

Newport News Redevelopment and Housing Authority
Newport News, Virginia

Financial Statements and
Report of Independent Auditor

June 30, 2014

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Report of Independent Auditor

The Commissioners of the Newport News
Redevelopment and Housing Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit and the aggregate remaining fund information of the Newport News Redevelopment and Housing Authority (the "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.

Auditor's 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, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the 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 accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter*Correction of an Error*

As discussed in Note 21 to the financial statements, certain errors resulting in the understatement of previously reported assets and contributions of the business type activities and discretely presented component unit as of June 30, 2013, were discovered by management of the Authority during the current year. Accordingly, an adjustment has been made to net position as of June 30, 2013 to correct the error. Our opinions are not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Funding Progress and the Employer Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining program financial statements, capital fund program cost statements, federal financial status reports, financial data schedules required by the U.S. Department of Housing and Urban Development, as well as the accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining program financial statements, capital fund program cost statements, federal financial reports, financial data schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting.

Cherry Bekart LLP

Virginia Beach, Virginia
March 30, 2015

**Newport News Redevelopment and Housing Authority
Newport News, Virginia**

MANAGEMENT’S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2014

The Newport News Redevelopment and Housing Authority (“the Authority” or “NNRHA”) management’s discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority’s financial activity, identify changes in the Authority’s financial position, and identify individual fund issues or concerns.

This management discussion and analysis is presented in accordance with the requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34).

Financial Highlights

The net position (assets and deferred outflows of resources over liabilities and deferred inflows of resources) may serve over time as a useful indicator of a Housing Authority’s financial position. For the Authority, assets exceeded liabilities by \$74,255,160, which is an increase of \$74,042 during the year ended June 30, 2014.

OVERVIEW OF THE ANNUAL FINANCIAL REPORTS

The following outline describes the integral parts of this financial presentation and is a guideline for understanding its components:

- I. **Management Discussion and Analysis (MD&A)**
Serves as an introduction to the Authority’s basic financial statements
- II. **Basic Financial Statements**
 - Fund Financial Statements
 - Notes to Financial Statements
- III. **Other Required Supplementary Information**

Fund Financial Statements

The financial statements in this report are those of a special purpose governmental entity engaged in only business type activities.

The following Statements are included in the fund financial statements:

Statement of Net Position – The Statement of Net Position reports all financial and capital resources for the Authority similar to a balance sheet. Assets and liabilities are presented in order of liquidity, and are classified as “Current” (convertible into cash within one year), “Restricted”, and “Non-current”.

**Newport News Redevelopment and Housing Authority
Newport News, Virginia**

MANAGEMENT’S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2014

The focus of the Statement of Net Position (the “Unrestricted”) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly Net Assets) are reported in three broad categories:

Net Investment in Capital Assets – This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, and regulations, etc.

Unrestricted – Consists of Net Position that do not meet the definition of “Net Investments Invested in Capital Assets, or “Restricted”.

Statement of Revenues, Expenses and Changes in Fund Net Position – This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Position is the “Change in Net Position”, which is similar to Net Income or Loss.

Statement of Cash Flows – The Statement of Cash Flows discloses net cash provided by or used for operating activities, non-capital financing activities, and from capital and related financing and investment activities.

The Authority uses the enterprise method of accounting, which utilizes the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by the private sector.

Business-type Activities

Public Housing Fund – Under the conventional Low-Rent Public Housing Program, the Authority rents units that it owns to low-income households. The Low-Rent Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the Authority to provide the housing at a rent that is based upon 30% of household income. The Authority’s capital funds are received from the United States Department of Housing and Urban Development through a formula-driven computation. These funds are used to modernize and upgrade facilities at housing developments. Each year’s grant funds must be entirely obligated within two years of inception of the grant, and entirely expended within four years. These funds include the operations of three mixed finance developments operated as public housing.

**Newport News Redevelopment and Housing Authority
Newport News, Virginia**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2014

Rental Assistance Fund – This fund is used to report all rental assistance and subsidy programs and includes the Housing Choice Voucher program, the Section 8 Moderate Rehabilitation SRO program, and the Shelter Plus Care Program. Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords who own rental property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income. The Shelter Plus Care Program provides housing assistance payments for a special needs population. Under the Section 8 Moderate Rehabilitation Program, the Housing Authority assists homeless participants in a single-room-occupancy facility. This program is similar to the Housing Choice Voucher Program except that these units are owned by one landlord, and required moderate renovation as part of the original development costs.

State & Local Activities Fund – This fund includes locally funded redevelopment activities and grants.

Central Office Cost Center Fund – This fund includes the Authority's Revolving fund to centrally pay invoices and payroll, and is used to account for administrative functions provided by the Authority for its programs. This includes the costs of the Authority's executive offices, Department of Administration, Department of Finance, and other centralized services.

Community Development Block Grant (CDBG) and HOME Funds – Public housing agencies in Virginia are created as combined redevelopment and housing authorities under State law. The redevelopment powers of NNRHA are granted by the State Legislature and include the ability to carry out all tasks associated with redevelopment, conservation, as well as community and economic development projects (e.g.: property acquisition and clearance, as well as, making loans and grants). Redevelopment is coordinated closely with the City of Newport News and often is funded with City funding. NNRHA also is under contract with the City of Newport News (City) to administer the federal Community Development Block Grant (CDBG) and HOME programs. The Authority serves as the agency to receive all funds drawn by the City, collect all sources of other income, and pay all expenses incurred on behalf of City Council approved programs.

Resident Opportunity and Supportive Service (ROSS) Grants – The Authority has received funding over the last several years from the Department of Housing and Urban Development that encourages economic self-sufficiency among the Authority's resident population. This includes the Service Coordinators for Public Housing grants (SCPH), which funds coordinators who work directly with the Authority's senior residents.

Transition Center Fund - Virginia Housing Development Authority – The Authority built and maintains a 12-unit facility for the developmentally disabled with Section 8 Housing Choice Vouchers New Construction funds provided by the Virginia Housing Development Authority (VHDA). NNRHA contracts the management services of this facility to the local chapter of the Community Services Board for the unique needs of this special client population. Tenant rent, Section 8 Housing Choice Vouchers Housing Assistance Payments (HAP), and interest income provide for a well-financed development with adequate operating and replacement reserves.

**Newport News Redevelopment and Housing Authority
Newport News, Virginia**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2014

Business Activities Fund – This fund includes several programs and initiatives owned, operated, or administered by the Authority, including:

Congregate Resident Facility Housing – The Authority built and maintains an 18-bed facility for single pregnant clients suffering from substance abuse. The Community Services Board rents and manages the facility and provides rehabilitation services for its clients.

Tax Exempt Bond Issuance Program – The Authority occasionally is approached by private developers to issue tax exempt bonds for multi-family rental properties. The Mortgage Revenue Bond Program is funded by fees the developers pay either as a one-time financing fee or as annual payments over the life of the bond. The fee includes a pro-rata share of the initial bond financing for the Authority's approval of the tax exempt funding. The Authority earns interest on these deposits.

Excess Earned Administration Fee Fund – The Excess Administration Fee Program is funded by the interest earned on investments and the rental of acquired property. The fee program was started as the various Section 8 Certificate and Moderate Rehabilitation Programs were terminated and the excess administrative fees earned were transferred to this new program.

Developer Fee Fund – The Developer Fee Fund is funded by fees the Authority receives as the developer for Low Income Housing Tax Credit properties.

Neighborhood Stabilization Program Fund (NSP) – The Authority administers the federal NSP program on behalf of the City of Newport News. The program was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment, and involves the purchase, renovation, and eventual sale of residential real estate.

Lower Jefferson Avenue Development Program and Lofts on Jefferson - The Roam Building, now the Lofts on Jefferson, was converted to 14 one bedroom non-subsidized work-force housing apartments and opened in the spring of 2014. Jefferson Brookeville Apartments will be a unique affordable housing development involving both urban infill and historic adaptive reuse and will revitalize the 2500 and 2700 blocks of Jefferson Avenue and stabilize the surrounding neighborhood. New construction and the adaptive reuse at the historic former George Washington School and former Mesic Hardware building will provide a total of 50 new apartments. In September 2014, the Jefferson Brookeville development opened to house 50 families along lower Jefferson Avenue and on 28th Street. The adaptive re-uses of an old hardware store and a late 19th century school building are incorporated in the project. A partnership with Landmark Development and Low-Income Housing Tax Credits enabled the Authority to grow new and viable housing along lower Jefferson Avenue.

Discretely Component Unit

During 2014 the Authority teamed with a developer and created the Lower Jefferson Avenue, LLC to construct 50 apartment units in the Jefferson Avenue Corridor. The Authority created a wholly owned subsidiary to serve as the managing member of this entity. The Authority will eventually assume day-to-day management functions for these units. At June 30, 2014 these units were still under construction.

**Newport News Redevelopment and Housing Authority
Newport News, Virginia**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2014

Fiduciary Fund

In FY 2009 the Authority established the Other Post-employment Benefits (OPEB) Trust Fund to account for resources held in trust for employees, retirees, and their beneficiaries based on the Authority's benefits plan. The Authority established the trust to accumulate and invest assets to fund OPEB liabilities by joining VACo/VML Pooled OPEB Trust Fund. The plan assets and activities are reported as a Fiduciary Fund in the fund financial statements. The Authority was required to implement the provisions of GASB 43 and GASB 45 in FY 2009.

ANALYSIS OF AUTHORITY-WIDE NET POSITION (STATEMENT OF NET POSITION)

(Interfund due from and to amounts as well as interfund loans receivable and payable are excluded)

	FY 2014 Proprietary Fund	FY 2013 Proprietary Fund*	Increases (Decreases)
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Current Assets	\$ 17,259,173	\$ 18,596,147	\$ (1,336,974)
Capital Assets	44,566,707	44,459,241	107,466
Other Assets	16,735,261	15,391,305	1,343,956
	<u>78,561,141</u>	<u>78,446,693</u>	<u>114,448</u>
TOTAL ASSETS			
LIABILITIES:			
Current Liabilities	1,833,103	1,567,977	265,126
Non-Current Liabilities	2,472,878	2,632,652	(159,774)
	<u>4,305,981</u>	<u>4,200,629</u>	<u>105,352</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>64,946</u>	<u>(64,946)</u>
NET POSITION:			
Net Investment in Capital Assets	42,776,670	42,592,484	184,186
Restricted Net Position	15,059,360	14,835,948	223,412
Unrestricted Net Position	16,419,130	16,752,686	(333,556)
	<u>\$ 74,255,160</u>	<u>\$ 74,181,118</u>	<u>\$ 74,042</u>
TOTAL NET POSITION			

*As restated

**Newport News Redevelopment and Housing Authority
Newport News, Virginia**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2014

Analysis of Changes in Net Position

Net position (assets and deferred outflows or resources over liabilities and deferred inflows of resources) increased slightly by \$74,042.

	FY2014	FY2013		
	Enterprise Funds	Enterprise Funds	Increase/ Decrease	Percent
OPERATING REVENUES:				
Rental and tenant income	\$ 3,646,066	\$ 3,617,869	\$ 28,197	1%
Intergovernmental	28,924,534	28,505,396	419,138	1%
Other income	2,832,521	2,083,719	748,802	36%
Total operating revenues	<u>35,403,121</u>	<u>34,206,984</u>	<u>1,196,137</u>	<u>3%</u>
OPERATING EXPENSES:				
Administration	5,647,752	5,706,638	(58,886)	-1%
Tenant Services	604,916	602,399	2,517	0%
Utilities	2,002,576	2,022,362	(19,786)	-1%
Ordinary maintenance and operations	2,786,712	3,030,079	(243,367)	-8%
Protective services	138,567	161,260	(22,693)	-14%
Insurance expense	421,787	441,181	(19,394)	-4%
General expense	3,444,146	4,404,768	(960,622)	-22%
Nonroutine maintenance (net of insurance)	410,430	865,502	(455,072)	-53%
Housing assistance payments	17,661,855	18,259,812	(597,957)	-3%
Interest	47,349	47,205	144	0%
Depreciation	3,356,513	3,254,174	102,339	3%
Total operating expenses	<u>36,522,603</u>	<u>38,795,380</u>	<u>(2,272,777)</u>	<u>-6%</u>
OPERATING LOSS	<u>(1,119,482)</u>	<u>(4,588,396)</u>	<u>3,468,914</u>	<u>-76%</u>
NONOPERATING REVENUES / (EXPENSES):				
Interest and investment revenue	128,464	130,844	(2,380)	-2%
Loss on disposition of fixed assets	-	(116,365)	116,365	-100%
Total nonoperating revenues / expenses	<u>128,464</u>	<u>14,479</u>	<u>113,985</u>	<u>787%</u>
LOSS BEFORE CONTRIBUTIONS, TRANSFERS, AND ADJUSTMENTS:				
HUD capital contributions	1,005,060	685,944	319,116	47%
Tax credit proceeds	60,000	60,000	-	0%
CHANGE IN NET POSITION	<u>74,042</u>	<u>(3,827,973)</u>	<u>3,902,015</u>	<u>-102%</u>
TOTAL NET POSITION - beginning*	<u>74,181,118</u>	<u>78,009,091</u>	<u>(3,827,973)</u>	<u>-5%</u>
TOTAL NET POSITION - ending	<u>\$ 74,255,160</u>	<u>\$ 74,181,118</u>	<u>\$ 74,042</u>	<u>0%</u>

*As restated

**Newport News Redevelopment and Housing Authority
Newport News, Virginia**

MANAGEMENT’S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2014

Revenue and Expense Activities

Operating Revenues of Enterprise Funds Activities – The Authority’s revenue increased slightly by 3.5% or \$1,196,137 in FYE June 30, 2014 as compared to FYE June 30, 2013. Income (rent, excess utilities, and maintenance charges) increased slightly by \$28,197. The net intergovernmental revenue, operating grants and housing assistance payments increased by \$419,138. Program activity and income has been slightly stronger than in previous years due to the economy, more individuals are receiving or paying off these loans. As a result, program income has increased. Other income increased \$748,802 due to construction and sale of ten homes in the HOME program, and an increase in reimbursements from other housing authorities for participants that “port-in” from other jurisdictions for the Housing Choice Voucher program.

Operating Expenses of Enterprise Funds Activities – The Authority’s Enterprise Funds expenses decreased by 5.8% or \$2,272,777 in FYE June 30, 2014 as compared to FYE June 30, 2013. There was a decrease of \$597,957 in housing assistance payments to landlords due to the decrease in funding for the Housing Choice Voucher program, decrease in the expenditure of HOME grant funds, and a significant decrease in nonroutine maintenance expenditures (net of insurance). Most of the operating expenses (administration, ordinary maintenance, utilities etc.) also decreased. The continued phase-out of Harbor Homes and Dickerson Courts and a continued effort to control costs contributed to the overall decrease in expenditures.

CAPITAL ASSETS

At the end of fiscal year June 30, 2014, the Enterprise Funds had \$111,215,069 before accumulated depreciation, invested in a broad range of capital assets, including multi-family residential property, commercial office and shop property, computer equipment, and vehicles. The Authority’s Public Housing fund is capital assets intensive and reflects the costs of buildings purchased, constructed and decades of major renovations. The cost of these items are capitalized and depreciated over their useful lives, while the grants received from HUD to fund these capital costs are recognized as revenue in the year the costs are capitalized. During the current year, the Authority had an increase in building improvements. These are related to the completion of the Lofts development.

Additional information on the Authority’s capital assets can be found in Note 5 to the financial statements.

	FY 2014	FY 2013	Increase / Decrease
Land and improvements	\$ 3,765,977	\$ 3,765,977	\$ -
Building	101,132,914	99,354,659	1,778,255
Equipment	3,407,579	3,261,237	146,342
Construction in progress	2,908,599	1,369,217	1,539,382
Total	<u>111,215,069</u>	<u>107,751,090</u>	<u>3,463,979</u>
Accumulated depreciation	<u>(66,648,362)</u>	<u>(63,291,849)</u>	<u>(3,356,513)</u>
TOTAL	<u><u>\$ 44,566,707</u></u>	<u><u>\$ 44,459,241</u></u>	<u><u>\$ 107,466</u></u>

**Newport News Redevelopment and Housing Authority
Newport News, Virginia**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2014

LONG-TERM DEBT

At the end of fiscal year June 30, 2014, the Authority owed \$1,790,037 in long-term debt to external parties. The debt consists of a note payable due to VHDA for the Transition Center, and Tax Credit Assistance Program and Tax Credit Exchange Program debt for the Orcutt Townhomes III property. During 2014, there were no modifications to the Transition Center mortgage note and principal payments of \$16,720 were made. Additional information on the Authority's long-term debt can be found in Note 4 to the financial statements.

ECONOMIC FACTORS

Several significant economic factors are present that may impact the Authority in the future:

- The Department of Housing and Urban Development has historically under-estimated the subsidy needs of public housing authorities. The Housing Act of 1998 made sweeping changes to the public housing program. Congress commissioned Harvard University to conduct a public housing cost study to establish a reasonable basis to project the cost of managing public housing, and determine the amount of subsidy a housing authority should receive. Harvard proposed a new operating fund formula to calculate the operating subsidy and that the public housing program should move to a system which focused on asset management. The Authority successfully transitioned to asset management in FY 2009. However, no changes to the operating fund formula have been made in the intervening years. Also, several problems remain: an inflation factor that does not consider the increase in the cost of health benefits, not providing an increase in funding for administering properties that are older than 28 years, not using an inflation factor for items such as asset management fee, and continued unwillingness to acknowledge the operating and regulatory differences that exist between public housing and the properties that were used to establish the benchmark. In February 2015, under the Rental Assistance Demonstration (RAD) program, the Authority was awarded a Commitment to Enter into a Housing Assistance Payment (CHAP) for 348 units at three separate properties. The purpose is to convert these public housing units to a form of project-based assistance under the Housing Choice Voucher program. The conversion will allow the Authority to borrow money for much needed renovation and improvements to the properties.
- The Authority's federal revenues had been cut in many programs. The Housing Choice Voucher (Section 8) program was subject to a renewal funding of 94.1% last year; however funding in CY 2015 will be prorated to 101.25%, allowing the Authority to increase vouchers issued. The Authority was also awarded nineteen Veterans Affairs Supportive Housing (VASH) vouchers to be administered in partnership with the Department of Veteran Affairs (VA) facility, Hampton VA Medical Center. These vouchers are intended to serve Veterans in Newport News. However, the administrative fee funding continues to remain low at 74 percent of eligibility. Continued reductions in both CDBG and HOME will reduce the resources available for housing rehabilitation, traditional redevelopment activities, and assistance provided to many non-profit agencies. Capital funding should be restored to slightly higher amounts than the 2012 levels, but still much less than it had been in years prior, and also roughly half of the cost of repair needs that will accrue. As a result, many needed capital repairs have to be deferred.

**Newport News Redevelopment and Housing Authority
Newport News, Virginia**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2014

- The Authority is being funded at a rate of 88.79% of public housing subsidy eligibility for the first six months of FY 2015. However, it is projected to decrease substantially; the Authority is expecting to receive funding of 82.35% for full 2015 calendar year.
- In the short-term, health care and other insurance costs are expected to increase dramatically. In the longer term, it is unknown at this time how the recently enacted health care reform will affect Authority expenses.
- Post-retirement benefits other than pensions are estimated to be \$130,000 for FY 2015. The liability has been funded through a trust.

FINANCIAL CONTACT

Questions concerning any of the information provided in this Management Discussion & Analysis should be addressed to:

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FINANCIAL STATEMENTS

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF NET POSITION

PROPRIETARY FUND AND DISCRETELY PRESENTED COMPONENT UNIT

June 30, 2014

	Proprietary Fund - Primary Government	Lower Jefferson Avenue, LLC
ASSETS		
Current assets:		
Cash and equivalents - unrestricted	\$ 15,932,917	\$ 400
Accounts receivable (net of allowance)	1,194,070	-
Investments	40,204	-
Prepaid expenses	70,055	-
Materials inventory (net of allowance)	21,927	-
Total current assets	<u>17,259,173</u>	<u>400</u>
Restricted assets:		
Cash and equivalents - restricted	5,070,124	15,000
Investments - restricted	352,140	-
Notes receivable (non-current)	9,057,365	-
Total restricted assets	<u>14,479,629</u>	<u>15,000</u>
Noncurrent assets:		
Notes and mortgages receivable	1,729,317	-
Nondepreciable capital assets	6,674,576	6,239,470
Capital assets (net)	37,892,131	-
Other noncurrent assets	526,315	-
Total noncurrent assets	<u>46,822,339</u>	<u>6,239,470</u>
TOTAL ASSETS	<u>78,561,141</u>	<u>6,254,870</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF NET POSITION
(Continued)

PROPRIETARY FUND AND DISCRETELY PRESENTED COMPONENT UNIT

June 30, 2014

	Proprietary Fund - Primary Government	Lower Jefferson Avenue, LLC
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	1,403,108	831,491
Accrued salaries	210,052	-
Accrued interest payable	491	-
Unearned revenues	29,005	-
Trust and deposit liabilities	145,113	-
Compensated absences	27,053	-
Notes payable	-	1,762,606
Current portion of long-term liabilities	18,281	-
Total current liabilities	<u>1,833,103</u>	<u>2,594,097</u>
Long-term liabilities:		
Compensated absences	446,952	-
Notes and mortgages payable	1,771,756	180,000
Trust, deposit and escrow liabilities	254,170	-
Total long-term liabilities	<u>2,472,878</u>	<u>180,000</u>
 TOTAL LIABILITIES	 <u>4,305,981</u>	 <u>2,774,097</u>
<u>NET POSITION</u>		
Net investment in capital assets	42,776,670	4,296,864
Restricted for:		
Reserves and escrows	2,169,098	15,000
HAP reserves	1,176,092	-
Loan programs	9,057,365	-
Other	2,656,805	-
Unrestricted	16,419,130	(831,091)
TOTAL NET POSITION	<u>\$ 74,255,160</u>	<u>\$ 3,480,773</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND AND DISCRETELY PRESENTED COMPONENT UNIT

Year Ended June 30, 2014

	Proprietary Fund - Primary Government	Lower Jefferson Avenue, LLC
OPERATING REVENUES:		
Rental and tenant income	\$ 3,646,066	\$ -
Intergovernmental - operating grants	28,924,534	-
Fee revenue	58,814	-
Other income	2,773,707	-
Total operating revenues	<u>35,403,121</u>	<u>-</u>
OPERATING EXPENSES:		
Administration	5,647,752	-
Tenant services	604,916	-
Utilities	2,002,576	-
Ordinary maintenance	2,786,712	-
Protective services	138,567	-
Insurance expense	421,787	-
General expenses	3,444,146	-
Non-routine maintenance	410,430	-
Housing assistance payments	17,661,855	-
Interest	47,349	-
Depreciation	3,356,513	-
Total operating expenses	<u>36,522,603</u>	<u>-</u>
OPERATING INCOME/(LOSS)	<u>(1,119,482)</u>	<u>-</u>
NONOPERATING REVENUES/EXPENSES:		
Interest and investment revenue	128,464	-
Total nonoperating revenues/(expenses)	<u>128,464</u>	<u>-</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	(991,018)	-
HUD Capital contributions	1,005,060	-
Tax credit and other proceeds	60,000	2,332,608
CHANGE IN NET POSITION	<u>74,042</u>	<u>2,332,608</u>
TOTAL NET POSITION - July 1, 2013	73,983,818	-
Prior period adjustments (Note 21)	197,300	1,148,165
TOTAL NET POSITION - June 30, 2014	<u>\$ 74,255,160</u>	<u>\$ 3,480,773</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2014

	Proprietary Fund - Primary Government
Cash flows from operating activities:	
Cash received from tenants/others	\$ 4,312,210
Cash received for fees/services/donations	651,557
Cash operating grants received (net)	29,428,270
Cash transfers from(to) other funds and entities	(504,449)
Cash payments for goods, services, rental subsidies	(25,451,526)
Cash payments to/for employees and benefits	(6,148,088)
Cash payments in lieu of property taxes	(161,931)
Cash paid for homes sold (net of sales)	(228,110)
Net cash provided/(used) by operating activities	<u>1,897,933</u>
Cash flows from capital and related financings activities:	
Purchase of equipment/capital assets	(3,056,620)
Transfers from/to other funds for capital activities	504,449
Contributions received for capital outlays	618,690
Loan principal payments	(16,720)
Interest payments	(6,716)
Net cash provided/(used) by capital and related financing activities	<u>(1,956,917)</u>
Cash flows from noncapital financing activities:	
Loans made to borrowers	(532,394)
Receipt of interest on notes and loans	77,576
Loans payments received	885,526
Net cash provided/(used) by noncapital financing activities	<u>430,708</u>
Cash flows from investing activities:	
Proceeds from sale of/investments made	2,567
Receipts of interest and dividends	3,491
Deposits to reserve accounts	(6,007)
Cash invested in joint ventures/subsidiaries	(178,558)
Net cash provided/(used) by investing activities	<u>(178,507)</u>
Net increase/(decrease) in cash	193,217
Cash and equivalents at July 1, 2013	<u>20,809,824</u>
Cash and equivalents at June 30, 2014	<u>\$ 21,003,041</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CASH FLOWS
(CONTINUED)

PROPRIETARY FUND

Year Ended June 30, 2014

	<u>Proprietary Fund - Primary Government</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (1,119,482)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	3,356,513
Interest expense	47,349
Change in assets and liabilities:	
Decrease/(Increase) in accounts receivable	452,253
Decrease/(Increase) in notes and mortgages receivable	(131,332)
Decrease/(Increase) in prepaid expenses and materials inventories	(16,447)
Decrease/(Increase) in other assets	99,136
Increase/(Decrease) in accounts payable	(661,318)
Increase/(Decrease) in accrued liabilities	13,387
Increase/(Decrease) in compensated absences	(6,990)
Increase/(Decrease) in trust, deposit, and escrow liabilities	(48,916)
Increase/(Decrease) in unearned revenues	(21,274)
Increase/(Decrease) in deferred inflows of resources	(64,946)
	<u>\$ 1,897,933</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

June 30, 2014

	<u>OPEB Trust Fund</u>
<u>ASSETS</u>	
Investments, at fair value	<u>\$ 1,017,151</u>
TOTAL ASSETS	<u>1,017,151</u>
<u>NET POSITION</u>	
Net position held in trust for other postemployment benefits	<u>1,017,151</u>
TOTAL NET POSITION	<u><u>\$ 1,017,151</u></u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUND

Year Ended June 30, 2014

	<u>OPEB Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 187,688
Plan members	42,810
Total contributions	<u>230,498</u>
Investment income:	
Net appreciation in fair value of investments	<u>106,158</u>
Less: investment expense	<u>-</u>
Net investment income	<u>106,158</u>
Total additions	<u>336,656</u>
DEDUCTIONS	
Benefits paid	130,498
Administrative expenses	1,507
Total deductions	<u>132,005</u>
Change in fiduciary net position	<u>204,651</u>
Net position held in trust for other postemployment benefits - July 1, 2013	<u>812,500</u>
Net position held in trust for other postemployment benefits - June 30, 2014	<u><u>\$ 1,017,151</u></u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Newport News Redevelopment and Housing Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

The Newport News Redevelopment and Housing Authority is a public body and a body corporate and politic created under the Authority of the General Statutes of the State of Virginia. The Authority was created for the purpose of providing safe and sanitary housing for the citizens of Newport News, Virginia. The seven member Board of Commissioners of the Authority is appointed to four-year terms by the City Council of the City of Newport News but the Authority designates its own management. The City provides minimal financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and maintain its own accounting system. Although the City Council of the City of Newport News appoints the governing board of the Authority, no other criteria established by GASB 14, GASB 39, and GASB 61 for inclusion of the Authority in the financial reports of the City of Newport News are met. Therefore, a separate financial report is prepared for the Authority.

Included within the reporting entity:

BUSINESS-TYPE ACTIVITIES (PROPRIETARY FUND)

Public Housing Program	This program owns and operates HUD-subsidized rental apartments and includes the activities of HUD grants provided specifically for public housing facilities, tenants, and activities. This program includes the Low-Rent Public Housing operating subsidy program, and the Public Housing Capital Fund Program as well as mixed finance tax credit properties operated as Public Housing.
Rental Assistance Program	This program is used to account for the rental housing assistance program administered by the Authority. These programs include the Housing Choice Voucher program, the Section 8 Moderate Rehabilitation Program, and the Shelter Plus Care Program.
Central Office Cost Center Program	This program is used to account for administrative functions provided by the Authority for its other programs. This includes the costs of the Authority's Executive offices, Department of Administration, Department of Finance, and other centralized services.
Community Development Program	This program is used to carry-out community and economic development activities through the City of Newport News.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

A. Reporting Entity (Continued)

HOME Investment Partnerships Program	This program is used to carry-out community and economic development activities through the City of Newport News.
Resident Self Sufficiency and Service Coordinator Programs Program	This program is used to account for the costs of delivering services funded by HUD's ROSS grants.
Transition Center Program	This program is used to account for the VHDA funded Transition Center housing program.
Business Activities Program	This program includes all of the non-federal and non-governmental activities that generate non-federal revenues.
Neighborhood Stabilization Program	This program is used to account for the activities and expenditures related to the City of Newport News' allocation of NSP funds from the State's allocation of funds.
State and Local Activities Program	This program includes locally funded redevelopment activities and grants.
Lower Jefferson Avenue Development Corporation	This program includes the activity of an Authority subsidiary that serves as the general partner/managing member of an entity created to develop the Jefferson Brookville Apartments.
2713 Lofts Development Corporation and 2713 Lofts, LLC	This program includes the activity of an Authority subsidiary that serves as the ownership entity that is developing and operating the Lofts on Jefferson development.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

A. Reporting Entity (Continued)

In evaluating the Authority's reporting entity in accordance with GASB Statement 14, GASB Statement 39, and GASB 61 management determined that the following entities or organizations met the criteria for inclusion in the Authority's financial statements:

<u>Entity</u>	<u>Method of inclusion/ reporting</u>
Orcutt Senior Housing Development Corporation (including Orcutt Senior Housing, L.P.)	Blended
Orcutt Townhomes Development Corporation (including Orcutt Townhomes, L.P.)	Blended
Orcutt Townhomes Development Corporation (including Orcutt Townhomes 3, L.P.)	Blended
2713 Lofts Development Corporation & 2713 Lofts, LLC	Blended
Lower Jefferson Avenue Development Corporation	Blended
Lower Jefferson Avenue, LLC	Discretely

In accordance with the applicable guidance, management evaluated whether the Authority is financially accountable for an entity as well as the significance of the relationship. The following criteria were used in this evaluation: the ability of the Authority to appoint a voting majority of the organization's governing body; whether the Authority can impose its will on the organization; whether the organization provides specific financial benefits to or imposes a specific financial burden on the Authority; and whether the organization is fiscally dependent on the Authority.

B. Description of a Public Housing Authority

Funding for the Newport News Redevelopment and Housing Authority is from the United States Department of Housing and Urban Development (HUD) and from payments received from tenants of the Authority owned housing. Under the Low-Rent Public Housing Program, low income tenants pay a portion of the rental cost of public housing, based upon the income and need of the tenants. HUD funds the difference between the actual costs to operate the Authority and the amounts paid by tenants through operating subsidies. The subsidies are made to the Authority under the terms and conditions of the annual contributions contract with HUD.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. Description of a Public Housing Authority (Continued)

The Rental Assistance Program provides rental supplements to the owners of existing private housing who rent to qualifying individuals. The Authority processes all applicants for the Section 8 Housing Choice Vouchers and Moderate Rehabilitation Programs, and Shelter Plus Care Programs places approved applicants in housing and pays the owner of the private housing monthly rental supplement. Under the conditions of an annual contributions contract, HUD provides funding for the rental supplements and for administrative costs. Under the Moderate Rehabilitation and Shelter Plus Care programs, housing assistance payments are funded by HUD on a reimbursement basis and an administrative fee is earned based on a formulae proscribed by HUD. For the Housing Choice Voucher program, HUD provides funding for housing assistance, administrative fees, and for other purposes based on an appropriated budget authority.

C. Fund financial statements

The Authority is a special-purpose government with no governmental activities. All of the Authority's funds are reported as one proprietary fund, which relies on a significant extent on fees and charges for support. In accordance with Sp20.107 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Authority's basic financial statements only include the Proprietary fund financial statements. The fund financial statements reflect the elimination of inter-program balances or transactions.

An other post-employment benefit (OPEB) trust fund is used to account for resources held in trust for employee, retirees, and their beneficiaries based on the postemployment benefits plan. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with plan terms.

D. Revenue recognition, measurement focus, basis of accounting, and financial statement presentation

The fund level financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessment.

The significant revenue recognition policies and practice related to these revenues are as follows:

Charges to tenants, participants, or applicants – these revenues consist primarily of dwelling rental charges and related fees and charges. Such revenues are recognized when due. Rental charges are typically recorded and recognized at the beginning of the rental term while tenant charges and fees are recognized when the underlying transaction has occurred. The revenues associated with installment repayment agreements are recorded when collected.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Revenue recognition, measurement focus, basis of accounting, and financial statement presentation
(Continued)

Operating grants and contributions – the Authority receives various grants from other governments and entities. In general, for cost reimbursement-type grants, the revenues are recognized when the underlying expenses are incurred and as soon as all eligibility requirements imposed by the provider have been met. For formula-based operating subsidies, the revenues are recognized during the period for which the subsidy was approved and authorized by the grantor agency. For fee-based grants, the revenues are recognized when the services are performed and delivered. The principal operating grant revenues earned by the Authority include operating subsidies for its low-rent public housing program, administrative fees for the Section 8 housing assistance programs and the non-capital portions of modernization and capital improvement grants.

Capital grants and contributions – the Authority receives various grants from other governments and entities. In general, for cost reimbursement-type grants, the revenues are recognized when the underlying expenses are incurred and as soon as all eligibility requirements imposed by the provider have been met. The principal capital grant revenues earned by the Authority include the capital portion of modernization and capital improvement grants.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the enterprise fund are rental and other charges to tenants or participants and the section 8 administrative fee earned on the housing assistance program. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

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

E. Fund Accounting

The Authority uses a single enterprise fund to report on its financial position and results of its operations in the fund level financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The fund types used by the Authority are described as follows:

Proprietary Fund Types – these funds account for virtually all other operations that are organized to be primarily self-supporting through user charges. The fund included in this category is the Enterprise Fund. Enterprise Funds are established to account for operations that are financed or operated in a manner similar to business enterprises, where the intent is that the costs of the program be recovered primarily through user charges.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. Fund Accounting (Continued)

Pension trust fund – is used to account for resources held in trust for employee, retirees, and their beneficiaries based on the postemployment benefits plan.

F. Basis of Accounting – Fund Level Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurements focus. Proprietary fund types used the flow of economic resources measurement focus. With this measurement focus the emphasis is on the measurement of net income similar to the approach used by commercial enterprise. Revenues are recognized when earned and expenses are recognized when incurred.

Generally, the fund financial statements do reflect the elimination of interprogram balances and transfers.

G. Budgets and Budgetary Accounting

The Authority is required by its HUD Annual Contribution Contracts to adopt annual budgets for the Low-Rent Public Housing Program. Annual budgets are not required for capital projects grants; other HUD grants or Housing Assistance Payments Programs as their budgets are approved for the length of the project or grant. Annual, project and grant length budgets require grantor approval. The annual operating budget is not approved by HUD and is not an appropriated budget.

Appropriations are authorized at the function level. Management may transfer budget authorization between functions. All appropriations which are not used lapse at year end. Budgeted amounts are as originally adopted or as amended by the Board.

H. Cash and Investments

Generally, cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority. Security deposit investments are reported as cash regardless of the investment term. Investments are stated at cost or at market value as required by GASB 31.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as deferred charges or prepaid items.

J. Inventories

Inventories are valued at cost using the average cost method.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

K. Capital Assets

Capital assets including construction or acquisition of infrastructure assets are capitalized in the proprietary funds used to acquire or construct them. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Assets are depreciated over their useful lives using the straight line method. The useful lives for each class of depreciable assets are as follows:

Buildings and improvements	15-40 years
Furniture	10 years
Office equipment and maintenance equipment	7 years
Vehicles and automotive equipment	7 years
Computer equipment and software	3-10 years

L. Capitalized Interest

Interest expense on notes and bonds, net of interest income on related debt proceeds are capitalized during the project development period through the date of full availability. Only the interest associated specifically with debt used to construct physical structures is capitalized.

M. Vacation and Sick Leave Compensation

Employees earn annual leave at varying rates based upon years of service up to a maximum of twenty-four (24) days per year. At termination, employees are paid for any accumulated annual leave. The liability for accrued but unused annual leave at June 30, 2014 is \$474,005 and is reported as a current or non-current liability. The maximum accrual is forty (40) days. Employees earn sick leave at the rate of fifteen (15) days per year with no maximum accumulation. At termination, employees are not paid for any accumulated balances.

N. Estimates

Preparing the Authority's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates relate to allowance for uncollectible accounts receivable, inventory obsolescence and depreciation. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

O. Imputation of Interest

The Authority makes loans to homeowners, program participants, and affiliates and obtain loans from state agencies and other governmental entities for the purposes of carrying out the Authority's and the state's affordable housing objectives. Accordingly, some notes receivable or payable that bear no interest or bear a below market interest rate do not require the imputation of interest pursuant to Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (GASB 62, paragraph 147f).

NOTE 2 – DEPOSITS AND INVESTMENTS:

The Authority's funds are maintained in bank deposits or in investments in debt securities. The Authority is permitted to invest funds in deposit accounts at federally insured financial institutions; in obligations of the U.S. Treasury or U.S. Government agencies; Local or State Government Investment Pools; and Repurchase Agreements with financial institutions (as long as the entire balance is collateralized by specifically identified securities of the U.S. Government or its agencies). Investments in debt securities that have a remaining maturity at the time of purchase of more than one year and that have a determinable market value are valued at market value as of year-end. The market values are based on quoted market prices at year-end. Certificates of deposit are stated at cost as they are not traded in any market and are held for longer terms. Securities with a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

BANK DEPOSITS

Deposits include amounts held in accounts that qualify for federal depository insurance and include demand deposits such as checking accounts, saving accounts and NOW accounts, as well as time deposits such as nonnegotiable certificates of deposit. In the financial statements, amounts held in demand deposits accounts and in time deposits with initial maturities of 90 days or less are classified as cash and cash equivalents. Amounts held in time deposits with initial maturities in excess of 90 days are classified as investments.

As of June 30, 2014, the Authority's deposits consist of the following:

	<u>Proprietary Fund</u>	<u>Lower Jefferson Avenue, LLC</u>
Demand Deposit accounts (checking, savings, and money market account)	\$ 14,696,657	\$ 15,400
Time deposits - certificates of deposit	<u>40,000</u>	<u>-</u>
Total deposits	<u>\$ 14,736,657</u>	<u>\$ 15,400</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

Deposits are required to be either covered by federal depository insurance or be collateralized with securities held by a third-party custodian in the Authority's name. At June 30, 2014, the Authority's deposits with financial institutions for all fund types, including fiduciary funds and blended component units, had a carrying amount of \$14,736,657 and a bank balance of \$15,082,925. For the discretely presented component units, the carrying amount of such deposits amount to \$15,400 and bank balances of \$629,043. The bank balance is categorized as follows:

	<u>Proprietary Fund</u>	<u>Lower Jefferson Avenue, LLC</u>
Amounts insured by the FDIC or collateralized with securities held by third party custodians in the Authority's name	\$ 1,490,317	\$ 250,000
Collateralized under the Commonwealth's public depository fund in accordance with the laws of the Commonwealth of Virginia	13,592,609	-
Uninsured, uncollateralized	<u>-</u>	<u>379,043</u>
Total bank balance	<u>\$ 15,082,926</u>	<u>\$ 629,043</u>

As of June 30, 2014, the Authority deposits are classified in the financial statements as follows:

	<u>Proprietary Fund</u>	<u>Lower Jefferson Avenue, LLC</u>
Cash and cash equivalents	\$ 14,696,657	\$ 15,400
Investments	<u>40,000</u>	<u>-</u>
Total deposits	<u>\$ 14,736,657</u>	<u>\$ 15,400</u>

INVESTMENTS

As of June 30, 2014 the Authority held the following investments:

Investment Type	Maturity	Issuer Credit Rating	Proprietary Fund - Fair Value or Cost	Fiduciary Fund - Fair Value or Cost
Repurchase Agreements	Daily	N/A	\$ 1,008,444	\$ -
Federal Home Loan Bank Discount Note	7/15/2014	Not rated	314,994	-
Federal Home Loan Bank Discount Note	7/23/2014	Not rated	4,978,893	-
JP Morgan Prime Money Market	N/A	N/A	3	-
VACO/VML Pooled OPEB Trust	N/A	N/A	-	1,017,151
Goldman Sachs FS Prime	N/A	N/A	-	-
RBC Money Market Mutual Fund	N/A	N/A	204	-
	Total		<u>\$ 6,302,538</u>	<u>\$ 1,017,151</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

As of June 30, 2014, the Authority's investments are classified in the financial statements as follows:

	Proprietary Fund	Fiduciary Fund
Cash and cash equivalents	\$ 6,302,334	\$ -
Investments	204	1,017,151
Total investments	<u>\$ 6,302,538</u>	<u>\$ 1,017,151</u>

CLASSIFICATION IN FINANCIAL STATEMENTS:

In summary, as of June 30, 2014, the Authority's cash and cash equivalents consist of the following:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Deposits with financial institutions	\$ 14,696,657	\$ 15,400
Investments - short-term	6,302,334	-
Petty cash and change funds	4,050	-
Total cash and cash equivalents	<u>\$ 21,003,041</u>	<u>\$ 15,400</u>
Restricted for:		
Capital improvements replacement reserve	\$ 132,386	\$ -
Security deposits	145,113	-
Housing Choice Voucher HAP Reserve	1,177,301	-
Program income and revolving construction loans	1,698,015	-
Family Self Sufficiency (FSS) program escrow	232,738	-
Replacement reserve and other reserve accounts	1,165,359	15,000
Unexpended insurance proceeds	519,212	-
	<u>5,070,124</u>	<u>15,000</u>
Unrestricted	<u>\$ 15,932,917</u>	<u>\$ 400</u>

In summary, as of June 30, 2014, the Authority's investments consist of the following:

	Proprietary Fund	Fiduciary Fund
Deposits with financial institutions - longer term maturities	\$ 40,000	\$ -
Investments	204	1,017,151
Unrestricted	<u>40,204</u>	<u>1,017,151</u>
Reserves held by VHDA	<u>352,140</u>	
Restricted	<u>352,140</u>	
Total investments	<u>\$ 392,344</u>	<u>\$ 1,017,151</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

Interest rate risk – The Authority’s formal investment policy does not specifically address the exposure to this risk. Investments held for longer periods are subject to increased risks from interest rate changes; The Authority’s investment in securities with maturities of six months or less minimized interest rate risk.

Credit risk – the Authority’s formal investment policy does not specifically address credit risk. Credit risk is generally evaluated based on the credit ratings issued by nationally recognized statistical rating organizations. Generally, the Authority only invests in debt securities of U.S. Government sponsored entities which minimizes credit risk.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of a counterparty, the authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority’s \$1,008,444 investment in repurchase agreements are uninsured and unregistered investments for which the securities are held by the counterparty, or by the counterparty, or by its trust department but not in the Authority’s name. The Authority has no policy on custodial credit risk for investments.

Custodial credit risk – deposits – For deposits, this is the risk that, in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority has no policy on custodial credit risk for deposits.

Concentration of credit risk – the Authority’s investment policy does not restrict the amount that the Authority may invest in any one issuer.

NOTE 3 – ACCOUNTS RECEIVABLES

Receivables at June 30, 2014 consist of the following:

	Proprietary Fund
Tenants/program participants	\$ 288,326
Less: Allowance	(248,878)
	<u>39,448</u>
HUD	626,994
Loan program participants	46,937
Other governments	202,031
Travel advances	907
Interest	1,375
Affiliated property owners	
Phoenix Village II	69,955
Phoenix Village	19,123
Great Oak	181,931
Miscellaneous	5,369
	<u>\$ 1,194,070</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 3 – ACCOUNTS RECEIVABLES

The allowance for doubtful accounts is an estimate of the amounts owed by residents that the Authority expects to become uncollectible. The estimate was based on an analysis of historical write-off amounts and the amounts owed by vacated tenants.

Detailed information by program is as follows:

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	HOME Investment Partnership Program	Resident Self Sufficiency Programs	Transition Center Program	State and Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lofts on Jefferson
Tenants	\$ 65,197	\$ 222,984	\$ -	\$ -	\$ -	\$ 50	\$ -	\$ -	\$ -	\$ 95
Less: Allowance	(25,894)	(222,984)	-	-	-	-	-	-	-	-
	<u>39,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95</u>
HUD	577,050	41,620	-	-	8,324	-	-	-	-	-
Loan program participants	-	-	-	46,937	-	-	-	-	-	-
Other governments	53,872	841	-	35,382	-	-	44,325	64,155	3,456	-
Travel advances	-	-	-	-	-	-	-	-	907	-
Interest	-	-	-	-	-	-	-	-	1,375	-
Affiliated property owners										
Phoenix Village II	-	-	69,955	-	-	-	-	-	-	-
Phoenix Village	-	-	16,360	-	-	-	-	-	2,763	-
Great Oak	-	-	181,931	-	-	-	-	-	-	-
Miscellaneous	-	-	461	-	-	-	-	-	4,908	-
	<u>\$ 670,225</u>	<u>\$ 42,461</u>	<u>\$ 268,707</u>	<u>\$ 82,319</u>	<u>\$ 8,324</u>	<u>\$ 50</u>	<u>\$ 44,325</u>	<u>\$ 64,155</u>	<u>\$ 13,409</u>	<u>\$ 95</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 4 – MORTGAGES PAYABLE, INTERFUND NOTES PAYABLE:

Transition Center

The cost of the Transition Center was financed by a permanent first mortgage loan from the Virginia Housing Development Authority (VHDA). On June 15, 1978 the construction loan was converted to a permanent first mortgage loan of \$256,311 payable in equal monthly installments of \$1,953 including interest at 8.824%, through September 1, 2017. The maturities over the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
For the year ended June 30, 2015	\$ 18,281	\$ 5,155	\$ 23,436
For the year ended June 30, 2016	19,987	3,449	23,436
For the year ended June 30, 2017	21,852	1,584	23,436
For the year ended June 30, 2018	5,686	84	5,770
	<u>\$ 65,806</u>	<u>\$ 10,272</u>	<u>\$ 76,078</u>

Public Housing Fund

Orcutt Townhomes III was partially financed with tax credit assistance program (TCAP) funds from the Virginia Housing Development Authority. A Deferred Payment Note in the amount of \$1,004,231 was executed on December 31, 2009. This note bears no interest and payments are deferred through December 31, 2041. Beginning on December 31, 2042, one-twentieth (1/20th) of the principal balance of this note outstanding on December 31, 2041 shall be due and payable on December 31st of each year until December 31, 2061, at which time the balance of principal remaining unpaid shall be due and payable.

	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
For the years ended June 30, 2043 and thereafter	<u>\$ 1,004,231</u>	<u>\$ -</u>	<u>\$ 1,004,231</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 4 – MORTGAGES PAYABLE, INTERFUND NOTES PAYABLE: (Continued)

Orcutt Townhomes III was partially financed with funds received from the Virginia Housing Development Authority under the Tax Credit Exchange Program. Under this agreement, funding of \$900,000 was provided in the form of a “cash grant” in exchange for the low-income housing tax credits. This “revenue” will be recognized over the 15 year tax credit compliance period. This is in substance a loan that is being amortized over 15 years so it is reported as such with one fifteenth (1/15th) being forgiven each year. This agreement is secured by a credit line deed of trust and VHDA has a security interest in the real property until the end of the 15 year compliance period. As of June 30, 2014, \$720,000 was deferred or outstanding under this agreement.

	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
Forgiven for the year ended June 30, 2015	\$ 60,000	\$ -	\$ 60,000
Forgiven for the year ended June 30, 2016	60,000	-	60,000
Forgiven for the year ended June 30, 2017	60,000	-	60,000
Forgiven for the year ended June 30, 2018	60,000	-	60,000
Forgiven for the year ended June 30, 2019	60,000	-	60,000
Forgiven for the year ended June 30, 2020	60,000	-	60,000
Forgiven for the year ended June 30, 2021	60,000	-	60,000
Forgiven for the year ended June 30, 2022	60,000	-	60,000
Forgiven for the year ended June 30, 2023	60,000	-	60,000
Forgiven for the year ended June 30, 2024	60,000	-	60,000
Forgiven for the year ended June 30, 2025	60,000	-	60,000
Forgiven for the year ended June 30, 2026	60,000	-	60,000
	<u>\$ 720,000</u>	<u>\$ -</u>	<u>\$ 720,000</u>

INTER-PROGRAM NOTES PAYABLE:

Certain inter-program notes payables are recorded on the accounting records for programs that are combined in the single Proprietary Fund. These inter-program balances are not reflected in the fund financial statements, however, they are reflected in the Financial Data Schedule (FDS) presented as supplemental information. HUD requires that the FDS reflect the balance sheet for each public housing project/development. These loans are eliminated in the “Elimination” column of the FDS presented as supplemental information.

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 4 – MORTGAGES/NOTES PAYABLE: (Continued)

Inter-program note payable – Orcutt Senior Housing – Non Public Housing Funds Notes

The Authority developed 50 units of senior housing using a combination of tax credit proceeds, non-federal Authority resources, and public funds. A portion of this funding was derived from non-public funds, specifically excess administrative fees earned by the Authority. A note in the amount of \$762,676 was executed on December 24, 2003 however, only \$714,000 was actually utilized for this project. The note bears interest at a rate of 4% per year and matures on December 24, 2033. Payment of this note and the accrued interest thereon is deferred until this date or upon the sale of conveyance of the property. This note is secured by a deed of trust. This note is recorded on the accounting records of the Excess Earned Administrative Fee Fund which is part of the Business Activities Program as a receivable and on the Public Housing Program as a liability.

Principal loaned through June 30, 2005	<u>\$ 714,000</u>
Accrued interest for the year ended June 30, 2005	\$ 21,678
Accrued interest for the year ended June 30, 2006	29,427
Accrued interest for the year ended June 30, 2007	30,604
Accrued interest for the year ended June 30, 2008	31,829
Accrued interest for the year ended June 30, 2009	33,432
Accrued interest for the year ended June 30, 2010	34,784
Accrued interest for the year ended June 30, 2011	36,188
Accrued interest for the year ended June 30, 2012	37,755
Accrued interest for the year ended June 30, 2013	39,175
Accrued interest for the year ended June 30, 2014	40,759
Total accrued interest due as of June 30, 2014	<u>\$ 335,631</u>

In the REAC Financial Data Schedule (FDS) presented as supplemental information. The accrued interest payable of \$335,631 is reported on FDS line 353, Non-Current Liabilities – Other. The interest receivable of \$335,631 is reported on FDS line 171, Notes, Loans, and Mortgages Receivable – Non-Current along with the related principal.

Interfund note payable – Orcutt Senior Housing – Capital Funds Loan

The Authority developed 50 units of senior housing using a combination of tax credit proceeds, non-federal Authority resources, and public funds. A portion of this funding was derived from public housing capital funds grants. A note in the amount of \$2,556,800 was executed on December 24, 2003, however, only \$2,475,000 in capital funds were actually utilized for this project. The note is non-interest bearing and matures on December 24, 2043. Payment of this note is deferred until this date or upon the sale or conveyance of the property. This note is recorded is secured by a deed of trust. This note is recorded on the accounting records of the Low-rent Public Housing Program as a receivable and on the Orcutt Senior Housing Development Corporation as a liability.

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 4 – MORTGAGES/NOTES PAYABLE: (Continued)

Interfund note payable – Orcutt Townhomes

The Authority developed 40 units of family housing using a combination of tax credit proceeds, non-federal Authority resources, and public funds. A portion of this funding was derived from public housing capital funds grants. A note in the amount of \$2,527,755 was executed on December 29, 2005. The note bears interest at a rate of 5.03% and matures on December 29, 2035. Payment of this note is deferred until this date or upon the sale or conveyance of the property. This note is secured by a deed of trust. This note is recorded on the accounting records of the Low-Rent Public Housing Program as a receivable and on the Orcutt Townhomes I as a liability. During the interim period before the note was executed, no interest is due. A total of \$1,570,861 was advanced under this agreement. 1,570,861

Interfund note payable – Orcutt Townhomes III

The Authority developed 30 units of family housing using a combination of tax credit proceeds, non-federal Authority resources, and public funds. A portion of this funding was derived from public housing capital funds grants. A note in the amount of \$1,749,892 was executed on May 7, 2010. The note is non-interest bearing and matures on May 7, 2050. Payment of this note is deferred until this date or upon the sale or conveyance of the property. this note is secured by a deed of trust. this note is recorded on the accounting records of the Low-Rent Public Housing Program as a receivable and on the Orcutt Townhomes III as a liability. A total of \$1,749,842 was advanced under this agreement. 1,749,842

Total interfund within the Public Housing Fund \$ 5,795,703

Change in long-term liabilities:

Long-term liabilities activity for the year ended June 30, 2014, was as follows:

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Due Within One Year
<u>Proprietary Fund:</u>					
Transition Center					
Mortgage Payable	\$ 82,526	\$ -	\$ 16,720	\$ 65,806	\$ 18,281
VHDA TCAP Note Payable	1,004,231	-	-	1,004,231	-
VHDA Exchange Note Payable	780,000	-	60,000	720,000	-
Escrow liabilities	302,634	332,016	380,480	254,170	-
Compensated absences	480,995	298,513	305,503	474,005	27,053
	<u>\$ 2,650,386</u>	<u>\$ 630,529</u>	<u>\$ 762,703</u>	<u>\$ 2,518,212</u>	<u>\$ 45,334</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 4 – MORTGAGES/NOTES PAYABLE: (Continued)

DISCRETELY PRESENTED COMPONENT UNITS – LOWER JEFFERSON AVENUE, LLC:

Note payable to Newport News Redevelopment and Housing Authority

The Lower Jefferson Avenue, LLC executed a promissory note with the Authority \$ 180,000 on June 13, 2013 and loaned \$180,000 to partially fund development costs for the Jefferson Brookville Apartments in September 2013. This note bears interest at a rate of 1% per annum. The entire balance of this note, principal and interest, is due on June 1, 2028 or upon the sale, conveyance, or refinancing of this project.

Construction loan

The Lower Jefferson Avenue, LLC executed a promissory note with Carolina Bank of June 21, 2013 in the amount of \$4,000,000 to partially fund development costs for the Jefferson Brookville Apartments. The Interest rate on this Note is subject to change from time to time based on changes in an index which is Lender's Prime Rate (the "Index"). The Index currently is 4.500% per annum. Interest on the unpaid principal balance of this Note will be calculated using a rate of 0.500 percentage points over the Index, adjusted if necessary for any minimum and maximum rate limitations resulting in an initial rate of 5.000% per annum based on a year of 360 days. The entire balance of this note, including principal and any unpaid interest, is due on June 21, 2015. Monthly interest payments are due on a monthly basis. As of June 30, 2014, \$1,762,606 has been advanced under the terms of this loan.

\$ 1,942,606

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Due Within One Year
<u>Lower Jefferson Avenue, LLC:</u>					
Loan payable to NNRHA	\$ -	\$ 180,000	\$ -	\$ 180,000	\$ -
Carolina Bank	-	1,762,606	-	1,762,606	1,762,606
	<u>\$ -</u>	<u>\$ 1,942,606</u>	<u>\$ -</u>	<u>\$ 1,942,606</u>	<u>\$ 1,762,606</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 5 – CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance at June 30, 2013	Additions	Transfers/ Reductions	Balance at June 30, 2014
<u>Proprietary Fund:</u>				
Land and improvements	\$ 3,765,977	\$ -	\$ -	\$ 3,765,977
Construction in progress	1,369,217	2,089,705	(550,323)	2,908,599
Total capital assets, not being depreciated	<u>5,135,194</u>	<u>2,089,705</u>	<u>(550,323)</u>	<u>6,674,576</u>
Buildings and improvements	99,354,659	1,227,932	550,323	101,132,914
Furniture, equipment, vehicles and fixtures	3,261,237	146,342	-	3,407,579
Total capital assets, being depreciated	<u>102,615,896</u>	<u>1,374,274</u>	<u>550,323</u>	<u>104,540,493</u>
Accumulated depreciation	<u>(63,291,849)</u>	<u>(3,356,513)</u>	<u>-</u>	<u>(66,648,362)</u>
Total capital assets, being depreciated (net)	<u>39,324,047</u>	<u>(1,982,239)</u>	<u>550,323</u>	<u>37,892,131</u>
	<u>\$ 44,459,241</u>	<u>\$ 107,466</u>	<u>\$ -</u>	<u>\$ 44,566,707</u>

Depreciation expense was charged to functions/programs of the Authority as follows:

<u>Proprietary Fund:</u>	
Public Housing Program	\$ 3,186,017
Rental Assistance Program	27,197
Central Office Cost Center Program	52,806
Community Development Program	12,922
HOME Investment Partnerships Program	278
Transition Center Program	11,846
State & Local Activities Program	2,076
Business Activities Program	35,855
Lofts on Jefferson	<u>27,516</u>
Total depreciation expense - Proprietary Fund	<u>\$ 3,356,513</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 5 – CAPITAL ASSETS: (Continued)

DISCRETELY PRESENTED COMPONENT UNIT – LOWER JEFFERSON AVENUE, LLC:

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance at June 30, <u>2013 - restated</u>	<u>Additions</u>	<u>Reductions</u>	Balance at June 30, <u>2014</u>
Lower Jefferson Avenue, LLC:				
Land and improvements	\$ 252,300	\$ -	\$ -	\$ 252,300
Construction in progress	<u>895,455</u>	<u>5,091,715</u>	<u>-</u>	<u>5,987,170</u>
Total capital assets, not being depreciated	<u>\$ 1,147,755</u>	<u>\$ 5,091,715</u>	<u>\$ -</u>	<u>\$ 6,239,470</u>

NOTE 6 EMPLOYEE RETIREMENT PLAN:

The Authority contributes to the Pension Plan for the Employees of the Newport News Redevelopment and Housing Authority, which is a defined contribution plan. This plan is administered by Charles Schwab as the custodian and Professional Capital Services as the record keeper.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individuals' account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and the forfeitures of other participants' benefits that may be allocated to such participant's account. As established by the Authority's personnel policy, all full-time employees of the Authority with six months employment as of the enrollment date of July 1st or January 1st each year are eligible for enrollment into the Plan. Contributions made by an employee vest immediately and contributions made by the Authority vest after five years of full-time employment. An employee who leaves the employment of the Authority is entitled to his or her contributions and the Authority's contributions to the extent vested and the earnings on these amounts. As determined by the plan provisions, employees are not required to contribute to the pension plan. The Authority is required to contribute an amount equal to 12% of the employee's annual salary as of July 1st of each year.

During the year ended June 30, 2014, the Authority's required and actual contributions amounted to \$523,569 which was 12% of its covered payroll.

No pension plan provision changes occurred during the year which affected the required contributions to be made by the Authority or its employees.

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 7 – RISK MANAGEMENT:

The Authority is exposed to various risks of losses related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has mitigated this risk by participating and obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses of the fund where the coverage is required. Insurance coverage provided includes property and casualty, general liability, fidelity bond, workers compensation. During the current or subsequent period there were no claims made or paid that were not covered by the Authority's insurance providers. There were no significant coverage decreases in the current or subsequent audit period.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS:

Plan Description:

The Newport News Redevelopment and Housing Authority provides postemployment health care benefits to its employees and retirees. This plan is a single-employer defined benefit plan that covers full and part-time (30 hours per week or more) employees and current retirees. There are approximately 176 plan members, including 138 active employees and 38 retirees.

A Newport News Redevelopment and Housing Authority retiree, eligible for postretirement medical coverage, is defined as a full-time employee who retires directly from the Authority and is at least 55 years of age with 10 years of service, if hired after July 1, 2008. Retirees pay the full active contribution plus a portion of the Authority's contribution towards medical and dental coverage for retirees based on a system of vesting points, calculated by adding together the employee's age plus years of service. The percentage of employer contribution towards coverage is shown below.

Retiree Medical and Dental Insurance Vesting Schedule:

80 Vesting Points – 100% employer contribution
75 Vesting Points – 90% employer contribution
70 Vesting Points – 80% employer contribution
65 Vesting Points – 70% employer contribution
60 Vesting Points – 60% employer contribution

For the Optima POS Plan, after a \$100 deductible, prescription drug copayments are \$10 for generic, \$30 for preferred brand, and \$50 for non-preferred brand. There is a \$20 co-pay for primary care and a \$40 co-pay for all other specialties in-network. Out-of-network, there is a \$3,000 deductible with 70% coinsurance and a \$7,500 out-of-pocket limit. Post-Medicare retirees and their spouses receive \$93.91 towards their Medicare Part B premium rate.

Benefits provisions have been established by the Authority's personnel handbook and policies, which can be amended by the Authority's Board of Commissioners at any time.

The Newport News Redevelopment and Housing Authority has established a trust to accumulate and invest assets to fund other postemployment benefit (OPEB) liabilities by joining the VACo/VML Pooled OPEB Trust. This plan does not issue stand-alone financial report, instead, the plan assets and activities are reported as a Fiduciary Fund in the Fund Financial Statements.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Funding Policy:

The Board of Commissioners established the contribution requirements of plan members and may be amended by the Board. Retirees pay the full active contribution plus a portion of the Authority's contribution towards the active employee based on the vesting schedule described above. The Authority contributes a percentage of its normal active contribution towards medical and dental coverage for retirees based on the vesting schedule described above.

The current annual required contribution (ARC) is 3.74% of the annual covered payroll.

Summary of Significant Accounting Policies:

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations. Short-term money market debt instruments, deposits, and repurchase agreements, are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price. Administration costs of the Plan are financed through investment earnings.

Annual OPEB Cost and Net OPEB Obligations:

The Authority's annual other postemployment benefit (OPEB) cost (expense) 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 amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution (ARC)	\$ 179,748
Interest on net OPEB obligation	(2,437)
Adjustment to annual required contribution	2,021
Annual OPEB cost (expense)	<u>179,332</u>
Contributions made	<u>(187,688)</u>
Increase (decrease) in net OPEB obligation	(8,356)
Net OPEB obligation (prepayment) July 1, 2013	(34,816)
Net OPEB obligation (prepayment) June 30, 2014	<u><u>\$ (43,172)</u></u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014, 2013, 2012, 2011, 2010, and 2009 were as follows:

For the year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 210,326	99.49%	\$ 1,072
2010	194,610	97.85%	5,256
2011	194,660	104.78%	(4,049)
2012	179,708	66.66%	55,861
2013	180,415	149.83%	(34,816)
2014	179,332	104.66%	(43,172)

Funded Status and Funding Progress:

As of July 1, 2011, the most recent actuarial valuation date, the plan was 30.26% funded. The actuarial accrued liability for benefits was \$2,209,243 and the actuarial value of assets was \$668,601, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,540,642. The covered payroll (annual payroll of active employees covered by the plan) was \$4,811,834, and the ratio of UAAL to the covered payroll was 32.02%.

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan 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 with 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 the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

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

In the July 2011, actuarial valuation, the projected-until-credited method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The medical cost trend rate varied between 10.00 and 5.00 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected until credit on a level percent of pay, closed basis. The remaining amortization period at July 1, 2011 was 30 years.

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 9 – CONDUIT DEBT:

From time to time, the Authority has issued Tax Exempt Mortgage Revenue Bonds and Limited Obligation Notes to provide financial assistance to private-sector entities for the acquisition and construction of affordable multi-family rental housing deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from rents received from the developments. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2014, there were four series of Tax Exempt Mortgage Revenue Bonds outstanding, with an aggregate principal amount payable of \$32,980,300.

NOTE 10 – AFFILIATED ENTITY:

During a prior year the Authority became a minority owner in Newport News Medical Arts, LLC, a limited liability corporation that was formerly operated as Medical Arts Senior Apartments, LP. At the end of the compliance period for this development the Authority will obtain title for \$1.

NOTE 11 – NOTES AND MORTGAGES RECEIVABLE:

These balances represent amounts due from homebuyers, program participants, and affiliated entities for various program purposes. Loan terms vary but generally require repayment in from 20 to 30 years at minimal interest rates. Through the CDBG and HOME programs administered through the City of Newport News, the Authority administers several loan programs for the purposes authorized under these programs. These loans are secured by promissory notes and deeds to secure debt, and represent legal assets of the Authority.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 11 – NOTES AND MORTGAGES RECEIVABLE: (Continued)

Notes and mortgages receivable at June 30, 2014 consist of the following:

	Community Development Program	HOME Investment Partnerships Program	Central Office Cost Center Program	Business Activities Program	Proprietary Fund Total
<u>Restricted assets:</u>					
Program loans due from program participants	\$ 2,970,602	\$ 6,086,763	\$ -	\$ -	\$ 9,057,365
	<u>2,970,602</u>	<u>6,086,763</u>	<u>-</u>	<u>-</u>	<u>9,057,365</u>
<u>Noncurrent assets:</u>					
Due from Great Oaks Apartments, LLC, due June 11, 2047	-	-	1,473,746	-	1,473,746
Due from Lower Jefferson avenue, LLC, due June 1, 2028	-	-	-	180,000	180,000
Program loans due from program participants	-	-	-	46,590	46,590
Downpayment assistance loans due from homebuyers	-	-	-	28,981	28,981
	<u>-</u>	<u>-</u>	<u>1,473,746</u>	<u>255,571</u>	<u>1,729,317</u>
	<u>\$ 2,970,602</u>	<u>\$ 6,086,763</u>	<u>\$ 1,473,746</u>	<u>\$ 255,571</u>	<u>\$ 10,786,682</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 12 – INTER-PROGRAM RECEIVABLES

The inter-program balances and transfers are eliminated in the fund financial statements; however, they are displayed in the combining schedules presented as supplemental information. The amounts in this note relate entirely to the supplemental information.

The composition of amounts due to and from other programs as of June 30, 2014 is as follows:

Receivable Fund	Payable Fund								Total
	Public Housing Program	Central Office Cost Center Program	HOME Program	Resident Self Sufficiency Program	State and Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lofts on Jefferson	
Central Office Cost Center Program	\$ 13,822	\$ -	\$ 25,746	\$ 3,692	\$ 40,322	\$ 57,934	\$ 3,987	\$ 27,387	\$ 172,890
State & Local Activities Program	-	7,000	-	-	-	-	-	-	7,000
Business Activities Program	-	416,886	-	-	-	5,000	-	592,950	1,014,836
	<u>\$ 13,822</u>	<u>\$ 423,886</u>	<u>\$ 25,746</u>	<u>\$ 3,692</u>	<u>\$ 40,322</u>	<u>\$ 62,934</u>	<u>\$ 3,987</u>	<u>\$ 620,337</u>	<u>\$1,194,726</u>

Amounts payable between programs generally arise from the practice of utilizing the Central Office Cost Center's Revolving Fund as a central bill paying entity and from the use of the Revolving Fund checking account and the Public Housing General Fund checking account as central depositories. The Authority's accounting software system automatically generates interfund entries when transactions occur between funds.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 12 – INTER-PROGRAM RECEIVABLES AND TRANSFERS: (Continued)

The composition of transfers to and from other programs as of June 30, 2014 is as follows:

Paying Program	Receiving Program			Total
	HOME Program	Lower Jefferson Avenue Development Corporation	Lofts on Jefferson	
Business activities - tax credit developer fee program payment of program expenses for Lofts on Jefferson construction	\$ 3,987	\$ 178,558	\$ -	\$ 182,545
HOME Program - transfer capital asset construction costs to Lofts on Jefferson	-	-	942,580	942,580
	<u>\$ 3,987</u>	<u>\$ 178,558</u>	<u>\$ 942,580</u>	<u>\$ 1,125,125</u>

NOTE 13 – ACCOUNTS PAYABLE

Payables at June 30, 2014 consist of the following:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Vendors and contractors	\$ 773,512	\$ 462,233
Accrued utilities	174,154	-
Other payroll withholdings	147,523	-
HUD - SRO settlement	142,282	-
HUD - interest on NRA	1,209	-
Other governments	73,613	-
Contract retention	87,511	369,258
Other	3,304	-
	<u>\$ 1,403,108</u>	<u>\$ 831,491</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 13 – ACCOUNTS PAYABLE (Continued)

Detailed information by program at June 30, 2014 consists of the following:

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Program	Transition Center Program	State and Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lofts on Jefferson
Vendors and Contractors	\$ 580,363	\$ 12,466	\$ 32,181	\$ 27,612	\$ 11,674	\$ 349	\$ 2,592	\$ 4,071	\$ 4,866	\$ 97,338
Accrued utilities	167,608	-	2,873	-	-	1,737	-	-	1,393	543
Other payroll withholdings	-	-	147,523	-	-	-	-	-	-	-
HUD - SRO settlement	-	142,282	-	-	-	-	-	-	-	-
HUD - interest on NRA	-	1,209	-	-	-	-	-	-	-	-
Other governments	73,613	-	-	-	-	-	-	-	-	-
Contract retention	87,511	-	-	-	-	-	-	-	-	-
Other	-	-	-	538	-	-	-	2,766	-	-
	<u>\$ 909,095</u>	<u>\$ 155,957</u>	<u>\$ 182,577</u>	<u>\$ 28,150</u>	<u>\$ 11,674</u>	<u>\$ 2,086</u>	<u>\$ 2,592</u>	<u>\$ 6,837</u>	<u>\$ 6,259</u>	<u>\$ 97,881</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 14 – ACCRUED SALARIES AND EXPENSES

Accrued salaries and expenses at June 30, 2014 consist:

	Proprietary Fund
Salaries and wages	<u>\$ 210,052</u>
	<u><u>\$ 210,052</u></u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 14 – ACCRUED SALARIES AND EXPENSES: (Continued)

Accrued salaries and expenses at June 30, 2014 consist of the following:

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development	HOME Investment Partnerships	Resident Self Sufficiency Program	Transition Center Program	State & Local Activities Program	Business Activities Program
Salaries and wages	<u>\$ 88,516</u>	<u>\$ 25,751</u>	<u>\$ 75,927</u>	<u>\$ 6,011</u>	<u>\$ 1,465</u>	<u>\$ 4,632</u>	<u>\$ 158</u>	<u>\$ 6,739</u>	<u>\$ 853</u>
	<u><u>\$ 88,516</u></u>	<u><u>\$ 25,751</u></u>	<u><u>\$ 75,927</u></u>	<u><u>\$ 6,011</u></u>	<u><u>\$ 1,465</u></u>	<u><u>\$ 4,632</u></u>	<u><u>\$ 158</u></u>	<u><u>\$ 6,739</u></u>	<u><u>\$ 853</u></u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 15 – OTHER ASSETS:

Other assets at June 30, 2014 consist of the following:

	Central Office Cost Center Program	Business Activities Program	Lower Jefferson Avenue Development Corporation	Total
<u>Other noncurrent assets:</u>				
Prepayments of OPEB contributions (also see note 8)	\$ 43,172	\$ -	\$ -	\$ 43,172
Developer fees earned and receivable to be collected from future project cash flows	-	84,251	-	84,251
Cost of architectural plans developed for use in future neighborhood redevelopment activities. Costs to be amortized a recovered in the form of plan fees.	-	57,985	-	57,985
Investment in Lower Jefferson Avenue, LLC - general partner capital contributions	-	-	375,858	375,858
Redevelopment costs for city funded redevelopment programs	-	49,300	-	49,300
	<u>\$ 43,172</u>	<u>\$ 191,536</u>	<u>\$ 375,858</u>	<u>\$ 610,566</u>

NOTE 16 – CONSTRUCTION COMMITMENTS:

Proprietary Fund:

The Authority has active construction projects as of June 30, 2014. The projects include various modernization and capital improvement programs. At year end the Authority's commitments with contractors are as follows:

Project	Spent or accrued to date	Remaining Commitment
Marshall Courts Renovations - Phase II	\$ 1,855,545	\$ 2,471,769
Aqueduct Window and Door Replacement	488,200	56,800
2713 Lofts LLC Development	1,358,588	-
	<u>\$ 3,702,333</u>	<u>\$ 2,528,569</u>

These projects are funded with Capital Fund Program grants received from the Department of Housing and Urban Development or the revolving home construction program funded by the HOME program.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 16 – CONSTRUCTION COMMITMENTS:

Discretely Presented Component Unit – Lower Jefferson Avenue, LLC:

Lower Jefferson Avenue, LLC, a component unit of the Authority, has an active construction project as of June 30, 2014. At year end the Authority's commitments with contractors are as follows:

<u>Project</u>	<u>Spent or accrued to date</u>	<u>Remaining Commitment</u>
Jefferson Brookville Apartments	\$ 4,590,675	\$ 998,319
	<u>\$ 4,590,675</u>	<u>\$ 998,319</u>

This project is funded primarily with construction loans that will be converted as tax credit investor contributions are received.

NOTE 17 – DEFICIT NET POSITION:

At June 30, 2014 the following programs reflect a deficit in net position. A deficit in net position indicates that the liabilities of the program exceed the cumulative assets of the fund:

State & Local Activities and Neighborhood Stabilization Programs

These deficits stem from the practice of recording the expenses associated with compensated absences and other expenses when incurred but deferring the revenue associated with this future payment until such time as the funds are eligible for requisition. Further, costs are incurred which are not immediately requisitioned or recognized as revenue. Should it be necessary, this deficit will be funded by the Central Office Cost Center Program.

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 18 – RESTRICTED NET POSITION:

A portion of the Authority's programs generate net position that are restricted by HUD or via external legal requirements. As of June 30, 2014 restricted net position was as follows:

Reserves and escrows:	
Public Housing CFP reserves	\$ 132,386
Public Housing Tax credit operating and replacement reserves	1,165,359
Public Housing Unexpended insurance proceeds	519,213
Transition Center escrow, operating and replacement reserves	352,140
	<u>2,169,098</u>
Housing Choice Voucher HAP reserves (RNA)	<u>1,176,092</u>
Loan programs	
CDBG net position associated with loan balances	2,970,602
HOME program net position associated with loan balances	6,086,763
	<u>9,057,365</u>
Accumulated CD and HOME funds	
CDBG accumulated net position	653,678
HOME City construction funds	1,060,609
HOME unexpended program income	637,406
HOME accumulated net position	305,112
	<u>2,656,805</u>
	<u>\$ 15,059,360</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 18 – RESTRICTED NET POSITION: (Continued)

Specific details by program are as follows:

Public Housing Program:

Restricted for Capital Activities:

The Authority has received funds from the Department of Housing and Urban Development under the Capital Fund Program under the replacement reserve budget line items. These funds are accumulated to meet future capital improvement needs and must be used for these purposes. The following is a summary of the changes in the net position restricted for capital activities for the year ended June 30, 2014:

Balance at July 1, 2013	\$ 1,252,985
Interest earned	94
Expenditures of reserves	(1,120,693)
Balance at June 30, 2014	<u>\$ 132,386</u>

These restricted assets are held in the general fund checking account.

Restricted Reserves for Tax Credit Developments:

The Authority has developed three public housing communities using tax credits. The terms of various contracts and operating agreements related to these properties require that certain reserves be established and maintained. Generally, such reserves are controlled by the investor partner and access to these funds is limited to specific purposes. Accordingly, these net positions are reported as restricted. The following is a summary of the changes in the net position restricted for these purposes for the year ended June 30, 2014:

	Orcutt Senior Housing - Operating Reserve	Orcutt Senior Housing - Replacement Reserve	Orcutt Townhomes - Operating Reserve	Orcutt Townhomes - Replacement Reserve	Orcutt Townhomes III- Operating Reserve	Orcutt Townhomes III - Replacement Reserve
Balance at July 1, 2013	\$ 282,196	\$ 124,750	\$ 297,570	\$ 204,368	\$ 200,217	\$ 18,005
Interest earned	330	61	349	94	100	9
Deposits	-	16,407	-	11,933	-	9,000
Withdrawals/fees	(15)	-	(15)	-	-	-
Balance at June 30, 2014	<u>\$ 282,511</u>	<u>\$ 141,218</u>	<u>\$ 297,904</u>	<u>\$ 216,395</u>	<u>\$ 200,317</u>	<u>\$ 27,014</u>

These funds are held in checking accounts.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 18 – RESTRICTED NET POSITION: (Continued)

Restricted Reserves for unexpended insurance proceeds:

The Authority experienced a casualty loss in a prior period in a building within a development that was slated for demolition. Accordingly, the insurance proceeds were not used to repair or reconstruct these units and remain invested by the Authority. Though the HUD Annual Contributions Contract specifies that unexpended insurance proceeds not used to reduce project indebtedness be placed in the Authority's unreserved operating reserve, HUD has recently asserted that these funds should be reported as restricted cash and restricted net position. These unspent proceeds totaling \$519,213 held in short-term U.S. Government securities.

Summary for Public Housing Program:

CFP reserves	\$	132,386
Tax credit operating and replacement reserves		1,165,359
Unexpended insurance proceeds		519,213
	<u>\$</u>	<u>1,816,958</u>

Rental Assistance Program:

Housing Choice Voucher Program:

The Authority's annual contribution contract with HUD and HUD regulations require that the undesignated fund balance (net position) reflect the balance of any excess housing assistance funding and excess administrative fee funding. This requirement results from HUD's issuance of PIH Notice 2006-03. Previously, the HUD annual contribution was based on a settlement process that reimbursed the Authority directly for certain costs and required the computation of the fee earned. With the issuance of this new guidance, the HUD funding is based on the annual budget authority. Due to restrictions imposed by HUD on the use of the "excess HAP equity", this amount is reported as restricted net position.

	<u>HAP Equity</u>	<u>Administrative Fee Equity</u>	<u>Total</u>
Balance at July 1, 2013	\$ 852,549	\$ 1,346,437	\$ 2,198,986
Current period excess/(deficiency) of funding	323,543	(132,528)	191,015
Balance at June 30, 2014	<u>\$ 1,176,092</u>	<u>\$ 1,213,909</u>	<u>\$ 2,390,001</u>

These restricted assets are held in the Section 8 checking account.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 18 – RESTRICTED NET POSITION: (Continued)

Community Development Program and HOME Investment Partnerships Program:

Through its CDBG and HOME programs administered through the City of Newport News, the Authority administers several loan programs for purposes authorized under these programs. These loans are secured by promissory notes and deeds to secure debt and represent legal assets of the Authority. The principal and interest received from these loans is considered program income under these programs and must be utilized for specific CDBG and HOME program purposes.

Further, any other accumulated income in excess of expenses/expenditures generated from these programs is restricted for the specific CDBG and HOME purposes allowable by the program regulations and City of Newport News determinations.

As of June 30, 2014 the restricted balances due are as follows:

	Loans	Accumulated Net Position	Total
CDBG Program	\$ 2,970,602	\$ 653,678	\$ 3,624,280
HOME Program	6,086,763	2,003,127	8,089,890
	<u>\$ 9,057,365</u>	<u>\$ 2,656,805</u>	<u>\$ 11,714,170</u>

Transition Center Restricted Reserves:

The Authority owns and operates housing under the terms of a mortgage and regulatory agreement with the Virginia Housing Development Authority (VHDA). VHDA requires that certain reserves and escrow accounts be maintained and VHDA retains possession and control such funds. Accordingly, these assets are reported as restricted. The following is a summary of the changes in the net position restricted for these purposes for the year ended June 30, 2014:

	Insurance Escrow	Replacement Reserve	Operating Reserve	Total
Balance at July 1, 2013	\$ 2,554	\$ 166,469	\$ 178,951	\$ 347,974
Interest earned	-	371	395	766
Deposits	2,419	3,588	-	6,007
Withdrawals	(2,607)	-	-	(2,607)
Balance at June 30, 2014	<u>\$ 2,366</u>	<u>\$ 170,428</u>	<u>\$ 179,346</u>	<u>\$ 352,140</u>

These funds are held by VHDA in various accounts.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 19 – DEVELOPMENT COSTS FOR TAX CREDIT DEVELOPMENTS:

In recent years the Authority has developed two properties utilizing mixed-finance resources, including HUD capital funds and tax-credit financing. Though ownership entities were created for these entities, the Authority contracted for, paid for, and accounted for all of the development and construction costs. These ownership entities are presented in the Authority’s financial statements as component units of the Authority.

During the development phase of these projects, the Authority recorded all development costs in their general ledger accounting system. In addition, the Authority entered development cost information in its capital asset and depreciation software system for each project. Finally, as required by the terms of the financing arrangements, development cost certifications were performed for each development.

The Authority has not fully reconciled the development costs recorded in its accounting records and the costs certified to for each development. The amounts recorded or certified differ as follows:

	Orcutt Senior Housing Development Corporation	Orcutt Townhomes I
Development Costs Recorded in General Ledger	<u>\$ 6,315,977</u>	<u>\$ 5,588,777</u>
Development Costs Captured in Capital Asset/ Depreciation Software	<u>\$ 6,315,977</u>	<u>\$ 5,588,777</u>
Development Costs Certified in Cost Certification	<u>\$ 7,027,423</u>	<u>\$ 5,883,423</u>

The development cost certification appears to include adjustment made by the auditing firm that prepared the cost certification and that were never provided or explained to the management of the Authority.

NOTE 20 – CONTINGENT LIABILITIES:

The Authority receives grant funds, principally from the Federal Government, to carry out its operations. Expenditures from these grants are subject to audit by the grantor, and the Authority is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the Authority, any refunds that may be required as a result of expenditures disallowed by the grantors will not be material to the financial statements.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 21 – PRIOR PERIOD ADJUSTMENTS:

During the fiscal year ended June 30, 2014, management identified real estate transactions with closing dates in June 2013 that were not timely reported in the June 30, 2013 financial statements. On June 28, 2013, the Lower Jefferson Avenue, LLC received contributed property totaling \$197,300 from the Lower Jefferson Avenue Development Corporation, and purchased property from an external party totaling \$950,865. The property contributed by the Lower Jefferson Avenue Development Corporation was conveyed by the Authority on June 27, 2013. This property had been acquired under grant programs funded by the City of Newport News to be held for further redevelopment, and was not recorded as an asset of the Authority. To reflect conveyance, contribution and acquisition of these properties, a prior period adjustment has been reported as follows:

	<u>Proprietary Fund</u>	<u>Lower Jefferson Avenue, LLC</u>
Total net position - July 1, 2013	\$ 73,983,818	\$ -
Prior period adjustment	197,300	1,148,165
	<u>\$ 74,181,118</u>	<u>\$ 1,148,165</u>

NOTE 22 – POLLUTION REMEDIATION:

During 2014, the Authority undertook Phase II of a comprehensive rehabilitation of a development. The contract awarded for this renovation of these buildings includes \$63,531 in costs associated with the asbestos removal. The total obligation for pollution remediation is based on the contracted work items related to asbestos removal that had actually been commenced and amount to a total of \$39,531. All of these costs had been paid as of June 30, 2014 and these costs were expensed in the financial statements as a component of non-routine maintenance. During 2014, \$39,531 was paid or accrued leaving a remaining commitment of \$24,000 as of June 30, 2014 where the actual remediation work had not commenced. Accordingly, no liability is recorded for these projected costs where the remediation work had not yet commenced.

NOTE 23 – SUBSEQUENT EVENTS:

In preparing financial statements, management evaluated subsequent events through March 30, 2015 the financial statements were issued (or the date the financial statements were available to be issued).

REQUIRED SUPPLEMENTARY INFORMATION

Newport News Redevelopment and Housing Authority
Newport News, Virginia

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$ 1,659,348	\$ 1,659,348	0.00%	\$ 5,779,362	28.71%
7/1/2009	\$ 158,045	\$ 1,797,306	\$ 1,639,261	8.79%	\$ 5,953,807	27.53%
7/1/2011	\$ 668,601	\$ 2,209,243	\$ 1,540,642	30.26%	\$ 5,075,666	30.35%

Schedule of Employer Contributions

Year Ending 30-Jun	Annual Required Contribution	Percentage Contributed
2009	\$ 210,326	99.49%
2010	\$ 194,597	97.86%
2011	\$ 194,597	104.81%
2012	\$ 179,748	66.65%
2013	\$ 179,748	150.38%
2014	\$ 179,748	104.42%

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2014

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Investment Partnerships Program	Resident Self Sufficiency Program	Transition Center Program
ASSETS:							
Current assets:							
Cash and equivalents - restricted	\$ 8,844,168	\$ 1,266,915	\$ 2,437,539	\$ 703,364	\$ 284,878	\$ -	\$ 17,095
Accounts receivable (net of allowance)	670,225	42,461	268,707	-	82,319	8,324	50
Due from other funds	-	-	172,890	-	-	-	-
Investments	-	-	-	-	-	-	-
Prepaid expenses	40,951	1,010	23,815	160	42	-	-
Materials inventory (net of allowance)	-	-	21,927	-	-	-	-
Total Current assets	<u>9,555,344</u>	<u>1,310,386</u>	<u>2,924,878</u>	<u>703,524</u>	<u>367,239</u>	<u>8,324</u>	<u>17,145</u>
Restricted assets:							
Cash and equivalents - restricted	2,036,593	1,329,621	-	-	1,698,015	-	3,315
Investments - restricted	-	-	-	-	-	-	352,140
Notes receivable (non-current)	-	-	-	2,970,602	6,086,763	-	-
Total restricted assets	<u>2,036,593</u>	<u>1,329,621</u>	<u>-</u>	<u>2,970,602</u>	<u>7,784,778</u>	<u>-</u>	<u>355,455</u>
Noncurrent assets:							
Notes and mortgages receivable	-	-	1,473,746	-	-	-	-
Nondepreciable capital assets	6,387,880	32,000	-	-	-	-	17,201
Capital assets (net)	35,034,414	197,041	253,616	34,943	1,528	-	130,179
Interfund notes receivable	-	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-	-
Other noncurrent assets	-	-	43,172	-	-	-	-
Total noncurrent assets	<u>41,422,294</u>	<u>229,041</u>	<u>1,770,534</u>	<u>34,943</u>	<u>1,528</u>	<u>-</u>	<u>147,380</u>
TOTAL ASSETS	<u>53,014,231</u>	<u>2,869,048</u>	<u>4,695,412</u>	<u>3,709,069</u>	<u>8,153,545</u>	<u>8,324</u>	<u>519,980</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2014

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Investment Partnerships Program	Resident Self Sufficiency Program	Transition Center Program
LIABILITIES:							
Current liabilities:							
Accounts payable and accrued expenses	909,095	155,957	182,577	28,150	11,674	-	2,086
Due to other funds	13,822	-	423,886	-	25,746	3,692	-
Accrued salaries	88,516	25,751	75,927	6,011	1,465	4,632	158
Accrued interest payable	-	-	-	-	-	-	491
Unearned revenues	19,029	9,212	-	-	1	-	11
Trust and deposit liabilities	138,818	400	-	-	-	-	3,315
Compensated absences	14,005	-	13,048	-	-	-	-
Current portion of long-term liabilities	-	-	-	-	-	-	18,281
Total current liabilities	<u>1,183,285</u>	<u>191,320</u>	<u>695,438</u>	<u>34,161</u>	<u>38,886</u>	<u>8,324</u>	<u>24,342</u>
Long-term liabilities:							
Compensated absences	164,572	49,581	196,918	15,685	1,808	-	-
Notes and mortgages payable	1,724,231	-	-	-	-	-	47,525
Interfund notes payable	714,000	-	-	-	-	-	-
Developer fee payable	84,251	-	-	-	-	-	-
Accrued interest payable	335,631	-	-	-	-	-	-
Trust, deposit and escrow liabilities	80,817	151,920	-	-	21,433	-	-
Total long-term liabilities	<u>3,103,502</u>	<u>201,501</u>	<u>196,918</u>	<u>15,685</u>	<u>23,241</u>	<u>-</u>	<u>47,525</u>
TOTAL LIABILITIES	<u>4,286,787</u>	<u>392,821</u>	<u>892,356</u>	<u>49,846</u>	<u>62,127</u>	<u>8,324</u>	<u>71,867</u>
NET POSITION							
Net investment in capital assets	38,984,063	229,041	253,616	34,943	1,528	-	81,574
Restricted for:							
Reserves and escrows	1,816,958	-	-	-	-	-	352,140
HAP reserves	-	1,176,092	-	-	-	-	-
Loan programs	-	-	-	2,970,602	6,086,763	-	-
Other	-	-	-	653,678	2,003,127	-	-
Unrestricted (deficit)	<u>7,926,423</u>	<u>1,071,094</u>	<u>3,549,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,399</u>
TOTAL NET POSITION	<u>\$ 48,727,444</u>	<u>\$ 2,476,227</u>	<u>\$ 3,803,056</u>	<u>\$ 3,659,223</u>	<u>\$ 8,091,418</u>	<u>\$ -</u>	<u>\$ 448,113</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2014

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lower Jefferson Avenue Development Program	Lofts on Jefferson	Total	Eliminations	Proprietary Fund
ASSETS:								
Current assets:								
Cash and equivalents - restricted	\$ -	\$ -	\$ 2,376,422	\$ -	\$ 2,536	\$ 15,932,917	\$ -	\$ 15,932,917
Accounts receivable (net of allowance)	44,325	64,155	13,409	-	95	1,194,070	-	1,194,070
Due from other funds	7,000	-	1,014,836	-	-	1,194,726	(1,194,726)	-
Investments	-	-	40,204	-	-	40,204	-	40,204
Prepaid expenses	22	-	75	-	3,980	70,055	-	70,055
Materials inventory (net of allowance)	-	-	-	-	-	21,927	-	21,927
Total Current assets	<u>51,347</u>	<u>64,155</u>	<u>3,444,946</u>	<u>-</u>	<u>6,611</u>	<u>18,453,899</u>	<u>(1,194,726)</u>	<u>17,259,173</u>
Restricted assets:								
Cash and equivalents - restricted	-	-	-	-	2,580	5,070,124	-	5,070,124
Investments - restricted	-	-	-	-	-	352,140	-	352,140
Notes receivable (non-current)	-	-	-	-	-	9,057,365	-	9,057,365
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,580</u>	<u>14,479,629</u>	<u>-</u>	<u>14,479,629</u>
Noncurrent assets:								
Notes and mortgages receivable	-	-	255,571	-	-	1,729,317	-	1,729,317
Nondepreciable capital assets	-	-	237,495	-	-	6,674,576	-	6,674,576
Capital assets (net)	13,451	-	603,504	-	1,623,455	37,892,131	-	37,892,131
Interfund notes receivable	-	-	714,000	-	-	714,000	(714,000)	-
Accrued interest receivable	-	-	335,631	-	-	335,631	(335,631)	-
Other noncurrent assets	-	-	191,536	375,858	-	610,566	(84,251)	526,315
Total noncurrent assets	<u>13,451</u>	<u>-</u>	<u>2,337,737</u>	<u>375,858</u>	<u>1,623,455</u>	<u>47,956,221</u>	<u>(1,133,882)</u>	<u>46,822,339</u>
TOTAL ASSETS	<u>64,798</u>	<u>64,155</u>	<u>5,782,683</u>	<u>375,858</u>	<u>1,632,646</u>	<u>80,889,749</u>	<u>(2,328,608)</u>	<u>78,561,141</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2014

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lower Jefferson Avenue Development Program	Lofts on Jefferson	Total	Eliminations	Proprietary Fund
LIABILITIES:								
Current liabilities:								
Accounts payable and accrued expenses	2,592	6,837	6,259	-	97,881	1,403,108	-	1,403,108
Due to other funds	40,322	62,934	3,987	-	620,337	1,194,726	(1,194,726)	-
Accrued salaries	6,739	-	853	-	-	210,052	-	210,052
Accrued interest payable	-	-	-	-	-	491	-	491
Unearned revenues	-	-	-	-	752	29,005	-	29,005
Trust and deposit liabilities	-	-	-	-	2,580	145,113	-	145,113
Compensated absences	-	-	-	-	-	27,053	-	27,053
Current portion of long-term liabilities	-	-	-	-	-	18,281	-	18,281
Total current liabilities	49,653	69,771	11,099	-	721,550	3,027,829	(1,194,726)	1,833,103
Long-term liabilities:								
Compensated absences	18,388	-	-	-	-	446,952	-	446,952
Notes and mortgages payable	-	-	-	-	-	1,771,756	-	1,771,756
Interfund notes payable	-	-	-	-	-	714,000	(714,000)	-
Developer fee payable	-	-	-	-	-	84,251	(84,251)	-
Accrued interest payable	-	-	-	-	-	335,631	(335,631)	-
Trust, deposit and escrow liabilities	-	-	-	-	-	254,170	-	254,170
Total long-term liabilities	18,388	-	-	-	-	3,606,760	(1,133,882)	2,472,878
TOTAL LIABILITIES	68,041	69,771	11,099	-	721,550	6,634,589	(2,328,608)	4,305,981
NET POSITION								
Net investment in capital assets	13,451	-	840,999	-	1,623,455	42,062,670	714,000	42,776,670
Restricted for:								
Reserves and escrows	-	-	-	-	-	2,169,098	-	2,169,098
HAP reserves	-	-	-	-	-	1,176,092	-	1,176,092
Loan programs	-	-	-	-	-	9,057,365	-	9,057,365
Other	-	-	-	-	-	2,656,805	-	2,656,805
Unrestricted (deficit)	(16,694)	(5,616)	4,930,585	375,858	(712,359)	17,133,130	(714,000)	16,419,130
TOTAL NET POSITION	\$ (3,243)	\$ (5,616)	\$ 5,771,584	\$ 375,858	\$ 911,096	\$ 74,255,160	\$ -	\$ 74,255,160

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2014

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Investment Partnerships Program	Resident Self Sufficiency Program	Transition Center Program
OPERATING REVENUES:							
Rental and tenant income	\$ 3,614,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,133
Intergovernmental - operating grants	5,918,206	18,942,104	-	1,238,475	1,953,356	138,465	59,817
Fee revenue	-	-	2,747,856	-	-	-	-
Other income	200,603	549,184	636	153,912	1,487,195	-	-
Total operating revenues	<u>9,732,863</u>	<u>19,491,288</u>	<u>2,748,492</u>	<u>1,392,387</u>	<u>3,440,551</u>	<u>138,465</u>	<u>89,950</u>
OPERATING EXPENSES:							
Administration	3,433,881	1,564,579	2,358,092	422,320	-	-	8,900
Tenant services	457,299	433	-	-	87,872	138,465	-
Utilities	1,916,099	1,494	42,948	-	-	-	22,501
Ordinary maintenance	2,552,569	19,559	183,372	7,246	-	-	10,792
Protective services	119,194	223	13,657	-	-	-	1,454
Insurance expense	326,149	14,012	52,361	4,227	522	-	1,960
General expenses	244,016	3,201	7,119	1,200,174	1,703,789	-	3
Nonroutine maintenance	410,195	-	-	235	-	-	-
Housing assistance payments	-	17,661,855	-	-	-	-	-
Interest	40,758	-	-	-	-	-	6,591
Depreciation	3,186,017	27,197	52,806	12,922	278	-	11,846
Total operating expenses	<u>12,686,177</u>	<u>19,292,553</u>	<u>2,710,355</u>	<u>1,647,124</u>	<u>1,792,461</u>	<u>138,465</u>	<u>64,047</u>
OPERATING INCOME/(LOSS)	<u>(2,953,314)</u>	<u>198,735</u>	<u>38,137</u>	<u>(254,737)</u>	<u>1,648,090</u>	<u>-</u>	<u>25,903</u>
NONOPERATING REVENUES/EXPENSES:							
Interest and investment revenue	1,975	3,912	-	49,044	28,943	-	766
Total nonoperating revenues/(expenses)	<u>1,975</u>	<u>3,912</u>	<u>-</u>	<u>49,044</u>	<u>28,943</u>	<u>-</u>	<u>766</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS							
Transfers from others	(2,951,339)	202,647	38,137	(205,693)	1,677,033	-	26,669
Transfers to other funds	-	-	-	-	3,987	-	-
HUD capital contributions	-	-	-	-	(942,580)	-	-
Tax credit and other proceeds	1,005,060	-	-	-	-	-	-
CHANGE IN NET POSITION	<u>(1,886,279)</u>	<u>202,647</u>	<u>38,137</u>	<u>(205,693)</u>	<u>738,440</u>	<u>-</u>	<u>26,669</u>
TOTAL NET POSITION - July 1, 2013	50,613,723	2,273,580	3,764,919	3,864,916	7,352,978	-	421,444
Prior period adjustments (Note 21)	-	-	-	-	-	-	-
TOTAL NET POSITION - June 30, 2014	<u>\$ 48,727,444</u>	<u>\$ 2,476,227</u>	<u>\$ 3,803,056</u>	<u>\$ 3,659,223</u>	<u>\$ 8,091,418</u>	<u>\$ -</u>	<u>\$ 448,113</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2014

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lower Jefferson Avenue Development Program	Lofts on Jefferson	Total	Eliminations	Proprietary Fund
OPERATING REVENUES:								
Rental and tenant income	\$ -	\$ -	\$ -	\$ -	\$ 1,879	\$ 3,646,066	\$ -	\$ 3,646,066
Intergovernmental - operating grants	278,412	217,141	178,558	-	-	28,924,534	-	28,924,534
Fee revenue	-	-	-	-	-	2,747,856	(2,689,042)	58,814
Other income	-	77,154	305,023	-	-	2,773,707	-	2,773,707
Total operating revenues	<u>278,412</u>	<u>294,295</u>	<u>483,581</u>	<u>-</u>	<u>1,879</u>	<u>38,092,163</u>	<u>(2,689,042)</u>	<u>35,403,121</u>
OPERATING EXPENSES:								
Administration	197,278	17,360	105,839	-	1,774	8,197,895	(2,550,143)	5,647,752
Tenant services	-	-	8,719	-	-	604,916	-	604,916
Utilities	2,016	2,271	13,997	-	1,250	2,002,576	-	2,002,576
Ordinary maintenance	13,991	70,406	66,077	-	1,599	2,925,611	(138,899)	2,786,712
Protective services	-	-	3,441	-	598	138,567	-	138,567
Insurance expense	12,679	671	8,580	-	626	421,787	-	421,787
General expenses	52,487	224,901	8,456	-	-	3,444,146	-	3,444,146
Nonroutine maintenance	-	-	-	-	-	410,430	-	410,430
Housing assistance payments	-	-	-	-	-	17,661,855	-	17,661,855
Interest	-	-	-	-	-	47,349	-	47,349
Depreciation	2,076	-	35,855	-	27,516	3,356,513	-	3,356,513
Total operating expenses	<u>280,527</u>	<u>315,609</u>	<u>250,964</u>	<u>-</u>	<u>33,363</u>	<u>39,211,645</u>	<u>(2,689,042)</u>	<u>36,522,603</u>
OPERATING INCOME/(LOSS)	<u>(2,115)</u>	<u>(21,314)</u>	<u>232,617</u>	<u>-</u>	<u>(31,484)</u>	<u>(1,119,482)</u>	<u>-</u>	<u>(1,119,482)</u>
NONOPERATING REVENUES/EXPENSES:								
Interest and investment revenue	-	-	43,824	-	-	128,464	-	128,464
Total nonoperating revenues/(expenses)	<u>-</u>	<u>-</u>	<u>43,824</u>	<u>-</u>	<u>-</u>	<u>128,464</u>	<u>-</u>	<u>128,464</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS								
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	(2,115)	(21,314)	276,441	-	(31,484)	(991,018)	-	(991,018)
Transfers from other funds	-	-	-	178,558	942,580	1,322,425	(1,322,425)	-
Transfers to other funds	-	-	(182,545)	-	-	(1,322,425)	1,322,425	-
HUD capital contributions	-	-	-	-	-	1,005,060	-	1,005,060
Tax credit and other proceeds	-	-	-	-	-	60,000	-	60,000
CHANGE IN NET POSITION	<u>(2,115)</u>	<u>(21,314)</u>	<u>93,896</u>	<u>178,558</u>	<u>911,096</u>	<u>74,042</u>	<u>-</u>	<u>74,042</u>
TOTAL NET POSITION - July 1, 2013	(1,128)	15,698	5,677,688	-	-	73,983,818	-	73,983,818
Prior period adjustments (Note 21)	-	-	-	197,300	-	197,300	-	197,300
TOTAL NET POSITION - June 30, 2014	<u>\$ (3,243)</u>	<u>\$ (5,616)</u>	<u>\$ 5,771,584</u>	<u>\$ 375,858</u>	<u>\$ 911,096</u>	<u>\$ 74,255,160</u>	<u>\$ -</u>	<u>\$ 74,255,160</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2014

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Investment Partnerships Program
Cash flows from operating activities:					
Cash received from tenants/others	\$ 3,735,465	\$ 535,313	\$ -	\$ -	\$ -
Cash received for fees/services/donations	-	-	61,188	153,911	52,020
Cash operating grants received (net)	6,101,158	18,934,729	-	1,238,475	2,100,677
Cash transfers from(to) other funds and entities	(2,942,131)	(645,214)	4,128,468	(191,930)	(29,523)
Cash payments for goods, services, rental subsidies	(4,910,692)	(18,004,310)	(537,482)	(1,212,648)	(132,826)
Cash payments to/for employees and benefits	(2,592,398)	(773,629)	(2,193,948)	(189,171)	(42,676)
Cash payments in lieu of property taxes	(161,931)	-	-	-	-
Cash paid for homes sold (net of sales)	-	-	-	-	(228,110)
Net cash provided/(used) by operating activities	<u>(770,529)</u>	<u>46,889</u>	<u>1,458,226</u>	<u>(201,363)</u>	<u>1,719,562</u>
Cash flows from capital and related financing activities:					
Purchase of equipment/capital assets	(1,640,844)	(22,025)	(13,865)	-	(173,254)
Transfer from/to other funds for capital activities	(108,321)	-	-	-	(510,467)
Contributions received for capital outlays	618,690	-	-	-	-
Loan principal payments	-	-	-	-	-
Interest payments	-	-	-	-	-
Net cash provided/(used) by capital and related financing activities	<u>(1,130,475)</u>	<u>(22,025)</u>	<u>(13,865)</u>	<u>-</u>	<u>(683,721)</u>
Cash flows from noncapital financing activities:					
Cash transfer from(to) other funds and entities	-	-	-	-	-
Loans made to borrowers	-	-	-	(60,911)	(291,483)
Receipt of interest on notes and loans	-	-	-	48,720	28,856
Loans payments received	-	-	-	194,161	191,365
Net cash provided/(used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,970</u>	<u>(71,262)</u>
Cash flows from investing activities:					
Proceeds from sale of investments made	-	-	-	-	-
Receipts of interest and dividends	1,974	(586)	-	324	87
Deposits to reserve accounts	-	-	-	-	-
Cash invested in joint ventures/subsidiaries	-	-	-	-	-
Net cash provided/(used) by investing activities	<u>1,974</u>	<u>(586)</u>	<u>-</u>	<u>324</u>	<u>87</u>
Net increase/(decrease) in cash	(1,899,030)	24,278	1,444,361	(19,069)	964,666
Cash and equivalents at July 1, 2013	<u>12,779,791</u>	<u>2,572,258</u>	<u>993,178</u>	<u>722,433</u>	<u>1,018,227</u>
Cash and equivalents at June 30, 2014	<u>\$ 10,880,761</u>	<u>\$ 2,596,536</u>	<u>\$ 2,437,539</u>	<u>\$ 703,364</u>	<u>\$ 1,982,893</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2014

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Investment Partnerships Program
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (2,953,314)	\$ 198,735	\$ 38,137	\$ (254,737)	\$ 1,648,090
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	3,186,017	27,197	52,806	12,922	278
Interest expense	40,758	-	-	-	-
Operating transfers	-	-	-	-	3,987
Change in assets and liabilities:					
Decrease/(Increase) in accounts receivable	229,664	(18,917)	1,347,549	747	144,547
Decrease/(Increase) in notes and mortgages receivable	-	-	-	24,013	(158,919)
Decrease/(Increase) in prepaid expenses and materials inventories	(7,484)	1,744	(7,962)	640	456
Decrease/(Increase) in other assets	-	-	(8,356)	-	91,798
Increase/(Decrease) in accounts payable	(1,206,185)	(123,669)	57,289	13,280	(6,050)
Increase/(Decrease) in accrued liabilities	7,416	1,380	662	558	177
Increase/(Decrease) in compensated absences	11,343	(675)	(21,899)	1,214	333
Increase/(Decrease) in trust, deposit, and escrow liabilities	(27,155)	(19,206)	-	-	(5,135)
Increase/(Decrease) in unearned revenues	13,357	(19,700)	-	-	-
Increase/(Decrease) in deferred inflows of resources	(64,946)	-	-	-	-
	<u>\$ (770,529)</u>	<u>\$ 46,889</u>	<u>\$ 1,458,226</u>	<u>\$ (201,363)</u>	<u>\$ 1,719,562</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2014

	Resident Self Sufficiency Programs	Transition Center Program	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program
Cash flows from operating activities:					
Cash received from tenants/others	\$ -	\$ 36,316	\$ -	\$ -	\$ -
Cash received for fees/services/donations	-	-	-	77,154	307,284
Cash operating grants received (net)	143,844	59,817	452,158	218,854	178,558
Cash transfers from(to) other funds and entities	(5,911)	(19,735)	(96,243)	(2,540)	(707,257)
Cash payments for goods, services, rental subsidies	(1,433)	(39,934)	(197,341)	(293,468)	(113,825)
Cash payments to/for employees and benefits	(136,500)	(564)	(158,574)	-	(60,628)
Cash payments in lieu of property taxes	-	-	-	-	-
Cash paid for homes sold (net of sales)	-	-	-	-	-
Net cash provided/(used) by operating activities	<u>-</u>	<u>35,900</u>	<u>-</u>	<u>-</u>	<u>(395,868)</u>
Cash flows from capital and related financing activities:					
Purchase of equipment/capital assets	-	-	-	-	(83,395)
Transfer from/to other funds for capital activities	-	-	-	-	-
Contributions received for capital outlays	-	-	-	-	-
Loan principal payments	-	(16,720)	-	-	-
Interest payments	-	(6,716)	-	-	-
Net cash provided/(used) by capital and related financing activities	<u>-</u>	<u>(23,436)</u>	<u>-</u>	<u>-</u>	<u>(83,395)</u>
Cash flows from noncapital financing activities:					
Cash transfer from(to) other funds and entities	-	-	-	-	(178,558)
Loans made to borrowers	-	-	-	-	(180,000)
Receipt of interest on notes and loans	-	-	-	-	-
Loans payments received	-	-	-	-	500,000
Net cash provided/(used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,442</u>
Cash flows from investing activities:					
Proceeds from sale of/investments made	-	2,607	-	-	(40)
Receipts of interest and dividends	-	1	-	-	1,691
Deposits to reserve accounts	-	(6,007)	-	-	-
Cash invested in joint ventures/subsidiaries	-	-	-	-	-
Net cash provided/(used) by investing activities	<u>-</u>	<u>(3,399)</u>	<u>-</u>	<u>-</u>	<u>1,651</u>
Net increase/(decrease) in cash	-	9,065	-	-	(336,170)
Cash and equivalents at July 1, 2013	<u>-</u>	<u>11,345</u>	<u>-</u>	<u>-</u>	<u>2,712,592</u>
Cash and equivalents at June 30, 2014	<u>\$ -</u>	<u>\$ 20,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,376,422</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2014

	Resident Self Sufficiency Programs	Transition Center Program	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ -	\$ 25,903	\$ (2,115)	\$ (21,314)	\$ 232,617
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	-	11,846	2,076	-	35,855
Interest expense	-	6,591	-	-	-
Operating transfers	-	-	-	-	(3,987)
Change in assets and liabilities:					
Decrease/(Increase) in accounts receivable	5,379	8,492	173,181	1,713	(611,188)
Decrease/(Increase) in notes and mortgages receivable	-	-	-	-	3,574
Decrease/(Increase) in prepaid expenses and materials inventories	-	3	37	-	99
Decrease/(Increase) in other assets	-	-	15,694	-	-
Increase/(Decrease) in accounts payable	(5,911)	(17,104)	(178,058)	19,601	(53,157)
Increase/(Decrease) in accrued liabilities	532	158	2,185	-	319
Increase/(Decrease) in compensated absences	-	-	2,694	-	-
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	-	-	-	-
Increase/(Decrease) in unearned revenues	-	11	(15,694)	-	-
Increase/(Decrease) in deferred inflows of resources	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 35,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (395,868)</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2014

	Lower Jefferson Avenue Development Program	Lofts on Jefferson	Total	Eliminations	Proprietary Fund
Cash flows from operating activities:					
Cash received from tenants/others	\$ -	\$ 5,116	\$ 4,312,210	\$ -	\$ 4,312,210
Cash received for fees/services/donations	-	-	651,557	-	651,557
Cash operating grants received (net)	-	-	29,428,270	-	29,428,270
Cash transfers from(to) other funds and entities	-	7,567	(504,449)	-	(504,449)
Cash payments for goods, services, rental subsidies	-	(7,567)	(25,451,526)	-	(25,451,526)
Cash payments to/for employees and benefits	-	-	(6,148,088)	-	(6,148,088)
Cash payments in lieu of property taxes	-	-	(161,931)	-	(161,931)
Cash paid for homes sold (net of sales)	-	-	(228,110)	-	(228,110)
Net cash provided/(used) by operating activities	<u>-</u>	<u>5,116</u>	<u>1,897,933</u>	<u>-</u>	<u>1,897,933</u>
Cash flows from capital and related financing activities:					
Purchase of equipment/capital assets	-	(1,123,237)	(3,056,620)	-	(3,056,620)
Transfer from/to other funds for capital activities	-	1,123,237	504,449	-	504,449
Contributions received for capital outlays	-	-	618,690	-	618,690
Loan principal payments	-	-	(16,720)	-	(16,720)
Interest payments	-	-	(6,716)	-	(6,716)
Net cash provided/(used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(1,956,917)</u>	<u>-</u>	<u>(1,956,917)</u>
Cash flows from noncapital financing activities:					
Cash transfer from(to) other funds and entities	178,558	-	-	-	-
Loans made to borrowers	-	-	(532,394)	-	(532,394)
Receipt of interest on notes and loans	-	-	77,576	-	77,576
Loans payments received	-	-	885,526	-	885,526
Net cash provided/(used) by noncapital financing activities	<u>178,558</u>	<u>-</u>	<u>430,708</u>	<u>-</u>	<u>430,708</u>
Cash flows from investing activities:					
Proceeds from sale of investments made	-	-	2,567	-	2,567
Receipts of interest and dividends	-	-	3,491	-	3,491
Deposits to reserve accounts	-	-	(6,007)	-	(6,007)
Cash invested in joint ventures/subsidiaries	(178,558)	-	(178,558)	-	(178,558)
Net cash provided/(used) by investing activities	<u>(178,558)</u>	<u>-</u>	<u>(178,507)</u>	<u>-</u>	<u>(178,507)</u>
Net increase/(decrease) in cash	-	5,116	193,217	-	193,217
Cash and equivalents at July 1, 2013	-	-	20,809,824	-	20,809,824
Cash and equivalents at June 30, 2014	<u>\$ -</u>	<u>\$ 5,116</u>	<u>\$ 21,003,041</u>	<u>\$ -</u>	<u>\$ 21,003,041</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2014

	Lower Jefferson Avenue Development Program	Lofts on Jefferson	Total	Eliminations	Proprietary Fund
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ -	\$ (31,484)	\$ (1,119,482)	\$ -	\$ (1,119,482)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	-	27,516	3,356,513	-	3,356,513
Interest expense	-	-	47,349	-	47,349
Operating transfers	-	-	-	-	-
Change in assets and liabilities:					
Decrease/(Increase) in accounts receivable	-	(95)	1,281,072	(828,819)	452,253
Decrease/(Increase) in notes and mortgages receivable	-	-	(131,332)	-	(131,332)
Decrease/(Increase) in prepaid expenses and materials inventories	-	(3,980)	(16,447)	-	(16,447)
Decrease/(Increase) in other assets	-	-	99,136	-	99,136
Increase/(Decrease) in accounts payable	-	9,827	(1,490,137)	828,819	(661,318)
Increase/(Decrease) in accrued liabilities	-	-	13,387	-	13,387
Increase/(Decrease) in compensated absences	-	-	(6,990)	-	(6,990)
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	2,580	(48,916)	-	(48,916)
Increase/(Decrease) in unearned revenues	-	752	(21,274)	-	(21,274)
Increase/(Decrease) in deferred inflows of resources	-	-	(64,946)	-	(64,946)
	<u>\$ -</u>	<u>\$ 5,116</u>	<u>\$ 1,897,933</u>	<u>\$ -</u>	<u>\$ 1,897,933</u>

Newport News Redevelopment and Housing Authority
 Newport News, Virginia

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

JUNE 30, 2014

CFP 501-09

Annual Contributions Contract P-5545

1. The Actual Capital Fund Program costs for Program Year 501-09 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 345,800.00	\$ 345,800.00
Management improvements	49,820.49	49,820.49
Administration	345,800.00	345,800.00
Fees & Costs	136,618.39	136,618.39
Site improvements	7,175.00	7,175.00
Dwelling structures	771,968.51	771,968.51
Dwelling equipment	46,592.00	46,592.00
Non-dwelling structures	6,135.00	6,135.00
Demolition	373,625.48	373,625.48
Relocation expenses	60,000.00	60,000.00
Development activity/replacement housing	1,314,502.13	1,314,502.13
Total Cost	<u>\$ 3,458,037.00</u>	<u>\$ 3,458,037.00</u>

- The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated October 14, 2014 is in agreement with the Authority's records. The Actual Comprehensive Grant Cost Certificate was submitted by the Authority on October 14, 2014.
- All related costs have been paid and all related liabilities have been discharged through payment.
- Costs examined during the current period totaled \$106.87
- A reconciliation of development advances and costs are as follows:

Funds advanced:	
Grants - HUD	\$ 3,458,037.00
Funds expended	<u>3,458,037.00</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

JUNE 30, 2014

CFP 501-10

Annual Contributions Contract P-5545

1. The Actual Capital Fund Program costs for Program Year 501-10 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 340,680.00	\$ 340,680.00
Management improvements	33,706.33	33,706.33
Administration	340,680.00	340,680.00
Fees & Costs	154,214.95	154,214.95
Dwelling structures	1,988,061.43	1,988,061.43
Demolition	474,191.17	474,191.17
Relocation expenses	75,302.12	75,302.12
Total Cost	<u>\$ 3,406,836.00</u>	<u>\$ 3,406,836.00</u>

2. The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated October 14, 2014 is in agreement with the Authority's records. The Actual Comprehensive Grant Cost Certificate was submitted by the Authority on October 14, 2014.

3. All related costs have been paid and all related liabilities have been discharged through payment.

4. Costs examined during the current period totaled \$670,488.84

5. A reconciliation of development advances and costs are as follows:

Funds advanced:	
Grants - HUD	\$ 3,283,100.42
Funds expended	<u>3,406,836.00</u>
Excess (deficiency) of funds advanced	<u>\$ (123,735.58)</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2014

CFP 501-11

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year 501-11 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 279,044.00	\$ 279,044.00
Management improvements	50,000.00	8,182.59
Administration	279,044.00	281,367.78
Fees & costs	200,000.00	174,629.69
Dwelling structures	1,282,355.00	436,611.86
Demolition	700,000.00	682,979.07
Total Cost	<u>\$ 2,790,443.00</u>	<u>\$ 1,862,814.99</u>

2. Costs examined during the current period totaled \$624,984.16

3. A reconciliation of development advances and costs are as follows:

Funds advanced:	
Grants - HUD	\$ 1,411,397.87
Funds expended	<u>1,862,814.99</u>
Excess (deficiency) of funds advanced	<u>\$ (451,417.12)</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2014

CFP 501-12

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year 501-12 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 232,735.00	\$ 232,735.00
Management improvements	50,000.00	-
Administration	232,735.00	232,735.00
Fees and Costs	200,000.00	8,390.00
Dwelling structures	1,611,886.00	87,566.51
Total Cost	<u>\$ 2,327,356.00</u>	<u>\$ 561,426.51</u>

2. Costs examined during the current period totaled \$328,691.51

3. A reconciliation of development advances and costs are as follows:

Funds advanced:	
Grants - HUD	\$ 559,529.03
Funds expended	<u>561,426.51</u>
Excess (deficiency) of funds advanced	<u>\$ (1,897.48)</u>

Newport News Redevelopment and Housing Authority
 Newport News, Virginia

STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2014

CFP 501-13

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year 501-13 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 212,663.00	\$ -
Management improvements	50,000.00	-
Administration	212,663.00	212,663.00
Fees and Costs	200,000.00	-
Dwelling structures	1,451,305.00	-
Total Cost	<u>\$ 2,126,631.00</u>	<u>\$ 212,663.00</u>

2. Costs examined during the current period totaled \$212,663.00

3. A reconciliation of development advances and costs are as follows:

Funds advanced:	
Grants - HUD	\$ 212,663.00
Funds expended	<u>212,663.00</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

FEDERAL FINANCIAL REPORT

JUNE 30, 2014

VA003RFS208A011

Federal Cash:

a. Cumulative federal cash received	\$	48,410
b. Cumulative federal cash disbursements		48,410
c. Cash on Hand	\$	-

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	48,410
e. Federal share of expenditures		48,410
f. Federal share of unliquidated obligations		-
g. Total federal share		48,410
h. Unobligated balance of federal funds	\$	-

Recipient Share:

i. Total recipient share required	\$	-
j. Recipient share of expenditures		-
k. Remaining recipient share to be provided	\$	-

Program Income:

l. Total federal program income earned	\$	-
m. Program income expended in accordance with the deduction alternative		-
n. Program income expended in accordance with the addition alternative		-
o. Unexpended program income	\$	-

Newport News Redevelopment and Housing Authority
Newport News, Virginia

FEDERAL FINANCIAL REPORT

JUNE 30, 2014

VA003RFS208A012

Federal Cash:

a. Cumulative federal cash received	\$	13,056.45
b. Cumulative federal cash disbursements		14,866.78
c. Cash on Hand	\$	<u>(1,810.33)</u>

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	48,410.00
e. Federal share of expenditures		13,428.82
f. Federal share of unliquidated obligations		1,437.96
g. Total federal share		<u>14,866.78</u>
h. Unobligated balance of federal funds	\$	<u>33,543.22</u>

Recipient Share:

i. Total recipient share required	\$	-
j. Recipient share of expenditures		-
k. Remaining recipient share to be provided	\$	<u>-</u>

Program Income:

l. Total federal program income earned	\$	-
m. Program income expended in accordance with the deduction alternative		-
n. Program income expended in accordance with the addition alternative		-
o. Unexpended program income	\$	<u>-</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

FEDERAL FINANCIAL REPORT

JUNE 30, 2014

VA003RPS084A012

Federal Cash:

a. Cumulative federal cash received	\$	148,573.34
b. Cumulative federal cash disbursements		155,087.14
c. Cash on Hand	\$	<u>(6,513.80)</u>

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	296,272.00
e. Federal share of expenditures		148,573.34
f. Federal share of unliquidated obligations		6,513.80
g. Total federal share		<u>155,087.14</u>
h. Unobligated balance of federal funds	\$	<u>141,184.86</u>

Recipient Share:

i. Total recipient share required	\$	-
j. Recipient share of expenditures		-
k. Remaining recipient share to be provided	\$	<u>-</u>

Program Income:

l. Total federal program income earned	\$	-
m. Program income expended in accordance with the deduction alternative		-
n. Program income expended in accordance with the addition alternative		-
o. Unexpended program income	\$	<u>-</u>

Newport News Redevelopment and Housing Authority (VA003)
Newport News, Virginia

ENTITY-WIDE BALANCE SHEET SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2014

	Project Total	14.228 Community Development Block Grants/State's Program	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.877 Public Housing Family Self-Sufficiency under ROSS	6.1 Component Unit - Discretely Presented	14.182 N/C S/R Section 8 Programs
111 Cash - Unrestricted	\$8,844,168		\$703,364		\$1,038,407	\$228,508		\$400	\$17,095
112 Cash - Restricted - Modernization and Development	\$132,386								
113 Cash - Other Restricted	\$1,765,389				\$1,328,012			\$15,000	
114 Cash - Tenant Security Deposits	\$138,817				\$400				\$3,315
115 Cash - Restricted for Payment of Current Liabilities					\$1,209				
100 Total Cash	\$10,880,760	\$0	\$703,364	\$0	\$2,368,028	\$228,508	\$0	\$15,400	\$20,410
121 Accounts Receivable - PHA Projects					\$841				
122 Accounts Receivable - HUD Other Projects	\$577,049			\$6,514	\$32,562		\$1,810		
124 Accounts Receivable - Other Government	\$53,873	\$64,155							
125 Accounts Receivable - Miscellaneous									
126 Accounts Receivable - Tenants	\$48,464								\$50
126.1 Allowance for Doubtful Accounts - Tenants	-\$25,893							\$0	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0	\$0		\$0		
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery	\$16,730				\$222,984				
128.1 Allowance for Doubtful Accounts - Fraud	\$0				-\$222,984				
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$670,223	\$64,155	\$0	\$6,514	\$33,403	\$0	\$1,810	\$0	\$50
131 Investments - Unrestricted									
132 Investments - Restricted									\$352,140
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$40,953		\$160		\$1,010				
143 Inventories									
143.1 Allowance for Obsolete Inventories									
144 Inter Program Due From									
145 Assets Held for Sale									
150 Total Current Assets	\$11,591,936	\$64,155	\$703,524	\$6,514	\$2,402,441	\$228,508	\$1,810	\$15,400	\$372,600
161 Land	\$3,562,676				\$32,000			\$252,300	\$17,201
162 Buildings	\$86,960,703				\$584,108				\$314,499
163 Furniture, Equipment & Machinery - Dwellings	\$69,305								
164 Furniture, Equipment & Machinery - Administration	\$1,402,242		\$127,779		\$384,106				
165 Leasehold Improvements	\$10,422,088				\$7,775				\$75,252
166 Accumulated Depreciation	-\$63,819,925		-\$92,836		-\$778,948				-\$259,572
167 Construction in Progress	\$2,825,204							\$5,987,170	
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$41,422,293	\$0	\$34,943	\$0	\$229,041	\$0	\$0	\$6,239,470	\$147,380
171 Notes, Loans and Mortgages Receivable - Non-Current	\$5,795,703		\$2,970,602						
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	\$47,217,996	\$0	\$3,005,545	\$0	\$229,041	\$0	\$0	\$6,239,470	\$147,380
200 Deferred Outflow of Resources									
290 Total Assets and Deferred Outflow of Resources	\$58,809,932	\$64,155	\$3,709,069	\$6,514	\$2,631,482	\$228,508	\$1,810	\$6,254,870	\$519,980

Newport News Redevelopment and Housing Authority (VA003)
Newport News, Virginia

ENTITY-WIDE BALANCE SHEET SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2014

			14.239 HOME Investment Partnerships Program	8 Other Federal Program 1	2 State/Local	1 Business Activities	6.2 Component Unit - Blended	COCC	Subtotal	ELIM	Total
111	Cash - Unrestricted		\$284,878			\$2,376,422	\$2,536	\$2,437,539	\$15,933,317		\$15,933,317
112	Cash - Restricted - Modernization and Development								\$132,386		\$132,386
113	Cash - Other Restricted		\$1,698,015						\$4,806,416		\$4,806,416
114	Cash - Tenant Security Deposits						\$2,580		\$145,112		\$145,112
115	Cash - Restricted for Payment of Current Liabilities								\$1,209		\$1,209
100	Total Cash		\$1,982,893	\$0	\$0	\$2,376,422	\$5,116	\$2,437,539	\$21,018,440	\$0	\$21,018,440
121	Accounts Receivable - PHA Projects								\$841		\$841
122	Accounts Receivable - HUD Other Projects			\$9,058					\$626,993		\$626,993
124	Accounts Receivable - Other Government		\$33,691		\$44,325	\$3,456			\$199,500		\$199,500
125	Accounts Receivable - Miscellaneous		\$48,628			\$8,577		\$268,707	\$325,912		\$325,912
126	Accounts Receivable - Tenants						\$95		\$48,609		\$48,609
126.1	Allowance for Doubtful Accounts - Tenants						\$0		-\$25,893		-\$25,893
126.2	Allowance for Doubtful Accounts - Other		\$0	\$0	\$0	\$0		\$0	\$0		\$0
127	Notes, Loans, & Mortgages Receivable - Current										
128	Fraud Recovery								\$239,714		\$239,714
128.1	Allowance for Doubtful Accounts - Fraud								-\$222,984		-\$222,984
129	Accrued Interest Receivable					\$1,375			\$1,375		\$1,375
120	Total Receivables, Net of Allowances for Doubtful Accounts		\$82,319	\$9,058	\$44,325	\$13,408	\$95	\$268,707	\$1,194,067	\$0	\$1,194,067
131	Investments - Unrestricted					\$40,204			\$40,204		\$40,204
132	Investments - Restricted								\$352,140		\$352,140
135	Investments - Restricted for Payment of Current Liability										
142	Prepaid Expenses and Other Assets		\$42		\$22	\$75	\$3,980	\$23,814	\$70,056		\$70,056
143	Inventories							\$21,927	\$21,927		\$21,927
143.1	Allowance for Obsolete Inventories							\$0	\$0		\$0
144	Inter Program Due From				\$7,000	\$1,014,836		\$172,891	\$1,194,727	-\$1,194,727	\$0
145	Assets Held for Sale										
150	Total Current Assets		\$2,065,254	\$9,058	\$51,347	\$3,444,945	\$9,191	\$2,924,878	\$23,891,561	-\$1,194,727	\$22,696,834
161	Land					\$154,100			\$4,018,277		\$4,018,277
162	Buildings					\$920,522	\$1,650,971		\$90,430,803		\$90,430,803
163	Furniture, Equipment & Machinery - Dwellings								\$69,305		\$69,305
164	Furniture, Equipment & Machinery - Administration		\$20,508		\$19,702	\$16,506		\$1,367,432	\$3,338,275		\$3,338,275
165	Leasehold Improvements					\$196,992			\$10,702,107		\$10,702,107
166	Accumulated Depreciation		-\$18,980		-\$6,251	-\$530,516	-\$27,516	-\$1,113,816	-\$66,648,360		-\$66,648,360
167	Construction in Progress					\$83,395			\$8,895,769		\$8,895,769
168	Infrastructure										
160	Total Capital Assets, Net of Accumulated Depreciation		\$1,528	\$0	\$13,451	\$840,999	\$1,623,455	\$253,616	\$50,806,176	\$0	\$50,806,176
171	Notes, Loans and Mortgages Receivable - Non-Current		\$6,086,763			\$1,305,202		\$1,473,746	\$17,632,016	-\$6,845,334	\$10,786,682
172	Notes, Loans, & Mortgages Receivable - Non Current - Past Due										
173	Grants Receivable - Non Current										
174	Other Assets					\$191,537		\$43,172	\$234,709	-\$84,251	\$150,458
176	Investments in Joint Ventures					\$0	\$375,858		\$375,858		\$375,858
180	Total Non-Current Assets		\$6,088,291	\$0	\$13,451	\$2,337,738	\$1,999,313	\$1,770,534	\$69,048,759	-\$6,929,585	\$62,119,174
200	Deferred Outflow of Resources										
290	Total Assets and Deferred Outflow of Resources		\$8,153,545	\$9,058	\$64,798	\$5,782,683	\$2,008,504	\$4,695,412	\$92,940,320	-\$8,124,312	\$84,816,008

Newport News Redevelopment and Housing Authority (VA003)
Newport News, Virginia

ENTITY-WIDE BALANCE SHEET SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2014

	Project Total	14.228 Community Development Block Grants/State's Program	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.877 Public Housing Family Self-Sufficiency under ROSS	6.1 Component Unit - Discretely Presented	14.182 N/C S/R Section 8 Programs
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$107,508	\$4,071	\$27,613		\$3,408				\$350
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$88,517		\$6,011	\$3,194	\$25,751		\$1,438		\$158
322 Accrued Compensated Absences - Current Portion	\$14,005								
324 Accrued Contingency Liability									
325 Accrued Interest Payable									\$491
331 Accounts Payable - HUD PHA Programs					\$1,209	\$142,282			
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government	\$73,613								
341 Tenant Security Deposits	\$138,818				\$400				\$3,315
342 Unearned Revenue	\$19,028				\$9,212			\$0	\$11
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue								\$1,762,606	\$18,281
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities	\$560,432	\$2,766	\$538					\$831,491	
346 Accrued Liabilities - Other	\$167,541								\$1,737
347 Inter Program - Due To	\$13,822	\$62,934			\$3,320		\$372		
348 Loan Liability - Current									
310 Total Current Liabilities	\$1,183,284	\$69,771	\$34,162	\$6,514	\$39,980	\$142,282	\$1,810	\$2,594,097	\$24,343
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$8,233,934							\$180,000	\$47,525
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other	\$500,700				\$151,920				
354 Accrued Compensated Absences - Non Current	\$164,572		\$15,685		\$49,581				
355 Loan Liability - Non Current									
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities									
350 Total Non-Current Liabilities	\$8,899,206	\$0	\$15,685	\$0	\$201,501	\$0	\$0	\$180,000	\$47,525
300 Total Liabilities	\$10,082,490	\$69,771	\$49,847	\$6,514	\$241,481	\$142,282	\$1,810	\$2,774,097	\$71,868
400 Deferred Inflow of Resources									
508.3 Nonspendable Fund Balance									
508.4 Net Investment in Capital Assets	\$33,188,359		\$34,943		\$229,041			\$4,296,864	\$81,574
509.3 Restricted Fund Balance									
510.3 Committed Fund Balance									
511.3 Assigned Fund Balance									
511.4 Restricted Net Position	\$1,816,957		\$3,624,279		\$1,176,092			\$15,000	\$352,140
512.3 Unassigned Fund Balance									
512.4 Unrestricted Net Position	\$13,722,126	-\$5,616	\$0	\$0	\$984,868	\$86,226	\$0	-\$831,091	\$14,398
513 Total Equity - Net Assets / Position	\$48,727,442	-\$5,616	\$3,659,222	\$0	\$2,390,001	\$86,226	\$0	\$3,480,773	\$448,112
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$58,809,932	\$64,155	\$3,709,069	\$6,514	\$2,631,482	\$228,508	\$1,810	\$6,254,870	\$519,980

Newport News Redevelopment and Housing Authority (VA003)
Newport News, Virginia

ENTITY-WIDE BALANCE SHEET SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2014

			14.239 HOME Investment Partnerships Program	8 Other Federal Program 1	2 State/Local	1 Business Activities	6.2 Component Unit - Blended	COCC	Subtotal	ELIM	Total
311 Bank Overdraft											
312 Accounts Payable <= 90 Days		\$11,674	\$9,058	\$2,592	\$4,866	\$97,338	\$32,180	\$300,658			\$300,658
313 Accounts Payable >90 Days Past Due											
321 Accrued Wage/Payroll Taxes Payable		\$1,465		\$6,739	\$853		\$75,927	\$210,053			\$210,053
322 Accrued Compensated Absences - Current Portion							\$13,048	\$27,053			\$27,053
324 Accrued Contingency Liability											
325 Accrued Interest Payable								\$491			\$491
331 Accounts Payable - HUD PHA Programs								\$143,491			\$143,491
332 Account Payable - PHA Projects											
333 Accounts Payable - Other Government								\$73,613			\$73,613
341 Tenant Security Deposits							\$2,580	\$145,113			\$145,113
342 Unearned Revenue		\$1					\$752	\$29,004			\$29,004
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue								\$1,780,887			\$1,780,887
344 Current Portion of Long-term Debt - Operating Borrowings											
345 Other Current Liabilities								\$1,395,227			\$1,395,227
346 Accrued Liabilities - Other						\$1,393	\$543	\$150,396	\$321,610		\$321,610
347 Inter Program - Due To		\$25,746		\$40,322	\$3,987	\$620,337	\$423,887	\$1,194,727	-\$1,194,727		\$0
348 Loan Liability - Current											
310 Total Current Liabilities		\$38,886	\$9,058	\$49,653	\$11,099	\$721,550	\$695,438	\$5,621,927	-\$1,194,727		\$4,427,200
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue								\$8,461,459	-\$6,509,703		\$1,951,756
352 Long-term Debt, Net of Current - Operating Borrowings											
353 Non-current Liabilities - Other		\$21,433						\$674,053	-\$419,882		\$254,171
354 Accrued Compensated Absences - Non Current		\$1,808		\$18,388			\$196,918	\$446,952			\$446,952
355 Loan Liability - Non Current											
356 FASB 5 Liabilities											
357 Accrued Pension and OPEB Liabilities											
350 Total Non-Current Liabilities		\$23,241	\$0	\$18,388	\$0	\$0	\$196,918	\$9,582,464	-\$6,929,585		\$2,652,879
300 Total Liabilities		\$62,127	\$9,058	\$68,041	\$11,099	\$721,550	\$892,356	\$15,204,391	-\$8,124,312		\$7,080,079
400 Deferred Inflow of Resources											
508.3 Nonspendable Fund Balance											
508.4 Net Investment in Capital Assets		\$1,528		\$13,451	\$840,999	\$1,623,455	\$253,616	\$40,563,830	\$6,509,703		\$47,073,533
509.3 Restricted Fund Balance											
510.3 Committed Fund Balance											
511.3 Assigned Fund Balance											
511.4 Restricted Net Position		\$8,089,890						\$15,074,358			\$15,074,358
512.3 Unassigned Fund Balance											
512.4 Unrestricted Net Position		\$0	\$0	-\$16,694	\$4,930,585	-\$336,501	\$3,549,440	\$22,097,741	-\$6,509,703		\$15,588,038
513 Total Equity - Net Assets / Position		\$8,091,418	\$0	-\$3,243	\$5,771,584	\$1,286,954	\$3,803,056	\$77,735,929	\$0		\$77,735,929
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net		\$8,153,545	\$9,058	\$64,798	\$5,782,683	\$2,008,504	\$4,695,412	\$92,940,320	-\$8,124,312		\$84,816,008

Newport News Redevelopment and Housing Authority (VA003)
Newport News, Virginia

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2014

	Project Total	14.228 Community Development Block Grants/State's Program	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.877 Public Housing Family Self-Sufficiency under ROSS	6.1 Component Unit - Discretely Presented	14.182 N/C S/R Section 8 Programs
70300 Net Tenant Rental Revenue	\$3,248,379								\$30,133
70400 Tenant Revenue - Other	\$340,357								
70500 Total Tenant Revenue	\$3,588,736	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$30,133
70600 HUD PHA Operating Grants	\$5,868,206			\$95,962	\$18,403,802	\$472,877	\$42,503		
70610 Capital Grants	\$1,005,060								
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	\$50,000	\$217,141	\$1,238,475						\$59,817
71100 Investment Income - Unrestricted	\$937		\$324		\$3,683	\$228			\$1
71200 Mortgage Interest Income			\$48,720						
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery	\$25,314				\$67,992				
71500 Other Revenue	\$260,607	\$77,154	\$153,911		\$481,192			\$2,332,608	
71600 Gain or Loss on Sale of Capital Assets									
72000 Investment Income - Restricted	\$1,037								\$766
70000 Total Revenue	\$10,799,897	\$294,295	\$1,441,430	\$95,962	\$18,956,669	\$473,105	\$42,503	\$2,332,608	\$90,717
91100 Administrative Salaries	\$973,190		\$149,708		\$558,820	\$22,766			\$541
91200 Auditing Fees	\$32,281		\$9,517		\$31,594	\$1,286			\$4,152
91300 Management Fee	\$1,421,588	\$17,285	\$186,000		\$477,374	\$20,124			\$3,663
91310 Book-keeping Fee	\$159,120								
91400 Advertising and Marketing	\$6,680		\$1,303		\$617	\$25			
91500 Employee Benefit contributions - Administrative	\$344,532		\$41,234		\$178,101	\$7,247			\$181
91600 Office Expenses	\$178,145		\$18,194		\$158,366	\$6,419			\$1
91700 Legal Expense	\$12,811		\$8,800		\$8,942	\$364			
91800 Travel	\$19,442		\$129		\$4,855	\$198			
91810 Allocated Overhead									
91900 Other	\$104,294	\$75	\$7,435		\$77,503	\$2,944			\$362
91000 Total Operating - Administrative	\$3,252,083	\$17,360	\$422,320	\$0	\$1,496,172	\$61,373	\$0	\$0	\$8,900
92000 Asset Management Fee	\$181,800								
92100 Tenant Services - Salaries	\$305,356			\$73,466	\$433		\$34,891		
92200 Relocation Costs	\$6,341								
92300 Employee Benefit Contributions - Tenant Services	\$109,637			\$21,063			\$7,612		
92400 Tenant Services - Other	\$35,966			\$1,433					
92500 Total Tenant Services	\$457,300	\$0	\$0	\$95,962	\$433	\$0	\$42,503	\$0	\$0

Newport News Redevelopment and Housing Authority (VA003)
Newport News, Virginia

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2014

	Project Total	14.228 Community Development Block Grants/State's Program	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.877 Public Housing Family Self-Sufficiency under ROSS	6.1 Component Unit - Discretely Presented	14.182 N/C S/R Section 8 Programs
70300 Net Tenant Rental Revenue	\$3,248,379								\$30,133
70400 Tenant Revenue - Other	\$340,357								
70500 Total Tenant Revenue	\$3,588,736	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$30,133
70600 HUD PHA Operating Grants	\$5,868,206			\$95,962	\$18,403,802	\$472,877	\$42,503		
70610 Capital Grants	\$1,005,060								
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	\$50,000	\$217,141	\$1,238,475						\$59,817
71100 Investment Income - Unrestricted	\$937		\$324		\$3,683	\$228			\$1
71200 Mortgage Interest Income			\$48,720						
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery	\$25,314				\$67,992				
71500 Other Revenue	\$260,607	\$77,154	\$153,911		\$481,192			\$2,332,608	
71600 Gain or Loss on Sale of Capital Assets									
72000 Investment Income - Restricted	\$1,037								\$766
70000 Total Revenue	\$10,799,897	\$294,295	\$1,441,430	\$95,962	\$18,956,669	\$473,105	\$42,503	\$2,332,608	\$90,717
91100 Administrative Salaries	\$973,190		\$149,708		\$558,820	\$22,766			\$541
91200 Auditing Fees	\$32,281		\$9,517		\$31,594	\$1,286			\$4,152
91300 Management Fee	\$1,421,588	\$17,285	\$186,000		\$477,374	\$20,124			\$3,663
91310 Book-keeping Fee	\$159,120								
91400 Advertising and Marketing	\$6,680		\$1,303		\$617	\$25			
91500 Employee Benefit contributions - Administrative	\$344,532		\$41,234		\$178,101	\$7,247			\$181
91600 Office Expenses	\$178,145		\$18,194		\$158,366	\$6,419			\$1
91700 Legal Expense	\$12,811		\$8,800		\$8,942	\$364			
91800 Travel	\$19,442		\$129		\$4,855	\$198			
91810 Allocated Overhead									
91900 Other	\$104,294	\$75	\$7,435		\$77,503	\$2,944			\$362
91000 Total Operating - Administrative	\$3,252,083	\$17,360	\$422,320	\$0	\$1,496,172	\$61,373	\$0	\$0	\$8,900
92000 Asset Management Fee	\$181,800								
92100 Tenant Services - Salaries	\$305,356			\$73,466	\$433		\$34,891		
92200 Relocation Costs	\$6,341								
92300 Employee Benefit Contributions - Tenant Services	\$109,637			\$21,063			\$7,612		
92400 Tenant Services - Other	\$35,966			\$1,433					
92500 Total Tenant Services	\$457,300	\$0	\$0	\$95,962	\$433	\$0	\$42,503	\$0	\$0

Newport News Redevelopment and Housing Authority (VA003)
Newport News, Virginia

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2014

			14.239 HOME Investment Partnerships Program	8 Other Federal Program 1	2 State/Local	1 Business Activities	6.2 Component Unit - Blended	COCC	Subtotal	ELIM	Total
70300	Net Tenant Rental Revenue						\$1,879		\$3,280,391		\$3,280,391
70400	Tenant Revenue - Other								\$340,357		\$340,357
70500	Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0	\$1,879	\$0	\$3,620,748	\$0	\$3,620,748
70600	HUD PHA Operating Grants		\$65,425						\$24,948,775		\$24,948,775
70610	Capital Grants								\$1,005,060		\$1,005,060
70710	Management Fee							\$2,209,223	\$2,209,223	-\$2,209,223	\$0
70720	Asset Management Fee							\$181,800	\$181,800	-\$181,800	\$0
70730	Book Keeping Fee							\$159,120	\$159,120	-\$159,120	\$0
70740	Front Line Service Fee							\$142,273	\$142,273	-\$138,899	\$3,374
70750	Other Fees							\$55,440	\$55,440		\$55,440
70700	Total Fee Revenue							\$2,747,856	\$2,747,856	-\$2,689,042	\$58,814
70800	Other Government Grants	\$1,953,356		\$278,412	\$178,558				\$3,975,759		\$3,975,759
71100	Investment Income - Unrestricted	\$87			\$1,691				\$6,951		\$6,951
71200	Mortgage Interest Income	\$28,856			\$42,134				\$119,710		\$119,710
71300	Proceeds from Disposition of Assets Held for Sale										
71310	Cost of Sale of Assets										
71400	Fraud Recovery								\$93,306		\$93,306
71500	Other Revenue	\$1,487,194			\$305,023			\$636	\$5,098,325		\$5,098,325
71600	Gain or Loss on Sale of Capital Assets										
72000	Investment Income - Restricted								\$1,803		\$1,803
70000	Total Revenue	\$3,469,493	\$65,425	\$278,412	\$527,406	\$1,879	\$2,748,492	\$2,748,492	\$41,618,293	-\$2,689,042	\$38,929,251
91100	Administrative Salaries	\$31,937	\$6,967	\$127,360	\$51,067			\$1,555,870	\$3,478,226		\$3,478,226
91200	Auditing Fees				\$2,990			\$7,355	\$89,175		\$89,175
91300	Management Fee	\$33,540	\$0	\$29,000	\$20,649				\$2,209,223	-\$2,209,223	\$0
91310	Book-keeping Fee								\$159,120	-\$159,120	\$0
91400	Advertising and Marketing	\$856			\$600			\$4,644	\$14,725		\$14,725
91500	Employee Benefit contributions - Administrative	\$11,249		\$36,072	\$4,460			\$493,424	\$1,116,500		\$1,116,500
91600	Office Expenses	\$1,475		\$4,156	\$2,087	\$1,523		\$267,153	\$637,519		\$637,519
91700	Legal Expense	\$4,731			\$825			\$8,800	\$45,273		\$45,273
91800	Travel	\$307		\$669	\$2,344			\$20,846	\$48,790		\$48,790
91810	Allocated Overhead										
91900	Other	\$3,776	\$67	\$21	\$20,818	\$251			\$217,546		\$217,546
91000	Total Operating - Administrative	\$87,871	\$7,034	\$197,278	\$105,840	\$1,774	\$2,358,092	\$2,358,092	\$8,016,097	-\$2,368,343	\$5,647,754
92000	Asset Management Fee								\$181,800	-\$181,800	\$0
92100	Tenant Services - Salaries								\$414,146		\$414,146
92200	Relocation Costs								\$6,341		\$6,341
92300	Employee Benefit Contributions - Tenant Services								\$138,312		\$138,312
92400	Tenant Services - Other				\$8,719				\$46,118		\$46,118
92500	Total Tenant Services	\$0	\$0	\$0	\$8,719	\$0	\$0	\$0	\$604,917	\$0	\$604,917

Newport News Redevelopment and Housing Authority (VA003)
Newport News, Virginia

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2014

			14.239 HOME Investment Partnerships Program	8 Other Federal Program 1	2 State/Local	1 Business Activities	6.2 Component Unit - Blended	COCC	Subtotal	ELIM	Total
70300	Net Tenant Rental Revenue						\$1,879		\$3,280,391		\$3,280,391
70400	Tenant Revenue - Other								\$340,357		\$340,357
70500	Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0	\$1,879	\$0	\$3,620,748	\$0	\$3,620,748
70600	HUD PHA Operating Grants		\$65,425						\$24,948,775		\$24,948,775
70610	Capital Grants								\$1,005,060		\$1,005,060
70710	Management Fee							\$2,209,223	\$2,209,223	-\$2,209,223	\$0
70720	Asset Management Fee							\$181,800	\$181,800	-\$181,800	\$0
70730	Book Keeping Fee							\$159,120	\$159,120	-\$159,120	\$0
70740	Front Line Service Fee							\$142,273	\$142,273	-\$138,899	\$3,374
70750	Other Fees							\$55,440	\$55,440		\$55,440
70700	Total Fee Revenue							\$2,747,856	\$2,747,856	-\$2,689,042	\$58,814
70800	Other Government Grants	\$1,953,356		\$278,412	\$178,558				\$3,975,759		\$3,975,759
71100	Investment Income - Unrestricted	\$87			\$1,691				\$6,951		\$6,951
71200	Mortgage Interest Income	\$28,856			\$42,134				\$119,710		\$119,710
71300	Proceeds from Disposition of Assets Held for Sale										
71310	Cost of Sale of Assets										
71400	Fraud Recovery								\$93,306		\$93,306
71500	Other Revenue	\$1,487,194			\$305,023			\$636	\$5,098,325		\$5,098,325
71600	Gain or Loss on Sale of Capital Assets										
72000	Investment Income - Restricted								\$1,803		\$1,803
70000	Total Revenue	\$3,469,493	\$65,425	\$278,412	\$527,406	\$1,879	\$2,748,492	\$2,748,492	\$41,618,293	-\$2,689,042	\$38,929,251
91100	Administrative Salaries	\$31,937	\$6,967	\$127,360	\$51,067			\$1,555,870	\$3,478,226		\$3,478,226
91200	Auditing Fees				\$2,990			\$7,355	\$89,175		\$89,175
91300	Management Fee	\$33,540	\$0	\$29,000	\$20,649				\$2,209,223	-\$2,209,223	\$0
91310	Book-keeping Fee								\$159,120	-\$159,120	\$0
91400	Advertising and Marketing	\$856			\$600			\$4,644	\$14,725		\$14,725
91500	Employee Benefit contributions - Administrative	\$11,249		\$36,072	\$4,460			\$493,424	\$1,116,500		\$1,116,500
91600	Office Expenses	\$1,475		\$4,156	\$2,087	\$1,523	\$267,153		\$637,519		\$637,519
91700	Legal Expense	\$4,731			\$825		\$8,800		\$45,273		\$45,273
91800	Travel	\$307		\$669	\$2,344		\$20,846		\$48,790		\$48,790
91810	Allocated Overhead										
91900	Other	\$3,776	\$67	\$21	\$20,818	\$251			\$217,546		\$217,546
91000	Total Operating - Administrative	\$87,871	\$7,034	\$197,278	\$105,840	\$1,774	\$2,358,092	\$2,358,092	\$8,016,097	-\$2,368,343	\$5,647,754
92000	Asset Management Fee								\$181,800	-\$181,800	\$0
92100	Tenant Services - Salaries								\$414,146		\$414,146
92200	Relocation Costs								\$6,341		\$6,341
92300	Employee Benefit Contributions - Tenant Services								\$138,312		\$138,312
92400	Tenant Services - Other				\$8,719				\$46,118		\$46,118
92500	Total Tenant Services	\$0	\$0	\$0	\$8,719	\$0	\$0	\$0	\$604,917	\$0	\$604,917

Newport News Redevelopment and Housing Authority (VA003)
Newport News, Virginia

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2014

	Project Total	14.228 Community Development Block Grants/State's Program	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.877 Public Housing Family Self-Sufficiency under ROSS	6.1 Component Unit - Discretely Presented	14.182 N/C S/R Section 8 Programs
93100 Water	\$421,841	\$432			\$264	\$11			\$2,371
93200 Electricity	\$589,295	\$1,839			\$514	\$21			\$15,269
93300 Gas	\$181,413				\$237	\$9			
93400 Fuel									
93500 Labor									
93600 Sewer	\$723,552				\$420	\$17			\$4,861
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93000 Total Utilities	\$1,916,101	\$2,271	\$0	\$0	\$1,435	\$58	\$0	\$0	\$22,501
94100 Ordinary Maintenance and Operations - Labor	\$605,623								
94200 Ordinary Maintenance and Operations - Materials and Other	\$717,398	\$11,348	\$4,432		\$7,671	\$312			\$3,108
94300 Ordinary Maintenance and Operations Contracts	\$1,009,373	\$59,058	\$2,814		\$11,124	\$453			\$7,684
94500 Employee Benefit Contributions - Ordinary Maintenance	\$220,170								
94000 Total Maintenance	\$2,552,564	\$70,406	\$7,246	\$0	\$18,795	\$765	\$0	\$0	\$10,792
95100 Protective Services - Labor	\$32,119								
95200 Protective Services - Other Contract Costs	\$75,439				\$214	\$9			\$1,454
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services	\$11,636								
95000 Total Protective Services	\$119,194	\$0	\$0	\$0	\$214	\$9	\$0	\$0	\$1,454
96110 Property Insurance	\$258,349	\$634			\$2,035	\$83			\$1,804
96120 Liability Insurance	\$22,130	\$37			\$41	\$2			\$146
96130 Workmen's Compensation	\$29,395		\$2,302		\$8,902	\$362			\$11
96140 All Other Insurance	\$16,276		\$1,925		\$2,486	\$101			
96100 Total insurance Premiums	\$326,150	\$671	\$4,227	\$0	\$13,464	\$548	\$0	\$0	\$1,961
96200 Other General Expenses	\$23,812	\$224,901	\$1,176,160		\$3,075	\$125			\$3
96210 Compensated Absences	\$8,895								
96300 Payments in Lieu of Taxes	\$157,390								
96400 Bad debt - Tenant Rents	\$53,919								
96500 Bad debt - Mortgages			\$24,013						
96600 Bad debt - Other									
96800 Severance Expense									
96000 Total Other General Expenses	\$244,016	\$224,901	\$1,200,173	\$0	\$3,075	\$125	\$0	\$0	\$3
96710 Interest of Mortgage (or Bonds) Payable	\$40,758								\$6,591
96720 Interest on Notes Payable (Short and Long Term)									
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$40,758	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,591
96900 Total Operating Expenses	\$9,089,966	\$315,609	\$1,633,966	\$95,962	\$1,533,588	\$62,878	\$42,503	\$0	\$52,202
97000 Excess of Operating Revenue over Operating Expenses	\$1,709,931	-\$21,314	-\$192,536	\$0	\$17,423,081	\$410,227	\$0	\$2,332,608	\$38,515

Newport News Redevelopment and Housing Authority (VA003)
Newport News, Virginia

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2014

			14.239 HOME Investment Partnerships Program	8 Other Federal Program 1	2 State/Local	1 Business Activities	6.2 Component Unit - Blended	COCC	Subtotal	ELIM	Total
93100	Water				\$211	\$610		\$3,013	\$428,753		\$428,753
93200	Electricity				\$107	\$11,091	\$1,250	\$23,088	\$642,474		\$642,474
93300	Gas				\$30	\$510		\$12,713	\$194,912		\$194,912
93400	Fuel										
93500	Labor										
93600	Sewer				\$1,668	\$1,786		\$4,134	\$736,438		\$736,438
93700	Employee Benefit Contributions - Utilities										
93800	Other Utilities Expense										
93000	Total Utilities	\$0	\$0	\$2,016	\$13,997	\$1,250	\$42,948	\$2,002,577	\$0	\$0	\$2,002,577
94100	Ordinary Maintenance and Operations - Labor					\$4,173		\$85,998	\$695,794		\$695,794
94200	Ordinary Maintenance and Operations - Materials and Other				\$786	\$10,826	\$1,599	\$21,685	\$779,165		\$779,165
94300	Ordinary Maintenance and Operations Contracts				\$13,205	\$49,831		\$48,793	\$1,202,335	-\$138,899	\$1,063,436
94500	Employee Benefit Contributions - Ordinary Maintenance					\$1,247		\$26,895	\$248,312		\$248,312
94000	Total Maintenance	\$0	\$0	\$13,991	\$66,077	\$1,599	\$183,371	\$2,925,606	-\$138,899	-\$138,899	\$2,786,707
95100	Protective Services - Labor							\$8,018	\$40,137		\$40,137
95200	Protective Services - Other Contract Costs					\$3,441	\$598	\$3,132	\$84,287		\$84,287
95300	Protective Services - Other										
95500	Employee Benefit Contributions - Protective Services							\$2,507	\$14,143		\$14,143
95000	Total Protective Services	\$0	\$0	\$0	\$3,441	\$598	\$13,657	\$138,567	\$0	\$0	\$138,567
96110	Property Insurance				\$6,285	\$7,502	\$537	\$11,102	\$288,331		\$288,331
96120	Liability Insurance				\$3,690	\$152	\$89	\$9,181	\$35,468		\$35,468
96130	Workmen's Compensation	\$522			\$2,092	\$926		\$27,624	\$72,136		\$72,136
96140	All Other Insurance				\$612			\$4,455	\$25,855		\$25,855
96100	Total insurance Premiums	\$522	\$0	\$12,679	\$8,580	\$626	\$52,362	\$421,790	\$0	\$0	\$421,790
96200	Other General Expenses	\$1,703,789		\$52,487	\$1,422			\$7,119	\$3,192,893		\$3,192,893
96210	Compensated Absences								\$8,895		\$8,895
96300	Payments in Lieu of Taxes								\$157,390		\$157,390
96400	Bad debt - Tenant Rents								\$53,919		\$53,919
96500	Bad debt - Mortgages					\$7,034			\$31,047		\$31,047
96600	Bad debt - Other										
96800	Severance Expense										
96000	Total Other General Expenses	\$1,703,789	\$0	\$52,487	\$8,456	\$0	\$7,119	\$3,444,144	\$0	\$0	\$3,444,144
96710	Interest of Mortgage (or Bonds) Payable								\$47,349		\$47,349
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	\$0	\$0	\$0	\$0	\$47,349	\$0	\$47,349
96900	Total Operating Expenses	\$1,792,182	\$7,034	\$278,451	\$215,110	\$5,847	\$2,657,549	\$17,782,847	-\$2,689,042		\$15,093,805
97000	Excess of Operating Revenue over Operating Expenses	\$1,677,311	\$58,391	-\$39	\$312,296	-\$3,968	\$90,943	\$23,835,446	\$0		\$23,835,446

Newport News Redevelopment and Housing Authority (VA003)
Newport News, Virginia

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2014

	Project Total	14.228 Community Development Block Grants/State's Program	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.877 Public Housing Family Self-Sufficiency under ROSS	6.1 Component Unit - Discretely Presented	14.182 N/C S/R Section 8 Programs
97100 Extraordinary Maintenance	\$296,246								
97200 Casualty Losses - Non-capitalized	\$113,948		\$235						
97300 Housing Assistance Payments					\$16,850,871	\$398,595			
97350 HAP Portability-In					\$353,998				
97400 Depreciation Expense	\$3,186,017		\$12,922		\$27,197				\$11,846
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$12,686,177	\$315,609	\$1,647,123	\$95,962	\$18,765,654	\$461,473	\$42,503	\$0	\$64,048
10010 Operating Transfer In	\$241,881								
10020 Operating transfer Out	-\$241,881								
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	\$50,000								
10092 Inter Project Excess Cash Transfer Out	-\$50,000								
10093 Transfers between Program and Project - In									
10094 Transfers between Project and Program - Out									
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$1,886,280	-\$21,314	-\$205,693	\$0	\$191,015	\$11,632	\$0	\$2,332,608	\$26,669
11020 Required Annual Debt Principal Payments	\$60,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,720
11030 Beginning Equity	\$50,613,722	\$15,698	\$3,864,915	\$0	\$2,198,986	\$74,594	\$0	\$0	\$421,443
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0							\$1,148,165	
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Special Term/Severance Benefits Liability									
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity					\$1,213,909				
11180 Housing Assistance Payments Equity					\$1,176,092				
11190 Unit Months Available	18333				28644	1056			144
11210 Number of Unit Months Leased	17826				25970	1056			133
11270 Excess Cash	\$7,794,472								
11610 Land Purchases	\$0								
11620 Building Purchases	\$1,005,060								
11630 Furniture & Equipment - Dwelling Purchases	\$0								
11640 Furniture & Equipment - Administrative Purchases	\$0								
11650 Leasehold Improvements Purchases	\$0								
11660 Infrastructure Purchases	\$0								
13510 CFFP Debt Service Payments	\$0								
13901 Replacement Housing Factor Funds	\$0								

Newport News Redevelopment and Housing Authority (VA003)
Newport News, Virginia

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2014

			14.239 HOME Investment Partnerships Program	8 Other Federal Program 1	2 State/Local	1 Business Activities	6.2 Component Unit - Blended	COCC	Subtotal	ELIM	Total
97100	Extraordinary Maintenance								\$296,246		\$296,246
97200	Casualty Losses - Non-capitalized								\$114,183		\$114,183
97300	Housing Assistance Payments			\$58,391					\$17,307,857		\$17,307,857
97350	HAP Portability-In								\$353,998		\$353,998
97400	Depreciation Expense	\$278			\$2,076	\$35,855	\$27,516	\$52,806	\$3,356,513		\$3,356,513
97500	Fraud Losses										
97600	Capital Outlays - Governmental Funds										
97700	Debt Principal Payment - Governmental Funds										
97800	Dwelling Units Rent Expense										
90000	Total Expenses	\$1,792,460	\$65,425	\$280,527	\$250,965	\$33,363	\$2,710,355	\$39,211,644	-\$2,689,042		\$36,522,602
10010	Operating Transfer In	\$3,987							\$245,868		\$245,868
10020	Operating transfer Out					-\$3,987			-\$245,868		-\$245,868
10030	Operating Transfers from/to Primary Government						\$178,558		\$178,558		\$178,558
10040	Operating Transfers from/to Component Unit	-\$510,467				-\$178,558			-\$689,025		-\$689,025
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								\$50,000		\$50,000
10092	Inter Project Excess Cash Transfer Out								-\$50,000		-\$50,000
10093	Transfers between Program and Project - In						\$510,467		\$510,467		\$510,467
10094	Transfers between Project and Program - Out										
10100	Total Other financing Sources (Uses)	-\$506,480	\$0	\$0	-\$182,545	\$689,025	\$0	\$0	\$0	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$1,170,553	\$0	-\$2,115	\$93,896	\$657,541	\$38,137	\$2,406,649	\$0		\$2,406,649
11020	Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$76,720			\$76,720
11030	Beginning Equity	\$7,352,978	\$0	-\$1,128	\$5,677,688	\$0	\$3,764,919	\$73,983,815			\$73,983,815
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$432,113			\$0	\$629,413		\$1,345,465			\$1,345,465
11050	Changes in Compensated Absence Balance										
11060	Changes in Contingent Liability Balance										
11070	Changes in Unrecognized Pension Transition Liability										
11080	Changes in Special Term/Severance Benefits Liability										
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents										
11100	Changes in Allowance for Doubtful Accounts - Other										
11170	Administrative Fee Equity							\$1,213,909			\$1,213,909
11180	Housing Assistance Payments Equity							\$1,176,092			\$1,176,092
11190	Unit Months Available	0	96	0	156	8	0	48437			48437
11210	Number of Unit Months Leased	0	96	0	156	6	0	45243			45243
11270	Excess Cash							\$7,794,472			\$7,794,472
11610	Land Purchases						\$0	\$0			\$0
11620	Building Purchases						\$0	\$1,005,060			\$1,005,060
11630	Furniture & Equipment - Dwelling Purchases						\$0	\$0			\$0
11640	Furniture & Equipment - Administrative Purchases						\$0	\$0			\$0
11650	Leasehold Improvements Purchases						\$0	\$0			\$0
11660	Infrastructure Purchases						\$0	\$0			\$0
13510	CFFP Debt Service Payments						\$0	\$0			\$0
13901	Replacement Housing Factor Funds						\$0	\$0			\$0

COMPLIANCE SECTION

Newport News Redevelopment and Housing Authority
Newport News, Virginia

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Federal Award Number</u>	<u>Program or Award Amount</u>	<u>Disbursements or Expenditures</u>
FEDERAL GRANTOR			
U.S. Department of HUD			
Direct Programs:			
Low-Rent Public Housing Program			
Operating Subsidies			
VA00300XXX12D	14.850	\$ 3,135	\$ 3,135
VA00300XXX13D	14.850	\$ 4,786,645	2,388,998
VA00300XXX14D	14.850	\$ 3,962,589	<u>2,644,199</u>
			<u>5,036,332</u>
Capital Fund Program:			
VA36P003501-09	14.872	\$ 3,458,037	107
VA36P003501-10	14.872	\$ 3,406,836	670,489
VA36P003501-11	14.872	\$ 2,790,443	624,984
VA36P003501-12	14.872	\$ 2,327,356	328,691
VA36P003501-13	14.872	\$ 2,126,631	212,663
VA36P003501-14	14.872	\$ 2,365,947	-
			<u>1,836,934</u>
Housing Assistance Payments Program:			
Housing Choice Voucher Program	14.871	\$ 18,403,802	<u>18,403,802</u>
Housing Assistance Payments Program:			
Moderate Rehabilitation - Single Room Occupancy			
VA003SRO004 - 2013 funding	14.249	\$ 472,877	472,877
New Construction through the Virginia			
Housing Development Authority			
Transition Center, VA36H027032	14.182	\$ 59,817	<u>59,817</u>
			<u>532,694</u>
TOTAL SECTION 8 PROJECT BASED CLUSTER			
Resident Opportunities and Supportive Services			
VA003RFS208A011	14.877	\$ 48,410	27,637
VA003RFS208A012	14.877	\$ 48,410	<u>14,866</u>
			<u>42,503</u>
Service Coordinators			
VA003RPS084A012	14.870	\$ 296,272	<u>95,962</u>
Continuum of Care			
Special Needs Assistance			
VA0055L3F051205	14.267	\$ 74,575	56,367
VA0055L3F051306	14.267	\$ 115,630	<u>9,058</u>
			<u>65,425</u>
		TOTAL HUD	<u>26,013,652</u>
		TOTAL DIRECT	<u>26,013,652</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Federal Award Number</u>	<u>Program or Award Amount</u>	<u>Disbursements or Expenditures</u>
U.S. Department of HUD Indirect Programs:			
Pass-through from the City of Newport News			
Community Development Block Grants/ Entitlement Grants	14.218	\$ 1,830,779	1,238,475
HOME Investment Partnerships Program M-XX-MC-510202	14.239		1,496,086
Pass-through from the Virginia Department of Community Affairs and the City of Newport News			
Housing and Economic Recovery Act (HERA) Neighborhood Stabilization Program Contract #08-NSP-05	14.228	\$ 700,000	<u>217,141</u>
		TOTAL INDIRECT	<u>2,951,702</u>
		TOTAL	<u><u>28,965,354</u></u>

NOTE:

The accompanying schedule of expenditure of federal awards includes the federal grant activity of the Authority and is presented on the full accrual basis of accounting (see Note 1 for a detailed description of this basis of accounting). The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Since this schedule reports the expenditure of federal awards, including capital expenditures, some of the amounts appearing on this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Certain HUD-funded rental assistance programs are subject to final settlement adjustments that may affect amounts recognized as HUD revenues and expenditures in prior periods. Unless material, such adjustments are reported in the financial statements as adjustments to the current period HUD grant revenue.

**Report of Independent Auditor 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***

The Commissioners of the Newport News
Redevelopment and Housing Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities, discretely presented component unit, and the aggregate remaining fund information of Newport News Redevelopment and Housing Authority (the "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 March 30, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 *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. A *material weakness* is a deficiency, or 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. We consider the deficiency in internal control described in the accompany schedule of findings and questioned costs as item 2014-001 to be a material weakness.

Compliance and Other Matters

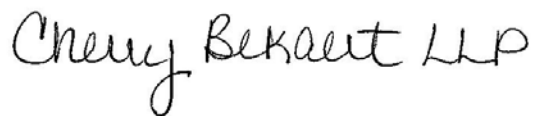
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Finding

Management's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Cheryl Bekant LLP in cursive script.

Virginia Beach, Virginia
March 30, 2015

**Report of Independent Auditor on Compliance for Each Major Federal
Program and on Internal Control over Compliance Required by
*OMB Circular A-133***

The Commissioners of the Newport News
Redevelopment and Housing Authority

Report on Compliance for Each Major Federal Program

We have audited the Newport News Redevelopment and Housing Authority's (the "Authority") 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 Authority's major federal programs for the year ended June 30, 2014. The Authority's major federal programs are identified in the summary of auditors' 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 its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *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 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 on the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *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 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.

Cheryl Bekant LLP

Virginia Beach, Virginia
March 30, 2015

**Newport News Redevelopment and Housing Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

(1) Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	Yes
Significant deficiencies identified:	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weaknesses identified:	No
Significant deficiencies identified:	None reported
Any audit findings disclosed that are required to be reported in Accordance with Section 510(a) of <i>OMB Circular A-133</i> ?	No

Identification of major federal programs:

<u>Name of Program</u>	<u>CFDA #</u>
Department of Housing and Urban Development:	
Housing Choice Voucher Program	14.871
Public Housing Capital Fund Program (CFP)	14.872

Dollar threshold to distinguish between Type A and B Programs:	\$868,961
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The Newport News Redevelopment and Housing Authority was Qualified as a low risk auditee?	No
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(2) Findings – Financial Statement Audit

2014-001 – Material weakness in Internal Control over Financial Reporting

Criteria

Assets and contributions should be timely reported in the financial statements in the period that ownership occurs and revenue becomes earned.

Condition

For the year ended June 30, 2014, the Authority recorded a prior period adjustment for non-cash transactions that occurred but were not timely reported within their blended and discretely presented component units at year end June 30, 2013.

Cause

The accounting for these component units is performed outside the Authority. These transactions were non-cash in nature and timely reporting would require extensive understanding and review of the underlying agreements.

Effect

Net position of the business-type activities for the Lower Jefferson Avenue Development Corporation program and the discretely presented component unit, Lower Jefferson Avenue, LLC, was understated by \$197,300 and \$1,148,165, respectively, for the year ended June 30, 2013.

Recommendation

We recommend the Authority Finance staff obtain and review all agreements of their blended and discretely presented component units throughout the year and subsequent to year end to determine that all transactions are timely recorded in the financial statements.

Management Response

The Authority Finance staff will obtain and review all agreements of their tax credit property component units to ensure that non-cash transactions are timely reported in the Authority's financial statements.

(3) Findings and Questioned Costs – Major Federal Awards Compliance

None

(4) Resolution of Prior Year's Findings

2013-1: Corrected