

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITOR

JUNE 30, 2016

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Report of Independent Auditor

The Commissioners of the Newport News
Redevelopment and Housing Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Newport News Redevelopment and Housing Authority (the "Authority"), as of and for the year ended June 30, 2016, and the related notes to the financial statements. We did not audit the financial statements of the discretely presented component unit.

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 did not audit the financial statements of the discretely presented component unit. That statement was audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the discretely presented component unit, is based solely on the report of the other auditor. 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. The financial statement of the discretely presented component unit was not audited in accordance with *Government Auditing Standards* or the *Specifications for Audits of Authorities, Boards, and Commissions*. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Authority as of June 30, 2016, 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), and is also 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 31, 2017 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 31, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2016

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 \$80,007,124, which is an increase of \$7,805,148 during the year ended June 30, 2016. This increase is attributable to the investment and renovation of Public Housing units under the Rental Assistance Demonstration (RAD) program which allows the Authority to borrow money for much needed renovation and improvements to the properties.

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, 2016

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, 2016

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, 2016

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 account is funded by fees the developers pay either as a one-time financing fee or as annual payments over the life of the bonds. The fee includes a pro-rata share of the initial bond financing for the Authority's approval and ongoing compliance monitoring 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 Brookville Apartments is a unique affordable housing development involving both urban infill and historic adaptive reuse and has revitalized the 2500 and 2700 blocks of Jefferson Avenue in an effort to stabilize the surrounding neighborhood. New construction and the adaptive reuse at the historic former George Washington School and former Mesic Hardware building provide a total of 50 new apartments. In September 2014, the Jefferson Brookville development opened to house 50 families along lower Jefferson Avenue and on 28th Street. The adaptive re-use 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.

Oyster Point-Brighton and Cypress Terrace – During 2016, the Authority closed on transactions to convert 278 units of Public Housing developments to project-based rental assistance under HUD's Rental Assistance Demonstration (RAD) program. These conversions involve substantial renovation costs and the Authority provided a portion of the funding for these renovations in the form of HOME funds, Capital Fund Replacement Housing Factor (RHF) funds, and Public Housing Operating Reserves. The Authority also obtained Low-Income Housing Tax Credits and private financing for much needed renovation and improvements to the properties.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2016

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.

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 2016 Proprietary Fund	FY 2015 Proprietary Fund	Increases (Decreases)
ASSETS:			
Current Assets	\$ 16,708,684	\$ 18,386,300	\$ (1,677,616)
Capital Assets	53,130,061	44,253,081	8,876,980
Other Assets	16,201,400	14,708,803	1,492,597
TOTAL ASSETS	86,040,145	77,348,184	8,691,961
LIABILITIES:			
Current Liabilities	3,275,541	2,237,144	1,038,397
Non-Current Liabilities	2,757,480	2,909,064	(151,584)
TOTAL LIABILITIES	6,033,021	5,146,208	886,813
NET POSITION:			
Net Investment in Capital Assets	50,910,768	41,843,647	9,067,121
Restricted Net Position	16,057,599	13,494,265	2,563,334
Unrestricted Net Position	13,038,757	16,864,064	(3,825,307)
TOTAL NET POSITION	\$ 80,007,124	\$ 72,201,976	\$ 7,805,148

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2016

Analysis of Changes in Net Position

Net position (assets and deferred outflows or resources over liabilities and deferred inflows of resources) increased by \$7,805,148.

	FY2015	FY2015	Increase/ Decrease	Percent
	Proprietary Funds	Proprietary Funds		
OPERATING REVENUES:				
Rental and tenant income	\$ 3,827,017	\$ 3,694,961	\$ 132,056	3.6%
Intergovernmental	30,046,451	25,792,025	4,254,426	16.5%
Other income	1,407,347	716,983	690,364	96.3%
Total operating revenues	<u>35,280,815</u>	<u>30,203,969</u>	<u>5,076,846</u>	<u>16.8%</u>
OPERATING EXPENSES:				
Administration	5,190,499	5,371,251	(180,752)	-3.4%
Tenant Services	538,315	585,187	(46,872)	-8.0%
Utilities	2,281,035	2,142,100	138,935	6.5%
Ordinary maintenance and operations	3,118,335	2,835,488	282,847	10.0%
Protective services	182,375	145,806	36,569	25.1%
Insurance expense	536,116	479,778	56,338	11.7%
General expense	2,455,090	2,356,561	98,529	4.2%
Nonroutine maintenance (net of insurance)	14,929	56,787	(41,858)	-73.7%
Housing assistance payments	18,269,015	17,069,143	1,199,872	7.0%
Interest	26,703	54,591	(27,888)	-51.1%
Depreciation	2,830,199	3,208,803	(378,604)	-11.8%
Total operating expenses	<u>35,442,611</u>	<u>34,305,495</u>	<u>1,137,116</u>	<u>3.3%</u>
OPERATING LOSS	<u>(161,796)</u>	<u>(4,101,526)</u>	<u>3,939,730</u>	<u>-96.1%</u>
NONOPERATING REVENUES / (EXPENSES):				
Interest and investment revenue	84,764	125,490	(40,726)	-32.5%
Loss on disposition of fixed assets	-	(6,016)	6,016	100.0%
Total nonoperating revenues / expenses	<u>84,764</u>	<u>119,474</u>	<u>(34,710)</u>	<u>-29.1%</u>
LOSS BEFORE CONTRIBUTIONS, TRANSFERS, AND ADJUSTMENTS:				
	(77,032)	(3,982,052)	3,905,020	-98.1%
HUD capital contributions	1,479,791	1,868,868	(389,077)	-20.8%
Tax credit proceeds	2,450,198	60,000	2,390,198	3983.7%
Special item - capital assets conveyed related to RAD conversion	3,952,191	-	3,952,191	100.0%
CHANGE IN NET POSITION	<u>7,805,148</u>	<u>(2,053,184)</u>	<u>9,858,332</u>	<u>-480.1%</u>
TOTAL NET POSITION - beginning	<u>72,201,976</u>	<u>74,255,160</u>	<u>(2,053,184)</u>	<u>-2.8%</u>
TOTAL NET POSITION - ending	<u>\$ 80,007,124</u>	<u>\$ 72,201,976</u>	<u>\$ 7,805,148</u>	<u>10.8%</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2016

Revenue and Expense Activities

Operating Revenues of Enterprise Funds Activities – The Authority's revenue increased by 16.8% or \$5,076,846 in FYE June 30, 2016 as compared to FYE June 30, 2015. Income (rent, excess utilities, and maintenance charges) increased by \$132,056. The net intergovernmental revenue, operating grants and housing assistance payments incurred a large increase of \$4,254,426. Most of the increase was in the Housing Choice Voucher, Public Housing, and HOME programs. The Housing Choice Voucher program increased nearly \$2.1 million due to HUD's push to increase vouchers leased and spend-down reserves. The Public Housing program had an increase of almost \$1.5 million due to the use of capital grants to support the conversion of public housing units to RAD. The HOME program also increased \$1.1 million due to its contribution to the RAD program.

Operating Expenses of Enterprise Funds Activities – The Authority's Enterprise Funds expenses increased by 3.3% or \$1,137,116 in FYE June 30, 2016 as compared to FYE June 30, 2015. Most of the change is attributable to an increase of \$1.2 million in housing assistance payments to landlords due to increased leasing activity. The administration expenses continued to decrease, however these decreases were offset by the continued increases in maintenance and utilities.

CAPITAL ASSETS

At the end of fiscal year June 30, 2016, the Enterprise Funds had \$113,052,214 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 construction in progress, with an offsetting decrease in buildings. The Authority has continued the Phase III work at Marshall Courts, and has made significant progress in the renovation. Additionally, A&E and construction costs have been incurred due to the planned renovation and conversion of three public housing properties under the new Rental Assistance Demonstration (RAD) program.

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

	FY 2016	FY 2015	Increase / Decrease
Land and improvements	\$ 6,970,889	\$ 3,797,126	\$ 3,173,763
Building	89,545,014	101,883,858	(12,338,844)
Equipment	2,786,918	2,707,175	79,743
Construction in progress	13,749,393	5,007,227	8,742,166
Total	113,052,214	113,395,386	(343,172)
Accumulated depreciation	(59,922,153)	(69,142,305)	9,220,152
TOTAL	\$ 53,130,061	\$ 44,253,081	\$ 8,876,980

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2016

LONG-TERM DEBT

At the end of fiscal year June 30, 2016, the Authority owed \$2,219,293 in long-term debt to external parties. The debt consists of a note payable due to VHDA for the Transition Center, 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 2016, there were no modifications to the Transition Center or the Lofts on Jefferson mortgage note, and principal payments of \$19,987 and \$10,729, respectively 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 278 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 April 2017. We were also able to convert 30 additional public housing units to RAD in November 2016. This conversion did not require extensive renovation, only minor improvements to the property.
- 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 99.58% last year; however funding in CY 2017 will be prorated to 95%, the vouchers issued will continue to decrease. 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 80% of eligibility. The President's budget blueprint released recently contains devastating cuts to vital HUD rental assistance and community development programs. The President's budget would provide only \$40.7 billion for HUD, which is \$6.2 billion or a 13.2% decrease from the FY 2017 annualized Continuing Resolution (CR) level.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2016

The President justifies these cuts by seeing a greater role for states, local governments and the private sector in addressing community and economic development needs. Therefore we are unsure of the funding in both the CDBG and HOME programs - the resources available for housing rehabilitation, traditional redevelopment activities, and assistance provided to many non-profit agencies would be drastically cut or eliminated. Proposed funding for the Public Housing Capital Fund would be slashed \$1.3 billion and the Operating Fund would be cut by \$600 million. Spending for vouchers would be decreased by \$300 million. In addition, the Authority's Capital funding will be reduced due to the conversion of 308 public housing units to RAD. As a result, many needed capital repairs on remaining public housing units have to be deferred.

- The Authority is being funded at a rate of 89.73% of public housing subsidy eligibility for the first six months of FY 2017. The Authority is expecting to receive funding of 85% for full 2017 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 pending health care reform will affect Authority expenses.
- Post-retirement benefits other than pensions are estimated to be \$130,000 for FY 2017. 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, 2016

	Proprietary Fund - Primary Government	Lower Jefferson Avenue, LLC
<u>ASSETS</u>		
Current assets:		
Cash and equivalents - unrestricted	\$ 14,298,140	\$ 93,469
Accounts receivable (net of allowance)	1,814,480	537
Investments	303,026	-
Prepaid expenses	83,121	15,179
Materials inventory (net of allowance)	25,052	-
Other assets	184,865	-
Total current assets	16,708,684	109,185
Restricted assets:		
Cash and equivalents - restricted	4,748,190	59,253
Investments - restricted	391,573	-
Notes receivable (non-current)	8,466,622	-
Total restricted assets	13,606,385	59,253
Noncurrent assets:		
Notes and mortgages receivable	1,721,673	-
Nondepreciable capital assets	20,720,282	252,300
Capital assets (net)	32,409,779	7,379,848
Investment in joint ventures	390,198	-
Other noncurrent assets	483,144	-
Total noncurrent assets	55,725,076	7,632,148
TOTAL ASSETS	86,040,145	7,800,586

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, 2016

	Proprietary Fund - Primary Government	Lower Jefferson Avenue, LLC
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	3,033,884	361,544
Accrued salaries	44,527	2,047
Accrued interest payable	2,140	4,650
Unearned revenues	29,205	5,344
Security deposit liabilities	129,173	27,881
Compensated absences	3,600	-
Note payable	-	2,192,847
Current portion of long-term liabilities	33,012	-
Total current liabilities	3,275,541	2,594,313
Long-term liabilities:		
Compensated absences	373,506	-
Accrued OPEB liabilities	9,330	-
Notes and mortgages payable	2,186,281	180,000
Trust, deposit and escrow liabilities	188,363	-
Total long-term liabilities	2,757,480	180,000
TOTAL LIABILITIES	6,033,021	2,774,313
<u>NET POSITION</u>		
Net investment in capital assets	50,910,768	5,259,301
Restricted for:		
Reserves and escrows	1,642,648	30,981
Loan programs	8,466,622	-
Other	5,948,329	-
Unrestricted	13,038,757	(264,009)
TOTAL NET POSITION	\$ 80,007,124	\$ 5,026,273

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, 2016

	Proprietary Fund - Primary Government	Lower Jefferson Avenue, LLC
OPERATING REVENUES:		
Rental and tenant income	\$ 3,827,017	\$ 384,317
Intergovernmental - operating grants	30,046,451	-
Fee revenue	72,453	-
Other income	1,334,894	16,241
Total operating revenues	35,280,815	400,558
OPERATING EXPENSES:		
Administration	5,190,499	84,754
Tenant services	538,315	120
Utilities	2,281,035	52,121
Ordinary maintenance	3,118,335	56,319
Protective services	182,375	-
Insurance expense	536,116	14,293
General expenses	2,455,090	75,171
Non-routine maintenance	14,929	-
Housing assistance payments	18,269,015	-
Interest	26,703	117,857
Depreciation	2,830,199	222,564
Total operating expenses	35,442,611	623,199
OPERATING INCOME/(LOSS)	(161,796)	(222,641)
NONOPERATING REVENUES/EXPENSES:		
Interest and investment revenue	84,764	2
Total nonoperating revenues/(expenses)	84,764	2
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	(77,032)	(222,639)
HUD capital contributions	1,479,791	-
Tax credit and other proceeds	2,450,198	-
Special item - capital assets conveyed related to RAD conversion	3,952,191	-
CHANGE IN NET POSITION	7,805,148	(222,639)
TOTAL NET POSITION - July 1, 2015	72,301,400	5,248,912
Prior period adjustments (Note 22)	(99,424)	-
TOTAL NET POSITION - June 30, 2016	\$ 80,007,124	\$ 5,026,273

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, 2016

	Proprietary Fund - Primary Government
Cash flows from operating activities:	
Cash received from tenants/others	\$ 4,097,723
Cash received for fees/services/donations	423,123
Cash operating grants received (net)	29,759,582
Cash transfers from(to) other funds and entities	(15,350)
Cash payments for goods, services, rental subsidies	(26,478,694)
Cash payments to/for employees and benefits	(5,853,487)
Cash payments in lieu of property taxes	(163,449)
Cash paid for homes sold (net of sales)	623,354
Net cash provided/(used) by operating activities	<u>2,392,802</u>
Cash flows from capital and related financing activities:	
Purchase of equipment/capital assets	(12,613,275)
Proceeds from issuing bonds, notes, and other debt	10,782,153
Proceeds from sale of tax credits	2,000,000
Contributions received for capital outlays	1,419,452
Loan principal payments	(30,716)
Interest payments	(71,127)
Net cash provided/(used) by capital and related financing activities	<u>1,486,487</u>
Cash flows from noncapital financing activities:	
Contributions made for investments in joint ventures	(390,198)
Contributions received for investments in joint ventures	390,198
Loans made to borrowers	(5,000,694)
Receipt of interest on notes and loans	64,204
Loan payments received	369,426
Loans payments received	498
Net cash provided/(used) by noncapital financing activities	<u>(4,566,566)</u>
Cash flows from investing activities:	
Proceeds from sale of/investments made	40,207
Receipts of interest and dividends	13,736
Deposits to reserve accounts	(16)
Net cash provided/(used) by investing activities	<u>53,927</u>
Net increase/(decrease) in cash	(633,350)
Cash and equivalents at July 1, 2015	<u>19,679,680</u>
Cash and equivalents at June 30, 2016	<u>\$ 19,046,330</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, 2016

	Proprietary Fund - Primary Government
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (161,796)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	2,830,199
Interest expense	70,943
Change in assets and liabilities:	
Decrease/(Increase) in accounts receivable	(562,451)
Decrease/(Increase) in notes and mortgages receivable	349,538
Decrease/(Increase) in prepaid expenses and materials inventory	(12,432)
Decrease/(Increase) in other assets	363,512
Increase/(Decrease) in accounts payable	(233,381)
Increase/(Decrease) in accrued expenses	(184,487)
Increase/(Decrease) in compensated absences	(35,032)
Increase/(Decrease) in trust, deposit, and escrow liabilities	(49,563)
Increase/(Decrease) in unearned revenues	8,422
Increase/(Decrease) in accrued OPEB liabilities	9,330
	\$ 2,392,802

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, 2016

	<u>OPEB Trust Fund</u>
<u>ASSETS</u>	
Cash and equivalents	\$ -
Investments, at fair value	1,046,948
TOTAL ASSETS	<u>1,046,948</u>
<u>LIABILITIES</u>	
Accounts payable and accrued expenses	-
TOTAL LIABILITIES	<u>-</u>
<u>NET POSITION</u>	
Net position held in trust for other postemployment benefits	<u>1,046,948</u>
TOTAL NET POSITION	<u>\$ 1,046,948</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, 2016

	<u>OPEB Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 85,687
Plan members	33,626
Total contributions	<u>119,313</u>
Investment income:	
Net depreciation in fair value of investments	(6,260)
Dividends	1,739
Net investment income	<u>(4,521)</u>
 Total additions	 <u>114,792</u>
DEDUCTIONS	
Benefits paid	119,314
Administrative expenses	1,739
Total deductions	<u>121,053</u>
 Change in fiduciary net position	 <u>(6,261)</u>
 Net position held in trust for other postemployment benefits - July 1, 2015	 <u>1,053,209</u>
 Net position held in trust for other postemployment benefits - June 30, 2016	 <u>\$ 1,046,948</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, 2016

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, 2016

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.
Oyster Point-Brighton Development Corporation and Oyster Point-Brighton, LLC	This program includes the activity of an Authority subsidiary that serves as the ownership entity that is converting and renovating the former public housing developments to Project-based Rental Assistance under HUD's RAD program.
Cypress Terrace Development Corporation and Cypress Terrace, LLC	This program includes the activity of an Authority subsidiary that serves as the ownership entity that is converting and renovating the former public housing developments to Project-based Rental Assistance under HUD's RAD program.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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
Oyster Point-Brighton Development Corporation and Oyster Point-Brighton, LLC	Blended
Cypress Terrace Development Corporation and Cypress Terrace, LLC	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. As this entity has a different fiscal year-end, the information presented for Lower Jefferson Avenue, LLC is as of and the year ended December 31, 2015.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

B. Description of a Public Housing Authority

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

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

C. Fund financial statements

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

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

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

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

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

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

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

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

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.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

E. Fund Accounting (Continued)

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.

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 measurement focus. Proprietary fund types used the flow of economic resources measurement focus. With this measurement focus the emphasis is on the measurement of net income similar to the approach used by commercial enterprise. Revenues are recognized when earned and expenses are recognized when incurred.

Generally, the fund financial statements 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 amortized cost or at fair value as required by GASB 72.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

J. Inventories

Inventories are valued at cost using the average cost method.

K. Capital Assets

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

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, 2016 is \$377,106 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, 2016

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, 2016, the Authority's deposits consist of the following:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Demand Deposit accounts (checking, savings, and money market account)	\$ 13,495,820	\$ 152,522
Time deposits - certificates of deposit	315,000	-
Total deposits	\$ 13,810,820	\$ 152,522

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016, the Authority's deposits with financial institutions for all fund types, including fiduciary funds and blended component units, had a carrying amount of \$13,810,820 and a bank balance of \$14,183,595. For the discretely presented component units, the carrying amount of such deposits amount to \$152,522 and bank balances of \$172,503. The bank balance is categorized as follows:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Amounts insured by the FDIC or collateralized with securities held by third party custodians in the Authority's name	\$ 1,700,517	\$ 172,503
Collateralized under the Commonwealth's public depository fund in accordance with the laws of the Commonwealth of Virginia	12,483,078	-
Uninsured, uncollateralized	-	-
Total bank balance	\$ 14,183,595	\$ 172,503

As of June 30, 2016, the Authority deposits are classified in the financial statements as follows:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Cash and cash equivalents	\$ 13,810,820	\$ 152,522
Investments	-	-
Total deposits	\$ 13,810,820	\$ 152,522

INVESTMENTS

As of June 30, 2016 the Authority held the following investments:

Investment Type	Maturity	Issuer Credit Rating	Proprietary Fund - Fair Value or Cost	Fiduciary Fund - Fair Value or Cost
Repurchase Agreements	Daily	N/A	\$ 1,374,138	\$ -
Federal Home Loan Bank Discount Note	8/12/2015	Not rated	3,857,322	-
Virginia Investment Pool	N/A	N/A	303,026	-
VACO/VML Pooled OPEB Trust	N/A	N/A	-	1,046,948
	Total		\$ 5,534,486	\$ 1,046,948

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

As of June 30, 2016, the Authority's investments are classified in the financial statements as follows:

	Proprietary Fund	Fiduciary Fund
Cash and cash equivalents	\$ 5,231,460	\$ -
Investments	694,599	1,046,948
Total investments	<u>\$ 5,926,059</u>	<u>\$ 1,046,948</u>

CLASSIFICATION IN FINANCIAL STATEMENTS:

In summary, as of June 30, 2016, the Authority's cash and cash equivalents consist of the following:

	Proprietary Fund	Fiduciary Fund	Lower Jefferson Avenue, LLC
Deposits with financial institutions	\$ 13,810,820	\$ -	\$ 152,522
Investments - short-term	5,231,460	-	-
Petty cash and change funds	4,050	-	200
Total cash and cash equivalents	<u>\$ 19,046,330</u>	<u>\$ -</u>	<u>\$ 152,722</u>
Restricted for:			
Capital improvements replacement reserve	\$ 2,292,107	\$ -	\$ -
Security deposits	129,173	-	28,272
Housing Choice Voucher HAP Reserve and interest due HUD	29	-	-
Program income and revolving construction loans	903,527	-	-
Family Self Sufficiency (FSS) program escrow	178,739	-	-
Replacement reserve and other reserve accounts	1,244,615	-	30,981
	<u>4,748,190</u>	<u>-</u>	<u>59,253</u>
Unrestricted	<u>\$ 14,298,140</u>	<u>\$ -</u>	<u>\$ 93,469</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

In summary, as of June 30, 2016, the Authority's investments consist of the following:

	Proprietary Fund	Fiduciary Fund
Deposits with financial institutions - longer term maturities	\$ -	\$ -
Investments	303,026	1,046,948
Unrestricted	<u>303,026</u>	<u>1,046,948</u>
Reserves held by VHDA	391,573	-
Restricted	<u>391,573</u>	<u>-</u>
Total investments	<u>\$ 694,599</u>	<u>\$ 1,046,948</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 \$1,374,138 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.

Fair value – The Authority categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Virginia Investment Pool is in compliance with the requirements of GASB Statement 29 and elects to measure its investments at amortized cost for financial reporting. Therefore, participants (the Authority) in the Virginia Investment Pool should also measure their investments in the Virginia Investment Pool at amortized cost for financial reporting.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

Investments measured at fair value using net asset value per share (VML/VACO Pooled OPEB Trust) or amortized cost (Virginia Investment Pool) are not classified in the fair value hierarchy.

The VML/VACO Pooled OPEB Trust categorizes their investments within the fair value hierarchy established by GAAP. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the Net Asset Value (NAV) per share (or its equivalent) of the investment. Investments in the VML/VACO Pooled OPEB Trust are valued using the NAV per share, which is determined by dividing the total value of the Trust by the number of outstanding shares. The NAV per share changes with the value of the underlying investments in the Trust. Generally, VML/VACO Pooled OPEB Trust participants may redeem their investment at the end of a calendar quarter upon 90 days' written notice.

NOTE 3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2016 consist of the following:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Tenants/program participants	\$ 323,307	\$ 537
Less: Allowance	(253,363)	-
	<u>69,944</u>	<u>537</u>
HUD - unrequisioned costs	446,638	-
HUD - operating subsidy	552,850	-
HUD - administrative fees	36,556	-
Loan program participants	30,911	-
Other governments	556,608	-
Interest	4,950	-
Affiliated property owners		
Phoenix Village II	1,038	-
Phoenix Village	2,763	-
Great Oak	111,401	-
Miscellaneous	821	-
	<u>\$ 1,814,480</u>	<u>\$ 537</u>

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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	Neighborhood Stabilization Program	Business Activities Program	Lofts on Jefferson	Oyster Point- Brighton	Cypress Terrace
Tenants	\$ 82,207	\$ 223,525	\$ -	\$ -	\$ -	\$ -	\$ 1,250	\$ -	\$ -	\$ -	\$ 4,548	\$ 8,498	\$ 3,279
Less: Allowance	(22,501)	(223,525)	-	-	-	-	(125)	-	-	-	(2,912)	(2,509)	(1,791)
	<u>59,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,636</u>	<u>5,989</u>	<u>1,488</u>
HUD - unrequitioned costs	399,092	18,405	-	-	-	29,141	-	-	-	-	-	-	-
HUD - operating subsidy	459,400	-	-	-	-	-	-	-	-	-	-	65,882	27,568
HUD - administrative fees	-	36,556	-	-	-	-	-	-	-	-	-	-	-
Loan program participants	-	-	-	827	30,084	-	-	-	-	-	-	-	-
Other governments	72,468	5,849	-	-	100,000	-	-	92,610	60,927	224,754	-	-	-
Interest	-	-	-	-	-	-	-	-	-	4,950	-	-	-
Affiliated property owners													
Phoenix Village II	-	-	1,038	-	-	-	-	-	-	-	-	-	-
Phoenix Village	-	-	-	-	-	-	-	-	-	2,763	-	-	-
Great Oak	-	-	111,401	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	694	-	-	75	-	-	-	-	52	-	-	-
	<u>\$ 990,666</u>	<u>\$ 61,504</u>	<u>\$ 112,439</u>	<u>\$ 827</u>	<u>\$ 130,159</u>	<u>\$ 29,141</u>	<u>\$ 1,125</u>	<u>\$ 92,610</u>	<u>\$ 60,927</u>	<u>\$ 232,519</u>	<u>\$ 1,636</u>	<u>\$ 71,871</u>	<u>\$ 29,056</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 two years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
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>\$ 27,538</u>	<u>\$ 1,668</u>	<u>\$ 29,206</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, 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 year ended June 30, 2021	13,067	21,100	34,167
For the years ended June 30, 2022-2026	73,655	97,178	170,833
For the years ended June 30, 2027-2031	89,708	81,125	170,833
For the years ended June 30, 2032-2036	109,260	61,573	170,833
For the years ended June 30, 2037-2041	133,074	37,759	170,833
For the years ended June 30, 2042-2045	121,353	9,619	130,972
	<u>\$ 587,524</u>	<u>\$ 397,615</u>	<u>\$ 985,139</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016, \$600,000 was deferred or outstanding under this agreement.

	Principal	Interest	Total Payments
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
	\$ 600,000	\$ -	\$ 600,000

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, 2016

NOTE 4 – MORTGAGES/NOTES PAYABLE: (Continued)

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

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

Principal loaned through June 30, 2005	<u>\$</u>	<u>714,000</u>
Accrued interest for the year ended June 30, 2005	\$	21,678
Accrued interest for the year ended June 30, 2006		29,427
Accrued interest for the year ended June 30, 2007		30,604
Accrued interest for the year ended June 30, 2008		31,829
Accrued interest for the year ended June 30, 2009		33,432
Accrued interest for the year ended June 30, 2010		34,784
Accrued interest for the year ended June 30, 2011		36,188
Accrued interest for the year ended June 30, 2012		37,755
Accrued interest for the year ended June 30, 2013		39,175
Accrued interest for the year ended June 30, 2014		40,759
Accrued interest for the year ended June 30, 2015		42,405
Accrued interest for the year ended June 30, 2016		44,240
Total accrued interest due as of June 30, 2016	<u>\$</u>	<u>422,276</u>

In the REAC Financial Data Schedule (FDS) presented as supplemental information. The accrued interest payable of \$422,276 is reported on FDS line 353, Non-Current Liabilities – Other. The interest receivable of \$422,276 is reported on FDS line 171, Notes, Loans, and Mortgages Receivable – Non-Current along with the related principal.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 4 – MORTGAGES/NOTES PAYABLE: (Continued)

Inter-program note payable – Oyster Point-Brighton RAD Conversion Loans:

During 2016, the Authority closed on a transaction to convert 196 units of a public housing development to project-based rental assistance under HUD's Rental Assistance Demonstration (RAD) program. This conversion involves substantial renovation costs and the Authority provided a portion of the funding for these renovations in the form of HOME funds, Capital Fund Replacement Housing Factor (RHF) funds, and Public Housing Operating Reserves. This funding is provided in the form of loans executed between the Authority and the ownership entity created to own and operate these rental units. Further, the Authority conveyed the real property and existing structures and improvements to this ownership entity in the form of a ninety-nine (99) year ground lease in exchange for a seller loan.

These loans are described as follows:

On January 29, 2016 a promissory note for \$1,372,000 was executed between the Authority and Oyster Point-Brighton, LLC (Maker) for City HOME funds provided for this development. This note bears interest at a rate of 0.0% per annum and is due and payable on February 1, 2046 or upon either (1) the conveyance of the property or (2) if the property ceases to be maintained as affordable housing. This note is secured by a Leasehold Deed of Trust. As of June 30, 2016, the Authority had advanced \$1,371,000 to the Maker and is holding back \$1,000 until completion. \$1,371,000

On January 29, 2016 a promissory note for \$1,035,903 was executed between the Authority and Oyster Point-Brighton, LLC (Maker) for Capital Fund RHF provided for this development. This note bears interest at a rate of 0.0% per annum and is due and payable on February 1, 2046 or upon the conveyance of the property. This note is secured by a Leasehold Deed of Trust. Annual principal payments on the outstanding balances of principal shall be made from Maker to Note holder from Maker's Net Cash Flow, as defined in and in accordance with Section 11.03 of Maker's Amended and Restated Operating Agreement. Any remaining balance shall be due and payable in full on February 1, 2046. As of June 30, 2016 the Authority had advanced \$1,035,903 to the Maker. 1,035,903

On January 29, 2016 a promissory note for \$400,000 was executed between the Authority and Oyster Point-Brighton, LLC (Maker) for Public Housing Operating Reserve funds provided for this development. This note bears interest at a rate of 0.0% per annum and is due and payable on February 1, 2046 or upon the conveyance of the property. This note is secured by a Leasehold Deed of Trust. Annual principal payments on the outstanding balances of principal shall be made from Maker to Note holder from Maker's Net Cash Flow, as defined in and in accordance with Section 11.03 of Maker's Amended and Restated Operating Agreement. Any remaining balance shall be due and payable in full on February 1, 2046. As of June 30, 2016 the Authority had advanced \$400,000 to the Maker. 400,000

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 4 – MORTGAGES/NOTES PAYABLE: (Continued)

On January 29, 2016 a promissory note for \$4,377,000 was executed between the Authority and Oyster Point-Brighton, LLC (Maker) to convey long-term leasehold interests from the Authority to the Maker. This note bears interest at a rate of 2.61% per annum and is due and payable on February 1, 2046 or upon the conveyance of the property. This note is secured by a Leasehold Deed of Trust. Annual principal payments on the outstanding balances of principal shall be made from Maker to Note holder from Maker's Net Cash Flow, as defined in and in accordance with Section 11.03 of Maker's Amended and Restated Operating Agreement. Any remaining balance and any accrued interest shall be due and payable in full on February 1, 2046.

4,377,000

Total interfund within the Public Housing Fund

\$7,183,903

Inter-program note payable – Cypress Terrace RAD Conversion Loans:

During 2016, the Authority closed on a transaction to convert 82 units of a public housing development to project-based rental assistance under HUD's Rental Assistance Demonstration (RAD) program. This conversion involves substantial renovation costs and the Authority provided a portion of the funding for these renovations in the form of HOME funds, Capital Fund Replacement Housing Factor (RHF) funds, and Public Housing Operating Reserves. This funding is provided in the form of loans executed between the Authority and the ownership entity created to own and operate these rental units. Further, the Authority conveyed the real property and existing structures and improvements to this ownership entity in the form of a ninety-nine (99) year ground lease in exchange for a seller loan.

These loans are described as follows:

On January 29, 2016 a promissory note for \$574,000 was executed between the Authority and Cypress Terrace, LLC (Maker) for City HOME funds provided for this development. This note bears interest at a rate of 0.0% per annum and is due and payable on February 1, 2046 or upon either (1) the conveyance of the property or (2) if the property ceases to be maintained as affordable housing. This note is secured by a Leasehold Deed of Trust. As of June 30, 2016, the Authority had advanced \$573,000 to the Maker and is holding back \$1,000 until completion.

\$573,000

On January 29, 2016 a promissory note for \$480,000 was executed between the Authority and Cypress Terrace, LLC (Maker) for Capital Fund RHF provided for this development. This note bears interest at a rate of 0.0% per annum and is due and payable on February 1, 2046 or upon the conveyance of the property. This note is secured by a Leasehold Deed of Trust. Annual principal payments on the outstanding balances of principal shall be made from Maker to Note holder from Maker's Net Cash Flow, as defined in and in accordance with Section 11.03 of Maker's Amended and Restated Operating Agreement. Any remaining balance shall be due and payable in full on February 1, 2046. As of June 30, 2016 the Authority had advanced \$480,000 to the Maker.

480,000

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 4 – MORTGAGES/NOTES PAYABLE: (Continued)

On January 29, 2016 a promissory note for \$400,000 was executed between the Authority and Cypress Terrace, LLC (Maker) for Public Housing Operating Reserve funds provided for this development. This note bears interest at a rate of 0.0% per annum and is due and payable on February 1, 2046 or upon the conveyance of the property. This note is secured by a Leasehold Deed of Trust. Annual principal payments on the outstanding balances of principal shall be made from Maker to Note holder from Maker's Net Cash Flow, as defined in and in accordance with Section 11.03 of Maker's Amended and Restated Operating Agreement. Any remaining balance shall be due and payable in full on February 1, 2046. As of June 30, 2016 the Authority had advanced \$600,000 to the Maker.

600,000

On January 29, 2016 a promissory note for \$2,501,945 was executed between the Authority and Cypress Terrace, LLC (Maker) to convey long-term leasehold interests from the Authority to the Maker. This note bears interest at a rate of 2.61% per annum and is due and payable on February 1, 2046 or upon the conveyance of the property. This note is secured by a Leasehold Deed of Trust. Annual principal payments on the outstanding balances of principal shall be made from Maker to Note holder from Maker's Net Cash Flow, as defined in and in accordance with Section 11.03 of Maker's Amended and Restated Operating Agreement. Any remaining balance and any accrued interest shall be due and payable in full on February 1, 2046.

1,945,250

Total interfund within the Public Housing Fund

\$3,598,250

Total inter-program loans/receivable/payable eliminated in the single Proprietary Fund

\$11,496,153

Interfund note payable – Orcutt Senior Housing – Capital Funds Loan

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

\$2,475,000

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016, was as follows:

	Balance at June 30, 2015	Additions	Reductions	Balance at June 30, 2016	Due Within One Year
<u>Proprietary Fund:</u>					
Transition Center					
Mortgage Payable	\$ 47,525	\$ -	\$ 19,987	\$ 27,538	\$ 21,852
VHDA TCAP Note Payable	1,004,231	-	-	1,004,231	-
VHDA Exchange Note Payable	660,000	-	60,000	600,000	-
VHDA Mortgage - 2713 Lofts	598,253	-	10,729	587,524	11,160
Escrow liabilities	229,502	201,193	242,332	188,363	-
Compensated absences	411,889	266,164	300,947	377,106	3,600
	<u>\$ 2,951,400</u>	<u>\$ 467,357</u>	<u>\$ 633,995</u>	<u>\$ 2,784,762</u>	<u>\$ 36,612</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 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. \$180,000

Construction Loan

The Lower Jefferson Avenue, LLC executed a promissory note with Carolina Bank on 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, was due on December 21, 2015 but remained unpaid as of December 31, 2015. This loan was repaid at closing on January 27, 2016. 2,192,847

Total interfund within the Public Housing Fund \$2,372,847

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Balance at December 31, 2014	Additions	Reductions	Balance at December 31, 2015	Due Within One Year
<u>Lower Jefferson Avenue, LLC:</u>					
Loan payable to NNRHA	\$ 180,000	\$ -	\$ -	\$ 180,000	\$ -
Carolina Bank	2,155,840	37,007	-	2,192,847	2,192,847
	<u>\$ 2,335,840</u>	<u>\$ 37,007</u>	<u>\$ -</u>	<u>\$ 2,372,847</u>	<u>\$ 2,192,847</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 5 – CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance at June 30, 2015	Additions	Transfers/ Reductions	Balance at June 30, 2016
<u>Proprietary Fund:</u>				
Land and improvements	\$ 3,797,126	\$ 3,990,000	\$ (816,237)	\$ 6,970,889
Construction in progress	5,007,227	10,016,195	(1,274,029)	13,749,393
Total capital assets, not being depreciated	<u>8,804,353</u>	<u>14,006,195</u>	<u>(2,090,266)</u>	<u>20,720,282</u>
Buildings and improvements	101,883,858	57,864	(12,396,708)	89,545,014
Furniture, equipment, vehicles and fixtures	2,707,175	135,929	(56,186)	2,786,918
Total capital assets, being depreciated	<u>104,591,033</u>	<u>193,793</u>	<u>(12,452,894)</u>	<u>92,331,932</u>
Accumulated depreciation	<u>(69,142,305)</u>	<u>(2,830,199)</u>	<u>12,050,351</u>	<u>(59,922,153)</u>
Total capital assets, being depreciated (net)	<u>35,448,728</u>	<u>(2,636,406)</u>	<u>(402,543)</u>	<u>32,409,779</u>
	<u>\$ 44,253,081</u>	<u>\$ 11,369,789</u>	<u>\$ (2,492,809)</u>	<u>\$ 53,130,061</u>

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

<u>Proprietary Fund:</u>	
Public Housing Program	\$ 2,623,196
Rental Assistance Program	33,558
Central Office Cost Center Program	53,005
Community Development Program	6,641
HOME Investment Partnerships Program	3,727
Transition Center Program	11,846
State & Local Activities Program	1,900
Business Activities Program	35,605
Lofts on Jefferson	55,554
Oyster Point-Brighton	3,509
Cypress Terrace	<u>1,658</u>
Total depreciation expense - Proprietary Fund	<u>\$ 2,830,199</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 5 – CAPITAL ASSETS: (Continued)

DISCRETELY PRESENTED COMPONENT UNIT – LOWER JEFFERSON AVENUE, LLC:

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance at December 31, 2014	Additions	Transfers/ Reductions	Balance at December 31, 2015
<u>Lower Jefferson Avenue, LLC:</u>				
Land and improvements	\$ 252,300	\$ -	\$ -	\$ 252,300
Total capital assets, not being depreciated	<u>252,300</u>	<u>-</u>	<u>-</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>7,670,889</u>	<u>-</u>	<u>-</u>	<u>7,670,889</u>
Accumulated depreciation	<u>(68,477)</u>	<u>(222,564)</u>	<u>-</u>	<u>(291,041)</u>
Total capital assets, being depreciated (net)	<u>7,602,412</u>	<u>(222,564)</u>	<u>-</u>	<u>7,379,848</u>
	<u>\$ 7,854,712</u>	<u>\$ (222,564)</u>	<u>\$ -</u>	<u>\$ 7,632,148</u>

Depreciation expense of \$222,564 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.

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.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 6 EMPLOYEE RETIREMENT PLAN: (Continued)

During the year ended June 30, 2016, the Authority's required and actual contributions and pension expense amounted to \$448,847 which was 12% of its covered payroll. No contribution forfeitures were recognized for the year ended June 30, 2016 and there was no liability for unpaid contributions as of June 30, 2016.

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.

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.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

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 2.72% of the annual covered payroll.

Summary of Significant Accounting Policies:

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

Annual OPEB Cost and Net OPEB Obligations:

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

Annual required contribution (ARC)	\$ 119,400
Interest on net OPEB obligation	(1,699)
Adjustment to annual required contribution	1,594
Annual OPEB cost (expense)	<u>119,295</u>
Contributions made	<u>(85,688)</u>
Increase (decrease) in net OPEB obligation	33,607
Net OPEB obligation (prepayment) July 1, 2015	<u>(24,277)</u>
Net OPEB obligation (prepayment) June 30, 2016	<u><u>\$ 9,330</u></u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016, 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)
2016	119,295	71.82%	9,330

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.

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% 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.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016, there were four series of Tax Exempt Mortgage Revenue Bonds outstanding, with an aggregate principal amount payable of \$30,600,681.

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
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 11 – NOTES AND MORTGAGES RECEIVABLE: (Continued)

Notes and mortgages receivable at June 30, 2016 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	\$ 2,926,022	\$ 5,540,600	\$ -	\$ -	\$ 8,466,622
	<u>2,926,022</u>	<u>5,540,600</u>	<u>-</u>	<u>-</u>	<u>8,466,622</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	-	-	-	38,946	38,946
Down payment assistance loans due from homebuyers	-	-	-	28,981	28,981
	<u>-</u>	<u>-</u>	<u>1,473,746</u>	<u>247,927</u>	<u>1,721,673</u>
	<u>\$ 2,926,022</u>	<u>\$ 5,540,600</u>	<u>\$ 1,473,746</u>	<u>\$ 247,927</u>	<u>\$ 10,188,295</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016 is as follows:

Receivable Fund	Payable Fund						
	Public Housing Fund	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Program	Resident Self Sufficiency Program	Transition Center Program
Public Housing Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Central Office Cost Center Program	303,804	1,000	-	24,039	62,065	27,179	110
Business Activities Program	-	-	458,341	-	31,149	-	-
	<u>\$ 303,804</u>	<u>\$ 1,000</u>	<u>\$ 458,341</u>	<u>\$ 24,039</u>	<u>\$ 93,214</u>	<u>\$ 27,179</u>	<u>\$ 110</u>

Receivable Fund	Payable Fund						
	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lofts on Jefferson	Oyster Point-Brighton	Cypress Terrace	Total
Public Housing Fund	\$ -	\$ -	\$ -	\$ -	\$ 83,000	\$ 39,750	\$ 122,750
Central Office Cost Center Program	90,824	11,533	15,127	24,508	500	-	560,689
Business Activities Program	-	-	-	-	-	-	489,490
	<u>\$ 90,824</u>	<u>\$ 11,533</u>	<u>\$ 15,127</u>	<u>\$ 24,508</u>	<u>\$ 83,500</u>	<u>\$ 39,750</u>	<u>\$1,172,929</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 12 – INTER-PROGRAM RECEIVABLES

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.

The amounts owed to the Public Housing Fund by the RAD conversion properties, Oyster Point-Brighton and Cypress Terrace, related to the cash portion of the base rent due at closing that was initially deposited to the Developers Fee program and then inadvertently refunded to the RAD ownership entities.

The composition of transfers to and from other programs as of June 30, 2016 is as follows:

Paying Program	Receiving Program				
	Public Housing Fund	Rental Assistance Program	Oyster Point- Brighton	Cypress Terrace	Total
Central Office Cost Center - transfer to subsidize program operations	\$ -	\$ 28,789	\$ -	\$ -	\$ 28,789
Public Housing Program - transfer of operating funds earned and received by Public Housing AMP to RAD conversion ownership entities	-	-	259,821	108,719	368,540
Public Housing Program - transfer of current assets for Public Housing AMP to RAD conversion ownership entities	-	-	25,324	9,664	34,988
Community Development Program - program funds used to fund a capital improvement	11,926	-	-	-	11,926
	<u>\$ 11,926</u>	<u>\$ 28,789</u>	<u>\$ 285,145</u>	<u>\$ 118,383</u>	<u>\$ 444,243</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 13 – ACCOUNTS PAYABLE

Payables at June 30, 2016 consist of the following:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Vendors and contractors	\$ 1,942,659	\$ 101,144
Accrued utilities	184,225	-
Other payroll withholdings	255,123	-
HUD - SRO settlement - FY 2015	28,001	-
HUD - SRO settlement - FY 2014	38,457	-
HUD - interest on NRA	29	-
Other governments	55,879	-
Developer fees	-	260,400
Contract retention	529,511	-
	<u>\$ 3,033,884</u>	<u>\$ 361,544</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 13 – ACCOUNTS PAYABLE (Continued)

Detailed information by program at June 30, 2016 consists of the following:

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Program	Resident Self Sufficiency Program	Transition Center Program	State and Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lofts on Jefferson	Oyster Point- Brighton	Cypress Terrace
Vendors and Contractors	\$ 250,601	\$ 24,031	\$ 46,425	\$ 54,860	\$ 23,602	\$ 84	\$ 475	\$ 6,677	\$ 6,307	\$ 52,489	\$ 155	\$ 1,037,668	\$ 439,285
Accrued utilities	151,466	33	-	-	-	-	1,892	-	-	1,437	885	16,213	12,299
Other payroll withholdings	-	-	255,123	-	-	-	-	-	-	-	-	-	-
HUD - SRO settlement - FY 2015	-	28,001	-	-	-	-	-	-	-	-	-	-	-
HUD - SRO settlement - FY 2014	-	38,457	-	-	-	-	-	-	-	-	-	-	-
HUD - interest on NRA	-	29	-	-	-	-	-	-	-	-	-	-	-
Developer Fee	53,694	-	-	-	-	-	-	-	-	-	-	3,806	(1,621)
Contract retention	112,981	-	-	-	1,829	-	-	-	-	5,587	-	294,345	114,769
	<u>\$ 568,742</u>	<u>\$ 90,551</u>	<u>\$ 301,548</u>	<u>\$ 54,860</u>	<u>\$ 25,431</u>	<u>\$ 84</u>	<u>\$ 2,367</u>	<u>\$ 6,677</u>	<u>\$ 6,307</u>	<u>\$ 59,513</u>	<u>\$ 1,040</u>	<u>\$ 1,352,032</u>	<u>\$ 564,732</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 14 – ACCRUED SALARIES AND EXPENSES

Accrued salaries and expenses at June 30, 2016 consist:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Salaries and wages	<u>\$ 44,527</u>	<u>\$ 2,047</u>
	<u>\$ 44,527</u>	<u>\$ 2,047</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 14 – ACCRUED SALARIES AND EXPENSES: (Continued)

Accrued salaries and expenses at June 30, 2016 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	Oyster Point- Brighton	Cypress Terrace
Salaries and wages	\$ 14,689	\$ 6,081	\$ 15,268	\$ 1,231	\$ 302	\$ 1,878	\$ 36	\$ 1,359	\$ 373	\$ 133	\$ 2,261	\$ 916
	<u>\$ 14,689</u>	<u>\$ 6,081</u>	<u>\$ 15,268</u>	<u>\$ 1,231</u>	<u>\$ 302</u>	<u>\$ 1,878</u>	<u>\$ 36</u>	<u>\$ 1,359</u>	<u>\$ 373</u>	<u>\$ 133</u>	<u>\$ 2,261</u>	<u>\$ 916</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 15 – OTHER ASSETS:

Other assets at June 30, 2016 consist of the following:

	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	\$ 184,865	\$ -	\$ -	\$ 184,865
	<u>\$ 184,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,865</u>
<u>Other noncurrent assets:</u>				
Cost of architectural plans developed for use in future neighborhood redevelopment activities. Costs to be amortized and recovered in the form of plan fees.	\$ -	\$ 57,986	\$ -	\$ 57,986
Investment in Lower Jefferson Avenue, LLC - general partner capital contributions	-	-	375,858	375,858
Redevelopment costs for city funded redevelopment programs	-	49,300	-	49,300
	<u>\$ -</u>	<u>\$ 107,286</u>	<u>\$ 375,858</u>	<u>\$ 483,144</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 16 – CONSTRUCTION COMMITMENTS:

Proprietary Fund:

The Authority has active construction projects as of June 30, 2016. 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 2	\$ 4,359,251	\$ 100,465
Marshall Courts Renovations - Phase 3	133,467	1,059,410
Newport News Senior Apartments	316,829	33,171
Oyster Point Apartments Renovation	1,053,254	5,326,409
Brighton Apartments Renovation	1,894,482	3,963,352
Cypress Terrace Apartments Renovation	1,149,098	4,913,862
Kline Building Façade Improvements	55,872	103,734
	<u>\$ 8,962,253</u>	<u>\$ 15,500,403</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.

NOTE 17 – DEFICIT NET POSITION:

At June 30, 2016 the following programs reflect a deficit in net position. A deficit in net position indicates that the liabilities of the program exceed the cumulative assets of the fund:

State & Local Activities and Neighborhood Stabilization Programs

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016 restricted net position was as follows:

Reserves and escrows:	
Public Housing CFP reserves	\$ 6,459
Public Housing Tax credit operating and replacement reserves	1,244,616
Transition Center escrow, operating and replacement reserves	384,652
2713 Lofts escrow, operating and replacement reserves	6,921
	<u>1,642,648</u>
Loan programs	
CDBG net position associated with loan balances	2,926,022
HOME program net position associated with loan balances	5,540,600
	<u>8,466,622</u>
Accumulated CD and HOME funds	
CDBG accumulated net position	670,638
HOME City construction funds	930,770
HOME unexpended program income	72,756
HOME accumulated net position	2,111,267
	<u>3,785,431</u>
Restricted for redevelopment activities:	
Oyster Point-Brighton	-
Cypress Terrace	-
	<u>-</u>
	<u>\$ 13,894,701</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016:

Balance at July 1, 2015	\$	6,459
Interest earned		-
Expenditures of reserves		-
Balance at June 30, 2016	\$	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, 2016:

	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, 2015	\$ 282,729	\$ 158,327	\$ 298,134	\$ 228,873	\$ 200,417	\$ 36,024
Interest earned	142	50	150	71	100	11
Deposits	-	17,746	-	12,907	-	9,000
Withdrawals/fees	(30)	-	(30)	-	-	(5)
Balance at June 30, 2016	\$ 282,841	\$ 176,123	\$ 298,254	\$ 241,851	\$ 200,517	\$ 45,030

These funds are held in checking accounts.

Summary for Public Housing Program:

Public Housing CFP reserves	\$	6,459
Tax credit operating and replacement reserves		1,244,616
	\$	1,251,075

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 18 – RESTRICTED NET POSITION: (Continued)

Rental Assistance Program:

Housing Choice Voucher Program:

The Authority's annual contribution contract with HUD and HUD regulations require that the undesignated fund balance (net 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, 2015	\$ 173,460	\$ 1,276,482	\$ 1,449,942
Current period excess/(deficiency) of funding	(276,464)	183,783	(92,681)
Transfer from administrative fee equity to fund deficit	103,004	(103,004)	-
Balance at June 30, 2016	<u>\$ -</u>	<u>\$ 1,357,261</u>	<u>\$ 1,357,261</u>

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

Community Development Program and HOME Investment Partnerships Program:

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

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

As of June 30, 2016 the restricted balances due are as follows:

	Loans	Accumulated Net Position	Total
CDBG Program	\$ 2,926,022	\$ 670,638	\$ 3,596,660
HOME Program	5,540,600	2,111,267	7,651,867
	<u>\$ 8,466,622</u>	<u>\$ 2,781,905</u>	<u>\$ 11,248,527</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 18 – RESTRICTED NET POSITION: (Continued)

Transition Center Restricted Reserves:

The Authority owns and operates housing under the terms of a mortgage and regulatory agreement with the Virginia Housing Development Authority (VHDA). VHDA requires that certain reserves and escrow accounts be maintained and VHDA retains possession and control such funds. Accordingly, these 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, 2016:

	Insurance Escrow	Replacement Reserve	Operating Reserve	Total
Balance at July 1, 2015	\$ 2,695	\$ 174,416	\$ 194,111	\$ 371,222
Interest earned	-	536	589	1,125
Deposits	2,793	3,588	8,624	15,005
Withdrawals	(2,700)	-	-	(2,700)
Balance at June 30, 2016	<u>\$ 2,788</u>	<u>\$ 178,540</u>	<u>\$ 203,324</u>	<u>\$ 384,652</u>

These funds are held by VHDA in various accounts.

Oyster Point-Brighton and Cypress Terrace:

The Authority is converting Public Housing developments to project-based rental assistance under HUD's RAD program. This redevelopment involves various sources of funding, including the proceeds from loans and the sale of tax credits which are restricted as to their specific use under the term of any operating agreement.

	Oyster Point - Brighton	Cypress Terrace	Total
Proceeds from closing	\$ 1,540,224	\$ 1,538,695	\$ 3,078,919
Expended through June 30, 2016	(599,563)	(193,708)	(793,271)
On-hand as of June 30, 2016	940,661	1,344,987	2,285,648
Less: owed to Public Housing Fund	(83,000)	(39,750)	(122,750)
Less: debt related to unspent proceeds	(857,661)	(1,305,237)	(2,162,898)
Restricted for redevelopment activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 18 – RESTRICTED NET POSITION: (Continued)

Lower Jefferson Avenue, LLC:

Lower Jefferson Avenue, LLC owns and operates housing under terms of an Operating Agreement with its investor limited partners. These agreements require that certain reserves and escrow accounts be maintained. These net positions are reported as restricted for these purposes for the year ended December 31, 2015:

	Tax Escrow	Replacement Reserve	Total
Balance as of December 31, 2014	\$ -	\$ -	\$ -
Interest earned	-	1	1
Deposits	22,581	30,000	52,581
Withdrawals	(21,601)	-	(21,601)
Balance as of December 31, 2015	\$ 980	\$ 30,001	\$ 30,981

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	\$ 6,315,977	\$ 5,588,777
Development Costs Captured in Capital Asset/ Depreciation Software	\$ 6,315,977	\$ 5,588,777
Development Costs Certified in Cost Certification	\$ 7,027,423	\$ 5,883,423

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, 2016

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 – SPECIAL ITEM – GAIN ON DISPOSITION OF PUBLIC HOUSING PROJECTS:

During the year the Authority completed the process of converting one (1) of its public housing developments to two (2) project-based rental assistance projects under HUD’s Rental Assistance Determination (RAD) program. The Authority conveyed the real property and capital assets associated with the Oyster-Point and the Brighton Apartments to an affiliated for-profit entity, Oyster Point-Brighton, LLC and the Cypress Terrace Apartments to an affiliated for-profit entity, Cypress Terrace, LLC. These entities are controlled by affiliates of the Authority, the Oyster Point-Brighton Development Corporation and the Cypress Terrace Development Corporation. At conversion the real property and improvements of these previous public housing developments were conveyed in the form of a sale via a ninety-nine (99) year ground lease. The new ownership entity recorded these amounts based on appraised amounts and the closing transactions reflected these amounts as the sales price.

	Oyster Point- Brighton	Cypress Terrace	Total
Base rent for ground lease	\$ 4,460,000	\$ 1,985,000	\$ 6,445,000
Net book value of real property and improvements on date of closing	(1,357,179)	(1,135,630)	(2,492,809)
Gain on conversion of former Public Housing Projects	\$ 3,102,821	\$ 849,370	\$ 3,952,191

NOTE 22 – PRIOR PERIOD ADJUSTMENTS/RESTATEMENT OF NET POSITION:

During 2015, the Authority erosion control site improvements in two of its developments totaling \$99,424. At the time these project were completed it was anticipated that these costs would be charged to and requisitioned under the Capital Fund Program and at June 30, 2015 a receivable was recorded for this un-requisitioned capital fund revenue. During 2016, it was determined that these costs would be funded from retained operating reserves of the developments and the costs were reclassified from the capital fund project. As a result, the estimated revenue of \$99,424 as of June 30, 2015 was not realizable and an adjustment to beginning net assets was recorded.

NOTE 23 – SUBSEQUENT EVENTS:

In preparing financial statements, management evaluated subsequent events through March 31, 2017, the date the financial statements were issued (or the date the financial statements were available to be issued).

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 24 – INVESTMENT IN JOINT VENTURES:

During the year ended June 30, 2016 the Authority entered into an arrangement with the City of Newport News in order to acquire and renovate a community grocery store using New Market Tax Credits. The Authority created and is the sole member of Brooks Crossing Grocery Store, LLC and received \$390,198 from the City of Newport News which was contributed to this entity as an equity investment. Brooks Crossing Grocery Store, LLC is governed by a Board of Managers consisting of 2 members of the Newport News Redevelopment and Housing Authority and 3 members from other boards or departments of the City of Newport News. Separate financial statements of Brooks Crossing Grocery Store, LLC are available from the City of Newport News Finance Department.

REQUIRED SUPPLEMENTARY INFORMATION

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$ 1,659,348	\$ 1,659,348	0.00%	\$ 5,779,362	28.71%
7/1/2009	\$ 158,045	\$ 1,797,306	\$ 1,639,261	8.79%	\$ 5,953,807	27.53%
7/1/2011	\$ 668,601	\$ 2,209,243	\$ 1,540,642	30.26%	\$ 5,075,666	30.35%
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%
2016	\$ 119,400	71.77%

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2016

	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	\$ 6,827,625	\$ 1,371,053	\$ 2,517,531	\$ 759,868	\$ 81,024	\$ -	\$ 14,564
Accounts receivable (net of allowance)	990,666	61,504	112,439	827	130,159	29,141	1,125
Due from other funds	122,750	-	560,689	-	-	-	-
Investments	-	-	101,009	-	-	-	-
Prepaid expenses	44,021	4,488	27,261	525	869	-	3
Materials inventory (net of allowance)	-	-	25,052	-	-	-	-
Other assets	-	-	-	-	184,865	-	-
Total Current assets	<u>7,985,062</u>	<u>1,437,045</u>	<u>3,343,981</u>	<u>761,220</u>	<u>396,917</u>	<u>29,141</u>	<u>15,692</u>
Restricted assets:							
Cash and equivalents - restricted	1,398,557	116,129	-	-	903,527	-	3,315
Investments - restricted	-	-	-	-	-	-	384,652
Notes receivable (non-current)	-	-	-	2,926,022	5,540,600	-	-
Total restricted assets	<u>1,398,557</u>	<u>116,129</u>	<u>-</u>	<u>2,926,022</u>	<u>6,444,127</u>	<u>-</u>	<u>387,967</u>
Noncurrent assets:							
Notes and mortgages receivable	-	-	1,473,746	-	-	-	-
Nondepreciable capital assets	7,918,429	32,000	-	-	31,149	-	17,201
Capital assets (net)	29,714,814	167,853	237,466	18,803	13,043	-	106,487
Interfund notes receivable	8,838,153	-	-	-	1,944,000	-	-
Accrued interest receivable	-	-	-	-	-	-	-
Investment in joint ventures	-	-	-	-	-	-	-
Other noncurrent assets	-	-	-	-	-	-	-
Total noncurrent assets	<u>46,471,396</u>	<u>199,853</u>	<u>1,711,212</u>	<u>18,803</u>	<u>1,988,192</u>	<u>-</u>	<u>123,688</u>
TOTAL ASSETS	<u>55,855,015</u>	<u>1,753,027</u>	<u>5,055,193</u>	<u>3,706,045</u>	<u>8,829,236</u>	<u>29,141</u>	<u>527,347</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2016

	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	568,742	90,551	301,548	54,860	25,431	84	2,367
Due to other funds	303,804	1,000	458,341	24,039	93,214	27,179	110
Accrued salaries	14,689	6,081	15,268	1,231	302	1,878	36
Accrued interest payable	-	-	-	-	-	-	206
Unearned revenues	25,173	-	-	-	-	-	44
Security deposit liabilities	97,961	900	-	-	-	-	3,315
Compensated absences	-	-	1,260	-	-	-	-
Current portion of long-term liabilities	-	-	-	-	-	-	21,852
Total current liabilities	<u>1,010,369</u>	<u>98,532</u>	<u>776,417</u>	<u>80,130</u>	<u>118,947</u>	<u>29,141</u>	<u>27,930</u>
Long-term liabilities:							
Compensated absences	101,730	54,759	168,073	10,452	1,079	-	-
Accrued OPEB liabilities	-	-	9,330	-	-	-	-
Notes and mortgages payable	1,604,231	-	-	-	-	-	5,686
Interfund notes payable	714,000	-	-	-	-	-	-
Accrued interest payable	422,276	-	-	-	-	-	-
Trust, deposit and escrow liabilities	49,521	115,200	-	-	9,625	-	-
Total long-term liabilities	<u>2,891,758</u>	<u>169,959</u>	<u>177,403</u>	<u>10,452</u>	<u>10,704</u>	<u>-</u>	<u>5,686</u>
TOTAL LIABILITIES	<u>3,902,127</u>	<u>268,491</u>	<u>953,820</u>	<u>90,582</u>	<u>129,651</u>	<u>29,141</u>	<u>33,616</u>
NET POSITION							
Net investment in capital assets	35,315,012	199,853	237,466	18,803	44,192	-	96,150
Restricted for:							
Reserves and escrows	1,251,075	-	-	-	-	-	384,652
HAP reserves	-	-	-	-	-	-	-
Loan programs	-	-	-	2,926,022	5,540,600	-	-
Other	-	-	-	670,638	3,114,793	-	-
Unrestricted (deficit)	15,386,801	1,284,683	3,863,907	-	-	-	12,929
TOTAL NET POSITION	<u>\$ 51,952,888</u>	<u>\$ 1,484,536</u>	<u>\$ 4,101,373</u>	<u>\$ 3,615,463</u>	<u>\$ 8,699,585</u>	<u>\$ -</u>	<u>\$ 493,731</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2016

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lower Jefferson Avenue Development Program	Lofts on Jefferson	Oyster Point- Brighton	Cypress Terrace
ASSETS:							
Current assets:							
Cash and equivalents - unrestricted	\$ -	\$ -	\$ 2,523,925	\$ -	\$ 9,985	\$ 141,656	\$ 50,909
Accounts receivable (net of allowance)	92,610	60,927	232,519	-	1,636	71,871	29,056
Due from other funds	-	-	489,490	-	-	-	-
Investments	-	-	202,017	-	-	-	-
Prepaid expenses	112	-	102	-	4,579	1,046	115
Materials inventory (net of allowance)	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
Total Current assets	<u>92,722</u>	<u>60,927</u>	<u>3,448,053</u>	<u>-</u>	<u>16,200</u>	<u>214,573</u>	<u>80,080</u>
Restricted assets:							
Cash and equivalents - restricted	-	-	-	-	7,442	967,831	1,351,389
Investments - restricted	-	-	-	-	6,921	-	-
Notes receivable (non-current)	-	-	-	-	-	-	-
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,363</u>	<u>967,831</u>	<u>1,351,389</u>
Noncurrent assets:							
Notes and mortgages receivable	-	-	247,927	-	-	-	-
Nondepreciable capital assets	-	-	265,119	-	-	8,627,563	3,828,821
Capital assets (net)	9,475	-	532,293	-	1,531,869	49,484	28,192
Interfund notes receivable	-	-	714,000	-	-	-	-
Accrued interest receivable	-	-	422,276	-	-	-	-
Investment in joint ventures	-	-	390,198	-	-	-	-
Other noncurrent assets	-	-	207,286	375,858	-	-	-
Total noncurrent assets	<u>9,475</u>	<u>-</u>	<u>2,779,099</u>	<u>375,858</u>	<u>1,531,869</u>	<u>8,677,047</u>	<u>3,857,013</u>
TOTAL ASSETS	<u>102,197</u>	<u>60,927</u>	<u>6,227,152</u>	<u>375,858</u>	<u>1,562,432</u>	<u>9,859,451</u>	<u>5,288,482</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2016

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lower Jefferson Avenue Development Program	Lofts on Jefferson	Oyster Point- Brighton	Cypress Terrace
LIABILITIES:							
Current liabilities:							
Accounts payable and accrued expenses	6,677	6,307	59,513	-	1,040	1,352,032	564,732
Due to other funds	90,824	11,533	15,127	-	24,508	83,500	39,750
Accrued salaries	1,359	-	373	-	133	2,261	916
Accrued interest payable	-	-	-	-	1,934	-	-
Unearned revenues	-	-	-	-	995	2,387	606
Security deposit liabilities	-	-	-	-	7,442	13,510	6,045
Compensated absences	2,340	-	-	-	-	-	-
Current portion of long-term liabilities	-	-	-	-	11,160	-	-
Total current liabilities	<u>101,200</u>	<u>17,840</u>	<u>75,013</u>	<u>-</u>	<u>47,212</u>	<u>1,453,690</u>	<u>612,049</u>
Long-term liabilities:							
Compensated absences	14,674	-	-	-	1,116	8,837	12,786
Accrued OPEB liabilities	-	-	-	-	-	-	-
Notes and mortgages payable	-	-	-	-	576,364	-	-
Interfund notes payable	-	-	-	-	-	7,183,903	3,598,250
Accrued interest payable	-	-	-	-	-	-	-
Trust, deposit and escrow liabilities	-	-	-	-	-	13,660	357
Total long-term liabilities	<u>14,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>577,480</u>	<u>7,206,400</u>	<u>3,611,393</u>
TOTAL LIABILITIES	<u>115,874</u>	<u>17,840</u>	<u>75,013</u>	<u>-</u>	<u>624,692</u>	<u>8,660,090</u>	<u>4,223,442</u>
NET POSITION							
Net investment in capital assets	9,475	-	797,412	-	944,345	2,350,804	1,564,000
Restricted for:							
Reserves and escrows	-	-	-	-	6,921	-	-
HAP reserves	-	-	-	-	-	-	-
Loan programs	-	-	-	-	-	-	-
Other	-	-	-	-	-	857,661	1,305,237
Unrestricted (deficit)	<u>(23,152)</u>	<u>43,087</u>	<u>5,354,727</u>	<u>375,858</u>	<u>(13,526)</u>	<u>(2,009,104)</u>	<u>(1,804,197)</u>
TOTAL NET POSITION	<u>\$ (13,677)</u>	<u>\$ 43,087</u>	<u>\$ 6,152,139</u>	<u>\$ 375,858</u>	<u>\$ 937,740</u>	<u>\$ 1,199,361</u>	<u>\$ 1,065,040</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2016

	<u>Total</u>	<u>Eliminations</u>	<u>Proprietary Fund</u>
<u>ASSETS:</u>			
Current assets:			
Cash and equivalents - unrestricted	\$ 14,298,140	\$ -	\$ 14,298,140
Accounts receivable (net of allowance)	1,814,480	-	1,814,480
Due from other funds	1,172,929	(1,172,929)	-
Investments	303,026	-	303,026
Prepaid expenses	83,121	-	83,121
Materials inventory (net of allowance)	25,052	-	25,052
Other assets	184,865	-	184,865
Total Current assets	<u>17,881,613</u>	<u>(1,172,929)</u>	<u>16,708,684</u>
Restricted assets:			
Cash and equivalents - restricted	4,748,190	-	4,748,190
Investments - restricted	391,573	-	391,573
Notes receivable (non-current)	8,466,622	-	8,466,622
Total restricted assets	<u>13,606,385</u>	<u>-</u>	<u>13,606,385</u>
Noncurrent assets:			
Notes and mortgages receivable	1,721,673	-	1,721,673
Nondepreciable capital assets	20,720,282	-	20,720,282
Capital assets (net)	32,409,779	-	32,409,779
Interfund notes receivable	11,496,153	(11,496,153)	-
Accrued interest receivable	422,276	(422,276)	-
Investment in joint ventures	390,198	-	390,198
Other noncurrent assets	583,144	(100,000)	483,144
Total noncurrent assets	<u>67,743,505</u>	<u>(12,018,429)</u>	<u>55,725,076</u>
TOTAL ASSETS	<u>99,231,503</u>	<u>(13,191,358)</u>	<u>86,040,145</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2016

	Total	Eliminations	Proprietary Fund
<u>LIABILITIES:</u>			
Current liabilities:			
Accounts payable and accrued expenses	3,033,884	-	3,033,884
Due to other funds	1,172,929	(1,172,929)	-
Accrued salaries	44,527	-	44,527
Accrued interest payable	2,140	-	2,140
Unearned revenues	29,205	-	29,205
Security deposit liabilities	129,173	-	129,173
Compensated absences	3,600	-	3,600
Current portion of long-term liabilities	33,012	-	33,012
Total current liabilities	<u>4,448,470</u>	<u>(1,172,929)</u>	<u>3,275,541</u>
Long-term liabilities:			
Compensated absences	373,506	-	373,506
Accrued OPEB liabilities	9,330	-	9,330
Notes and mortgages payable	2,186,281	-	2,186,281
Interfund notes payable	11,496,153	(11,496,153)	-
Accrued interest payable	422,276	(422,276)	-
Trust, deposit and escrow liabilities	188,363	-	188,363
Total long-term liabilities	<u>14,675,909</u>	<u>(11,918,429)</u>	<u>2,757,480</u>
TOTAL LIABILITIES	<u>19,124,379</u>	<u>(13,091,358)</u>	<u>6,033,021</u>
<u>NET POSITION</u>			
Net investment in capital assets	41,577,512	9,333,256	50,910,768
Restricted for:			
Reserves and escrows	1,642,648	-	1,642,648
HAP reserves	-	-	-
Loan programs	8,466,622	-	8,466,622
Other	5,948,329	-	5,948,329
Unrestricted (deficit)	<u>22,472,013</u>	<u>(9,433,256)</u>	<u>13,038,757</u>
TOTAL NET POSITION	<u>\$ 80,107,124</u>	<u>\$ (100,000)</u>	<u>\$ 80,007,124</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, 2016

	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	\$ 3,415,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,443
Intergovernmental - operating grants	7,025,198	19,502,558	-	1,092,501	1,733,078	202,053	52,237
Fee revenue	-	-	2,628,235	-	-	-	-
Other income	120,199	253,788	3,304	33,891	627,569	-	-
Total operating revenues	<u>10,561,057</u>	<u>19,756,346</u>	<u>2,631,539</u>	<u>1,126,392</u>	<u>2,360,647</u>	<u>202,053</u>	<u>85,680</u>
OPERATING EXPENSES:							
Administration	3,014,643	1,506,540	2,128,155	394,832	72,314	-	14,965
Tenant services	326,345	337	-	-	-	202,053	-
Utilities	2,077,310	1,013	38,626	-	91	-	19,480
Ordinary maintenance	2,808,809	16,334	134,508	1,915	-	-	5,873
Protective services	153,106	1,047	16,796	-	-	-	2,726
Insurance expense	346,727	25,396	65,838	6,091	997	-	2,645
General expenses	218,531	5,177	7,037	754,777	1,307,716	-	149
Nonroutine maintenance	14,929	-	-	-	-	-	-
Housing assistance payments	-	18,269,015	-	-	-	-	-
Interest	44,240	-	-	-	-	-	3,300
Depreciation	2,623,196	33,558	53,005	6,641	3,727	-	11,846
Total operating expenses	<u>11,627,836</u>	<u>19,858,417</u>	<u>2,443,965</u>	<u>1,164,256</u>	<u>1,384,845</u>	<u>202,053</u>	<u>60,984</u>
OPERATING INCOME/(LOSS)	<u>(1,066,779)</u>	<u>(102,071)</u>	<u>187,574</u>	<u>(37,864)</u>	<u>975,802</u>	<u>-</u>	<u>24,696</u>
NONOPERATING REVENUES/EXPENSES:							
Interest and investment revenue	7,543	4,622	896	43,545	21,921	-	1,129
Total nonoperating revenues/(expenses)	<u>7,543</u>	<u>4,622</u>	<u>896</u>	<u>43,545</u>	<u>21,921</u>	<u>-</u>	<u>1,129</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS							
	(1,059,236)	(97,449)	188,470	5,681	997,723	-	25,825
Transfers from others	11,926	28,789	-	-	-	-	-
Transfers to other funds	(403,528)	-	(28,789)	(11,926)	-	-	-
HUD capital contributions	1,479,791	-	-	-	-	-	-
Tax credit and other proceeds	60,000	-	-	-	-	-	-
Special item - capital assets conveyed related to RAD conversion	3,869,348	-	-	-	-	-	-
CHANGE IN NET POSITION	<u>3,958,301</u>	<u>(68,660)</u>	<u>159,681</u>	<u>(6,245)</u>	<u>997,723</u>	<u>-</u>	<u>25,825</u>
TOTAL NET POSITION - July 1, 2015	48,094,011	1,553,196	3,941,692	3,621,708	7,701,862	-	467,906
Prior period adjustments (Note 22)	(99,424)	-	-	-	-	-	-
TOTAL NET POSITION - June 30, 2016	<u>\$51,952,888</u>	<u>\$ 1,484,536</u>	<u>\$ 4,101,373</u>	<u>\$ 3,615,463</u>	<u>\$ 8,699,585</u>	<u>\$ -</u>	<u>\$ 493,731</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, 2016

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lower Jefferson Avenue Development Program	Lofts on Jefferson	Oyster Point - Brighton	Cypress Terrace
OPERATING REVENUES:							
Rental and tenant income	\$ -	\$ -	\$ -	\$ -	\$ 101,749	\$ 193,564	\$ 82,601
Intergovernmental - operating grants	309,282	129,544	-	-	-	-	-
Fee revenue	-	-	-	-	-	-	-
Other income	-	1,000	295,037	-	-	106	-
Total operating revenues	<u>309,282</u>	<u>130,544</u>	<u>295,037</u>	<u>-</u>	<u>101,749</u>	<u>193,670</u>	<u>82,601</u>
OPERATING EXPENSES:							
Administration	208,895	7	123,044	-	20,896	117,749	50,820
Tenant services	-	-	8,250	-	64	971	295
Utilities	3,079	426	15,494	-	9,880	70,379	45,257
Ordinary maintenance	41,517	44,918	40,708	-	19,732	66,888	30,554
Protective services	450	-	2,916	-	840	3,473	1,021
Insurance expense	11,240	100	7,997	-	5,717	45,297	18,071
General expenses	44,387	56,201	5,888	-	12,661	24,422	18,144
Nonroutine maintenance	-	-	-	-	-	-	-
Housing assistance payments	-	-	-	-	-	-	-
Interest	-	-	-	-	23,403	-	-
Depreciation	1,900	-	35,605	-	55,554	3,509	1,658
Total operating expenses	<u>311,468</u>	<u>101,652</u>	<u>239,902</u>	<u>-</u>	<u>148,747</u>	<u>332,688</u>	<u>165,820</u>
OPERATING INCOME/(LOSS)	<u>(2,186)</u>	<u>28,892</u>	<u>55,135</u>	<u>-</u>	<u>(46,998)</u>	<u>(139,018)</u>	<u>(83,219)</u>
NONOPERATING REVENUES/EXPENSES:							
Interest and investment revenue	-	-	49,066	-	15	241	26
Total nonoperating revenues/(expenses)	<u>-</u>	<u>-</u>	<u>49,066</u>	<u>-</u>	<u>15</u>	<u>241</u>	<u>26</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS							
	(2,186)	28,892	104,201	-	(46,983)	(138,777)	(83,193)
Transfers from other funds	-	-	-	-	-	285,145	118,383
Transfers to other funds	-	-	-	-	-	-	-
HUD capital contributions	-	-	-	-	-	-	-
Tax credit and other proceeds	-	-	390,198	-	-	1,000,000	1,000,000
Special item - capital assets conveyed related to RAD conversion	-	-	-	-	-	52,993	29,850
CHANGE IN NET POSITION	<u>(2,186)</u>	<u>28,892</u>	<u>494,399</u>	<u>-</u>	<u>(46,983)</u>	<u>1,199,361</u>	<u>1,065,040</u>
TOTAL NET POSITION - July 1, 2015	(11,491)	14,195	5,657,740	375,858	984,723	-	-
Prior period adjustments (Note 22)	-	-	-	-	-	-	-
TOTAL NET POSITION - June 30, 2016	<u>\$ (13,677)</u>	<u>\$ 43,087</u>	<u>\$ 6,152,139</u>	<u>\$ 375,858</u>	<u>\$ 937,740</u>	<u>\$ 1,199,361</u>	<u>\$ 1,065,040</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, 2016

	Total	Eliminations	Proprietary Fund
OPERATING REVENUES:			
Rental and tenant income	\$ 3,827,017	\$ -	\$ 3,827,017
Intergovernmental - operating grants	30,046,451	-	30,046,451
Fee revenue	2,628,235	(2,555,782)	72,453
Other income	1,334,894	-	1,334,894
Total operating revenues	<u>37,836,597</u>	<u>(2,555,782)</u>	<u>35,280,815</u>
OPERATING EXPENSES:			
Administration	7,652,860	(2,462,361)	5,190,499
Tenant services	538,315	-	538,315
Utilities	2,281,035	-	2,281,035
Ordinary maintenance	3,211,756	(93,421)	3,118,335
Protective services	182,375	-	182,375
Insurance expense	536,116	-	536,116
General expenses	2,455,090	-	2,455,090
Nonroutine maintenance	14,929	-	14,929
Housing assistance payments	18,269,015	-	18,269,015
Interest	70,943	(44,240)	26,703
Depreciation	2,830,199	-	2,830,199
Total operating expenses	<u>38,042,633</u>	<u>(2,600,022)</u>	<u>35,442,611</u>
OPERATING INCOME/(LOSS)	<u>(206,036)</u>	<u>44,240</u>	<u>(161,796)</u>
NONOPERATING REVENUES/EXPENSES:			
Interest and investment revenue	129,004	(44,240)	84,764
Total nonoperating revenues/(expenses)	<u>129,004</u>	<u>(44,240)</u>	<u>84,764</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS			
	(77,032)	-	(77,032)
Transfers from other funds	444,243	(444,243)	-
Transfers to other funds	(444,243)	444,243	-
HUD capital contributions	1,479,791	-	1,479,791
Tax credit and other proceeds	2,450,198	-	2,450,198
Special item - capital assets conveyed related to RAD conversion	3,952,191	-	3,952,191
CHANGE IN NET POSITION	<u>7,805,148</u>	<u>-</u>	<u>7,805,148</u>
TOTAL NET POSITION - July 1, 2015	72,401,400	(100,000)	72,301,400
Prior period adjustments (Note 22)	(99,424)	-	(99,424)
TOTAL NET POSITION - June 30, 2016	<u>\$80,107,124</u>	<u>\$ (100,000)</u>	<u>\$80,007,124</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ 3,410,088	\$ 255,259	\$ -	\$ -	\$ -
Cash received for fees/services/donations	-	-	75,757	33,891	13,840
Cash operating grants received (net)	6,469,620	19,586,806	-	1,092,501	1,963,336
Cash transfers from(to) other funds and entities	(1,783,688)	(550,707)	2,236,462	(177,392)	20,132
Cash payments for goods, services, rental subsidies	(5,006,027)	(18,606,308)	(323,293)	(729,111)	(1,131,593)
Cash payments to/for employees and benefits	(2,344,504)	(696,877)	(1,962,479)	(168,167)	(44,111)
Cash payments in lieu of property taxes	(141,710)	-	-	-	-
Cash paid for homes sold (net of sales)	-	-	-	-	623,354
Net cash provided/(used) by operating activities	<u>603,779</u>	<u>(11,827)</u>	<u>26,447</u>	<u>51,722</u>	<u>1,444,958</u>
Cash flows from capital and related financing activities:					
Purchase of equipment/capital assets	(2,088,571)	(7,406)	(90,548)	-	-
Proceeds from issuing bonds, notes and other debt	-	-	-	-	-
Transfer from/to other funds for capital activities	133,314	-	(121,388)	(11,926)	-
Proceeds from sale of tax credits	-	-	-	-	-
Contributions received for capital outlays	1,419,452	-	-	-	-
Loan principal payments	-	-	-	-	-
Interest payments	-	-	-	-	-
Net cash provided/(used) by capital and related financing activities	<u>(535,805)</u>	<u>(7,406)</u>	<u>(211,936)</u>	<u>(11,926)</u>	<u>-</u>
Cash flows from noncapital financing activities:					
Contributions made for investments in joint ventures	-	-	-	-	-
Contributions received for investments in joint ventures	-	-	-	-	-
Loans made to borrowers	(2,515,903)	-	-	(279,291)	(2,205,500)
Receipt of interest on notes and loans	-	-	-	43,201	21,003
Loans payments received	-	-	-	213,894	155,532
Loans principal payments	-	-	-	-	-
Net cash provided/(used) by noncapital financing activities	<u>(2,515,903)</u>	<u>-</u>	<u>-</u>	<u>(22,196)</u>	<u>(2,028,965)</u>
Cash flows from investing activities:					
Proceeds from sale of/investments made	-	-	-	-	-
Receipts of interest and dividends	7,543	3,085	108	344	918
Deposits (withdrawal) to/from reserve accounts	-	-	-	-	-
Net cash provided/(used) by investing activities	<u>7,543</u>	<u>3,085</u>	<u>108</u>	<u>344</u>	<u>918</u>
Net increase/(decrease) in cash	(2,440,386)	(16,148)	(185,381)	17,944	(583,089)
Cash and equivalents at July 1, 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>
Cash and equivalents at June 30, 2016	<u>\$ 8,226,182</u>	<u>\$ 1,487,182</u>	<u>\$ 2,517,531</u>	<u>\$ 759,868</u>	<u>\$ 984,551</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2016

	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)	\$ (1,066,779)	\$ (102,071)	\$ 187,574	\$ (37,864)	\$ 975,802
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	2,623,196	33,558	53,005	6,641	3,727
Interest expense	44,240	-	-	-	-
Operating transfers	(403,528)	28,789	(28,789)	-	-
Change in assets and liabilities:					
Decrease/(Increase) in accounts receivable	(496,944)	65,091	(294,699)	1,169	238,753
Decrease/(Increase) in notes and mortgages receivable	-	-	-	48,619	297,346
Decrease/(Increase) in prepaid expenses and materials inventory	(3,096)	(713)	(6,620)	(298)	(410)
Decrease/(Increase) in other assets	-	-	24,277	-	339,235
Increase/(Decrease) in accounts payable	89,587	(1,002)	166,058	41,581	(409,018)
Increase/(Decrease) in accrued liabilities	(75,210)	(23,623)	(68,669)	(4,680)	(1,373)
Increase/(Decrease) in compensated absences	(48,282)	9,375	(15,020)	(3,446)	(354)
Increase/(Decrease) in trust, deposit, and escrow liabilities	(64,302)	(21,231)	-	-	1,250
Increase/(Decrease) in unearned revenues	4,897	-	-	-	-
Increase/(Decrease) in OPEB liabilities	-	-	9,330	-	-
	<u>\$ 603,779</u>	<u>\$ (11,827)</u>	<u>\$ 26,447</u>	<u>\$ 51,722</u>	<u>\$ 1,444,958</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ -	\$ 32,235	\$ -	\$ -	\$ -
Cash received for fees/services/donations	-	-	-	1,000	298,485
Cash operating grants received (net)	301,916	52,237	224,549	68,617	-
Cash transfers from(to) other funds and entities	(93,185)	(3,553)	59,986	25,728	(24,492)
Cash payments for goods, services, rental subsidies	(647)	(36,677)	(105,383)	(95,345)	(239,389)
Cash payments to/for employees and benefits	(208,084)	(4,840)	(179,152)	-	(77,140)
Cash payments in lieu of property taxes	-	-	-	-	(273)
Cash paid for homes sold (net of sales)	-	-	-	-	-
Net cash provided/(used) by operating activities	<u>-</u>	<u>39,402</u>	<u>-</u>	<u>-</u>	<u>(42,809)</u>
Cash flows from capital and related financing activities:					
Purchase of equipment/capital assets	-	-	-	-	(575,381)
Proceeds from issuing bonds, notes and other debt	-	-	-	-	-
Transfer from/to other funds for capital activities	-	-	-	-	617,144
Proceeds from sale of tax credits	-	-	-	-	-
Contributions received for capital outlays	-	-	-	-	-
Loan principal payments	-	(19,987)	-	-	-
Interest payments	-	(3,449)	-	-	-
Net cash provided/(used) by capital and related financing activities	<u>-</u>	<u>(23,436)</u>	<u>-</u>	<u>-</u>	<u>41,763</u>
Cash flows from noncapital financing activities:					
Contributions made for investments in joint ventures	-	-	-	-	(390,198)
Contributions received for investments in joint ventures	-	-	-	-	390,198
Loans made to borrowers	-	-	-	-	-
Receipt of interest on notes and loans	-	-	-	-	-
Loans payments received	-	-	-	-	-
Loan principal payments	-	-	-	-	498
Net cash provided/(used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>498</u>
Cash flows from investing activities:					
Proceeds from sale of/investments made	-	-	-	-	40,207
Receipts of interest and dividends	-	4	-	-	1,452
Deposits (withdrawal) to/from reserve accounts	-	(12,305)	-	-	-
Net cash provided/(used) by investing activities	<u>-</u>	<u>(12,301)</u>	<u>-</u>	<u>-</u>	<u>41,659</u>
Net increase/(decrease) in cash	-	3,665	-	-	41,111
Cash and equivalents at July 1, 2015	-	14,214	-	-	2,482,814
Cash and equivalents at June 30, 2016	<u>\$ -</u>	<u>\$ 17,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,523,925</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2016

	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)	\$ -	\$ 24,696	\$ (2,186)	\$ 28,892	\$ 55,135
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	-	11,846	1,900	-	35,605
Interest expense	-	3,300	-	-	-
Operating transfers	-	-	-	-	-
Change in assets and liabilities:					
Decrease/(Increase) in accounts receivable	99,864	(1,074)	(84,733)	(46,732)	(152,892)
Decrease/(Increase) in notes and mortgages receivable	-	-	-	-	3,573
Decrease/(Increase) in prepaid expenses and materials inventory	-	(3)	(82)	-	(62)
Decrease/(Increase) in other assets	-	-	-	-	-
Increase/(Decrease) in accounts payable	(93,101)	788	88,828	17,840	17,138
Increase/(Decrease) in accrued liabilities	(6,763)	(142)	(5,055)	-	(1,306)
Increase/(Decrease) in compensated absences	-	-	1,328	-	-
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	-	-	-	-
Increase/(Decrease) in unearned revenues	-	(9)	-	-	-
Increase/(Decrease) in OPEB liabilities	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 39,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42,809)</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2016

	Lower Jefferson Avenue Development Program	Lofts on Jefferson	Oyster Point - Brighton	Cypress Terrace
Cash flows from operating activities:				
Cash received from tenants/others	\$ -	\$ 100,683	\$ 213,304	\$ 86,154
Cash received for fees/services/donations	-	-	106	44
Cash operating grants received (net)	-	-	-	-
Cash transfers from(to) other funds and entities	-	16,527	183,945	74,887
Cash payments for goods, services, rental subsidies	-	(37,828)	(147,481)	(63,852)
Cash payments to/for employees and benefits	-	(17,808)	(100,024)	(50,301)
Cash payments in lieu of property taxes	-	(8,460)	(7,951)	(5,055)
Cash paid for homes sold (net of sales)	-	-	-	-
Net cash provided/(used) by operating activities	<u>-</u>	<u>53,114</u>	<u>141,899</u>	<u>41,877</u>
Cash flows from capital and related financing activities:				
Purchase of equipment/capital assets	-	(14,102)	(6,820,362)	(3,016,905)
Proceeds from issuing bonds, notes and other debt	-	-	7,183,903	3,598,250
Transfer from/to other funds for capital activities	-	-	(396,194)	(220,950)
Proceeds from sale of tax credits	-	-	1,000,000	1,000,000
Contributions received for capital outlays	-	-	-	-
Loan principal payments	-	(10,729)	-	-
Interest payments	-	(23,438)	-	-
Net cash provided/(used) by capital and related financing activities	<u>-</u>	<u>(48,269)</u>	<u>967,347</u>	<u>1,360,395</u>
Cash flows from noncapital financing activities:				
Contributions made for investments in joint ventures	-	-	-	-
Contributions received for investments in joint ventures	-	-	-	-
Loans made to borrowers	-	-	-	-
Receipt of interest on notes and loans	-	-	-	-
Loans payments received	-	-	-	-
Loan principal payments	-	-	-	-
Net cash provided/(used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Proceeds from sale of investments made	-	-	-	-
Receipts of interest and dividends	-	15	241	26
Deposits (withdrawal) to/from reserve accounts	-	12,289	-	-
Net cash provided/(used) by investing activities	<u>-</u>	<u>12,304</u>	<u>241</u>	<u>26</u>
Net increase/(decrease) in cash	-	17,149	1,109,487	1,402,298
Cash and equivalents at July 1, 2015	-	278	-	-
Cash and equivalents at June 30, 2016	<u>\$ -</u>	<u>\$ 17,427</u>	<u>\$ 1,109,487</u>	<u>\$ 1,402,298</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2016

	Lower Jefferson Avenue Development Program	Lofts on Jefferson	Oyster Point - Brighton	Cypress Terrace
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ -	\$ (46,998)	\$ (139,018)	\$ (83,219)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	-	55,554	3,509	1,658
Interest expense	-	23,403	-	-
Operating transfers	-	-	285,145	118,383
Change in assets and liabilities:				
Decrease/(Increase) in accounts receivable	-	1,675	(71,871)	(29,056)
Decrease/(Increase) in notes and mortgages receivable	-	-	-	-
Decrease/(Increase) in prepaid expenses and materials inventory	-	13	(1,046)	(115)
Decrease/(Increase) in other assets	-	-	-	-
Increase/(Decrease) in accounts payable	-	18,877	24,525	13,516
Increase/(Decrease) in accrued liabilities	-	(843)	2,261	916
Increase/(Decrease) in compensated absences	-	(256)	8,837	12,786
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	1,148	27,170	6,402
Increase/(Decrease) in unearned revenues	-	541	2,387	606
Increase/(Decrease) in OPEB liabilities	-	-	-	-
	<u>\$ -</u>	<u>\$ 53,114</u>	<u>\$ 141,899</u>	<u>\$ 41,877</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2016

	Total	Eliminations	Proprietary Fund
Cash flows from operating activities:			
Cash received from tenants/others	\$ 4,097,723	\$ -	\$ 4,097,723
Cash received for fees/services/donations	423,123	-	423,123
Cash operating grants received (net)	29,759,582	-	29,759,582
Cash transfers from(to) other funds and entities	(15,350)	-	(15,350)
Cash payments for goods, services, rental subsidies	(26,522,934)	44,240	(26,478,694)
Cash payments to/for employees and benefits	(5,853,487)	-	(5,853,487)
Cash payments in lieu of property taxes	(163,449)	-	(163,449)
Cash paid for homes sold (net of sales)	623,354	-	623,354
Net cash provided/(used) by operating activities	<u>2,348,562</u>	<u>44,240</u>	<u>2,392,802</u>
Cash flows from capital and related financing activities:			
Purchase of equipment/capital assets	(12,613,275)	-	(12,613,275)
Proceeds from issuing bonds, notes and other debt	10,782,153	-	10,782,153
Transfer from/to other funds for capital activities	-	-	-
Proceeds from sale of tax credits	2,000,000	-	2,000,000
Contributions received for capital outlays	1,419,452	-	1,419,452
Loan principal payments	(30,716)	-	(30,716)
Interest payments	(26,887)	(44,240)	(71,127)
Net cash provided/(used) by capital and related financing activities	<u>1,530,727</u>	<u>(44,240)</u>	<u>1,486,487</u>
Cash flows from noncapital financing activities:			
Contributions made for investments in joint ventures	(390,198)	-	(390,198)
Contributions received for investments in joint ventures	390,198	-	390,198
Loans made to borrowers	(5,000,694)	-	(5,000,694)
Receipt of interest on notes and loans	64,204	-	64,204
Loans payments received	369,426	-	369,426
Loan principal payments	498	-	498
Net cash provided/(used) by noncapital financing activities	<u>(4,566,566)</u>	<u>-</u>	<u>(4,566,566)</u>
Cash flows from investing activities:			
Proceeds from sale of/investments made	40,207	-	40,207
Receipts of interest and dividends	13,736	-	13,736
Deposits to reserve accounts	(16)	-	(16)
Net cash provided/(used) by investing activities	<u>53,927</u>	<u>-</u>	<u>53,927</u>
Net increase/(decrease) in cash	(633,350)	-	(633,350)
Cash and equivalents at July 1, 2015	<u>19,679,680</u>	<u>-</u>	<u>19,679,680</u>
Cash and equivalents at June 30, 2016	<u>\$ 19,046,330</u>	<u>\$ -</u>	<u>\$ 19,046,330</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2016

	Total	Eliminations	Proprietary Fund
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (206,036)	\$ 44,240	\$ (161,796)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	2,830,199	-	2,830,199
Interest expense	70,943	-	70,943
Operating transfers	-	-	-
Change in assets and liabilities:			
Decrease/(Increase) in accounts receivable	(771,449)	208,998	(562,451)
Decrease/(Increase) in notes and mortgages receivable	349,538	-	349,538
Decrease/(Increase) in prepaid expenses and materials inventory	(12,432)	-	(12,432)
Decrease/(Increase) in other assets	363,512	-	363,512
Increase/(Decrease) in accounts payable	(24,383)	(208,998)	(233,381)
Increase/(Decrease) in accrued liabilities	(184,487)	-	(184,487)
Increase/(Decrease) in compensated absences	(35,032)	-	(35,032)
Increase/(Decrease) in trust, deposit, and escrow liabilities	(49,563)	-	(49,563)
Increase/(Decrease) in unearned revenues	8,422	-	8,422
Increase/(Decrease) in OPEB liabilities	9,330	-	9,330
	<u>\$ 2,348,562</u>	<u>\$ 44,240</u>	<u>\$ 2,392,802</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

JUNE 30, 2016

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	38.52	38.52
Administration	232,735.00	232,735.00
Fees & Costs	205,176.08	205,176.08
Dwelling structures	1,639,833.82	1,639,833.82
Dwelling equipment	16,837.58	16,837.58
Total Cost	\$ 2,327,356.00	\$ 2,327,356.00

2. The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated March 31, 2017 is in agreement with the Authority's records. The Actual Comprehensive Grant Cost Certificate was submitted by the Authority on March 31, 2017.

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

4. Costs examined during the current period totaled \$885,939.59.

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

Funds advanced:	
Grants - HUD	\$ 2,327,356.00
Funds expended	2,327,356.00
Excess (deficiency) of funds advanced	\$ -

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

JUNE 30, 2016

CFP R501-10

Annual Contributions Contract P-5545

1. The Actual Capital Fund Program costs for Program Year R501-10 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
RAD Investment Activity	\$ 107,136.00	\$ 107,136.00
Total Cost	<u>\$ 107,136.00</u>	<u>\$ 107,136.00</u>

2. The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated March 31, 2017 is in agreement with the Authority's records. The Actual Comprehensive Grant Cost Certificate was submitted by the Authority on March 31, 2017.

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

4. Costs examined during the current period totaled \$107,136.00.

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

Funds advanced:	
Grants - HUD	\$ 107,136.00
Funds expended	<u>107,136.00</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

JUNE 30, 2016

CFP R501-11

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year R501-11 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
RAD Investment Activity	\$ 166,351.00	\$ 166,351.00
Total Cost	\$ 166,351.00	\$ 166,351.00

2. The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated March 31, 2017 is in agreement with the Authority's records. The Actual Comprehensive Grant Cost Certificate was submitted by the Authority on March 31, 2017.

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

4. Costs examined during the current period totaled \$166,351.00.

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

Funds advanced:	
Grants - HUD	\$ 166,351.00
Funds expended	166,351.00
Excess (deficiency) of funds advanced	\$ -

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

JUNE 30, 2016

CFP R501-12

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year R501-12 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
RAD Investment Activity	\$ 320,208.00	\$ 320,208.00
Total Cost	\$ 320,208.00	\$ 320,208.00

2. The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated March 31, 2017 is in agreement with the Authority's records. The Actual Comprehensive Grant Cost Certificate was submitted by the Authority on March 31, 2017.

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

4. Costs examined during the current period totaled \$320,208.00.

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

Funds advanced:	
Grants - HUD	\$ 320,208.00
Funds expended	320,208.00
Excess (deficiency) of funds advanced	\$ -

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

JUNE 30, 2016

CFP R501-13

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year R501-13 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
RAD Investment Activity	\$ 499,414.00	\$ 499,414.00
Total Cost	\$ 499,414.00	\$ 499,414.00

2. The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated March 31, 2017 is in agreement with the Authority's records. The Actual Comprehensive Grant Cost Certificate was submitted by the Authority on March 31, 2017.

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

4. Costs examined during the current period totaled \$499,414.00.

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

Funds advanced:	
Grants - HUD	\$ 499,414.00
Funds expended	499,414.00
Excess (deficiency) of funds advanced	\$ -

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

JUNE 30, 2016

CFP R502-11

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year R502-11 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
RAD Investment Activity	\$ 53,296.00	\$ 53,296.00
Total Cost	\$ 53,296.00	\$ 53,296.00

2. The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated March 31, 2017 is in agreement with the Authority's records. The Actual Comprehensive Grant Cost Certificate was submitted by the Authority on March 31, 2017.
3. All related costs have been paid and all related liabilities have been discharged through payment.
4. Costs examined during the current period totaled \$53,296.00.
5. A reconciliation of development advances and costs are as follows:

Funds advanced:	
Grants - HUD	\$ 53,296.00
Funds expended	53,296.00
Excess (deficiency) of funds advanced	\$ -

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

JUNE 30, 2016

CFP R502-12

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year R502-12 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
RAD Investment Activity	\$ 154,186.00	\$ 154,186.00
Total Cost	\$ 154,186.00	\$ 154,186.00

2. The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated March 31, 2017 is in agreement with the Authority's records. The Actual Comprehensive Grant Cost Certificate was submitted by the Authority on March 31, 2017.
3. All related costs have been paid and all related liabilities have been discharged through payment.
4. Costs examined during the current period totaled \$154,186.00.
5. A reconciliation of development advances and costs are as follows:

Funds advanced:	
Grants - HUD	\$ 154,186.00
Funds expended	154,186.00
Excess (deficiency) of funds advanced	\$ -

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

JUNE 30, 2016

CFP R502-13

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year R502-13 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
RAD Investment Activity	\$ 163,099.00	\$ 163,099.00
Total Cost	\$ 163,099.00	\$ 163,099.00

2. The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated March 31, 2017 is in agreement with the Authority's records. The Actual Comprehensive Grant Cost Certificate was submitted by the Authority on March 31, 2017.
3. All related costs have been paid and all related liabilities have been discharged through payment.
4. Costs examined during the current period totaled \$163,099.00.
5. A reconciliation of development advances and costs are as follows:

Funds advanced:	
Grants - HUD	\$ 163,099.00
Funds expended	163,099.00
Excess (deficiency) of funds advanced	\$ -

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2016

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 and costs	200,000.00	209,871.44
Dwelling structures	1,451,305.00	399,242.19
Total Cost	\$ 2,126,631.00	\$ 1,034,439.63

2. Costs examined during the current period totaled \$580,873.13.

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

Funds advanced:	
Grants - HUD	\$ 717,606.43
Funds expended	1,034,439.63
Excess (deficiency) of funds advanced	\$ (316,833.20)

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2016

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	\$ 236,594.00
Management improvements	50,000.00	-
Administration	236,594.00	236,594.00
Fees and costs	200,000.00	21,709.00
Dwelling structures	1,642,759.00	12,456.00
Total Cost	\$ 2,365,947.00	\$ 507,353.00

2. Costs examined during the current period totaled \$270,759.40.

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

Funds advanced:	
Grants - HUD	\$ 473,188.00
Funds expended	507,353.40
Excess (deficiency) of funds advanced	\$ (34,165.40)

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2016

CFP 501-15

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year 501-15 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 243,571.00	\$ -
Management improvements	50,000.00	-
Administration	243,571.00	243,571.00
Fees and costs	200,000.00	-
Dwelling structures	1,698,575.00	-
Total Cost	\$ 2,435,717.00	\$ 243,571.00

2. Costs examined during the current period totaled \$243,571.00.

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

Funds advanced:	
Grants - HUD	\$ 243,571.00
Funds expended	243,571.00
Excess (deficiency) of funds advanced	\$ -

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2016

CFP R501-14

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year R501-14 are as follows:

	<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations		\$ 426,325.00	\$ -
Dwelling structures		52,213.00	52,213.00
Total Cost		\$ 478,538.00	\$ 52,213.00

2. Costs examined during the current period totaled \$52,213.00.

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

Funds advanced:	
Grants - HUD	\$ 52,213.00
Funds expended	52,213.00
Excess (deficiency) of funds advanced	\$ -

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2016

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 improvements	\$ 245,000.00	\$ 244,805.00
Total Cost	\$ 245,000.00	\$ 244,805.00

2. Costs examined during the current period totaled \$71,386.06.

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

Funds advanced:	
Grants - HUD	\$ 196,711.40
Funds expended	244,805.00
Excess (deficiency) of funds advanced	\$ (48,093.60)

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

FEDERAL FINANCIAL REPORT

JUNE 30, 2016

VA003RFS257A013

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, 2016

VA003FSH61A014

Federal Cash:

a. Cumulative federal cash received	\$	105,114.26
b. Cumulative federal cash disbursements		105,114.26
c. Cash on Hand	\$	-
		-

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	146,833.00
e. Federal share of expenditures		105,114.26
f. Federal share of unliquidated obligations		-
g. Total federal share		105,114.26
h. Unobligated balance of federal funds	\$	41,718.74
		41,718.74

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, 2016

VA003FSH681A015

Federal Cash:

a. Cumulative federal cash received	\$	51,900.35
b. Cumulative federal cash disbursements		68,647.42
c. Cash on Hand	\$	<u>(16,747.07)</u>

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	148,068.00
e. Federal share of expenditures		51,900.35
f. Federal share of unliquidated obligations		16,747.07
g. Total federal share		<u>68,647.42</u>
h. Unobligated balance of federal funds	\$	<u>79,420.58</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, 2016

VA003RPS084A012

Federal Cash:

a. Cumulative federal cash received	\$	296,272.00
b. Cumulative federal cash disbursements		296,272.00
c. Cash on Hand	\$	-
		-

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	296,272.00
e. Federal share of expenditures		296,272
f. Federal share of unliquidated obligations		-
g. Total federal share		296,272.00
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, 2016

VA003RPS077A015

Federal Cash:

a. Cumulative federal cash received	\$	14,669.26
b. Cumulative federal cash disbursements		27,063.53
c. Cash on Hand	\$	<u>(12,394.27)</u>

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	385,932.00
e. Federal share of expenditures		27,064
f. Federal share of unliquidated obligations		-
g. Total federal share		<u>27,063.53</u>
h. Unobligated balance of federal funds	\$	<u>358,868.47</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, 2016

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.267 Continuum of Care Program	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
111 Cash - Unrestricted	\$ 6,827,625				\$ 759,868		\$ 1,177,319	\$ 193,734		\$ 93,469
112 Cash - Restricted - Modernization and Development	\$ 6,459									
113 Cash - Other Restricted	\$ 1,312,843						\$ 115,200			\$ 30,981
114 Cash - Tenant Security Deposits	\$ 79,256						\$ 900			\$ 28,272
115 Cash - Restricted for Payment of Current Liabilities							\$ 29			
100 Total Cash	\$ 8,226,183	\$ -	\$ -	\$ -	\$ 759,868	\$ -	\$ 1,293,448	\$ 193,734	\$ -	\$ 152,722
121 Accounts Receivable - PHA Projects							\$ 5,850			
122 Accounts Receivable - HUD Other Projects	\$ 858,492	\$ 16,747	\$ 18,405			\$ 12,394	\$ 36,556			
124 Accounts Receivable - Other Government	\$ 72,467			\$ 60,927						
125 Accounts Receivable - Miscellaneous					\$ 827		\$ 694			\$ 362
126 Accounts Receivable - Tenants	\$ 82,207									\$ 175
126.1 Allowance for Doubtful Accounts -Tenants	\$ (22,501)									\$ -
126.2 Allowance for Doubtful Accounts - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			\$ -
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery							\$ 227,265	\$ 156		
128.1 Allowance for Doubtful Accounts - Fraud							\$ (227,265)	\$ (156)		
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$ 990,665	\$ 16,747	\$ 18,405	\$ 60,927	\$ 827	\$ 12,394	\$ 43,100	\$ -	\$ -	\$ 537
131 Investments - Unrestricted										
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	\$ 44,021				\$ 524		\$ 4,488			\$ 15,179
143 Inventories										
143.1 Allowance for Obsolete Inventories										
144 Inter Program Due From	\$ 122,892									
145 Assets Held for Sale										
150 Total Current Assets	\$ 9,383,761	\$ 16,747	\$ 18,405	\$ 60,927	\$ 761,219	\$ 12,394	\$ 1,341,036	\$ 193,734	\$ -	\$ 168,438
161 Land	\$ 2,746,439						\$ 32,000			\$ 252,300
162 Buildings	\$ 77,177,087						\$ 634,667			\$ 6,838,539
163 Furniture, Equipment & Machinery - Dwellings	\$ 69,305									
164 Furniture, Equipment & Machinery - Administration	\$ 990,403				\$ 94,235		\$ 202,483			\$ 199,656
165 Leasehold Improvements	\$ 8,548,079						\$ 7,775			\$ 632,694
166 Accumulated Depreciation	\$ (57,070,059)				\$ (75,432)		\$ (677,072)			\$ (291,041)
167 Construction in Progress	\$ 5,171,988									
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$ 37,633,242	\$ -	\$ -	\$ -	\$ 18,803	\$ -	\$ 199,853	\$ -	\$ -	\$ 7,632,148
171 Notes, Loans and Mortgages Receivable - Non-Current	\$ 14,633,856					\$ 2,926,022				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										
173 Grants Receivable - Non Current										
174 Other Assets										
176 Investments in Joint Ventures										
180 Total Non-Current Assets	\$ 52,267,098	\$ -	\$ -	\$ -	\$ 2,944,825	\$ -	\$ 199,853	\$ -	\$ -	\$ 7,632,148
200 Deferred Outflow of Resources										
290 Total Assets and Deferred Outflow of Resources	\$ 61,650,859	\$ 16,747	\$ 18,405	\$ 60,927	\$ 3,706,044	\$ 12,394	\$ 1,540,889	\$ 193,734	\$ -	\$ 7,800,586

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, 2016

	6.2 Component Unit - Blended	14.182 N/C S/R Section 8 Programs	14.239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$ 202,551	\$ 14,564	\$ 81,024		\$ 2,523,925	\$ 2,517,531	\$ 14,391,610		\$ 14,391,610
112 Cash - Restricted - Modernization and Development	\$ 2,285,647						\$ 2,292,106		\$ 2,292,106
113 Cash - Other Restricted	\$ 14,017		\$ 903,527				\$ 2,376,568		\$ 2,376,568
114 Cash - Tenant Security Deposits	\$ 26,997	\$ 3,315					\$ 138,740		\$ 138,740
115 Cash - Restricted for Payment of Current Liabilities							\$ 29		\$ 29
100 Total Cash	\$ 2,529,212	\$ 17,879	\$ 984,551	\$ -	\$ 2,523,925	\$ 2,517,531	\$ 19,199,053	\$ -	\$ 19,199,053
121 Accounts Receivable - PHA Projects							\$ 5,850		\$ 5,850
122 Accounts Receivable - HUD Other Projects	\$ 93,449						\$ 1,036,043		\$ 1,036,043
124 Accounts Receivable - Other Government			\$ 100,000	\$ 92,610	\$ 224,754		\$ 550,758		\$ 550,758
125 Accounts Receivable - Miscellaneous			\$ 30,159		\$ 2,815	\$ 112,442	\$ 147,299		\$ 147,299
126 Accounts Receivable - Tenants	\$ 16,325	\$ 1,250					\$ 99,957		\$ 99,957
126.1 Allowance for Doubtful Accounts - Tenants	\$ (7,211)	\$ (125)					\$ (29,837)		\$ (29,837)
126.2 Allowance for Doubtful Accounts - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery							\$ 227,421		\$ 227,421
128.1 Allowance for Doubtful Accounts - Fraud							\$ (227,421)		\$ (227,421)
129 Accrued Interest Receivable					\$ 4,950		\$ 4,950		\$ 4,950
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$ 102,563	\$ 1,125	\$ 130,159	\$ 92,610	\$ 232,519	\$ 112,442	\$ 1,815,020	\$ -	\$ 1,815,020
131 Investments - Unrestricted					\$ 202,017	\$ 101,009	\$ 303,026		\$ 303,026
132 Investments - Restricted	\$ 6,921	\$ 384,652					\$ 391,573		\$ 391,573
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$ 5,740	\$ 3	\$ 868	\$ 112	\$ 102	\$ 27,262	\$ 98,299		\$ 98,299
143 Inventories						\$ 25,052	\$ 25,052		\$ 25,052
143.1 Allowance for Obsolete Inventories						\$ -	\$ -		\$ -
144 Inter Program Due From			\$ -		\$ 489,490	\$ 560,686	\$ 1,173,068	\$ (1,173,068)	\$ -
145 Assets Held for Sale			\$ 184,865				\$ 184,865		\$ 184,865
150 Total Current Assets	\$ 2,644,436	\$ 403,659	\$ 1,300,443	\$ 92,722	\$ 3,448,053	\$ 3,343,982	\$ 23,189,956	\$ (1,173,068)	\$ 22,016,888
161 Land	\$ 3,990,000	\$ 17,201	\$ 31,149		\$ 154,100		\$ 7,223,189		\$ 7,223,189
162 Buildings	\$ 1,670,140	\$ 332,094			\$ 920,522		\$ 87,573,049		\$ 87,573,049
163 Furniture, Equipment & Machinery - Dwellings							\$ 69,305		\$ 69,305
164 Furniture, Equipment & Machinery - Administration	\$ 301,641		\$ 37,752	\$ 19,702	\$ 12,036	\$ 1,059,361	\$ 2,917,269		\$ 2,917,269
165 Leasehold Improvements		\$ 57,657			\$ 196,992		\$ 9,443,197		\$ 9,443,197
166 Accumulated Depreciation	\$ (362,237)	\$ (283,264)	\$ (24,709)	\$ (10,227)	\$ (597,257)	\$ (821,896)	\$ (60,213,194)		\$ (60,213,194)
167 Construction in Progress	\$ 8,466,385				\$ 111,020		\$ 13,749,393		\$ 13,749,393
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$ 14,065,929	\$ 123,688	\$ 44,192	\$ 9,475	\$ 797,413	\$ 237,465	\$ 60,762,208	\$ -	\$ 60,762,208
171 Notes, Loans and Mortgages Receivable - Non-Current			\$ 7,484,600		\$ 1,384,203	\$ 1,473,746	\$ 27,902,427	\$ (17,714,132)	\$ 10,188,295
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current									
174 Other Assets					\$ 107,286		\$ 107,286		\$ 107,286
176 Investments in Joint Ventures	\$ 375,858				\$ 490,198		\$ 866,056	\$ (100,000)	\$ 766,056
180 Total Non-Current Assets	\$ 14,441,787	\$ 123,688	\$ 7,528,792	\$ 9,475	\$ 2,779,100	\$ 1,711,211	\$ 89,637,977	\$ (17,814,132)	\$ 71,823,845
200 Deferred Outflow of Resources									
290 Total Assets and Deferred Outflow of Resources	\$ 17,086,223	\$ 527,347	\$ 8,829,235	\$ 102,197	\$ 6,227,153	\$ 5,055,193	\$ 112,827,933	\$ (18,987,200)	\$ 93,840,733

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, 2016

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.267 Continuum of Care Program	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
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	\$ 109,066		\$ 18,405	\$ 6,307	\$ 54,860	\$ 85	\$ 5,626			\$ 101,143
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	\$ 14,690	\$ 1,076			\$ 1,231	\$ 802	\$ 6,081			\$ 2,047
322 Accrued Compensated Absences - Current Portion										
324 Accrued Contingency Liability										
325 Accrued Interest Payable										\$ 4,650
331 Accounts Payable - HUD PHA Programs							\$ 29	\$ 66,458		
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	\$ 53,694									
341 Tenant Security Deposits	\$ 97,963						\$ 900			\$ 27,882
342 Unearned Revenue	\$ 25,172									\$ 5,344
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue										\$ 2,192,847
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities	\$ 254,515									\$ 260,400
346 Accrued Liabilities - Other	\$ 151,467						\$ 33			
347 Inter Program - Due To	\$ 303,944	\$ 15,671		\$ 11,533	\$ 24,039	\$ 11,507	\$ 1,000			
348 Loan Liability - Current										
310 Total Current Liabilities	\$ 1,010,511	\$ 16,747	\$ 18,405	\$ 17,840	\$ 80,130	\$ 12,394	\$ 13,669	\$ 66,458	\$ -	\$ 2,594,313
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$ 8,113,934									\$ 180,000
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other	\$ 471,798						\$ 115,200			
354 Accrued Compensated Absences - Non Current	\$ 101,730				\$ 10,452		\$ 54,759			
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities										
350 Total Non-Current Liabilities	\$ 8,687,462	\$ -	\$ -	\$ -	\$ 10,452	\$ -	\$ 169,959	\$ -	\$ -	\$ 180,000
300 Total Liabilities	\$ 9,697,973	\$ 16,747	\$ 18,405	\$ 17,840	\$ 90,582	\$ 12,394	\$ 183,628	\$ 66,458	\$ -	\$ 2,774,313
400 Deferred Inflow of Resources										
508.3 Nonspendable Fund Balance										
508.4 Net Investment in Capital Assets	\$ 29,519,307				\$ 18,803		\$ 199,853			\$ 5,259,301
509.3 Restricted Fund Balance										
510.3 Committed Fund Balance										
511.3 Assigned Fund Balance										
511.4 Restricted Net Position	\$ 1,251,075				\$ 3,596,659					\$ 30,981
512.3 Unassigned Fund Balance										
512.4 Unrestricted Net Position	\$ 21,182,504	\$ -	\$ -	\$ 43,087	\$ -	\$ -	\$ 1,157,408	\$ 127,276	\$ -	\$ (264,009)
513 Total Equity - Net Assets / Position	\$ 51,952,886	\$ -	\$ -	\$ 43,087	\$ 3,615,462	\$ -	\$ 1,357,261	\$ 127,276	\$ -	\$ 5,026,273
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 61,650,859	\$ 16,747	\$ 18,405	\$ 60,927	\$ 3,706,044	\$ 12,394	\$ 1,540,889	\$ 193,734	\$ -	\$ 7,800,586

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, 2016

			6.2 Component Unit - Blended	14.182 N/C S/R Section 8 Programs	14.239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
311	Bank Overdraft										
312	Accounts Payable <= 90 Days		\$ 1,477,109	\$ 475	\$ 23,602	\$ 6,677	\$ 52,489	\$ 46,425	\$ 1,902,269		\$ 1,902,269
313	Accounts Payable >90 Days Past Due										
321	Accrued Wage/Payroll Taxes Payable		\$ 3,309	\$ 36	\$ 302	\$ 1,359	\$ 373	\$ 15,268	\$ 46,574		\$ 46,574
322	Accrued Compensated Absences - Current Portion					\$ 2,340		\$ 1,260	\$ 3,600		\$ 3,600
324	Accrued Contingency Liability										
325	Accrued Interest Payable		\$ 1,934	\$ 206					\$ 6,790		\$ 6,790
331	Accounts Payable - HUD PHA Programs								\$ 66,487		\$ 66,487
332	Account Payable - PHA Projects										
333	Accounts Payable - Other Government		\$ 2,185						\$ 55,879		\$ 55,879
341	Tenant Security Deposits		\$ 26,997	\$ 3,315					\$ 157,057		\$ 157,057
342	Unearned Revenue		\$ 3,988	\$ 44					\$ 34,548		\$ 34,548
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$ 11,160	\$ 21,852					\$ 2,225,859		\$ 2,225,859
344	Current Portion of Long-term Debt - Operating Borrowings										
345	Other Current Liabilities		\$ 409,115		\$ 1,829		\$ 5,587		\$ 931,446		\$ 931,446
346	Accrued Liabilities - Other		\$ 29,397	\$ 1,892			\$ 1,437	\$ 255,123	\$ 439,349		\$ 439,349
347	Inter Program - Due To		\$ 147,758	\$ 110	\$ 93,214	\$ 90,824	\$ 15,127	\$ 458,341	\$ 1,173,068	\$ (1,173,068)	\$ -
348	Loan Liability - Current										
310	Total Current Liabilities		\$ 2,112,952	\$ 27,930	\$ 118,947	\$ 101,200	\$ 75,013	\$ 776,417	\$ 7,042,926	\$ (1,173,068)	\$ 5,869,858
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$ 11,358,517	\$ 5,686					\$ 19,658,137	\$ (17,291,856)	\$ 2,366,281
352	Long-term Debt, Net of Current - Operating Borrowings										
353	Non-current Liabilities - Other		\$ 14,017		\$ 9,625				\$ 610,640	\$ (422,276)	\$ 188,364
354	Accrued Compensated Absences - Non Current		\$ 22,738		\$ 1,079	\$ 14,674		\$ 168,073	\$ 373,505		\$ 373,505
355	Loan Liability - Non Current										
356	FASB 5 Liabilities										
357	Accrued Pension and OPEB Liabilities							\$ 9,330	\$ 9,330		\$ 9,330
350	Total Non-Current Liabilities		\$ 11,395,272	\$ 5,686	\$ 10,704	\$ 14,674	\$ -	\$ 177,403	\$ 20,651,612	\$ (17,714,132)	\$ 2,937,480
300	Total Liabilities		\$ 13,508,224	\$ 33,616	\$ 129,651	\$ 115,874	\$ 75,013	\$ 953,820	\$ 27,694,538	\$ (18,887,200)	\$ 8,807,338
400	Deferred Inflow of Resources										
508.3	Nonspendable Fund Balance										
508.4	Net Investment in Capital Assets		\$ 4,859,149	\$ 96,150	\$ 44,192	\$ 9,475	\$ 797,413	\$ 237,465	\$ 41,041,108	\$ 15,128,958	\$ 56,170,066
509.3	Restricted Fund Balance										
510.3	Committed Fund Balance										
511.3	Assigned Fund Balance										
511.4	Restricted Net Position		\$ 2,169,819	\$ 384,652	\$ 8,655,392				\$ 16,088,578		\$ 16,088,578
512.3	Unassigned Fund Balance										
512.4	Unrestricted Net Position		\$ (3,450,969)	\$ 12,929	\$ -	\$ (23,152)	\$ 5,354,727	\$ 3,863,908	\$ 28,003,709	\$ (15,228,958)	\$ 12,774,751
513	Total Equity - Net Assets / Position		\$ 3,577,999	\$ 493,731	\$ 8,699,584	\$ (13,677)	\$ 6,152,140	\$ 4,101,373	\$ 85,133,395	\$ (100,000)	\$ 85,033,395
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net		\$ 17,086,223	\$ 527,347	\$ 8,829,235	\$ 102,197	\$ 6,227,153	\$ 5,055,193	\$ 112,827,933	\$ (18,987,200)	\$ 93,840,733

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, 2016

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.267 Continuum of Care Program	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
70300 Net Tenant Rental Revenue	\$ 3,091,250									\$ 384,317
70400 Tenant Revenue - Other	\$ 324,411									
70500 Total Tenant Revenue	\$ 3,415,661	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 384,317
70600 HUD PHA Operating Grants	\$ 6,975,198	\$ 122,852	\$ 75,308			\$ 64,938	\$ 18,983,801	\$ 443,449	\$ 14,263	
70610 Capital Grants	\$ 1,479,791									
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			\$ 129,544	\$ 1,092,501					
71100 Investment Income - Unrestricted	\$ 7,017				\$ 344		\$ 4,457	\$ 165		
71200 Mortgage Interest Income					\$ 43,201					
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery							\$ 22,176	\$ 2,056		
71500 Other Revenue	\$ 180,198			\$ 1,000	\$ 33,891		\$ 229,556			\$ 16,241
71600 Gain or Loss on Sale of Capital Assets										
72000 Investment Income - Restricted	\$ 524									\$ 2
70000 Total Revenue	\$ 12,108,389	\$ 122,852	\$ 75,308	\$ 130,544	\$ 1,169,937	\$ 64,938	\$ 19,239,990	\$ 445,670	\$ 14,263	\$ 400,560
91100 Administrative Salaries	\$ 796,295				\$ 123,772		\$ 484,751	\$ 17,790		\$ 24,951
91200 Auditing Fees	\$ 32,918				\$ 9,709		\$ 32,353	\$ 1,187		\$ 850
91300 Management Fee	\$ 1,260,713		\$ 7,150		\$ 194,155		\$ 345,468	\$ 12,672		\$ 28,828
91310 Book-keeping Fee	\$ 123,464						\$ 215,918	\$ 7,920		\$ 3,600
91400 Advertising and Marketing	\$ 15,135				\$ 1,172		\$ 2,769	\$ 102		\$ 177
91500 Employee Benefit contributions - Administrative	\$ 290,858				\$ 36,268		\$ 171,646	\$ 6,299		\$ 5,774
91600 Office Expenses	\$ 183,176				\$ 13,129		\$ 142,226	\$ 5,220		\$ 13,054
91700 Legal Expense	\$ 7,890				\$ 10,400		\$ 10,032	\$ 368		
91800 Travel	\$ 27,581				\$ 72		\$ 2,720	\$ 100		\$ 925
91810 Allocated Overhead										
91900 Other	\$ 92,412			\$ 7	\$ 6,155		\$ 39,124	\$ 723		\$ 6,595
91000 Total Operating - Administrative	\$ 2,830,442	\$ -	\$ 7,150	\$ 7	\$ 394,832	\$ -	\$ 1,447,007	\$ 52,381	\$ -	\$ 84,754
92000 Asset Management Fee	\$ 184,200									
92100 Tenant Services - Salaries	\$ 199,836	\$ 99,827				\$ 50,004			\$ 11,580	
92200 Relocation Costs	\$ 5,989									
92300 Employee Benefit Contributions - Tenant Services	\$ 74,095	\$ 23,025				\$ 14,202			\$ 2,683	
92400 Tenant Services - Other	\$ 46,425					\$ 732	\$ 337			\$ 120
92500 Total Tenant Services	\$ 326,345	\$ 122,852	\$ -	\$ -	\$ -	\$ 64,938	\$ 337	\$ -	\$ 14,263	\$ 120

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, 2016

			6.2 Component Unit - Blended	14.182 N/C S/R Section 8 Programs	14.239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
70300	Net Tenant Rental Revenue		\$ 366,147	\$ 33,443					\$ 3,875,157		\$ 3,875,157
70400	Tenant Revenue - Other		\$ 11,723						\$ 336,134		\$ 336,134
70500	Total Tenant Revenue		\$ 377,870	\$ 33,443	\$ -	\$ -	\$ -	\$ -	\$ 4,211,291	\$ -	\$ 4,211,291
70600	HUD PHA Operating Grants			\$ 52,237					\$ 26,732,046		\$ 26,732,046
70610	Capital Grants								\$ 1,479,791		\$ 1,479,791
70710	Management Fee							\$ 1,920,434	\$ 1,920,434	\$ (1,920,434)	\$ -
70720	Asset Management Fee							\$ 184,200	\$ 184,200	\$ (184,200)	\$ -
70730	Book Keeping Fee							\$ 357,727	\$ 357,727	\$ (357,727)	\$ -
70740	Front Line Service Fee							\$ 97,424	\$ 97,424	\$ (93,421)	\$ 4,003
70750	Other Fees							\$ 68,450	\$ 68,450		\$ 68,450
70700	Total Fee Revenue							\$ 2,628,235	\$ 2,628,235	\$ (2,555,782)	\$ 72,453
70800	Other Government Grants				\$ 1,733,078	\$ 309,282	\$ 390,198		\$ 3,704,603		\$ 3,704,603
71100	Investment Income - Unrestricted		\$ 274	\$ 4	\$ 918		\$ 3,025	\$ 896	\$ 17,100		\$ 17,100
71200	Mortgage Interest Income				\$ 21,003		\$ 46,040		\$ 110,244	\$ (44,240)	\$ 66,004
71300	Proceeds from Disposition of Assets Held for Sale										
71310	Cost of Sale of Assets										
71400	Fraud Recovery								\$ 24,232		\$ 24,232
71500	Other Revenue		\$ 2,000,150		\$ 627,569		\$ 295,038	\$ 3,304	\$ 3,386,947		\$ 3,386,947
71600	Gain or Loss on Sale of Capital Assets										
72000	Investment Income - Restricted		\$ 9	\$ 1,125					\$ 1,660		\$ 1,660
70000	Total Revenue		\$ 2,378,303	\$ 86,809	\$ 2,382,568	\$ 309,282	\$ 734,301	\$ 2,632,435	\$ 42,296,149	\$ (2,600,022)	\$ 39,696,127
91100	Administrative Salaries		\$ 84,922	\$ 3,684	\$ 32,133	\$ 134,619	\$ 68,725	\$ 1,369,829	\$ 3,141,471		\$ 3,141,471
91200	Auditing Fees			\$ 6,179			\$ 882	\$ 5,559	\$ 89,637		\$ 89,637
91300	Management Fee		\$ 49,040	\$ 3,663	\$ 24,000	\$ 29,000	\$ 20,649		\$ 1,975,338	\$ (1,920,434)	\$ 54,904
91310	Book-keeping Fee		\$ 10,425						\$ 361,327	\$ (357,727)	\$ 3,600
91400	Advertising and Marketing		\$ 1,071		\$ 2,570		\$ 240	\$ 4,070	\$ 27,306		\$ 27,306
91500	Employee Benefit contributions - Administrative		\$ 28,743	\$ 1,014	\$ 10,251	\$ 40,805	\$ 5,442	\$ 425,121	\$ 1,022,221		\$ 1,022,221
91600	Office Expenses		\$ 10,888	\$ 9	\$ 2,061	\$ 3,140	\$ 901	\$ 264,182	\$ 637,986		\$ 637,986
91700	Legal Expense		\$ 301		\$ 571		\$ 796	\$ 10,400	\$ 40,758		\$ 40,758
91800	Travel		\$ 274	\$ 48	\$ 362	\$ 1,331		\$ 25,783	\$ 59,196		\$ 59,196
91810	Allocated Overhead										
91900	Other		\$ 4,058	\$ 368	\$ 367		\$ 25,408	\$ 23,211	\$ 198,428		\$ 198,428
91000	Total Operating - Administrative		\$ 189,722	\$ 14,965	\$ 72,315	\$ 208,895	\$ 123,043	\$ 2,128,155	\$ 7,553,668	\$ (2,278,161)	\$ 5,275,507
92000	Asset Management Fee								\$ 184,200	\$ (184,200)	\$ -
92100	Tenant Services - Salaries								\$ 361,247		\$ 361,247
92200	Relocation Costs						\$ 250		\$ 6,239		\$ 6,239
92300	Employee Benefit Contributions - Tenant Services								\$ 114,005		\$ 114,005
92400	Tenant Services - Other		\$ 1,330				\$ 8,000		\$ 56,944		\$ 56,944
92500	Total Tenant Services		\$ 1,330	\$ -	\$ -	\$ -	\$ 8,250	\$ -	\$ 538,435	\$ -	\$ 538,435

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, 2016

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.267 Continuum of Care Program	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
93100 Water	\$ 444,824			\$ 92			\$ 728			\$ 16,501
93200 Electricity	\$ 587,860			\$ (3)			\$ 249			\$ 14,290
93300 Gas	\$ 120,728			\$ 337				\$ 27		
93400 Fuel										
93500 Labor										
93600 Sewer	\$ 923,898							\$ 9		\$ 21,330
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense										
93000 Total Utilities	\$ 2,077,310	\$ -	\$ -	\$ 426	\$ -	\$ -	\$ 977	\$ 36	\$ -	\$ 52,121
94100 Ordinary Maintenance and Operations - Labor	\$ 595,131						\$ 2,066	\$ 76		\$ 21,799
94200 Ordinary Maintenance and Operations - Materials and Other	\$ 781,609			\$ 24	\$ 1,647		\$ 4,024	\$ 148		\$ 6,680
94300 Ordinary Maintenance and Operations Contracts	\$ 1,212,336			\$ 44,894	\$ 268		\$ 9,666	\$ 355		\$ 27,840
94500 Employee Benefit Contributions - Ordinary Maintenance	\$ 219,734									
94000 Total Maintenance	\$ 2,808,810	\$ -	\$ -	\$ 44,918	\$ 1,915	\$ -	\$ 15,756	\$ 579	\$ -	\$ 56,319
95100 Protective Services - Labor	\$ 33,063									
95200 Protective Services - Other Contract Costs	\$ 108,038						\$ 1,010	\$ 37		
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services	\$ 12,007									
95000 Total Protective Services	\$ 153,108	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,010	\$ 37	\$ -	\$ -
96110 Property Insurance	\$ 259,823			\$ 82	\$ 595		\$ 2,221	\$ 82		
96120 Liability Insurance	\$ 29,684			\$ 18			\$ 6,179	\$ 227		\$ 13,064
96130 Workmen's Compensation	\$ 45,498				\$ 3,798		\$ 14,204	\$ 521		\$ 1,157
96140 All Other Insurance	\$ 11,723				\$ 1,698		\$ 1,893	\$ 69		\$ 72
96100 Total insurance Premiums	\$ 346,728	\$ -	\$ -	\$ 100	\$ 6,091	\$ -	\$ 24,497	\$ 899	\$ -	\$ 14,293
96200 Other General Expenses	\$ 57,681			\$ 56,201	\$ 706,157		\$ 4,994	\$ 183		\$ 24,192
96210 Compensated Absences										
96300 Payments in Lieu of Taxes	\$ 122,936									\$ 36,338
96400 Bad debt - Tenant Rents	\$ 37,915									\$ 14,641
96500 Bad debt - Mortgages					\$ 48,619					
96600 Bad debt - Other										
96800 Severance Expense										
96000 Total Other General Expenses	\$ 218,532	\$ -	\$ -	\$ 56,201	\$ 754,776	\$ -	\$ 4,994	\$ 183	\$ -	\$ 75,171
96710 Interest of Mortgage (or Bonds) Payable										\$ 117,857
96720 Interest on Notes Payable (Short and Long Term)	\$ 44,240									
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	\$ 44,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,857
96900 Total Operating Expenses	\$ 8,989,715	\$ 122,852	\$ 7,150	\$ 101,652	\$ 1,157,614	\$ 64,938	\$ 1,494,578	\$ 54,115	\$ 14,263	\$ 400,635
97000 Excess of Operating Revenue over Operating Expenses	\$ 3,118,674	\$ -	\$ 68,158	\$ 28,892	\$ 12,323	\$ -	\$ 17,745,412	\$ 391,555	\$ -	\$ (75)

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, 2016

			6.2 Component Unit - Blended	14.182 N/C S/R Section 8 Programs	14.239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
93100 Water			\$ 33,190	\$ 2,366	\$ 91	\$ 569	\$ 748	\$ 2,400	\$ 501,509		\$ 501,509
93200 Electricity			\$ 29,676	\$ 12,053		\$ 634	\$ 11,869	\$ 21,185	\$ 677,813		\$ 677,813
93300 Gas			\$ 3,715			\$ 167		\$ 9,325	\$ 134,299		\$ 134,299
93400 Fuel											
93500 Labor											
93600 Sewer			\$ 58,934	\$ 5,061		\$ 1,709	\$ 2,877	\$ 5,716	\$ 1,019,534		\$ 1,019,534
93700 Employee Benefit Contributions - Utilities											
93800 Other Utilities Expense											
93000 Total Utilities			\$ 125,515	\$ 19,480	\$ 91	\$ 3,079	\$ 15,494	\$ 38,626	\$ 2,333,155	\$ -	\$ 2,333,155
94100 Ordinary Maintenance and Operations - Labor			\$ 42,643				\$ 1,372	\$ 62,867	\$ 725,954		\$ 725,954
94200 Ordinary Maintenance and Operations - Materials and Other			\$ 18,251	\$ 2,499		\$ 207	\$ 5,168	\$ 14,453	\$ 834,710		\$ 834,710
94300 Ordinary Maintenance and Operations Contracts			\$ 42,122	\$ 3,374		\$ 41,310	\$ 33,873	\$ 37,678	\$ 1,453,716	\$ (93,421)	\$ 1,360,295
94500 Employee Benefit Contributions - Ordinary Maintenance			\$ 14,158				\$ 295	\$ 19,511	\$ 253,698		\$ 253,698
94000 Total Maintenance			\$ 117,174	\$ 5,873	\$ -	\$ 41,517	\$ 40,708	\$ 134,509	\$ 3,268,078	\$ (93,421)	\$ 3,174,657
95100 Protective Services - Labor								\$ 8,236	\$ 41,299		\$ 41,299
95200 Protective Services - Other Contract Costs			\$ 5,334	\$ 2,726		\$ 450	\$ 2,916	\$ 6,004	\$ 126,515		\$ 126,515
95300 Protective Services - Other											
95500 Employee Benefit Contributions - Protective Services								\$ 2,556	\$ 14,563		\$ 14,563
95000 Total Protective Services			\$ 5,334	\$ 2,726	\$ -	\$ 450	\$ 2,916	\$ 16,796	\$ 182,377	\$ -	\$ 182,377
96110 Property Insurance			\$ 46,938	\$ 2,027		\$ 3,497	\$ 5,856	\$ 4,377	\$ 325,498		\$ 325,498
96120 Liability Insurance			\$ 18,280	\$ 508	\$ 27	\$ 3,087	\$ 48	\$ 9,854	\$ 80,976		\$ 80,976
96130 Workmen's Compensation			\$ 3,809	\$ 110	\$ 970	\$ 4,019	\$ 2,093	\$ 45,651	\$ 121,830		\$ 121,830
96140 All Other Insurance			\$ 59			\$ 637		\$ 5,956	\$ 22,107		\$ 22,107
96100 Total insurance Premiums			\$ 69,086	\$ 2,645	\$ 997	\$ 11,240	\$ 7,997	\$ 65,838	\$ 550,411	\$ -	\$ 550,411
96200 Other General Expenses				\$ 24	\$ 1,307,715	\$ 44,387	\$ 2,042	\$ 7,037	\$ 2,210,613		\$ 2,210,613
96210 Compensated Absences			\$ 21,366						\$ 21,366		\$ 21,366
96300 Payments in Lieu of Taxes			\$ 23,651				\$ 273		\$ 183,198		\$ 183,198
96400 Bad debt - Tenant Rents			\$ 9,954	\$ 125			\$ 3,573		\$ 66,208		\$ 66,208
96500 Bad debt - Mortgages									\$ 48,619		\$ 48,619
96600 Bad debt - Other											
96800 Severance Expense											
96000 Total Other General Expenses			\$ 54,971	\$ 149	\$ 1,307,715	\$ 44,387	\$ 5,888	\$ 7,037	\$ 2,530,004	\$ -	\$ 2,530,004
96710 Interest of Mortgage (or Bonds) Payable			\$ 23,403	\$ 3,300					\$ 144,560	\$ (44,240)	\$ 100,320
96720 Interest on Notes Payable (Short and Long Term)									\$ 44,240		\$ 44,240
96730 Amortization of Bond Issue Costs											
96700 Total Interest Expense and Amortization Cost			\$ 23,403	\$ 3,300	\$ -	\$ -	\$ -	\$ -	\$ 188,800	\$ (44,240)	\$ 144,560
96900 Total Operating Expenses			\$ 586,535	\$ 49,138	\$ 1,381,118	\$ 309,568	\$ 204,296	\$ 2,390,961	\$ 17,329,128	\$ (2,600,022)	\$ 14,729,106
97000 Excess of Operating Revenue over Operating Expenses			\$ 1,791,768	\$ 37,671	\$ 1,001,450	\$ (286)	\$ 530,005	\$ 241,474	\$ 24,967,021	\$ -	\$ 24,967,021

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, 2016

	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										
97200 Casualty Losses - Non-capitalized	\$ 14,928									
97300 Housing Assistance Payments			\$ 68,158				\$ 17,707,004	\$ 367,534		
97350 HAP Portability-In							\$ 126,319			
97400 Depreciation Expense	\$ 2,623,195				\$ 6,642		\$ 33,558			\$ 222,564
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	\$ 11,627,838	\$ 122,852	\$ 75,308	\$ 101,652	\$ 1,164,256	\$ 64,938	\$ 19,361,459	\$ 421,649	\$ 14,263	\$ 623,199
10010 Operating Transfer In	\$ 1,754,287						\$ 28,789			
10020 Operating transfer Out	\$ (1,754,287)									
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)	\$ 3,869,348									
10091 Inter Project Excess Cash Transfer In	\$ 1,294,497									
10092 Inter Project Excess Cash Transfer Out	\$ (1,294,497)									
10093 Transfers between Program and Project - In	\$ 11,926									
10094 Transfers between Project and Program - Out	\$ (403,528)				\$ (11,926)					
10100 Total Other financing Sources (Uses)	\$ 3,477,746	\$ -	\$ -	\$ -	\$ (11,926)	\$ -	\$ 28,789	\$ -	\$ -	\$ -
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 3,958,297	\$ -	\$ -	\$ 28,892	\$ (6,245)	\$ -	\$ (92,680)	\$ 24,021	\$ -	\$ (222,639)
11020 Required Annual Debt Principal Payments	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,728
11030 Beginning Equity	\$ 48,094,013	\$ -	\$ -	\$ 14,195	\$ 3,621,707	\$ -	\$ 1,449,941	\$ 103,255	\$ -	\$ 5,124,018
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$ (99,424)									\$ 124,894
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							\$ 1,357,261			
11180 Housing Assistance Payments Equity							\$ -			
11190 Unit Months Available	\$ 16,963	\$ -	\$ 96	\$ -	\$ -	\$ -	\$ 29,865	\$ 1,056	\$ -	
11210 Number of Unit Months Leased	\$ 16,043	\$ -	\$ 96	\$ -	\$ -	\$ -	\$ 28,810	\$ 1,056	\$ -	
11270 Excess Cash	\$ 6,348,129									
11610 Land Purchases	\$ -									
11620 Building Purchases	\$ 1,408,405									
11630 Furniture & Equipment - Dwelling Purchases	\$ -									
11640 Furniture & Equipment - Administrative Purchases	\$ -									
11650 Leasehold Improvements Purchases	\$ 71,386									
11660 Infrastructure Purchases	\$ -									
13510 CFFP Debt Service Payments	\$ -									
13901 Replacement Housing Factor Funds	\$ -									

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, 2016

			6.2 Component Unit - Blended	14.182 N/C S/R Section 8 Programs	14.239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
97100	Extraordinary Maintenance										
97200	Casualty Losses - Non-capitalized								\$ 14,928		\$ 14,928
97300	Housing Assistance Payments								\$ 18,142,696		\$ 18,142,696
97350	HAP Portability-In								\$ 126,319		\$ 126,319
97400	Depreciation Expense		\$ 60,721	\$ 11,846	\$ 3,727	\$ 1,900	\$ 35,605	\$ 53,005	\$ 3,052,763		\$ 3,052,763
97500	Fraud Losses										
97600	Capital Outlays - Governmental Funds										
97700	Debt Principal Payment - Governmental Funds										
97800	Dwelling Units Rent Expense										
90000	Total Expenses		\$ 647,256	\$ 60,984	\$ 1,384,845	\$ 311,468	\$ 239,901	\$ 2,443,966	\$ 38,665,834	\$ (2,600,022)	\$ 36,065,812
10010	Operating Transfer In								\$ 1,783,076	\$ (1,783,076)	\$ -
10020	Operating transfer Out							\$ (28,789)	\$ (1,783,076)	\$ 1,783,076	\$ -
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)		\$ 82,843						\$ 3,952,191		\$ 3,952,191
10091	Inter Project Excess Cash Transfer In								\$ 1,294,497	\$ (1,294,497)	\$ -
10092	Inter Project Excess Cash Transfer Out								\$ (1,294,497)	\$ 1,294,497	\$ -
10093	Transfers between Program and Project - In		\$ 403,528						\$ 415,454	\$ (415,454)	\$ -
10094	Transfers between Project and Program - Out								\$ (415,454)	\$ 415,454	\$ -
10100	Total Other financing Sources (Uses)		\$ 486,371	\$ -	\$ -	\$ -	\$ -	\$ (28,789)	\$ 3,952,191	\$ -	\$ 3,952,191
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses		\$ 2,217,418	\$ 25,825	\$ 997,723	\$ (2,186)	\$ 494,400	\$ 159,680	\$ 7,582,506	\$ -	\$ 7,582,506
11020	Required Annual Debt Principal Payments		\$ 10,729	\$ 1,997	\$ -	\$ -	\$ -	\$ -	\$ 92,454		\$ 92,454
11030	Beginning Equity		\$ 1,360,581	\$ 467,906	\$ 7,701,861	\$ (11,491)	\$ 5,657,740	\$ 3,941,693	\$ 77,525,419		\$ 77,525,419
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors								\$ 25,470		\$ 25,470
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								\$ 1,357,261		\$ 1,357,261
11180	Housing Assistance Payments Equity								\$ -		\$ -
11190	Unit Months Available		\$ 1,513	\$ 144	\$ -	\$ -	\$ 156	\$ -	\$ 49,793		\$ 49,793
11210	Number of Unit Months Leased		\$ 1,508	\$ 144	\$ -	\$ -	\$ 156	\$ -	\$ 47,813		\$ 47,813
11270	Excess Cash								\$ 6,348,129		\$ 6,348,129
11610	Land Purchases							\$ -	\$ -		\$ -
11620	Building Purchases							\$ -	\$ 1,408,405		\$ 1,408,405
11630	Furniture & Equipment - Dwelling Purchases							\$ -	\$ -		\$ -
11640	Furniture & Equipment - Administrative Purchases							\$ -	\$ -		\$ -
11650	Leasehold Improvements Purchases							\$ -	\$ 71,386		\$ 71,386
11660	Infrastructure Purchases							\$ -	\$ -		\$ -
13510	CFFP Debt Service Payments							\$ -	\$ -		\$ -
13901	Replacement Housing Factor Funds							\$ -	\$ -		\$ -

COMPLIANCE SECTION

Newport News Redevelopment and Housing Authority
Newport News, Virginia

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

	<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	14.850	\$ 8,043,347	\$ 4,886,557
Capital Fund Program	14.872	\$ 14,733,563	3,568,432
Housing Assistance Payments Program:			
Housing Choice Voucher Program	14.871	\$ 18,983,801	18,983,801
Housing Assistance Payments Program:			
Section 8 Moderate Rehabilitation - Single Room Occupancy			
VA003SRO004 - 2013 funding	14.249	\$ 443,449	443,449
Section 8 New Construction and Substantial Rehabilitation through the Virginia Housing Development Authority			
Transition Center, VA36H027032	14.182	\$ 52,237	<u>52,237</u>
TOTAL SECTION 8 PROJECT BASED CLUSTER			<u>495,686</u>
Resident Opportunities and Supportive Services			
Public Housing Family Self-Sufficiency			
VA003RFS257A013	14.877	\$ 48,410	14,263
Family Self-Sufficiency Coordinator	14.896	\$ 294,901	122,852
Service Coordinators	14.870	\$ 682,204	64,938
Continuum of Care			
Special Needs Assistance			
VA0055L3F051306	14.267	\$ 113,422	<u>75,308</u>
		TOTAL HUD	<u>28,211,837</u>
		TOTAL DIRECT	<u>28,211,837</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2016

	<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			
B13MC510015, B14MC510015, B15M510015	14.218	\$ 1,092,501	1,092,501
HOME Investment Partnerships Program			
M-XX-MC-510202	14.239	\$ 1,633,078	1,633,078
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>129,544</u>
		TOTAL INDIRECT	<u>2,855,123</u>
		TOTAL	<u>\$ 31,066,960</u>

Note 1 – Basis of Presentation

The accompanying schedule of expenditure of federal awards (the "Schedule") includes the federal grant activity of the Authority under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority. 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.

Note 2 – Summary of Significant Account Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior year.

Note 3 – Indirect Cost Rate

The Authority is not reimbursed for indirect costs under any of its federal awards and does not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance or any other indirect cost rate.

**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, 2016, 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 31, 2017. Our report includes a reference to another auditor who audited the financial statements of the discretely presented component unit, as described in our audit report on the Authority's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 31, 2017

**Report of Independent Auditor on Compliance for Each Major
Federal Program and on Internal Control over Compliance
Required by the Uniform Grant Guidance**

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 compliance requirements described in the *OMB 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

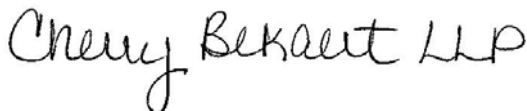
Report on Internal Control over Compliance

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 Uniform Guidance, 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, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cheryl Bekart LLP".

Virginia Beach, Virginia
March 31, 2017

Newport News Redevelopment and Housing Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

(1) Summary of Auditor's Results

Basic Financial Statements

- A.** The type of report issued on the basic financial statements: **Unmodified opinion**
- B.** Internal control over financial reporting:

Significant deficiencies identified that are not considered a material weakness? **None reported**
Material weaknesses identified? **No**
- C.** Noncompliance material to financial statements noted? **No**
- D.** Noncompliance related to state specifications? **No**

Federal Awards

- E.** Significant deficiencies in internal control over major programs noted? **No**
- F.** Material weaknesses in internal control over major programs noted? **No**
- G.** The type of report issued on compliance for major programs: **Unmodified opinion**
- H.** Any audit findings which are required to be reported under Section 200.516(a) of Uniform Guidance?
No
- I.** Major programs are as follows:
 - 1. Low-Rent Public Housing Program – Operating Subsidies (CFDA #14.850)
 - 2. Housing Choice Voucher Program (CFDA #14.871)
 - 3. Community Development Block Grants – CDBG (CFDA #14.218)
 - 4. Home Investment Partnerships Program (CFDA #14.239)
- J.** Dollar threshold used to distinguish between type A and type B programs: **\$932,009**
- K.** Auditee qualified as low-risk auditee? **No**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

None

(3) Findings and Questioned Costs Relating to Federal Awards:

None

(4) Findings and Questioned Costs Related to Compliance with State Specifications

None

(5) Status of Prior Year Findings

2015-001: Corrected