

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

**Report on Examination of Financial Statements
and Additional Information**

Year Ended June 30, 2011

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Independent Auditors' Report

The Commissioners of the Newport News
Redevelopment and Housing Authority

We have audited the accompanying financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Newport News Redevelopment and Housing Authority (the "Authority"), as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the Authority 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 business-type activities, each major fund and the aggregate remaining fund information of the Authority as of June 30, 2011, and the respective changes in their financial position and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 18 to the financial statements, certain errors resulting in overstatement of previously reported payables as of June 30, 2010, were discovered by management of the Authority during the current year. Accordingly, an adjustment has been made to net assets as of June 30, 2010, to correct the error.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2012 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.

Management's Discussion and Analysis on pages 4 through 12, the Schedules of Funding Progress, and the Schedules of Employer Contributions are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining nonmajor fund statements, capital fund program schedules, 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 nonmajor fund financial statements, capital fund program schedules, financial status reports, financial data schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cherry, Bekert & Holland, L.L.P.

Virginia Beach, Virginia
March 19, 2012

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2011

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 \$5,633,139 during the year ended June 30, 2011. Net assets were \$77,215,736 and \$71,582,597 for the years ended June 30, 2011 and 2010, respectively. Most of the change is attributable to the increase in capital assets from the addition of the Orcutt III Townhomes public housing property. Cash and investments increased \$1,915,342, which was offset with a decrease in other current assets due to the decrease in accounts receivable due from HUD for capital grants.

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, 2011

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.

Major Funds – Business-type Activities

Public Housing Fund – Under the conventional Low-Rent Public Housing Program, the Authority rents units that it owns to low-income households. The Low-Rent Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the Authority to provide the housing at a rent that is based upon 30% of household income. The Authority's capital funds are received from the Federal Government through a formula-driven computation. These funds are used to upgrade facilities at various developments to give residents the decent and safe living environment they need. 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 two 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, 2011

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 the 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 development costs.

State & Local Activities Fund – This fund includes the Authority's Revolving fund to centrally pay invoices and payroll and also includes locally funded redevelopment activities and grants.

Central Office Cost Center Fund – This fund 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 and conservation (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 the programs.

Non-Major Funds

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

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

**Newport News Redevelopment and Housing Authority
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2011

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 Bond Issuance Fee Program is funded by fees these 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 tax exempt funding. Also 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 tax credit properties.

Neighborhood Stabilization Program Fund (NSP) – The Authority administers the 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.

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, 2011

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 2011</u>	(as restated) <u>FY 2010</u>	
	Enterprise Funds	Enterprise Funds	Increase (Decrease)
ASSETS:			
Cash and Investments	\$ 16,987,916	\$ 15,072,574	\$ 1,915,342
Other Current Assets	2,121,241	2,972,197	(850,956)
Restricted Assets	16,371,681	16,166,382	205,299
Non-Current Assets	1,848,901	1,871,377	(22,476)
Capital Assets (Net)	43,162,527	39,005,496	4,157,031
TOTAL ASSETS	<u>\$ 80,492,266</u>	<u>\$ 75,088,026</u>	<u>\$ 5,404,240</u>
LIABILITIES:			
Current Liabilities	\$ 2,158,328	\$ 2,407,710	\$ (249,382)
Non-Current Liabilities	1,118,202	1,097,719	20,483
TOTAL LIABILITIES	<u>3,276,530</u>	<u>3,505,429</u>	<u>(228,899)</u>
Net Assets Invested in Capital Assets, Net of Related Debt	42,336,720	38,166,896	4,169,824
Restricted Net Assets	17,731,409	17,334,319	397,090
Unrestricted Net Assets	17,147,607	16,081,382	1,066,225
TOTAL NET ASSETS	<u>77,215,736</u>	<u>71,582,597</u>	<u>5,633,139</u>
TOTAL LIABILITIES and NET ASSETS	<u>\$ 80,492,266</u>	<u>\$ 75,088,026</u>	<u>\$ 5,404,240</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2011

Analysis of Changes in Net Assets

The net assets increased by \$5,633,139 mostly due to the addition of the Orcutt III Townhomes public housing property. Cash and investments increased \$1,915,342, mostly due to the settlement of interfund receivables.

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 addition of the Orcutt III Townhomes offset with the phased removal of Dickerson Courts units.

	FY 2011	(as restated) FY 2010		
	Enterprise Funds	Enterprise Funds	Increase / Decrease	Percent
OPERATING REVENUES:				
Rental and tenant income	\$ 4,310,457	\$ 4,868,499	\$ (558,042)	-11.46%
Intergovernmental	32,769,518	31,219,932	1,549,586	4.96%
Other income	1,355,420	587,567	767,853	130.68%
Total operating revenues	<u>38,435,395</u>	<u>36,675,998</u>	<u>1,759,397</u>	4.80%
OPERATING EXPENSES:				
Administration	6,462,933	6,541,196	(78,263)	-1.20%
Tenant services	659,726	896,563	(236,837)	-26.42%
Utilities	2,413,420	2,693,351	(279,931)	-10.39%
Ordinary maintenance and operations	3,445,657	4,001,447	(555,790)	-13.89%
Protective services	216,568	220,262	(3,694)	-1.68%
Insurance Expense	443,741	451,121	(7,380)	-1.64%
General expenditures	3,856,097	3,111,220	744,877	23.94%
Nonroutine maintenance (net of insurance)	566,243	489,687	76,556	15.63%
Housing assistance payments	17,342,878	16,606,237	736,641	4.44%
Interest	46,735	46,430	305	0.66%
Depreciation	3,705,057	4,254,850	(549,793)	-12.92%
Total operating expenses	<u>39,159,055</u>	<u>39,312,364</u>	<u>(153,309)</u>	-0.39%
OPERATING INCOME / (LOSS)	<u>(723,660)</u>	<u>(2,636,366)</u>	<u>1,912,706</u>	-55.33%
NONOPERATING REVENUES / (EXPENSES):				
Interest and investment revenue	114,945	130,921	(15,976)	-12.20%
Developer fees earned	-	900,000	(900,000)	
Contribution to affiliated entities	-	(128,663)	128,663	
Gain or (loss) on disposition of fixed assets	(213,084)	(118,798)	(94,286)	79.37%
Total nonoperating revenues / expenses	<u>(98,139)</u>	<u>783,460</u>	<u>(881,599)</u>	-112.53%
INCOME / (LOSS) BEFORE CONTRIBUTIONS, TRANSFERS, AND ADJUSTMENTS:				
HUD capital contributions	(821,799)	(1,852,906)	1,031,107	-55.65%
Tax Credit Proceeds	3,937,904	2,926,534	1,011,370	34.56%
Total	<u>2,517,034</u>	<u>275,435</u>	<u>2,241,599</u>	813.84%
CHANGE IN NET ASSETS	<u>5,633,139</u>	<u>1,349,063</u>	<u>4,284,076</u>	317.56%
TOTAL NET ASSETS - beginning	<u>71,582,597</u>	<u>70,233,534</u>	<u>1,349,063</u>	1.93%
TOTAL NET ASSETS - ending	<u>\$ 77,215,736</u>	<u>\$ 71,582,597</u>	<u>\$ 5,633,139</u>	8.23%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2011

Revenue and Expense Activities

Operating Revenues of Enterprise Funds Activities – The Authority's revenue increased by 4.8% or \$1,759,397 in FYE June 30, 2011 as compared to FYE June 30, 2010. Income (rent, excess utilities, and maintenance charges) decreased \$558,042 due to lower tenant rents and the removal of 138 units at Dickerson Courts from inventory. Operating grants and housing assistance payments increased \$1,549,586. The change is attributable to an increase of \$969,898 in public housing subsidy, \$1,181,546 increase in Section 8 subsidy, and a \$388,060 increase in State/local and other grants; however the increases were offset by decreases of \$702,074 and \$91,371 in the CDBG and HOME grants, and a decrease of \$196,473 in the NSP program. This was due to a decrease in program activity and income for the CDBG and HOME programs. Due to the faltering economy, fewer individuals are receiving or paying off these loans. As a result, program income has decreased.

Operating Expenses of Enterprise Funds Activities – The Authority's Enterprise Funds expenses decreased by .39% or \$153,309 in FYE June 30, 2011 as compared to FYE June 30, 2010. Although there was an increase of \$736,641 in housing assistance payments to landlords, and an increase in general expenditures, most of the operating expenses (administration, utilities, ordinary 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, 2011, the Enterprise Funds had \$107,899,068 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 a significant increase in building improvements and construction in progress. These are related to the development of Orcutt III and several capital projects at the public housing properties, including major renovations at Marshall Courts, Pinecroft, Aqueduct, and Brighton.

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

	FY 2011	FY 2010	Increase / Decrease
Land and improvements	\$ 3,796,861	\$ 4,296,861	\$ (500,000)
Building	94,838,538	93,136,400	1,702,138
Equipment	3,258,647	3,263,884	(5,237)
Construction in progress	6,005,022	3,082,074	2,922,948
Total	107,899,068	103,779,219	4,119,849
Accumulated depreciation	(64,736,541)	(64,773,723)	37,182
TOTAL	\$ 43,162,527	\$ 39,005,496	\$ 4,157,031

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2011

LONG-TERM DEBT

At the end of fiscal year June 30, 2011, the Authority owed \$111,807 in long-term debt to external parties. This is a note payable due to VHDA for the Transition Center. During 2011, there were no modifications to this mortgage note and principal payments of \$12,793 were made. Additional information on the Authority's long-term debt can be found in Note 4 to the financial statements.

ECONOMIC FACTORS

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

- The Department of Housing and Urban Development has historically under-estimated the subsidy needs of public housing authorities. The Housing Act of 1998 made sweeping changes to the public housing program. Congress commissioned Harvard University to conduct a public housing cost study to establish a reasonable basis to project the cost of managing public housing, and determine the amount of subsidy a housing authority should receive. Harvard proposed a new operating fund formula to calculate the operating subsidy and that the public housing program should move to a system which focused on asset management. The Authority successfully transitioned to asset management in FY 2009.
- The Authority is being funded at a rate of 100% of public housing subsidy eligibility for the first six months of FY 2012. However, Congress required HUD to offset up to \$750 million from the public housing authority (PHA) operating reserves in CY 2012. HUD determined a minimum operating reserve level for PHAs with 250 or more units at 4 months of expenses. The Authority's allocation adjustment was calculated at \$2.2 million or 33.5 % of our calculated eligibility for CY 2012. In addition, HUD may prorate the amount of the Authority's eligibility. In past years, the rate has been as low as 88% and, at the time of this review, the Authority is uncertain of the subsidy proration for the Public Housing Operating Fund.
- The Authority's federal revenues have been drastically cut in many programs. The Housing Choice Voucher (Section 8) program has been consistently funded; however, the administrative fees are funded at 75% of eligibility in CY 2012. The CDBG program was cut 21.8% and the HOME program almost 40%. 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. The Capital Fund was also cut 8%, which will result in the delay of much needed upgrades to our apartments.
- 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 \$56,000 for FY 2012. The liability has been funded through a trust.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2011

FINANCIAL CONTACT

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

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FINANCIAL STATEMENTS

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

**STATEMENT OF NETS ASSETS
PROPRIETARY FUNDS**

JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Public Housing Fund	Rental Assistance Fund	State and Local Activities Fund
<u>ASSETS</u>			
Current assets			
Cash and equivalents, unrestricted	\$ 9,752,952	\$ 1,398,169	\$ 86
Accounts receivable (net of allowance)	1,012,374	157,903	729,005
Due from other funds	91	-	68,444
Investments	-	-	-
Deferred charges	35,360	3,808	348
Materials inventory (net of allowance)	-	-	-
Total current assets	10,800,777	1,559,880	797,883
Restricted assets			
Cash and equivalents, restricted	4,444,252	2,421,912	-
Investments, restricted	-	-	-
Notes receivable (non-current)	-	-	-
Total restricted assets	4,444,252	2,421,912	-
Non-current assets			
Notes and mortgages receivables	-	-	-
Nondepreciable capital assets	9,574,254	43,500	12,828
Capital assets (net)	31,938,513	186,671	1,591
Interfund notes receivable	-	-	-
Accrued interest receivable	-	-	-
Other non-current assets	-	-	14,234
Total non-current assets	41,512,767	230,171	28,653
TOTAL ASSETS	\$ 56,757,796	\$ 4,211,963	\$ 826,536

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF NETS ASSETS
PROPRIETARY FUNDS (Continued)**

JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Public Housing Fund	Rental Assistance Fund	State and Local Activities Fund
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable and accrued expenses	\$ 1,439,726	\$ 33,752	\$ 64,951
Due to other funds	59,100	-	742,031
Accrued salaries	80,665	22,843	3,259
Accrued interest payable	-	-	-
Deferred credits	138,510	31,859	-
Compensated absences	-	-	-
Current portion of long-term liabilities	-	-	-
	<u>1,718,001</u>	<u>88,454</u>	<u>810,241</u>
Total current liabilities			
Long-term liabilities			
Compensated absences	209,324	53,019	14,234
Accrued OPEB liabilities	-	-	-
Notes and mortgages payable	-	-	-
Interfund notes payable	714,000	-	-
Accrued interest payable	217,942	-	-
Deferred credits	-	-	14,234
Trust, deposit and escrow liabilities	57,625	179,820	-
	<u>1,198,891</u>	<u>232,839</u>	<u>28,468</u>
Total long-term liabilities			
TOTAL LIABILITIES			
	<u>2,916,892</u>	<u>321,293</u>	<u>838,709</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	40,798,767	230,171	14,419
Restricted net assets	4,225,727	2,242,091	-
Unrestricted net assets (deficit)	8,816,410	1,418,408	(26,592)
	<u>53,840,904</u>	<u>3,890,670</u>	<u>(12,173)</u>
TOTAL NET ASSETS			
	<u>53,840,904</u>	<u>3,890,670</u>	<u>(12,173)</u>
TOTAL LIABILITIES AND NET ASSETS			
	<u>\$ 56,757,796</u>	<u>\$ 4,211,963</u>	<u>\$ 826,536</u>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF NETS ASSETS
PROPRIETARY FUNDS (Continued)**

JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Central Office Cost Center Fund	Community Development Fund	HOME Investment Partnerships Fund
ASSETS			
Current assets			
Cash and equivalents, unrestricted	\$ 1,362,732	\$ 646,073	\$ 1,147,894
Accounts receivable (net of allowance)	10,578	5,686	40,347
Due from other funds	331,732	-	-
Investments	-	106,227	-
Deferred charges	18,769	703	-
Materials inventory (net of allowance)	9,359	-	-
Total current assets	1,733,170	758,689	1,188,241
Restricted assets			
Cash and equivalents, restricted	-	-	-
Investments, restricted	-	-	-
Notes receivable (non-current)	-	3,118,661	5,823,065
Total restricted assets	-	3,118,661	5,823,065
Noncurrent assets			
Notes and mortgages receivable	-	-	-
Nondepreciable capital assets	-	-	-
Capital assets (net)	364,237	54,301	3,911
Interfund notes receivable	-	-	-
Accrued interest receivable	-	-	-
Other non-current assets	4,049	-	855
Total non-current assets	368,286	54,301	4,766
TOTAL ASSETS	\$ 2,101,456	\$ 3,931,651	\$ 7,016,072

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF NETS ASSETS
PROPRIETARY FUNDS (Continued)**

JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Central Office Cost Center Fund	Community Development Fund	HOME Investment Partnerships Fund
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	\$ 64,944	\$ 180,480	\$ 746
Due to other funds	-	-	1,562
Accrued salaries	64,510	5,662	1,131
Accrued interest payable	-	-	-
Deferred credits	-	-	1
Compensated absences	815	-	-
Current portion of long-term liabilities	-	-	-
Total current liabilities	130,269	186,142	3,440
Long-term liabilities			
Compensated absences	214,683	17,968	855
Accrued OPEB liabilities	-	-	-
Notes and mortgages payable	-	-	-
Interfund notes payable	-	-	-
Accrued interest payable	-	-	-
Deferred credits	-	-	-
Trust, deposit, and escrow liabilities	-	-	40,679
Total long-term liabilities	214,683	17,968	41,534
TOTAL LIABILITIES	344,952	204,110	44,974
NET ASSETS			
Invested in capital assets, net of related debt	364,237	54,301	3,911
Restricted net assets	-	3,673,240	6,967,187
Unrestricted net assets	1,392,267	-	-
TOTAL NET ASSETS	1,756,504	3,727,541	6,971,098
TOTAL LIABILITIES AND NET ASSETS	\$ 2,101,456	\$ 3,931,651	\$ 7,016,072

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF NETS ASSETS
PROPRIETARY FUNDS (Continued)**

JUNE 30, 2011

	Business-type Activities - Enterprise Funds	
	Other Enterprise Funds	Total
<u>ASSETS</u>		
Current assets		
Cash and equivalents, unrestricted	\$ 2,533,522	\$ 16,841,428
Accounts receivable (net of allowance)	96,590	2,052,483
Due from other funds	424,582	824,849
Investments	40,261	146,488
Deferred charges	411	59,399
Materials inventory (net of allowance)	-	9,359
Total current assets	3,095,366	19,934,006
Restricted assets		
Cash and equivalents, restricted	162,696	7,028,860
Investments, restricted	399,095	399,095
Notes receivable (non-current)	2,000	8,943,726
Total restricted assets	563,791	16,371,681
Non-current assets		
Notes and mortgages receivable	1,504,535	1,504,535
Nondepreciable capital assets	171,301	9,801,883
Depreciable capital assets (net)	811,420	33,360,644
Interfund notes receivable	714,000	714,000
Accrued interest receivable	217,942	217,942
Other non-current assets	107,286	126,424
Total non-current assets	3,526,484	45,725,428
 TOTAL ASSETS	 \$ 7,185,641	 \$ 82,031,115

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF NETS ASSETS
PROPRIETARY FUNDS (Continued)**

JUNE 30, 2011

	Business-type Activities - Enterprise Funds	
	Other Enterprise Funds	Total
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 8,455	\$ 1,793,054
Due to other funds	22,156	824,849
Accrued salaries	1,197	179,267
Accrued interest payable	834	834
Deferred credits	-	170,370
Compensated absences	-	815
Current portion of long-term liabilities	13,988	13,988
Total current liabilities	46,630	2,983,177
Long-term liabilities		
Compensated absences	-	510,083
Accrued OPEB liabilities	-	-
Notes and mortgages payable	97,819	97,819
Interfund notes payable	-	714,000
Accrued interest payable	-	217,942
Deferred credits	-	14,234
Trust, deposit and escrow liabilities	-	278,124
Total long-term liabilities	97,819	1,832,202
 TOTAL LIABILITIES	 144,449	 4,815,379
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	870,914	42,336,720
Restricted net assets	623,164	17,731,409
Unrestricted net assets	5,547,114	17,147,607
 TOTAL NET ASSETS	 7,041,192	 77,215,736
 TOTAL LIABILITIES AND NET ASSETS	 \$ 7,185,641	 \$ 82,031,115

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Public Housing Fund	Rental Assistance Fund	State and Local Activities Fund
OPERATING REVENUES			
Rental and tenant income	\$ 4,279,105	\$ -	\$ -
Intergovernmental, operating grants	9,999,669	18,804,420	1,121,461
Fee revenue	-	-	-
Other income	68,156	307,906	-
Total operating revenues	<u>14,346,930</u>	<u>19,112,326</u>	<u>1,121,461</u>
OPERATING EXPENSES			
Administration	4,088,121	1,789,021	170,189
Tenant services	585,662	137	-
Utilities	2,334,379	131	12,933
Ordinary maintenance	3,215,419	41,215	24,969
Protective services	209,903	327	502
Insurance expense	342,896	12,400	34,182
General expenditures	285,362	14,689	879,956
Non-routine maintenance (net of insurance recoveries)	566,243	-	-
Housing assistance payments	-	17,342,878	-
Interest	36,188	-	-
Depreciation	3,542,460	34,523	353
Total operating expenses	<u>15,206,633</u>	<u>19,235,321</u>	<u>1,123,084</u>
OPERATING INCOME/(LOSS)	<u>(859,703)</u>	<u>(122,995)</u>	<u>(1,623)</u>
NONOPERATING REVENUES/EXPENSES			
Interest and investment revenue	9,844	2,324	-
Gain or loss on sale or disposition fixed assets	(214,386)	251	-
Total nonoperating revenues/(expenses)	<u>(204,542)</u>	<u>2,575</u>	<u>-</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	(1,064,245)	(120,420)	(1,623)
Transfers in/(out)	-	-	-
HUD Capital contributions	3,937,904	-	-
Tax credit proceeds	2,517,034	-	-
CHANGE IN NET ASSETS	<u>5,390,693</u>	<u>(120,420)</u>	<u>(1,623)</u>
TOTAL NET ASSETS - July 1, 2010	<u>48,450,211</u>	<u>4,011,090</u>	<u>(10,550)</u>
TOTAL NET ASSETS (DEFICIT) - June 30, 2011	<u>\$ 53,840,904</u>	<u>\$ 3,890,670</u>	<u>\$ (12,173)</u>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS (Continued)**

YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Central Office Cost Center Fund	Community Development Fund	HOME Investment Partnerships Fund
OPERATING REVENUES			
Rental and tenant income	\$ -	\$ -	\$ -
Intergovernmental, operating grants	-	1,811,661	535,414
Fee revenue	3,493,359	-	-
Other income	2,227	148,610	-
Total operating revenues	3,495,586	1,960,271	535,414
OPERATING EXPENSES			
Administration	2,656,840	739,630	126,613
Tenant services	11	-	-
Utilities	32,671	-	118
Ordinary maintenance	278,687	9,580	-
Protective services	743	76	-
Insurance expense	39,534	4,319	412
General expenditures	14,165	1,300,329	697,343
Non-routine maintenance (net of insurance recoveries)	-	-	-
Housing assistance payments	-	-	-
Interest	-	-	-
Depreciation	66,780	14,691	2,209
Total operating expenses	3,089,431	2,068,625	826,695
OPERATING INCOME/(LOSS)	406,155	(108,354)	(291,281)
NONOPERATING REVENUES/EXPENSES			
Interest and investment revenue	-	60,917	-
Gain or loss on sale or disposition fixed assets	1,051	-	-
Total nonoperating revenues/(expenses)	1,051	60,917	-
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	407,206	(47,437)	(291,281)
Transfers in/(out)	(107,000)	-	-
HUD Capital contributions	-	-	-
Tax credit proceeds	-	-	-
CHANGE IN NET ASSETS	300,206	(47,437)	(291,281)
TOTAL NET ASSETS - July 1, 2010	1,456,298	3,359,980	5,922,394
Prior period adjustments (Note 18)	-	414,998	1,339,985
TOTAL NET ASSETS - June 30, 2011	\$ 1,756,504	\$ 3,727,541	\$ 6,971,098

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS (Continued)**

YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds	
	Other Enterprise Funds	Total
OPERATING REVENUES		
Rental and tenant income	\$ 31,352	\$ 4,310,457
Intergovernmental, operating grants	496,893	32,769,518
Fee revenue	-	3,493,359
Other income	759,141	1,286,040
Total operating revenues	1,287,386	41,859,374
OPERATING EXPENSES		
Administration	87,060	9,657,474
Tenant services	73,916	659,726
Utilities	33,188	2,413,420
Ordinary maintenance	105,225	3,675,095
Protective services	5,017	216,568
Insurance expense	9,998	443,741
General expenditures	664,253	3,856,097
Non-routine maintenance (net of insurance recoveries)	-	566,243
Housing assistance payments	-	17,342,878
Interest	10,547	46,735
Depreciation	44,041	3,705,057
Total operating expenses	1,033,245	42,583,034
OPERATING INCOME/(LOSS)	254,141	(723,660)
NONOPERATING REVENUES/EXPENSES		
Interest and investment revenue	41,860	114,945
Gain or loss on disposition fixed assets	-	(213,084)
Total nonoperating revenues/(expenses)	41,860	(98,139)
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	296,001	(821,799)
Transfers in/(out)	107,000	-
HUD Capital contributions	-	3,937,904
Tax credit proceeds	-	2,517,034
CHANGE IN NET ASSETS	403,001	5,633,139
TOTAL NET ASSETS - July 1, 2010	6,638,191	69,827,614
Prior period adjustments (Note 18)	-	1,754,983
TOTAL NET ASSETS - June 30, 2011	\$ 7,041,192	\$ 77,215,736

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS (Continued)**

YEAR ENDED JUNE 30, 2011

	Business-type Activities Enterprise Funds Total	Elimination of Interfund Revenues and Expenses	Government Wide
OPERATING REVENUES			
Rental and tenant income	\$ 4,310,457	\$ -	\$ 4,310,457
Intergovernmental, operating grants	32,769,518	-	32,769,518
Fee revenue	3,493,359	(3,423,979)	69,380
Other income	1,286,040	-	1,286,040
Total operating revenues	<u>41,859,374</u>	<u>(3,423,979)</u>	<u>38,435,395</u>
OPERATING EXPENSES			
Administration	9,657,474	(3,194,541)	6,462,933
Tenant services	659,726	-	659,726
Utilities	2,413,420	-	2,413,420
Ordinary maintenance	3,675,095	(229,438)	3,445,657
Protective services	216,568	-	216,568
Insurance expense	443,741	-	443,741
General expenditures	3,856,097	-	3,856,097
Non-routine maintenance (net of insurance recoveries)	566,243	-	-
Housing assistance payments	17,342,878	-	17,342,878
Interest	46,735	-	46,735
Depreciation	3,705,057	-	3,705,057
Total operating expenses	<u>42,583,034</u>	<u>(3,423,979)</u>	<u>39,159,055</u>
OPERATING INCOME/(LOSS)	<u>(723,660)</u>	<u>-</u>	<u>(723,660)</u>
NONOPERATING REVENUES/EXPENSES			
Interest and investment revenue	114,945	-	114,945
Gain or loss on sale or disposition fixed assets	(213,084)	-	(213,084)
Total nonoperating revenues/(expenses)	<u>(98,139)</u>	<u>-</u>	<u>(98,139)</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS			
	(821,799)	-	(821,799)
Transfers in/(out)	-	-	-
HUD Capital contributions	3,937,904	-	3,937,904
Tax credit proceeds	2,517,034	-	2,517,034
CHANGE IN NET ASSETS	<u>5,633,139</u>	<u>-</u>	<u>5,633,139</u>
TOTAL NET ASSETS - July 1, 2010	69,827,614	-	69,827,614
Prior period adjustments (Note 18)	<u>1,754,983</u>	<u>-</u>	<u>1,754,983</u>
TOTAL NET ASSETS - June 30, 2011	<u>\$ 77,215,736</u>	<u>\$ -</u>	<u>\$ 77,215,736</u>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF CASH FLOWS
PROPREITARY FUNDS**

YEAR ENDED JUNE 30, 2011

	Business-type Activities Enterprise Funds	
	Public Housing Fund	Rental Assistance Fund
Cash flows from operating activities		
Cash received from tenants/others	\$ 4,238,462	\$ 296,644
Cash received for fees/services/donations	-	-
Cash operating grants received (net)	10,239,536	18,797,388
Cash transfers from(to) other funds and entities	(1,972,140)	(806,526)
Cash payments for goods, services, rental subsidies	(6,495,106)	(17,774,888)
Cash payments to/for employees and benefits	(3,460,949)	(930,168)
Cash payments in lieu of property taxes	(186,724)	-
Net cash provided/(used) by operating activities	<u>2,363,079</u>	<u>(417,550)</u>
Cash flows from capital and related financing activities		
Purchase of equipment/capital assets	(7,333,710)	(11,891)
Proceeds from sale of tax credits	2,517,034	-
Contributions received for capital outlays	3,937,904	-
Proceeds from sale of capital assets	3,452	251
Loan principal payments	-	-
Net cash provided/(used) by capital and related financing activities	<u>(875,320)</u>	<u>(11,640)</u>
Cash flows from noncapital financing activities		
Loans made to borrowers	-	-
Loans payments 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	9,845	2,324
Net cash provided/(used) by investing activities	<u>9,845</u>	<u>2,324</u>
Net increase/(decrease) in cash	1,497,604	(426,866)
Cash at July 1, 2010	<u>12,699,600</u>	<u>4,246,947</u>
Cash at June 30, 2011	<u>\$ 14,197,204</u>	<u>\$ 3,820,081</u>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)**

YEAR ENDED JUNE 30, 2011

	Business-type Activities Enterprise Funds	
	Public Housing Fund	Rental Assistance Fund
Reconciliation of operating income to net cash provided/used by operating activities		
Operating income (loss)	\$ (859,703)	\$ (122,995)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	3,542,460	34,523
Interest expense	36,188	-
Operating transfers	-	-
Other adjustments	-	1
Change in assets and liabilities		
Decrease/(Increase) in accounts receivable	2,070,115	(45,529)
Decrease/(Increase) in deferred charges and prepaid expenses	(12,326)	(1,313)
Decrease/(Increase) in other assets	66,799	-
Increase/(Decrease) in accounts payable	(2,465,437)	(302,537)
Increase/(Decrease) in accrued liabilities	22,428	3,360
Increase/(Decrease) in trust, deposit, and escrow liabilities	(14,761)	(14,785)
Increase/(Decrease) in deferred credits	(22,684)	31,725
Net cash provided/used by operating activities	<u>\$ 2,363,079</u>	<u>\$ (417,550)</u>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)**

YEAR ENDED JUNE 30, 2011

	Business-type Activities Enterprise Funds	
	State and Local Activities Fund	Central Office Cost Center Fund
Cash flows from operating activities		
Cash received from tenants/others	\$ -	\$ 2,226
Cash received for fees/services/donations	-	3,493,360
Cash operating grants received (net)	1,083,380	-
Cash transfers from(to) other funds and entities	(961,943)	880,723
Cash payments for goods, services, rental subsidies	(1,008,795)	(570,343)
Cash payments to/for employees and benefits	(139,377)	(2,411,194)
Cash payments in lieu of property taxes	-	-
Net cash provided/(used) by operating activities	<u>(1,026,735)</u>	<u>1,394,772</u>
Cash flows from capital and related financings activities		
Purchase of equipment/capital assets	-	(33,091)
Proceeds from sale of tax credits	-	-
Contributions received for capital outlays	-	1,051
Proceeds from sale of capital assets	-	-
Loan principal payments	-	-
Interest payments	-	-
Net cash provided/(used) by capital and related financing activities	<u>-</u>	<u>(32,040)</u>
Cash flows from noncapital financing activities		
Loans made to borrowers	-	-
Loans payments 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	-	-
Net cash provided/(used) by investing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash	(1,026,735)	1,362,732
Cash at July 1, 2010	1,026,821	-
Cash at June 30, 2011	<u>\$ 86</u>	<u>\$ 1,362,732</u>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)**

YEAR ENDED JUNE 30, 2011

	Business-type Activities Enterprise Funds	
	State and Local Activities Fund	Central Office Cost Center Fund
Reconciliation of operating income to net cash provided/used by operating activities		
Operating income (loss)	\$ (1,623)	\$ 406,155
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	353	66,780
Interest expense	-	-
Operating transfers	-	(107,000)
Other adjustments	-	1
Change in assets and liabilities		
Decrease/(Increase) in accounts receivable	1,434,345	1,216,786
Decrease/(Increase) in deferred charges and prepaid expenses	(348)	(15,382)
Decrease/(Increase) in other assets	582	(4,049)
Increase/(Decrease) in accounts payable	(2,459,072)	(168,341)
Increase/(Decrease) in accrued liabilities	(390)	(178)
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	-
Increase/(Decrease) in deferred credits	(582)	-
Net cash provided/used by operating activities	<u>\$ (1,026,735)</u>	<u>\$ 1,394,772</u>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)**

YEAR ENDED JUNE 30, 2011

	Business-type Activities Enterprise Funds	
	Community Development Fund	HOME Investment Partnerships Fund
Cash flows from operating activities		
Cash received from tenants/others	\$ -	\$ -
Cash received for fees/services/donations	148,610	419,554
Cash operating grants received (net)	1,806,611	358,239
Cash transfers from(to) other funds and entities	(412,977)	(96,782)
Cash payments for goods, services, rental subsidies	(1,418,424)	(213,226)
Cash payments to/for employees and benefits	(396,203)	(39,617)
Cash payments in lieu of property taxes	-	-
Net cash provided/(used) by operating activities	<u>(272,383)</u>	<u>428,168</u>
Cash flows from capital and related financing activities		
Purchase of equipment/capital assets	-	-
Proceeds from sale of tax credits	-	-
Contributions received for capital outlays	-	-
Proceeds from sale of capital assets	-	-
Loan principal payments	-	-
Interest payments	-	-
Net cash provided/(used) by capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from noncapital financing activities		
Loans made to borrowers	(52,993)	(253,013)
Loans payments received	225,321	346,222
Net cash provided/(used) by noncapital financing activities	<u>172,328</u>	<u>93,209</u>
Cash flows from investing activities		
Proceeds from sale/reclassification of investments	-	-
Receipts of interest and dividends	59,854	-
Net cash provided/(used) by investing activities	<u>59,854</u>	<u>-</u>
Net increase/(decrease) in cash	(40,201)	521,377
Cash at July 1, 2010	<u>686,274</u>	<u>626,517</u>
Cash at June 30, 2011	<u>\$ 646,073</u>	<u>\$ 1,147,894</u>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)**

YEAR ENDED JUNE 30, 2011

	Business-type Activities Enterprise Funds	
	Community Development Fund	HOME Investment Partnerships Fund
Reconciliation of operating income to net cash provided/used by operating activities		
Operating income (loss)	\$ (108,354)	\$ (291,281)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	14,691	2,209
Interest expense	-	-
Operating transfers	-	-
Other adjustments	(1)	-
Prior period adjustment affecting assets/liabilities	414,998	1,339,985
Change in assets and liabilities		
Decrease/(Increase) in accounts receivable	(5,050)	11,394
Decrease/(Increase) in deferred charges and prepaid expenses	(494)	-
Decrease/(Increase) in other assets	-	799,282
Increase/(Decrease) in accounts payable	(567,449)	(1,472,796)
Increase/(Decrease) in accrued liabilities	(20,724)	769
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	38,606
Increase/(Decrease) in deferred credits	-	-
Net cash provided/used by operating activities	<u>\$ (272,383)</u>	<u>\$ 428,168</u>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)**

YEAR ENDED JUNE 30, 2011

	Business-type Activities Enterprise Funds	
	Other Enterprise Funds	Total
	Cash flows from operating activities	
Cash received from tenants/others	\$ 263,951	\$ 4,801,283
Cash received for fees/services/donations	523,164	4,584,688
Cash operating grants received (net)	507,119	32,792,273
Cash transfers from(to) other funds and entities	159,086	(3,210,559)
Cash payments for goods, services, rental subsidies	(895,604)	(28,376,386)
Cash payments to/for employees and benefits	(43,321)	(7,420,829)
Cash payments in lieu of property taxes	-	(186,724)
Net cash provided/(used) by operating activities	514,395	2,983,746
Cash flows from capital and related financing activities		
Purchase of equipment/capital assets	-	(7,378,692)
Proceeds from sale of tax credits	-	2,517,034
Contributions received for capital outlays	-	3,938,955
Proceeds from sale of capital assets	-	3,703
Loan principal payments	(12,793)	(12,793)
Interest payments	(10,642)	(10,642)
Net cash provided/(used) by capital and related financing activities	(23,435)	(942,435)
Cash flows from noncapital financing activities		
Loans made to borrowers	32	(305,974)
Loans repayments received	578	572,121
Net cash provided/(used) by noncapital financing activities	610	266,147
Cash flows from investing activities		
Proceeds from sale/reclassification of investments	3,333	3,333
Receipts of interest and dividends	5,641	77,664
Net cash provided/(used) by investing activities	8,974	80,997
Net increase/(decrease) in cash	500,544	2,388,455
Cash at July 1, 2010	2,195,674	21,481,833
Cash at June 30, 2011	\$ 2,696,218	\$ 23,870,288

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)**

YEAR ENDED JUNE 30, 2011

	Business-type Activities Enterprise Funds	
	Other Enterprise Funds	Total
	Reconciliation of operating income to net cash provided/used by operating activities	
Operating income (loss)	\$ 254,141	\$ (723,660)
Adjustments to reconcile operating income to net cash provided operating activities		
Depreciation	44,041	3,705,057
Interest expense	10,547	46,735
Operating transfers	107,000	-
Other adjustments	(2)	(1)
Prior period adjustment affecting assets/liabilities	-	1,754,983
Change in assets and liabilities		
Decrease/(Increase) in accounts receivable	218,916	4,900,977
Decrease/(Increase) in deferred charges and prepaid expenses	2,813	(27,050)
Decrease/(Increase) in other assets	(4,831)	857,783
Increase/(Decrease) in accounts payable	(119,240)	(7,554,872)
Increase/(Decrease) in accrued liabilities	1,010	6,275
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	9,060
Increase/(Decrease) in deferred credits	-	8,459
Net cash provided/used by operating activities	\$ 514,395	\$ 2,983,746

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2011

	<u>OPEB Trust Fund</u>
<u>ASSETS</u>	
Cash and equivalents	\$ 137,333
Accounts receivable	118
Investments, at fair value	<u>531,150</u>
 TOTAL ASSETS	 <u>\$ 668,601</u>
 <u>LIABILITIES</u>	
Accounts payable and accrued expenses	<u>\$ 137,451</u>
 TOTAL LIABILITIES	 <u>137,451</u>
 <u>NET ASSETS</u>	
Net assets held in trust for other post-employment benefits	<u>531,150</u>
 TOTAL NET ASSETS	 <u>531,150</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 668,601</u>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

YEAR ENDED JUNE 30, 2011

	<u>OPEB Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 203,965
Plan members	30,858
Total contributions	<u>234,823</u>
Investment income	
Net appreciation in fair value of investments	68,306
Less investment expense	-
Net investment income	<u>68,306</u>
Total additions	<u>303,129</u>
DEDUCTIONS	
Benefits paid	97,372
Administrative expenses	929
Total deductions	<u>98,301</u>
Change in net assets	204,828
Net assets held in trust for other post-employment benefits - July 1, 2010	<u>326,322</u>
Net assets held in trust for other post-employment benefits - June 30, 2011	<u><u>\$ 531,150</u></u>

The accompanying notes are an integral part of this statement.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 FUNDS)

Major funds:

Public Housing Fund

This fund owns and operates HUD-subsidized rental apartments and includes the activities of HUD grants provided specifically for public housing facilities, tenants, and activities. This fund 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 Fund

This fund 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.

State and Local Activities Fund

This fund includes the Authority's Revolving Fund used to centrally pay invoices and payroll. This fund also includes locally funded redevelopment activities and grants.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity (Continued)

Central Office Cost Center Fund	This fund is used to account for administrative functions provided by the Authority for its other programs. This includes the costs of the Authority's Executive offices, Department of Administration, Department of Finance, and other centralized services.
Community Development Fund	This fund is used to carry-out community and economic development activities through the City of Newport News.
HOME Investment Partnerships Fund	This fund is used to carry-out community and economic development activities through the City of Newport News.

Other non-major funds:

Resident Self Sufficiency and Service
Coordinator Programs Fund
Transition Center Fund
Business Activities Fund
Neighborhood Stabilization Program

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.

B. Description of a Public Housing Authority

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Description of a Public Housing Authority (Continued)

The Rental Assistance Fund 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 supplements. 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 formula 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 business-type activities which rely, to 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 Enterprise Fund financial statements. Major individual Enterprise Funds are reported as separate columns in the fund financial statements. The fund financial statements generally do not reflect any elimination of interfund balances or transactions. However, the Statement of Revenues, Expenses and Changes in Fund Net Assets does reflect an elimination column to remove the effects of interfund revenues and expenses associated with the Central Office Cost Center.

Post-employment benefits trust fund is used to account for resources held in trust for employee, retirees, and their beneficiaries based on the post-employment 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 assessments.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 principle 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 principle 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 expenses 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

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting

The Authority uses funds 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 - This fund accounts for virtually all other operations that are organized to be primarily self-supporting through user charges. The funds included in this category are Enterprise Funds. 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.

Fiduciary Fund - This fund is used to account for resources held in trust for employee, retirees, and their beneficiaries based on the post-employment benefits plan.

F. Basis of Accounting - Fund Level Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement 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 not reflect the elimination of interfund 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

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Cash and Investments

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. 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, 2011, 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, 2011 is \$510,898 and is reported in the appropriate fund 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

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2011, the Authority's deposits consist of the following:

Demand Deposit accounts (checking, savings, and money market account)	\$ 2,664,710
Time deposits, certificates of deposit	<u>145,227</u>
Total deposits	<u>\$ 2,809,937</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011, the Authority's deposits with financial institutions had a carrying amount of \$2,809,937 and a bank balance of \$4,854,638. 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	\$ 1,395,252
Collateralized under the Commonwealth's public depository fund in accordance with the laws of the Commonwealth of Virginia	<u>3,459,386</u>
Total bank balance	<u><u>\$ 4,854,638</u></u>

As of June 30, 2011, the Authority deposits are classified in the financial statements as follows:

Cash and cash equivalents	\$ 2,664,685
Investments	<u>145,252</u>
Total deposits	<u><u>\$ 2,809,937</u></u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

INVESTMENTS

As of June 30, 2011, the Authority held the following investments:

Investment Type	Maturity	Issuer Credit Rating	Enterprise Funds - Fair Value or Cost	Fiduciary Funds - Fair Value or Cost
Repurchase Agreements	Daily	N/A	\$ 10,813,160	\$ -
Freddie Mac Discount Note	7/12/2011	Not rated	2,138,974	-
Federal Home Loan Mortgage Corporation Discount Note	7/21/2011	Not rated	4,441,926	-
Federal Home Loan Bank Discount Note	8/1/2011	Not rated	3,093,893	-
Federal Home Loan Bank Discount Note	8/12/2011	Not rated	399,981	-
Freddie Mac Discount Note	9/1/2011	Not rated	314,919	-
VACO/VML Pooled OPEB Trust	N/A	N/A	-	531,150
Goldman Sachs FS Prime	N/A	N/A	-	137,333
RBC Money Market Mutual Fund	N/A	N/A	1,236	-
Total			<u>\$ 21,204,089</u>	<u>\$ 668,483</u>

As of June 30, 2011, the Authority's cash and cash equivalents consist of the following:

	Enterprise Funds	Fiduciary Funds
Cash and cash equivalents	\$ 21,202,853	\$ 137,333
Investments	1,236	531,150
Total investments	<u>\$ 21,204,089</u>	<u>\$ 668,483</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

CLASSIFICATION IN FINANCIAL STATEMENTS:

In summary, as of June 30, 2011, the Authority's cash and cash equivalents consist of the following:

	Enterprise Funds	Fiduciary Funds
Deposits with financial institutions	\$ 2,664,685	\$ -
Investments, short-term	21,202,853	137,333
Petty cash and change funds	2,750	-
Total investments	<u>23,870,288</u>	<u>\$ 137,333</u>
Restricted for:		
Capital improvements replacement reserve	2,852,951	
Security deposits	155,849	
Housing Choice Voucher HAP Reserve	2,242,091	
Revolving loan (PULSE)	33,599	
Family Self Sufficiency (FSS) program escrow	245,811	
Replacement reserve and other reserve accounts	853,566	
Neighborhood Stabilization program income	125,782	
Unexpended insurance proceeds	519,211	
	<u>7,028,860</u>	
Unrestricted	<u>\$ 16,841,428</u>	

In summary, as of June 30, 2011, the Authority's investments consist of the following:

	Enterprise Funds	Fiduciary Funds
Deposits with financial institutions, longer term maturities	\$ 145,252	\$ -
Investments	1,236	531,150
Unrestricted	<u>146,488</u>	<u>531,150</u>
Reserves held by VHDA	399,095	
Restricted	<u>399,095</u>	
Total investments	<u>\$ 545,583</u>	<u>\$ 531,150</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

JUNE 30, 2011

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 \$10,813,160 investment in repurchase agreements is 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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 3 – ACCOUNTS RECEIVABLES

Receivables at June 30, 2011 consist of the following:

	Public Housing Fund	Rental Assistance Fund	State and Local Activities Fund	Central Office Cost Center Fund	Community Development Fund	HOME Investment Partnership	Other Enterprise Funds	Total
Tenants	\$ 49,235	\$ 199,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,051
Less: Allowance	(23,423)	(199,816)	-	-	-	-	-	(223,239)
	<u>25,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,812</u>
HUD	937,715	98,122	-	-	-	-	17,209	1,053,046
Other governments	46,632	59,781	74,075	-	5,110	-	67,855	253,453
Travel advances	-	-	17,649	-	-	-	-	17,649
Interest	-	-	-	-	576	-	-	576
Affiliated property owners								
Phoenix Village II	-	-	98,280	1,286	-	-	-	99,566
Phoenix Village	-	-	22,925	958	-	-	2,763	26,646
Great Oak	-	-	497,651	8,334	-	-	-	505,985
Miscellaneous	2,215	-	18,425	-	-	40,347	8,763	69,750
	<u>\$ 1,012,374</u>	<u>\$ 157,903</u>	<u>\$ 729,005</u>	<u>\$ 10,578</u>	<u>\$ 5,686</u>	<u>\$ 40,347</u>	<u>\$ 96,590</u>	<u>\$ 2,052,483</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

JUNE 30, 2011

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 future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
For the year ended June 30, 2012	\$ 13,988	\$ 9,448	\$ 23,436
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 years ended June 30, 2017-2018	27,538	1,669	29,207
	<u>\$ 111,807</u>	<u>\$ 34,580</u>	<u>\$ 146,387</u>

INTERFUND NOTES PAYABLE:

Interfund 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 Fund as a receivable and on the Public Housing Fund as a liability.

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
Total accrued interest due as of June 30, 2011	<u>\$ 217,942</u>

In the REAC Financial Data Schedule (FDS), presented as supplemental information, the accrued interest payable of \$217,942 is reported on FDS line 353, Non-Current Liabilities – Other. The interest receivable of \$217,942 is reported on FDS line 171, Notes, Loans and Mortgages Receivable – Non-Current along with the related principal.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4 – MORTGAGES/NOTES PAYABLE (Continued)

Certain interfund notes payable are recorded on the accounting records for programs that are combined in the Public Housing 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.

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 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

JUNE 30, 2011

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, 2011, \$1,750,861 had been advanced under this agreement. 1,553,197

Total interfund within the Public Housing Fund \$ 5,599,058

Changes in long-term liabilities:

Long-term liabilities activity for the year ended June 30, 2011, was as follows:

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Due Within One Year
<u>Business-type activities</u>					
Transition Center					
Mortgage payable	\$ 124,600	\$ -	\$ 12,793	\$ 111,807	\$ 13,988
Interfund notes payable	895,754	36,188	-	931,942	-
Escrow liabilities	269,064	9,060	-	278,124	-
OPEB liability (asset)	5,256	194,660	203,965	(4,049)	-
Compensated absences	517,712	328,085	334,899	510,898	815
	<u>517,712</u>	<u>328,085</u>	<u>334,899</u>	<u>510,898</u>	<u>815</u>
<u>Business-type activities</u>					
Long-term liabilities	<u>\$ 1,812,386</u>	<u>\$ 567,993</u>	<u>\$ 551,657</u>	<u>\$ 1,828,722</u>	<u>\$ 14,803</u>

**Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance at June 30, 2010	Additions	Transfers/ Reductions	Balance at June 30, 2011
<u>Business-type activities</u>				
Land and improvements	\$ 4,296,861	\$ -	\$ (500,000)	\$ 3,796,861
Construction in progress	3,082,074	7,922,432	(4,999,484)	6,005,022
Total capital assets, not being depreciated	<u>7,378,935</u>	<u>7,922,432</u>	<u>(5,499,484)</u>	<u>9,801,883</u>
Buildings and improvements	93,136,400	33,334	1,668,804	94,838,538
Furniture, equipment, vehicles and fixtures	<u>3,263,884</u>	<u>124,160</u>	<u>(129,397)</u>	<u>3,258,647</u>
Total capital assets, being depreciated	<u>96,400,284</u>	<u>157,494</u>	<u>1,539,407</u>	<u>98,097,185</u>
Accumulated depreciation	<u>(64,773,723)</u>	<u>(3,705,057)</u>	<u>3,742,239</u>	<u>(64,773,723)</u>
Total capital assets, being depreciated (net)	<u>31,626,561</u>	<u>(3,547,563)</u>	<u>5,281,646</u>	<u>33,360,644</u>
Total capital assets	<u>\$ 39,005,496</u>	<u>\$ 4,374,869</u>	<u>\$ (217,838)</u>	<u>\$ 43,162,527</u>

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

Business-type activities	
Public Housing Fund	\$ 3,542,460
Rental Assistance Fund	34,523
State and Local Activities Fund	353
Central Office Cost Center Fund	66,780
Community Development Fund	14,691
HOME Investment Partnerships Fund	2,209
Other non-major Enterprise Funds	<u>44,041</u>
Total depreciation expense, business-type activities	<u>\$ 3,705,057</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011, the Authority's required and actual contributions amounted to \$594,477 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.

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, and 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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description:

The Newport News Redevelopment and Housing Authority provides post-employment 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 188 plan members, including 154 active employees and 34 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 post-employment benefit (OPEB) liabilities by joining the VACO/VML Pooled OPEB Trust. This plan does not issue a stand-alone financial report; instead, the plan assets and activities are reported as a Fiduciary Fund in the Fund Financial Statements.

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% of the annual covered payroll.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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 post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, 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 30 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 post-employment healthcare benefits:

Annual required contribution (ARC)	\$ 194,597
Interest on net OPEB obligation	368
Adjustment to annual required contribution	<u>(305)</u>
Annual OPEB cost	194,660
Contributions made	<u>(203,965)</u>
Increase (decrease) in net OPEB obligation	(9,305)
Net OPEB obligation July 1, 2010	<u>5,256</u>
Net OPEB asset June 30, 2011	<u><u>\$ (4,049)</u></u>

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

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)

**Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress:

As of July 1, 2009, the most recent actuarial valuation date, the plan was 8.79% funded. The actuarial accrued liability for benefits was \$1,797,306 and the actuarial value of assets was \$158,045, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,639,261. The covered payroll (annual payroll of active employees covered by the plan) was \$5,953,807, and the ratio of UAAL to the covered payroll was 27.53%.

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 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 2009, actuarial valuation, the projected-until-credited method was used. The actuarial assumptions included a 7% 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%. 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, 2009 was 30 years.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011, there were two series of Tax Exempt Mortgage Revenue Bonds and Limited Obligation Note outstanding, with an aggregate principal amount payable of \$13,080,000.

NOTE 10 – AFFILIATED ENTITY

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

NOTE 11 – NOTES AND MORTGAGES RECEIVABLE

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

Notes and mortgages receivable at June 30, 2011 consist of the following:

	Community Development Fund	HOME Investment Partnerships Fund	Other Non-Major Enterprise Funds	Total
<u>Restricted assets</u>				
Program loans due from program participants	\$ 3,118,661	\$ 5,823,065	\$ -	\$ 8,941,726
Due from commercial entities PULSE program	-	-	2,000	2,000
	<u>3,118,661</u>	<u>5,823,065</u>	<u>2,000</u>	<u>8,943,726</u>
<u>Unrestricted assets</u>				
Due from Great Oak Apartments, LLC, due June 11, 2047	-	-	1,473,746	1,473,746
Downpayment assistance loans due from homebuyers	-	-	30,789	30,789
	<u>-</u>	<u>-</u>	<u>1,504,535</u>	<u>1,504,535</u>
	<u>\$ 3,118,661</u>	<u>\$ 5,823,065</u>	<u>\$ 1,506,535</u>	<u>\$ 10,448,261</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 12 – INTERFUND RECEIVABLES AND TRANSFERS

The composition of amounts due to and from other funds as of June 30, 2011 is as follows:

Receivable Fund	Payable Fund				Total
	Public Housing Fund	State and Local Activities Fund	HOME Fund	Other Enterprise Funds	
Public Housing Fund	\$ -	\$ 91	\$ -	\$ -	\$ 91
State and Local Activities Fund	52,168	-	1,562	14,714	68,444
Central Office Cost Center	6,932	317,367	-	7,433	331,732
Other Enterprise Fund	-	424,573	-	9	424,582
	<u>\$ 59,100</u>	<u>\$ 742,031</u>	<u>\$ 1,562</u>	<u>\$ 22,156</u>	<u>\$ 824,849</u>

Amounts payable between funds generally arise from the practice of utilizing the 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.

The composition of transfers to and from other funds as of June 30, 2011 is as follows:

Paying Fund	Receiving Fund	Total	Less: Transfers Received	Net Transfers
	Other Enterprise Funds			
Central Office Cost Center Fund, transfer to repay loan used to fund deficits from affiliated entities	\$ 107,000	\$ 107,000	\$ (107,000)	\$ -
	<u>\$ 107,000</u>	<u>\$ 107,000</u>	<u>\$ (107,000)</u>	<u>\$ -</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 13 – ACCOUNTS PAYABLE

Payables at June 30, 2011 consist of the following:

	Public Housing Fund	Rental Assistance Fund	State and Local Activities Fund	Central Office Cost Center Fund	Community Development	HOME Investment Partnership	Other Enterprise Funds	Total
Vendors and contractors	\$ 930,108	\$ 22,330	\$ 2,456	\$ 64,391	\$ 68,544	\$ 746	\$ 4,068	\$ 1,092,643
Accrued utilities	87,317	-	-	553	-	-	772	88,642
Other payroll withholdings	-	-	59,692	-	-	-	-	59,692
Tenant security deposits	152,534	-	-	-	-	-	3,315	155,849
HUD	-	11,404	-	-	-	-	-	11,404
Other governments	73,817	-	2,768	-	111,936	-	-	188,521
Contract retention	174,777	-	-	-	-	-	-	174,777
Pollution remediation	21,138	-	-	-	-	-	-	21,138
Other	35	18	35	-	-	-	300	388
	<u>\$ 1,439,726</u>	<u>\$ 33,752</u>	<u>\$ 64,951</u>	<u>\$ 64,944</u>	<u>\$ 180,480</u>	<u>\$ 746</u>	<u>\$ 8,455</u>	<u>\$ 1,793,054</u>

NOTE 14 – ACCRUED SALARIES AND EXPENSES

Accrued salaries and expenses at June 30, 2011 consist of the following:

	Public Housing Fund	Rental Assistance Fund	State and Local Activities Fund	Central Office Cost Center Fund	Community Development	HOME Investment Partnerships	Other Enterprise Funds	Total
Salaries and wages	\$ 80,665	\$ 22,843	\$ 3,259	\$ 64,510	\$ 5,662	\$ 1,131	\$ 1,197	\$ 179,267
	<u>\$ 80,665</u>	<u>\$ 22,843</u>	<u>\$ 3,259</u>	<u>\$ 64,510</u>	<u>\$ 5,662</u>	<u>\$ 1,131</u>	<u>\$ 1,197</u>	<u>\$ 179,267</u>

**Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 15 – OTHER ASSETS

Other assets at June 30, 2011 consist of the following:

	COCC	State and Local Activities Fund	HOME Investment Partnerships Fund	Other Non-major Enterprise Funds	Total
<u>Other non-current assets</u>					
Due from the City of Newport News for long-term compensated absences	\$ -	\$ 14,234	\$ 855	\$ -	\$ 15,089
Prepayments of OPEB contributions	4,049	-	-	-	4,049
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>\$ 4,049</u>	<u>\$ 14,234</u>	<u>\$ 855</u>	<u>\$ 107,286</u>	<u>\$ 126,424</u>

NOTE 16 – CONSTRUCTION COMMITMENTS

The Authority has active construction projects as of June 30, 2011. 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>
Pinecroft HVAC Replacement	\$1,639,861	\$ -
Marshall Courts Renovations Phase I	277,293	4,473,541
Aqueduct Apartments Renovations	436,441	-
Pinecroft Elevator Work	98,892	-
Orcutt Townhomes Phase III	4,018,585	-
Wilbern Elevator Renovations	19,532	20,064
Brighton Apartments Exterior Door Replacements	29,841	9,082
Dickerson Courts Demolition - Phase III	306,348	41,448
Aqueduct Apartments Sewer and Parking Lot Resurfacing	878,931	-
	<u>\$ 7,705,724</u>	<u>\$ 4,544,135</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
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 17 – DEFICIT NET ASSETS

At June 30, 2011, the following fund reflects a deficit in net assets. A deficit in net assets indicates that the liabilities of the fund or program exceed the cumulative assets of the fund.

State and 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 Fund.

NOTE 18 – RESTRICTED NET ASSETS

Public Housing Fund:

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, 2011:

Balance at July 1, 2010	\$ 2,851,527
Interest earned	1,424
Balance at June 30, 2011	\$ 2,852,951

These restricted net assets are held in short-term U.S. Government securities (\$2,572,686) and in the general fund checking account (\$280,265).

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, 2011:

These funds are held in checking accounts.

	Orcutt Senior Housing		Orcutt Townhomes	
	Operating Reserve	Replacement Reserve	Operating Reserve	Replacement Reserve
Balance at July 1, 2010	\$280,833	\$79,177	\$296,131	\$73,364
Interest earned	562	-	593	-
Deposits	-	14,586	-	145,325
Withdrawals	(15)	-	(15)	(36,976)
Balance at June 30, 2011	\$ 281,380	\$ 93,763	\$ 296,709	\$ 181,713

**Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 18 – RESTRICTED NET ASSETS (Continued)

Public Housing Fund (Continued):

Restricted Reserves for unexpended insurance proceeds:

The Authority experienced a casualty loss in a prior period in a building within a development that was slated for demolition. Accordingly, the insurance proceeds were not used to repair or reconstruct these units and remain invested by the Authority. Though the HUD Annual Contributions Contract specifies that unexpended insurance proceeds not used to reduce project indebtedness be placed in the Authority's unreserved operating reserve, HUD has recently asserted that these funds should be reported as restricted cash and restricted net assets. These unspent proceeds totaling \$519,211 held in short-term US Government securities.

Rental Assistance Fund:

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.

	Restricted HAP Equity	Unrestricted Administrative Fee Equity	Total
Balance at July 1, 2010	\$ 2,352,330	\$ 1,601,743	\$ 3,954,073
Current period excess/(deficiency) of funding	(110,239)	(13,525)	(123,764)
Balance at June 30, 2010	\$ 2,242,091	\$ 1,588,218	\$ 3,830,309

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

Community Development Fund and HOME Investment Partnerships Fund:

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 program income generated from these programs is restricted for the specific CDBG and HOME purposes allowance by the program regulations and City of Newport News determinations.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 18 – RESTRICTED NET ASSETS (Continued)

Community Development Fund and HOME Investment Partnerships Fund (Continued):

As of June 30, 2011, the balances due are as follows:

	Loans	Accumulated Net Assets	Total
CDBG Program	\$ 3,118,661	\$ 554,579	\$ 3,673,240
HOME Program	5,823,065	1,144,122	6,967,187
	<u>\$ 8,941,726</u>	<u>\$ 1,698,701</u>	<u>\$ 10,640,427</u>

In prior periods any accumulated program income in excess of program expenses was reported in the financial statements as a payable due back to the City of Newport News. As any such liability would only be settled upon the termination of these programs, these amounts are now reported as restricted net assets. As of July 1, 2010 payables of \$414,998 for the Community Development Fund and \$1,339,985 for the HOME Investment Partnerships Fund were reclassified as restricted net assets.

Other Enterprise Funds:

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 of 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, 2011:

	Insurance Escrow	Replacement Reserve	Operating Reserve	Total
Balance at July 1, 2010	\$ 2,157	\$ 163,064	\$ 237,725	\$ 402,946
Interest earned	-	528	781	1,309
Deposits	2,480	3,588	6,768	12,836
Withdrawals	(2,208)	(8,734)	(7,054)	(17,996)
Balance at June 30, 2011	<u>\$ 2,429</u>	<u>\$ 158,446</u>	<u>\$ 238,220</u>	<u>\$ 399,095</u>

These funds are held by VHDA in various accounts.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 18 – RESTRICTED NET ASSETS (Continued)

Business Activities Fund:

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		<u>(450)</u>
Restricted net assets as of June 30, 2011	\$	<u><u>35,599</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.

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:

	<u>Orcutt Senior Housing Development Corporation</u>	<u>Orcutt Townhomes I</u>
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 adjustments made by the auditing firm that prepared the cost certification and that were never provided or explained to the management of the Authority.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 20 – CONTINGENT LIABILITIES

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

NOTE 21 – POLLUTION REMEDIATION OBLIGATION

During 2011, the Authority undertook the demolition of the remaining buildings at Dickerson Courts Apartments. Part of this demolition involves the removal and disposal of material containing asbestos. The contract awarded for the demolition of these buildings includes \$90,746 in costs associated with the asbestos removal. The total liability for pollution remediation is based on the contracted work items related to asbestos removal and amount to a total of \$90,746. These costs were expensed in the financial statements as a component of non-routine maintenance. During 2011, \$69,608 was paid or accrued leaving a balance of \$21,138 payable as of June 30, 2011. This amount is reported as a current liability as a component of accounts payable to vendors and contractors. The Authority does not expect to recover any of these costs from insurers or other external third parties.

SUPPLEMENTAL INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2011

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%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 210,326	99.49%
2010	\$ 194,597	97.86%
2011	\$ 194,597	104.81%

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

**COMBINING STATEMENT OF NET ASSETS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS**

JUNE 30, 2011

	Business-type Activities - Enterprise Funds	
	Resident Self Sufficiency and Service Coordinator Fund	Transition Center Fund
<u>ASSETS</u>		
Current assets		
Cash and equivalents, restricted	\$ -	\$ 10,651
Accounts receivable (net of allowance)	17,209	-
Due from other funds	-	-
Investments	-	-
Deferred charges	-	245
	17,209	10,896
Restricted assets		
Cash and equivalents, restricted	-	3,315
Investments - restricted	-	399,095
Other restricted assets - notes receivable	-	-
	-	402,410
Noncurrent assets		
Notes and mortgages receivables	-	-
Nondepreciable capital assets	-	17,201
Capital assets (net)	-	107,031
Interfund notes receivable	-	-
Accrued interest receivable	-	-
Other noncurrent assets	-	-
	-	124,232
Total non-current assets	-	124,232
TOTAL ASSETS	\$ 17,209	\$ 537,538

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

**COMBINING STATEMENT OF NET ASSETS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS (Continued)**

JUNE 30, 2011

	Business-type Activities - Enterprise Funds	
	Resident Self Sufficiency and Service Coordinator Fund	Transition Center Fund
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ -	\$ 5,062
Due to other funds	16,012	-
Accrued salaries and expenses	1,197	-
Accrued interest payable	-	834
Current portion of long-term liabilities	-	13,988
	17,209	19,884
 Long-term liabilities		
Notes and mortgages payable	-	97,819
	-	97,819
 TOTAL LIABILITIES	17,209	117,703
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	-	12,425
Restricted net assets	-	399,095
Unrestricted net assets	-	8,315
	-	419,835
 TOTAL LIABILITIES AND NET ASSETS	\$ 17,209	\$ 537,538

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

**COMBINING STATEMENT OF NET ASSETS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS (Continued)**

JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Neighborhood Stabilization Program	Business Activities Fund	Total
ASSETS			
Current assets			
Cash and equivalents - restricted	\$ -	\$ 2,522,871	\$ 2,533,522
Accounts receivable (net of allowance)	63,347	16,034	96,590
Due from other funds	-	424,582	424,582
Investments	-	40,261	40,261
Deferred charges	-	166	411
Total current assets	63,347	3,003,914	3,095,366
Restricted assets			
Cash and equivalents, restricted	125,782	33,599	162,696
Investments - restricted	-	-	399,095
Other restricted assets - notes receivable	-	2,000	2,000
Total restricted assets	125,782	35,599	563,791
Noncurrent assets			
Notes and mortgages receivables	-	1,504,535	1,504,535
Nondepreciable capital assets	-	154,100	171,301
Capital assets (net)	-	704,389	811,420
Interfund notes receivable	-	714,000	714,000
Accrued interest receivable	-	217,942	217,942
Other noncurrent assets	-	107,286	107,286
Total noncurrent assets	-	3,402,252	3,526,484
TOTAL ASSETS	\$ 189,129	\$ 6,441,765	\$ 7,185,641

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

**COMBINING STATEMENT OF NET ASSETS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS (Continued)**

JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Neighborhood Stabilization Program	Business Activities Fund	Total
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable and accrued expenses	\$ 300	\$ 3,093	\$ 8,455
Due to other funds	359	5,785	22,156
Accrued salaries and expenses	-	-	1,197
Accrued interest payable	-	-	834
Current portion of long-term liabilities	-	-	13,988
	<u>659</u>	<u>8,878</u>	<u>46,630</u>
Total current liabilities			
Long-term liabilities			
Notes and mortgages payable	-	-	97,819
	<u>-</u>	<u>-</u>	<u>97,819</u>
Total long-term liabilities			
	<u>659</u>	<u>8,878</u>	<u>144,449</u>
TOTAL LIABILITIES			
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	-	858,489	870,914
Restricted net assets	188,470	35,599	623,164
Unrestricted net assets	-	5,538,799	5,547,114
	<u>188,470</u>	<u>6,432,887</u>	<u>7,041,192</u>
TOTAL NET ASSETS			
	<u>\$ 189,129</u>	<u>\$ 6,441,765</u>	<u>\$ 7,185,641</u>
TOTAL LIABILITIES AND NET ASSETS			

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

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS**

YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds	
	Resident Self Sufficiency and Service Coordinator Fund	Transition Center Fund
OPERATING REVENUES		
Rental and tenant income	\$ -	\$ 31,352
Intergovernmental, operating grants	30,021	43,157
Other income	-	-
Total operating revenues	30,021	74,509
OPERATING EXPENSES		
Administration	-	7,437
Tenant services	30,021	-
Utilities	-	19,762
Ordinary maintenance	-	10,826
Protective services	-	2,056
Insurance expense	-	1,786
General expenditures	-	1
Interest	-	10,547
Depreciation	-	8,060
Total operating expenses	30,021	60,475
OPERATING INCOME/(LOSS)	-	14,034
NONOPERATING REVENUES/EXPENSES		
Interest and investment revenue	-	1,332
Total nonoperating revenues/(expenses)	-	1,332
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	-	15,366
Transfers in/(out)	-	-
CHANGE IN NET ASSETS	-	15,366
TOTAL NET ASSETS - July 1, 2010	-	404,469
TOTAL NET ASSETS - June 30, 2011	\$ -	\$ 419,835

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

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS (Continued)**

YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds		Total
	Neighborhood Stabilization Program	Business Activities Fund	
OPERATING REVENUES			
Rental and tenant income	\$ -	\$ -	\$ 31,352
Intergovernmental, operating grants	423,715	-	496,893
Other income	523,164	235,977	759,141
Total operating revenues	<u>946,879</u>	<u>235,977</u>	<u>1,287,386</u>
OPERATING EXPENSES			
Administration	1,439	78,184	87,060
Tenant services	-	43,895	73,916
Utilities	2,797	10,629	33,188
Ordinary maintenance	69,834	24,565	105,225
Protective services	-	2,961	5,017
Insurance expense	1,606.00	6,606	9,998
General expenditures	649,323	14,929.00	664,253
Interest	-	-	10,547
Depreciation	-	35,981	44,041
Total operating expenses	<u>724,999</u>	<u>217,750</u>	<u>1,033,245</u>
OPERATING INCOME/(LOSS)	<u>221,880</u>	<u>18,227</u>	<u>254,141</u>
NONOPERATING REVENUES/EXPENSES:			
Interest and investment revenue	-	40,528	41,860
Total nonoperating revenues/(expenses)	<u>-</u>	<u>40,528</u>	<u>41,860</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	221,880	58,755	296,001
Transfers in/(out)	-	107,000	107,000
CHANGE IN NET ASSETS	<u>221,880</u>	<u>165,755</u>	<u>403,001</u>
TOTAL NET ASSETS (DEFICIT) - July 1, 2010	<u>(33,410)</u>	<u>6,267,132</u>	<u>6,638,191</u>
TOTAL NET ASSETS - June 30, 2011	<u>\$ 188,470</u>	<u>\$ 6,432,887</u>	<u>\$ 7,041,192</u>

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

**COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS**

YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds	
	Resident Self Sufficiency and Service Coordinator Fund	Transition Center Fund
Cash flows from operating activities		
Cash received from tenants/others	\$ -	\$ 31,352
Cash received for fees/services	-	-
Cash operating grants received (net)	12,812	43,157
Cash transfers from(to) other funds and entities	16,012	(7,383)
Cash payments for goods, services, rental subsidies	-	(38,679)
Cash payments to/for employees and benefits	(28,824)	(449)
Net cash provided/(used) by operating activities	<u>-</u>	<u>27,998</u>
Cash flows from capital and related financing activities		
Loan principal payments	-	(12,793)
Interest payments	-	(10,642)
Net cash provided/(used) by capital and related financing activities	<u>-</u>	<u>(23,435)</u>
Cash flows from noncapital financing activities		
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	-	3,851
Receipts of interest and dividends	-	1,332
Net cash provided/(used) by investing activities	<u>-</u>	<u>5,183</u>
Net increase/(decrease) in cash	-	9,746
Cash at July 1, 2010	<u>-</u>	<u>4,220</u>
Cash at June 30, 2011	<u>\$ -</u>	<u>\$ 13,966</u>

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

**COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS (Continued)**

YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds	
	Resident Self Sufficiency and Service Coordinator Fund	Transition Center Fund
Reconciliation of operating income to net cash provided/(used) by operating activities		
Operating income (loss)	\$ -	\$ 14,034
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	-	8,060
Interest expense	-	10,547
Other adjustments	-	(1)
Change in assets and liabilities		
Decrease/(Increase) in accounts receivable	(17,209)	2,775
Decrease/(Increase) in deferred charges and prepaid expenses	-	(245)
Decrease/(Increase) in other assets	-	-
Increase/(Decrease) in accounts payable	16,012	(7,172)
Increase/(Decrease) in accrued liabilities	1,197	-
Net cash provided/(used) by operating activities	\$ -	\$ 27,998

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

**COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS (Continued)**

YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Neighborhood Stabilization Program	Business Activities Fund	Total
Cash flows from operating activities			
Cash received from tenants/others	\$ -	\$ 232,599	\$ 263,951
Cash received for fees/services	523,164	-	523,164
Cash operating grants received (net)	451,150	-	507,119
Cash transfers from(to) other funds and entities	(113,782)	264,239	159,086
Cash payments for goods, services, rental subsidies	(734,750)	(122,175)	(895,604)
Cash payments to/for employees and benefits	-	(14,048)	(43,321)
Net cash provided/(used) by operating activities	<u>125,782</u>	<u>360,615</u>	<u>514,395</u>
Cash flows from capital and related financing activities			
Loan principal payments	-	-	(12,793)
Interest payments	-	-	(10,642)
Net cash provided/(used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(23,435)</u>
Cash flows from noncapital financing activities			
Receipt of interest on notes and loans	-	32	32
Loans repayments received	-	578	578
Net cash provided/(used) by noncapital financing activities	<u>-</u>	<u>610</u>	<u>610</u>
Cash flows from investing activities			
Proceeds from sale/reclassification of investments	-	(518)	3,333
Receipts of interest and dividends	-	4,309	5,641
Net cash provided/(used) by investing activities	<u>-</u>	<u>3,791</u>	<u>8,974</u>
Net increase/(decrease) in cash	125,782	365,016	500,544
Cash at July 1, 2010	<u>-</u>	<u>2,191,454</u>	<u>2,195,674</u>
Cash at June 30, 2011	<u>\$ 125,782</u>	<u>\$ 2,556,470</u>	<u>\$ 2,696,218</u>

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

**COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS (Continued)**

YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Neighborhood Stabilization Program	Business Activities Fund	Total
Reconciliation of operating income to net cash provided/(used) by operating activities			
Operating income (loss)	\$ 221,880	\$ 18,227	\$ 254,141
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	-	35,981	44,041
Interest expense	-	-	10,547
Operating transfers	-	107,000	107,000
Other adjustments	-	(1)	(2)
Change in assets and liabilities			
Decrease/(Increase) in accounts receivable	27,435	205,915	218,916
Decrease/(Increase) in deferred charges and prepaid expenses	-	3,058	2,813
Decrease/(Increase) in other assets	-	(4,831)	(4,831)
Increase/(Decrease) in accounts payable	(123,533)	(4,547)	(119,240)
Increase/(Decrease) in accrued liabilities	-	(187)	1,010
Net cash provided/(used) by operating activities	<u>\$ 125,782</u>	<u>\$ 360,615</u>	<u>\$ 514,395</u>

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

STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2011

CFP 501-07

Annual Contributions Contract P-5545

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

Account	Budget	Amount
Operations	\$ 349,246.00	\$ 349,246.00
Management improvements	39,492.72	39,492.73
Administration	349,246.00	349,246.00
Fees and costs	350,787.98	285,605.26
Dwelling structures	322,745.00	334,392.00
Non-dwelling structures	1,658,639.47	1,678,171.47
Non-dwelling equipment	111,678.83	111,928.83
Demolition	261,000.00	261,000.00
Relocation expenses	49,625.00	49,625.00
Total Cost	<u>\$ 3,492,461.00</u>	<u>\$ 3,458,707.29</u>

2. Costs examined during the current period totaled \$173,266.34.
3. A reconciliation of development advances and costs are as follows:

Funds advanced	
Grants, HUD	\$ 3,445,372.71
Funds expended	<u>3,458,707.29</u>
Excess (deficiency) of funds advanced	<u>\$ (13,334.58)</u>

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

STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2011

CFP 501-08

Annual Contributions Contract P-5545

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

Account	Budget	Amount
Operations	\$ 377,698.00	\$ 377,698.00
Management improvements	40,000.00	4,322.84
Administration	377,698.00	377,698.00
Fees and costs	140,000.00	141,291.29
Dwelling structures	2,286,836.96	610,990.52
Demolition	494,746.04	337,688.44
Relocation expenses	60,000.00	60,000.00
Total cost	<u>\$ 3,776,979.00</u>	<u>\$ 1,909,689.09</u>

2. Costs examined during the current period totaled \$634,102.82.
3. A reconciliation of development advances and costs are as follows:

Funds advanced	
Grants, HUD	\$ 1,792,476.00
Funds expended	<u>1,909,689.09</u>
Excess (deficiency) of funds advanced	<u>\$ (117,213.09)</u>

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

STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2011

CFP 501-09

Annual Contributions Contract P-5545

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

Account	Budget	Amount
Operations	\$ 345,800.00	\$ 345,800.00
Management improvements	50,000.00	3,041.89
Administration	345,800.00	345,800.00
Fees and costs	194,854.00	110,835.28
Dwelling structures	861,583.00	148,145.47
Demolition	300,000.00	373,625.48
Relocation expenses	60,000.00	60,000.00
Development activity/replacement housing	1,300,000.00	1,300,000.00
Total cost	<u>\$ 3,458,037.00</u>	<u>\$ 2,687,248.12</u>

2. Costs examined during the current period totaled \$1,889,963.42.
3. A reconciliation of development advances and costs are as follows:

Funds advanced	
Grants, HUD	\$ 2,634,859.81
Funds expended	2,687,248.12
Excess (deficiency) of funds advanced	<u>\$ (52,388.31)</u>

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

STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2011

CFP 501-10

Annual Contributions Contract P-5545

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

Account	Budget	Amount
Operations	\$ 340,680.00	\$ 340,680.00
Management improvements	65,000.00	-
Administration	340,680.00	340,680.00
Fees and costs	142,439.00	-
Dwelling structures	2,158,037.00	2,272.13
Demolition	300,000.00	74,458.00
Relocation expenses	60,000.00	48,752.51
Total cost	<u>\$ 3,406,836.00</u>	<u>\$ 806,842.64</u>

2. Costs examined during the current period totaled \$806,842.64.
3. A reconciliation of development advances and costs are as follows:

Funds advanced	
Grants, HUD	\$ 764,008.69
Funds expended	<u>806,842.64</u>
Excess (deficiency) of funds advanced	<u>\$ (42,833.95)</u>

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

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

JUNE 30, 2011

CFP R501-07

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year R501-07 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Development activity/Replacement housing	\$ 123,195.00	\$ 123,195.00
Total cost	<u>\$ 123,195.00</u>	<u>\$ 123,195.00</u>

2. The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated October 5, 2011 is in agreement with the Authority's record. 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 \$123,195.00.
5. A reconciliation of development advances and costs are as follows:

Funds advanced	
Grants, HUD	\$ 123,195.00
Funds expended	123,195.00
Excess (deficiency) of funds advanced	<u>\$ -</u>

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

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

JUNE 30, 2011

CFP R501-08

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year R501-08 are as follows:

Account	Budget	Amount
Development activity/Replacement housing	\$ 61,580.00	\$ 61,580.00
Total cost	\$ 61,580.00	\$ 61,580.00

2. The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated October 5, 2011 is in agreement with the Authority's record. 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 \$61,580.00.
5. A reconciliation of development advances and costs are as follows:

Funds advanced	
Grants, HUD	\$ 61,580.00
Funds expended	61,580.00
Excess (deficiency) of funds advanced	\$ -

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

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

JUNE 30, 2011

CFP R501-09

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year R501-09 are as follows:

Account	Budget	Amount
Development activity/Replacement housing	\$ 68,422.00	\$ 68,422.00
Total cost	\$ 68,422.00	\$ 68,422.00

2. The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated October 5, 2011 is in agreement with the Authority's record. 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 \$68,422.00.
5. A reconciliation of development advances and costs are as follows:

Funds advanced	
Grants, HUD	\$ 68,422.00
Funds expended	68,422.00
Excess (deficiency) of funds advanced	\$ -

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

STATEMENT OF CAPITAL FUND RECOVERY GRANT COSTS – UNCOMPLETED

JUNE 30, 2011

CRFP 501-09

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year R501-09 are as follows:

Account	Budget	Amount
Administration	\$ 150,000.00	\$ 150,000.00
Fees and costs	600,000.00	607,299.63
Site improvement	700,000.00	879,984.01
Dwelling structures	3,308,857.00	2,401,570.27
Relocation expenses	100,000.00	12,677.82
Total cost	\$ 4,858,857.00	\$ 4,051,531.73

2. Costs examined during the current period totaled \$3,285,810.01.
3. A reconciliation of development advances and costs are as follows:

Funds advanced	
Grants, HUD	\$ 3,442,195.02
Funds expended	4,051,531.73
Excess (deficiency) of funds advanced	\$ (609,336.71)

COMPLIANCE SECTION

FINANCIAL STATUS REPORT

(Short Form)

(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted U. S. Department of HUD		2. Federal Grant or Other Identifying Number Assigned By Federal Agency VA003RFS208A009		OMB Approva No. 0348-0039	Page 1 of 1 pages
3. Recipient Organization (Name and complete address, including ZIP cod Newport News Redevelopment and Housing Authority P.O. Box 797 Newport News ,VA 23607					
4. Employer Identification Number 54-6001452		5. Recipient Account Number or Identifying Number		6. Final Report <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
7. Basis <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual					
8. Funding/Grant Period (See instructions From: (Month, Day, Year) 12/01/2010		To: (Month, Day, Year) 11/30/2011		9. Period Covered by this Report From: (Month, Day, Year) 7/1/10	
To: (Month, Day, Year) 6/30/11					
10. Transactions			I Previously Reported	II This Period	III Cumulative
a. Total outlays			-	30,021.11	30,021.11
b. Recipient share of outlays			-		
c. Federal share of outlays			-	30,021.11	30,021.11
d. Total unliquidated obligations					
e. Recipient share of unliquidated obligations					
f. Federal share of unliquidated obligations					
g. Total Federal share (Sum of lines c and f)					30,021.11
h. Total Federal funds authorized for this funding period					47,000.00
i. Unobligated balance of Federal funds (Line h minus line g)					16,978.89
11. Indirect Expense					
a. Type of Rate (Place "X" in appropriate box) <input type="checkbox"/> Provisional <input type="checkbox"/> Predetermined <input type="checkbox"/> Final <input type="checkbox"/> Fixed					
b. Rate		c. Base		d. Total Amount	
				e. Federal Share	
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation. Costs of \$30,021.11 were incurred during the current period.					
13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.					
Typed or Printed Name and Title				Telephone (Area code, number and extension)	
Signature of Authorized Certifying Official				Date Report Submitted	

See auditor's report.
The accompanying notes are an integral part of this statement.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2011

	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			
VA00300XXX10D	14.850	\$ 7,266,806	\$ 3,633,403
VA00300XXX11D	14.850	6,241,976	<u>3,210,988</u>
			<u>6,844,391</u>
Capital Fund Program:			
VA36P003501-07	14.872	3,492,461	173,266
VA36P003501-08	14.872	3,776,979	634,103
VA36P003501-09	14.872	3,458,037	1,889,963
VA36P003501-10	14.872	3,406,836	806,843
VA36R003501-07	14.872	123,195	123,195
VA36R003501-08	14.872	61,580	61,580
VA36R003501-09	14.872	68,422	68,422
			<u>3,757,372</u>
American Recovery and Reinvestment Act			
ARRA,- Public Housing Capital Fund			
Stimulus (Formula)(Recovery Act Funded)			
WV15S037501-09	14.885	4,858,857	<u>3,285,810</u>
Housing Assistance Payments Program			
Housing Choice Voucher Program	14.871	18,338,814	<u>18,338,814</u>
Housing Assistance Payments Program			
Moderate Rehabilitation, Single Room Occupancy			
VA003SRO004, 2011 funding	14.249	405,647	405,647
New Construction through the Virginia			
Housing Development Authority			
Transition Center, VA36H027032	14.182	43,157	<u>43,157</u>
		TOTAL SECTION 8 PROJECT BASED CLUSTER	<u>448,804</u>
Resident Opportunities and Supportive Services			
VA003RFS179A009	14.870	47,000	<u>30,021</u>
			<u>30,021</u>
Shelter Plus Care Program			
VA0055C3F050802	14.238	89,664	45,830
VA0055C3F050803	14.238	92,640	14,129
			<u>59,959</u>
		TOTAL HUD	<u><u>\$ 32,765,171</u></u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2011

	<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	\$ 2,201,063	\$ 1,396,746
ARRA funded Community Development Block Grants/ Entitlement Grants	14.253	430,989	80,315
ARRA funded Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257	659,087	334,600
HOME Investment Partnerships Program M-XX-MC-510202	14.239	1,203,386	431,513
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>423,715</u>
		TOTAL INDIRECT	<u>2,666,889</u>
		TOTAL	<u>\$ 35,432,060</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.



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

The Commissioners of the Newport News
Redevelopment and Housing Authority

We have audited the basic financial statements of the Newport News Redevelopment and Housing Authority (the "Authority") as of and for the year ended June 30, 2011, and have issued our report thereon dated March 19, 2012. 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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiency described at 2011-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

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 19, 2012.

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

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.

Cherry, Bekaert & Holland, L.L.P.

Virginia Beach, Virginia
March 19, 2012



**Independent Auditors' 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, 2011. 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, 2011. 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 item 2011-2.

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 responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

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.

Cherry, Bekert & Holland, L.L.P.

Virginia Beach, Virginia
March 19, 2012

Newport News Redevelopment and Housing Authority

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

(1) Summary of Auditors' 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: **yes**
- (c) Noncompliance, which is material to the financial statements: **no**
- (d) Significant deficiencies in internal control over major programs: **no**

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>
Homelessness Prevention and Rapid Re-Housing Program - ARRA	14.257
Low Rent Public Housing Program	14.850
Housing Choice Voucher Program	14.871
Capital Fund Program	14.872
Capital Fund Program – ARRA	14.885

- (h) Dollar threshold used to distinguish between Types A and B Programs: **\$1,062,962**
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **yes**

(2) Findings - Financial Statement Audit:

2011-1

Criteria: Program income should be recognized as revenue when it is measurable and eligibility requirements have been met. If it becomes probable that the recipient will be required to return any part of those resources (on termination of the program), the recipient should recognize an expense.

Condition: Program income was reported as a payable due back to the grantee.

Cause: The Authority considered excess program income a payable due back to the grantee since the residual grant money would revert back to the grantee in the event of termination of the grant.

Effect: A prior period adjustment has been recorded for the year ended June 30, 2011.

Recommendation: As of June 30, 2011, the Authority has made all corrective action on this matter.

Management Response: This year, the Authority changed the presentation of program income in the CDBG and HOME programs at the behest of the auditor because of questions regarding the previous presentation as a liability booked to the City of Newport News. The interpretation of GASB 33 is that it would be better shown as a restricted net asset. This reclassification requires a restatement of our beginning net assets as of July 1, 2010 and, therefore this audit finding. This is purely a matter of presentation and is a result of discussions between the Authority, our accounting consultant and our auditor.

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

**U.S. Department of Housing and Urban Development
Pass-through from the City of Newport News, Virginia
CFDA # 14.257 - Homelessness Prevention and Rapid Re-Housing Program – ARRA**

2011-2

Criteria: Pass-through entities should verify that their sub-recipients are timely filing a data collection form if a single audit is required.

Condition: While performing our audit procedures to ensure compliance with sub-recipient monitoring, we noted one instance where a sub-recipient was required to have a single audit and the Authority did not verify that they had filed their data collection form nor obtain a copy of the data collection form for their files.

Cause: While the Authority obtained a copy of the entity's audited financial statements, the Authority was not aware of this requirement to verify the timely filing of the data collection form.

Effect: Ultimately, failure to file would be noncompliance on the sub-recipient's part, and failure to timely file would result in the sub-recipient becoming a high-risk auditee.

Recommendation: We recommend the Authority add a procedure to obtain the data collection form and make sure it is timely filed to their list of sub-recipient monitoring requirements.

Management Response: The instance cited involved one of seven sub-recipients in the Homeless Prevention and Rapid Re-housing Program (HPRP). In this case, the sub-recipient (Salvation Army) was funded over the span of two fiscal years for homelessness programs (FY10, FY11). The audit report of the sub-recipient was obtained for our audit year FY10, but an updated audit was not obtained for FY11, in which \$900 was reimbursed to the sub-recipient for eligible homeless program costs. Appropriate checklists will be modified to ensure that the Data Collection Form (SF-SAC) or a current audit is obtained for each sub-recipient for any and all periods in which expenditures are made.

(4) Schedule of Prior Year Findings: none

**Newport News Redevelopment Housing Authority (VA003)
Newport News, Virginia
ENTITY WIDE BALANCE SHEET SUMMARY**

Submission Type: Audited / A-133

Fiscal Year End: 06/30/2011

	Project Total	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	2 State/Local	1 Business Activities	14,870 Resident Opportunity and Supportive Services	14,885 Formula Capital Fund Stimulus Grant	14,239 HOME Investment Partnerships Program	14,218 Community Development Block Grants/Entitlement Grants
111 Cash - Unrestricted	\$9,752,952	\$1,326,359	\$10,651	\$96	\$2,522,870			\$1,147,894	\$646,073
112 Cash - Restricted - Modernization and Development	\$2,852,961								
113 Cash - Other Restricted	\$1,438,767	\$2,421,912			\$33,599				
114 Cash - Tenant Security Deposits	\$152,534		\$3,315						
115 Cash - Restricted for Payment of Current Liabilities	\$14,197,204	\$3,748,271	\$13,966	\$96	\$2,556,469	\$0	\$0	\$1,147,894	\$646,073
100 Total Cash									
121 Accounts Receivable - FHA Projects	\$51,853								
122 Accounts Receivable - HUD Other Projects	\$328,379	\$93,301				\$17,209	\$609,337		
124 Accounts Receivable - Other Government	\$46,632			\$74,076	\$4,508			\$8,830	
125 Accounts Receivable - Miscellaneous	\$2,214	\$7,928		\$654,929	\$11,526			\$31,516	
126 Accounts Receivable - Tenants	\$49,234								
	-\$23,421								
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0	\$0	\$0	\$0	\$0	
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery		\$196,816							
		-\$198,816							
128.1 Allowance for Doubtful Accounts - Fraud									\$576
129 Accrued Interest Receivable									\$576
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$403,038	\$153,082	\$0	\$729,005	\$16,034	\$17,209	\$609,337	\$40,346	
131 Investments - Unrestricted					\$40,260				\$106,227
132 Investments - Restricted			\$399,095						
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$36,358	\$3,808	\$245	\$348	\$167				\$703
143 Inventories									
143.1 Allowance for Obsolete Inventories									
144 Inter Program Due From	\$361								
145 Assets Held for Sale				\$68,444	\$424,582		\$5,150		
150 Total Current Assets	\$14,635,961	\$3,905,161	\$413,306	\$797,883	\$3,037,512	\$17,209	\$614,487	\$1,188,240	\$753,579
161 Land	\$3,593,560	\$32,000	\$17,201		\$154,100				
162 Buildings	\$62,135,959	\$667,808	\$306,794		\$918,522				
163 Furniture, Equipment & Machinery - Dwellings	\$5,881								
164 Furniture, Equipment & Machinery - Administration	\$11,363,755	\$381,327		\$2,475	\$11,763			\$20,508	\$139,228
165 Leasehold Improvements	\$10,683,444				\$196,992				
166 Accumulated Depreciation	-\$82,250,504	-\$762,464	-\$225,928	-\$883	-\$422,887			-\$16,596	-\$84,927
167 Construction in Progress	\$5,980,693	\$11,500		\$12,827					
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$41,512,798	\$230,171	\$124,232	\$14,419	\$658,490	\$0	\$0	\$3,912	\$54,301
171 Notes, Loans and Mortgages Receivable - Non-Current									
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	\$5,589,058				\$2,438,477			\$5,823,065	\$3,118,661
173 Grants Receivable - Non Current				\$14,234				\$655	
174 Other Assets					\$107,286				
176 Investments in Joint Ventures									
180 Total Non-Current Assets	\$47,111,826	\$230,171	\$124,232	\$28,653	\$3,404,253	\$0	\$0	\$5,827,832	\$3,172,962
190 Total Assets	\$61,747,787	\$4,135,332	\$537,538	\$826,536	\$6,441,765	\$17,209	\$614,487	\$7,016,072	\$3,926,541

**Newport News Redevelopment Housing Authority (VA003)
Newport News, Virginia
ENTITY WIDE BALANCE SHEET SUMMARY**

Submission Type: Audited / A-133

Fiscal Year End: 06/30/2011

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	1 Business Activities	14.870 Resident Opportunity and Supportive Services	14.885 Formula Capital Fund Stimulus Grant	14.239 HOME Investment Partnerships Program	14.218 Community Development Block Grant/Entitlement Grants
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$268,506	\$17,537	\$1,216	\$2,456	\$2,652			\$746	\$65,435
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$80,664	\$22,843		\$3,259		\$1,197		\$1,131	\$5,662
322 Accrued Compensated Absences - Current Portion									
324 Accrued Contingency Liability			\$835						
325 Accrued Interest Payable									
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government	\$73,819			\$2,788					\$111,936
341 Tenant Security Deposits	\$152,534		\$3,315						
342 Deferred Revenues	\$138,510	\$31,786	\$13,988					\$1	
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds							\$609,337		
344 Current Portion of Long-term Debt - Operating Borrowings	\$248,215	\$18		\$35	\$241				
345 Other Current Liabilities	\$87,316		\$531	\$59,892	\$5,785	\$16,012	\$5,150	\$1,562	
346 Accrued Liabilities - Other	\$59,370			\$742,031					
347 Inter Program - Due To									
348 Loan Liability - Current									
310 Total Current Liabilities	\$1,108,934	\$72,184	\$19,885	\$910,241	\$8,878	\$17,209	\$614,487	\$3,440	\$181,033
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$6,313,058		\$97,819						
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other	\$275,567	\$179,820		\$14,234				\$40,879	
354 Accrued Compensated Absences - Non Current	\$209,323	\$53,019		\$14,234				\$855	\$17,987
355 Loan Liability - Non Current	\$0								
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities	\$6,797,948	\$232,839	\$97,819	\$28,468	\$0	\$0	\$0	\$41,534	\$17,987
350 Total Non-Current Liabilities	\$7,906,682	\$305,023	\$117,704	\$638,709	\$8,878	\$17,209	\$614,487	\$44,974	\$199,000
300 Total Liabilities	\$55,198,710	\$220,171	\$12,425	\$14,419	\$858,460	\$0	\$0	\$3,912	\$54,301
508.1 Invested In Capital Assets, Net of Related Debt									
509.2 Fund Balance Reserved									
511.2 Unreserved, Designated Fund Balance									
511.1 Restricted Net Assets	\$4,225,728	\$2,242,091	\$599,095		\$35,599		\$0	\$6,987,186	\$3,673,240
512.1 Unrestricted Net Assets	\$14,415,467	\$1,358,047	\$8,314	-\$26,592	\$5,538,798	\$0	\$0	\$0	\$0
512.2 Unreserved, Undesignated Fund Balance									
513 Total Equity/Net Assets	\$53,840,905	\$3,830,309	\$419,834	-\$12,173	\$6,432,687	\$0	\$0	\$6,971,088	\$3,727,541
600 Total Liabilities and Equity/Net Assets	\$61,747,787	\$4,135,332	\$537,538	\$826,536	\$6,441,765	\$17,209	\$614,487	\$7,016,072	\$3,928,541

**Newport News Redevelopment Housing Authority (VA003)
Newport News, Virginia
ENTITY WIDE BALANCE SHEET SUMMARY**

Submission Type: Audited / A-133

Fiscal Year End: 06/30/2011

	14,235 Shelter Plus Care	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14,257 Homelessness Prevention and Rapid Re-Housing Program (RHF)	14,228 Community Development Block Grants/State's Program	14,253 Community Development Block Grant	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$400	\$71,409				\$1,362,732	\$16,841,426		\$16,841,426
112 Cash - Restricted - Modernization and Development							\$2,852,951		\$2,852,951
113 Cash - Other Restricted			\$125,782				\$4,020,060		\$4,020,060
114 Cash - Tenant Security Deposits							\$155,849		\$155,849
115 Cash - Restricted for Payment of Current Liabilities	\$400	\$71,409	\$0	\$125,782	\$0	\$1,362,732	\$23,870,286	\$0	\$23,870,286
100 Total Cash									
121 Accounts Receivable - PHA Projects							\$51,853		\$51,853
122 Accounts Receivable - HUD Other Projects	\$4,821		\$1,053	\$63,347	\$4,057		\$1,053,047		\$1,053,047
124 Accounts Receivable - Other Government							\$202,503		\$202,503
125 Accounts Receivable - Miscellaneous						\$10,578	\$718,691		\$718,691
126 Accounts Receivable - Tenants							\$49,234		\$49,234
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0	\$0	\$0	-\$23,421		-\$23,421
127 Notes, Loans, & Mortgages Receivable - Current							\$0		\$0
128 Fraud Recovery							\$198,816		\$198,816
128.1 Allowance for Doubtful Accounts - Fraud							-\$198,816		-\$198,816
129 Accrued Interest Receivable							\$576		\$576
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,821	\$0	\$1,053	\$63,347	\$4,057	\$10,578	\$2,052,483	\$0	\$2,052,483
131 Investments - Unrestricted							\$146,467		\$146,467
132 Investments - Restricted							\$399,095		\$399,095
135 Investments - Restricted for Payment of Current Liability							\$59,397		\$59,397
142 Prepaid Expenses and Other Assets							\$9,359		\$9,359
143 Inventories							\$0		\$0
143.1 Allowance for Obsolete Inventories							\$830,269		\$824,849
144 Inter Program Due From									
145 Assets Held for Sale									
150 Total Current Assets	\$5,221	\$71,409	\$1,053	\$189,129	\$4,057	\$17,933,169	\$27,587,376	-\$5,420	\$27,361,956
161 Land							\$3,796,861		\$3,796,861
162 Buildings							\$83,931,937		\$83,931,937
163 Furniture, Equipment & Machinery - Dwellings							\$8,415		\$8,415
164 Furniture, Equipment & Machinery - Administration							\$3,250,234		\$3,250,234
165 Leasehold Improvements							\$10,906,601		\$10,906,601
166 Accumulated Depreciation							-\$64,736,537		-\$64,736,537
167 Construction in Progress							\$6,005,020		\$6,005,020
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$364,238	\$43,162,531	\$0	\$43,162,531
171 Notes, Loans and Mortgages Receivable - Non-Current							\$16,979,261	-\$5,599,058	\$11,380,203
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current							\$15,089		\$15,089
174 Other Assets						\$4,049	\$111,335		\$111,335
176 Investments in Joint Ventures							\$60,268,216	-\$5,599,058	\$54,669,158
180 Total Non-Current Assets	\$0	\$0	\$0	\$0	\$0	\$368,287	\$60,268,216	-\$5,599,058	\$54,669,158
190 Total Assets	\$5,221	\$71,409	\$1,053	\$189,129	\$4,057	\$21,101,456	\$87,655,592	-\$5,604,478	\$82,031,114

**Newport News Redevelopment Housing Authority (VA003)
Newport News, Virginia
ENTITY WIDE BALANCE SHEET SUMMARY**

Submission Type: Audited / A-133

Fiscal Year End: 06/30/2011

	14,236 Shelter Plus Care	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14,257 Homelessness Prevention and Rapid Re-Housing Program (RAHF)	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	\$4,783		\$1,053		\$4,057	\$64,381	\$431,042		\$431,042
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable						\$64,510	\$179,266		\$179,266
322 Accrued Compensated Absences - Current Portion						\$815	\$815		\$815
324 Accrued Contingency Liability									
325 Accrued Interest Payable							\$835		\$835
331 Accounts Payable - HUD PHA Programs	\$355	\$11,049					\$11,404		\$11,404
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government							\$188,523		\$188,523
341 Tenant Security Deposits							\$155,849		\$155,849
342 Deferred Revenues							\$170,370		\$170,370
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$73						\$13,988		\$13,988
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities			\$300				\$857,905		\$857,905
346 Accrued Liabilities - Other						\$563	\$148,333		\$148,333
347 Inter Program - Due To			\$359				\$830,289	-\$5,420	\$824,869
348 Loan Liability - Current									
310 Total Current Liabilities	\$5,221	\$11,049	\$1,053	\$659	\$4,057	\$130,289	\$2,998,599	-\$5,420	\$2,983,179
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue							\$6,410,877	-\$5,599,068	\$811,819
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other							\$510,300		\$510,300
354 Accrued Compensated Absences - Non Current						\$214,683	\$510,081		\$510,081
355 Loan Liability - Non Current							\$0		\$0
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities									
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$214,683	\$7,431,258	-\$5,599,068	\$1,832,200
300 Total Liabilities	\$5,221	\$11,049	\$1,053	\$659	\$4,057	\$344,952	\$10,419,857	-\$5,604,478	\$4,815,379
508.1 Invested In Capital Assets, Net of Related Debt						\$384,238	\$36,757,666	\$ 5,599,068	\$42,336,724
508.2 Fund Balance Reserved									
511.2 Unreserved, Designated Fund Balance									
511.1 Restricted Net Assets		\$60,360	\$0	\$188,470	\$0	\$1,392,266	\$17,731,409		\$17,731,409
512.1 Unrestricted Net Assets	\$0	\$60,360	\$0	\$0	\$0	\$1,392,266	\$22,746,860	\$(5,599,069)	\$17,147,602
512.2 Unreserved, Undesignated Fund Balance									
513 Total Equity/Net Assets	\$0	\$60,360	\$0	\$188,470	\$0	\$1,786,504	\$77,215,735	\$0	\$77,215,735
600 Total Liabilities and Equity/Net Assets	\$5,221	\$71,409	\$1,053	\$189,129	\$4,057	\$2,101,456	\$97,635,592	-\$5,604,478	\$82,031,114

**Newport News Redevelopment Housing Authority (VA003)
Newport News, Virginia
ENTITY WIDE REVENUE AND EXPENSE SUMMARY**

Submission Type: Audited / A-133

Fiscal Year End: 06/30/2011

	Project Total	14,871 Housing Choice Vouchers	14,182 N/C SIR Section 8 Programs	2 State/Local	1 Business Activities	14,870 Resident Opportunity and Supportive Services	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	\$3,802,660		\$31,352						
70400 Tenant Revenue - Other	\$476,443								
70500 Total Tenant Revenue	\$4,279,103	\$0	\$31,352	\$0	\$0	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$9,750,336	\$18,338,814				\$30,021	\$199,334		
70610 Capital Grants	\$851,429						\$3,086,476		
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		\$43,157	\$1,121,461	\$4,308			\$535,414	\$1,396,745
71100 Investment Income - Unrestricted	\$8,419	\$907			\$36,220				\$1,062
71200 Mortgage Interest Income									\$69,855
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery	\$2,582,491	\$31,974			\$235,977		\$2,700		\$148,610
71500 Other Revenue	\$214,387	\$251							
71600 Gain or Loss on Sale of Capital Assets	\$1,424	\$1,328	\$1,332						
72000 Investment Income - Restricted	\$17,308,615	\$18,649,207	\$75,641	\$1,121,461	\$276,505	\$30,021	\$3,288,510	\$535,414	\$1,606,272
70000 Total Revenue	\$11,122,732	\$665,739	\$102,802	\$1,121,461	\$12,600	\$33,382	\$293,494	\$1,062	\$1,396,745
91100 Administrative Salaries	\$36,337	\$36,858	\$3,731		\$92				\$10,801
91200 Auditing Fees									
91300 Management Fee	\$1,647,379	\$520,377	\$3,663	\$20,000	\$20,649		\$150,000	\$82,320	\$270,000
91310 Book-keeping Fee	\$172,890								
91400 Advertising and Marketing	\$5,770	\$1,242		\$1,200				\$163	\$4,568
91500 Employee Benefit Contributions - Administrative	\$353,786	\$228,178		\$33,313	\$1,261			\$7,003	\$76,900
91600 Office Expenses	\$180,510	\$183,689	\$4	\$4,317	\$485			\$675	\$23,062
91700 Legal Expense	\$11,207	\$8,591		\$6,970			\$14,469		\$7,837
91800 Travel	\$34,960	\$16,522		\$1,272				\$1,356	\$4,378
91810 Allocated Overhead							\$55		
91900 Other	\$125,066	\$52,285	\$39	\$215	\$17,208			\$1,714	\$14,860
91000 Total Operating - Administrative	\$3,691,637	\$1,713,471	\$7,437	\$170,189	\$53,185	\$0	\$164,524	\$126,613	\$705,900
92000 Asset Management Fee	\$231,960				\$25,000				
92100 Tenant Services - Salaries	\$370,175					\$22,635			
92200 Relocation Costs	\$56,939						\$300		
92300 Employee Benefit Contributions - Tenant Services	\$119,333					\$7,386			
92400 Tenant Services - Other	\$41,216	\$137			\$43,894				
92500 Total Tenant Services	\$597,663	\$137	\$0	\$0	\$43,894	\$30,021	\$300	\$0	\$0

Newport News Redevelopment Housing Authority (VA003)
 Newport News, Virginia
 ENTITY WIDE REVENUE AND EXPENSE SUMMARY

Submission Type: Audited / A-133		Fiscal Year End: 06/30/2011							
	Project Total	14,871 Housing Choice Vouchers	14,182 NIC SIR Section 8 Programs	2 State/Local	1 Business Activities	14,870 Resident Opportunity and Supportive Services	14,885 Formula Capital Fund Stimulus Grant	14,239 HOME Investment Partnerships Program	14,216 Community Development Block Grants/Entitlement Grants
93100 Water	\$463,187		\$1,925	\$1,350	\$433			\$88	
93200 Electricity	\$695,960		\$14,152	\$8,501	\$7,803			\$31	
93300 Gas	\$346,710			\$1,146	\$1,275				
93400 Fuel									
93500 Labor									
93600 Sewer	\$628,522	\$126	\$3,666	\$1,936	\$1,118				
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93000 Total Utilities	\$2,334,379	\$126	\$19,763	\$12,933	\$10,629	\$0	\$0	\$119	\$0
94100 Ordinary Maintenance and Operations - Labor	\$1,067,366		\$363						
94200 Ordinary Maintenance and Operations - Materials and Other	\$334,314	\$12,968	\$4,946	\$626	\$8,768				\$5,085
94300 Ordinary Maintenance and Operations Contracts	\$956,717	\$26,677	\$5,532	\$24,342	\$15,797		\$8,500		\$4,495
94500 Employee Benefit Contributions - Ordinary Maintenance			\$86						
94000 Total Maintenance	\$3,204,621	\$39,645	\$10,827	\$24,968	\$24,565	\$0	\$8,500	\$0	\$9,580
95100 Protective Services - Labor	\$66,863								
95200 Protective Services - Other Contract Costs	\$118,817	\$315	\$2,056	\$502	\$2,961				
95300 Protective Services - Other	\$189								
95500 Employee Benefit Contributions - Protective Services									
95000 Total Protective Services	\$209,902	\$315	\$2,056	\$502	\$2,961	\$0	\$0	\$0	\$0
96110 Property Insurance	\$231,026	\$1,764	\$1,438	\$19,167	\$6,194			\$66	\$76
96120 Liability Insurance	\$61,979	\$0	\$344	\$13,365	\$258			\$345	\$3,563
96130 Workmen's Compensation	\$28,945	\$7,955	\$4	\$1,230	\$154				\$736
96140 All Other Insurance	\$20,940	\$2,209		\$420					
96100 Total Insurance Premiums	\$342,890	\$11,928	\$1,786	\$24,182	\$6,606	\$0	\$0	\$411	\$4,395
96200 Other General Expenses	\$14,630	\$13,625	\$1	\$879,956	\$14,929			\$697,343	\$919,143
96210 Compensated Absences	\$22,801	\$895							
96300 Payments in Lieu of Taxes	\$174,268								
96400 Bad debt - Tenant Rents	\$73,393								
96500 Bad debt - Mortgages									
96500 Bad debt - Other									
96600 Severance Expense									
96800 Total Other General Expenses	\$285,362	\$14,520	\$1	\$879,956	\$14,929	\$0	\$0	\$697,343	\$919,143
96710 Interest of Mortgage (or Bonds) Payable			\$10,547						
96720 Interest on Notes Payable (Short and Long Term)	\$36,188								
96730 Amortization of Bond Issue Costs		\$0	\$10,547	\$0	\$0	\$0	\$0	\$0	\$0
96700 Total Interest Expense and Amortization Cost		\$0	\$10,547	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$10,524,602	\$1,780,142	\$52,417	\$1,122,730	\$181,769	\$30,021	\$173,324	\$824,486	\$1,639,018
97000 Excess of Operating Revenue over Operating Expenses	\$6,384,213	\$16,869,065	\$23,424	-\$1,269	\$94,736	\$0	\$3,115,186	-\$289,072	-\$32,746

**Newport News Redevelopment Housing Authority (VA003)
Newport News, Virginia
ENTITY WIDE REVENUE AND EXPENSE SUMMARY**

Submission Type: Audited / A-133		Fiscal Year End: 06/30/2011							
	Project Total	14.871 Housing Choice Vouchers	14.182 NIC-SJR Section 8 Programs	2 State/Local	1 Business Activities	14.870 Resident Opportunity and Supportive Services	14.895 Formula Capital Fund Stimulus Grant	14.239 HOME Investment Partnerships Program	14.218 Community Development Block Grants/Entitlement Grants
97100 Extraordinary Maintenance	\$522,993						\$28,710		
97200 Casualty Losses - Non-capitalized	\$14,541	\$16,880,667							
97300 Housing Assistance Payments									
97350 HAP Portability-In		\$77,639							
97400 Depreciation Expense	\$3,542,459	\$34,523	\$8,060	\$354	\$35,981			\$2,209	\$14,691
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$15,004,585	\$16,772,971	\$80,477	\$1,123,084	\$217,750	\$30,021	\$202,034	\$826,665	\$1,653,709
10010 Operating Transfer In	\$351,906				\$107,000				
10020 Operating transfer Out	-\$351,906								
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	\$298,689								
10092 Inter Project Excess Cash Transfer Out	-\$298,689								
10093 Transfers between Program and Project - In									
10094 Transfers between Project and Program - Out									
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$107,000	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$2,304,220	-\$123,764	\$15,364	-\$1,623	\$165,755	\$0	\$3,086,476	-\$291,281	-\$47,437
11020 Required Annual Debt Principal Payments	\$0	\$0	\$12,793	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$48,450,210	\$3,954,073	\$404,470	-\$10,650	\$6,267,132	\$0	\$0	\$5,922,394	\$3,359,960
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$3,086,476							\$1,339,965	\$414,988
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									
11110 Administrative Fee Equity		\$1,588,218							
11180 Housing Assistance Payments Equity		\$2,242,091							
11190 Unit Months Available	21024	28494	144	0			0	0	0
11210 Number of Unit Months Leased	19960	20694	138	0			0	0	0
11270 Excess Cash	\$8,377,749								
11610 Land Purchases	\$0								
11620 Building Purchases	\$3,819,601								
11630 Furniture & Equipment - Dwelling Purchases	\$0								
11640 Furniture & Equipment - Administrative Purchases	\$0								
11650 Leasehold Improvements Purchases	\$0								
11660 Infrastructure Purchases	\$0								
13510 CFFP Debt Service Payments	\$0								
13901 Replacement Housing Factor Funds	\$253,197								

Newport News Redevelopment Housing Authority (VA003)
Newport News, Virginia
ENTITY WIDE REVENUE AND EXPENSE SUMMARY

Submission Type: Audited / A-133

Fiscal Year End: 06/30/2011

	14 238 Shelter Plus Care	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14,257 Homelessness Prevention and Rapid Re-Housing Program (RHP)	14,228 Community Development Block Grants/State's Program	14,253 Community Development Block Grant	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue							\$3,634,012		\$3,634,012
70400 Tenant Revenue - Other							\$476,443		\$476,443
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$4,310,455	\$0	\$4,310,455
70600 HUD PHA Operating Grants	\$59,959	\$405,647	\$334,600				\$29,118,711		\$33,937,905
70610 Capital Grants							\$3,937,905		\$3,937,905
70710 Management Fee						\$1,309,475	\$1,309,475	-\$1,309,475	\$0
70720 Asset Management Fee						\$231,960	\$231,960	-\$231,960	\$0
70730 Book Keeping Fee						\$172,890	\$172,890	-\$172,890	\$0
70740 Front Line Service Fee						\$264,359	\$264,359	-\$250,419	\$13,940
70750 Other Fees						\$1,514,675	\$1,514,675	-\$1,458,235	\$56,440
70700 Total Fee Revenue						\$3,493,359	\$3,493,359	-\$3,423,979	\$69,380
70800 Other Government Grants				\$423,715	\$90,315		\$3,650,807		\$3,650,807
71100 Investment Income - Unrestricted		\$89					\$14,785		\$14,785
71200 Mortgage Interest Income							\$96,075		\$96,075
71300 Proceeds from Disposition of Assets Held For Sale									
71310 Cost of Sale of Assets							\$31,974		\$31,974
71400 Fraud Recovery							\$3,771,102		\$3,771,102
71500 Other Revenue				\$523,164		\$2,227	-\$213,085		-\$213,085
71600 Gain or Loss on Sale of Capital Assets						\$1,051	\$4,084		\$4,084
72000 Investment Income - Restricted									
70000 Total Revenue	\$59,959	\$405,736	\$334,600	\$946,879	\$90,315	\$3,496,637	\$48,216,172	-\$3,423,979	\$44,792,193
91100 Administrative Salaries	\$3,274	\$26,369				\$1,688,046	\$3,946,538	-\$20,881	\$3,927,557
91200 Auditing Fees		\$1,459				\$8,347	\$98,495		\$98,495
91300 Management Fee		\$20,592	\$21,730		\$12,000		\$2,768,710	-\$2,768,710	\$0
91310 Book-keeping Fee							\$172,890	-\$172,890	\$0
91400 Advertising and Marketing		\$49		\$242		\$7,907	\$22,141		\$22,141
91500 Employee Benefit Contributions - Administrative		\$9,038				\$521,185	\$1,230,664		\$1,230,664
91600 Office Expenses		\$7,276				\$341,443	\$741,471		\$741,471
91700 Legal Expense		\$340		\$1,028		\$13,110	\$63,552		\$63,552
91800 Travel		\$855				\$19,386	\$78,529		\$78,529
91810 Allocated Overhead				\$170		\$57,415	\$275,526		\$275,526
91800 Other	\$3,946	\$2,553					\$9,400,516	-\$2,962,581	\$6,437,935
91000 Total Operating - Administrative	\$7,220	\$68,331	\$21,730	\$1,440	\$12,000	\$2,686,839	\$9,400,516	-\$2,962,581	\$6,437,935
92000 Asset Management Fee							\$256,960	-\$231,960	\$25,000
92100 Tenant Services - Salaries							\$392,810		\$392,810
92200 Relocation Costs							\$57,239		\$57,239
92300 Employee Benefit Contributions - Tenant Services							\$126,719		\$126,719
92400 Tenant Services - Other						\$11	\$85,258		\$85,258
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$11	\$662,026	\$0	\$662,026

**Newport News Redevelopment Housing Authority (VA003)
Newport News, Virginia
ENTITY WIDE REVENUE AND EXPENSE SUMMARY**

Submission Type: Audited / A-133	Fiscal Year End: 06/30/2011					Subtotal	ELIM	Total
	14,234 Shelter Plus Care	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14,257 Homelessness Prevention and Rapid Re-Housing Program (RRF)	14,228 Community Development Block Grants/State's Program	14,253 Community Development Block Grant			
93100 Water						\$468,199		\$468,199
93200 Electricity						\$751,772		\$751,772
93300 Gas						\$356,606		\$356,606
93400 Fuel								
93500 Labor		\$5				\$836,844		\$836,844
93600 Sewer								
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense								
93000 Total Utilities	\$0	\$5	\$0	\$2,796	\$0	\$2,413,421	\$0	\$2,413,421
94100 Ordinary Maintenance and Operations - Labor						\$1,221,908		\$1,085,819
94200 Ordinary Maintenance and Operations - Materials and Other		\$514		\$4,243		\$894,467		\$894,467
94300 Ordinary Maintenance and Operations Contracts		\$1,057		\$65,592		\$1,172,510		\$1,099,161
94500 Employee Benefit Contributions - Ordinary Maintenance						\$383,913		\$383,913
94000 Total Maintenance	\$0	\$1,571	\$0	\$69,835	\$0	\$3,672,798		\$3,443,360
95100 Protective Services - Labor						\$68,863		\$68,863
95200 Protective Services - Other Contract Costs		\$12				\$125,406		\$125,406
95300 Protective Services - Other						\$199		\$199
95500 Employee Benefit Contributions - Protective Services						\$22,023		\$22,023
95000 Total Protective Services	\$0	\$12	\$0	\$0	\$0	\$216,491	\$0	\$216,491
96110 Property Insurance		\$70		\$1,453		\$266,919		\$266,919
96120 Liability Insurance				\$153		\$84,246		\$84,246
96130 Workmen's Compensation		\$315				\$64,947		\$64,947
96140 All Other Insurance		\$88				\$27,699		\$27,699
96100 Total Insurance Premiums	\$0	\$473	\$0	\$1,606	\$0	\$443,811	\$0	\$443,811
96200 Other General Expenses		\$133		\$649,322		\$3,584,733		\$3,584,733
96210 Compensated Absences		\$35				\$23,731		\$23,731
96300 Payments in Lieu of Taxes						\$174,268		\$174,268
96400 Bad debt - Tenant Rents						\$73,563		\$73,563
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								
96000 Total Other General Expenses	\$0	\$168		\$649,322	\$68,315	\$3,856,095	\$0	\$3,856,095
96710 Interest of Mortgage (or Bonds) Payable						\$10,547		\$10,547
96720 Interest on Notes Payable (Short and Long Term)						\$36,188		\$36,188
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$46,735	\$0	\$46,735
96800 Total Operating Expenses	\$1,220	\$70,560	\$334,600	\$724,999	\$80,315	\$20,968,853	-\$3,423,979	\$17,544,874
97000 Excess of Operating Revenue over Operating Expenses	\$52,739	\$335,176	\$0	\$221,680	\$0	\$27,247,319	\$0	\$27,247,319

**Newport News Redevelopment Housing Authority (VA003)
Newport News, Virginia
ENTITY WIDE REVENUE AND EXPENSE SUMMARY**

Submission Type: Audited / A-133	Fiscal Year End: 06/30/2011						Subtotal	ELIM	Total
	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			
97100 Extraordinary Maintenance						\$551,703		\$551,703	
97200 Casualty Losses - Non-Capitalized						\$14,541		\$14,541	
97300 Housing Assistance Payments	\$52,739	\$331,833				\$17,285,239		\$17,285,239	
97350 HAP Portability-In						\$77,639		\$77,639	
97400 Depreciation Expense						\$3,705,058		\$3,705,058	
97500 Fraud Losses					\$86,761				
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense	\$59,959	\$402,393	\$334,600	\$724,999	\$60,315	\$42,583,033	-\$3,423,979	\$39,159,054	
90000 Total Expenses									
10010 Operating Transfer In									
10020 Operating Transfer Out						\$468,906		\$468,906	
10030 Operating Transfers from/to Primary Government						-\$468,906		-\$468,906	
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)						\$298,689		\$298,689	
10090 Inter Project Excess Cash Transfer In						-\$298,689		-\$298,689	
10092 Inter Project Excess Cash Transfer Out									
10093 Transfers between Program and Project - In									
10094 Transfers between Project and Program - Out									
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	-\$107,000	\$0	\$0	\$0	
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	\$3,343	\$0	\$221,880	\$0	\$5,633,139	\$0	\$5,633,139	
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$12,793		\$12,793	
11030 Beginning Equity	\$0	\$57,017	\$0	-\$33,410	\$0	\$69,827,614		\$69,827,614	
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors						\$1,754,983		\$1,754,983	
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						\$1,588,218		\$1,588,218	
11180 Housing Assistance Payments Equity						\$2,242,091		\$2,242,091	
11190 Unit Months Available	96	1056		0	0	50824		50824	
11210 Number of Unit Months Leased	96	1056		0	0	47644		47644	
11270 Excess Cash						\$8,377,749		\$8,377,749	
11510 Land Purchases						\$0		\$0	
11520 Building Purchases						\$3,819,601		\$3,819,601	
11530 Furniture & Equipment - Dwelling Purchases						\$0		\$0	
11540 Furniture & Equipment - Administrative Purchases						\$0		\$0	
11550 Leasehold Improvements Purchases						\$0		\$0	
11680 Infrastructure Purchases						\$0		\$0	
13510 CFFP Debt Service Payments						\$0		\$0	
13901 Replacement Housing Factor Funds						\$0		\$0	
						\$253,197		\$253,197	