

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITOR

JUNE 30, 2015

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Report of Independent Auditor

The Commissioners of the Newport News
Redevelopment and Housing Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Newport News Redevelopment and Housing Authority (the "Authority"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

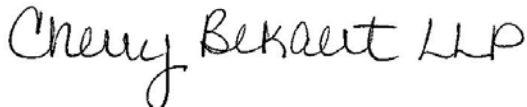
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting.



Virginia Beach, Virginia
March 30, 2016

**NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2015

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

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

Financial Highlights

The net position (assets and deferred outflows of resources over liabilities and deferred inflows of resources) may serve over time as a useful indicator of a Housing Authority's financial position. For the Authority, assets exceeded liabilities by \$72,401,400, which is a decrease of \$1,853,760 during the year ended June 30, 2015. This decrease is mostly attributable to the planned use of the Housing Choice Voucher reserves.

OVERVIEW OF THE ANNUAL FINANCIAL REPORTS

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

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

Fund Financial Statements

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

The following Statements are included in the fund financial statements:

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

**NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA**

MANAGEMENT’S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

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

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

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

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

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

Business-type Activities

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

**NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

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

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

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

**NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

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

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

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

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

Discretely Component Unit

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

**NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2015

Fiduciary Fund

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

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

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

	FY 2015 Proprietary Fund	FY 2014 Proprietary Fund	Increases (Decreases)
ASSETS:			
Current Assets	\$ 18,485,724	\$ 17,259,173	\$ 1,226,551
Capital Assets	44,253,081	44,566,707	(313,626)
Other Assets	14,808,803	16,735,261	(1,926,458)
	TOTAL ASSETS	77,547,608	78,561,141
			(1,013,533)
LIABILITIES:			
Current Liabilities	2,237,144	1,833,103	404,041
Non-Current Liabilities	2,909,064	2,472,878	436,186
	TOTAL LIABILITIES	5,146,208	4,305,981
			840,227
NET POSITION:			
Net Investment in Capital Assets	41,943,071	42,776,670	(833,599)
Restricted Net Position	13,494,265	15,059,360	(1,565,095)
Unrestricted Net Position	16,964,064	16,419,130	544,934
	TOTAL NET POSITION	\$ 72,401,400	\$ 74,255,160
			\$ (1,853,760)

**NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2015

Analysis of Changes in Net Position

Net position (assets and deferred outflows or resources over liabilities and deferred inflows of resources) decreased slightly by \$1,853,760.

	FY2015 Proprietary Funds	FY2014 Proprietary Funds	Increase/ Decrease	Percent
OPERATING REVENUES:				
Rental and tenant income	\$ 3,694,961	\$ 3,646,066	\$ 48,895	1.3%
Intergovernmental	25,792,025	28,924,534	(3,132,509)	-10.8%
Other income	716,983	2,832,521	(2,115,538)	-74.7%
Total operating revenues	<u>30,203,969</u>	<u>35,403,121</u>	<u>(5,199,152)</u>	<u>-14.7%</u>
OPERATING EXPENSES:				
Administration	5,371,251	5,647,752	(276,501)	-4.9%
Tenant Services	585,187	604,916	(19,729)	-3.3%
Utilities	2,142,100	2,002,576	139,524	7.0%
Ordinary maintenance and operations	2,835,488	2,786,712	48,776	1.8%
Protective services	145,806	138,567	7,239	5.2%
Insurance expense	479,778	421,787	57,991	13.7%
General expense	2,356,561	3,444,146	(1,087,585)	-31.6%
Nonroutine maintenance (net of insurance)	56,787	410,430	(353,643)	-86.2%
Housing assistance payments	17,069,143	17,661,855	(592,712)	-3.4%
Interest	54,591	47,349	7,242	15.3%
Depreciation	3,208,803	3,356,513	(147,710)	-4.4%
Total operating expenses	<u>34,305,495</u>	<u>36,522,603</u>	<u>(2,217,108)</u>	<u>-6.1%</u>
OPERATING LOSS	<u>(4,101,526)</u>	<u>(1,119,482)</u>	<u>(2,982,044)</u>	<u>266.4%</u>
NONOPERATING REVENUES / (EXPENSES):				
Interest and investment revenue	125,490	128,464	(2,974)	-2.3%
Contributions to affiliated entities	100,000	-	100,000	100.0%
Loss on disposition of fixed assets	(6,016)	-	(6,016)	100.0%
Total nonoperating revenues / expenses	<u>219,474</u>	<u>128,464</u>	<u>91,010</u>	<u>70.8%</u>
LOSS BEFORE CONTRIBUTIONS, TRANSFERS, AND ADJUSTMENTS:				
	(3,882,052)	(991,018)	(2,891,034)	291.7%
HUD capital contributions	1,968,292	1,005,060	963,232	95.8%
Tax credit proceeds	60,000	60,000	-	0.0%
CHANGE IN NET POSITION	<u>(1,853,760)</u>	<u>74,042</u>	<u>(1,927,802)</u>	<u>-2603.7%</u>
TOTAL NET POSITION - beginning	<u>74,255,160</u>	<u>74,181,118</u>	<u>74,042</u>	<u>0.1%</u>
TOTAL NET POSITION - ending	<u>\$ 72,401,400</u>	<u>\$ 74,255,160</u>	<u>\$ (1,853,760)</u>	<u>-2.5%</u>

**NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA**

MANAGEMENT’S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2015

Revenue and Expense Activities

Operating Revenues of Proprietary Funds Activities – The Authority’s revenue decreased slightly by 14.7% or \$5,199,152 in FYE June 30, 2015 as compared to FYE June 30, 2014. Income (rent, excess utilities, and maintenance charges) increased slightly by \$48,895. The net intergovernmental revenue, operating grants and housing assistance payments incurred a large decline by \$3,132,509. Most of the decrease was in the Housing Choice Voucher program, with a decrease of HUD funding of nearly \$1.5 million due to federal budget restraints. HUD funding in the HOME Program also decreased over \$1.2 million due to the use of program income versus drawing entitlement funding. The prior year had seen the construction and sale of ten homes. The Public Housing Operating Subsidy also saw a decrease of \$500,000 due to the continued phase-out of Harbor Homes/Dickerson Courts. Due to a decline in the HOMEBuilder construction and sales activity from the prior year, other income also experienced a large decline of \$1.4 million.

Operating Expenses of Proprietary Funds Activities – The Authority’s Proprietary Funds expenses decreased by 6.1% or \$2,217,108 in FYE June 30, 2015 as compared to FYE June 30, 2014. There was a decrease of \$592,712 in housing assistance payments to landlords due to the decrease in funding for the Housing Choice Voucher program, decrease in the expenditure of HOME grant funds, and a significant decrease in nonroutine maintenance expenditures (net of insurance). Most of the operating expenses (administration and tenant services) also decreased; whereas utilities, maintenance and insurance expense had a slight increase. The continued phase-out of Harbor Homes and Dickerson Courts and a continued effort to control costs contributed to the overall decrease in expenditures.

CAPITAL ASSETS

At the end of fiscal year June 30, 2015, the Enterprise Funds had \$113,395,386 before accumulated depreciation, invested in a broad range of capital assets, including multi-family residential property, commercial office and shop property, computer equipment, and vehicles. The Authority’s Public Housing fund is capital assets intensive and reflects the costs of buildings purchased, constructed and decades of major renovations. The cost of these items are capitalized and depreciated over their useful lives, while the grants received from HUD to fund these capital costs are recognized as revenue in the year the costs are capitalized. During the current year, the Authority had an increase in buildings and construction in progress in the renovation. Additionally, A&E costs have been incurred due to the planned renovation and conversion of three public housing properties under the new Rental Assistance Determination (RAD) program.

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

	FY 2015	FY 2014	Increase / Decrease
Land and improvements	\$ 3,797,126	\$ 3,765,977	\$ 31,149
Building	101,883,858	101,132,914	750,944
Equipment	2,707,175	3,407,579	(700,404)
Construction in progress	5,007,227	2,908,599	2,098,628
Total	113,395,386	111,215,069	2,180,317
Accumulated depreciation	(69,142,305)	(66,648,362)	(2,493,943)
TOTAL	\$ 44,253,081	\$ 44,566,707	\$ (313,626)

**NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2015

LONG-TERM DEBT

At the end of fiscal year June 30, 2015, the Authority owed \$2,310,009 in long-term debt to external parties. The debt consists of a note payable due to VHDA for the Transition Center, and Tax Credit Assistance Program and Tax Credit Exchange Program debt for the Orcutt Townhomes III property, and a note payable to VHDA for the Lofts on Jefferson/ROAM Building. During 2015, the Lofts renovation costs were financed in part by a loan from VHDA, also there were no modification to the Transition Center mortgage note and principal payments of \$18,281 were made. Additional information on the Authority's long-term debt can be found in Note 4 to the financial statements.

ECONOMIC FACTORS

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

- The Department of Housing and Urban Development has historically under-estimated the subsidy needs of public housing authorities. The Housing Act of 1998 made sweeping changes to the public housing program. Congress commissioned Harvard University to conduct a public housing cost study to establish a reasonable basis to project the cost of managing public housing, and determine the amount of subsidy a housing authority should receive. Harvard proposed a new operating fund formula to calculate the operating subsidy and that the public housing program should move to a system which focused on asset management. The Authority successfully transitioned to asset management in FY 2009. However, no changes to the operating fund formula have been made in the intervening years. Also, several problems remain: an inflation factor that does not consider the increase in the cost of health benefits, not providing an increase in funding for administering properties that are older than 28 years, not using an inflation factor for items such as asset management fee, and continued unwillingness to acknowledge the operating and regulatory differences that exist between public housing and the properties that were used to establish the benchmark. In February 2015, under the Rental Assistance Demonstration (RAD) program, the Authority was awarded a Commitment to Enter into a Housing Assistance Payment (CHAP) for 348 units at three separate properties. The purpose is to convert these public housing units to a form of project-based assistance under the Section 8 program. The conversion will allow the Authority to borrow money for much needed renovation and improvements to the properties. In late January 2016, the Housing Authority closed on the financing for the conversion of these properties; renovation has started and should be completed December 2016.
- The Authority's federal revenues had been cut in many programs. The Housing Choice Voucher (Section 8) program was subject to a renewal funding of 101.25% last year; however funding in CY 2016 will be prorated to 99.582%, while still allowing the Authority to increase vouchers issued. The Authority will continue to administer nineteen Veterans Affairs Supportive Housing (VASH) vouchers to be administered in partnership with the Department of Veteran Affairs (VA) facility, Hampton VA Medical Center. These vouchers are intended to serve Veterans in Newport News. However, the administrative fee funding continues to remain low at 81 percent of eligibility. We expect to receive a slight increase in both CDBG and HOME programs, so this will increase the resources available for housing rehabilitation, traditional redevelopment activities, and assistance provided to many non-profit agencies. Capital funding should be restored to slightly higher amounts than the 2012 levels, but still much less than it had been in years prior, and also roughly half of the cost of repair needs that will accrue. As a result, many needed capital repairs have to be deferred.

**NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2015

- The Authority is being funded at a rate of 85.36% of public housing subsidy eligibility for the first six months of FY 2016. The Authority is expecting to receive funding of 86.76% for full 2016 calendar year.
- In the short-term, health care and other insurance costs are expected to increase dramatically. In the longer term, it is unknown at this time how the recently enacted health care reform will affect Authority expenses.
- Post-retirement benefits other than pensions are estimated to be \$130,000 for FY 2016. The liability has been funded through a trust.

FINANCIAL CONTACT

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

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FINANCIAL STATEMENTS

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT OF NET POSITION

PROPRIETARY FUND AND DISCRETELY PRESENTED COMPONENT UNIT

JUNE 30, 2015

	<u>Proprietary Fund - Primary Government</u>	<u>Lower Jefferson Avenue, LLC</u>
<u>ASSETS</u>		
Current assets:		
Cash and equivalents - unrestricted	\$ 16,235,696	\$ 70,536
Accounts receivable (net of allowance)	1,289,314	6,131
Investments	340,873	-
Prepaid expenses	64,218	15,516
Materials inventory (net of allowance)	31,523	-
Other assets	524,100	-
Total current assets	18,485,724	92,183
Restricted assets:		
Cash and equivalents - restricted	3,443,984	49,834
Investments - restricted	390,432	-
Notes receivable (non-current)	8,641,222	-
Total restricted assets	12,475,638	49,834
Noncurrent assets:		
Notes and mortgages receivable	1,725,744	-
Nondepreciable capital assets	8,804,353	252,300
Capital assets (net)	35,448,728	7,491,130
Other noncurrent assets	607,421	-
Total noncurrent assets	46,586,246	7,743,430
TOTAL ASSETS	77,547,608	7,885,447

The accompanying notes are an integral part of this statement.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT OF NET POSITION
(CONTINUED)

PROPRIETARY FUND AND DISCRETELY PRESENTED COMPONENT UNIT

JUNE 30, 2015

	Proprietary Fund - Primary Government	Lower Jefferson Avenue, LLC
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	1,804,841	385,606
Accrued salaries	229,014	1,606
Accrued interest payable	2,324	-
Unearned revenues	20,783	3,474
Security deposit liabilities	137,597	28,116
Compensated absences	11,869	-
Notes payable	-	2,162,627
Current portion of long-term liabilities	30,716	-
Total current liabilities	2,237,144	2,581,429
Long-term liabilities:		
Compensated absences	400,269	-
Notes and mortgages payable	2,279,293	180,000
Trust, deposit and escrow liabilities	229,502	-
Total long-term liabilities	2,909,064	180,000
TOTAL LIABILITIES	5,146,208	2,761,429
<u>NET POSITION</u>		
Net investment in capital assets	41,943,071	5,400,803
Restricted for:		
Reserves and escrows	2,070,597	21,718
HAP reserves	173,460	-
Loan programs	8,641,222	-
Other	2,608,986	-
Unrestricted	16,964,064	(298,503)
TOTAL NET POSITION	\$ 72,401,400	\$ 5,124,018

The accompanying notes are an integral part of this statement.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND AND DISCRETELY PRESENTED COMPONENT UNIT

YEAR ENDED JUNE 30, 2015

	Proprietary Fund - Primary Government	Lower Jefferson Avenue, LLC
OPERATING REVENUES:		
Rental and tenant income	\$ 3,694,961	\$ 282,704
Intergovernmental - operating grants	25,792,025	-
Fee revenue	64,587	-
Other income	652,396	12,312
Total operating revenues	30,203,969	295,016
OPERATING EXPENSES:		
Administration	5,371,251	89,664
Tenant services	585,187	13
Utilities	2,142,100	27,309
Ordinary maintenance	2,835,488	33,022
Protective services	145,806	-
Insurance expense	479,778	6,450
General expenses	2,356,561	79,798
Non-routine maintenance	56,787	-
Housing assistance payments	17,069,143	-
Interest	54,591	98,734
Depreciation	3,208,803	179,759
Total operating expenses	34,305,495	514,749
OPERATING INCOME/(LOSS)	(4,101,526)	(219,733)
NONOPERATING REVENUES/EXPENSES:		
Interest and investment revenue	125,490	29
Contributions to affiliated entities	100,000	-
Gain or loss on sale or disposition of fixed assets	(6,016)	-
Total nonoperating revenues/(expenses)	219,474	29
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	(3,882,052)	(219,704)
HUD capital contributions	1,968,292	-
Tax credit and other proceeds	60,000	1,862,949
CHANGE IN NET POSITION	(1,853,760)	1,643,245
TOTAL NET POSITION - July 1, 2014	74,255,160	3,480,773
TOTAL NET POSITION - June 30, 2015	\$ 72,401,400	\$ 5,124,018

The accompanying notes are an integral part of this statement.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2015

	Proprietary Fund - Primary Government
Cash flows from operating activities:	
Cash received from tenants/others	\$ 4,076,390
Cash received for fees/services/donations	358,504
Cash operating grants received (net)	25,248,623
Cash transfers from(to) other funds and entities	652,609
Cash payments for goods, services, rental subsidies	(24,184,924)
Cash payments to/for employees and benefits	(5,884,945)
Cash payments in lieu of property taxes	(159,545)
Cash paid for homes sold (net of sales)	(365,484)
Net cash provided/(used) by operating activities	<u>(258,772)</u>
 Cash flows from capital and related financings activities:	
Purchase of equipment/capital assets	(2,860,044)
Proceeds from issuing bonds, notes, and other debt	600,000
Transfers from/to other funds for capital activities	(612,770)
Contributions received for capital outlays	2,089,079
Loan principal payments	(20,028)
Interest payments	(10,353)
Net cash provided/(used) by capital and related financing activities	<u>(814,116)</u>
 Cash flows from noncapital financing activities:	
Loans made to borrowers	(423,399)
Receipt of interest on notes and loans	70,062
Loans payments received	430,220
Net cash provided/(used) by noncapital financing activities	<u>76,883</u>
 Cash flows from investing activities:	
Proceeds from sale of/investments made	(298,219)
Receipts of interest and dividends	10,788
Deposits to reserve accounts	(39,925)
Net cash provided/(used) by investing activities	<u>(327,356)</u>
 Net increase/(decrease) in cash	(1,323,361)
Cash and equivalents at July 1, 2014	<u>21,003,041</u>
 Cash and equivalents at June 30, 2015	<u>\$ 19,679,680</u>

The accompanying notes are an integral part of this statement.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT OF CASH FLOWS
(CONTINUED)

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2015

	Proprietary Fund - Primary Government
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (4,101,526)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	3,208,803
Interest expense	54,591
Change in assets and liabilities:	
Decrease/(Increase) in accounts receivable	(459,114)
Decrease/(Increase) in notes and mortgages receivable	412,895
Decrease/(Increase) in prepaid expenses and materials inventory	(3,759)
Decrease/(Increase) in other assets	(420,955)
Increase/(Decrease) in accounts payable	1,133,604
Increase/(Decrease) in accrued expenses	18,962
Increase/(Decrease) in compensated absences	(61,868)
Increase/(Decrease) in trust, deposit, and escrow liabilities	(32,184)
Increase/(Decrease) in unearned revenues	(8,221)
	\$ (258,772)

The accompanying notes are an integral part of this statement.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

JUNE 30, 2015

	<u>OPEB Trust Fund</u>
<u>ASSETS</u>	
Cash and equivalents	\$ 15,000
Investments, at fair value	1,053,209
TOTAL ASSETS	<u>1,068,209</u>
<u>LIABILITIES</u>	
Accounts payable and accrued expenses	15,000
TOTAL LIABILITIES	<u>15,000</u>
<u>NET POSITION</u>	
Net position held in trust for other postemployment benefits	<u>1,053,209</u>
TOTAL NET POSITION	<u>\$ 1,053,209</u>

The accompanying notes are an integral part of this statement.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUND

YEAR ENDED JUNE 30, 2015

	<u>OPEB Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 100,317
Plan members	36,111
Total contributions	<u>136,428</u>
Investment income:	
Net appreciation in fair value of investments	22,310
Dividends	439
Net investment income	<u>22,749</u>
 Total additions	 <u>159,177</u>
DEDUCTIONS	
Benefits paid	121,428
Administrative expenses	1,691
Total deductions	<u>123,119</u>
 Change in fiduciary net position	 <u>36,058</u>
 Net position held in trust for other postemployment benefits - July 1, 2014	 <u>1,017,151</u>
 Net position held in trust for other postemployment benefits - June 30, 2015	 <u>\$ 1,053,209</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, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

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

Included within the reporting entity:

BUSINESS-TYPE ACTIVITIES (PROPRIETARY FUND)

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

A. Reporting Entity (Continued)

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

A. Reporting Entity (Continued)

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

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

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

B. Description of a Public Housing Authority

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

B. Description of a Public Housing Authority (Continued)

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

C. Fund financial statements

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

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

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

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

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

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

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

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

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

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

E. Fund Accounting

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

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

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

E. Fund Accounting (Continued)

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

F. Basis of Accounting – Fund Level Statements

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

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

G. Budgets and Budgetary Accounting

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

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

H. Cash and Investments

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as deferred charges or prepaid items.

J. Inventories

Inventories are valued at cost using the average cost method.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

K. Capital Assets

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

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

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

L. Capitalized Interest

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

M. Vacation and Sick Leave Compensation

Employees earn annual leave at varying rates based upon years of service up to a maximum of twenty-four (24) days per year. At termination, employees are paid for any accumulated annual leave. The liability for accrued but unused annual leave at June 30, 2015 is \$412,138 and is reported as a current or non-current liability. The maximum accrual is forty (40) days. Employees earn sick leave at the rate of fifteen (15) days per year with no maximum accumulation. At termination, employees are not paid for any accumulated balances.

N. Estimates

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

O. Imputation of Interest

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

NOTE 2 – DEPOSITS AND INVESTMENTS:

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

BANK DEPOSITS

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

As of June 30, 2015, the Authority's deposits consist of the following:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Demand Deposit accounts (checking, savings, and money market account)	\$ 13,112,943	\$ 120,170
Time deposits - certificates of deposit	315,000	-
Total deposits	\$ 13,427,943	\$ 120,170

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015, the Authority's deposits with financial institutions for all fund types, including fiduciary funds and blended component units, had a carrying amount of \$13,427,943 and a bank balance of \$13,499,953. For the discretely presented component units, the carrying amount of such deposits amount to \$120,170 and bank balances of \$133,178. The bank balance is categorized as follows:

	<u>Proprietary Fund</u>	<u>Lower Jefferson Avenue, LLC</u>
Amounts insured by the FDIC or collateralized with securities held by third party custodians in the Authority's name	\$ 1,450,417	\$ 133,178
Collateralized under the Commonwealth's public depository fund in accordance with the laws of the Commonwealth of Virginia	12,049,536	-
Uninsured, uncollateralized	<u>-</u>	<u>-</u>
 Total bank balance	 <u>\$ 13,499,953</u>	 <u>\$ 133,178</u>

As of June 30, 2015, the Authority deposits are classified in the financial statements as follows:

	<u>Proprietary Fund</u>	<u>Lower Jefferson Avenue, LLC</u>
Cash and cash equivalents	\$ 13,427,943	\$ 120,170
Investments	<u>-</u>	<u>-</u>
 Total deposits	 <u>\$ 13,427,943</u>	 <u>\$ 120,170</u>

INVESTMENTS

As of June 30, 2015 the Authority held the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Issuer Credit Rating</u>	<u>Proprietary Fund - Fair Value or Cost</u>	<u>Fiduciary Fund - Fair Value or Cost</u>
Repurchase Agreements	Daily	N/A	\$ 1,319,974	\$ -
Federal Home Loan Bank Discount Note	8/12/2015	Not rated	4,927,713	-
Virginia Investment Pool	N/A	N/A	300,666	-
VACO/VML Pooled OPEB Trust	N/A	N/A	-	1,068,209
RBC Money Market Mutual Fund	N/A	N/A	40,207	-
	Total		<u>\$ 6,588,560</u>	<u>\$ 1,068,209</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

As of June 30, 2015, the Authority's investments are classified in the financial statements as follows:

	Proprietary Fund	Fiduciary Fund
Cash and cash equivalents	\$ 6,247,687	\$ 15,000
Investments	340,873	1,053,209
Total investments	<u>\$ 6,588,560</u>	<u>\$ 1,068,209</u>

CLASSIFICATION IN FINANCIAL STATEMENTS:

In summary, as of June 30, 2015, the Authority's cash and cash equivalents consist of the following:

	Proprietary Fund	Fiduciary Fund	Lower Jefferson Avenue, LLC
Deposits with financial institutions	\$ 13,427,943	\$ 15,000	\$ 120,170
Investments - short-term	6,247,687	-	-
Petty cash and change funds	4,050	-	200
Total cash and cash equivalents	<u>\$ 19,679,680</u>	<u>\$ 15,000</u>	<u>\$ 120,370</u>
Restricted for:			
Capital improvements replacement reserve	\$ 6,459	\$ -	\$ -
Security deposits	131,303	-	-
Housing Choice Voucher HAP Reserve and interest due HUD	175,026	-	-
Program income and revolving construction loans	1,236,363	-	-
Family Self Sufficiency (FSS) program escrow	221,127	-	-
Replacement reserve and other reserve accounts	1,204,504	-	49,834
Unexpended insurance proceeds	469,202	-	-
	<u>3,443,984</u>	<u>-</u>	<u>49,834</u>
Unrestricted	<u>\$ 16,235,696</u>	<u>\$ 15,000</u>	<u>\$ 70,536</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

In summary, as of June 30, 2015, the Authority's investments consist of the following:

	Proprietary Fund	Fiduciary Fund
Deposits with financial institutions - longer term maturities	\$ -	\$ -
Investments	340,873	1,053,209
Unrestricted	<u>340,873</u>	<u>1,053,209</u>
Reserves held by VHDA	390,432	-
Restricted	<u>390,432</u>	<u>-</u>
Total investments	<u>\$ 731,305</u>	<u>\$ 1,053,209</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.

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

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of a counterparty, the authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's \$1,319,974 investment in repurchase agreements are uninsured and unregistered investments for which the securities are held by the counterparty, or by the counterparty, or by its trust department but not in the Authority's name. The Authority has no policy on custodial credit risk for investments.

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

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2015 consist of the following:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Tenants/program participants	\$ 279,848	\$ 6,131
Less: Allowance	(245,457)	-
	34,391	6,131
HUD - unrequisioned costs	578,834	-
HUD - administrative fees	150,700	-
Loan program participants	330,258	-
Other governments	78,895	-
Interest	3,150	-
Affiliated property owners		
Phoenix Village II	(773)	-
Phoenix Village	2,762	-
Great Oak	110,403	-
Miscellaneous	694	-
	\$ 1,289,314	\$ 6,131

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, 2015

NOTE 3 – ACCOUNTS RECEIVABLES

Detailed information by program is as follows:

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Investment Partnership Program	Resident Self Sufficiency Programs	Transition Center Program	State and Local Activities Program	Business Activities Program	Lofts on Jefferson
Tenants	\$ 50,051	\$ 223,525	\$ -	\$ -	\$ -	\$ -	\$ 51	\$ -	\$ -	\$ 6,221
Less: Allowance	(18,793)	(223,525)	-	-	-	-	-	-	-	(3,139)
	<u>31,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51</u>	<u>-</u>	<u>-</u>	<u>3,082</u>
HUD - unrequisioned costs	435,449	14,380	-	-	-	129,005	-	-	-	-
HUD - administrative fees	-	110,050	-	1,996	38,654	-	-	-	-	-
Loan program participants	-	-	-	-	330,258	-	-	-	-	-
Other governments	66,101	1,471	-	-	-	-	-	7,877	3,446	-
Developer fee	-	-	-	-	-	-	-	-	84,251	-
Interest	-	-	-	-	-	-	-	-	3,150	-
Affiliated property owners										
Phoenix Village II	-	-	(773)	-	-	-	-	-	-	-
Phoenix Village	-	-	-	-	-	-	-	-	2,762	-
Great Oak	-	-	110,403	-	-	-	-	-	-	-
Miscellaneous	-	694	-	-	-	-	-	-	-	-
	<u>\$ 532,808</u>	<u>\$ 126,595</u>	<u>\$ 109,630</u>	<u>\$ 1,996</u>	<u>\$ 368,912</u>	<u>\$ 129,005</u>	<u>\$ 51</u>	<u>\$ 7,877</u>	<u>\$ 93,609</u>	<u>\$ 3,082</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 – MORTGAGES PAYABLE, INTERFUND NOTES PAYABLE:

Transition Center

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
For the year ended June 30, 2016	\$ 19,987	\$ 3,449	\$ 23,436
For the year ended June 30, 2017	21,852	1,584	23,436
For the year ended June 30, 2018	5,686	84	5,770
	<u>\$ 47,525</u>	<u>\$ 5,117</u>	<u>\$ 52,642</u>

Lofts on Jefferson

The costs of the Lofts on Jefferson/ROAM Building were financed in part by a permanent first mortgage loan from the Virginia Housing Development Authority (VHDA). On March 10, 2015 a permanent first mortgage loan of \$600,000 payable in equal monthly installments of \$2,847.22 for 30 years with an interest rate of 3.95% per annum was executed. This note matures on April 1, 2045. The maturities over the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ended June 30, 2016	\$ 10,729	\$ 23,438	\$ 34,167
For the year ended June 30, 2017	11,160	23,007	34,167
For the year ended June 30, 2018	11,609	22,558	34,167
For the year ended June 30, 2019	12,076	22,091	34,167
For the year ended June 30, 2020	12,562	21,605	34,167
For the years ended June 30, 2021-2025	70,806	100,027	170,833
For the years ended June 30, 2026-2030	86,239	84,594	170,833
For the years ended June 30, 2031-2035	105,035	65,798	170,833
For the years ended June 30, 2036-2040	127,928	42,905	170,833
For the years ended June 30, 2041-2045	150,109	15,031	165,140
	<u>\$ 598,253</u>	<u>\$ 421,054</u>	<u>\$ 1,019,307</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

Public Housing Fund

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

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

Orcutt Townhomes III was partially financed with funds received from the Virginia Housing Development Authority under the Tax Credit Exchange Program. Under this agreement, funding of \$900,000 was provided in the form of a “cash grant” in exchange for the low-income housing tax credits. This “revenue” will be recognized over the 15 year tax credit compliance period. This is in substance a loan that is being amortized over 15 years so it is reported as such with one fifteenth (1/15th) being forgiven each year. This agreement is secured by a credit line deed of trust and VHDA has a security interest in the real property until the end of the 15 year compliance period. As of June 30, 2015, \$660,000 was deferred or outstanding under this agreement.

	Principal	Interest	Total Payments
Forgiven for the year ended June 30, 2016	\$ 60,000	\$ -	\$ 60,000
Forgiven for the year ended June 30, 2017	60,000	-	60,000
Forgiven for the year ended June 30, 2018	60,000	-	60,000
Forgiven for the year ended June 30, 2019	60,000	-	60,000
Forgiven for the year ended June 30, 2020	60,000	-	60,000
Forgiven for the year ended June 30, 2021	60,000	-	60,000
Forgiven for the year ended June 30, 2022	60,000	-	60,000
Forgiven for the year ended June 30, 2023	60,000	-	60,000
Forgiven for the year ended June 30, 2024	60,000	-	60,000
Forgiven for the year ended June 30, 2025	60,000	-	60,000
Forgiven for the year ended June 30, 2026	60,000	-	60,000
	\$ 660,000	\$ -	\$ 660,000

INTER-PROGRAM NOTES PAYABLE:

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 – MORTGAGES/NOTES PAYABLE: (Continued)

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

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

Principal loaned through June 30, 2005	\$	714,000
Accrued interest for the year ended June 30, 2005	\$	21,678
Accrued interest for the year ended June 30, 2006		29,427
Accrued interest for the year ended June 30, 2007		30,604
Accrued interest for the year ended June 30, 2008		31,829
Accrued interest for the year ended June 30, 2009		33,432
Accrued interest for the year ended June 30, 2010		34,784
Accrued interest for the year ended June 30, 2011		36,188
Accrued interest for the year ended June 30, 2012		37,755
Accrued interest for the year ended June 30, 2013		39,175
Accrued interest for the year ended June 30, 2014		40,759
Accrued interest for the year ended June 30, 2015		42,405
Total accrued interest due as of June 30, 2015	\$	378,036

In the REAC Financial Data Schedule (FDS) presented as supplemental information. The accrued interest payable of \$378,036 is reported on FDS line 353, Non-Current Liabilities – Other. The interest receivable of \$378,036 is reported on FDS line 171, Notes, Loans, and Mortgages Receivable – Non-Current along with the related principal.

Interfund note payable – Orcutt Senior Housing – Capital Funds Loan

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 – MORTGAGES/NOTES PAYABLE: (Continued)

Interfund note payable – Orcutt Townhomes

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

Interfund note payable – Orcutt Townhomes III

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

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

Change in long-term liabilities:

Long-term liabilities activity for the year ended June 30, 2015, was as follows:

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Due Within One Year
<u>Proprietary Fund:</u>					
Transition Center					
Mortgage Payable	\$ 65,806	\$ -	\$ 18,281	\$ 47,525	\$ 19,987
VHDA TCAP Note Payable	1,004,231	-	-	1,004,231	-
VHDA Exchange Note Payable	720,000	-	60,000	660,000	-
VHDA Mortgage - 2713 Lofts	-	600,000	1,747	598,253	10,729
Escrow liabilities	254,170	232,489	257,157	229,502	-
Compensated absences	474,005	271,919	333,786	412,138	11,869
	<u>\$ 2,518,212</u>	<u>\$ 1,104,408</u>	<u>\$ 670,971</u>	<u>\$ 2,951,649</u>	<u>\$ 42,585</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 – MORTGAGES/NOTES PAYABLE: (Continued)

DISCRETELY PRESENTED COMPONENT UNITS – LOWER JEFFERSON AVENUE, LLC:

Note payable to Newport News Redevelopment and Housing Authority

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

Construction loan

The Lower Jefferson Avenue, LLC executed a promissory note with Carolina Bank of June 21, 2013 in the amount of \$4,000,000 to partially fund development costs for the Jefferson Brookville Apartments. The Interest rate on this Note is subject to change from time to time based on changes in an index which is Lender's Prime Rate (the "Index"). The Index currently is 4.500% per annum. Interest on the unpaid principal balance of this Note will be calculated using a rate of 0.500 percentage points over the Index, adjusted if necessary for any minimum and maximum rate limitations resulting in an initial rate of 5.000% per annum based on a year of 360 days. The entire balance of this note, including principal and any unpaid interest, is due on December 21, 2015 and was paid upon closing on January 27, 2016. Monthly interest payments are due on a monthly basis. As of June 30, 2015, \$2,162,627 has been advanced under the

\$ 2,342,627

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Due Within One Year
<u>Lower Jefferson Avenue, LLC:</u>					
Loan payable to NNRHA	\$ 180,000	\$ -	\$ -	\$ 180,000	\$ -
Carolina Bank	1,762,606	1,648,718	1,248,697	2,162,627	2,162,627
	<u>\$ 1,942,606</u>	<u>\$ 1,648,718</u>	<u>\$ 1,248,697</u>	<u>\$ 2,342,627</u>	<u>\$ 2,162,627</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 – CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance at June 30, 2014	Additions	Transfers/ Reductions	Balance at June 30, 2015
<u>Proprietary Fund:</u>				
Land and improvements	\$ 3,765,977	\$ 31,149	\$ -	\$ 3,797,126
Construction in progress	2,908,599	2,786,762	(688,134)	5,007,227
Total capital assets, not being depreciated	<u>6,674,576</u>	<u>2,817,911</u>	<u>(688,134)</u>	<u>8,804,353</u>
Buildings and improvements	101,132,914	12,252	738,692	101,883,858
Furniture, equipment, vehicles and fixtures	3,407,579	71,032	(771,436)	2,707,175
Total capital assets, being depreciated	<u>104,540,493</u>	<u>83,284</u>	<u>(32,744)</u>	<u>104,591,033</u>
Accumulated depreciation	<u>(66,648,362)</u>	<u>(3,208,803)</u>	714,860	<u>(69,142,305)</u>
Total capital assets, being depreciated (net)	<u>37,892,131</u>	<u>(3,125,519)</u>	682,116	<u>35,448,728</u>
	<u>\$ 44,566,707</u>	<u>\$ (307,608)</u>	<u>\$ (6,018)</u>	<u>\$ 44,253,081</u>

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

<u>Proprietary Fund:</u>	
Public Housing Program	\$ 3,012,049
Rental Assistance Program	31,230
Central Office Cost Center Program	49,295
Community Development Program	9,499
HOME Investment Partnerships Program	2,002
Transition Center Program	11,846
State & Local Activities Program	2,076
Business Activities Program	35,605
Lofts on Jefferson	<u>55,201</u>
Total depreciation expense - Proprietary Fund	<u>\$ 3,208,803</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 – CAPITAL ASSETS: (Continued)

DISCRETELY PRESENTED COMPONENT UNIT – LOWER JEFFERSON AVENUE, LLC:

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance at June 30, 2014	Additions	Transfers/ Reductions	Balance at June 30, 2015
<u>Lower Jefferson Avenue, LLC:</u>				
Land and improvements	\$ 252,300	\$ -	\$ -	\$ 252,300
Construction in progress	5,987,170	1,683,719	(7,670,889)	-
Total capital assets, not being depreciated	<u>6,239,470</u>	<u>1,683,719</u>	<u>(7,670,889)</u>	<u>252,300</u>
Buildings and improvements	-	-	7,471,233	7,471,233
Furniture, equipment, vehicles and fixtures	-	-	199,656	199,656
Total capital assets, being depreciated	<u>-</u>	<u>-</u>	<u>7,670,889</u>	<u>7,670,889</u>
Accumulated depreciation	<u>-</u>	<u>(179,759)</u>	<u>-</u>	<u>(179,759)</u>
Total capital assets, being depreciated (net)	<u>-</u>	<u>(179,759)</u>	<u>7,670,889</u>	<u>7,491,130</u>
	<u>\$ 6,239,470</u>	<u>\$ 1,503,960</u>	<u>\$ -</u>	<u>\$ 7,743,430</u>

Depreciation expense of \$179,759 was charged to Lower Jefferson Avenue, LLC.

NOTE 6 EMPLOYEE RETIREMENT PLAN:

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 EMPLOYEE RETIREMENT PLAN: (Continued)

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, 2015, the Authority's required and actual contributions and pension expense amounted to \$504,014 which was 12% of its covered payroll. No contribution forfeitures were recognized for the year ended June 30, 2015 and there was no liability for unpaid contributions as of June 30, 2015.

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, workers compensation. During the current or subsequent period there were no claims made or paid that were not covered by the Authority's insurance providers. There were no significant coverage decreases in the current or subsequent audit period.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS:

Plan Description:

The Newport News Redevelopment and Housing Authority provides postemployment health care benefits to its employees and retirees. This plan is a single-employer defined benefit plan that covers full and part-time (30 hours per week or more) employees and current retirees. There are approximately 153 plan members, including 114 active employees and 39 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.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Retiree Medical and Dental Insurance Vesting Schedule:

80 Vesting Points – 100% employer contribution

75 Vesting Points – 90% employer contribution

70 Vesting Points – 80% employer contribution

65 Vesting Points – 70% employer contribution

60 Vesting Points – 60% employer contribution

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

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

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

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 2.56% of the annual covered payroll.

Summary of Significant Accounting Policies:

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Annual OPEB Cost and Net OPEB Obligations:

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

Annual required contribution (ARC)		\$	119,400
Interest on net OPEB obligation			(3,022)
Adjustment to annual required contribution			2,834
Annual OPEB cost (expense)			119,212
Contributions made			(100,317)
Increase (decrease) in net OPEB obligation			18,895
Net OPEB obligation (prepayment) July 1, 2014			(43,172)
Net OPEB obligation (prepayment) June 30, 2015			\$ (24,277)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015, 2014, 2013, 2012, 2011, 2010, and 2009 were as follows:

For the year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 210,326	99.49%	\$ 1,072
2010	194,610	97.85%	5,256
2011	194,660	104.78%	(4,049)
2012	179,708	66.66%	55,861
2013	180,415	149.83%	(34,816)
2014	179,332	104.66%	(43,172)
2015	119,212	84.15%	(24,277)

Funded Status and Funding Progress:

As of July 1, 2014, the most recent actuarial valuation date, the plan was 58.59% funded. The actuarial accrued liability for benefits was \$1,736,100 and the actuarial value of assets was \$1,017,200, resulting in an unfunded actuarial accrued liability (UAAL) of \$718,900. The covered payroll (annual payroll of active employees covered by the plan) was \$4,665,730, and the ratio of UAAL to the covered payroll was 15.41%.

Actuarial Methods and Assumptions:

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

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 2014, actuarial valuation, the projected-until-credited method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The medical cost trend rate varied between 5.8% and 4.4%. 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, 2014 was 30 years.

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, 2015, there were four series of Tax Exempt Mortgage Revenue Bonds outstanding, with an aggregate principal amount payable of \$32,366,173.

NOTE 10 – AFFILIATED ENTITY:

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

NOTE 11 – NOTES AND MORTGAGES RECEIVABLE:

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 11 – NOTES AND MORTGAGES RECEIVABLE: (Continued)

Notes and mortgages receivable at June 30, 2015 consist of the following:

	Community Development Program	HOME Investment Partnerships Program	Central Office Cost Center Program	Business Activities Program	Proprietary Fund Total
<u>Restricted assets:</u>					
Program loans due from program participants	\$ 2,909,244	\$ 5,731,978	\$ -	\$ -	\$ 8,641,222
	<u>2,909,244</u>	<u>5,731,978</u>	<u>-</u>	<u>-</u>	<u>8,641,222</u>
<u>Noncurrent assets:</u>					
Due from Great Oaks Apartments, LLC, due June 11, 2047	-	-	1,473,746	-	1,473,746
Due from Lower Jefferson avenue, LLC, due June 1, 2028	-	-	-	180,000	180,000
Program loans due from program participants	-	-	-	43,017	43,017
Down payment assistance loans due from homebuyers	-	-	-	28,981	28,981
	<u>-</u>	<u>-</u>	<u>1,473,746</u>	<u>251,998</u>	<u>1,725,744</u>
	<u>\$ 2,909,244</u>	<u>\$ 5,731,978</u>	<u>\$ 1,473,746</u>	<u>\$ 251,998</u>	<u>\$ 10,366,966</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 12 – INTER-PROGRAM RECEIVABLES

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

The composition of amounts due to and from other programs as of June 30, 2015 is as follows:

Receivable Fund	Payable Fund					Total
	Central Office Cost Center Program	Community Development Program	HOME Program	Resident Self Sufficiency Program	State and Local Activities Program	
Central Office Cost Center Program	\$ -	\$ 7,276	\$ 17,933	\$ 120,364	\$ 1,838	\$ 147,411
Neighborhood Stabilization Program	14,195	-	-	-	-	14,195
Business Activities Program	442,558	-	31,149	-	-	473,707
Lofts on Jefferson	229	-	-	-	-	229
	<u>\$ 456,982</u>	<u>\$ 7,276</u>	<u>\$ 49,082</u>	<u>\$ 120,364</u>	<u>\$ 1,838</u>	<u>\$ 635,542</u>

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

The composition of transfers to and from other programs as of June 30, 2015 is as follows:

Paying Program	Receiving Program				Total
	Public Housing Fund	Rental Assistance Program	Central Office Cost Center Fund	Lofts on Jefferson	
Central Office Cost Center - transfer to subsidize program operations	\$ -	\$ 26,686	\$ -	\$ -	\$ 26,686
Community Development Program - program funds used to fund a capital improvement	328,074	-	-	-	328,074
HOME Program - transfer capital asset construction costs to Lofts on Jefferson	-	-	-	2,000	2,000
State & Local Activities - transfer residual net assets for closed grant programs	-	-	6,567	-	6,567
	<u>\$ 328,074</u>	<u>\$ 26,686</u>	<u>\$ 6,567</u>	<u>\$ 2,000</u>	<u>\$ 363,327</u>

NOTE 13 – ACCOUNTS PAYABLE

Payables at June 30, 2015 consist of the following:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Vendors and contractors	\$ 1,212,013	\$ 115,266
Accrued utilities	168,950	-
Other payroll withholdings	118,928	-
HUD - SRO settlement - FY 2015	13,222	-
HUD - SRO settlement - FY 2014	38,457	-
HUD - interest on NRA	1,566	-
Other governments	66,101	9,940
Developer fees	-	260,400
Contract retention	185,604	-
	<u>\$ 1,804,841</u>	<u>\$ 385,606</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 13 – ACCOUNTS PAYABLE (Continued)

Detailed information by program at June 30, 2015 consists of the following:

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Program	Transition Center Program	State and Local Activities Program	Business Activities Program	Lofts on Jefferson
Vendors and Contractors	\$ 495,486	\$ 40,828	\$ 14,337	\$ 30,042	\$ 453,380	\$ 101	\$ 6,835	\$ 165,299	\$ 5,705
Accrued utilities	160,068	17	3,584	-	-	1,588	-	1,295	2,398
Other payroll withholdings	-	-	118,928	-	-	-	-	-	-
HUD - SRO settlement - FY 2015	-	13,222	-	-	-	-	-	-	-
HUD - SRO settlement - FY 2014	-	38,457	-	-	-	-	-	-	-
HUD - interest on NRA	-	1,566	-	-	-	-	-	-	-
Other governments	66,101	-	-	-	-	-	-	-	-
Developer Fee	84,251	-	-	-	-	-	-	-	-
Contract retention	160,404	-	-	-	25,200	-	-	-	-
	<u>\$ 966,310</u>	<u>\$ 94,090</u>	<u>\$ 136,849</u>	<u>\$ 30,042</u>	<u>\$ 478,580</u>	<u>\$ 1,689</u>	<u>\$ 6,835</u>	<u>\$ 166,594</u>	<u>\$ 8,103</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 14 – ACCRUED SALARIES AND EXPENSES

Accrued salaries and expenses at June 30, 2015 consist:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Salaries and wages	<u>\$ 229,014</u>	<u>\$ 1,606</u>
	<u>\$ 229,014</u>	<u>\$ 1,606</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 14 – ACCRUED SALARIES AND EXPENSES: (Continued)

Accrued salaries and expenses at June 30, 2015 consist of the following:

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development	HOME Investment Partnerships	Resident Self Sufficiency Program	Transition Center Program	State & Local Activities Program	Business Activities Program	Lofts on Jefferson
Salaries and wages	<u>\$ 89,899</u>	<u>\$ 29,704</u>	<u>\$ 83,937</u>	<u>\$ 5,911</u>	<u>\$ 1,675</u>	<u>\$ 8,641</u>	<u>\$ 178</u>	<u>\$ 6,414</u>	<u>\$ 1,679</u>	<u>\$ 976</u>
	<u><u>\$ 89,899</u></u>	<u><u>\$ 29,704</u></u>	<u><u>\$ 83,937</u></u>	<u><u>\$ 5,911</u></u>	<u><u>\$ 1,675</u></u>	<u><u>\$ 8,641</u></u>	<u><u>\$ 178</u></u>	<u><u>\$ 6,414</u></u>	<u><u>\$ 1,679</u></u>	<u><u>\$ 976</u></u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 15 – OTHER ASSETS:

Other assets at June 30, 2015 consist of the following:

	Central Office Cost Center Program	HOME Investment Partnerships Fund	Business Activities Program	Lower Jefferson Avenue Development Corporation	Total
<u>Other current assets:</u>					
HOMEBuilder costs - construction costs for homes being built for resale to program participants	\$ -	\$ 524,100	\$ -	\$ -	\$ 524,100
	<u>\$ -</u>	<u>\$ 524,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 524,100</u>
<u>Other noncurrent assets:</u>					
Prepayments of OPEB contributions (also see note 8)	\$ 24,277	\$ -	\$ -	\$ -	\$ 24,277
Cost of architectural plans developed for use in future neighborhood redevelopment activities. Costs to be amortized a recovered in the form of plan fees.	-	-	57,986	-	57,986
Investment in Lower Jefferson Avenue, LLC - general partner capital contributions	-	-	-	375,858	375,858
Investment in 2713 Lofts, LLC	-	-	100,000	-	100,000
Redevelopment costs for city funded redevelopment programs	-	-	49,300	-	49,300
	<u>\$ 24,277</u>	<u>\$ -</u>	<u>\$ 207,286</u>	<u>\$ 375,858</u>	<u>\$ 607,421</u>

NOTE 16 – CONSTRUCTION COMMITMENTS:

Proprietary Fund:

The Authority has active construction projects as of June 30, 2015. The projects include various modernization and capital improvement programs. At year end the Authority's commitments with contractors are as follows:

Project	Spent or accrued to date	Remaining Commitment
Marshall Courts Renovations - Phase II	\$ 3,510,412	\$ 911,946
Marshall Courts security improvements	173,419	71,386
Ridley FIC roof replacement	364,527	-
Marshall Courts burn unit renovations	86,500	202,577
	<u>\$ 4,134,858</u>	<u>\$ 1,185,909</u>

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 17 – DEFICIT NET POSITION:

At June 30, 2015 the following programs reflect a deficit in net position. A deficit in net position indicates that the liabilities of the program exceed the cumulative assets of the fund:

State & Local Activities and Neighborhood Stabilization Programs

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

NOTE 18 – RESTRICTED NET POSITION:

A portion of the Authority's programs generate net position that are restricted by HUD or via external legal requirements. As of June 30, 2015 restricted net position was as follows:

Reserves and escrows:	
Public Housing CFP reserves	\$ 6,459
Public Housing Tax credit operating and replacement reserves	1,204,504
Public Housing Unexpended insurance proceeds	469,202
Transition Center escrow, operating and replacement reserves	371,222
2713 Lofts escrow, operating and replacement reserves	19,210
	<u>2,070,597</u>
Housing Choice Voucher HAP reserves (RNA)	<u>173,460</u>
Loan programs	
CDBG net position associated with loan balances	2,909,244
HOME program net position associated with loan balances	5,731,978
	<u>8,641,222</u>
Accumulated CD and HOME funds	
CDBG accumulated net position	687,020
HOME City construction funds	476,194
HOME unexpended program income	760,169
HOME accumulated net position	685,603
	<u>2,608,986</u>
	<u>\$ 13,494,265</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 18 – RESTRICTED NET POSITION: (Continued)

Specific details by program are as follows:

Public Housing Program:

Restricted for Capital Activities:

The Authority has received funds from the Department of Housing and Urban Development under the Capital Fund Program under the replacement reserve budget line items. These funds are accumulated to meet future capital improvement needs and must be used for these purposes. The following is a summary of the changes in the net position restricted for capital activities for the year ended June 30, 2015:

Balance at July 1, 2014		\$	132,386
Interest earned			101
Expenditures of reserves			(126,028)
Balance at June 30, 2015		\$	6,459

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

Restricted Reserves for Tax Credit Developments:

The Authority has developed three public housing communities using tax credits. The terms of various contracts and operating agreements related to these properties require that certain reserves be established and maintained. Generally, such reserves are controlled by the investor partner and access to these funds is limited to specific purposes. Accordingly, these net positions are reported as restricted. The following is a summary of the changes in the net position restricted for these purposes for the year ended June 30, 2015:

	Orcutt Senior Housing - Operating Reserve	Orcutt Senior Housing - Replacement Reserve	Orcutt Townhomes - Operating Reserve	Orcutt Townhomes - Replacement Reserve	Orcutt Townhomes III- Operating Reserve	Orcutt Townhomes III - Replacement Reserve
Balance at July 1, 2014	\$ 282,511	\$ 141,218	\$ 297,904	\$ 216,395	\$ 200,317	\$ 27,014
Interest earned	233	45	245	67	100	10
Deposits	-	17,064	-	12,411	-	9,000
Withdrawals/fees	(15)	-	(15)	-	-	-
Balance at June 30, 2015	\$ 282,729	\$ 158,327	\$ 298,134	\$ 228,873	\$ 200,417	\$ 36,024

These funds are held in checking accounts.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 18 – RESTRICTED NET POSITION: (Continued)

Restricted Reserves for unexpended insurance proceeds:

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

Summary for Public Housing Program:

CFP reserves	\$	6,459	
Tax credit operating and replacement reserves		1,204,504	
Unexpended insurance proceeds		469,202	
		1,680,165	
	\$	1,680,165	

Rental Assistance Program:

Housing Choice Voucher Program:

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

	HAP Equity	Administrative Fee Equity	Total
Balance at July 1, 2014	\$ 1,176,092	\$ 1,213,909	\$ 2,390,001
Current period excess/(deficiency) of funding	(1,002,632)	62,573	(940,059)
Balance at June 30, 2015	\$ 173,460	\$ 1,276,482	\$ 1,449,942

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 18 – RESTRICTED NET POSITION: (Continued)

Community Development Program and HOME Investment Partnerships Program:

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

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

As of June 30, 2015 the restricted balances due are as follows:

	Loans	Accumulated Net Position	Total
CDBG Program	\$ 2,909,244	\$ 687,020	\$ 3,596,264
HOME Program	5,731,978	1,921,966	7,653,944
	\$ 8,641,222	\$ 2,608,986	\$ 11,250,208

Transition Center Restricted Reserves:

The Authority owns and operates housing under the terms of a mortgage and regulatory agreement with the Virginia Housing Development Authority (VHDA). VHDA requires that certain reserves and escrow accounts be maintained and VHDA retains possession and control such funds. Accordingly, these assets are reported as restricted. The following is a summary of the changes in the net position restricted for these purposes for the year ended June 30, 2015:

	Insurance Escrow	Replacement Reserve	Operating Reserve	Total
Balance at July 1, 2014	\$ 2,366	\$ 170,428	\$ 179,346	\$ 352,140
Interest earned	-	400	417	817
Deposits	2,779	3,588	14,348	20,715
Withdrawals	(2,450)	-	-	(2,450)
Balance at June 30, 2015	\$ 2,695	\$ 174,416	\$ 194,111	\$ 371,222

These funds are held by VHDA in various accounts.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 18 – RESTRICTED NET POSITION: (Continued)

2713 Lofts 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 position are reported as restricted. The following is a summary of the changes in net position restricted for these purposes for the year ended June 30, 2015.

	Insurance Escrow	Replacement Reserve	Real Estate Tax Reserves	Completion Assurance Reserve	Total
Balance at July 1, 2014	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earned	-	-	-	-	-
Deposits	3,757	700	197	20,000	24,654
Withdrawals	(5,275)	-	(169)	-	(5,444)
Balance at June 30, 2015	<u>\$ (1,518)</u>	<u>\$ 700</u>	<u>\$ 28</u>	<u>\$ 20,000</u>	<u>\$ 19,210</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:

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

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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:

During 2014, the Authority undertook Phase II of a comprehensive rehabilitation of a development. The contract awarded for this renovation of these buildings includes \$63,531 in costs associated with the asbestos removal. The total obligation for pollution remediation is based on the contracted work items related to asbestos removal that had actually been commenced and amount to a total of \$65,531. All of these costs had been paid as of June 30, 2015 and these costs were expensed in the financial statements as a component of non-routine maintenance. During 2015, \$24,000 was paid or accrued with \$39,531 being incurred in 2014.

NOTE 25 – SUBSEQUENT EVENTS:

In preparing financial statements, management evaluated subsequent events through March 28, 2016 the financial statements were issued (or the date the financial statements were available to be issued).

REQUIRED SUPPLEMENTARY INFORMATION

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$ 1,659,348	\$ 1,659,348	0.00%	\$ 5,779,362	28.71%
7/1/2009	\$ 158,045	\$ 1,797,306	\$ 1,639,261	8.79%	\$ 5,953,807	27.53%
7/1/2011	\$ 668,601	\$ 2,209,243	\$ 1,540,642	30.26%	\$ 5,075,666	30.35%
7/1/2014	\$ 1,017,200	\$ 1,736,100	\$ 718,900	58.59%	\$ 4,665,730	15.41%

Schedule of Employer Contributions

Year Ending 30-Jun	Annual Required Contribution	Percentage Contributed
2009	\$ 210,326	99.49%
2010	\$ 194,597	97.86%
2011	\$ 194,597	104.81%
2012	\$ 179,748	66.65%
2013	\$ 179,748	150.38%
2014	\$ 179,748	104.42%
2015	\$ 119,400	84.02%

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2015

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Investment Partnerships Program	Resident Self Sufficiency Program	Transition Center Program
ASSETS:							
Current assets:							
Cash and equivalents - unrestricted	\$ 8,774,619	\$ 1,190,973	\$ 2,702,912	\$ 741,924	\$ 331,277	\$ -	\$ 10,899
Accounts receivable (net of allowance)	532,808	126,595	109,630	1,996	368,912	129,005	51
Due from other funds	-	-	147,411	-	-	-	-
Investments	-	-	100,222	-	-	-	-
Prepaid expenses	40,925	3,775	14,170	227	459	-	-
Materials inventory (net of allowance)	-	-	31,523	-	-	-	-
Other assets	-	-	-	-	524,100	-	-
Total Current assets	9,348,352	1,321,343	3,105,868	744,147	1,224,748	129,005	10,950
Restricted assets:							
Cash and equivalents - restricted	1,891,949	312,357	-	-	1,236,363	-	3,315
Investments - restricted	-	-	-	-	-	-	371,222
Notes receivable (non-current)	-	-	-	2,909,244	5,731,978	-	-
Total restricted assets	1,891,949	312,357	-	2,909,244	6,968,341	-	374,537
Noncurrent assets:							
Notes and mortgages receivable	-	-	1,473,746	-	-	-	-
Nondepreciable capital assets	8,306,597	32,000	-	-	31,149	-	17,201
Capital assets (net)	32,741,661	194,005	199,922	25,444	16,769	-	118,333
Interfund notes receivable	-	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-	-
Other noncurrent assets	-	-	24,277	-	-	-	-
Total noncurrent assets	41,048,258	226,005	1,697,945	25,444	47,918	-	135,534
TOTAL ASSETS	52,288,559	1,859,705	4,803,813	3,678,835	8,241,007	129,005	521,021

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2015

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Investment Partnerships Program	Resident Self Sufficiency Program	Transition Center Program
LIABILITIES:							
Current liabilities:							
Accounts payable and accrued expenses	966,310	94,090	136,849	30,042	478,580	-	1,689
Due to other funds	-	-	456,982	7,276	49,082	120,364	-
Accrued salaries	89,899	29,704	83,937	5,911	1,675	8,641	178
Accrued interest payable	-	-	-	-	-	-	355
Unearned revenues	20,276	-	-	-	-	-	53
Security deposit liabilities	127,088	900	-	-	-	-	3,315
Compensated absences	-	-	11,869	-	-	-	-
Current portion of long-term liabilities	-	-	-	-	-	-	19,987
Total current liabilities	1,203,573	124,694	689,637	43,229	529,337	129,005	25,577
Long-term liabilities:							
Compensated absences	150,012	45,384	172,484	13,898	1,433	-	-
Notes and mortgages payable	1,664,231	-	-	-	-	-	27,538
Interfund notes payable	714,000	-	-	-	-	-	-
Accrued interest payable	378,036	-	-	-	-	-	-
Trust, deposit and escrow liabilities	84,696	136,431	-	-	8,375	-	-
Total long-term liabilities	2,990,975	181,815	172,484	13,898	9,808	-	27,538
TOTAL LIABILITIES	4,194,548	306,509	862,121	57,127	539,145	129,005	53,115
NET POSITION							
Net investment in capital assets	38,670,026	226,005	199,922	25,444	47,918	-	88,009
Restricted for:							
Reserves and escrows	1,680,165	-	-	-	-	-	371,222
HAP reserves	-	173,460	-	-	-	-	-
Loan programs	-	-	-	2,909,244	5,731,978	-	-
Other	-	-	-	687,020	1,921,966	-	-
Unrestricted (deficit)	7,743,820	1,153,731	3,741,770	-	-	-	8,675
TOTAL NET POSITION	\$48,094,011	\$ 1,553,196	\$ 3,941,692	\$ 3,621,708	\$ 7,701,862	\$ -	\$ 467,906

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2015

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lower Jefferson Avenue Development Program	Lofts on Jefferson	Total	Eliminations	Proprietary Fund
ASSETS:								
Current assets:								
Cash and equivalents - unrestricted	\$ -	\$ -	\$ 2,482,814	\$ -	\$ 278	\$16,235,696	\$ -	\$16,235,696
Accounts receivable (net of allowance)	7,877	-	93,609	-	3,082	1,373,565	(84,251)	1,289,314
Due from other funds	-	14,195	473,707	-	229	635,542	(635,542)	-
Investments	-	-	240,651	-	-	340,873	-	340,873
Prepaid expenses	30	-	40	-	4,592	64,218	-	64,218
Materials inventory (net of allowance)	-	-	-	-	-	31,523	-	31,523
Other assets	-	-	-	-	-	524,100	-	524,100
Total Current assets	<u>7,907</u>	<u>14,195</u>	<u>3,290,821</u>	<u>-</u>	<u>8,181</u>	<u>19,205,517</u>	<u>(719,793)</u>	<u>18,485,724</u>
Restricted assets:								
Cash and equivalents - restricted	-	-	-	-	-	3,443,984	-	3,443,984
Investments - restricted	-	-	-	-	19,210	390,432	-	390,432
Notes receivable (non-current)	-	-	-	-	-	8,641,222	-	8,641,222
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,210</u>	<u>12,475,638</u>	<u>-</u>	<u>12,475,638</u>
Noncurrent assets:								
Notes and mortgages receivable	-	-	251,998	-	-	1,725,744	-	1,725,744
Nondepreciable capital assets	-	-	415,974	-	1,432	8,804,353	-	8,804,353
Capital assets (net)	11,375	-	567,898	-	1,573,321	35,448,728	-	35,448,728
Interfund notes receivable	-	-	714,000	-	-	714,000	(714,000)	-
Accrued interest receivable	-	-	378,036	-	-	378,036	(378,036)	-
Other noncurrent assets	-	-	207,286	375,858	-	607,421	-	607,421
Total noncurrent assets	<u>11,375</u>	<u>-</u>	<u>2,535,192</u>	<u>375,858</u>	<u>1,574,753</u>	<u>47,678,282</u>	<u>(1,092,036)</u>	<u>46,586,246</u>
TOTAL ASSETS	<u>19,282</u>	<u>14,195</u>	<u>5,826,013</u>	<u>375,858</u>	<u>1,602,144</u>	<u>79,359,437</u>	<u>(1,811,829)</u>	<u>77,547,608</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2015

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lower Jefferson Avenue Development Program	Lofts on Jefferson	Total	Eliminations	Proprietary Fund
LIABILITIES:								
Current liabilities:								
Accounts payable and accrued expenses	6,835	-	166,594	-	8,103	1,889,092	(84,251)	1,804,841
Due to other funds	1,838	-	-	-	-	635,542	(635,542)	-
Accrued salaries	6,414	-	1,679	-	976	229,014	-	229,014
Accrued interest payable	-	-	-	-	1,969	2,324	-	2,324
Unearned revenues	-	-	-	-	454	20,783	-	20,783
Security deposit liabilities	-	-	-	-	6,294	137,597	-	137,597
Compensated absences	-	-	-	-	-	11,869	-	11,869
Current portion of long-term liabilities	-	-	-	-	10,729	30,716	-	30,716
Total current liabilities	<u>15,087</u>	<u>-</u>	<u>168,273</u>	<u>-</u>	<u>28,525</u>	<u>2,956,937</u>	<u>(719,793)</u>	<u>2,237,144</u>
Long-term liabilities:								
Compensated absences	15,686	-	-	-	1,372	400,269	-	400,269
Notes and mortgages payable	-	-	-	-	587,524	2,279,293	-	2,279,293
Interfund notes payable	-	-	-	-	-	714,000	(714,000)	-
Accrued interest payable	-	-	-	-	-	378,036	(378,036)	-
Trust, deposit and escrow liabilities	-	-	-	-	-	229,502	-	229,502
Total long-term liabilities	<u>15,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>588,896</u>	<u>4,001,100</u>	<u>(1,092,036)</u>	<u>2,909,064</u>
TOTAL LIABILITIES	<u>30,773</u>	<u>-</u>	<u>168,273</u>	<u>-</u>	<u>617,421</u>	<u>6,958,037</u>	<u>(1,811,829)</u>	<u>5,146,208</u>
NET POSITION								
Net investment in capital assets	11,375	-	983,872	-	976,500	41,229,071	714,000	41,943,071
Restricted for:								
Reserves and escrows	-	-	-	-	19,210	2,070,597	-	2,070,597
HAP reserves	-	-	-	-	-	173,460	-	173,460
Loan programs	-	-	-	-	-	8,641,222	-	8,641,222
Other	-	-	-	-	-	2,608,986	-	2,608,986
Unrestricted (deficit)	<u>(22,866)</u>	<u>14,195</u>	<u>4,673,868</u>	<u>375,858</u>	<u>(10,987)</u>	<u>17,678,064</u>	<u>(714,000)</u>	<u>16,964,064</u>
TOTAL NET POSITION	<u>\$ (11,491)</u>	<u>\$ 14,195</u>	<u>\$ 5,657,740</u>	<u>\$ 375,858</u>	<u>\$ 984,723</u>	<u>\$72,401,400</u>	<u>\$ -</u>	<u>\$72,401,400</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

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

PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2015

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Investment Partnerships Program	Resident Self Sufficiency Program	Transition Center Program
OPERATING REVENUES:							
Rental and tenant income	\$ 3,562,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,389
Intergovernmental - operating grants	5,559,444	17,420,414	-	1,426,109	681,292	221,911	53,291
Fee revenue	-	-	2,783,722	-	-	-	-
Other income	111,303	259,308	18	9,946	20,847	-	-
Total operating revenues	<u>9,233,712</u>	<u>17,679,722</u>	<u>2,783,740</u>	<u>1,436,055</u>	<u>702,139</u>	<u>221,911</u>	<u>85,680</u>
OPERATING EXPENSES:							
Administration	3,313,249	1,492,798	2,246,935	396,968	88,584	5,867	12,919
Tenant services	345,533	610	-	-	-	216,044	-
Utilities	2,052,683	1,013	42,697	-	-	-	21,811
Ordinary maintenance	2,656,713	17,216	192,799	3,706	-	-	10,906
Protective services	122,495	1,376	18,084	-	-	-	1,671
Insurance expense	366,543	16,754	64,311	4,820	753	-	2,532
General expenses	256,926	3,918	6,752	774,400	1,025,125	-	1
Nonroutine maintenance	56,595	-	-	-	-	-	-
Housing assistance payments	-	17,069,143	-	-	-	-	-
Interest	42,405	-	-	-	-	-	5,019
Depreciation	3,012,049	31,230	49,295	9,499	2,002	-	11,846
Total operating expenses	<u>12,225,191</u>	<u>18,634,058</u>	<u>2,620,873</u>	<u>1,189,393</u>	<u>1,116,464</u>	<u>221,911</u>	<u>66,705</u>
OPERATING INCOME/(LOSS)	<u>(2,991,479)</u>	<u>(954,336)</u>	<u>162,867</u>	<u>246,662</u>	<u>(414,325)</u>	<u>-</u>	<u>18,975</u>
NONOPERATING REVENUES/EXPENSES:							
Interest and investment revenue	3,241	4,675	287	43,897	26,769	-	818
Contributions to affiliated entities	-	-	-	-	-	-	-
Gain or loss on sale or disposition fixed assets	(1,561)	(56)	(4,399)	-	-	-	-
Total nonoperating revenues/(expenses)	<u>1,680</u>	<u>4,619</u>	<u>(4,112)</u>	<u>43,897</u>	<u>26,769</u>	<u>-</u>	<u>818</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS							
Transfers from others	(2,989,799)	(949,717)	158,755	290,559	(387,556)	-	19,793
Transfers to other funds	328,074	26,686	6,567	-	-	-	-
HUD capital contributions	-	-	(26,686)	(328,074)	(2,000)	-	-
Tax credit and other proceeds	1,968,292	-	-	-	-	-	-
CHANGE IN NET POSITION	<u>(633,433)</u>	<u>(923,031)</u>	<u>138,636</u>	<u>(37,515)</u>	<u>(389,556)</u>	<u>-</u>	<u>19,793</u>
TOTAL NET POSITION - July 1, 2014	<u>48,727,444</u>	<u>2,476,227</u>	<u>3,803,056</u>	<u>3,659,223</u>	<u>8,091,418</u>	<u>-</u>	<u>448,113</u>
TOTAL NET POSITION - June 30, 2015	<u>\$48,094,011</u>	<u>\$ 1,553,196</u>	<u>\$ 3,941,692</u>	<u>\$ 3,621,708</u>	<u>\$ 7,701,862</u>	<u>\$ -</u>	<u>\$ 467,906</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

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

PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2015

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lower Jefferson Avenue Development Program	Lofts on Jefferson	Total	Eliminations	Proprietary Fund
OPERATING REVENUES:								
Rental and tenant income	\$ -	\$ -	\$ -	\$ -	\$ 99,607	\$ 3,694,961	\$ -	\$ 3,694,961
Intergovernmental - operating grants	382,910	46,654	-	-	-	25,792,025	-	25,792,025
Fee revenue	-	-	-	-	-	2,783,722	(2,719,135)	64,587
Other income	-	75,755	175,219	-	-	652,396	-	652,396
Total operating revenues	<u>382,910</u>	<u>122,409</u>	<u>175,219</u>	<u>-</u>	<u>99,607</u>	<u>32,923,104</u>	<u>(2,719,135)</u>	<u>30,203,969</u>
OPERATING EXPENSES:								
Administration	249,216	16,277	109,057	-	30,845	7,962,715	(2,591,464)	5,371,251
Tenant services	-	-	23,000	-	-	585,187	-	585,187
Utilities	3,431	3	12,507	-	7,955	2,142,100	-	2,142,100
Ordinary maintenance	29,954	240	35,105	-	16,520	2,963,159	(127,671)	2,835,488
Protective services	790	-	550	-	840	145,806	-	145,806
Insurance expense	10,142	227	8,755	-	4,941	479,778	-	479,778
General expenses	88,790	85,851	110,286	-	4,512	2,356,561	-	2,356,561
Nonroutine maintenance	192	-	-	-	-	56,787	-	56,787
Housing assistance payments	-	-	-	-	-	17,069,143	-	17,069,143
Interest	-	-	-	-	7,167	54,591	-	54,591
Depreciation	2,076	-	35,605	-	55,201	3,208,803	-	3,208,803
Total operating expenses	<u>384,591</u>	<u>102,598</u>	<u>334,865</u>	<u>-</u>	<u>127,981</u>	<u>37,024,630</u>	<u>(2,719,135)</u>	<u>34,305,495</u>
OPERATING INCOME/(LOSS)	<u>(1,681)</u>	<u>19,811</u>	<u>(159,646)</u>	<u>-</u>	<u>(28,374)</u>	<u>(4,101,526)</u>	<u>-</u>	<u>(4,101,526)</u>
NONOPERATING REVENUES/EXPENSES:								
Interest and investment revenue	-	-	45,802	-	1	125,490	-	125,490
Contributions to affiliated entities	-	-	-	-	100,000	100,000	-	100,000
Gain or loss on sale or disposition fixed assets	-	-	-	-	-	(6,016)	-	(6,016)
Total nonoperating revenues/(expenses)	<u>-</u>	<u>-</u>	<u>45,802</u>	<u>-</u>	<u>100,001</u>	<u>219,474</u>	<u>-</u>	<u>219,474</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS								
Transfers from other funds	(1,681)	19,811	(113,844)	-	71,627	(3,882,052)	-	(3,882,052)
Transfers to other funds	-	-	-	-	2,000	363,327	(363,327)	-
HUD capital contributions	(6,567)	-	-	-	-	(363,327)	363,327	-
Tax credit and other proceeds	-	-	-	-	-	1,968,292	-	1,968,292
CHANGE IN NET POSITION	<u>(8,248)</u>	<u>19,811</u>	<u>(113,844)</u>	<u>-</u>	<u>73,627</u>	<u>(1,853,760)</u>	<u>-</u>	<u>(1,853,760)</u>
TOTAL NET POSITION - July 1, 2014	<u>(3,243)</u>	<u>(5,616)</u>	<u>5,771,584</u>	<u>375,858</u>	<u>911,096</u>	<u>74,255,160</u>	<u>-</u>	<u>74,255,160</u>
TOTAL NET POSITION - June 30, 2015	<u>\$ (11,491)</u>	<u>\$ 14,195</u>	<u>\$ 5,657,740</u>	<u>\$ 375,858</u>	<u>\$ 984,723</u>	<u>\$72,401,400</u>	<u>\$ -</u>	<u>\$72,401,400</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2015

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Investment Partnerships Program
Cash flows from operating activities:					
Cash received from tenants/others	\$ 3,686,413	\$ 260,650	\$ -	\$ -	\$ -
Cash received for fees/services/donations	-	-	64,906	9,947	29,221
Cash operating grants received (net)	5,515,312	17,237,789	-	1,426,109	384,725
Cash transfers from(to) other funds and entities	(1,836,207)	(517,810)	2,757,291	(182,724)	(40,963)
Cash payments for goods, services, rental subsidies	(4,694,792)	(17,359,020)	(389,364)	(753,918)	(403,408)
Cash payments to/for employees and benefits	(2,445,422)	(691,597)	(2,067,525)	(165,891)	(44,475)
Cash payments in lieu of property taxes	(159,545)	-	-	-	-
Cash paid for homes sold (net of sales)	-	-	-	-	(365,484)
Net cash provided/(used) by operating activities	<u>65,759</u>	<u>(1,069,988)</u>	<u>365,308</u>	<u>333,523</u>	<u>(440,384)</u>
Cash flows from capital and related financing activities:					
Purchase of equipment/capital assets	(2,700,347)	(28,250)	-	-	(17,244)
Proceeds from issuing bonds, notes and other debt	-	-	-	-	-
Transfer from/to other funds for capital activities	328,074	-	-	(328,074)	(2,000)
Contributions received for capital outlays	2,089,079	-	-	-	-
Loan principal payments	-	-	-	-	-
Interest payments	-	-	-	-	-
Net cash provided/(used) by capital and related financing activities	<u>(283,194)</u>	<u>(28,250)</u>	<u>-</u>	<u>(328,074)</u>	<u>(19,244)</u>
Cash flows from noncapital financing activities:					
Loans made to borrowers	-	-	-	(219,838)	(203,561)
Receipt of interest on notes and loans	-	-	-	43,563	26,498
Loans payments received	-	-	-	209,053	221,167
Net cash provided/(used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,778</u>	<u>44,104</u>
Cash flows from investing activities:					
Proceeds from sale of/investments made	-	-	(100,222)	-	-
Receipts of interest and dividends	3,242	5,032	287	333	271
Deposits to reserve accounts	-	-	-	-	-
Net cash provided/(used) by investing activities	<u>3,242</u>	<u>5,032</u>	<u>(99,935)</u>	<u>333</u>	<u>271</u>
Net increase/(decrease) in cash	(214,193)	(1,093,206)	265,373	38,560	(415,253)
Cash and equivalents at July 1, 2014	<u>10,880,761</u>	<u>2,596,536</u>	<u>2,437,539</u>	<u>703,364</u>	<u>1,982,893</u>
Cash and equivalents at June 30, 2015	<u>\$ 10,666,568</u>	<u>\$ 1,503,330</u>	<u>\$ 2,702,912</u>	<u>\$ 741,924</u>	<u>\$ 1,567,640</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2015

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Investment Partnerships Program
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (2,991,479)	\$ (954,336)	\$ 162,867	\$ 246,662	\$ (414,325)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	3,012,049	31,230	49,295	9,499	2,002
Interest expense	42,405	-	-	-	-
Operating transfers	-	26,686	(20,119)	-	-
Change in assets and liabilities:					
Decrease/(Increase) in accounts receivable	16,630	(84,134)	184,556	(1,995)	(286,592)
Decrease/(Increase) in notes and mortgages receivable	-	-	-	72,143	337,179
Decrease/(Increase) in prepaid expenses and materials inventory	26	(2,765)	49	(67)	(417)
Decrease/(Increase) in other assets	-	-	18,895	-	(524,100)
Increase/(Decrease) in accounts payable	19,914	(62,224)	(12,632)	9,168	459,093
Increase/(Decrease) in accrued expenses	1,383	3,953	8,010	(100)	210
Increase/(Decrease) in compensated absences	(28,566)	(4,197)	(25,613)	(1,787)	(375)
Increase/(Decrease) in trust, deposit, and escrow liabilities	(7,851)	(14,989)	-	-	(13,058)
Increase/(Decrease) in unearned revenues	1,248	(9,212)	-	-	(1)
	<u>\$ 65,759</u>	<u>\$ (1,069,988)</u>	<u>\$ 365,308</u>	<u>\$ 333,523</u>	<u>\$ (440,384)</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2015

	Resident Self Sufficiency Programs	Transition Center Program	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program
Cash flows from operating activities:					
Cash received from tenants/others	\$ -	\$ 32,430	\$ -	\$ -	\$ -
Cash received for fees/services/donations	-	-	-	75,755	178,675
Cash operating grants received (net)	101,230	53,291	419,358	110,809	-
Cash transfers from(to) other funds and entities	116,672	(5,400)	(110,276)	(93,382)	580,407
Cash payments for goods, services, rental subsidies	(7,497)	(40,086)	(135,255)	(93,182)	(274,721)
Cash payments to/for employees and benefits	(210,405)	(4,731)	(173,827)	-	(65,629)
Cash payments in lieu of property taxes	-	-	-	-	-
Cash paid for homes sold (net of sales)	-	-	-	-	-
Net cash provided/(used) by operating activities	<u>-</u>	<u>35,504</u>	<u>-</u>	<u>-</u>	<u>418,732</u>
Cash flows from capital and related financing activities:					
Purchase of equipment/capital assets	-	-	-	-	(13,515)
Proceeds from issuing bonds, notes and other debt	-	-	-	-	-
Transfer from/to other funds for capital activities	-	-	-	-	(100,000)
Contributions received for capital outlays	-	-	-	-	-
Loan principal payments	-	(18,281)	-	-	-
Interest payments	-	(5,155)	-	-	-
Net cash provided/(used) by capital and related financing activities	<u>-</u>	<u>(23,436)</u>	<u>-</u>	<u>-</u>	<u>(113,515)</u>
Cash flows from noncapital financing activities:					
Loans made to borrowers	-	-	-	-	-
Receipt of interest on notes and loans	-	-	-	-	-
Loans payments received	-	-	-	-	-
Net cash provided/(used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:					
Proceeds from sale of/investments made	-	2,450	-	-	(200,447)
Receipts of interest and dividends	-	1	-	-	1,622
Deposits to reserve accounts	-	(20,715)	-	-	-
Net cash provided/(used) by investing activities	<u>-</u>	<u>(18,264)</u>	<u>-</u>	<u>-</u>	<u>(198,825)</u>
Net increase/(decrease) in cash	-	(6,196)	-	-	106,392
Cash and equivalents at July 1, 2014	-	20,410	-	-	2,376,422
Cash and equivalents at June 30, 2015	<u>\$ -</u>	<u>\$ 14,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,482,814</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2015

	Resident Self Sufficiency Programs	Transition Center Program	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ -	\$ 18,975	\$ (1,681)	\$ 19,811	\$ (159,646)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	-	11,846	2,076	-	35,605
Interest expense	-	5,019	-	-	-
Operating transfers	-	-	(6,567)	-	-
Change in assets and liabilities:					
Decrease/(Increase) in accounts receivable	(120,681)	(1)	43,448	49,960	462,704
Decrease/(Increase) in notes and mortgages receivable	-	-	-	-	3,573
Decrease/(Increase) in prepaid expenses and materials inventory	-	-	(8)	-	35
Decrease/(Increase) in other assets	-	-	-	-	84,250
Increase/(Decrease) in accounts payable	116,672	(397)	(34,241)	(69,771)	(8,615)
Increase/(Decrease) in accrued expenses	4,009	20	(325)	-	826
Increase/(Decrease) in compensated absences	-	-	(2,702)	-	-
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	-	-	-	-
Increase/(Decrease) in unearned revenues	-	42	-	-	-
	<u>\$ -</u>	<u>\$ 35,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 418,732</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2015

	Lower Jefferson Avenue Development Program	Lofts on Jefferson	Total	Eliminations	Proprietary Fund
Cash flows from operating activities:					
Cash received from tenants/others	\$ -	\$ 96,897	\$ 4,076,390	\$ -	\$ 4,076,390
Cash received for fees/services/donations	-	-	358,504	-	358,504
Cash operating grants received (net)	-	-	25,248,623	-	25,248,623
Cash transfers from(to) other funds and entities	-	(14,999)	652,609	-	652,609
Cash payments for goods, services, rental subsidies	-	(33,681)	(24,184,924)	-	(24,184,924)
Cash payments to/for employees and benefits	-	(15,443)	(5,884,945)	-	(5,884,945)
Cash payments in lieu of property taxes	-	-	(159,545)	-	(159,545)
Cash paid for homes sold (net of sales)	-	-	(365,484)	-	(365,484)
Net cash provided/(used) by operating activities	<u>-</u>	<u>32,774</u>	<u>(258,772)</u>	<u>-</u>	<u>(258,772)</u>
Cash flows from capital and related financing activities:					
Purchase of equipment/capital assets	-	(100,688)	(2,860,044)	-	(2,860,044)
Proceeds from issuing bonds, notes and other debt	-	600,000	600,000	-	600,000
Transfer from/to other funds for capital activities	-	(510,770)	(612,770)	-	(612,770)
Contributions received for capital outlays	-	-	2,089,079	-	2,089,079
Loan principal payments	-	(1,747)	(20,028)	-	(20,028)
Interest payments	-	(5,198)	(10,353)	-	(10,353)
Net cash provided/(used) by capital and related financing activities	<u>-</u>	<u>(18,403)</u>	<u>(814,116)</u>	<u>-</u>	<u>(814,116)</u>
Cash flows from noncapital financing activities:					
Loans made to borrowers	-	-	(423,399)	-	(423,399)
Receipt of interest on notes and loans	-	1	70,062	-	70,062
Loans payments received	-	-	430,220	-	430,220
Net cash provided/(used) by noncapital financing activities	<u>-</u>	<u>1</u>	<u>76,883</u>	<u>-</u>	<u>76,883</u>
Cash flows from investing activities:					
Proceeds from sale of/investments made	-	-	(298,219)	-	(298,219)
Receipts of interest and dividends	-	-	10,788	-	10,788
Deposits to reserve accounts	-	(19,210)	(39,925)	-	(39,925)
Net cash provided/(used) by investing activities	<u>-</u>	<u>(19,210)</u>	<u>(327,356)</u>	<u>-</u>	<u>(327,356)</u>
Net increase/(decrease) in cash	-	(4,838)	(1,323,361)	-	(1,323,361)
Cash and equivalents at July 1, 2014	-	5,116	21,003,041	-	21,003,041
Cash and equivalents at June 30, 2015	<u>\$ -</u>	<u>\$ 278</u>	<u>\$ 19,679,680</u>	<u>\$ -</u>	<u>\$ 19,679,680</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2015

	Lower Jefferson Avenue Development Program	Lofts on Jefferson	Total	Eliminations	Proprietary Fund
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ -	\$ (28,374)	\$ (4,101,526)	\$ -	\$ (4,101,526)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	-	55,201	3,208,803	-	3,208,803
Interest expense	-	7,167	54,591	-	54,591
Operating transfers	-	-	-	-	-
Change in assets and liabilities:					
Decrease/(Increase) in accounts receivable	-	(3,216)	260,679	(719,793)	(459,114)
Decrease/(Increase) in notes and mortgages receivable	-	-	412,895	-	412,895
Decrease/(Increase) in prepaid expenses and materials inventory	-	(612)	(3,759)	-	(3,759)
Decrease/(Increase) in other assets	-	-	(420,955)	-	(420,955)
Increase/(Decrease) in accounts payable	-	(3,156)	413,811	719,793	1,133,604
Increase/(Decrease) in accrued expenses	-	976	18,962	-	18,962
Increase/(Decrease) in compensated absences	-	1,372	(61,868)	-	(61,868)
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	3,714	(32,184)	-	(32,184)
Increase/(Decrease) in unearned revenues	-	(298)	(8,221)	-	(8,221)
	<u>\$ -</u>	<u>\$ 32,774</u>	<u>\$ (258,772)</u>	<u>\$ -</u>	<u>\$ (258,772)</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

JUNE 30, 2015

CFP 501-11

Annual Contributions Contract P-5545

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

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 279,044.00	\$ 279,044.00
Management improvements	8,182.59	8,182.59
Administration	279,044.00	279,044.00
Fees & Costs	213,539.61	213,539.61
Dwelling structures	1,316,617.63	1,316,617.63
Dwelling equipment	3,353.10	3,353.10
Demolition	690,662.07	690,662.07
Total Cost	<u>\$ 2,790,443.00</u>	<u>\$ 2,790,443.00</u>

2. The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated April 24, 2015 is in agreement with the Authority's records. The Actual Comprehensive Grant Cost Certificate was submitted by the Authority on April 24, 2015.

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

4. Costs examined during the current period totaled \$927,628.01.

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

Funds advanced:	
Grants - HUD	\$ 2,790,443.00
Funds expended	<u>2,790,443.00</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2015

CFP 501-12

Annual Contributions Contract P-5545

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

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 232,735.00	\$ 232,735.00
Management improvements	50,000.00	-
Administration	232,735.00	232,735.00
Fees & Costs	200,000.00	108,383.00
Dwelling structures	1,611,886.00	850,725.83
Dwelling equipment	-	16,837.58
Total Cost	\$ 2,327,356.00	\$ 1,441,416.41

2. Costs examined during the current period totaled \$879,989.90.

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

Funds advanced:	
Grants - HUD	\$ 1,168,283.28
Funds expended	1,441,416.41
Excess (deficiency) of funds advanced	\$ (273,133.13)

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2015

CFP 501-13

Annual Contributions Contract P-5545

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

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 212,663.00	\$ 212,663.00
Management improvements	50,000.00	-
Administration	212,663.00	212,663.00
Fees & costs	200,000.00	28,240.50
Site improvement	-	99,424.50
Dwelling structures	1,451,305.00	-
Total Cost	<u>\$ 2,126,631.00</u>	<u>\$ 552,991.00</u>

2. Costs examined during the current period totaled \$340,328.00.

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

Funds advanced:	
Grants - HUD	\$ 453,566.50
Funds expended	<u>552,991.00</u>
Excess (deficiency) of funds advanced	<u>\$ (99,424.50)</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2015

CFP 501-14

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year 501-14 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 236,594.00	\$ -
Management improvements	50,000.00	-
Administration	236,594.00	236,594.00
Fees and Costs	200,000.00	-
Dwelling structures	1,642,759.00	-
Total Cost	\$ 2,365,947.00	\$ 236,594.00

2. Costs examined during the current period totaled \$236,594.00.

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

Funds advanced:	
Grants - HUD	\$ 236,594.00
Funds expended	236,594.00
Excess (deficiency) of funds advanced	\$ -

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2015

CFP 501-14E

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year 501-14E are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Site improvement	\$ 245,000.00	\$ 173,418.94
Total Cost	\$ 245,000.00	\$ 173,418.94

2. Costs examined during the current period totaled \$173,418.94.

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

Funds advanced:	
Grants - HUD	\$ 110,527.69
Funds expended	<u>173,418.94</u>
Excess (deficiency) of funds advanced	<u>\$ (62,891.25)</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

FEDERAL FINANCIAL REPORT

JUNE 30, 2015

VA003RPS084A012

Federal Cash:

a. Cumulative federal cash received	\$	192,681.53
b. Cumulative federal cash disbursements		258,398.01
c. Cash on Hand	\$	<u>(65,716.48)</u>

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	296,272.00
e. Federal share of expenditures		192,681.53
f. Federal share of unliquidated obligations		65,716.48
g. Total federal share		<u>258,398.01</u>
h. Unobligated balance of federal funds	\$	<u>37,873.99</u>

Recipient Share:

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

Program Income:

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

FEDERAL FINANCIAL REPORT

JUNE 30, 2015

VA003RFS099A012

Federal Cash:

a. Cumulative federal cash received	\$	48,410.00
b. Cumulative federal cash disbursements		48,410.00
c. Cash on Hand	\$	-

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	48,410.00
e. Federal share of expenditures		48,410.00
f. Federal share of unliquidated obligations		-
g. Total federal share		48,410.00
h. Unobligated balance of federal funds	\$	-

Recipient Share:

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

Program Income:

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

FEDERAL FINANCIAL REPORT

JUNE 30, 2015

VA003RF257A013

Federal Cash:

a. Cumulative federal cash received	\$	21,768.17
b. Cumulative federal cash disbursements		34,146.78
c. Cash on Hand	\$	<u>(12,378.61)</u>

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	48,410.00
e. Federal share of expenditures		21,768.17
f. Federal share of unliquidated obligations		12,378.61
g. Total federal share		<u>34,146.78</u>
h. Unobligated balance of federal funds	\$	<u>14,263.22</u>

Recipient Share:

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

Program Income:

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

FEDERAL FINANCIAL REPORT

JUNE 30, 2015

VA003FSH681A014

Federal Cash:

a. Cumulative federal cash received	\$	-
b. Cumulative federal cash disbursements		50,910.11
c. Cash on Hand	\$	<u>(50,910.11)</u>

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	146,833.00
e. Federal share of expenditures		-
f. Federal share of unliquidated obligations		50,910.11
g. Total federal share		<u>50,910.11</u>
h. Unobligated balance of federal funds	\$	<u>95,922.89</u>

Recipient Share:

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

Program Income:

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY (VA003)
NEWPORT NEWS, VIRGINIA

ENTITY-WIDE BALANCE SHEET SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2015

	Project Total	14.228 Community Development Block Grants/State's Program	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.877 Public Housing Family Self-Sufficiency under ROSS	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.182 N/C S/R Section 8 Programs
111 Cash - Unrestricted	\$8,774,617		\$741,924		\$1,036,451	\$154,522		\$70,536	\$278	\$10,899
112 Cash - Restricted - Modernization and Development	\$6,459									
113 Cash - Other Restricted	\$1,758,403				\$309,891			\$21,359		
114 Cash - Tenant Security Deposits	\$127,090				\$900			\$28,475		\$3,315
115 Cash - Restricted for Payment of Current Liabilities					\$1,566					
100 Total Cash	\$10,666,569	\$0	\$741,924	\$0	\$1,348,808	\$154,522	\$0	\$120,370	\$278	\$14,214
121 Accounts Receivable - PHA Projects					\$1,471					
122 Accounts Receivable - HUD Other Projects	\$435,448			\$65,716	\$110,050		\$12,379			
124 Accounts Receivable - Other Government	\$66,101									
125 Accounts Receivable - Miscellaneous			\$1,996		\$694	\$412				
126 Accounts Receivable - Tenants	\$50,052							\$6,131	\$6,221	\$51
126.1 Allowance for Doubtful Accounts - Tenants	-\$18,794							\$0	-\$3,139	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0	\$0	\$0	\$0			
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery					\$223,525					
128.1 Allowance for Doubtful Accounts - Fraud					-\$223,525					
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$532,807	\$0	\$1,996	\$65,716	\$112,215	\$412	\$12,379	\$6,131	\$3,082	\$51
131 Investments - Unrestricted										
132 Investments - Restricted									\$19,210	\$371,222
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	\$40,925		\$227		\$3,775			\$15,516	\$4,592	
143 Inventories										
143.1 Allowance for Obsolete Inventories										
144 Inter Program Due From		\$14,195							\$229	
145 Assets Held for Sale										
150 Total Current Assets	\$11,240,301	\$14,195	\$744,147	\$65,716	\$1,464,798	\$154,934	\$12,379	\$142,017	\$27,391	\$385,487
161 Land	\$3,562,675				\$32,000			\$252,300		\$17,201
162 Buildings	\$87,556,598				\$634,667			\$6,838,539	\$1,656,038	\$332,094
163 Furniture, Equipment & Machinery - Dwellings	\$69,305							\$199,656		
164 Furniture, Equipment & Machinery - Administration	\$1,237,822		\$94,235		\$195,078					
165 Leasehold Improvements	\$10,521,513				\$7,775			\$632,694		\$57,657
166 Accumulated Depreciation	-\$66,643,575		-\$68,791		-\$643,515			-\$179,759	-\$82,717	-\$271,418
167 Construction in Progress	\$4,743,920								\$1,432	
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$41,048,258	\$0	\$25,444	\$0	\$226,005	\$0	\$0	\$7,743,430	\$1,574,753	\$135,534
171 Notes, Loans and Mortgages Receivable - Non-Current	\$5,795,703		\$2,909,244							
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										
173 Grants Receivable - Non Current										
174 Other Assets										
176 Investments in Joint Ventures									\$375,858	
180 Total Non-Current Assets	\$46,843,961	\$0	\$2,934,688	\$0	\$226,005	\$0	\$0	\$7,743,430	\$1,950,611	\$135,534
200 Deferred Outflow of Resources										
290 Total Assets and Deferred Outflow of Resources	\$58,084,262	\$14,195	\$3,678,835	\$65,716	\$1,690,803	\$154,934	\$12,379	\$7,885,447	\$1,978,002	\$521,021

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY (VA003)
NEWPORT NEWS, VIRGINIA

ENTITY-WIDE BALANCE SHEET SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2015

	14.239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	14.267 Continuum of Care Program	14.896 PIH Family Self-Sufficiency Program	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$331,277		\$2,482,814			\$2,702,912	\$16,306,230		\$16,306,230
112 Cash - Restricted - Modernization and Development							\$6,459		\$6,459
113 Cash - Other Restricted	\$1,236,363						\$3,326,016		\$3,326,016
114 Cash - Tenant Security Deposits							\$159,780		\$159,780
115 Cash - Restricted for Payment of Current Liabilities							\$1,566		\$1,566
100 Total Cash	\$1,567,640	\$0	\$2,482,814	\$0	\$0	\$2,702,912	\$19,800,051	\$0	\$19,800,051
121 Accounts Receivable - PHA Projects							\$1,471		\$1,471
122 Accounts Receivable - HUD Other Projects				\$14,380	\$50,910		\$688,883		\$688,883
124 Accounts Receivable - Other Government	\$330,258	\$7,877	\$3,447				\$407,683		\$407,683
125 Accounts Receivable - Miscellaneous	\$38,654		\$87,013			\$109,630	\$238,399	-\$84,251	\$154,148
126 Accounts Receivable - Tenants							\$62,455		\$62,455
126.1 Allowance for Doubtful Accounts - Tenants							-\$21,933		-\$21,933
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery							\$223,525		\$223,525
128.1 Allowance for Doubtful Accounts - Fraud							-\$223,525		-\$223,525
129 Accrued Interest Receivable			\$3,150				\$3,150		\$3,150
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$368,912	\$7,877	\$93,610	\$14,380	\$50,910	\$109,630	\$1,380,108	-\$84,251	\$1,295,857
131 Investments - Unrestricted			\$240,651			\$100,222	\$340,873		\$340,873
132 Investments - Restricted							\$390,432		\$390,432
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$459	\$30	\$40			\$14,169	\$79,733		\$79,733
143 Inventories						\$31,524	\$31,524		\$31,524
143.1 Allowance for Obsolete Inventories						\$0	\$0		\$0
144 Inter Program Due From			\$473,707			\$147,411	\$635,542	-\$635,542	\$0
145 Assets Held for Sale	\$524,100						\$524,100		\$524,100
150 Total Current Assets	\$2,461,111	\$7,907	\$3,290,822	\$14,380	\$50,910	\$3,105,868	\$23,182,363	-\$719,793	\$22,462,570
161 Land	\$31,149		\$154,100				\$4,049,425		\$4,049,425
162 Buildings			\$920,522				\$97,938,458		\$97,938,458
163 Furniture, Equipment & Machinery - Dwellings							\$268,961		\$268,961
164 Furniture, Equipment & Machinery - Administration	\$37,752	\$19,702	\$12,036			\$1,041,248	\$2,637,873		\$2,637,873
165 Leasehold Improvements			\$196,992				\$11,416,631		\$11,416,631
166 Accumulated Depreciation	-\$20,983	-\$8,327	-\$561,652			-\$841,326	-\$69,322,063		-\$69,322,063
167 Construction in Progress			\$261,874				\$5,007,226		\$5,007,226
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$47,918	\$11,375	\$983,872	\$0	\$0	\$199,922	\$51,996,511	\$0	\$51,996,511
171 Notes, Loans and Mortgages Receivable - Non-Current	\$5,731,978		\$1,344,034				\$1,473,746	-\$6,887,739	\$10,366,966
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current									
174 Other Assets			\$107,285			\$24,277	\$131,562		\$131,562
176 Investments in Joint Ventures			\$100,000				\$475,858		\$475,858
180 Total Non-Current Assets	\$5,779,896	\$11,375	\$2,535,191	\$0	\$0	\$1,697,945	\$69,858,636	-\$6,887,739	\$62,970,897
200 Deferred Outflow of Resources									
290 Total Assets and Deferred Outflow of Resources	\$8,241,007	\$19,282	\$5,826,013	\$14,380	\$50,910	\$4,803,813	\$93,040,999	-\$7,607,532	\$85,433,467

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY (VA003)
NEWPORT NEWS, VIRGINIA

ENTITY-WIDE BALANCE SHEET SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2015

	Project Total	14.228 Community Development Block Grants/State's Program	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.877 Public Housing Family Self-Sufficiency under ROSS	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.182 N/C S/R Section 8 Programs
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	\$165,040		\$30,042		\$26,860			\$383,501	\$5,706	\$101
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	\$89,899		\$5,912	\$3,578	\$29,704		\$1,614	\$1,606	\$977	\$178
322 Accrued Compensated Absences - Current Portion										
324 Accrued Contingency Liability										
325 Accrued Interest Payable									\$1,969	\$355
331 Accounts Payable - HUD PHA Programs					\$1,566	\$51,679				
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	\$66,102							\$2,105		
341 Tenant Security Deposits	\$127,090				\$900			\$28,116	\$6,294	\$3,315
342 Unearned Revenue	\$20,275							\$3,474	\$454	\$53
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue								\$2,162,627	\$10,729	\$19,987
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities	\$575,095									
346 Accrued Liabilities - Other	\$160,069				\$17				\$2,396	\$1,588
347 Inter Program - Due To			\$7,276	\$62,138			\$10,765			
348 Loan Liability - Current										
310 Total Current Liabilities	\$1,203,570	\$0	\$43,230	\$65,716	\$59,047	\$51,679	\$12,379	\$2,581,429	\$28,525	\$25,577
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$8,173,934							\$180,000	\$587,524	\$27,538
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other	\$462,733				\$136,431					
354 Accrued Compensated Absences - Non Current	\$150,012		\$13,898		\$45,384				\$1,372	
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities										
350 Total Non-Current Liabilities	\$8,786,679	\$0	\$13,898	\$0	\$181,815	\$0	\$0	\$180,000	\$588,896	\$27,538
300 Total Liabilities	\$9,990,249	\$0	\$57,128	\$65,716	\$240,862	\$51,679	\$12,379	\$2,761,429	\$617,421	\$53,115
400 Deferred Inflow of Resources										
508.3 Nonspendable Fund Balance										
508.4 Net Investment in Capital Assets	\$32,874,324		\$25,444		\$226,005			\$5,400,803	\$976,500	\$88,009
509.3 Restricted Fund Balance										
510.3 Committed Fund Balance										
511.3 Assigned Fund Balance										
511.4 Restricted Net Position	\$1,680,164		\$3,596,263		\$173,460			\$21,718	\$19,210	\$371,222
512.3 Unassigned Fund Balance										
512.4 Unrestricted Net Position	\$13,539,525	\$14,195	\$0	\$0	\$1,050,476	\$103,255	\$0	-\$298,503	\$364,871	\$8,675
513 Total Equity - Net Assets / Position	\$48,094,013	\$14,195	\$3,621,707	\$0	\$1,449,941	\$103,255	\$0	\$5,124,018	\$1,360,581	\$467,906
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$58,084,262	\$14,195	\$3,678,835	\$65,716	\$1,690,803	\$154,934	\$12,379	\$7,885,447	\$1,978,002	\$521,021

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY (VA003)
NEWPORT NEWS, VIRGINIA

ENTITY-WIDE BALANCE SHEET SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2015

	14.239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	14.267 Continuum of Care Program	14.896 PIH Family Self-Sufficiency Program	COCC	Subtotal	ELIM	Total
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$453,381	\$6,835	\$165,299	\$14,380		\$14,336	\$1,265,481		\$1,265,481
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$1,675	\$6,414	\$1,679		\$3,449	\$83,937	\$230,622		\$230,622
322 Accrued Compensated Absences - Current Portion						\$11,869	\$11,869		\$11,869
324 Accrued Contingency Liability									
325 Accrued Interest Payable							\$2,324		\$2,324
331 Accounts Payable - HUD PHA Programs							\$53,245		\$53,245
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government							\$68,207		\$68,207
341 Tenant Security Deposits							\$165,715		\$165,715
342 Unearned Revenue							\$24,256		\$24,256
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue							\$2,193,343		\$2,193,343
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities	\$25,200						\$600,295	-\$84,251	\$516,044
346 Accrued Liabilities - Other			\$1,295			\$122,512	\$287,877		\$287,877
347 Inter Program - Due To	\$49,082	\$1,838			\$47,461	\$456,982	\$635,542	-\$635,542	\$0
348 Loan Liability - Current									
310 Total Current Liabilities	\$529,338	\$15,087	\$168,273	\$14,380	\$50,910	\$689,636	\$5,538,776	-\$719,793	\$4,818,983
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue							\$8,968,996	-\$6,509,703	\$2,459,293
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other	\$8,375						\$607,539	-\$378,036	\$229,503
354 Accrued Compensated Absences - Non Current	\$1,433	\$15,686				\$172,484	\$400,269		\$400,269
355 Loan Liability - Non Current									
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities									
350 Total Non-Current Liabilities	\$9,808	\$15,686	\$0	\$0	\$0	\$172,484	\$9,976,804	-\$6,887,739	\$3,089,065
300 Total Liabilities	\$539,146	\$30,773	\$168,273	\$14,380	\$50,910	\$862,120	\$15,515,580	-\$7,607,532	\$7,908,048
400 Deferred Inflow of Resources									
508.3 Nonspendable Fund Balance									
508.4 Net Investment in Capital Assets	\$47,918	\$11,375	\$983,872			\$199,922	\$40,834,172	\$6,509,703	\$47,343,875
509.3 Restricted Fund Balance									
510.3 Committed Fund Balance									
511.3 Assigned Fund Balance									
511.4 Restricted Net Position	\$7,653,943						\$13,515,980		\$13,515,980
512.3 Unassigned Fund Balance									
512.4 Unrestricted Net Position	\$0	-\$22,866	\$4,673,868	\$0	\$0	\$3,741,771	\$23,175,267	-\$6,509,703	\$16,665,564
513 Total Equity - Net Assets / Position	\$7,701,861	-\$11,491	\$5,657,740	\$0	\$0	\$3,941,693	\$77,525,419	\$0	\$77,525,419
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$8,241,007	\$19,282	\$5,826,013	\$14,380	\$50,910	\$4,803,813	\$93,040,999	-\$7,607,532	\$85,433,467

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY (VA003)
NEWPORT NEWS, VIRGINIA

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2015

	Project Total	14.228 Community Development Block Grants/State's Program	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.877 Public Housing Family Self-Sufficiency under ROSS	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.182 N/C S/R Section 8 Programs
70300 Net Tenant Rental Revenue	\$3,230,681							\$282,704	\$96,100	\$32,389
70400 Tenant Revenue - Other	\$332,285								\$3,507	
70500 Total Tenant Revenue	\$3,562,966	\$0	\$0	\$0	\$0	\$0	\$0	\$282,704	\$99,607	\$32,389
70600 HUD PHA Operating Grants	\$5,509,444			\$103,311	\$16,907,589	\$446,960	\$67,690			
70610 Capital Grants	\$1,968,292									
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	\$46,654	\$1,426,109							\$53,291
71100 Investment Income - Unrestricted	\$2,440		\$333		\$4,483	\$192		\$29	\$1	\$1
71200 Mortgage Interest Income			\$43,563							
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery					\$24,468					
71500 Other Revenue	\$171,303	\$75,755	\$9,947		\$234,841			\$1,875,261	\$100,000	
71600 Gain or Loss on Sale of Capital Assets	-\$1,562				-\$56					
72000 Investment Income - Restricted	\$802								\$0	\$818
70000 Total Revenue	\$11,263,685	\$122,409	\$1,479,952	\$103,311	\$17,171,325	\$447,152	\$67,690	\$2,157,994	\$199,608	\$86,499
91100 Administrative Salaries	\$952,499		\$129,359		\$499,994	\$19,804		\$22,476	\$7,287	\$3,704
91200 Auditing Fees	\$33,438		\$9,707		\$32,258	\$1,278		\$11,100		\$4,235
91300 Management Fee	\$1,374,626	\$16,253	\$190,000		\$520,377	\$20,592		\$19,840	\$7,203	\$3,663
91310 Book-keeping Fee	\$141,399							\$3,000		
91400 Advertising and Marketing	\$10,967		\$1,250		\$2,734	\$108		\$688	\$1,661	
91500 Employee Benefit contributions - Administrative	\$326,963		\$34,646		\$163,552	\$6,866		\$3,842	\$2,361	\$1,004
91600 Office Expenses	\$188,207		\$13,964	\$5,867	\$150,607	\$5,966		\$10,702	\$1,831	\$2
91700 Legal Expense	\$11,447		\$10,867		\$10,453	\$414			\$5,075	
91800 Travel	\$22,516		\$383		\$2,282	\$90		\$1,000	\$9	
91810 Allocated Overhead										
91900 Other	\$63,384	\$24	\$6,793		\$46,437	\$1,837		\$17,017	\$5,419	\$311
91000 Total Operating - Administrative	\$3,125,446	\$16,277	\$396,969	\$5,867	\$1,428,694	\$56,955	\$0	\$89,665	\$30,846	\$12,919
92000 Asset Management Fee	\$187,800									
92100 Tenant Services - Salaries	\$223,040			\$74,898			\$54,384			
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services	\$79,203			\$20,916			\$13,306			
92400 Tenant Services - Other	\$43,289			\$1,630	\$610			\$14		
92500 Total Tenant Services	\$345,532	\$0	\$0	\$97,444	\$610	\$0	\$67,690	\$14	\$0	\$0

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY (VA003)
NEWPORT NEWS, VIRGINIA

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2015

			14.239 HOME Investment Partnerships Program	8 Other Federal Program 1	2 State/Local	1 Business Activities	6.2 Component Unit - Blended	COCC	Subtotal	ELIM	Total
70300	Net Tenant Rental Revenue								\$3,641,874		\$3,641,874
70400	Tenant Revenue - Other								\$335,792		\$335,792
70500	Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,977,666	\$0	\$3,977,666
70600	HUD PHA Operating Grants					\$65,865	\$50,910		\$23,151,769		\$23,151,769
70610	Capital Grants								\$1,968,292		\$1,968,292
70710	Management Fee							\$2,262,266	\$2,262,266	-\$2,262,266	\$0
70720	Asset Management Fee							\$187,800	\$187,800	-\$187,800	\$0
70730	Book Keeping Fee							\$141,398	\$141,398	-\$141,398	\$0
70740	Front Line Service Fee							\$130,746	\$130,746	-\$127,671	\$3,075
70750	Other Fees							\$61,513	\$61,513		\$61,513
70700	Total Fee Revenue							\$2,783,723	\$2,783,723	-\$2,719,135	\$64,588
70800	Other Government Grants	\$681,292	\$382,910						\$2,640,256		\$2,640,256
71100	Investment Income - Unrestricted	\$271			\$1,622			\$287	\$9,659		\$9,659
71200	Mortgage Interest Income	\$26,498			\$44,180				\$114,241		\$114,241
71300	Proceeds from Disposition of Assets Held for Sale										
71310	Cost of Sale of Assets										
71400	Fraud Recovery								\$24,468		\$24,468
71500	Other Revenue	\$20,847			\$175,219			\$18	\$2,663,191		\$2,663,191
71600	Gain or Loss on Sale of Capital Assets							-\$4,399	-\$6,017		-\$6,017
72000	Investment Income - Restricted								\$1,620		\$1,620
70000	Total Revenue	\$728,908	\$382,910	\$221,021	\$65,865	\$50,910	\$2,779,629	\$37,328,868	\$37,328,868	-\$2,719,135	\$34,609,733
91100	Administrative Salaries	\$32,247	\$132,960	\$56,578				\$1,465,531	\$3,322,439		\$3,322,439
91200	Auditing Fees			\$1,882				\$7,501	\$101,399		\$101,399
91300	Management Fee	\$33,150	\$72,225	\$20,649	\$3,527				\$2,282,105	-\$2,262,266	\$19,839
91310	Book-keeping Fee								\$144,399	-\$141,398	\$3,001
91400	Advertising and Marketing	\$1,192		\$150				\$3,503	\$22,253		\$22,253
91500	Employee Benefit contributions - Administrative	\$12,063	\$37,840	\$5,167				\$450,479	\$1,044,783		\$1,044,783
91600	Office Expenses	\$2,496	\$3,056	\$2,836	\$48			\$261,400	\$646,982		\$646,982
91700	Legal Expense	\$5,300	\$2,262	\$1,150				\$10,867	\$57,835		\$57,835
91800	Travel	\$1,940	\$853					\$19,290	\$48,363		\$48,363
91810	Allocated Overhead										
91900	Other	\$197	\$20	\$20,645	\$3,575			\$28,364	\$194,023		\$194,023
91000	Total Operating - Administrative	\$88,585	\$249,216	\$109,057	\$7,150	\$0	\$2,246,935	\$7,864,581	\$7,864,581	-\$2,403,664	\$5,460,917
92000	Asset Management Fee								\$187,800	-\$187,800	\$0
92100	Tenant Services - Salaries						\$41,610		\$393,932		\$393,932
92200	Relocation Costs										
92300	Employee Benefit Contributions - Tenant Services						\$9,300		\$122,725		\$122,725
92400	Tenant Services - Other			\$23,000					\$68,543		\$68,543
92500	Total Tenant Services	\$0	\$0	\$23,000	\$0	\$50,910	\$0	\$585,200	\$585,200	\$0	\$585,200

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY (VA003)
NEWPORT NEWS, VIRGINIA

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2015

	Project Total	14.228 Community Development Block Grants/State's Program	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.877 Public Housing Family Self-Sufficiency under ROSS	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.182 N/C S/R Section 8 Programs
93100 Water	\$444,995							\$7,384	\$1,300	\$2,297
93200 Electricity	\$603,792	\$3						\$9,594	\$3,949	\$14,579
93300 Gas	\$158,215				\$147	\$6				
93400 Fuel										
93500 Labor										
93600 Sewer	\$845,681				\$827	\$33		\$10,332	\$2,705	\$4,935
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense										
93000 Total Utilities	\$2,052,683	\$3	\$0	\$0	\$974	\$39	\$0	\$27,310	\$7,954	\$21,811
94100 Ordinary Maintenance and Operations - Labor	\$591,688				\$1,094	\$43		\$13,916	\$5,115	\$43
94200 Ordinary Maintenance and Operations - Materials and Other	\$764,320	\$240	\$2,799		\$3,580	\$142		\$3,329	\$3,697	\$2,545
94300 Ordinary Maintenance and Operations Contracts	\$1,088,690		\$907		\$11,886	\$471		\$15,776	\$6,051	\$8,318
94500 Employee Benefit Contributions - Ordinary Maintenance	\$212,014								\$1,657	
94000 Total Maintenance	\$2,656,712	\$240	\$3,706	\$0	\$16,560	\$656	\$0	\$33,021	\$16,520	\$10,906
95100 Protective Services - Labor	\$34,769									
95200 Protective Services - Other Contract Costs	\$75,422				\$1,324	\$52			\$840	\$1,671
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services	\$12,302									
95000 Total Protective Services	\$122,493	\$0	\$0	\$0	\$1,324	\$52	\$0	\$0	\$840	\$1,671
96110 Property Insurance	\$283,510	\$211			\$2,089	\$83		\$3,427	\$3,957	\$1,953
96120 Liability Insurance	\$29,802	\$16			\$75	\$3		\$1,835	\$715	\$497
96130 Workmen's Compensation	\$36,257		\$2,799		\$11,056	\$438		\$1,113	\$270	\$82
96140 All Other Insurance	\$16,977		\$2,021		\$2,895	\$115		\$74		
96100 Total insurance Premiums	\$366,546	\$227	\$4,820	\$0	\$16,115	\$639	\$0	\$6,449	\$4,942	\$2,532
96200 Other General Expenses	\$58,425	\$85,851	\$702,257		\$3,769	\$149		\$43,725		\$1
96210 Compensated Absences	\$4,455								\$1,372	
96300 Payments in Lieu of Taxes	\$139,806							\$27,107		
96400 Bad debt - Tenant Rents	\$54,243							\$8,965	\$3,139	
96500 Bad debt - Mortgages			\$72,143							
96600 Bad debt - Other										
96800 Severance Expense										
96000 Total Other General Expenses	\$256,929	\$85,851	\$774,400	\$0	\$3,769	\$149	\$0	\$79,797	\$4,511	\$1
96710 Interest of Mortgage (or Bonds) Payable										\$5,019
96720 Interest on Notes Payable (Short and Long Term)	\$42,405							\$98,734	\$7,167	
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	\$42,405	\$0	\$0	\$0	\$0	\$0	\$0	\$98,734	\$7,167	\$5,019
96900 Total Operating Expenses	\$9,156,546	\$102,598	\$1,179,895	\$103,311	\$1,468,046	\$58,490	\$67,690	\$334,990	\$72,780	\$54,859
97000 Excess of Operating Revenue over Operating Expenses	\$2,107,139	\$19,811	\$300,057	\$0	\$15,703,279	\$388,662	\$0	\$1,823,004	\$126,828	\$31,640

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY (VA003)
NEWPORT NEWS, VIRGINIA

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2015

			14.239 HOME Investment Partnerships Program	8 Other Federal Program 1	2 State/Local	1 Business Activities	6.2 Component Unit - Blended	COCC	Subtotal	ELIM	Total
93100	Water			\$1,264	\$732			\$2,549	\$460,521		\$460,521
93200	Electricity			\$635	\$10,386			\$23,422	\$666,360		\$666,360
93300	Gas							\$13,110	\$171,478		\$171,478
93400	Fuel										
93500	Labor										
93600	Sewer			\$1,532	\$1,390			\$3,616	\$871,051		\$871,051
93700	Employee Benefit Contributions - Utilities										
93800	Other Utilities Expense										
93000	Total Utilities	\$0	\$3,431	\$12,508	\$0	\$0	\$42,697	\$2,169,410	\$0	\$2,169,410	
94100	Ordinary Maintenance and Operations - Labor				\$4,127			\$94,155	\$710,181		\$710,181
94200	Ordinary Maintenance and Operations - Materials and Other		\$284	\$8,481				\$29,444	\$818,861		\$818,861
94300	Ordinary Maintenance and Operations Contracts		\$29,670	\$21,913				\$40,258	\$1,223,940	-\$127,671	\$1,096,269
94500	Employee Benefit Contributions - Ordinary Maintenance			\$583				\$28,942	\$243,196		\$243,196
94000	Total Maintenance	\$0	\$29,954	\$35,104	\$0	\$0	\$192,799	\$2,996,178	-\$127,671	\$2,868,507	
95100	Protective Services - Labor							\$8,272	\$43,041		\$43,041
95200	Protective Services - Other Contract Costs		\$790	\$550				\$7,269	\$87,918		\$87,918
95300	Protective Services - Other										
95500	Employee Benefit Contributions - Protective Services							\$2,543	\$14,845		\$14,845
95000	Total Protective Services	\$0	\$790	\$550	\$0	\$0	\$18,084	\$145,804	\$0	\$145,804	
96110	Property Insurance		\$3,411	\$7,258				\$10,364	\$316,263		\$316,263
96120	Liability Insurance	\$42	\$3,147	\$176				\$9,530	\$45,838		\$45,838
96130	Workmen's Compensation	\$711	\$2,899	\$1,321				\$36,368	\$93,314		\$93,314
96140	All Other Insurance		\$685					\$8,049	\$30,816		\$30,816
96100	Total insurance Premiums	\$753	\$10,142	\$8,755	\$0	\$0	\$64,311	\$486,231	\$0	\$486,231	
96200	Other General Expenses	\$1,025,125	\$88,790	\$106,713				\$6,752	\$2,121,557		\$2,121,557
96210	Compensated Absences								\$5,827		\$5,827
96300	Payments in Lieu of Taxes								\$166,913		\$166,913
96400	Bad debt - Tenant Rents								\$66,347		\$66,347
96500	Bad debt - Mortgages			\$3,573					\$75,716		\$75,716
96600	Bad debt - Other										
96800	Severance Expense										
96000	Total Other General Expenses	\$1,025,125	\$88,790	\$110,286	\$0	\$0	\$6,752	\$2,436,360	\$0	\$2,436,360	
96710	Interest of Mortgage (or Bonds) Payable								\$5,019		\$5,019
96720	Interest on Notes Payable (Short and Long Term)								\$148,306		\$148,306
96730	Amortization of Bond Issue Costs										
96700	Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$153,325	\$0	\$153,325	
96900	Total Operating Expenses	\$1,114,463	\$382,323	\$299,260	\$7,150	\$50,910	\$2,571,578	\$17,024,889	-\$2,719,135	\$14,305,754	
97000	Excess of Operating Revenue over Operating Expenses	-\$385,555	\$587	-\$78,239	\$58,715	\$0	\$208,051	\$20,303,979	\$0	\$20,303,979	

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY (VA003)
NEWPORT NEWS, VIRGINIA

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2015

	Project Total	14.228 Community Development Block Grants/State's Program	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.877 Public Housing Family Self-Sufficiency under ROSS	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.182 N/C S/R Section 8 Programs
97100 Extraordinary Maintenance	\$31,683									
97200 Casualty Losses - Non-capitalized	\$24,911									
97300 Housing Assistance Payments					\$16,490,237	\$371,633				
97350 HAP Portability-In					\$148,558					
97400 Depreciation Expense	\$3,012,048		\$9,498		\$31,230			\$179,759	\$55,201	\$11,846
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	\$12,225,188	\$102,598	\$1,189,393	\$103,311	\$18,138,071	\$430,123	\$67,690	\$514,749	\$127,981	\$66,705
10010 Operating Transfer In	\$666,764				\$26,686				\$2,000	
10020 Operating transfer Out	-\$338,690		-\$328,074							
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	\$361,365									
10092 Inter Project Excess Cash Transfer Out	-\$361,365									
10093 Transfers between Program and Project - In										
10094 Transfers between Project and Program - Out										
10100 Total Other financing Sources (Uses)	\$328,074	\$0	-\$328,074	\$0	\$26,686	\$0	\$0	\$0	\$2,000	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$633,429	\$19,811	-\$37,515	\$0	-\$940,060	\$17,029	\$0	\$1,643,245	\$73,627	\$19,794
11020 Required Annual Debt Principal Payments	\$60,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,747	\$18,281
11030 Beginning Equity	\$48,727,442	-\$5,616	\$3,659,222	\$0	\$2,390,001	\$86,226	\$0	\$3,480,773	\$1,286,954	\$448,112
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0									
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					\$1,276,481					
11180 Housing Assistance Payments Equity					\$173,460					
11190 Unit Months Available	18321				28766	1056		490	168	144
11210 Number of Unit Months Leased	17386				26649	1056		437	156	144
11270 Excess Cash	\$7,554,334									
11610 Land Purchases	\$0									
11620 Building Purchases	\$1,961,754									
11630 Furniture & Equipment - Dwelling Purchases	\$0									
11640 Furniture & Equipment - Administrative Purchases	\$25,538									
11650 Leasehold Improvements Purchases	\$272,843									
11660 Infrastructure Purchases	\$0									
13510 CFFP Debt Service Payments	\$0									
13901 Replacement Housing Factor Funds	\$0									

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY (VA003)
NEWPORT NEWS, VIRGINIA

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED / A-133

FISCAL YEAR ENDED: JUNE 30, 2015

	Project Total	14.228 Community Development Block Grants/State's Program	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.877 Public Housing Family Self-Sufficiency under ROSS	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.182 N/C S/R Section 8 Programs
97100 Extraordinary Maintenance	\$31,683									
97200 Casualty Losses - Non-capitalized	\$24,911									
97300 Housing Assistance Payments					\$16,490,237	\$371,633				
97350 HAP Portability-In					\$148,558					
97400 Depreciation Expense	\$3,012,048		\$9,498		\$31,230			\$179,759	\$55,201	\$11,846
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	\$12,225,188	\$102,598	\$1,189,393	\$103,311	\$18,138,071	\$430,123	\$67,690	\$514,749	\$127,981	\$66,705
10010 Operating Transfer In	\$666,764				\$26,686				\$2,000	
10020 Operating transfer Out	-\$338,690		-\$328,074							
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	\$361,365									
10092 Inter Project Excess Cash Transfer Out	-\$361,365									
10093 Transfers between Program and Project - In										
10094 Transfers between Project and Program - Out										
10100 Total Other financing Sources (Uses)	\$328,074	\$0	-\$328,074	\$0	\$26,686	\$0	\$0	\$0	\$2,000	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$633,429	\$19,811	-\$37,515	\$0	-\$940,060	\$17,029	\$0	\$1,643,245	\$73,627	\$19,794
11020 Required Annual Debt Principal Payments	\$60,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,747	\$18,281
11030 Beginning Equity	\$48,727,442	-\$5,616	\$3,659,222	\$0	\$2,390,001	\$86,226	\$0	\$3,480,773	\$1,286,954	\$448,112
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0									
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					\$1,276,481					
11180 Housing Assistance Payments Equity					\$173,460					
11190 Unit Months Available	18321				28766	1056		490	168	144
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11610 Land Purchases	\$0									
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11630 Furniture & Equipment - Dwelling Purchases	\$0									
11640 Furniture & Equipment - Administrative Purchases	\$25,538									
11650 Leasehold Improvements Purchases	\$272,843									
11660 Infrastructure Purchases	\$0									
13510 CFFP Debt Service Payments	\$0									
13901 Replacement Housing Factor Funds	\$0									

COMPLIANCE SECTION

Newport News Redevelopment and Housing Authority
Newport News, Virginia

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Federal Award Number</u>	<u>Program or Award Amount</u>	<u>Disbursements or Expenditures</u>
FEDERAL GRANTOR			
U.S. Department of HUD			
Direct Programs:			
Low-Rent Public Housing Program			
Operating Subsidies			
VA00300XXX14D	14.850	\$ 5,271,242	\$ 2,627,044
VA00300XXX15D	14.850	\$ 3,431,061	2,292,733
			<u>4,919,777</u>
Capital Fund Program:			
VA36P003501-11	14.872	\$ 2,790,443	927,628
VA36P003501-12	14.872	\$ 2,327,356	879,990
VA36P003501-13	14.872	\$ 2,126,631	340,328
VA36P003501-14	14.872	\$ 2,365,947	236,594
VA36E003501-14E	14.872	\$ 245,000	173,419
			<u>2,557,959</u>
Housing Assistance Payments Program:			
Housing Choice Voucher Program			
	14.871	\$ 16,907,589	<u>16,907,589</u>
Housing Assistance Payments Program:			
Section 8 Moderate Rehabilitation - Single Room Occupancy			
VA003SRO004 - 2013 funding	14.249	\$ 446,960	446,960
Section 8 New Construction and Substantial Rehabilitation through the Virginia Housing Development Authority			
Transition Center, VA36H027032	14.182	\$ 53,291	53,291
			<u>500,251</u>
TOTAL SECTION 8 PROJECT BASED CLUSTER			
Resident Opportunities and Supportive Services			
Public Housing Family Self-Sufficiency			
VA003RFS299A012	14.877	\$ 48,410	33,543
VA003RFS257A013	14.877	\$ 48,410	34,147
			<u>67,690</u>
Family Self-Sufficiency Coordinator			
VA003FSH681A014	14.896	\$ 146,833	<u>50,910</u>
Service Coordinators			
VA003RPS084A012	14.870	\$ 296,272	<u>103,311</u>
Continuum of Care			
Special Needs Assistance			
VA0055L3F051306	14.267	\$ 115,630	<u>65,865</u>
		TOTAL HUD	<u>25,173,352</u>
		TOTAL DIRECT	<u>25,173,352</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Federal Award Number</u>	<u>Program or Award Amount</u>	<u>Disbursements or Expenditures</u>
U.S. Department of HUD Indirect Programs:			
Pass-through from the City of Newport News Community Development Block Grants/ Entitlement Grants	14.218	\$ 1,830,779	1,426,109
HOME Investment Partnerships Program M-XX-MC-510202	14.239	\$ 581,292	581,292
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>46,654</u>
		TOTAL INDIRECT	<u>2,054,055</u>
		TOTAL	<u>\$ 27,227,407</u>

NOTE:

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

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

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

The Commissioners of the Newport News
Redevelopment and Housing Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities, discretely presented component unit, and the aggregate remaining fund information of Newport News Redevelopment and Housing Authority (the "Authority"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Virginia Beach, Virginia
March 30, 2016

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

The Commissioners of the Newport News
Redevelopment and Housing Authority

Report on Compliance for Each Major Federal Program

We have audited the Newport News Redevelopment and Housing Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2015. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with *OMB Circular A-133* and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

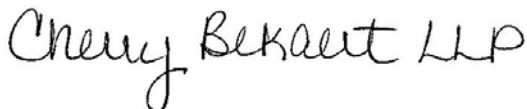
Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Virginia Beach, Virginia
March 30, 2016

**Newport News Redevelopment and Housing Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

(1) Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weaknesses identified:	No
Significant deficiencies identified:	Yes
Any audit findings disclosed that are required to be reported in Accordance with Section 510(a) of <i>OMB Circular A-133</i> ?	Yes

Identification of major federal programs:

<u>Name of Program</u>	<u>CFDA #</u>
Department of Housing and Urban Development: Housing Choice Voucher Program	14.871

Dollar threshold to distinguish between Type A and B Programs:	\$816,822
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The Newport News Redevelopment and Housing Authority was Qualified as a low risk auditee?	Yes
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(2) Findings – Financial Statement Audit

None

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

2015-001 – U.S Department of Housing and Urban Development – CFDA #14.871 – Housing Choice Voucher Program

Criteria

Determine income eligibility and calculate the tenant's rent payment using the documentation for third-party verification.

Condition

While performing our audit procedures to ensure compliance with eligibility, we noted three instances where the amount of income verified from a third party source was not used to calculate the HAP payments.

Questioned Costs

\$614 in the total population of \$269,268 HAP payments tested, were improperly paid. We projected the questioned cost to the population and projected \$38,554 was improperly paid.

Cause

Program coordinators erroneously entered the wrong income while determining eligibility.

Effect

A lower income was entered which resulted Authority paying higher HAP payments than they should have.

Recommendation

We recommend that the income reported on the HUD Form 50058 be reviewed upon completion to ensure the information agrees to the appropriate supporting documentation.

Management Response

Within the next 30 days, an additional form will be placed in the file that will require the staff to perform a self-audit to insure that the calculated income agrees with the supporting documentation and that the income agrees with the reported income on the HUD 50058 form.

(4) Resolution of Prior Year's Findings

2014-001: Corrected