

Newport News Redevelopment and Housing Authority
Newport News, Virginia

Financial Statements and
Report of Independent Auditor

June 30, 2012

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Report of Independent Auditor

The Commissioners of the Newport News
Redevelopment and Housing Authority

We have audited the accompanying financial statements of the proprietary fund and the fiduciary fund information of the Newport News Redevelopment and Housing Authority (the "Authority"), as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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, 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 require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the proprietary fund and the fiduciary fund information of the Authority as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 21 to the financial statements, certain errors resulting in the overstatement of previously recorded contributions as of June 30, 2011, were discovered by management of the Authority during the current year. Accordingly, an adjustment has been made to net assets as of June 30, 2011, to correct the error.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2013 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, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, and the Schedules of Funding Progress, and the Schedules of Employer Contributions 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 managements 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The combining program financial statements, capital fund program cost statements, federal financial status reports, financial data schedules, 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 status 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other records used to prepare the financial statements or to the 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.

Cherry Bekaert LLP

Virginia Beach, Virginia
March 26, 2013

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2012

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 assets of the Authority increased by \$2,357,252 during the year ended June 30, 2012. Net assets were \$77,668,757 and \$75,311,505 for the years ended June 30, 2012 and 2011, respectively.

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 Assets – The Statement of Net Assets 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, 2012

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

Net Assets, Invested in Capital Assets, Net of Related Debt – This component of Net Assets 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 Net Assets – This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, and regulations, etc.

Unrestricted Net Assets – Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

Statement of Revenues, Expenses and Changes in Fund Net Assets – 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 Assets is the "Change in Net Assets", 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.

Proprietary Funds

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, 2012

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.

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.

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

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2012

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.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2012

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

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

	<u>FY 2012</u>	(as restated) <u>FY 2011</u>	
	Enterprise Funds	Enterprise Funds	Increase (Decrease)
ASSETS:			
Cash and Investments	\$ 17,666,662	\$ 16,987,916	\$ 678,746
Other Current Assets	1,639,065	2,121,241	(482,176)
Restricted Assets	16,003,727	16,371,681	(367,954)
Non-Current Assets	1,680,478	1,848,901	(168,423)
Capital Assets (Net)	45,074,540	43,162,527	1,912,013
TOTAL ASSETS	<u>\$ 82,064,472</u>	<u>\$ 80,492,266</u>	<u>\$ 1,572,206</u>
LIABILITIES:			
Current Liabilities	\$ 1,616,901	\$ 2,218,328	\$ (601,427)
Non-Current Liabilities	2,778,814	2,962,433	(183,619)
TOTAL LIABILITIES	<u>4,395,715</u>	<u>5,180,761</u>	<u>(785,046)</u>
Net Assets Invested in Capital Assets, Net of Related Debt	43,132,490	40,432,489	2,700,001
Restricted Net Assets	17,523,595	17,731,409	(207,814)
Unrestricted Net Assets	17,012,672	17,147,607	(134,935)
TOTAL NET ASSETS	<u>77,668,757</u>	<u>75,311,505</u>	<u>2,357,252</u>
TOTAL LIABILITIES and NET ASSETS	<u>\$ 82,064,472</u>	<u>\$ 80,492,266</u>	<u>\$ 1,572,206</u>

Analysis of Changes in Net Assets

The net assets increased by \$2,357,252 mostly due to the tax credits and development fees received at the time of completion of the Orcutt III Townhomes public housing property. Cash and investments increased \$678,746, mostly due to the settlement of interfund receivables and the development fee earned.

The decrease in other current assets was mostly due to the decrease in accounts receivable due from HUD for capital grants. The increase in capital assets is due to the completion of the Orcutt III Townhomes offset with the continued phased removal of Dickerson Courts units.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2012

	(as restated)		Increase / Decrease	Percent
	FY 2012	FY 2011		
	Enterprise Funds	Enterprise Funds		
OPERATING REVENUES:				
Rental and tenant income	\$ 3,904,536	\$ 4,310,457	\$ (405,921)	-9.42%
Intergovernmental	28,001,359	32,769,518	(4,768,159)	-14.55%
Other income	870,679	1,355,420	(484,741)	-35.76%
Total operating revenues	<u>32,776,574</u>	<u>38,435,395</u>	<u>(5,658,821)</u>	-14.72%
OPERATING EXPENSES:				
Administration	5,917,328	6,462,933	(545,605)	-8.44%
Tenant services	620,368	659,726	(39,358)	-5.97%
Utilities	2,081,734	2,413,420	(331,686)	-13.74%
Ordinary maintenance and operations	3,686,822	3,445,657	241,165	7.00%
Protective services	190,901	216,568	(25,667)	-11.85%
Insurance Expense	434,516	443,741	(9,225)	-2.08%
General expenditures	2,396,152	3,856,097	(1,459,945)	-37.86%
Nonroutine maintenance (net of insurance)	131,263	566,243	(434,980)	-76.82%
Housing assistance payments	17,756,467	17,342,878	413,589	2.38%
Interest	47,099	46,735	364	0.78%
Depreciation	3,161,818	3,705,057	(543,239)	-14.66%
Total operating expenses	<u>36,424,468</u>	<u>39,159,055</u>	<u>(2,734,587)</u>	-6.98%
OPERATING INCOME / (LOSS)	<u>(3,647,894)</u>	<u>(723,660)</u>	<u>(2,924,234)</u>	84.59%
NONOPERATING REVENUES / (EXPENSES):				
Interest and investment revenue	140,869	114,945	25,924	22.55%
Developer fees earned	725,000	-	725,000	100.00%
Gain or (loss) on disposition of fixed assets	(12,828)	(213,084)	200,256	-93.98%
Total nonoperating revenues / expenses	<u>853,041</u>	<u>(98,139)</u>	<u>951,180</u>	-969.22%
INCOME / (LOSS) BEFORE CONTRIBUTIONS, TRANSFERS, AND ADJUSTMENTS:				
	(2,794,853)	(821,799)	(1,973,054)	240.09%
HUD capital contributions	4,075,765	3,937,904	137,861	3.50%
Tax Credit Proceeds	1,076,340	688,238	388,102	56.39%
CHANGE IN NET ASSETS	<u>2,357,252</u>	<u>3,804,343</u>	<u>(1,447,091)</u>	-38.04%
TOTAL NET ASSETS - beginning	<u>75,311,505</u>	<u>71,507,162</u>	<u>3,804,343</u>	5.45%
TOTAL NET ASSETS - ending	<u>\$ 77,668,757</u>	<u>\$ 75,311,505</u>	<u>\$ 2,357,252</u>	3.13%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2012

Revenue and Expense Activities

Operating Revenues of Enterprise Funds Activities – The Authority's revenue decreased by 14.7% or \$5,658,821 in FYE June 30, 2012 as compared to FYE June 30, 2011. Income (rent, excess utilities, and maintenance charges) decreased \$405,921 due to lower tenant rents and the removal of the last 108 units at Dickerson Courts from inventory. Operating grants and housing assistance payments decreased \$4,768,159. Most of the change is attributable to a decrease of \$1,531,511 in public housing subsidy and Section 8 subsidy decrease of \$146,841. Because we had received the majority of the \$4,858,857 American Recovery and Reinvestment Act (ARRA) Public Housing Capital Fund Stimulus grant in the prior year, we experienced a current year decrease of \$2,478,485 in capital funding. The increase of \$343,820 in the HOME program was offset with a decrease of \$312,587 in the CDBG grants. Program activity and income has not been as strong this year as in previous years due to the economy, fewer individuals are receiving or paying off these loans. As a result, program income has decreased. The State and Local grants also experienced a decrease of \$312,587.

Operating Expenses of Enterprise Funds Activities – The Authority's Enterprise Funds expenses decreased by 7% or \$2,734,587 in FYE June 30, 2012 as compared to FYE June 30, 2011. Although there was an increase of \$413,589 in housing assistance payments to landlords, and an increase in maintenance expenditures, most of the operating expenses (administration, utilities, nonroutine maintenance, etc.) decreased. The continued phase-out of 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, 2012, the Enterprise Funds had \$112,972,899 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 Orcutt III and capital projects at the public housing properties, including major renovations at Marshall Courts and Aqueduct Apartments.

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

	FY 2012	FY 2011	Increase / Decrease
Land and improvements	\$ 3,765,977	\$ 3,796,861	\$ (30,884)
Building	100,334,664	94,838,538	5,496,126
Equipment	3,475,945	3,258,647	217,298
Construction in progress	5,396,313	6,005,022	(608,709)
Total	<u>112,972,899</u>	<u>107,899,068</u>	<u>5,073,831</u>
Accumulated depreciation	<u>(67,898,359)</u>	<u>(64,736,541)</u>	<u>(3,161,818)</u>
TOTAL	<u><u>\$ 45,074,540</u></u>	<u><u>\$ 43,162,527</u></u>	<u><u>\$ 1,912,013</u></u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2012

LONG-TERM DEBT

At the end of fiscal year June 30, 2012 and 2011, the Authority owed \$1,942,050 and \$2,016,038 in long-term debt to VHDA for the Transition Center and Orcutt Townhomes III. 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.
- Due to the inability of Congress to pass legislation on balanced deficit reduction to avoid sequestration, the President was required by law to issue a sequestration order on March 1, 2013, canceling approximately \$85 billion in budgetary resources across the Federal government for the remainder of the Federal fiscal year.
- The Authority is being funded at a rate of 95% of public housing subsidy eligibility for the first six months of FY 2013. This was in addition to the Authority's required allocation adjustment of \$2.2 million or 33.5% of our calculated eligibility for calendar year 2012. In past years, the rate has been as low as 88%. However, due to the sequester, a 5 percent reduction from the FY 2013 annualized Continuing Resolution (CR) will result in a funding proration of 73 percent for the remaining 9 months of calendar year 2013 and 77 percent for the full year.
- The Authority's federal revenues have been drastically cut in many programs. The Housing Choice Voucher (Section 8) program had been consistently funded; however, due to the sequestration, the proration for voucher renewal funding of 94.1% is expected for fiscal year 2013. Additionally, the sequestration will significantly reduce administrative funding, resulting in an administrative fee proration of approximately 68.5% in 2013. Cuts in both CDBG and HOME will dramatically reduce the resources available for housing rehabilitation, traditional redevelopment activities, and assistance provided to many non-profit agencies. Cuts to the Capital Fund program will result in the delay of much needed upgrades to our apartments.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2012

- 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 \$132,000 for FY 2013. 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:

Ms. Karen R. Wilds
Executive Director
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FINANCIAL STATEMENTS

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF NET ASSETS (BALANCE SHEET)

PROPRIETARY FUND

JUNE 30, 2012

	<u>Proprietary Fund</u>
<u>ASSETS</u>	
Current assets:	
Cash and equivalents - unrestricted	\$ 17,626,384
Accounts receivable (net of allowance)	1,170,164
Investments	40,278
Deferred charges	46,997
Materials inventory (net of allowance)	13,222
Other assets	408,682
Total current assets	<u>19,305,727</u>
Restricted assets:	
Cash and equivalents - restricted	6,576,772
Investments - restricted	322,453
Notes receivable (non-current)	9,104,502
Total restricted assets	<u>16,003,727</u>
Noncurrent assets:	
Notes and mortgages receivable	1,556,464
Nondepreciable capital assets	9,162,290
Capital assets (net)	35,912,250
Other noncurrent assets	124,014
Total noncurrent assets	<u>46,755,018</u>
TOTAL ASSETS	<u>\$ 82,064,472</u>

The accompanying notes are integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF NET ASSETS (BALANCE SHEET)
(Continued)

PROPRIETARY FUND

JUNE 30, 2012

	<u>Proprietary Fund</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 1,391,328
Accrued salaries	198,798
Accrued interest payable	730
Deferred credits	1,998
Compensated absences	8,754
Current portion of long-term liabilities	15,293
Total current liabilities	<u>1,616,901</u>
Long-term liabilities:	
Compensated absences	472,753
Accrued OPEB liabilities	55,861
Notes and mortgages payable	1,926,757
Deferred credits	16,171
Trust, deposit and escrow liabilities	307,272
Total long-term liabilities	<u>2,778,814</u>
TOTAL LIABILITIES	<u>4,395,715</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	43,132,490
Restricted net assets	17,523,595
Unrestricted net assets	<u>17,012,672</u>
TOTAL NET ASSETS	<u>77,668,757</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 82,064,472</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2012

	Proprietary Fund
OPERATING REVENUES:	
Rental and tenant income	\$ 3,904,536
Intergovernmental - operating grants	28,001,359
Fee revenue	60,531
Other income	810,148
Total operating revenues	<u>32,776,574</u>
OPERATING EXPENSES:	
Administration	5,917,328
Tenant services	620,368
Utilities	2,081,734
Ordinary maintenance	3,686,822
Protective services	190,901
Insurance expense	434,516
General expenditures	2,396,152
Non-routine maintenance	131,263
Housing assistance payments	17,756,467
Interest	47,099
Depreciation	3,161,818
Total operating expenses	<u>36,424,468</u>
OPERATING INCOME/(LOSS)	<u>(3,647,894)</u>
NONOPERATING REVENUES/EXPENSES:	
Interest and investment revenue	140,869
Developer fees earned	725,000
Gain or loss on disposition fixed assets	(12,828)
Total nonoperating revenues/(expenses)	<u>853,041</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	(2,794,853)
HUD Capital contributions	4,075,765
Tax credit and other proceeds	1,076,340
CHANGE IN NET ASSETS	<u>2,357,252</u>
TOTAL NET ASSETS - July 1, 2011, as previously reported	77,215,736
Prior period adjustments (Note 22)	(1,904,231)
TOTAL NET ASSETS - July 1, 2011, as restated	<u>75,311,505</u>
TOTAL NET ASSETS - June 30, 2012	<u>\$ 77,668,757</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENTS OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2012

	Proprietary Fund
Cash flows from operating activities:	
Cash received from tenants/others	\$ 4,246,413
Cash received for fees/services/donations	547,662
Cash operating grants received (net)	28,452,050
Cash transfers from(to) other funds and entities	(2,430,219)
Cash payments for goods, services, rental subsidies	(23,343,626)
Cash payments to/for employees and benefits	(6,788,226)
Cash payments in lieu of property taxes	(165,190)
Cash received from the sale of homes (net)	(388,248)
Net cash provided/(used) by operating activities	<u>130,616</u>
Cash flows from capital and related financings activities:	
Purchase of equipment/capital assets	(4,929,691)
Proceeds from sale of tax credits	1,016,340
Contributions received for capital outlays	4,075,765
Loan principal payments	(13,988)
Interest payments	(47,203)
Net cash provided/(used) by capital and related financing activities	<u>101,223</u>
Cash flows from noncapital financing activities:	
Developer fees received	50,000
Loans made to borrowers	(884,494)
Loans payments received	611,802
Net cash provided/(used) by noncapital financing activities	<u>(222,692)</u>
Cash flows from investing activities:	
Proceeds from sale of/investments made	182,852
Receipts of interest and dividends	140,869
Net cash provided/(used) by investing activities	<u>323,721</u>
Net increase/(decrease) in cash	332,868
Cash at July 1, 2011	<u>23,870,288</u>
Cash at June 30, 2012	<u>\$ 24,203,156</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENTS OF CASH FLOWS

PROPRIETARY FUND
(Continued)

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Proprietary Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (3,647,894)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	3,161,818
Interest expense	47,099
Loss on sale of equipment	(12,828)
Operating transfers	57,995
Other adjustments	1,991
Change in assets and liabilities:	
Decrease/(Increase) in accounts receivable	879,517
Decrease/(Increase) in deferred charges and prepaid expenses	8,912
Decrease/(Increase) in other assets	(410,992)
Increase/(Decrease) in accounts payable	132,235
Increase/(Decrease) in accrued liabilities	50,050
Increase/(Decrease) in trust, deposit, and escrow liabilities	29,148
Increase/(Decrease) in deferred credits	(166,435)
	<u>\$ 130,616</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENTS OF FIDUCIARY NET ASSETS

FIDUCIARY FUND

FOR THE YEAR ENDED JUNE 30, 2012

	<u>OPEB Trust Fund</u>
<u>ASSETS</u>	
Investments, at fair value	\$ 581,869
TOTAL ASSETS	<u>\$ 581,869</u>
<u>LIABILITIES</u>	
Accounts payable and accrued expenses	\$ -
TOTAL LIABILITIES	<u>-</u>
<u>NET ASSETS</u>	
Net assets held in trust for other postemployment benefits	<u>581,869</u>
TOTAL NET ASSETS	<u>581,869</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 581,869</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUND

FOR THE YEAR ENDED JUNE 30, 2012

	<u>OPEB Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 119,798
Plan members	43,277
Total contributions	<u>163,075</u>
Investment income:	
Net (depreciation) in fair value of investments	<u>(4,610)</u>
Less: investment expense	-
Net investment income	<u>(4,610)</u>
Other	-
Total additions	<u>158,465</u>
DEDUCTIONS	
Benefits paid	106,633
Administrative expenses	1,113
Total deductions	<u>107,746</u>
Change in net assets	<u>50,719</u>
Net assets held in trust for other postemployment benefits - July 1, 2011	<u>531,150</u>
Net assets held in trust for other postemployment benefits - June 30, 2012	<u>\$ 581,869</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Newport News Redevelopment and Housing Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989. 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 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.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity (Continued)

Community Development Program	This program is used to carry-out community and economic development activities through the City of Newport News.
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
State and Local Activities Program	This program includes locally funded redevelopment activities and grants.
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.
Business Activities Program	This program includes all of the non-federal and non-governmental activities that generate non-federal revenues.

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

- Orcutt Senior Housing Development Corporation (including Orcutt Senior Housing, L.P.)
- Orcutt Townhomes Development Corporation (including Orcutt Townhomes, L.P.)
- Orcutt Townhomes Development Corporation (including Orcutt Townhomes 3, L.P.)

These entities are included as blended component units of the Authority. 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.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

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.

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 and 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

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

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.

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.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

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.

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.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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, 2012, are recorded as deferred charges or prepaid items.

J. Inventories

Inventories are valued at cost using the average cost method.

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 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, 2012 is \$481,507 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 15 days per year with no maximum accumulation. At termination, employees are not paid for any accumulated balances.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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.

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, 2012, the Authority's deposits consist of the following:

Demand Deposit accounts (checking, savings, and money market account)	\$ 8,249,257
Time deposits - certificates of deposit	<u>40,001</u>
Total deposits	<u><u>\$ 8,289,258</u></u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, the Authority's deposits with financial institutions had a carrying amount of \$8,289,258 and a bank balance of \$9,489,081. The bank balance is categorized as follows:

Amounts insured by the FDIC or collateralized with securities held by third party custodians in the Authority's name	\$ 1,673,115
Collateralized under the Commonwealth's public depository fund in accordance with the laws of the Commonwealth of Virginia	<u>7,815,966</u>
Total bank balance	<u><u>\$ 9,489,081</u></u>

As of June 30, 2012, the Authority deposits are classified in the financial statements as follows:

Cash and cash equivalents	\$ 8,249,257
Investments	<u>40,001</u>
Total deposits	<u><u>\$ 8,289,258</u></u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

INVESTMENTS

As of June 30, 2012 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	\$ 6,096,410	\$ -
Farmer Mac Discount Note	7/6/2012	Not rated	9,139,873	-
Federal Home Loan Bank Discount Note	7/20/2012	Not rated	314,988	-
Federal Home Loan Bank Discount Note	8/3/2012	Not rated	399,978	-
VACO/VML Pooled OPEB Trust	N/A	N/A	-	581,869
RBC Money Market Mutual Fund	N/A	N/A	277	-
	Total		<u>\$ 15,951,526</u>	<u>\$ 581,869</u>

As of June 30, 2012, the Authority's cash and cash equivalents consist of the following:

	Proprietary Fund	Fiduciary Fund
Cash and cash equivalents	\$ 15,951,249	\$ -
Investments	277	581,869
Total investments	<u>\$ 15,951,526</u>	<u>\$ 581,869</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

CLASSIFICATION IN FINANCIAL STATEMENTS:

In summary, as of June 30, 2012, the Authority's cash and cash equivalents consist of the following:

	Proprietary Fund
Deposits with financial institutions	\$ 8,249,257
Investments - short-term	15,951,249
Petty cash and change funds	2,650
Total cash and cash equivalents	<u>\$ 24,203,156</u>
Restricted for:	
Capital improvements replacement reserve	\$ 2,854,228
Security deposits	142,600
Housing Choice Voucher HAP Reserve	1,703,781
Family Self Sufficiency (FSS) program escrow	267,275
Replacement reserve and other reserve accounts	1,089,666
Unexpended insurance proceeds	519,222
	<u>6,576,772</u>
Unrestricted	<u>\$ 17,626,384</u>

In summary, as of June 30, 2012, the Authority's investments consist of the following:

	Proprietary Fund	Fiduciary Fund
Deposits with financial institutions - longer term maturities	\$ 40,001	\$ -
Investments	277	581,869
Unrestricted	<u>40,278</u>	<u>581,869</u>
Reserves held by VHDA	<u>322,453</u>	
Restricted	<u>322,453</u>	
Total investments	<u>\$ 362,731</u>	<u>\$ 581,869</u>

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.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

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 \$6,096,410 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, 2012 consist of the following:

	Proprietary Fund
Tenants/program participants	\$ 259,656
Less: Allowance	(238,602)
	<u>21,054</u>
HUD	443,503
Loan program participants	37,673
Other governments	323,014
Affiliated property owners	
Phoenix Village II	90,356
Phoenix Village	5,853
Great Oak	235,409
Miscellaneous	13,302
	<u>\$ 1,170,164</u>

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.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – ACCOUNTS RECEIVABLES

Detailed information by program is as follows:

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Investment Partnership Program	Resident Self Sufficiency Programs	State and Local Activities Program	Neighborhood Stabilization Program	Business Activities Program
Tenants	\$ 32,968	\$ 226,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Allowance	(11,914)	(226,688)	-	-	-	-	-	-	-
	<u>21,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
HUD	407,772	26,906	-	-	-	8,825	-	-	-
Loan program participants	-	-	-	-	37,673	-	-	-	-
Other governments	108,770	30,659	-	8,261	44,277	-	43,555	87,492	-
Affiliated property owners									
Phoenix Village II	-	-	90,356	-	-	-	-	-	-
Phoenix Village	-	-	3,090	-	-	-	-	-	2,763
Great Oak	-	-	235,409	-	-	-	-	-	-
Miscellaneous	-	598	123	-	-	-	-	-	12,581
	<u>\$ 537,596</u>	<u>\$ 58,163</u>	<u>\$ 328,978</u>	<u>\$ 8,261</u>	<u>\$ 81,950</u>	<u>\$ 8,825</u>	<u>\$ 43,555</u>	<u>\$ 87,492</u>	<u>\$ 15,344</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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, 2013	\$ 15,293	\$ 8,143	\$ 23,436
For the year ended June 30, 2014	16,720	6,716	23,436
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>\$ 97,819</u>	<u>\$ 25,131</u>	<u>\$ 122,950</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>

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, 2012, \$840,000 was deferred or outstanding under this agreement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

	Principal	Interest	Total Payments
Forgiven for the year ended June 30, 2013	\$ 60,000	\$ -	\$ 60,000
Forgiven for the year ended June 30, 2014	60,000	-	60,000
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>\$ 840,000</u>	<u>\$ -</u>	<u>\$ 840,000</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.

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.

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 – MORTGAGES/NOTES PAYABLE: (Continued)

Principal loan 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	<u>37,755</u>
Total deferred interest due as of June 30, 2012	<u>\$ 255,697</u>

In the REAC Financial Data Schedule (FDS) presented as supplemental information. The accrued interest payable of \$255,697 is reported on FDS line 353, Non-Current Liabilities – Other. The interest receivable of \$255,697 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.

\$2,475,000

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

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 – MORTGAGES/NOTES PAYABLE: (Continued)

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. As of June 30, 2012, \$1,749,842 had been advanced under this agreement

1,749,842

Total interfund within the Public Housing Fund

\$ 5,795,703

Changes in long-term liabilities:

Long-term liabilities activity for the year ended June 30, 2012, was as follows:

	Balance at June 30, 2011 (as restated)	Additions	Reductions	Balance at June 30, 2012	Due Within One Year
<u>Business-type activities:</u>					
Transition Center					
Mortgage Payable	\$ 111,807	\$ -	\$ 13,988	\$ 97,819	\$ 15,293
VHDA TCAP Note Payable	1,004,231	-	-	1,004,231	-
VHDA Exchange Note Payable	900,000	-	60,000	840,000	-
Escrow liabilities	278,124	176,687	147,539	307,272	-
OPEB liability	(4,049)	179,708	119,798	55,861	-
Compensated absences	510,898	305,547	334,938	481,507	8,754
Business-type activities long-term liabilities	<u>\$ 2,801,011</u>	<u>\$ 661,942</u>	<u>\$ 676,263</u>	<u>\$ 2,786,690</u>	<u>\$ 24,047</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5 – CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance at June 30, 2011	Additions	Transfers/ Reductions	Balance at June 30, 2012
<u>Business-type activities:</u>				
Land and improvements	\$ 3,796,861	\$ -	\$ (30,884)	\$ 3,765,977
Construction in progress	<u>6,005,022</u>	<u>4,883,807</u>	<u>(5,492,516)</u>	<u>5,396,313</u>
Total capital assets, not being depreciated	<u>9,801,883</u>	<u>4,883,807</u>	<u>(5,523,400)</u>	<u>9,162,290</u>
Buildings and improvements	94,838,538	5,496,126	-	100,334,664
Furniture, equipment, vehicles and fixtures	<u>3,258,647</u>	<u>146,059</u>	<u>71,239</u>	<u>3,475,945</u>
Total capital assets, being depreciated	<u>98,097,185</u>	<u>5,642,185</u>	<u>71,239</u>	<u>103,810,609</u>
Accumulated depreciation	<u>(64,736,541)</u>	<u>(3,161,818)</u>	<u>-</u>	<u>(67,898,359)</u>
Total capital assets, being depreciated (net)	<u>\$ 33,360,644</u>	<u>\$ 2,480,367</u>	<u>\$ 71,239</u>	<u>\$ 35,912,250</u>
	<u>\$ 43,162,527</u>	<u>\$ 7,364,174</u>	<u>\$ (5,452,161)</u>	<u>\$ 45,074,540</u>

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5 – CAPITAL ASSETS: (Continued)

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

Business-type activities:

Public Housing Fund	\$ 3,004,605
Rental Assistance Fund	28,964
State & Local Activities Fund	1,215
Central Office Cost Center Fund	64,494
Community Development Fund	15,541
HOME Investment Partnerships Fund	1,311
Transition Center	9,953
Business Activities Program	<u>35,735</u>

Total depreciation expense - business-type activities

\$ 3,161,818

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 John Hancock Life Insurance Company.

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, 2012, the Authority's required and actual contributions amounted to \$563,307 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
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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, 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 \$1,000 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

FOR THE YEAR ENDED JUNE 30, 2012

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 3.5% 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	(283)
Adjustment to annual required contribution	243
Annual OPEB cost (expense)	<u>179,708</u>
Contributions made	<u>(119,798)</u>
Increase (decrease) in net OPEB obligation	59,910
Net OPEB obligation (prepayment) July 1, 2011	<u>(4,049)</u>
Net OPEB obligation (prepayment) June 30, 2012	<u><u>\$ 55,861</u></u>

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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 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

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 \$5,075,666, and the ratio of UAAL to the covered payroll was 30.35%.

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

FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, there were two series of Tax Exempt Mortgage Revenue Bonds outstanding, with an aggregate principal amount payable of \$16,264,436.

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 20-30 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.

Notes and mortgages receivable at June 30, 2012 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	\$ 3,228,789	\$ 5,875,713	\$ -	\$ -	\$ 9,104,502
	<u>\$ 3,228,789</u>	<u>\$ 5,875,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,104,502</u>
<u>Unrestricted assets:</u>					
Due from Great Oak Apartments, LLC, due June 11, 2047	-	-	1,473,746	-	1,473,746
Program loans due from program participants	-	-	-	53,737	53,737
Downpayment assistance loans due from homebuyers	-	-	-	28,981	28,981
	<u>-</u>	<u>-</u>	<u>1,473,746</u>	<u>82,718</u>	<u>1,556,464</u>
	<u>\$ 3,228,789</u>	<u>\$ 5,875,713</u>	<u>\$ 1,473,746</u>	<u>\$ 82,718</u>	<u>\$ 10,660,966</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 12 – INTER-PROGRAM RECEIVABLES AND TRANSFERS

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, 2012 is as follows:

Receivable Fund	Payable Fund									Total
	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Program	Resident Self Sufficiency Program	State and Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	
Central Office Cost Center Program	\$ 251,914	\$ -	\$ -	\$ 26,767	\$ 6,412	\$ 7,561	\$ 48,316	\$ 86,610	\$ -	\$ 427,580
HOME Program	-	-	-	-	-	-	-	22	39	61
State & Local Activities Program	-	-	6,590	-	-	-	-	-	-	6,590
Business Activities Program	-	-	385,076	-	-	-	-	-	-	385,076
	<u>\$ 251,914</u>	<u>\$ -</u>	<u>\$ 391,666</u>	<u>\$ 26,767</u>	<u>\$ 6,412</u>	<u>\$ 7,561</u>	<u>\$ 48,316</u>	<u>\$ 86,632</u>	<u>\$ 39</u>	<u>\$ 819,307</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
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

The composition of transfers to and from other programs as of June 30, 2012 is as follows:

Paying Program	Receiving Program				Total
	Public Housing Program	Central Office Cost Center Program	State & Local Activities Program	Business Activities Program	
Central Office Cost Center Fund - program deficit funds	\$ -	\$ -	\$ 2,828	\$ -	\$ 2,828
Community Development Fund - transfer proceeds of non-CDBG investment redemption to tax credit developers fee account	-	-	-	98,303	98,303
Business Activities Program - transfer Net assets associated with prior periods' property management activities to the Central Office Cost Center	-	1,529,458	-	-	1,529,458
Business Activities Program - transfer developer fees earned back to project	50,000	-	-	-	50,000
	<u>\$ 50,000</u>	<u>\$ 1,529,458</u>	<u>\$ 2,828</u>	<u>\$ 98,303</u>	<u>\$ 1,680,589</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 13 – ACCOUNTS PAYABLE

Payables at June 30, 2012 consist of the following:

	<u>Total</u>
Vendors and contractors	\$ 633,581
Accrued utilities	89,669
Other payroll withholdings	130,055
Tenant security deposits	142,600
HUD	10,108
Other governments	252,914
Contract retention	132,101
Other	<u>300</u>
	<u>\$ 1,391,328</u>

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 13 – ACCOUNTS PAYABLE (Continued)

Detailed information by program at June 30, 2012 consist 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
Vendors and Contractors	\$ 499,687	\$ 24,864	\$ 26,394	\$ 75,331	\$ 101	\$ 727	\$ 3,339	\$ 560	\$ 2,578
Accrued utilities	87,177	103	470	-	-	1,737	-	-	182
Other payroll withholdings	-	-	130,055	-	-	-	-	-	-
Tenant security deposits	139,285	-	-	-	-	3,315	-	-	-
HUD	-	10,108	-	-	-	-	-	-	-
Other governments	140,978	-	-	111,936	-	-	-	-	-
Contract retention	111,667	-	-	-	20,434	-	-	-	-
Other	-	-	-	-	-	-	-	300	-
	<u>\$ 978,794</u>	<u>\$ 35,075</u>	<u>\$ 156,919</u>	<u>\$ 187,267</u>	<u>\$ 20,535</u>	<u>\$ 5,779</u>	<u>\$ 3,339</u>	<u>\$ 860</u>	<u>\$ 2,760</u>

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 14 – ACCRUED SALARIES AND EXPENSES

Accrued salaries and expenses at June 30, 2012 consist:

	Proprietary Fund
Salaries and wages	<u>\$ 198,798</u>
	<u>\$ 198,798</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 14 – ACCRUED SALARIES AND EXPENSES:

Accrued salaries and expenses at June 30, 2012 consist of the following:

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development	HOME Investment Partnerships	Resident Self Sufficiency Program	State & Local Activities Program	Business Activities Program
Salaries and wages	<u>\$ 80,430</u>	<u>\$ 26,877</u>	<u>\$ 76,830</u>	<u>\$ 7,213</u>	<u>\$ 1,292</u>	<u>\$ 1,264</u>	<u>\$ 4,203</u>	<u>\$ 689</u>
	<u><u>\$ 80,430</u></u>	<u><u>\$ 26,877</u></u>	<u><u>\$ 76,830</u></u>	<u><u>\$ 7,213</u></u>	<u><u>\$ 1,292</u></u>	<u><u>\$ 1,264</u></u>	<u><u>\$ 4,203</u></u>	<u><u>\$ 689</u></u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 15 – OTHER ASSETS:

Other assets at June 30, 2012 consist of the following:

	HOME Investment Partnerships Program	State & Local Activities Program	Business Activities Program	Proprietary Fund Total
<u>Other noncurrent assets:</u>				
HOMEBuilder costs - construction costs for homes being built for resale to program participants	\$ 408,682	\$ -	\$ -	\$ 408,682
	<u>408,682</u>	<u>-</u>	<u>-</u>	<u>408,682</u>
<u>Other noncurrent assets:</u>				
Due from the City of Newport News for long-term compensated absences	557	16,171	-	16,728
Cost of architectural plans developed for use in future neighborhood redevelopment activities. Costs to be amortized and recovered in the form of plan fees.	-	-	57,986	57,986
Redevelopment costs for city funded redevelopment programs	-	-	49,300	49,300
	<u>557</u>	<u>16,171</u>	<u>107,286</u>	<u>124,014</u>
	<u>\$ 409,239</u>	<u>\$ 16,171</u>	<u>\$ 107,286</u>	<u>\$ 532,696</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 16 – CONSTRUCTION COMMITMENTS:

The Authority has active construction projects as of June 30, 2012. The projects include various modernization and capital improvement programs. 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>
Marshall Courts Renovations - rebid	\$ 4,514,288	\$ 1,063,134
Adqueduct Apartments Renovations	436,441	-
Adqueduct Window and Door Replacement	-	545,000
	<u>\$ 4,950,729</u>	<u>\$ 1,608,134</u>

These projects are funded with Capital Fund Program grants received from the Department of Housing and Urban Development or are tax credit equity projects.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 17 – DEFICIT NET ASSETS:

At June 30, 2012 the following programs reflect a deficit in net assets. A deficit in net assets indicates that the liabilities of the program exceed the cumulative assets of the fund:

State & Local Activities

This deficit stems from the practice of recording the expense 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.

NOTE 18 – RESTRICTED NET ASSETS:

A portion of the Authority's programs generate net assets that are restricted by HUD or via external legal requirements. As of June 30, 2012 restricted net assets were as follows:

Public Housing CFP reserves	\$ 2,854,228
Public Housing Taxcredit operating and replacement reserves	1,089,666
Public Housing Unexpended insurance proceeds	519,222
Housing Choice Voucher HAP reserves (RNA)	1,703,781
CDBG net assets associated with loan balances	3,228,789
CDBG accumulated net assets	479,369
HOME program net assets associated with loan balances	5,875,713
HOME accumulated net assets	1,450,374
Transition Center escrow, operating and replacement reserves	322,453
	<u>\$ 17,523,595</u>

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 assets restricted for capital activities for the year ended June 30, 2012:

Balance at July 1, 2011	\$ 2,852,951
Interest earned	1,277
Balance at June 30, 2012	<u>\$ 2,854,228</u>

These restricted net assets are held in short-term US Government securities (\$2,572,739) and in the general fund checking account (\$281,489).

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 18 – RESTRICTED NET ASSETS: (Continued)

Restricted Reserves for Tax Credit Developments:

The Authority has developed two 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 assets are reported as restricted. The following is a summary of the changes in the net assets restricted for these purposes for the year ended June 30, 2012:

	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, 2011	\$ 281,380	\$ 93,763	\$ 296,709	\$ 181,713	\$ -	\$ -
Interest earned	423	-	446	49	11	-
Deposits	-	15,170	-	11,032	200,000	9,000
Withdrawals	(15)	-	(15)	-	-	-
Balance at June 30, 2012	<u>\$ 281,788</u>	<u>\$ 108,933</u>	<u>\$ 297,140</u>	<u>\$ 192,794</u>	<u>\$ 200,011</u>	<u>\$ 9,000</u>

These funds are held in checking accounts.

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 assets. These unspent proceeds totaling \$519,222 held in short-term US Government securities.

Summary for Public Housing Program:

CFP reserves	\$ 2,854,228
Tax credit operating and replacement reserves	1,089,666
Unexpended insurance proceeds	519,222
	<u>\$ 4,463,116</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 18 – RESTRICTED NET ASSETS: (Continued)

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 assets) 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 assets.

	HAP Equity	Administrative Fee Equity	Total
Balance at July 1, 2011	\$ 2,242,091	\$ 1,588,218	\$ 3,830,309
Current period excess/(deficiency) of funding	(538,310)	(61,752)	(600,062)
Balance at June 30, 2012	<u>\$ 1,703,781</u>	<u>\$ 1,526,466</u>	<u>\$ 3,230,247</u>

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

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 allowance by the program regulations and City of Newport News determinations.

As of June 30, 2012 the balances due are as follows:

	Loans	Accumulated Net Assets	Total
CDBG Program	\$ 3,228,789	\$ 479,369	\$ 3,708,158
HOME Program	5,875,713	1,450,374	7,326,087
	<u>\$ 9,104,502</u>	<u>\$ 1,929,743</u>	<u>\$ 11,034,245</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 18 – RESTRICTED NET ASSETS: (Continued)

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 net assets are reported as restricted. The following is a summary of the changes in the net assets restricted for these purposes for the year ended June 30, 2012:

	Insurance Escrow	Replacement Reserve	Operating Reserve	Total
Balance at July 1, 2011	\$ 2,429	\$ 158,446	\$ 238,220	\$ 399,095
Interest earned	-	450	485	935
Deposits	2,282	3,588	-	5,870
Withdrawals	(4,802)	-	(78,645)	(83,447)
Balance at June 30, 2012	<u>\$ (91)</u>	<u>\$ 162,484</u>	<u>\$ 160,060</u>	<u>\$ 322,453</u>

These funds are held by VHDA in various accounts.

Business Activities Program:

In February 2005 the Authority received the net assets of a community non-profit organization upon its dissolution. The Authority agreed to use these funds for essentially the same purpose, to provide revolving loans to seed small business ventures for economically disadvantaged recipients. Initially, these funds were recorded and reported as a deferred credit pending the ultimate disposition of these funds. Currently, the funds and the related loans made are recorded and reported on the Tax Exempt Financing Program.

Proceeds received	\$ 36,092
Less: Loans made and administrative costs	<u>(2,043)</u>
Cash available	34,049
Outstanding loans	2,000
Bank service charges	(450)
Close-out of PULSE program	<u>(35,599)</u>
Restricted net assets as of June 30, 2012	<u>\$ -</u>

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.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 19 – DEVELOPMENT COSTS FOR TAX CREDIT DEVELOPMENTS: (Continued)

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 statement.

The Authority is a defendant in a lawsuit for breach of contract. The parties entered into voluntary mediation on March 22, 2013 and have signed confidentiality agreements on the proposed settlement amount, subject to board approval in April 2013. A portion of the proposed settlement has been paid and escrowed with the attorney. It is management's opinion that the remaining amount to be paid will not be material to the financial statements.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 21 – PRIOR PERIOD ADJUSTMENTS:

During prior periods the Authority's Orcutt Townhomes III received funding from VHDA under the TCAP loan program and the Tax Credit Exchange Revenue Program which were initially recorded as contributions. Upon the final cost certification for this program, these funds were classified and categorized as debt and as deferred revenue to be recognized over the compliance period. Accordingly, the following amounts received in prior periods and recorded as contributions are reclassified as liabilities as of July 1, 2011:

	<u>Public Housing Program</u>
Proceeds from Tax Credit Assistance Program (TCAP) prior to July 1, 2011	\$ 1,004,231
Proceeds from Tax Credit Exchange Assistance Program prior to July 1, 2011	<u>900,000</u>
	<u>\$ 1,904,231</u>

NOTE 22 – SUBSEQUENT EVENTS

In August 2012 the Great Oak Apartments, an affiliate of the Newport News Redevelopment and Housing Authority, experienced severe flooding that caused significant damage to 114 of its 143 units. Great Oak Apartments, LLC is owned by an affiliate of the Authority and is not included in the Authority's financial statements. Currently, it is estimated that costs to restore these units will amount to \$2,878,000. It is anticipated that these costs will be funded from insurance proceeds, VHDA funds and VHDA-held reserves, VCDC-held reserves, and as much as \$1,100,000 in local HOME funds.

SUPPLEMENTAL INFORMATION

Newport News Redevelopment and Housing Authority
Newport News, Virginia

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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%

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET ASSETS (BALANCE SHEET)

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	Public Housing Program	Rental Assistance Program
<u>ASSETS:</u>		
Current assets:		
Cash and equivalents - restricted	\$ 9,962,201	\$ 1,382,218
Accounts receivable (net of allowance)	537,596	58,163
Due from other funds	-	-
Investments	-	-
Deferred charges	22,757	2,255
Materials inventory (net of allowance)	-	-
Other assets	-	-
Total Current assets	<u>10,522,554</u>	<u>1,442,636</u>
Restricted assets:		
Cash and equivalents - restricted	4,683,133	1,890,324
Investments - restricted	-	-
Notes receivable (non-current)	-	-
Total restricted assets	<u>4,683,133</u>	<u>1,890,324</u>
Noncurrent assets:		
Notes and mortgages receivable	-	-
Nondepreciable capital assets	8,942,689	48,300
Capital assets (net)	34,465,564	213,402
Interfund notes receivable	-	-
Accrued interest receivable	-	-
Other noncurrent assets	-	-
Total noncurrent assets	<u>43,408,253</u>	<u>261,702</u>
 TOTAL ASSETS	 <u>\$ 58,613,940</u>	 <u>\$ 3,594,662</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET ASSETS (BALANCE SHEET)

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	Public Housing Program	Rental Assistance Program
	<u> </u>	<u> </u>
<u>LIABILITIES:</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 978,794	\$ 35,075
Due to other funds	251,914	-
Accrued salaries	80,430	26,877
Accrued interest payable	-	-
Deferred credits	1,997	-
Compensated absences	5,999	126
Current portion of long-term liabilities	-	-
Total current liabilities	<u>1,319,134</u>	<u>62,078</u>
Long-term liabilities:		
Compensated absences	163,418	47,559
Accrued OPEB liabilities	-	-
Notes and mortgages payable	1,844,231	-
Interfund notes payable	714,000	-
Deferred developer fee payable	675,000	-
Accrued interest payable	255,697	-
Deferred credits	-	-
Trust, deposit and escrow liabilities	80,731	186,543
Total long-term liabilities	<u>3,733,077</u>	<u>234,102</u>
 TOTAL LIABILITIES	 <u>5,052,211</u>	 <u>296,180</u>
<u>NET ASSETS:</u>		
Invested in capital assets, net of related debt	40,850,022	261,702
Restricted net assets	4,463,116	1,703,781
Unrestricted net assets	8,248,591	1,332,999
 TOTAL NET ASSETS	 <u>53,561,729</u>	 <u>3,298,482</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 58,613,940</u>	 <u>\$ 3,594,662</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET ASSETS (BALANCE SHEET)

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	Central Office Cost Center Program	Community Development Program
	<u> </u>	<u> </u>
<u>ASSETS:</u>		
Current assets:		
Cash and equivalents - restricted	\$ 1,850,072	\$ 713,492
Accounts receivable (net of allowance)	328,978	8,261
Due from other funds	427,580	-
Investments	-	-
Deferred charges	18,127	1,057
Materials inventory (net of allowance)	13,222	-
Other assets	-	-
Total Current assets	<u>2,637,979</u>	<u>722,810</u>
Restricted assets:		
Cash and equivalents - restricted	-	-
Investments - restricted	-	-
Notes receivable (non-current)	-	3,228,789
Total restricted assets	<u>-</u>	<u>3,228,789</u>
Noncurrent assets:		
Notes and mortgages receivable	1,473,746	-
Nondepreciable capital assets	-	-
Capital assets (net)	330,051	55,761
Interfund notes receivable	-	-
Accrued interest receivable	-	-
Other noncurrent assets	-	-
Total noncurrent assets	<u>1,803,797</u>	<u>55,761</u>
 TOTAL ASSETS	 <u>\$ 4,441,776</u>	 <u>\$ 4,007,360</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET ASSETS (BALANCE SHEET)

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	Central Office Cost Center Program	Community Development Program
	<u> </u>	<u> </u>
<u>LIABILITIES:</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 156,919	\$ 187,267
Due to other funds	391,666	26,767
Accrued salaries	76,830	7,213
Accrued interest payable	-	-
Deferred credits	-	-
Compensated absences	2,629	-
Current portion of long-term liabilities	-	-
Total current liabilities	<u>628,044</u>	<u>221,247</u>
Long-term liabilities:		
Compensated absences	222,854	22,194
Accrued OPEB liabilities	55,861	-
Notes and mortgages payable	-	-
Interfund notes payable	-	-
Deferred developer fee payable	-	-
Accrued interest payable	-	-
Deferred credits	-	-
Trust, deposit and escrow liabilities	-	-
Total long-term liabilities	<u>278,715</u>	<u>22,194</u>
 TOTAL LIABILITIES	 <u>906,759</u>	 <u>243,441</u>
<u>NET ASSETS:</u>		
Invested in capital assets, net of related debt	330,051	55,761
Restricted net assets	-	3,708,158
Unrestricted net assets	<u>3,204,966</u>	<u>-</u>
 TOTAL NET ASSETS	 <u>3,535,017</u>	 <u>3,763,919</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,441,776</u>	 <u>\$ 4,007,360</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET ASSETS (BALANCE SHEET)

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	HOME Investment Partnerships Program	Resident Self Sufficiency Program	Transition Center Program
<u>ASSETS:</u>			
Current assets:			
Cash and equivalents - restricted	\$ 1,027,546	\$ -	\$ 21,663
Accounts receivable (net of allowance)	81,950	8,825	-
Due from other funds	61	-	-
Investments	-	-	-
Deferred charges	373	-	2,384
Materials inventory (net of allowance)	-	-	-
Other assets	408,682	-	-
Total Current assets	<u>1,518,612</u>	<u>8,825</u>	<u>24,047</u>
Restricted assets:			
Cash and equivalents - restricted	-	-	3,315
Investments - restricted	-	-	322,453
Notes receivable (non-current)	5,875,713	-	-
Total restricted assets	<u>5,875,713</u>	<u>-</u>	<u>325,768</u>
Noncurrent assets:			
Notes and mortgages receivables	-	-	-
Nondepreciable capital assets	-	-	17,201
Capital assets (net)	2,600	-	153,871
Interfund notes receivable	-	-	-
Accrued interest receivable	-	-	-
Other noncurrent assets	557	-	-
Total noncurrent assets	<u>3,157</u>	<u>-</u>	<u>171,072</u>
TOTAL ASSETS	<u>\$ 7,397,482</u>	<u>\$ 8,825</u>	<u>\$ 520,887</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET ASSETS (BALANCE SHEET)

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	HOME Investment Partnerships Program	Resident Self Sufficiency Program	Transition Center Program
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued expenses	\$ 20,535	\$ -	\$ 5,779
Due to other funds	6,412	7,561	-
Accrued salaries	1,292	1,264	-
Accrued interest payable	-	-	730
Deferred credits	1	-	-
Compensated absences	-	-	-
Current portion of long-term liabilities	-	-	15,293
Total current liabilities	<u>28,240</u>	<u>8,825</u>	<u>21,802</u>
Long-term liabilities:			
Compensated absences	557	-	-
Accrued OPEB liabilities	-	-	-
Notes and mortgages payable	-	-	82,526
Interfund notes payable	-	-	-
Deferred developer fee payable	-	-	-
Accrued interest payable	-	-	-
Deferred credits	-	-	-
Trust, deposit and escrow liabilities	39,998	-	-
Total long-term liabilities	<u>40,555</u>	<u>-</u>	<u>82,526</u>
TOTAL LIABILITIES	<u>68,795</u>	<u>8,825</u>	<u>104,328</u>
NET ASSETS:			
Invested in capital assets, net of related debt	2,600	-	73,253
Restricted net assets	7,326,087	-	322,453
Unrestricted net assets	-	-	20,853
TOTAL NET ASSETS	<u>7,328,687</u>	<u>-</u>	<u>416,559</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,397,482</u>	<u>\$ 8,825</u>	<u>\$ 520,887</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET ASSETS (BALANCE SHEET)

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS:</u>			
Current assets:			
Cash and equivalents - restricted	\$ -	\$ -	\$ 2,669,192
Accounts receivable (net of allowance)	43,555	87,492	15,344
Due from other funds	6,590	-	385,076
Investments	-	-	40,278
Deferred charges	-	-	44
Materials inventory (net of allowance)	-	-	-
Other assets	-	-	-
Total Current assets	<u>50,145</u>	<u>87,492</u>	<u>3,109,934</u>
Restricted assets:			
Cash and equivalents - restricted	-	-	-
Investments - restricted	-	-	-
Notes receivable (non-current)	-	-	-
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent assets:			
Notes and mortgages receivables	-	-	82,718
Nondepreciable capital assets	-	-	154,100
Capital assets (net)	17,603	-	673,398
Interfund notes receivable	-	-	714,000
Accrued interest receivable	-	-	255,697
Other noncurrent assets	16,171	-	782,286
Total noncurrent assets	<u>33,774</u>	<u>-</u>	<u>2,662,199</u>
 TOTAL ASSETS	 <u>\$ 83,919</u>	 <u>\$ 87,492</u>	 <u>\$ 5,772,133</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET ASSETS (BALANCE SHEET)

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program
<u>LIABILITIES:</u>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 3,339	\$ 860	\$ 2,760
Due to other funds	48,316	86,632	39
Accrued salaries	4,203	-	689
Accrued interest payable	-	-	-
Deferred credits	-	-	-
Compensated absences	-	-	-
Current portion of long-term liabilities	-	-	-
Total current liabilities	<u>55,858</u>	<u>87,492</u>	<u>3,488</u>
Long-term liabilities:			
Compensated absences	16,171	-	-
Accrued OPEB liabilities	-	-	-
Notes and mortgages payable	-	-	-
Interfund notes payable	-	-	-
Deferred developer fee payable	-	-	-
Accrued interest payable	-	-	-
Deferred credits	16,171	-	-
Trust, deposit and escrow liabilities	-	-	-
Total long-term liabilities	<u>32,342</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>88,200</u>	<u>87,492</u>	<u>3,488</u>
<u>NET ASSETS:</u>			
Invested in capital assets, net of related debt	17,603	-	827,498
Restricted net assets	-	-	-
Unrestricted net assets	<u>(21,884)</u>	<u>-</u>	<u>4,941,147</u>
TOTAL NET ASSETS	<u>(4,281)</u>	<u>-</u>	<u>5,768,645</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 83,919</u>	<u>\$ 87,492</u>	<u>\$ 5,772,133</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET ASSETS (BALANCE SHEET)

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	Total	Eliminations	Proprietary Fund
<u>ASSETS:</u>			
Current assets:			
Cash and equivalents - restricted	\$ 17,626,384	\$ -	\$ 17,626,384
Accounts receivable (net of allowance)	1,170,164	-	1,170,164
Due from other funds	819,307	(819,307)	-
Investments	40,278	-	40,278
Deferred charges	46,997	-	46,997
Materials inventory (net of allowance)	13,222	-	13,222
Other assets	408,682	-	408,682
Total Current assets	<u>20,125,034</u>	<u>(819,307)</u>	<u>19,305,727</u>
Restricted assets:			
Cash and equivalents - restricted	6,576,772	-	6,576,772
Investments - restricted	322,453	-	322,453
Notes receivable (non-current)	9,104,502	-	9,104,502
Total restricted assets	<u>16,003,727</u>	<u>-</u>	<u>16,003,727</u>
Noncurrent assets:			
Notes and mortgages receivables	1,556,464	-	1,556,464
Nondepreciable capital assets	9,162,290	-	9,162,290
Capital assets (net)	35,912,250	-	35,912,250
Interfund notes receivable	714,000	(714,000)	-
Accrued interest receivable	255,697	(255,697)	-
Other noncurrent assets	799,014	(675,000)	124,014
Total noncurrent assets	<u>48,399,715</u>	<u>(1,644,697)</u>	<u>46,755,018</u>
 TOTAL ASSETS	 <u>\$ 84,528,476</u>	 <u>\$ (2,464,004)</u>	 <u>\$ 82,064,472</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET ASSETS (BALANCE SHEET)

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	Total	Eliminations	Proprietary Fund
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,391,328	\$ -	\$ 1,391,328
Due to other funds	819,307	(819,307)	-
Accrued salaries	198,798	-	198,798
Accrued interest payable	730	-	730
Deferred credits	1,998	-	1,998
Compensated absences	8,754	-	8,754
Current portion of long-term liabilities	15,293	-	15,293
Total current liabilities	<u>2,436,208</u>	<u>(819,307)</u>	<u>1,616,901</u>
Long-term liabilities:			
Compensated absences	472,753	-	472,753
Accrued OPEB liabilities	55,861	-	55,861
Notes and mortgages payable	1,926,757	-	1,926,757
Interfund notes payable	714,000	(714,000)	-
Deferred developer fee payable	675,000	(675,000)	-
Accrued interest payable	255,697	(255,697)	-
Deferred credits	16,171	-	16,171
Trust, deposit and escrow liabilities	307,272	-	307,272
Total long-term liabilities	<u>4,423,511</u>	<u>(1,644,697)</u>	<u>2,778,814</u>
TOTAL LIABILITIES	<u>6,859,719</u>	<u>(2,464,004)</u>	<u>4,395,715</u>
NET ASSETS:			
Invested in capital assets, net of related debt	42,418,490	714,000	43,132,490
Restricted net assets	17,523,595	-	17,523,595
Unrestricted net assets	17,726,672	(714,000)	17,012,672
TOTAL NET ASSETS	<u>77,668,757</u>	<u>-</u>	<u>77,668,757</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 84,528,476</u>	<u>\$ (2,464,004)</u>	<u>\$ 82,064,472</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

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

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	Public Housing Program	Rental Assistance Program
OPERATING REVENUES:		
Rental and tenant income	\$ 3,870,907	\$ -
Intergovernmental - operating grants	5,963,503	18,675,552
Fee revenue	-	-
Other income	101,533	265,866
Total operating revenues	<u>9,935,943</u>	<u>18,941,418</u>
OPERATING EXPENSES:		
Administration	3,533,524	1,709,120
Tenant services	538,572	207
Utilities	2,004,769	1,896
Ordinary maintenance	3,406,370	28,986
Protective services	183,772	851
Insurance expense	333,830	12,851
General expenditures	347,970	4,474
Nonroutine maintenance	126,683	-
Housing assistance payments	-	17,753,345
Interest	37,755	-
Depreciation	3,004,605	28,964
Total operating expenses	<u>13,517,850</u>	<u>19,540,694</u>
OPERATING INCOME/(LOSS)	<u>(3,581,907)</u>	<u>(599,276)</u>
NONOPERATING REVENUES/EXPENSES:		
Interest and investment revenue	4,858	7,088
Developer fees earned	-	-
Gain or loss on disposition of fixed assets	-	-
Total nonoperating revenues/(expenses)	<u>4,858</u>	<u>7,088</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	(3,577,049)	(592,188)
Transfers from other funds	50,000	-
Transfers to other funds	-	-
HUD capital contributions	4,075,765	-
Tax credit and other proceeds	1,076,340	-
CHANGE IN NET ASSETS	<u>1,625,056</u>	<u>(592,188)</u>
TOTAL NET ASSETS - July 1, 2011, as previously reported	53,840,904	3,890,670
Prior period adjustments (Note 22)	<u>(1,904,231)</u>	<u>-</u>
TOTAL NET ASSETS - July 1, 2011, as restated	51,936,673	3,890,670
TOTAL NET ASSETS - June 30, 2012	<u>\$ 53,561,729</u>	<u>\$ 3,298,482</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

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

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	Central Office Cost Center Program	Community Development Program
OPERATING REVENUES:		
Rental and tenant income	\$ -	\$ -
Intergovernmental - operating grants	-	1,499,074
Fee revenue	3,269,220	-
Other income	124	113,915
Total operating revenues	3,269,344	1,612,989
OPERATING EXPENSES:		
Administration	2,545,990	566,555
Tenant services	14	-
Utilities	35,515	-
Ordinary maintenance	300,503	7,741
Protective services	2,795	-
Insurance expense	49,258	14,762
General expenditures	18,387	929,056
Nonroutine maintenance	505	-
Housing assistance payments	-	-
Interest	-	-
Depreciation	64,494	15,541
Total operating expenses	3,017,461	1,533,655
OPERATING INCOME/(LOSS)	251,883	79,334
NONOPERATING REVENUES/EXPENSES:		
Interest and investment revenue	-	55,347
Developer fees earned	-	-
Gain or loss on disposition of fixed assets	-	-
Total nonoperating revenues/(expenses)	-	55,347
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS		
Transfers from other funds	251,883	134,681
Transfers to other funds	1,529,458	-
HUD capital contributions	(2,828)	(98,303)
Tax credit and other proceeds	-	-
Special item - conversion of interim advances to debt	-	-
CHANGE IN NET ASSETS	1,778,513	36,378
TOTAL NET ASSETS - July 1, 2011	1,756,504	3,727,541
TOTAL NET ASSETS - June 30, 2012	\$ 3,535,017	\$ 3,763,919

Newport News Redevelopment and Housing Authority
Newport News, Virginia

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

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	HOME Investments Partnerships Program	Resident Self Sufficiency Programs	Transition Center Program
OPERATING REVENUES:			
Rental and tenant income	\$ -	\$ -	\$ 33,629
Intergovernmental - operating grants	879,234	44,150	49,465
Fee revenue	-	-	-
Other income	1,674	-	-
Total operating revenues	<u>880,908</u>	<u>44,150</u>	<u>83,094</u>
OPERATING EXPENSES:			
Administration	148,276	-	9,270
Tenant services	-	44,150	1,040
Utilities	-	-	20,733
Ordinary maintenance	777	-	33,153
Protective services	-	-	1,783
Insurance expense	998	-	2,033
General expenditures	404,702	-	4
Nonroutine maintenance	-	-	-
Housing assistance payments	-	-	-
Interest	-	-	9,344
Depreciation	1,311	-	9,953
Total operating expenses	<u>556,064</u>	<u>44,150</u>	<u>87,313</u>
OPERATING INCOME/(LOSS)	<u>324,844</u>	<u>-</u>	<u>(4,219)</u>
NONOPERATING REVENUES/EXPENSES:			
Interest and investment revenue	32,745	-	943
Developer fees earned	-	-	-
Gain or loss on disposition of fixed assets	-	-	-
Total nonoperating revenues/(expenses)	<u>32,745</u>	<u>-</u>	<u>943</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	<u>357,589</u>	<u>-</u>	<u>(3,276)</u>
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
HUD capital contributions	-	-	-
Tax credit and other proceeds	-	-	-
Special item - conversion of interim advances to debt	-	-	-
CHANGE IN NET ASSETS	<u>357,589</u>	<u>-</u>	<u>(3,276)</u>
TOTAL NET ASSETS - July 1, 2011	<u>6,971,098</u>	<u>-</u>	<u>419,835</u>
TOTAL NET ASSETS - June 30, 2012	<u>\$ 7,328,687</u>	<u>\$ -</u>	<u>\$ 416,559</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

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

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program
OPERATING REVENUES:			
Rental and tenant income	\$ -	\$ -	\$ -
Intergovernmental - operating grants	687,067	203,314	-
Fee revenue	-	-	-
Other income	6,140	44,196	276,700
Total operating revenues	<u>693,207</u>	<u>247,510</u>	<u>276,700</u>
OPERATING EXPENSES:			
Administration	175,608	165,995	70,155
Tenant services	-	-	36,385
Utilities	3,159	353	15,309
Ordinary maintenance	63,572	12,582	34,662
Protective services	-	-	1,700
Insurance expense	13,521	490	6,773
General expenditures	411,043	256,560	23,956
Nonroutine maintenance	4,075	-	-
Housing assistance payments	3,122	-	-
Interest	-	-	-
Depreciation	1,215	-	35,735
Total operating expenses	<u>675,315</u>	<u>435,980</u>	<u>224,675</u>
OPERATING INCOME/(LOSS)	<u>17,892</u>	<u>(188,470)</u>	<u>52,025</u>
NONOPERATING REVENUES/EXPENSES:			
Interest and investment revenue	-	-	39,888
Developer fees earned	-	-	725,000
Gain or loss on sale or disposition of fixed assets	(12,828)	-	-
Total nonoperating revenues/(expenses)	<u>(12,828)</u>	<u>-</u>	<u>764,888</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS			
Transfers from other funds	5,064	(188,470)	816,913
Transfers to other funds	2,828	-	98,303
HUD capital contributions	-	-	(1,579,458)
Tax credit and other proceeds	-	-	-
Special item - conversion of interim advances to debt	-	-	-
CHANGE IN NET ASSETS	<u>7,892</u>	<u>(188,470)</u>	<u>(664,242)</u>
TOTAL NET ASSETS - July 1, 2011	<u>(12,173)</u>	<u>188,470</u>	<u>6,432,887</u>
TOTAL NET ASSETS - June 30, 2012	<u>\$ (4,281)</u>	<u>\$ -</u>	<u>\$ 5,768,645</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

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

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	Total	Eliminations	Proprietary Fund
OPERATING REVENUES:			
Rental and tenant income	\$ 3,904,536	\$ -	\$ 3,904,536
Intergovernmental - operating grants	28,001,359	-	28,001,359
Fee revenue	3,269,220	(3,208,689)	60,531
Other income	810,148	-	810,148
Total operating revenues	<u>35,985,263</u>	<u>(3,208,689)</u>	<u>32,776,574</u>
OPERATING EXPENSES:			
Administration	8,924,493	(3,007,165)	5,917,328
Tenant services	620,368	-	620,368
Utilities	2,081,734	-	2,081,734
Ordinary maintenance	3,888,346	(201,524)	3,686,822
Protective services	190,901	-	190,901
Insurance expense	434,516	-	434,516
General expenditures	2,396,152	-	2,396,152
Nonroutine maintenance	131,263	-	131,263
Housing assistance payments	17,756,467	-	17,756,467
Interest	47,099	-	47,099
Depreciation	3,161,818	-	3,161,818
Total operating expenses	<u>39,633,157</u>	<u>(3,208,689)</u>	<u>36,424,468</u>
OPERATING INCOME/(LOSS)	<u>(3,647,894)</u>	<u>-</u>	<u>(3,647,894)</u>
NONOPERATING REVENUES/EXPENSES:			
Interest and investment revenue	140,869	-	140,869
Developer fees earned	725,000	-	725,000
Gain or loss on disposition of fixed assets	(12,828)	-	(12,828)
Total nonoperating revenues/(expenses)	<u>853,041</u>	<u>-</u>	<u>853,041</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS			
Transfers from other funds	(2,794,853)	-	(2,794,853)
Transfers to other funds	1,680,589	(1,680,589)	-
HUD capital contributions	(1,680,589)	1,680,589	-
Tax credit and other proceeds	4,075,765	-	4,075,765
CHANGE IN NET ASSETS	<u>1,076,340</u>	<u>-</u>	<u>1,076,340</u>
TOTAL NET ASSETS - July 1, 2011, as previously reported	2,357,252	-	2,357,252
Prior period adjustments (Note 22)	77,215,736	-	77,215,736
TOTAL NET ASSETS - July 1, 2011, as restated	<u>(1,904,231)</u>	<u>-</u>	<u>(1,904,231)</u>
TOTAL NET ASSETS - June 30, 2012	<u>75,311,505</u>	<u>-</u>	<u>75,311,505</u>
TOTAL NET ASSETS - June 30, 2012	<u>\$ 77,668,757</u>	<u>\$ -</u>	<u>\$ 77,668,757</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	Public Housing Program	Rental Assistance Program
Cash flows from operating activities:		
Cash received from tenants/others	\$ 3,888,218	\$ 324,442
Cash received for fees/services/donations	-	-
Cash operating grants received (net)	6,399,099	18,713,612
Cash transfers from(to) other funds and entities	(1,680,016)	(542,529)
Cash payments for goods, services, rental subsidies	(5,181,449)	(18,130,134)
Cash payments to/for employees and benefits	(3,153,543)	(859,523)
Cash payments for or in lieu of property taxes	(165,190)	-
Cash received from the sale of homes (net)	-	-
Net cash provided/(used) by operating activities	<u>107,119</u>	<u>(494,132)</u>
Cash flows from capital and related financings activities:		
Purchase of equipment/capital assets	(4,755,952)	(60,495)
Proceeds from sale of tax credits	1,016,340	-
Contributions received for capital outlays	4,075,765	-
Loan principal payments	-	-
Interest payments	-	-
Net cash provided/(used) by capital and related financing activities	<u>336,153</u>	<u>(60,495)</u>
Cash flows from noncapital financing activities:		
Developer fees received	-	-
Loans made to borrowers	-	-
Receipt of interest on notes and loans	-	-
Loans repayments received	-	-
Net cash provided/(used) by noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Proceeds from sale/reclassification of investments	-	-
Receipts of interest and dividends	4,858	7,088
Net cash provided/(used) by investing activities	<u>4,858</u>	<u>7,088</u>
Net increase/(decrease) in cash	448,130	(547,539)
Cash at July 1, 2011	<u>14,197,204</u>	<u>3,820,081</u>
Cash at June 30, 2012	<u>\$ 14,645,334</u>	<u>\$ 3,272,542</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	Public Housing Program	Rental Assistance Program
	<u> </u>	<u> </u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (3,581,907)	\$ (599,276)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	3,004,605	28,964
Interest expense	37,755	-
Operating transfers	50,000	-
Other adjustments	-	-
Change in assets and liabilities:		
Decrease/(Increase) in accounts receivable	474,869	99,740
Decrease/(Increase) in notes and mortgages receivable	-	-
Decrease/(Increase) in deferred charges and prepaid expenses	12,603	1,553
Decrease/(Increase) in other assets	-	-
Increase/(Decrease) in accounts payable	262,743	1,323
Increase/(Decrease) in accrued liabilities	(40,142)	(1,300)
Increase/(Decrease) in trust, deposit, and escrow liabilities	23,106	6,723
Increase/(Decrease) in deferred credits	(136,513)	(31,859)
	<u>\$ 107,119</u>	<u>\$ (494,132)</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	Central Office Cost Center Program	Community Development Program
Cash flows from operating activities:		
Cash received from tenants/others	\$ 124	\$ -
Cash received for fees/services/donations	3,269,220	113,915
Cash operating grants received (net)	-	1,496,499
Cash transfers from(to) other funds and entities	348,705	(298,336)
Cash payments for goods, services, rental subsidies	(810,955)	(1,030,084)
Cash payments to/for employees and benefits	(2,289,446)	(249,020)
Cash payments for or in lieu of property taxes	-	-
Cash received from the sale of homes (net)	-	-
Net cash provided/(used) by operating activities	<u>517,648</u>	<u>32,974</u>
Cash flows from capital and related financings activities:		
Purchase of equipment/capital assets	(30,308)	(17,001)
Proceeds from sale of tax credits	-	-
Contributions received for capital outlays	-	-
Loan principal payments	-	-
Interest payments	-	-
Net cash provided/(used) by capital and related financing activities	<u>(30,308)</u>	<u>(17,001)</u>
Cash flows from noncapital financing activities:		
Developer fees received	-	-
Loans made to borrowers	-	(343,858)
Receipt of interest on notes and loans	-	-
Loans repayments received	-	233,730
Net cash provided/(used) by noncapital financing activities	<u>-</u>	<u>(110,128)</u>
Cash flows from investing activities:		
Proceeds from sale/reclassification of investments	-	106,227
Receipts of interest and dividends	-	55,347
Net cash provided/(used) by investing activities	<u>-</u>	<u>161,574</u>
Net increase/(decrease) in cash	487,340	67,419
Cash at July 1, 2011	<u>1,362,732</u>	<u>646,073</u>
Cash at June 30, 2012	<u>\$ 1,850,072</u>	<u>\$ 713,492</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	Central Office Cost Center Program	Community Development Program
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 251,883	\$ 79,334
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	64,494	15,541
Interest expense	-	-
Operating transfers	52,884	(98,303)
Other adjustments	-	-
Change in assets and liabilities:		
Decrease/(Increase) in accounts receivable	(414,248)	(2,575)
Decrease/(Increase) in notes and mortgages receivable	-	-
Decrease/(Increase) in deferred charges and prepaid expenses	(3,221)	(354)
Decrease/(Increase) in other assets	-	-
Increase/(Decrease) in accounts payable	483,641	33,554
Increase/(Decrease) in accrued liabilities	82,215	5,777
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	-
Increase/(Decrease) in deferred credits	-	-
	<u>\$ 517,648</u>	<u>\$ 32,974</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	HOME Investment Partnerships Program	Resident Self Sufficiency Programs	Transition Center Program
Cash flows from operating activities:			
Cash received from tenants/others	\$ -	\$ -	\$ 33,629
Cash received for fees/services/donations	41,672	-	-
Cash operating grants received (net)	844,085	52,534	49,465
Cash transfers from(to) other funds and entities	(95,212)	(8,451)	(3,663)
Cash payments for goods, services, rental subsidies	(460,047)	-	(65,728)
Cash payments to/for employees and benefits	(42,695)	(44,083)	(47)
Cash payments for or in lieu of property taxes	-	-	-
Cash received from the sale of homes (net)	(388,248)	-	-
Net cash provided/(used) by operating activities	(100,445)	-	13,656
Cash flows from capital and related financings activities:			
Purchase of equipment/capital assets	-	-	(56,793)
Proceeds from sale of tax credits	-	-	-
Contributions received for capital outlays	-	-	-
Loan principal payments	-	-	(13,988)
Interest payments	-	-	(9,448)
Net cash provided/(used) by capital and related financing activities	-	-	(80,229)
Cash flows from noncapital financing activities:			
Developer fees received	-	-	-
Loans made to borrowers	(480,659)	-	-
Receipt of interest on notes and loans	-	-	-
Loans repayments received	428,011	-	-
Net cash provided/(used) by noncapital financing activities	(52,648)	-	-
Cash flows from investing activities:			
Proceeds from sale/reclassification of investments	-	-	76,642
Receipts of interest and dividends	32,745	-	943
Net cash provided/(used) by investing activities	32,745	-	77,585
Net increase/(decrease) in cash	(120,348)	-	11,012
Cash at July 1, 2011	1,147,894	-	13,966
Cash at June 30, 2012	\$ 1,027,546	\$ -	\$ 24,978

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	HOME Investment Partnerships Program	Resident Self Sufficiency Programs	Transition Center Program
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 324,844	\$ -	\$ (4,219)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	1,311	-	9,953
Interest expense	-	-	9,344
Operating transfers	-	-	-
Other adjustments	-	-	-
Change in assets and liabilities:			
Decrease/(Increase) in accounts receivable	(41,366)	8,384	-
Decrease/(Increase) in notes and mortgages receivable	-	-	-
Decrease/(Increase) in deferred charges and prepaid expenses	-	-	(2,139)
Decrease/(Increase) in other assets	(409,055)	-	-
Increase/(Decrease) in accounts payable	24,639	(8,451)	717
Increase/(Decrease) in accrued liabilities	(137)	67	-
Increase/(Decrease) in trust, deposit, and escrow liabilities	(681)	-	-
Increase/(Decrease) in deferred credits	-	-	-
	<u>\$ (100,445)</u>	<u>\$ -</u>	<u>\$ 13,656</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program
Cash flows from operating activities:			
Cash received from tenants/others	\$ -	\$ -	\$ -
Cash received for fees/services/donations	6,140	44,196	281,208
Cash operating grants received (net)	717,587	179,169	-
Cash transfers from(to) other funds and entities	(77,086)	(79,332)	5,701
Cash payments for goods, services, rental subsidies	(505,212)	(269,815)	(98,891)
Cash payments to/for employees and benefits	(137,116)	-	(12,753)
Cash payments for or in lieu of property taxes	-	-	-
Cash received from the sale of homes (net)	-	-	-
Net cash provided/(used) by operating activities	<u>4,313</u>	<u>(125,782)</u>	<u>175,265</u>
Cash flows from capital and related financings activities:			
Purchase of equipment/capital assets	(4,399)	-	(4,743)
Proceeds from sale of tax credits	-	-	-
Contributions received for capital outlays	-	-	-
Loan principal payments	-	-	-
Interest payments	-	-	(37,755)
Net cash provided/(used) by capital and related financing activities	<u>(4,399)</u>	<u>-</u>	<u>(42,498)</u>
Cash flows from noncapital financing activities:			
Developer fees received	-	-	50,000
Loans made to borrowers	-	-	(59,977)
Receipt of interest on notes and loans	-	-	-
Loans repayments received	-	-	(49,939)
Net cash provided/(used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(59,916)</u>
Cash flows from investing activities:			
Proceeds from sale/reclassification of investments	-	-	(17)
Receipts of interest and dividends	-	-	39,888
Net cash provided/(used) by investing activities	<u>-</u>	<u>-</u>	<u>39,871</u>
Net increase/(decrease) in cash	(86)	(125,782)	112,722
Cash at July 1, 2011	<u>86</u>	<u>125,782</u>	<u>2,556,470</u>
Cash at June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,669,192</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 17,892	\$ (188,470)	\$ 52,025
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	1,215	-	35,735
Interest expense	-	-	-
Loss on sale of equipment	(12,828)	-	-
Operating transfers	2,828	-	50,586
Other adjustments	-	-	1,991
Change in assets and liabilities:			
Decrease/(Increase) in accounts receivable	747,304	(24,145)	40,196
Decrease/(Increase) in notes and mortgages receivable	-	-	-
Decrease/(Increase) in deferred charges and prepaid expenses	348	-	122
Decrease/(Increase) in other assets	(1,937)	-	-
Increase/(Decrease) in accounts payable	(755,327)	86,833	(6,079)
Increase/(Decrease) in accrued liabilities	2,881	-	689
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	-	-
Increase/(Decrease) in deferred credits	1,937	-	-
	<u>\$ 4,313</u>	<u>\$ (125,782)</u>	<u>\$ 175,265</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	Total	Elimination	Proprietary Fund
Cash flows from operating activities:			
Cash received from tenants/others	\$ 4,246,413	\$ -	\$ 4,246,413
Cash received for fees/services/donations	3,756,351	(3,208,689)	547,662
Cash operating grants received (net)	28,452,050	-	28,452,050
Cash transfers from(to) other funds and entities	(2,430,219)	-	(2,430,219)
Cash payments for goods, services, rental subsidies	(26,552,315)	3,208,689	(23,343,626)
Cash payments to/for employees and benefits	(6,788,226)	-	(6,788,226)
Cash payments for or in lieu of property taxes	(165,190)	-	(165,190)
Cash received from the sale of homes (net)	(388,248)	-	(388,248)
Net cash provided/(used) by operating activities	<u>130,616</u>	<u>-</u>	<u>130,616</u>
Cash flows from capital and related financings activities:			
Purchase of equipment/capital assets	(4,929,691)	-	(4,929,691)
Proceeds from sale of tax credits	1,016,340	-	1,016,340
Contributions received for capital outlays	4,075,765	-	4,075,765
Loan principal payments	(13,988)	-	(13,988)
Interest payments	(47,203)	-	(47,203)
Net cash provided/(used) by capital and related financing activities	<u>101,223</u>	<u>-</u>	<u>101,223</u>
Cash flows from noncapital financing activities:			
Developer fees received	50,000	-	50,000
Loans made to borrowers	(884,494)	-	(884,494)
Receipt of interest on notes and loans	-	-	-
Loans repayments received	611,802	-	611,802
Net cash provided/(used) by noncapital financing activities	<u>(222,692)</u>	<u>-</u>	<u>(222,692)</u>
Cash flows from investing activities:			
Proceeds from sale/reclassification of investments	182,852	-	182,852
Receipts of interest and dividends	140,869	-	140,869
Net cash provided/(used) by investing activities	<u>323,721</u>	<u>-</u>	<u>323,721</u>
Net increase/(decrease) in cash	332,868	-	332,868
Cash at July 1, 2011	<u>23,870,288</u>	<u>-</u>	<u>23,870,288</u>
Cash at June 30, 2012	<u>\$ 24,203,156</u>	<u>\$ -</u>	<u>\$ 24,203,156</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS

PROPRIETARY FUND PROGRAMS

JUNE 30, 2012

	<u>Total</u>	<u>Elimination</u>	<u>Proprietary Fund</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (3,647,894)	\$ -	\$ (3,647,894)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	3,161,818	-	3,161,818
Interest expense	47,099	-	47,099
Loss on sale of equipment	(12,828)	-	(12,828)
Operating transfers	57,995	-	57,995
Other adjustments	1,991	-	1,991
Change in assets and liabilities:			
Decrease/(Increase) in accounts receivable	888,159	(8,642)	879,517
Decrease/(Increase) in notes and mortgages receivable	-	-	-
Decrease/(Increase) in deferred charges and prepaid expenses	8,912	-	8,912
Decrease/(Increase) in other assets	(410,992)	-	(410,992)
Increase/(Decrease) in accounts payable	123,593	8,642	132,235
Increase/(Decrease) in accrued liabilities	50,050	-	50,050
Increase/(Decrease) in trust, deposit, and escrow liabilities	29,148	-	29,148
Increase/(Decrease) in deferred credits	(166,435)	-	(166,435)
	<u>\$ 130,616</u>	<u>\$ -</u>	<u>\$ 130,616</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CAPITAL FUND PROGRAM COSTS - UNCOMPLETED

JUNE 30, 2012

CFP 501-09

Annual Contributions Contract P-5545

1. The 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	50,000.00	24,857.63
Administration	345,800.00	345,800.00
Fees & Costs	121,228.52	121,228.52
Dwelling structures	665,583.00	665,583.00
Dwelling equipment	-	11,648.00
Demolition	373,625.48	373,625.48
Relocation expenses	60,000.00	60,000.00
Development activity/replacement housing	1,496,000.00	1,314,502.13
Total Cost	<u>\$ 3,458,037.00</u>	<u>\$ 3,263,044.76</u>

2. Costs examined during the current period totaled \$575,796.64

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

Funds advanced:	
Grants - HUD	\$ 3,250,227.88
Funds expended	<u>3,263,044.76</u>
Excess (deficiency) of funds advanced	<u>\$ (12,816.88)</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CAPITAL FUND PROGRAM COSTS - UNCOMPLETED

JUNE 30, 2012

CFP 501-10

Annual Contributions Contract P-5545

1. The 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	65,000.00	-
Administration	340,680.00	340,680.00
Fees & Costs	142,439.00	49,686.51
Dwelling structures	2,158,037.00	1,032,197.29
Demolition	300,000.00	89,037.30
Relocation expenses	60,000.00	67,739.90
Total Cost	<u>\$ 3,406,836.00</u>	<u>\$ 1,920,021.00</u>

2. Costs examined during the current period totaled \$1,113,178.36

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

Funds advanced:	
Grants - HUD	\$ 1,525,066.63
Funds expended	<u>1,920,021.00</u>
Excess (deficiency) of funds advanced	<u>\$ (394,954.37)</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CAPITAL FUND PROGRAM COSTS - UNCOMPLETED

JUNE 30, 2012

CFP 501-11

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year 501-07 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 279,044.00	\$ -
Management improvements	50,000.00	-
Administration	279,044.00	279,044.00
Site acquisition	200,000.00	-
Dwelling structures	1,982,355.00	-
Total Cost	<u>\$ 2,790,443.00</u>	<u>\$ 279,044.00</u>

2. Costs examined during the current period totaled \$279,044.00

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

Funds advanced:	
Grants - HUD	\$ 279,044.00
Funds expended	<u>279,044.00</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CAPITAL FUND RECOVERY GRANT COSTS - COMPLETED

JUNE 30, 2012

CFP 501-07

Annual Contributions Contract P-5545

1. The Actual Capital Fund Program costs for Program Year 501-07 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 349,246.00	\$ 349,246.00
Management improvements	39,492.73	39,492.73
Administration	349,246.00	349,246.00
Fees and Costs	294,256.17	294,256.17
Dwelling structures	334,392.00	334,392.00
Non-dwelling structures	1,676,218.27	1,676,218.27
Non-dwelling equipment	111,928.83	111,928.83
Demolition	288,056.00	288,056.00
Relocation expenses	49,625.00	49,625.00
Total Cost	<u>\$ 3,492,461.00</u>	<u>\$ 3,492,461.00</u>

2. The distribution of costs by budget line item as shown on the final Performance and Evaluation Report dated October 5, 2011 and is in agreement with the Authority's records. The Actual Modernization Cost Certificate was submitted by the Authority on October 6, 2011.

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

4. Costs examined during the current period totaled \$33,753.71

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

Funds advanced:	
Grants - HUD	\$ 3,492,461.00
Funds expended	<u>3,492,461.00</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CAPITAL FUND RECOVERY GRANT COSTS - COMPLETED

JUNE 30, 2012

CFP 501-08

Annual Contributions Contract P-5545

1. The Actual Capital Fund Program costs for Program Year 501-08 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 377,698.00	\$ 377,698.00
Management improvements	6,803.84	6,803.84
Administration	377,698.00	377,698.00
Fees and Costs	244,311.28	244,311.28
Dwelling structures	2,235,294.56	2,235,294.56
Dwelling equipment	49,296.93	49,296.93
Non-dwelling structures	35,467.20	35,467.20
Demolition	337,688.44	337,688.44
Relocation expenses	112,720.75	112,720.75
Total Cost	<u>\$ 3,776,979.00</u>	<u>\$ 3,776,979.00</u>

2. The distribution of costs by budget line item as shown on the final Performance and Evaluation Report dated May 12, 2012 and is in agreement with the Authority's records. The Actual Modernization Cost Certificate was submitted by the Authority on May 12, 2012.

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

4. Costs examined during the current period totaled \$1,867,289.91

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

Funds advanced:	
Grants - HUD	\$ 3,776,979.00
Funds expended	<u>3,776,979.00</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CAPITAL FUND RECOVERY GRANT COSTS - COMPLETED

JUNE 30, 2012

CFRG 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>
Administration	\$ 150,000.00	\$ 150,000.00
Fees & Costs	629,024.25	629,024.25
Site improvement	879,984.01	879,984.01
Dwelling structures	3,183,665.42	3,183,665.42
Relocation expenses	16,183.32	16,183.32
Total Cost	<u>\$ 4,858,857.00</u>	<u>\$ 4,858,857.00</u>

2. The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated January 20, 2012 is in agreement with the Authority's records. The Actual Modernization Cost Certificate was submitted by the Authority on January 20, 2012.

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

4. Costs examined during the current period totaled \$807,325.27

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

Funds advanced:	
Grants - HUD	\$ 4,858,857.00
Funds expended	<u>4,858,857.00</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

FEDERAL FINANCIAL REPORT

JUNE 30, 2012

VA003FRS208A009

Federal Cash:

a. Cumulative federal cash received	\$	47,000
b. Cumulative federal cash disbursements		47,000
c. Cash on Hand	\$	-

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	47,000
e. Federal share of expenditures		47,000
f. Federal share of unliquidated obligations		-
g. Total federal share		47,000
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, 2012

VA003FRS208A010

Federal Cash:

a. Cumulative federal cash received	\$	18,345.83
b. Cumulative federal cash disbursements		18,345.83
c. Cash on Hand	\$	-

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	48,410.00
e. Federal share of expenditures		18,345.83
f. Federal share of unliquidated obligations		8,825.49
g. Total federal share		27,171.32
h. Unobligated balance of federal funds	\$	21,238.68

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 (VA003)
Newport News, Virginia

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	14.182 N/C S/R Section 8 Programs	14.877 Public Housing Family Self-Sufficiency under ROSS	14.885 Formula Capital Fund Stimulus Grant	14.239 HOME Investment Partnerships Program	14.218 Community Development Block Grants/Entitlement Grants
111 Cash - Unrestricted	\$9,962,202	\$1,303,920		\$2,669,192	\$21,663			\$1,027,546	\$713,492
112 Cash - Restricted - Modernization and Development	\$2,854,228								
113 Cash - Other Restricted	\$1,689,619	\$1,890,324							
114 Cash - Tenant Security Deposits	\$139,286				\$3,315				
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash	\$14,645,335	\$3,194,244	\$0	\$2,669,192	\$24,978	\$0	\$0	\$1,027,546	\$713,492
121 Accounts Receivable - PHA Projects		\$30,659							
122 Accounts Receivable - HUD Other Projects	\$407,771	\$17,806				\$8,825			
124 Accounts Receivable - Other Government	\$108,771		\$43,555					\$44,277	
125 Accounts Receivable - Miscellaneous		\$598		\$15,344				\$37,673	
126 Accounts Receivable - Tenants	\$32,966								
126.1 Allowance for Doubtful Accounts - Tenants	-\$11,912								
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0		\$0		\$0	
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery		\$226,688							
128.1 Allowance for Doubtful Accounts - Fraud		-\$226,688							
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$537,596	\$49,063	\$43,555	\$15,344	\$0	\$8,825	\$0	\$81,950	\$0
131 Investments - Unrestricted				\$40,278					
132 Investments - Restricted					\$322,453				
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$22,757	\$2,254		\$43	\$2,384			\$372	\$1,057
143 Inventories									
143.1 Allowance for Obsolete Inventories									
144 Inter Program Due From			\$6,590	\$385,077				\$61	
145 Assets Held for Sale								\$408,682	
150 Total Current Assets	\$15,205,688	\$3,245,561	\$50,145	\$3,109,934	\$349,815	\$8,825	\$0	\$1,518,611	\$714,549
161 Land	\$3,562,676	\$32,000		\$154,100	\$17,201				
162 Buildings	\$87,375,878	\$567,808		\$918,522	\$314,499				
163 Furniture, Equipment & Machinery - Dwellings	\$60,816								
164 Furniture, Equipment & Machinery - Administration	\$1,398,270	\$437,022	\$19,702	\$16,506				\$20,508	\$156,229
165 Leasehold Improvements	\$10,885,710			\$196,992	\$75,253				
166 Accumulated Depreciation	-\$65,255,110	-\$791,428	-\$2,099	-\$458,622	-\$235,881			-\$17,908	-\$100,468
167 Construction in Progress	\$5,380,013	\$16,300							
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$43,408,253	\$261,702	\$17,603	\$827,498	\$171,072	\$0	\$0	\$2,600	\$55,761
171 Notes, Loans and Mortgages Receivable - Non-Current	\$5,795,703			\$1,052,415				\$5,875,713	\$3,228,789
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current			\$16,171					\$557	
174 Other Assets				\$782,286					
176 Investments in Joint Ventures									
180 Total Non-Current Assets	\$49,203,956	\$261,702	\$33,774	\$2,662,199	\$171,072	\$0	\$0	\$5,878,870	\$3,284,550
190 Total Assets	\$64,409,644	\$3,507,263	\$83,919	\$5,772,133	\$520,887	\$8,825	\$0	\$7,397,481	\$3,999,099

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

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	14.182 N/C S/R Section 8 Programs	14.877 Public Housing Family Self-Sufficiency under ROSS	14.885 Formula Capital Fund Stimulus Grant	14.239 HOME Investment Partnerships Program	14.218 Community Development Block Grants/Entitlement Grants
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$241,017	\$15,808	\$3,340	\$2,578	\$727			\$101	\$67,070
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$80,431	\$26,877	\$4,203	\$689		\$1,264		\$1,292	\$7,213
322 Accrued Compensated Absences - Current Portion	\$6,000	\$126							
324 Accrued Contingency Liability									
325 Accrued Interest Payable					\$730				
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government	\$140,979								\$111,936
341 Tenant Security Deposits	\$139,286				\$3,315				
342 Deferred Revenues	\$1,997							\$1	
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds					\$15,293				
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities	\$370,335							\$20,434	
346 Accrued Liabilities - Other	\$87,176	\$103		\$182	\$1,737				
347 Inter Program - Due To	\$251,913		\$48,316	\$39		\$7,561		\$6,411	\$26,767
348 Loan Liability - Current									
310 Total Current Liabilities	\$1,319,134	\$42,914	\$55,859	\$3,488	\$21,802	\$8,825	\$0	\$28,239	\$212,986
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$8,353,934				\$82,526				
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other	\$1,011,430	\$186,543	\$16,170					\$39,998	
354 Accrued Compensated Absences - Non Current	\$163,416	\$47,559	\$16,171					\$557	\$22,194
355 Loan Liability - Non Current	\$0								
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities									
350 Total Non-Current Liabilities	\$9,528,780	\$234,102	\$32,341	\$0	\$82,526	\$0	\$0	\$40,555	\$22,194
300 Total Liabilities	\$10,847,914	\$277,016	\$88,200	\$3,488	\$104,328	\$8,825	\$0	\$68,794	\$235,180
508.1 Invested In Capital Assets, Net of Related Debt	\$35,054,319	\$261,702	\$17,603	\$827,498	\$73,253			\$2,600	\$55,761
509.2 Fund Balance Reserved									
511.2 Unreserved, Designated Fund Balance									
511.1 Restricted Net Assets	\$4,463,116	\$1,703,781			\$322,453			\$7,326,087	\$3,708,158
512.1 Unrestricted Net Assets	\$14,044,295	\$1,264,764	-\$21,884	\$4,941,147	\$20,853	\$0	\$0	\$0	\$0
512.2 Unreserved, Undesignated Fund Balance									
513 Total Equity/Net Assets	\$53,561,730	\$3,230,247	-\$4,281	\$5,768,645	\$416,559	\$0	\$0	\$7,328,687	\$3,763,919
600 Total Liabilities and Equity/Net Assets	\$64,409,644	\$3,507,263	\$83,919	\$5,772,133	\$520,887	\$8,825	\$0	\$7,397,481	\$3,999,099

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

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133Fiscal Year End: 06/30/2012

	14.238 Shelter Plus Care	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.257 Homelessness Prevention and Rapid Re-Housing Program (RAF)	14.228 Community Development Block Grants/State's Program	14.253 Community Development Block Grant	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$384	\$77,914				\$1,850,072	\$17,626,385		\$17,626,385
112 Cash - Restricted - Modernization and Development							\$2,854,228		\$2,854,228
113 Cash - Other Restricted							\$3,579,943		\$3,579,943
114 Cash - Tenant Security Deposits							\$142,601		\$142,601
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash	\$384	\$77,914	\$0	\$0	\$0	\$1,850,072	\$24,203,157	\$0	\$24,203,157
121 Accounts Receivable - PHA Projects							\$30,659		\$30,659
122 Accounts Receivable - HUD Other Projects	\$9,101						\$443,503		\$443,503
124 Accounts Receivable - Other Government				\$87,492	\$8,261		\$292,356		\$292,356
125 Accounts Receivable - Miscellaneous						\$328,981	\$382,596		\$382,596
126 Accounts Receivable - Tenants							\$32,966		\$32,966
126.1 Allowance for Doubtful Accounts - Tenants							-\$11,912		-\$11,912
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery							\$226,688		\$226,688
128.1 Allowance for Doubtful Accounts - Fraud							-\$226,688		-\$226,688
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$9,101	\$0	\$0	\$87,492	\$8,261	\$328,981	\$1,170,168	\$0	\$1,170,168
131 Investments - Unrestricted							\$40,278		\$40,278
132 Investments - Restricted							\$322,453		\$322,453
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets						\$18,127	\$46,994		\$46,994
143 Inventories						\$13,222	\$13,222		\$13,222
143.1 Allowance for Obsolete Inventories						\$0	\$0		\$0
144 Inter Program Due From						\$427,577	\$819,305	-\$819,305	\$0
145 Assets Held for Sale							\$408,682		\$408,682
150 Total Current Assets	\$9,485	\$77,914	\$0	\$87,492	\$8,261	\$2,637,979	\$27,024,259	-\$819,305	\$26,204,954
161 Land							\$3,765,977		\$3,765,977
162 Buildings							\$89,176,707		\$89,176,707
163 Furniture, Equipment & Machinery - Dwellings							\$60,816		\$60,816
164 Furniture, Equipment & Machinery - Administration						\$1,366,893	\$3,415,130		\$3,415,130
165 Leasehold Improvements							\$11,157,955		\$11,157,955
166 Accumulated Depreciation						-\$1,036,842	-\$67,898,358		-\$67,898,358
167 Construction in Progress							\$5,396,313		\$5,396,313
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$330,051	\$45,074,540	\$0	\$45,074,540
171 Notes, Loans and Mortgages Receivable - Non-Current						\$1,473,746	\$17,426,366	-\$6,765,400	\$10,660,966
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current							\$16,728		\$16,728
174 Other Assets							\$782,286	-\$675,000	\$107,286
176 Investments in Joint Ventures									
180 Total Non-Current Assets	\$0	\$0	\$0	\$0	\$0	\$1,803,797	\$63,299,920	-\$7,440,400	\$55,859,520
190 Total Assets	\$9,485	\$77,914	\$0	\$87,492	\$8,261	\$4,441,776	\$90,324,179	-\$8,259,705	\$82,064,474

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

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133Fiscal Year End: 06/30/2012

	14.238 Shelter Plus Care	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.257 Homelessness Prevention and Rapid Re-Housing Program (RAF)	14.228 Community Development Block Grants/State's Program	14.253 Community Development Block Grant	COCC	Subtotal	ELIM	Total
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$9,056			\$560	\$8,261	\$26,394	\$374,912		\$374,912
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable						\$76,830	\$198,799		\$198,799
322 Accrued Compensated Absences - Current Portion						\$2,629	\$8,755		\$8,755
324 Accrued Contingency Liability									
325 Accrued Interest Payable							\$730		\$730
331 Accounts Payable - HUD PHA Programs	\$429	\$9,679					\$10,108		\$10,108
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government							\$252,915		\$252,915
341 Tenant Security Deposits							\$142,601		\$142,601
342 Deferred Revenues							\$1,998		\$1,998
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds							\$15,293		\$15,293
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities				\$300			\$391,069		\$391,069
346 Accrued Liabilities - Other						\$130,525	\$219,723		\$219,723
347 Inter Program - Due To				\$86,632		\$391,666	\$819,305	-\$819,305	\$0
348 Loan Liability - Current									
310 Total Current Liabilities	\$9,485	\$9,679	\$0	\$87,492	\$8,261	\$628,044	\$2,436,208	-\$819,305	\$1,616,903
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue							\$8,436,460	-\$6,509,703	\$1,926,757
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other							\$1,254,141	-\$930,697	\$323,444
354 Accrued Compensated Absences - Non Current						\$222,854	\$472,751		\$472,751
355 Loan Liability - Non Current							\$0		\$0
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities						\$55,861	\$55,861		\$55,861
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$278,715	\$10,219,213	-\$7,440,400	\$2,778,813
300 Total Liabilities	\$9,485	\$9,679	\$0	\$87,492	\$8,261	\$906,759	\$12,655,421	-\$8,259,705	\$4,395,716
508.1 Invested In Capital Assets, Net of Related Debt	\$0					\$330,051	\$36,622,787	\$6,509,703	\$43,132,490
509.2 Fund Balance Reserved									
511.2 Unreserved, Designated Fund Balance									
511.1 Restricted Net Assets	\$0						\$17,523,595		\$17,523,595
512.1 Unrestricted Net Assets	\$0	\$68,235	\$0	\$0	\$0	\$3,204,966	\$23,522,376	-\$6,509,703	\$17,012,673
512.2 Unreserved, Undesignated Fund Balance									
513 Total Equity/Net Assets	\$0	\$68,235	\$0	\$0	\$0	\$3,535,017	\$77,668,758	\$0	\$77,668,758
600 Total Liabilities and Equity/Net Assets	\$9,485	\$77,914	\$0	\$87,492	\$8,261	\$4,441,776	\$90,324,179	-\$8,259,705	\$82,064,474

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	14.182 N/C S/R Section 8 Programs	14.877 Public Housing Family Self-Sufficiency under ROSS	14.885 Formula Capital Fund Stimulus Grant	14.239 HOME Investment Partnerships Program	14.218 Community Development Block Grants/Entitlement Grants
70300 Net Tenant Rental Revenue	\$3,474,017				\$33,629				
70400 Tenant Revenue - Other	\$396,889								
70500 Total Tenant Revenue	\$3,870,906	\$0	\$0	\$0	\$33,629	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$5,904,571	\$18,191,973			\$49,465	\$44,150	\$8,933		
70610 Capital Grants	\$3,277,373						\$798,392		
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		\$687,067					\$879,234	\$1,438,665
71100 Investment Income - Unrestricted	\$3,522	\$2,827		\$2,120	\$7			\$324	\$491
71200 Mortgage Interest Income				\$37,768				\$32,421	\$54,855
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery		\$27,831							
71500 Other Revenue	\$1,177,874	\$238,036	\$6,140	\$1,001,700				\$1,674	\$113,915
71600 Gain or Loss on Sale of Capital Assets			-\$12,828						
72000 Investment Income - Restricted	\$1,336	\$3,991			\$936				
70000 Total Revenue	\$14,285,582	\$18,464,658	\$680,379	\$1,041,588	\$84,037	\$44,150	\$807,325	\$913,653	\$1,607,926
91100 Administrative Salaries	\$895,083	\$605,086	\$102,473	\$12,280				\$33,982	\$192,474
91200 Auditing Fees	\$36,714	\$36,470		\$998	\$4,789				\$10,974
91300 Management Fee	\$1,543,037	\$521,937	\$25,000	\$20,649	\$3,663			\$100,000	\$226,800
91310 Book-keeping Fee	\$163,523								
91400 Advertising and Marketing	\$7,530	\$2,150	\$1,012					\$2,992	\$1,612
91500 Employee Benefit contributions - Administrative	\$329,581	\$220,524	\$34,391	\$1,162				\$8,576	\$57,532
91600 Office Expenses	\$197,471	\$164,846	\$4,020	\$297	\$552			\$1,423	\$24,544
91700 Legal Expense	\$8,980	\$6,413	\$7,993	\$1,778					\$8,576
91800 Travel	\$35,869	\$4,410	\$476					\$544	\$1,355
91810 Allocated Overhead									
91900 Other	\$99,379	\$75,227	\$243	\$32,992	\$265			\$760	\$42,686
91000 Total Operating - Administrative	\$3,317,167	\$1,637,063	\$175,608	\$70,156	\$9,269	\$0	\$0	\$148,277	\$566,553
92000 Asset Management Fee	\$216,360								
92100 Tenant Services - Salaries	\$309,895					\$34,754			
92200 Relocation Costs	\$71,708						\$3,505		
92300 Employee Benefit Contributions - Tenant Services	\$116,061					\$9,396			
92400 Tenant Services - Other	\$37,404	\$207		\$36,385	\$1,040				
92500 Total Tenant Services	\$535,068	\$207	\$0	\$36,385	\$1,040	\$44,150	\$3,505	\$0	\$0

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	14.182 N/C S/R Section 8 Programs	14.877 Public Housing Family Self-Sufficiency under ROSS	14.885 Formula Capital Fund Stimulus Grant	14.239 HOME Investment Partnerships Program	14.218 Community Development Block Grants/Entitlement Grants
93100 Water	\$408,041	\$85	\$303	\$623	\$2,412				
93200 Electricity	\$704,036	\$1,542	\$842	\$12,358	\$14,130				
93300 Gas	\$178,992	\$63	\$420	\$824					
93400 Fuel									
93500 Labor									
93600 Sewer	\$713,700	\$134	\$1,594	\$1,503	\$4,191				
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93000 Total Utilities	\$2,004,769	\$1,824	\$3,159	\$15,308	\$20,733	\$0	\$0	\$0	\$0
94100 Ordinary Maintenance and Operations - Labor	\$964,031		\$365		\$47				\$4,791
94200 Ordinary Maintenance and Operations - Materials and Other	\$810,830	\$9,520	\$89	\$7,337	\$11,095			\$27	
94300 Ordinary Maintenance and Operations Contracts	\$1,277,967	\$18,365	\$63,118	\$27,325	\$22,011			\$750	\$2,950
94500 Employee Benefit Contributions - Ordinary Maintenance	\$353,539								
94000 Total Maintenance	\$3,406,367	\$27,885	\$63,572	\$34,662	\$33,153	\$0	\$0	\$777	\$7,741
95100 Protective Services - Labor	\$66,546								
95200 Protective Services - Other Contract Costs	\$92,083	\$818		\$1,700	\$1,783				
95300 Protective Services - Other	\$250								
95500 Employee Benefit Contributions - Protective Services	\$24,892								
95000 Total Protective Services	\$183,771	\$818	\$0	\$1,700	\$1,783	\$0	\$0	\$0	\$0
96110 Property Insurance	\$249,155	\$1,772	\$11,654	\$6,413	\$1,720				\$1,646
96120 Liability Insurance	\$37,368	\$63	\$37	\$187	\$312			\$500	\$8,745
96130 Workmen's Compensation	\$29,526	\$8,573	\$1,440	\$173	\$1			\$497	\$2,645
96140 All Other Insurance	\$17,781	\$1,954	\$390		\$4				\$1,726
96100 Total insurance Premiums	\$333,830	\$12,362	\$13,521	\$6,773	\$2,037	\$0	\$0	\$997	\$14,762
96200 Other General Expenses	\$67,308	\$4,323	\$411,043	\$15,716				\$404,702	\$867,999
96210 Compensated Absences	\$9,623								
96300 Payments in Lieu of Taxes	\$170,213								
96400 Bad debt - Tenant Rents	\$100,826								
96500 Bad debt - Mortgages				\$6,240					\$649
96600 Bad debt - Other				\$2,000					
96800 Severance Expense									
96000 Total Other General Expenses	\$347,970	\$4,323	\$411,043	\$23,956	\$0	\$0	\$0	\$404,702	\$868,648
96710 Interest of Mortgage (or Bonds) Payable					\$9,344				
96720 Interest on Notes Payable (Short and Long Term)	\$37,754								
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$37,754	\$0	\$0	\$0	\$9,344	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$10,383,056	\$1,684,482	\$666,903	\$188,940	\$77,359	\$44,150	\$3,505	\$554,753	\$1,457,704
97000 Excess of Operating Revenue over Operating Expenses	\$3,902,526	\$16,780,176	\$13,476	\$852,648	\$6,678	\$0	\$803,820	\$358,900	\$150,222

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	14.182 N/C S/R Section 8 Programs	14.877 Public Housing Family Self-Sufficiency under ROSS	14.885 Formula Capital Fund Stimulus Grant	14.239 HOME Investment Partnerships Program	14.218 Community Development Block Grants/Entitlement Grants
97100 Extraordinary Maintenance	\$56,164						\$5,428		
97200 Casualty Losses - Non-capitalized	\$65,092		\$4,075						
97300 Housing Assistance Payments		\$17,269,042	\$3,122						
97350 HAP Portability-In		\$82,232							
97400 Depreciation Expense	\$3,004,607	\$28,964	\$1,215	\$35,735	\$9,953			\$1,311	\$15,541
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$13,508,919	\$19,064,720	\$675,315	\$224,675	\$87,312	\$44,150	\$8,933	\$556,064	\$1,473,245
10010 Operating Transfer In	\$129,368		\$2,828	\$98,303					
10020 Operating transfer Out	-\$79,368			-\$50,000					-\$98,303
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	\$500,000								
10092 Inter Project Excess Cash Transfer Out	-\$500,000								
10093 Transfers between Program and Project - In									
10094 Transfers between Project and Program - Out									
10100 Total Other financing Sources (Uses)	\$50,000	\$0	\$2,828	\$48,303	\$0	\$0	\$0	\$0	-\$98,303
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$826,663	-\$600,062	\$7,892	\$865,216	-\$3,275	\$0	\$798,392	\$357,589	\$36,378
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$13,988	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$53,840,905	\$3,830,309	-\$12,173	\$6,432,887	\$419,834	\$0	\$0	\$6,971,098	\$3,727,541
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$1,105,839			-\$1,529,458			-\$798,392		
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		\$1,526,466							
11180 Housing Assistance Payments Equity		\$1,703,781							
11190 Unit Months Available	18664	28644	0	0	144			0	0
11210 Number of Unit Months Leased	18254	26770	0	0	138			0	0
11270 Excess Cash	\$8,555,985								
11610 Land Purchases	\$0								
11620 Building Purchases	\$4,075,765								
11630 Furniture & Equipment - Dwelling Purchases	\$0								
11640 Furniture & Equipment - Administrative Purchases	\$21,085								
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-133Fiscal Year End: 06/30/2012

	14.238 Shelter Plus Care	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.257 Homelessness Prevention and Rapid Re-Housing Program (RAF)	14.228 Community Development Block Grants/State's Program	14.253 Community Development Block Grant	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue							\$3,507,646		\$3,507,646
70400 Tenant Revenue - Other							\$396,889		\$396,889
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$3,904,535	\$0	\$3,904,535
70600 HUD PHA Operating Grants	\$64,196	\$419,383					\$24,682,671		\$24,682,671
70610 Capital Grants							\$4,075,765		\$4,075,765
70710 Management Fee						\$2,627,282	\$2,627,282	-\$2,627,282	\$0
70720 Asset Management Fee						\$216,360	\$216,360	-\$216,360	\$0
70730 Book Keeping Fee						\$163,523	\$163,523	-\$163,523	\$0
70740 Front Line Service Fee						\$206,616	\$206,616	-\$201,525	\$5,091
70750 Other Fees						\$55,440	\$55,440		\$55,440
70700 Total Fee Revenue						\$3,269,221	\$3,269,221	-\$3,208,690	\$60,531
70800 Other Government Grants			\$20,544	\$203,314	\$39,864		\$3,318,688		\$3,318,688
71100 Investment Income - Unrestricted		\$269					\$9,560		\$9,560
71200 Mortgage Interest Income							\$125,044		\$125,044
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery							\$27,831		\$27,831
71500 Other Revenue				\$44,196		\$123	\$2,583,658		\$2,583,658
71600 Gain or Loss on Sale of Capital Assets							-\$12,828		-\$12,828
72000 Investment Income - Restricted							\$6,263		\$6,263
70000 Total Revenue	\$64,196	\$419,652	\$20,544	\$247,510	\$39,864	\$3,269,344	\$41,990,408	-\$3,208,690	\$38,781,718
91100 Administrative Salaries		\$23,902				\$1,639,403	\$3,504,683		\$3,504,683
91200 Auditing Fees		\$1,441				\$8,480	\$99,866		\$99,866
91300 Management Fee		\$20,592		\$165,605			\$2,627,283	-\$2,627,283	\$0
91310 Book-keeping Fee							\$163,523	-\$163,523	\$0
91400 Advertising and Marketing		\$85		\$249		\$3,879	\$19,509		\$19,509
91500 Employee Benefit contributions - Administrative		\$8,711				\$539,095	\$1,199,572		\$1,199,572
91600 Office Expenses	\$13	\$6,523				\$320,125	\$719,814		\$719,814
91700 Legal Expense		\$253				\$7,129	\$41,122		\$41,122
91800 Travel		\$174				\$27,880	\$70,708		\$70,708
91810 Allocated Overhead									
91900 Other	\$7,382	\$2,982		\$141			\$262,057		\$262,057
91000 Total Operating - Administrative	\$7,395	\$64,663	\$0	\$165,995	\$0	\$2,545,991	\$8,708,137	-\$2,790,806	\$5,917,331
92000 Asset Management Fee							\$216,360	-\$216,360	\$0
92100 Tenant Services - Salaries							\$344,649		\$344,649
92200 Relocation Costs							\$75,213		\$75,213
92300 Employee Benefit Contributions - Tenant Services							\$125,457		\$125,457
92400 Tenant Services - Other						\$14	\$75,050		\$75,050
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$14	\$620,369	\$0	\$620,369

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133Fiscal Year End: 06/30/2012

	14.238 Shelter Plus Care	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.257 Homelessness Prevention and Rapid Re-Housing Program (RAH)	14.228 Community Development Block Grants/State's Program	14.253 Community Development Block Grant	COCC	Subtotal	ELIM	Total
93100 Water		\$3		\$38		\$681	\$412,186		\$412,186
93200 Electricity		\$61		\$50		\$26,648	\$759,667		\$759,667
93300 Gas		\$2		\$265		\$7,032	\$187,598		\$187,598
93400 Fuel									
93500 Labor									
93600 Sewer		\$5				\$1,154	\$722,281		\$722,281
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93000 Total Utilities	\$0	\$71	\$0	\$353	\$0	\$35,515	\$2,081,732	\$0	\$2,081,732
94100 Ordinary Maintenance and Operations - Labor						\$134,802	\$1,104,036		\$1,104,036
94200 Ordinary Maintenance and Operations - Materials and Other		\$376		\$1,882		\$30,205	\$871,361		\$871,361
94300 Ordinary Maintenance and Operations Contracts		\$725		\$10,701		\$91,167	\$1,515,079	-\$201,524	\$1,313,555
94500 Employee Benefit Contributions - Ordinary Maintenance						\$44,328	\$397,867		\$397,867
94000 Total Maintenance	\$0	\$1,101	\$0	\$12,583	\$0	\$300,502	\$3,888,343	-\$201,524	\$3,686,819
95100 Protective Services - Labor							\$66,546		\$66,546
95200 Protective Services - Other Contract Costs		\$32				\$2,795	\$99,211		\$99,211
95300 Protective Services - Other							\$250		\$250
95500 Employee Benefit Contributions - Protective Services							\$24,892		\$24,892
95000 Total Protective Services	\$0	\$32	\$0	\$0	\$0	\$2,795	\$190,899	\$0	\$190,899
96110 Property Insurance		\$70		\$475		\$9,776	\$282,681		\$282,681
96120 Liability Insurance		\$3		\$15		\$8,241	\$55,471		\$55,471
96130 Workmen's Compensation		\$339				\$25,771	\$68,965		\$68,965
96140 All Other Insurance		\$77				\$5,470	\$27,402		\$27,402
96100 Total insurance Premiums	\$0	\$489	\$0	\$490	\$0	\$49,258	\$434,519	\$0	\$434,519
96200 Other General Expenses		\$151	\$20,544	\$256,559	\$39,864	\$8,402	\$2,096,611		\$2,096,611
96210 Compensated Absences						\$9,985	\$19,608		\$19,608
96300 Payments in Lieu of Taxes							\$170,213		\$170,213
96400 Bad debt - Tenant Rents							\$100,826		\$100,826
96500 Bad debt - Mortgages							\$6,889		\$6,889
96600 Bad debt - Other							\$2,000		\$2,000
96800 Severance Expense									
96000 Total Other General Expenses	\$0	\$151	\$20,544	\$256,559	\$39,864	\$18,387	\$2,396,147	\$0	\$2,396,147
96710 Interest of Mortgage (or Bonds) Payable							\$9,344		\$9,344
96720 Interest on Notes Payable (Short and Long Term)							\$37,754		\$37,754
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$47,098	\$0	\$47,098
96900 Total Operating Expenses	\$7,395	\$66,507	\$20,544	\$435,980	\$39,864	\$2,952,462	\$18,583,604	-\$3,208,690	\$15,374,914
97000 Excess of Operating Revenue over Operating Expenses	\$56,801	\$353,145	\$0	-\$188,470	\$0	\$316,882	\$23,406,804	\$0	\$23,406,804

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133Fiscal Year End: 06/30/2012

	14.238 Shelter Plus Care	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.257 Homelessness Prevention and Rapid Re-Housing Program (RAH)	14.228 Community Development Block Grants/State's Program	14.253 Community Development Block Grant	COCC	Subtotal	ELIM	Total
97100 Extraordinary Maintenance							\$61,592		\$61,592
97200 Casualty Losses - Non-capitalized						\$505	\$69,672		\$69,672
97300 Housing Assistance Payments	\$56,801	\$345,270					\$17,674,235		\$17,674,235
97350 HAP Portability -In							\$82,232		\$82,232
97400 Depreciation Expense						\$64,494	\$3,161,820		\$3,161,820
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$64,196	\$411,777	\$20,544	\$435,980	\$39,864	\$3,017,461	\$39,633,155	-\$3,208,690	\$36,424,465
10010 Operating Transfer In							\$230,499	-\$230,499	\$0
10020 Operating transfer Out						-\$2,828	-\$230,499	\$230,499	\$0
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							\$500,000	-\$500,000	\$0
10092 Inter Project Excess Cash Transfer Out							-\$500,000	\$500,000	\$0
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	-\$2,828	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	\$7,875	\$0	-\$188,470	\$0	\$249,055	\$2,357,253	\$0	\$2,357,253
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$13,988		\$13,988
11030 Beginning Equity	\$0	\$60,360	\$0	\$188,470	\$0	\$1,756,504	\$77,215,735		\$77,215,735
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors						\$1,529,458	-\$1,904,231		-\$1,904,231
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							\$1,526,466		\$1,526,466
11180 Housing Assistance Payments Equity							\$1,703,781		\$1,703,781
11190 Unit Months Available	96	1056	0	0	0	0	48604		48604
11210 Number of Unit Months Leased	96	1056	0	0	0	0	46314		46314
11270 Excess Cash							\$8,555,985		\$8,555,985
11610 Land Purchases						\$0	\$0		\$0
11620 Building Purchases						\$0	\$4,075,765		\$4,075,765
11630 Furniture & Equipment - Dwelling Purchases						\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases						\$0	\$21,085		\$21,085
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, 2012

	Federal Award Number	Program or Award Amount	Disbursements or Expenditures
FEDERAL GRANTOR			
U.S. Department of HUD			
Direct Programs:			
Low-Rent Public Housing Program			
Operating Subsidies			
VA00300XXX11D	14.850	\$ 6,421,976	\$ 3,210,988
VA00300XXX12D	14.850	\$ 3,153,655	2,101,893
			<u>5,312,881</u>
Capital Fund Program:			
VA36P003501-07	14.872	\$ 3,492,461	33,754
VA36P003501-08	14.872	\$ 3,776,979	1,867,290
VA36P003501-09	14.872	\$ 3,458,037	575,797
VA36P003501-10	14.872	\$ 3,406,836	1,113,178
VA36P003501-11	14.872	\$ 2,790,443	279,044
			<u>3,869,063</u>
American Recovery and Reinvestment Act			
ARRA - Public Housing Capital Fund			
Stimulus (Formula)(Recovery Act Funded)			
WV15S037501-09	14.885	\$ 4,858,857	807,325
Housing Assistance Payments Program:			
Housing Choice Voucher Program			
	14.871	\$ 18,191,973	18,191,973
Housing Assistance Payments Program:			
Moderate Rehabilitation - Single Room Occupancy			
VA003SRO004 - 2012 funding	14.249	\$ 419,383	419,383
New Construction through the Virginia			
Housing Development Authority			
Transition Center, VA36H027032	14.182	\$ 49,465	49,465
			<u>468,848</u>
TOTAL SECTION 8 PROJECT BASED CLUSTER			
Public Housing Family Self-Sufficiency under			
Resident Opportunities and Supportive Services			
VA003RFS208A009	14.877	\$ 47,000	\$ 16,979
VA003RFS208A010	14.877	\$ 48,410	27,171
			<u>44,150</u>
Shelter Plus Care Program			
VA0055C3F051003	14.238	\$ 89,664	50,541
VA0055C3F051104	14.238	\$ 92,640	13,655
			<u>64,196</u>
		TOTAL HUD	<u>28,758,436</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2012

The accompanying notes are an integral part of this statement.

	<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	\$ 1,816,010	1,438,665
ARRA funded Community Development Block Grants/ Entitlement Grants	14.253	\$ 430,989	39,864
ARRA funded Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257	\$ 659,087	20,544
HOME Investment Partnerships Program M-XX-MC-510202	14.239	\$ 1,203,386	779,234
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>203,314</u>
		TOTAL INDIRECT	<u>2,481,621</u>
		TOTAL	<u><u>31,240,057</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.

The accompanying notes are an integral part of this statement.

**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

The Commissioners of the Newport News
Redevelopment and Housing Authority

We have audited the financial statements of the proprietary fund and the fiduciary fund information of Newport News Redevelopment and Housing Authority (the "Authority") as of and for the year ended June 30, 2012, and have issued our report thereon dated March 26, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in a separate letter dated March 26, 2013.

The report is intended for the information of the Commissioners, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cheryl Berkant LLP

Virginia Beach, Virginia
March 26, 2013

**Independent Auditor’s Report on Compliance With Requirements
That Could Have a Direct and Material Effect on Each Major Federal Program and
Internal Control Over Compliance in Accordance With OMB Circular A-133**

The Commissioners of the Newport News
Redevelopment and Housing Authority

Compliance

We have audited the compliance of the Newport News Redevelopment and Housing Authority (the “Authority”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Authority’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority’s management. Our responsibility is to express an opinion on the Authority’s compliance based on our audit.

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 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. Our audit does not provide a legal determination on the Authority’s compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 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.

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response, and accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
March 26, 2013

Newport News Redevelopment and Housing Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012

(1) Summary of Auditor's Results:

- (a) The type of report issued on the basic financial statements: **Unqualified Opinion**
- (b) Significant deficiencies in internal control disclosed by the audit of the financial statements: **None Reported**
 Material weaknesses: **No**
- (c) Noncompliance, which is material to the financial statements: **No**
- (d) Significant deficiencies in internal control over major programs: **None Reported**
 Material weaknesses: **No**
- (e) The type of report issued on compliance for major programs: **Unqualified Opinion**
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes**
- (g) The programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA #</u>
Low Rent Public Housing Program	14.850
Housing Choice Voucher Program	14.871

- (h) Dollar threshold used to distinguish between Types A and B Programs: **\$932.202**
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **no**

(2) Findings - Financial Statement Audit:

None

(3) Findings and Questioned Costs - Major Federal Awards:

U.S. Department of Housing and Urban Development
CFDA # 14.871 – Section 8 Housing Choice Vouchers

2012-1

Criteria: Verified income should be used in calculating eligibility.

Condition: While performing our audit procedures to ensure compliance with eligibility, we noted two instances where income used to calculate eligibility did not agree with verified income documentation.

(3) Findings and Questioned Costs - Major Federal Awards (continued):

Questioned Costs: Likely questioned costs when extrapolating error to the population approximate \$10,000.

Perspective Information: Two of the forty eligibility files tested had instances of this noncompliance. These two instances resulted in total annual overpayments of \$180.

Cause & Effect: The likely cause of this noncompliance is from keying errors in the data entry during the eligibility determination process. The errors ultimately resulted in the overpayment of HAP funds.

Recommendation: We recommend the Authority review its calculation of tenant income to ensure that the correct income is used during the calculation for eligibility.

Management Response: The Authority will redouble efforts to ensure income used to calculate eligibility is properly keyed in the data entry during the eligibility determination process.

**U.S. Department of Housing and Urban Development
CFDA # 14.850 – Public and Indian Housing**

2012-2

Criteria: A current Declaration of Trust (DOT), in a form acceptable to HUD, must be recorded against all public housing property owned by PHAs that has been acquired, developed, maintained, or assisted with funds from the US Housing Act of 1937.

Condition: While performing our audit procedures to ensure compliance with special tests and provisions, we noted one instance where a DOT had expired, and an updated DOT had not yet been obtained.

Questioned Costs: None

Perspective Information: One out of the eleven properties tested had an instance of this noncompliance.

Cause & Effect: DOTs expire after either twenty or fifty years, and then a new DOT must be obtained. The likely cause of this noncompliance is due to the Authority not monitoring the expiration dates.

Recommendation: We recommend the Authority review their DOTs on an annual basis to determine which DOTs are expiring, so they can obtain updated DOTs upon expiration.

Management Response: The Authority will review DOTs on an annual basis to determine which DOTs are expiring to ensure updated DOTs are obtained for all public housing properties.

(4) Schedule of Prior Year Findings:

2011-1: Corrected

2011-2: Corrected