	\$311	\$144,861			\$12	\$1,412					\$159,147
91500 Employee Benefit contributions - Administrative	\$7,324	\$125,086	\$12,825			\$237,430			\$333			\$270			\$383,268
91600 Office Expenses	\$8,348	\$149,084	\$15,286	\$8,971	\$3,233	\$177,823	\$424		\$193	\$1,110					\$364,482
91700 Legal Expense		\$649	\$67	\$250		\$70,384	\$33								\$71,383
91800 Travel	\$1,363	\$17,571	\$1,801		\$1,754	\$49,151			\$2						\$71,642
91810 Allocated Overhead		\$335,392	\$34,387			\$266,207									\$635,986
91900 Other	\$3,003	\$27,164	\$2,787	\$79,548	\$808	\$510,144			\$1,113	\$9,139		\$253			\$633,959
91000 Total Operating - Administrative	\$75,757	\$1,073,433	\$107,074	\$161,196	\$40,771	\$2,354,133	\$7,143	\$824	\$4,117	\$43,602	\$0	\$4,517	\$3,126		\$3,875,693
92000 Asset Management Fee															
92100 Tenant Services - Salaries															
92200 Relocation Costs															
92300 Employee Benefit Contributions - Tenant Services					\$3,825										\$3,825
92400 Tenant Services - Other															
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$3,825	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$3,825

[illegible]

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**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, 2014, 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 5, 2014.

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.

Wallace Rowe & Associates

Pleasant Hill, California
December 5, 2014

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**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, 2014. 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, 2014.

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, 2014, 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 5, 2014, 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.

Wallace Rowe + Associates

Pleasant Hill, California
December 5, 2014

**NEVADA RURAL HOUSING AUTHORITY
STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

The previous audit report for the year ended June 30, 2013 contained no audit findings.

**NEVADA RURAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	no
Reportable conditions identified not considered material weaknesses?	no
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with A-133, Section .510(a)?	no
Identification of major programs:	
Housing Voucher Cluster:	
Section 8 Housing Choice Vouchers	14.871
Mainstream Vouchers	14.879
Rural Rental Assistance Programs	10.427
Dollar threshold to distinguish between Type A and Type B programs	\$316,742
Auditee qualified as low risk auditee?	yes
Section II - Financial Statement Findings	no
Section III - Federal Award Findings	no