

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITOR

JUNE 30, 2018

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Report of Independent Auditor

The Commissioners of the Newport News
Redevelopment and Housing Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit and the aggregate remaining fund information of the Newport News Redevelopment and Housing Authority (the "Authority"), as of and for the year ended June 30, 2018, and the related notes to the financial statements.

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, which comprises 100% of the total assets, total revenue and total net position 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, 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, discretely presented component unit, and aggregate remaining fund information of the Authority, as of June 30, 2018, 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.

Emphasis of Matters

Change in Accounting Principle

As described in Note 21 to the financial statements, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (the "GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, 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 GASB, 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 Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is 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 Other Supplementary Information 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2019 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 solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting.

Cherry Bekant LLP

Virginia Beach, Virginia
March 30, 2019

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

Management's Discussion and Analysis

The Newport News Redevelopment and Housing Authority ("the Authority" or "NNRHA") management's discussion and analysis ("MD&A") 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 accounting principles generally accepted in the United States of America.

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 \$91,327,136, which is an increase of \$9,490,577 during the year ended June 30, 2018. 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 and to secure tax credit equity investments for the much needed renovation and improvements to the properties.

Overview of the Financial Statements

The following outline describes the integral parts of this 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**

Proprietary Fund Financial Statements

The Authority's proprietary fund financial statements account for its various programs (Public Housing, Rental Assistance, Central Office Cost Center, Community Development, HOME Investment Partnerships, Resident Self Sufficiency, Transition Center, State and Local Activities, Neighborhood Stabilization, Business Activities, Development properties for Lower Jefferson Avenue, Lofts on Jefferson, Orcutt Senior Housing, Orcutt Townhomes, Orcutt Townhomes III, Oyster Point-Brighton and Cypress Terrace Developments) and are presented on the full accrual basis of accounting. The proprietary fund financial statements include the following financial statements:

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 "Noncurrent".

Net Position is 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.

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

Management's Discussion and Analysis

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

The focus of the Statement of Net Position's, unrestricted net position, is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority.

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 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 – Discloses net cash provided by or used for operating activities, non-capital financing activities, and from capital and related financing and investment activities.

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 Financial Statements

In FY 2009 the Authority established the Other Postemployment 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. In FY 2018, the Authority was required to implement GASB No. 75 requiring reporting a liability on the face of the financial statements regarding the net OPEB liability.

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

Management's Discussion and Analysis

Analysis of the Authority's Statement of Net Position

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

	FY 2018 Proprietary Fund	FY 2017 Proprietary Fund *	Increases (Decreases)
ASSETS:			
Current Assets	\$ 17,997,533	\$ 15,935,695	\$ 2,061,838
Capital Assets	69,238,056	69,184,049	54,007
Other Assets	14,189,709	14,511,830	(322,121)
TOTAL ASSETS	101,425,298	99,631,574	1,793,724
DEFERRED OUTFLOWS OF RESOURCES	139,914	76,958	62,956
LIABILITIES:			
Current Liabilities	1,495,039	14,735,681	(13,240,642)
Noncurrent Liabilities	8,743,037	3,136,292	5,606,745
TOTAL LIABILITIES	10,238,076	17,871,973	(7,633,897)
NET POSITION:			
Net Investment in Capital Assets	61,189,070	54,565,784	6,623,286
Restricted Net Position	13,522,889	13,883,383	(360,494)
Unrestricted Net Position	16,615,177	13,387,392	3,227,785
TOTAL NET POSITION	\$ 91,327,136	\$ 81,836,559	\$ 9,490,577

* as restated, see Note 21

Net position (assets and deferred outflows of resources over liabilities) increased by \$9,490,577, which 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 and to secure tax credit equity investments for the much needed renovation and improvements to the properties.

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

Management's Discussion and Analysis

Analysis of the Authority's Changes in Net Position

	FY2018 Proprietary Funds	FY2017 Proprietary Funds	Increase/ Decrease	Percent
OPERATING REVENUES:				
Rental and tenant income	\$ 4,067,180	\$ 3,821,876	\$ 245,304	6.42%
Intergovernmental	30,274,058	30,521,928	(247,870)	-0.81%
Other income	1,120,377	946,164	174,213	18.41%
Total operating revenues	<u>35,461,615</u>	<u>35,289,968</u>	<u>171,647</u>	<u>0.49%</u>
OPERATING EXPENSES:				
Administration	5,333,869	5,235,553	98,316	1.88%
Tenant services	579,261	581,689	(2,428)	-0.42%
Utilities	2,223,295	2,202,720	20,575	0.93%
Ordinary maintenance and operations	3,276,180	3,401,588	(125,408)	-3.69%
Protective services	174,171	165,153	9,018	5.46%
Insurance expense	675,933	503,505	172,428	34.25%
General expense	1,986,434	1,786,672	199,762	11.18%
Nonroutine maintenance (net of insurance)	98,449	191,492	(93,043)	-48.59%
Housing assistance payments	20,484,918	20,557,181	(72,263)	-0.35%
Depreciation	3,371,871	2,771,884	599,987	21.65%
Total operating expenses	<u>38,204,381</u>	<u>37,397,437</u>	<u>806,944</u>	<u>2.16%</u>
OPERATING LOSS	<u>(2,742,766)</u>	<u>(2,107,469)</u>	<u>(635,297)</u>	<u>30.15%</u>
NONOPERATING REVENUES / (EXPENSES)				
Interest and investment revenues	114,375	91,762	22,613	24.64%
Interest expense	(34,965)	(24,391)	(10,574)	43.35%
Developer fee earned	993,908	-	993,908	100.00%
Gain or loss on disposition of fixed assets	-	20,499	(20,499)	-100.00%
Total nonoperating revenues, net	<u>1,073,318</u>	<u>87,870</u>	<u>985,448</u>	<u>1121.48%</u>
LOSS BEFORE CONTRIBUTIONS, TRANSFERS, AND SPECIAL ITEM:				
HUD capital contributions	(1,669,448)	(2,019,599)	350,151	-17.34%
Tax credit proceeds	2,254,606	2,509,538	(254,932)	-10.16%
Special item - capital assets soft development costs related to RAD conversion	10,987,524	1,660,000	9,327,524	561.90%
	<u>(2,082,105)</u>	<u>-</u>	<u>(2,082,105)</u>	<u>100.00%</u>
CHANGE IN NET POSITION	<u>9,490,577</u>	<u>2,149,939</u>	<u>7,340,638</u>	<u>341.43%</u>
TOTAL NET POSITION - beginning	81,836,559	80,007,124	1,829,435	2.29%
Prior Period Adjustment*	-	(320,504)	320,504	100.00%
TOTAL NET POSITION - ending	<u>\$ 91,327,136</u>	<u>\$ 81,836,559</u>	<u>\$ 9,490,577</u>	<u>11.60%</u>

* as restated, see Note 21

Revenue and Expense Activities

Operating Revenues – The Authority's revenues increased by 0.49% or \$171,647 in FYE June 30, 2018 as compared to FYE June 30, 2017. Income (rent, excess utilities, and maintenance charges) increased by \$245,304. The net intergovernmental revenues, operating grants and housing assistance payments incurred a modest net decrease of

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

Management's Discussion and Analysis

\$247,870. The Housing Choice Voucher program experienced a decrease of \$1.2 million due to HUD's push to increase vouchers leased and spend-down program reserves. However, this decrease was offset with an increase in the HOME and CDBG programs, and Business Activities.

Operating Expenses – The Authority's expenses increased by 2.16% or \$806,944 in FYE June 30, 2018 as compared to FYE June 30, 2017. Most of the change is attributable to an increase of \$1,070,493 in depreciation, insurance, administration and general expense. This increase was offset with a decrease in maintenance and operations, and Housing Assistance Payments.

PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were required due to implementation of GASB No. 75.

CAPITAL ASSETS

At the end of fiscal year June 30, 2018 the Authority had \$135,115,386 before accumulated depreciation, invested in a broad range of capital assets, including multi-family residential property, commercial office and shop property, computer equipment, and vehicles. The Authority's Public Housing Fund is capital assets intensive and reflects the costs of buildings purchased, constructed and decades of major renovations. The cost of these items are capitalized and depreciated over their useful lives, while the grants received from the Department of Housing and Urban Development (HUD) to fund these capital costs are recognized as revenue in the year the costs are capitalized. During the current year, the Authority had a decrease in construction in progress, with an offsetting increase in buildings. The Authority has continued the Phase V work at Marshall Courts, and has made significant progress in the renovation. Additionally, architectural and engineering (A&E) and construction costs have been incurred due to the completed renovation and conversion of three public housing properties under the new RAD program.

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

	FY 2018	FY 2017*	Increase / Decrease
Land and improvements	\$ 6,924,741	\$ 6,924,740	\$ 1
Building	123,933,449	97,437,964	26,495,485
Equipment	3,179,524	2,756,415	423,109
Construction in progress	1,077,672	24,540,005	(23,462,333)
Total	135,115,386	131,659,124	3,456,262
Accumulated depreciation	(65,877,330)	(62,561,998)	(3,315,332)
TOTAL	\$ 69,238,056	\$ 69,097,126	\$ 140,930

* as restated

LONG-TERM DEBT

At the end of fiscal year June 30, 2018, the Authority owed \$8,048,986 in long-term debt to external parties. The debt consists of a note payable due to VHDA Tax Credit Assistance Program and Tax Credit Exchange Program debt for the Orcutt Townhomes III property, a note payable to VHDA for the Lofts on Jefferson/ROAM Building, notes payable to VHDA and deferred notes payable to Department of Community and Housing Development (DHCD) for both the Oyster Point-Brighton and Cypress Terrace properties. During 2018, the Authority paid off the mortgage note for the Transition Center, and there were no modifications to the Lofts on Jefferson mortgage note, and principal payments of \$11,609 were made. Additional information on the Authority's long-term debt can be found in Note 4 to the financial statements.

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

Management's Discussion and Analysis

ECONOMIC FACTORS

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

- HUD has historically under-estimated and under-funded 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 the continued unwillingness of HUD 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 has allowed the Authority to borrow money for much needed renovation and improvements to the properties. In late May 2018, the Housing Authority closed on the permanent financing for the conversion of these properties and construction was completed. 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. In October 2018, we began renovation of 100 units at Lassiter Courts under the RAD program. These public housing units will also be converted to a form of project-based rental assistance.
- 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% last year; funding proration in CY 2019 is projected to remain the same, therefore we will be able to continue to maximize leasing. The Authority was recently awarded an additional 5 Veterans Affairs Supportive Housing (VASH) vouchers to administer. As a result, we will now administer forty-one 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. We also received an additional forty-five Mainstream Vouchers to help low-income households that include persons with disabilities. However, the administrative fee funding continues to remain low at 80 percent of eligibility.
- The President's budget blueprint released recently contains devastating cuts to vital HUD rental assistance and community development programs. 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 the CDBG, HOME, and Capital Grant programs - the resources available for housing rehabilitation, traditional redevelopment activities, and assistance provided to many non-profit agencies would be drastically cut or eliminated. The President's budget again proposes to merge the Public Housing Capital Fund into the Public Housing Operating Fund with reduced overall funding. The Administration proposes removing the statutory limit on the number of public housing units that can participate in RAD which, to date, has preserved more than 100,000 units of affordable housing that would otherwise have been lost permanently; spending for vouchers would be decreased by slightly. In addition, the Authority's Capital funding will be reduced due to the conversion of 100 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 88-90% of public housing subsidy eligibility for the first six months of FY 2019. The Authority is expecting to receive funding of 90% for full 2019 calendar year.

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Management's Discussion and Analysis

- 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 any pending health care reform will affect Authority expenses.
- Post-retirement benefits other than pensions are estimated to be \$81,000 for FY 2019. The liability has been funded through a trust.

FINANCIAL CONTACT

Questions concerning any of the information provided in this MD&A should be addressed to:

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BASIC FINANCIAL STATEMENTS

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT OF NET POSITION

PROPRIETARY FUND AND DISCRETELY PRESENTED COMPONENT UNIT

JUNE 30, 2018

	Proprietary Fund - Primary Government	Lower Jefferson Avenue, LLC
<u>ASSETS</u>		
Current assets:		
Cash and equivalents - unrestricted	\$ 16,213,034	\$ 9,101
Accounts receivable (net of allowance)	1,220,167	6,507
Investments	310,005	-
Prepaid expenses	230,937	14,275
Materials inventory (net of allowance)	23,390	-
Total current assets	17,997,533	29,883
Restricted assets:		
Cash and equivalents - restricted	3,102,826	233,530
Investments - restricted	130,759	32,717
Notes receivable (noncurrent)	7,828,024	-
Total restricted assets	11,061,609	266,247
Noncurrent assets:		
Notes and mortgages receivable	1,712,744	-
Nondepreciable capital assets	8,002,413	252,300
Capital assets (net)	61,235,643	6,934,721
Investment in joint ventures	990,198	-
Other noncurrent assets	425,158	-
Total noncurrent assets	72,366,156	7,187,021
 TOTAL ASSETS	 101,425,298	 7,483,151
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows related to OPEB plan	139,914	-

The accompanying notes are an integral part of this statement.

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STATEMENT OF NET POSITION
(CONTINUED)

PROPRIETARY FUND AND DISCRETELY PRESENTED COMPONENT UNIT

JUNE 30, 2018

	Proprietary Fund - Primary Government	Lower Jefferson Avenue, LLC
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	1,062,881	49,040
Accrued salaries	72,454	6,066
Accrued interest payable	14,262	11,419
Unearned revenues	47,789	3,492
Security deposit liabilities	161,915	27,425
Compensated absences	3,754	-
Current portion of long-term liabilities	131,984	63,167
Total current liabilities	1,495,039	160,609
Long-term liabilities:		
Compensated absences	393,325	-
Net OPEB liability	270,615	-
Notes and mortgages payable	7,917,002	1,405,753
Developer fee payable	-	19,189
Trust, deposit, and escrow liabilities	162,095	-
Total long-term liabilities	8,743,037	1,424,942
 TOTAL LIABILITIES	 10,238,076	 1,585,551
<u>NET POSITION</u>		
Net investment in capital assets	61,189,070	5,718,101
Restricted for:		
Reserves and escrows	1,465,741	239,243
Loan programs	7,828,024	-
Other	4,229,124	-
Unrestricted	16,615,177	(59,744)
TOTAL NET POSITION	\$ 91,327,136	\$ 5,897,600

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, 2018

	Proprietary Fund - Primary Government	Lower Jefferson Avenue, LLC
OPERATING REVENUES:		
Rental and tenant income	\$ 4,067,180	\$ 386,444
Intergovernmental - operating grants	30,274,058	-
Fee revenues	52,200	-
Other income	1,068,177	19,142
Total operating revenues	35,461,615	405,586
OPERATING EXPENSES:		
Administration	5,333,869	88,580
Tenant services	579,261	204
Utilities	2,223,295	110,670
Ordinary maintenance	3,276,180	96,155
Protective services	174,171	-
Insurance expense	675,933	13,980
General expenses	1,986,434	43,187
Non-routine maintenance	98,449	3,885
Housing assistance payments	20,484,918	-
Depreciation	3,371,871	222,564
Total operating expenses	38,204,381	579,225
OPERATING LOSS	(2,742,766)	(173,639)
NONOPERATING REVENUES/EXPENSES:		
Interest and investment revenue	114,375	182
Interest expense	(34,965)	(40,657)
Developer fees earned	993,908	-
Total nonoperating revenues/(expenses), net	1,073,318	(40,475)
LOSS BEFORE CONTRIBUTIONS, TRANSFERS, AND SPECIAL ITEM	(1,669,448)	(214,114)
HUD capital contributions	2,254,606	-
Tax credit and other proceeds	10,987,524	-
Special item - capital assets soft development costs related to RAD conversion	(2,082,105)	-
CHANGE IN NET POSITION	9,490,577	(214,114)
TOTAL NET POSITION - July 1, 2017, as restated	81,836,559	6,111,714
TOTAL NET POSITION - June 30, 2018	\$ 91,327,136	\$ 5,897,600

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, 2018

	Proprietary Fund - Primary Government
Cash flows from operating activities:	
Cash received from tenants/others	\$ 4,698,945
Cash received for fees/services/donations	524,668
Cash operating grants received (net)	30,596,942
Cash payments for goods, services, rental subsidies	(28,751,476)
Cash payments for employees and benefits	(5,619,027)
Cash payments in lieu of property taxes	(442,953)
Net cash provided by operating activities	1,007,099
Cash flows from capital and related financing activities:	
Purchase of equipment/capital assets	(6,507,379)
Proceeds from sale of capital assets	10,000
Proceeds from issuing notes and other debt	7,582,041
Proceeds from sale of tax credits	10,927,524
Contributions received for capital outlays	1,977,491
Loan principal payments	(14,152,610)
Interest payments	(22,642)
Net cash used in capital and related financing activities	(185,575)
Cash flows from noncapital financing activities:	
Developer fees received	993,908
Loans made to borrowers	(812,474)
Receipt of interest on notes and loans	54,479
Loan payments received	424,182
Net cash provided by noncapital financing activities	660,095
Cash flows from investing activities:	
Receipts of interest and dividends	53,605
Deposits to reserve accounts	288,364
Net cash used in investing activities	341,969
Net increase in cash	1,823,588
Cash and equivalents at July 1, 2017	17,492,272
Cash and equivalents at June 30, 2018	\$ 19,315,860

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, 2018

	Proprietary Fund - Primary Government
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (2,742,766)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	3,371,871
Other adjustments	72,639
Change in assets and liabilities:	
Decrease in accounts receivable	125,958
Decrease in notes and mortgages receivable	419,304
Increase in prepaid expenses and materials inventory	(93,504)
Decrease in other assets	102
Increase in deferred outflows of resources	(62,956)
Decrease in accounts payable	(351)
Increase in accrued expenses	4,262
Increase in compensated absences	19,163
Decrease in trust, deposit, and escrow liabilities	(13,591)
Increase in unearned revenues	6,302
Decrease in net OPEB liabilities	(99,334)
Net cash provided by operating activities	\$ 1,007,099

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, 2018

	<u>OPEB Trust Fund</u>
<u>ASSETS</u>	
Investments, at fair value	\$ 1,355,612
TOTAL ASSETS	<u>1,355,612</u>
 <u>NET POSITION</u>	
Net position held in trust for other postemployment benefits	<u>1,355,612</u>
 TOTAL NET POSITION	<u><u>\$ 1,355,612</u></u>

The accompanying notes are an integral part of this statement.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUND

YEAR ENDED JUNE 30, 2018

	<u>OPEB Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 139,914
Plan members	17,954
Total contributions	<u>157,868</u>
Investment income:	
Net appreciation in fair value of investments	116,802
Dividends	707
Net investment income	<u>117,509</u>
Total additions	<u>275,377</u>
DEDUCTIONS	
Benefits paid	97,868
Administrative expenses	1,866
Total deductions	<u>99,734</u>
Changes in fiduciary net position	<u>175,643</u>
Net position held in trust for other postemployment benefits - July 1, 2017	<u>1,179,969</u>
Net position held in trust for other postemployment benefits - June 30, 2018	<u>\$ 1,355,612</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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Newport News Redevelopment and Housing Authority (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Authority is a public body and a body corporate and politic created under the Authority of the General Statutes of the Commonwealth of Virginia. The Authority was created for the purpose of providing safe and sanitary housing for the citizens of Newport News, Virginia (City). The seven member Board of Commissioners of the Authority is appointed to four-year terms by the City Council of the City 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 appoints the governing board of the Authority, no other criteria established within GAAP for inclusion of the Authority in the financial reports of the City 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 Department of Housing and Urban Development (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.
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.
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 Virginia Housing Development Authority (VHDA) funded Transition Center housing program.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

A. Reporting Entity (continued)

Business Activities Program	This program includes all of the non-federal and non-governmental activities that generate non-federal revenues.
Neighborhood Stabilization Program (NSP)	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	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.
Orcutt Senior Development Corporation (including Orcutt Senior Housing, L.P.)	This program includes the activity of an Authority subsidiary that owns Public Housing redeveloped as a mixed finance, tax credit property.
Orcutt Townhomes Development Corporation (including Orcutt Townhomes, L.P.)	This program includes the activity of an Authority subsidiary that owns Public Housing redeveloped as a mixed finance, tax credit property.
Orcutt Townhomes III Development Corporation (including Orcutt Townhomes III, L.P.)	This program includes the activity of an Authority subsidiary that owns former Public Housing redeveloped as a mixed finance, tax credit property. During the current period, this property converted to Project-based Rental Assistance under HUD's HUD's Rental Assistance Determination (RAD) Program.
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, 2018

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

A. Reporting Entity (Continued)

In evaluating the Authority's reporting entity in accordance with GAAP, 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 III, L.P.)	Blended
2713 Lofts Development Corporation and 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 the discretely presented component unit has a different fiscal year-end, the information presented for Lower Jefferson Avenue, LLC is as of and the year ended December 31, 2017. Separate financial statements for Lower Jefferson Avenue, LLC can be obtained from the Authority.

B. Description of a Public Housing Authority

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

B. Description of a Public Housing Authority (continued)

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

C. Fund Financial Statements

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

Another postemployment 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 tenants, participants, or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessment.

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

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

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.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

D. Revenue Recognition, Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 proprietary 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 Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

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

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

Proprietary Fund Types – These funds account for virtually all other operations that are organized to be primarily self-supporting through user charges. The fund included in this category is the Enterprise Fund 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 – This fund accounts for resources held in trust for employee, retirees, and their beneficiaries based on the postemployment benefits plan.

F. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurements focus. The proprietary fund and trust fund 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.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

G. Budgets and Budgetary Accounting (continued)

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 Equivalents 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.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items.

J. Inventories

Inventories are valued at cost using the average-cost method. Inventory is accounted for under the consumption 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 acquisition value as of the date of the donation.

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

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

L. Capitalized Interest

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

M. Vacation and Sick Leave Compensation

Employees earn annual leave at varying rates based upon years of service up to a maximum of 24 days per year. At termination, employees are paid for any accumulated annual leave. The liability for accrued but unused annual leave at June 30, 2018 is \$397,079 and is reported as a current or noncurrent liability. The maximum accrual is 40 days. Employees earn sick leave at the rate of 15 days per year with no maximum accumulation. At termination, employees are not paid for any accumulated balances.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

N. Estimates

Preparing the Authority's financial statements in conformity with GAAP 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, depreciation, and other postemployment benefits. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

O. Imputation of Interest

The Authority makes loans to homeowners, program participants, and affiliates and obtains 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 in accordance with accounting standards.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has an item that met this criterion, contributions that were made to the OPEB plan subsequent to the measurement date. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has no items that meet this criterion for this category.

Q. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred flows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Newport News Redevelopment and Housing Authority (NNRHA) OPEB Plan and additions to/deductions from the NNRHA's OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the NNRHA OPEB Plan. For this purpose, the NNRHA OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

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.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

Bank Deposits:

Bank deposits include amounts held in accounts that qualify for federal depository insurance and include demand deposits such as checking accounts, saving accounts, and negotiable order of withdrawal (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, 2018, the Authority's deposits consist of the following:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Demand deposit accounts (checking, savings, and money market accounts)	\$ 13,336,366	\$ 242,431
Time deposits - certificates of deposit	244,240	-
Total deposits	\$ 13,580,606	\$ 242,431

Deposits are required to be either covered by federal depository insurance or be collateralized with securities held by third-party custodians in the Authority's name. At June 30, 2018, the Authority's deposits with financial institutions for all fund types, including fiduciary funds and blended component units, had a carrying amount of \$13,580,606 and a bank balance of \$13,900,350. For the discretely presented component unit, the carrying amount of such deposits as of December 31, 2017 amount to \$242,431 and bank balances of \$248,281. 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	\$ 1,694,675	\$ 248,281
Collateralized under the Commonwealth's public depository fund in accordance with the laws of the Commonwealth of Virginia	12,205,675	-
Total bank balance	\$ 13,900,350	\$ 248,281

As of June 30, 2018, the Authority's deposits are classified in the financial statements as follows:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Cash and cash equivalents	\$ 13,580,606	\$ 242,431

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

Investments:

As of June 30, 2018, the Authority held the following investments:

Investment Type	Maturity	Issuer Credit Rating	Proprietary	Fiduciary
			Fund	Fund
			Fair Value or Cost	Fair Value
Repurchase Agreements	Daily	N/A	\$ 1,889,420	\$ -
Federal Home Loan Bank Discount Note	10/1/2018	Not rated	3,842,234	-
Virginia Investment Pool	N/A	N/A	310,005	-
VML/VACo Pooled OPEB Trust	N/A	N/A	-	1,355,612
Total			<u>\$ 6,041,659</u>	<u>\$ 1,355,612</u>

As of June 30, 2018, the Authority's investments are classified in the financial statements as follows:

	Proprietary	Fiduciary
	Fund	Fund
Cash and cash equivalents	\$ 5,731,654	\$ -
Investments	310,005	1,355,612
Total investments	<u>\$ 6,041,659</u>	<u>\$ 1,355,612</u>

Classification in Financial Statements:

In summary, as of June 30, 2018, the Authority's cash and cash equivalents consist of the following:

	Proprietary	Lower Jefferson
	Fund	Avenue, LLC
Deposits with financial institutions	\$ 13,580,606	\$ 242,431
Investments - short-term	5,731,654	-
Petty cash and change funds	3,600	200
Total cash and cash equivalents	<u>\$ 19,315,860</u>	<u>\$ 242,631</u>
Restricted for:		
Capital improvements replacement reserve	\$ 6,459	\$ -
Security deposits	161,914	27,003
Program income and revolving construction loans	1,453,567	-
Family Self Sufficiency (FSS) program escrow	152,363	-
Replacement reserve and other reserve accounts	1,328,523	206,527
	<u>3,102,826</u>	<u>233,530</u>
Unrestricted	<u>\$ 16,213,034</u>	<u>\$ 9,101</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

In summary, as of June 30, 2018, the Authority’s investments consist of the following:

	Proprietary Fund	Fiduciary Fund	Lower Jefferson Avenue, LLC
Investments	\$ 310,005	\$ 1,355,612	\$ -
Unrestricted	310,005	1,355,612	-
Reserves held by VHDA	130,759	-	32,717
Restricted	130,759	-	32,717
Total investments	<u>\$ 440,764</u>	<u>\$ 1,355,612</u>	<u>\$ 32,717</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 \$1,889,420 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 Federal Home Loan Bank Discount Note is valued using quoted market prices (Level 2 inputs).

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

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.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 3 – ACCOUNTS RECEIVABLE:

Receivables at June 30, 2018 consist of the following:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Tenants/program participants	\$ 368,378	\$ 6,297
Less: Allowance	(269,211)	-
	99,167	6,297
HUD - unrequisioned costs	460,675	-
HUD - housing assistance payments	116,381	210
HUD - administrative fees	29,742	-
Loan program participants	40,744	-
Other governments	410,627	-
Interest	8,550	-
Affiliated property owners:		
Great Oak	50,319	-
Miscellaneous	3,962	-
Total	\$ 1,220,167	\$ 6,507

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, 2018

NOTE 3 – ACCOUNTS RECEIVABLES: (Continued)

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 Program	Transition Center Program	State and Local Activities Program
Tenants/program participants	\$ 106,831	\$ 239,385	\$ -	\$ -	\$ -	\$ -	\$ 1,552	\$ -
Less: Allowance	(24,836)	(239,385)	-	-	-	-	(155)	-
	<u>81,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,397</u>	<u>-</u>
HUD - unrequisioned costs	381,364	10,760	-	-	-	68,551	-	-
HUD - housing assistance payments	-	107,893	-	-	-	-	-	-
HUD - administrative fees	-	29,742	-	-	-	-	-	-
Loan program participants	-	-	-	933	39,811	-	-	-
Other governments	63,192	11,734	-	-	53,360	-	-	55,275
Interest	-	-	-	-	-	-	-	-
Affiliated property owners:								
Great Oak	-	-	50,319	-	-	-	-	-
Miscellaneous	-	1,375	-	-	-	-	-	-
Total	<u>\$ 526,551</u>	<u>\$ 161,504</u>	<u>\$ 50,319</u>	<u>\$ 933</u>	<u>\$ 93,171</u>	<u>\$ 68,551</u>	<u>\$ 1,397</u>	<u>\$ 55,275</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 3 – ACCOUNTS RECEIVABLES: (Continued)

	Business Activities Program	Orcutt Senior Housing/ Ashe Manor	Orcutt Townhomes	Orcutt Townhomes III	Lofts on Jefferson	Oyster Point- Brighton	Cypress Terrace
Tenants/program participants	\$ -	\$ 837	\$ 1,808	\$ 3,817	\$ 1,991	\$ 5,091	\$ 7,066
Less: Allowance	-	(273)	(533)	(504)	(632)	(550)	(2,343)
	<u>-</u>	<u>564</u>	<u>1,275</u>	<u>3,313</u>	<u>1,359</u>	<u>4,541</u>	<u>4,723</u>
HUD - unrequisioned costs	-	-	-	-	-	-	-
HUD - housing assistance payments	-	-	-	-	-	7,150	1,338
HUD - administrative fees	-	-	-	-	-	-	-
Loan program participants	-	-	-	-	-	-	-
Other governments	6,869	-	-	-	-	141,079	79,118
Interest	8,550	-	-	-	-	-	-
Affiliated property owners							
Great Oak	-	-	-	-	-	-	-
Miscellaneous	2,587	-	-	-	-	-	-
Total	<u>\$ 18,006</u>	<u>\$ 564</u>	<u>\$ 1,275</u>	<u>\$ 3,313</u>	<u>\$ 1,359</u>	<u>\$ 152,770</u>	<u>\$ 85,179</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 – MORTGAGES AND INTERFUND NOTES PAYABLES:

Transition Center

The cost of the Transition Center was financed by a permanent first mortgage loan from the 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. This loan was repaid during the year ended June 30, 2018.

Orcutt Townhomes III

Orcutt Townhomes III was partially financed with tax credit assistance program (TCAP) funds from the VHDA. A Deferred Payment Note in the amount of \$1,004,231 was executed on December 23, 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 ending June 30, 2043 and thereafter	\$ 1,004,231	\$ -	\$ 1,004,231

Orcutt Townhomes III was partially financed with funds received from the VHDA under the TCAP. 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, 2018, \$480,000 was deferred or outstanding under this agreement.

	Principal	Interest	Total Payments
Forgiven for the year ending June 30, 2019	\$ 60,000	\$ -	\$ 60,000
Forgiven for the year ending June 30, 2020	60,000	-	60,000
Forgiven for the year ending June 30, 2021	60,000	-	60,000
Forgiven for the year ending June 30, 2022	60,000	-	60,000
Forgiven for the year ending June 30, 2023	60,000	-	60,000
Forgiven for the year ending June 30, 2024	60,000	-	60,000
Forgiven for the year ending June 30, 2025	60,000	-	60,000
Forgiven for the year ending June 30, 2026	60,000	-	60,000
	\$ 480,000	\$ -	\$ 480,000

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 – MORTGAGES AND INTERFUND NOTES PAYABLES: (Continued)

Lofts on Jefferson

The cost of the Lofts on Jefferson/ROAM Building were financed in part by a permanent first mortgage loan from the 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. Future maturities are as follows:

	Principal	Interest	Total Payments
For the year ending June 30, 2019	\$ 12,076	\$ 22,091	\$ 34,167
For the year ending June 30, 2020	12,562	21,605	34,167
For the year ending June 30, 2021	13,067	21,100	34,167
For the year ending June 30, 2022	13,592	20,575	34,167
For the year ending June 30, 2023	14,139	20,028	34,167
For the years ending June 30, 2024-2028	79,699	91,134	170,833
For the years ending June 30, 2029-2033	97,069	73,764	170,833
For the years ending June 30, 2034-2038	118,226	52,607	170,833
For the years ending June 30, 2039-2043	143,995	26,839	170,834
For the years ending June 30, 2044-2045	60,330	2,310	62,640
	<u>\$ 564,755</u>	<u>\$ 352,053</u>	<u>\$ 916,808</u>

Oyster Point-Brighton

As part of the renovation of the Oyster Point-Brighton Apartments, a temporary construction loan in the amount of \$9,830,239 dated January 29, 2016 was executed by Oyster Point-Brighton, LLC and TowneBank. Under this note, funds are advanced as needed to pay construction and related costs. This note bears interest at a rate of 3.19% per annum. This note was repaid on May 23, 2018.

The final cost of the Oyster Point-Brighton Apartments were financed in part by a permanent first mortgage loan from the VHDA. On May 23, 2018 a permanent first mortgage loan of \$2,950,000 was executed, payable in equal monthly installments of \$10,903.77 for 30 years with an interest rate of 2% per annum. This note matures on June 1, 2048. Future maturities are as follows:

	Principal	Interest	Total Payments
For the year ending June 30, 2019	\$ 72,507	\$ 58,338	\$ 130,845
For the year ending June 30, 2020	73,971	56,874	130,845
For the year ending June 30, 2021	75,464	55,381	130,845
For the year ending June 30, 2022	76,987	53,858	130,845
For the year ending June 30, 2023	78,541	52,304	130,845
For the years ending June 30, 2024-2028	417,136	237,090	654,226
For the years ending June 30, 2029-2033	460,968	193,258	654,226
For the years ending June 30, 2034-2038	509,405	144,821	654,226
For the years ending June 30, 2039-2043	562,933	91,293	654,226
For the years ending June 30, 2044-2048	622,088	32,122	654,210
	<u>\$ 2,950,000</u>	<u>\$ 975,339</u>	<u>\$ 3,925,339</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 – MORTGAGES AND INTERFUND NOTES PAYABLES: (Continued)

The final cost of the Oyster Point-Brighton Apartments was partially financed by a permanent deferred payment note from the Department of Housing and Community Development (DHCD). On May 23, 2018, a permanent loan of \$700,000 was executed requiring monthly payments of interest-only for 15 years with an interest rate of 3% per annum. Monthly payments of interest shall be payable commencing on the first day of July 2018 and continuing on the first day of each month thereafter until the day which 15 years after the first day of the month immediately following the month in which this note is dated or until such later date as may be established by noteholder, at which time the balance of principal, plus accrued interest thereon, shall be due and payable. In the sole discretion of noteholder, the balance of principal and interest may be forgiven by 1/15th for each year during which the property securing the underlying loan remains in compliance with HOME Program requirements.

	Principal	Interest	Total Payments
For the year ending June 30, 2019	\$ -	\$ 21,000	\$ 21,000
For the year ending June 30, 2020	-	21,000	21,000
For the year ending June 30, 2021	-	21,000	21,000
For the year ending June 30, 2022	-	21,000	21,000
For the year ending June 30, 2023	-	21,000	21,000
For the years ending June 30, 2024-2028	-	105,000	105,000
For the years ending June 30, 2029-2033	-	105,000	105,000
For the year ending June 30, 2034	700,000	-	700,000
	<u>\$ 700,000</u>	<u>\$ 315,000</u>	<u>\$ 1,015,000</u>

Cypress Terrace

As part of the renovation of the Cypress Terrace Apartments, a temporary construction loan in the amount of \$4,798,945 dated January 29, 2016 was executed by Cypress Terrace, LLC and TowneBank. Under this note, funds are advanced as needed to pay construction and related costs. This note bears interest at a rate of 3.19% per annum. This note initially matured on January 28, 2018, but was extended to March 28, 2018. This note was repaid on May 23, 2018.

The final cost of the Cypress Terrace Apartments were financed in part by a permanent first mortgage loan from the VHDA. On May 23, 2018, a permanent first mortgage loan of \$1,650,000 was executed, payable in equal monthly installments of \$5,307.05 for 30 years with an interest rate of 1% per annum. This note matures on June 1, 2048. Future maturities are as follows:

	Principal	Interest	Total Payments
For the year ending June 30, 2019	\$ 47,401	\$ 16,284	\$ 63,685
For the year ending June 30, 2020	47,878	15,807	63,685
For the year ending June 30, 2021	48,359	15,326	63,685
For the year ending June 30, 2022	48,844	14,841	63,685
For the year ending June 30, 2023	49,335	14,350	63,685
For the years ending June 30, 2024-2028	254,211	64,212	318,423
For the years ending June 30, 2029-2033	267,239	51,184	318,423
For the years ending June 30, 2034-2038	280,934	37,489	318,423
For the years ending June 30, 2039-2043	295,331	23,092	318,423
For the years ending June 30, 2044-2048	310,468	7,956	318,424
	<u>\$ 1,650,000</u>	<u>\$ 260,541</u>	<u>\$ 1,910,541</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 – MORTGAGES AND INTERFUND NOTES PAYABLES: (Continued)

The final cost of the Cypress Terrace Apartments was partially financed by a permanent deferred payment note from the DHCD. On May 23, 2018, a permanent loan of \$700,000 was executed requiring monthly payments of interest only for 15 years with an interest rate of 3% per annum. Monthly payments of interest shall be payable commencing on the first day of July 2018 and continuing on the first day of each month thereafter until the day which 15 years after the first day of the month immediately following the month in which this note is dated or until such later date as may be established by noteholder, at which time the balance of principal, plus accrued interest thereon, shall be due and payable. In the sole discretion of noteholder, the balance of principal and interest may be forgiven by 1/15th for each year during which the property securing the Underlying Loan remains in compliance with HOME Program requirements.

	Principal	Interest	Total Payments
For the year ending June 30, 2019	\$ -	\$ 21,000	\$ 21,000
For the year ending June 30, 2020	-	21,000	21,000
For the year ending June 30, 2021	-	21,000	21,000
For the year ending June 30, 2022	-	21,000	21,000
For the year ending June 30, 2023	-	21,000	21,000
For the years ending June 30, 2024-2028	-	105,000	105,000
For the years ending June 30, 2029-2033	-	105,000	105,000
For the year ending June 30, 2034	700,000	-	700,000
	<u>\$ 700,000</u>	<u>\$ 315,000</u>	<u>\$ 1,015,000</u>

Inter-Program Notes Payable:

Certain inter-program notes payables are recorded on the accounting records for programs that are combined in the single proprietary fund. These inter-program balances are not reflected in the basic 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, 2018

NOTE 4 – MORTGAGES AND INTERFUND NOTES PAYABLES: (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, 2018	\$	714,000
Accrued interest for the year ended June 30, 2005	\$	21,678
Accrued interest for the year ended June 30, 2006		29,427
Accrued interest for the year ended June 30, 2007		30,604
Accrued interest for the year ended June 30, 2008		31,829
Accrued interest for the year ended June 30, 2009		33,432
Accrued interest for the year ended June 30, 2010		34,784
Accrued interest for the year ended June 30, 2011		36,188
Accrued interest for the year ended June 30, 2012		37,755
Accrued interest for the year ended June 30, 2013		39,175
Accrued interest for the year ended June 30, 2014		40,759
Accrued interest for the year ended June 30, 2015		42,405
Accrued interest for the year ended June 30, 2016		44,240
Accrued interest for the year ended June 30, 2017		45,906
Accrued interest for the year ended June 30, 2018		47,760
Total accrued interest due as of June 30, 2018	\$	515,942

In the REAC FDS presented as supplemental information, the accrued interest payable of \$515,942 is reported on line 353, Noncurrent Liabilities – Other, and the interest receivable of \$515,942 is reported on line 171, Notes, Loans, and Mortgages Receivable – Noncurrent along with the related principal.

Interfund note payable – Orcutt Senior Housing – Capital Funds Loan

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 – MORTGAGES AND INTERFUND NOTES PAYABLES: (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 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, 2018, the Authority had advanced \$1,372,000 to the Maker.

\$ 1,372,000

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 balance of principal shall be made from Maker to noteholder 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.

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 balance of principal shall be made from Maker to noteholder 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.

400,000

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 balance of principal shall be made from Maker to noteholder 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

\$ 7,184,903

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 – MORTGAGES AND INTERFUND NOTES PAYABLES: (Continued)

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 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 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 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, 2018, the Authority had advanced \$574,000 to the Maker.

\$ 574,000

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 balance of principal shall be made from Maker to noteholder 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.

480,000

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 balance of principal shall be made from Maker to noteholder 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.

600,000

On January 29, 2016, a promissory note for \$1,945,250 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 balance of principal shall be made from Maker to noteholder 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

\$ 3,599,250

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 – MORTGAGES AND INTERFUND NOTES PAYABLES: (Continued)

Interfund note payable – Orcutt Townhomes I – Capital Funds Loan

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 – Capital Funds Loan

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

During 2016, the Authority closed on a transaction to convert this development to project-based rental assistance under HUD's Rental Assistance Demonstration (RAD) program. This conversion involves some renovation costs and the Authority provided a portion of the funding for these renovations in the form of Capital Fund Replacement Housing Factor (RHF) funds. This funding is provided in the form of loans executed between the Authority and the ownership entity of these rental units.

On November 17, 2016, a Promissory Note for \$110,000 was executed between the Authority and Orcutt Townhomes III (Maker) for Capital Fund RHF funds provided for this development. This note bears interest at a rate of 0.0% per annum and is due and payable on May 7, 2050 or upon conveyance of the property. This note is secured by a Deed of Trust. Annual principal payments, if any, on the outstanding balance of principal shall be made from Maker to Noteholder from Maker's Net Cash Flow, as defined in and in accordance with Section 11.03 of Maker's Amended and restated Agreement of Limited Partnership, as amended by that Amendment to Amended and Restated agreement of Limited Partnership. Any remaining balance shall be due and payable in full on May 7, 2050. As of June 30, 2018, the Authority had advanced \$110,000 to the Maker.

110,000

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

	1,859,842
\$	17,403,856

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 – MORTGAGES AND INTERFUND NOTES PAYABLES: (Continued)

Change in long-term liabilities:

Long-term liabilities activity for the year ended June 30, 2018, was as follows:

	Balance at June 30, 2017	Additions	Reductions	Balance at June 30, 2018	Due Within One Year
<u>Proprietary Fund:</u>					
Transition Center Mortgage Payable	\$ 5,686	\$ -	\$ 5,686	\$ -	\$ -
VHDA TCAP Note Payable	1,004,231	-	-	1,004,231	-
VHDA Exchange Note Payable	540,000	-	60,000	480,000	-
VHDA Mortgage - 2713 Lofts	576,364	-	11,609	564,755	12,076
TowneBank construction loan - Oyster Point-Brighton	8,287,578	1,213,642	9,501,220	-	-
VHDA Mortgage - Oyster Point-Brighton LLC	-	2,950,000	-	2,950,000	72,507
DHCD Deferred Note - Oyster Point-Brighton LLC	-	700,000	-	700,000	-
TowneBank construction loan - Cypress Terrace LLC	4,267,696	366,399	4,634,095	-	-
VHDA Mortgage - Cypress Terrace LLC	-	1,650,000	-	1,650,000	47,401
DHCD Deferred Note - Cypress Terrace LLC	-	700,000	-	700,000	-
Escrow liabilities	198,591	187,572	224,068	162,095	-
Compensated absences	377,916	290,769	271,606	397,079	3,754
	<u>\$ 15,258,062</u>	<u>\$ 8,058,382</u>	<u>\$ 14,708,284</u>	<u>\$ 8,608,160</u>	<u>\$ 135,738</u>

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NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 – MORTGAGES AND INTERFUND NOTES PAYABLES: (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

VHDA Permanent Financing

The Lower Jefferson Avenue, LLC executed a promissory note with Virginia Housing Development Authority on January 26, 2016 in the amount of \$1,040,000 to finance the ownership and operation of the Jefferson Brookville Apartments. This note bears interest at a rate of 2.95% per annum. The entire balance of this note, including principal and any unpaid interest, is due on September 21, 2015. Monthly payments of principal and interest shall be payable in the amount of \$8,361.68 commencing on the first day of March 2016, and continuing thereafter on the first day of each succeeding month until the first day of February 2014 (the "Final Maturity Date"), at which time the balance of principal remaining unpaid, plus accrued interest thereon, shall be due and payable. As of December 31, 2017, the balance of this loan was \$1,288,920 and interest expense of \$39,008 has been incurred and reported as expense.

1,288,920

\$ 1,468,920

Future maturities are as follows:

	Principal	Interest	Total Payments
For the year ending December 31, 2018	\$ 63,167	\$ 37,173	\$ 100,340
For the year ending December 31, 2019	65,055	35,285	100,340
For the year ending December 31, 2020	67,001	33,339	100,340
For the year ending December 31, 2021	69,004	31,336	100,340
For the year ending December 31, 2022	71,067	29,273	100,340
For the years ending December 31, 2023-2027	388,514	113,186	501,700
For the years ending December 31, 2028-2032	450,180	51,520	501,700
For the years ending December 31, 2033-2034	114,932	2,130	117,062
	<u>\$ 1,288,920</u>	<u>\$ 333,242</u>	<u>\$ 1,622,162</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 – MORTGAGES AND INTERFUND NOTES PAYABLES: (Continued)

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Balance at December 31, 2016	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
<u>Lower Jefferson Avenue, LLC:</u>					
Loan payable to NNRHA	\$ 180,000	\$ -	\$ -	\$ 180,000	\$ -
VHDA Mortgage - Jefferson Brookville Apartments	1,350,252	-	61,332	1,288,920	63,167
	<u>\$ 1,530,252</u>	<u>\$ -</u>	<u>\$ 61,332</u>	<u>\$ 1,468,920</u>	<u>\$ 63,167</u>

NOTE 5 – CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance at June 30, 2017	Additions	Transfers/ Reductions	Balance at June 30, 2018
<u>Proprietary Fund:</u>				
Land and improvements	\$ 6,924,740	\$ -	\$ 1	\$ 6,924,741
Construction in progress	24,626,928	5,829,398	(29,378,654)	1,077,672
Total capital assets, not being depreciated	<u>31,551,668</u>	<u>5,829,398</u>	<u>(29,378,653)</u>	<u>8,002,413</u>
Buildings and improvements	97,437,964	256,875	26,238,610	123,933,449
Furniture, equipment, vehicles, and fixtures	2,756,415	69,086	354,023	3,179,524
Total capital assets, being depreciated	<u>100,194,379</u>	<u>325,961</u>	<u>26,592,633</u>	<u>127,112,973</u>
Accumulated depreciation	<u>(62,561,998)</u>	<u>(3,371,871)</u>	<u>56,539</u>	<u>(65,877,330)</u>
Total capital assets, being depreciated (net)	<u>37,632,381</u>	<u>(3,045,910)</u>	<u>26,649,172</u>	<u>61,235,643</u>
Total	<u>\$ 69,184,049</u>	<u>\$ 2,783,488</u>	<u>\$ (2,729,481)</u>	<u>\$ 69,238,056</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 5 – CAPITAL ASSETS:

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

Proprietary Fund:	
Public Housing Program	\$ 2,113,708
Rental Assistance Program	33,587
Central Office Cost Center Program	63,395
Community Development Program	4,918
HOME Investment Partnerships Program	3,727
Transition Center Program	8,974
State & Local Activities Program	1,723
Business Activities Program	50,977
Orcutt Senior Housing/Ashe Manor	208,129
Orcutt Townhomes	191,828
Orcutt Townhomes III	183,860
Lofts on Jefferson	55,906
Oyster Point-Brighton	295,776
Cypress Terrace	<u>155,363</u>
 Total depreciation expense - Proprietary Fund	 <u><u>\$ 3,371,871</u></u>

DISCRETELY PRESENTED COMPONENT UNIT – LOWER JEFFERSON AVENUE, LLC:

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance at December 31, 2016	Additions	Transfers/ Reductions	Balance at December 31, 2017
<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>(513,605)</u>	<u>(222,564)</u>	<u>1</u>	<u>(736,168)</u>
Total capital assets, being depreciated (net)	<u>7,157,284</u>	<u>(222,564)</u>	<u>1</u>	<u>6,934,721</u>
Total	<u><u>\$ 7,409,584</u></u>	<u><u>\$ (222,564)</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 7,187,021</u></u>

Depreciation expense of \$222,564 was charged to Lower Jefferson Avenue, LLC.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 individual's 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 on the 1st day of the month following attaining the six months' eligibility requirements are eligible for enrollment into the Plan. Contributions made by an employee vest immediately and contributions made by the Authority vest after five years of full-time employment. An employee who leaves the employment of the Authority is entitled to his or her contributions and the Authority's contributions to the extent vested and the earnings on these amounts. As determined by the Plan provisions, employees are not required to contribute to the pension plan. The Authority is required to contribute an amount equal to 12% of the employee's annual salary as of July 1st of each year.

During the year ended June 30, 2018, the Authority's required and actual contributions and pension expense amounted to \$455,535, which was 12% of its covered payroll. No contribution forfeitures were recognized for the year ended June 30, 2018 and there was no liability for unpaid contributions as of June 30, 2018.

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 and subsequent fiscal 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 fiscal period.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS:

Plan Description:

The Authority provides postemployment healthcare 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 144 plan members, including 105 active employees and 39 retirees.

An 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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

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.

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

The 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 basic financial statements.

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.

Contributions:

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 Authority contributes to the plan through employer contributions made in the form of premiums paid to insurers for retiree insurance coverage and in the form of stipends. From time to time contributions are made directly to the trust related to this plan. Contributions for the year ended June 30, 2018 are as follows:

Employer contributions to the Trust	\$	60,000
Employer stipends paid to retirees		22,632
Employer payments for insurance coverage for retirees		75,236
Less: retiree payments for coverage		(17,954)
Total	\$	139,914

The components of the net OPEB liability of the Authority at June 30, 2018 calculated in accordance with GAAP, were as follows:

Total OPEB liability	\$	1,470,933
Plan fiduciary net position		1,355,612
Net OPEB liability	\$	115,321

Plan fiduciary net position as a percentage of the total OPEB liability		92.16%
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NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Plan Investments:

Investment Policy - The Authority participates in the VML/VACo Pooled OPEB Trust Fund to manage invested funds. This trust fund is governed by a Board of Trustees. The Board of Trustees, as its primary responsibility under this Agreement, shall develop a written Investment Policy establishing guidelines applicable to the investment of the assets of the Trust Fund, and from time to time shall modify such Investment Policy, in light of the short- and long-term financial needs of the Plan. The investment objective of the Fund is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. The Fund is segregated and managed as two distinct portfolios that are referred to as Portfolio I and Portfolio II. Portfolio I will be structured to achieve a compound annualized total expected rate of return over a market cycle, including current income and capital appreciation of 7.5%. Portfolio II will be structured to achieve an expected rate of return of 6.5%. The investment performance of each Portfolio will be reviewed quarterly and compared on a rolling three year basis and over other relevant time periods to the following: (a) a composite benchmark comprised of each asset classes' market Index benchmarks, weighted by each Portfolio's long-term policy allocations, and (b) a peer group of other similar size fund sponsors.

Asset Class	Portfolio I Target Allocation	Portfolio II Target Allocation
Large Cap Equity	26%	15%
Small Cap Equity	10%	6%
International Developed Equity	13%	8%
Emerging Market Equity	5%	3%
Private Equity	5%	0%
Total Equity	59%	32%
Core	7%	18%
Core Plus	14%	40%
Total Fixed Income	21%	58%
Real Estate	7%	3%
Commodities	3%	2%
	10%	5%
Diversified Hedge Funds	10%	5%
Cash	0%	0%
Total	100%	100%

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 9.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Net OPEB Liability

The components of the net OPEB liability of the Authority at June 30, 2017 calculated in accordance with GAAP, were as follows:

Total OPEB liability	\$	1,450,584
Plan fiduciary net position		1,179,969
Net OPEB liability	\$	<u>270,615</u>
Plan fiduciary net position as a percentage of the total OPEB liability		<u>81.34%</u>

Actuarial Methods and Assumptions:

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increase	2.00%
Investment rate of return	7.00%
Healthcare cost trend rates	8.80% for 2017, 6.20% for 2018, 5.70% for 2019, gradually decreasing to an ultimate rate of 4.00% for 2098 and beyond.

Mortality Rates:

Pre-Retirement: RP-2000 Employee Mortality tables projected to 2020 using Scale AA with males set forward 2 years and Females set back 3 years.

Post-Retirement: RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale A with females set back 1 year.

Post-Disablement: RP-2000 Disabled Life mortality tables with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of actuarial experience study for the period July 1, 2014 to June 30, 2016.

Long-Term Expected Rate of Return:

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
Core Fixed Income	19.60%	1.17%	0.99%
High Yield Bonds	1.40%	3.38%	2.77%
Large Cap US Equities	26.00%	5.53%	4.14%
Small Cap US Equities	10.00%	6.58%	4.57%
Developed Foreign Equities	13.00%	6.43%	4.66%
Emerging Market Equities	5.00%	8.76%	5.64%
Private Equity	5.00%	9.10%	6.63%
Hedge Funds/Absolute Return	10.00%	3.03%	2.63%
Real Estate (REITS)	7.00%	5.05%	3.86%
Commodities	3.00%	3.37%	1.78%
	<u>100.00%</u>		
Assumed Inflation		2.60%	2.60%
Portfolio Real Mean Return		4.97%	4.22%
Portfolio Nominal Mean Return		7.57%	6.93%
Portfolio Standard Deviation			12.55%
Long-Term Expected Rate of Return			7.00%

Discount Rate:

The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The Authority's net OPEB liability was measured at June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as July 1, 2016.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Change in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2016	\$ 1,416,897	\$ 1,046,948	\$ 369,949
Charges for the year:			
Service Cost	51,437	-	51,437
Interest on total OPEB Liability	98,774	-	98,774
Benefit Payments	(116,524)	(116,524)	-
Employer Contributions	-	116,524	(116,524)
Net Investment Income	-	134,772	(134,772)
Administrative Expenses	-	(1,751)	1,751
Balance as of June 30, 2017	<u>\$ 1,450,584</u>	<u>\$ 1,179,969</u>	<u>\$ 270,615</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:

The following presents the net OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB liability	\$ 382,495	\$ 270,615	\$ 171,840

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the net OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the calculated healthcare cost trend rate:

	1% Decrease (7.8%)	Discount Rate (8.8%)	1% Increase (9.8%)
Net OPEB liability	\$ 193,522	\$ 270,615	\$ 358,607

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Authority recognized OPEB expense of (\$22,376). At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions to OPEB plan between July 1, 2017 and June 30, 2018	\$ 139,914	\$ -
Total Equity	<u>\$ 139,914</u>	<u>\$ -</u>

\$139,914 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, there were six series of Tax Exempt Mortgage Revenue Bonds outstanding, with an aggregate principal amount payable of \$77,494,105.

NOTE 10 – 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 20 to 30 years at minimal interest rates. Through the CDBG and HOME programs administered through the City, the Authority administers several loan programs for the purposes authorized under these programs. These loans are secured by promissory notes and deeds to secure debt, and represent legal assets of the Authority.

Notes and mortgages receivable at June 30, 2018 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 participants	\$ 2,493,729	\$ 5,334,295	\$ -	\$ -	\$ 7,828,024
	<u>2,493,729</u>	<u>5,334,295</u>	<u>-</u>	<u>-</u>	<u>7,828,024</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 participants	-	-	-	30,617	30,617
Down payment assistance loans due from homebuyers	-	-	-	28,381	28,381
	<u>-</u>	<u>-</u>	<u>1,473,746</u>	<u>238,998</u>	<u>1,712,744</u>
	<u>\$ 2,493,729</u>	<u>\$ 5,334,295</u>	<u>\$ 1,473,746</u>	<u>\$ 238,998</u>	<u>\$ 9,540,768</u>

NOTE 11 – 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.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 11 – INTER-PROGRAM RECEIVABLES: (Continued)

The composition of amounts due to and from other programs as of June 30, 2018 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	State & Local Activities Program
Public Housing Fund	-	-	-	-	-	-	-	-
Central Office Cost Center Program	99,387	31,205	-	18,492	61,306	65,121	3,227	68,816
Business Activities Program	-	-	478,254	-	15,138	-	-	-
	<u>\$ 99,387</u>	<u>\$ 31,205</u>	<u>\$ 478,254</u>	<u>\$ 18,492</u>	<u>\$ 76,444</u>	<u>\$ 65,121</u>	<u>\$ 3,227</u>	<u>\$ 68,816</u>

Receivable Fund	Payable Fund							
	Business Activities Program	Orcutt Senior Housing/Ashe Manor	Orcutt Townhomes	Orcutt Townhomes III	Lofts on Jefferson	Oyster Point-Brighton	Cypress Terrace	Total
Public Housing Fund	-	38	31	-	-	-	-	69
Central Office Cost Center Program	9,990	2,997	2,397	1,536	25,273	11,970	4,889	406,606
Business Activities Program	-	-	-	-	-	-	-	493,392
	<u>\$ 9,990</u>	<u>\$ 3,035</u>	<u>\$ 2,428</u>	<u>\$ 1,536</u>	<u>\$ 25,273</u>	<u>\$ 11,970</u>	<u>\$ 4,889</u>	<u>\$ 900,067</u>

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

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 11 – INTER-PROGRAM RECEIVABLES: (Continued)

Though fully eliminated in the financial statements, the composition of transfers to and from other programs as of June 30, 2018 are as follows:

	Receiving Program			Total
	Orcutt Senior Housing/ Ashe Manor	Orcutt Townhomes	Orcutt Townhomes III	
<u>Paying Program</u>				
Public Housing Program - transfer of operating funds earned and received by Public Housing AMP to RAD conversion ownership entities	\$ 174,513	\$ 126,606	\$ 48	\$ 301,167
Total	<u>\$ 174,513</u>	<u>\$ 126,606</u>	<u>\$ 48</u>	<u>\$ 301,167</u>

NOTE 12 – ACCOUNTS PAYABLE:

Payables at June 30, 2018 consist of the following:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Vendors and contractors	\$ 729,841	\$ 49,040
Accrued utilities	135,547	-
Other payroll withholdings	88,245	-
HUD - SRO settlement - FY 2017	24,374	-
HUD - assistance payments adjustments	231	-
Other governments	64,590	-
Contract retention	20,053	-
	<u>\$ 1,062,881</u>	<u>\$ 49,040</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 12 – ACCOUNTS PAYABLE: (Continued)

Detailed information by program at June 30, 2018 consists of the following:

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Program	Transition Center Program	State and Local Activities Program
Vendors and Contractors	\$ 488,567	\$ 32,151	\$ 12,027	\$ 96,695	\$ 5,146	\$ 300	\$ 151
Accrued utilities	101,896	19	5,256	-	-	1,577	-
Other payroll withholdings	-	-	88,245	-	-	-	-
HUD - SRO settlement - FY 2017	-	24,374	-	-	-	-	-
HUD - assistance payments adjustments	-	231	-	-	-	-	-
Other governments	26,088	-	-	-	-	-	-
Contract retention	20,053	-	-	-	-	-	-
	<u>\$ 636,604</u>	<u>\$ 56,775</u>	<u>\$ 105,528</u>	<u>\$ 96,695</u>	<u>\$ 5,146</u>	<u>\$ 1,877</u>	<u>\$ 151</u>
	Business Activities Program	Orcutt Senior Housing/ Ashe Manor	Orcutt Townhomes	Orcutt Townhomes III	Lofts on Jefferson	Oyster Point- Brighton	Cypress Terrace
Vendors and Contractors	\$ 47,178	\$ 5,515	\$ 7,142	\$ 4,241	\$ 264	\$ 20,368	\$ 10,096
Accrued utilities	1,600	8,660	419	54	1,076	8,261	6,729
Other payroll withholdings	-	-	-	-	-	-	-
HUD - SRO settlement - FY 2017	-	-	-	-	-	-	-
HUD - assistance payments adjustments	-	-	-	-	-	-	-
Other governments	-	1,662	9,472	10,017	-	16,463	888
Contract retention	-	-	-	-	-	-	-
	<u>\$ 48,778</u>	<u>\$ 15,837</u>	<u>\$ 17,033</u>	<u>\$ 14,312</u>	<u>\$ 1,340</u>	<u>\$ 45,092</u>	<u>\$ 17,713</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13 – ACCRUED SALARIES AND EXPENSES:

Accrued salaries and expenses at June 30, 2018 consist of the following:

	Proprietary Fund	Lower Jefferson Avenue, LLC
Salaries and wages	\$ 72,454	\$ 6,066
	\$ 72,454	\$ 6,066

Accrued salaries and expenses at June 30, 2018 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
Salaries and wages	\$ 21,018	\$ 10,223	\$ 24,613	\$ 2,272	\$ 528	\$ 3,430	\$ 198	\$ 1,669
	\$ 21,018	\$ 10,223	\$ 24,613	\$ 2,272	\$ 528	\$ 3,430	\$ 198	\$ 1,669

	Business Activities Program	Orcutt Senior Housing/ Ashe Manor	Orcutt Townhomes	Orcutt Townhomes III	Lofts on Jefferson	Oyster Point- Brighton	Cypress Terrace
Salaries and wages	\$ 1,175	\$ 829	\$ 669	\$ 443	\$ 210	\$ 3,734	\$ 1,443
	\$ 1,175	\$ 829	\$ 669	\$ 443	\$ 210	\$ 3,734	\$ 1,443

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 14 – OTHER ASSETS:

Other assets at June 30, 2018 consist of the following:

	Business Activities Program	Lower Jefferson Avenue Development Corporation	Total
<u>Other noncurrent assets:</u>			
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
	\$ 49,300	\$ 375,858	\$ 425,158

NOTE 15 – CONSTRUCTION COMMITMENTS:

Proprietary Fund:

The Authority has active construction projects as of June 30, 2018. 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
Aqueduct Firewalls and Exterior Masonry	\$ 128,340	\$ 448,557
Marshall Courts Phase V Renovation	348,913	909,637
	\$ 477,253	\$ 1,358,194

These projects are funded with various sources, including Capital Fund Program grants received from HUD.

NOTE 16 – DEFICIT NET POSITION:

At June 30, 2018 the following programs reflect a deficit in net position, which indicates that the liabilities of the program exceed the cumulative assets of the fund:

State & Local Activities Program

The State & Local Activities program has a deficit in net position of \$16,955. This deficit stems 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
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 17 – 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, 2018, restricted net position was as follows:

Reserves and escrows:	
Public Housing CFP reserves	\$ 6,459
Tax credit operating and replacement	1,328,522
2713 Lofts escrow, operating and replacement reserves	15,990
Oyster Point-Brighton escrow reserves	86,448
Cypress Terrace escrow reserves	28,322
	1,465,741
Loan programs:	
CDBG net position associated with loan balances	2,493,729
HOME program net position associated with loan balances	7,280,295
	9,774,024
Accumulated CD and HOME funds:	
CDBG accumulated net position	670,359
HOME City construction funds	1,129,204
HOME unexpended program income	228,039
HOME accumulated net position	255,522
	2,283,124
	\$ 13,522,889

Specific details by program are as follows:

Public Housing Program:

Restricted for Capital Activities:

The Authority has received funds from HUD 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, 2018:

Balance at July 1, 2017	\$ 6,459
Interest earned	-
Expenditures of reserves	-
Balance at June 30, 2018	\$ 6,459

These restricted assets are held in the main operating checking account.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 17 – 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, 2017	318,873	1,597,249	1,916,122
Current period excess of funding	(318,873)	62,321	(256,552)
Balance at June 30, 2018	<u>\$ -</u>	<u>\$ 1,659,570</u>	<u>\$ 1,659,570</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, 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 generated from these programs is restricted for the specific CDBG and HOME purposes allowable by the program regulations and City determinations.

As of June 30, 2018, the restricted balances due are as follows:

	Loans	Accumulated Net Position	Total
CDBG Program	\$ 2,493,729	\$ 670,359	\$ 3,164,088
HOME Program	7,280,295	1,612,765	8,893,060
	<u>\$ 9,774,024</u>	<u>\$ 2,283,124</u>	<u>\$ 12,057,148</u>

Transition Center Restricted Reserves:

The Authority owns and operates housing under the terms of a mortgage and regulatory agreement with the VHDA, which 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, 2018:

	Insurance Escrow	Replacement Reserve	Operating Reserve	Total
Balance at July 1, 2017	\$ 3,137	\$ 183,109	\$ 216,246	\$ 402,492
Interest earned	-	294	346	640
Deposits	785	897	-	1,682
Withdrawals	(3,922)	(184,300)	(216,592)	(404,814)
Balance at June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 17 – RESTRICTED NET POSITION: (Continued)

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, 2018:

	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, 2017	\$ 282,952	\$ 194,634	\$ 298,373	\$ 255,348	\$ 200,522	\$ 54,044
Interest earned	142	61	149	79	80	17
Deposits	-	19,193	-	13,960	-	9,195
Withdrawals/fees	(30)	-	(30)	-	(167)	-
Balance at June 30, 2018	<u>\$ 283,064</u>	<u>\$ 213,888</u>	<u>\$ 298,492</u>	<u>\$ 269,387</u>	<u>\$ 200,435</u>	<u>\$ 63,256</u>

These funds are held in checking accounts.

2713 Lofts Restricted Reserves:

The Authority owns and operates housing under the terms of a mortgage and regulatory agreement with the VHDA, which requires that certain reserves and escrow accounts be maintained and VHDA retains possession and control of such funds. Accordingly, these net position are reported as restricted. The following is a summary of the changes in net position restricted for these purposes for the year ended June 30, 2018:

	Insurance Escrow	Replacement Reserve	Real Estate Tax Reserves	Total
Balance at July 1, 2017	\$ 1,009	\$ 9,147	\$ 5,718	\$ 15,874
Interest earned	-	138	-	138
Deposits	6,051	4,200	9,847	20,098
Withdrawals	(5,370)	-	(14,750)	(20,120)
Balance at June 30, 2018	<u>\$ 1,690</u>	<u>\$ 13,485</u>	<u>\$ 815</u>	<u>\$ 15,990</u>

Oyster Point-Brighton Restricted Reserves:

The Authority owns and operates housing under the terms of a mortgage and regulatory agreement with the Virginia Housing Development Authority (VHDA). VHDA requires that certain reserves and escrow accounts be maintained and VHDA retains possession and control of such funds. Accordingly, these net position are reported as restricted. The following is a summary of the changes in the net position restricted for these purposes for the year ended June 30, 2018:

Balance at July 1, 2017	\$ -	\$ -	\$ -
Interest Earned	-	-	-
Deposits	37,256	49,192	86,448
Withdrawals	-	-	-
Balance at June 30, 2018	<u>\$ 37,256</u>	<u>\$ 49,192</u>	<u>\$ 86,448</u>

These funds are held by VHDA in various accounts.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 17 – RESTRICTED NET POSITION: (Continued)

Cypress Terrace 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 escrow accounts be maintained and VHDA retains possession and control of such funds. Accordingly, these net position are reported as restricted. The following is a summary of the changes in the net position restricted for these purposes for the year ended June 30, 2018: These funds are held by VHDA in various accounts.

	Insurance Escrow	Real Estate Tax Reserves	Total
Balance at July 1, 2017	\$ -	\$ -	\$ -
Interest Earned	-	-	-
Deposits	24,170	4,152	28,322
Withdrawals	-	-	-
Balance at June 30, 2018	<u>\$ 24,170</u>	<u>\$ 4,152</u>	<u>\$ 28,322</u>

Lower Jefferson Avenue, LLC:

Lower Jefferson Avenue, LLC owns and operates housing under terms of a mortgage and regulatory agreement with the VHDA and an Operating Agreement with its investor limited partners. These agreements require that certain reserves and escrow accounts be maintained. VHDA retains possession and control of tax and insurance escrow fund, while the remaining required reserves are held in bank accounts controlled by Lower Jefferson Avenue, LLC. 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 December 31, 2017:

	VHDA Tax & Insurance Escrow	Tax Escrow	Replacement Reserve	Operating Reserve	Priority Return Escrow	Total
Balance as of December 31, 2016	\$ (1,955)	\$ -	\$ 12,521	\$ 172,644	\$ 33,872	\$ 217,082
Interest earned	-	-	172	-	10	182
Deposits	51,607	-	15,913	-	-	67,520
Withdrawals	(45,541)	-	-	-	-	(45,541)
Balance as of December 31, 2017	<u>\$ 4,111</u>	<u>\$ -</u>	<u>\$ 28,606</u>	<u>\$ 172,644</u>	<u>\$ 33,882</u>	<u>\$ 239,243</u>

NOTE 18 – 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, paid, 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 its general ledger accounting system and the Authority entered development cost information in its capital asset and depreciation software system for each project. Finally, as required by the terms of the financing arrangements, development cost certifications were performed for each development.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 18 – DEVELOPMENT COSTS FOR TAX CREDIT DEVELOPMENTS: (Continued)

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

	Orcutt Senior Housing Development Corporation	Orcutt Townhomes I
Development Costs Recorded in General Ledger	\$ 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.

NOTE 19 – CONTINGENT LIABILITIES:

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

NOTE 20 – INVESTMENT IN JOINT VENTURES:

During a prior period the Authority entered into an arrangement with the City 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 \$990,198 from the City, 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 from the Newport News Redevelopment and Housing Authority and 3 members from other boards or department of the City. Separate financial statement of Brooks Crossing Grocery Store, LLC are available from the City of Newport News Finance Department.

NOTE 21 – RESTATEMENT OF NET POSITION

During 2018 the Authority implemented the requirements of GASB Statement 75, *Accounting and Financing Reporting for Postemployment Benefits Other Than Pensions*. The cumulative effect of implementing this standard on the Authority's net position as of June 30, 2017 is reported as a restatement of net position.

Net position as of June 30, 2017, as previously reported	\$ 82,157,063
Restatement	(320,504)
Net position as of June 30, 2017, as restated	\$ 81,836,559

REQUIRED SUPPLEMENTARY INFORMATION

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net OPEB Liability and Related Ratios

JUNE 30, 2018

	June 30, 2018	June 30, 2017
Total OPEB liability		
Service Cost	\$ 55,038	\$ 51,437
Interest	100,734	98,774
Benefit payments	(135,423)	(116,524)
Net change in OPEB liability	20,349	33,687
Total OPEB liability - beginning	1,450,584	1,416,897
Total OPEB liability - ending (a)	\$ 1,470,933	\$ 1,450,584
Plan fiduciary net position		
Contributions - employer	\$ 195,423	\$ 116,524
Net investment income	117,508	134,772
Benefit payments	(135,423)	(116,524)
Administrative expenses	(1,865)	(1,751)
Net change in fiduciary net position	175,643	133,021
Plan fiduciary net position - beginning	1,179,969	1,046,948
Plan fiduciary net position - ending (b)	\$ 1,355,612	\$ 1,179,969
Net OPEB liability - ending (a) - (b)	\$ 115,321	\$ 270,615
Plan fiduciary net position as a percentage of the total OPEB liability	92.16%	81.34%
Covered employee payroll	3,776,000	3,776,000
Net OPEB liability as a percentage of covered employee payroll	3.05%	7.17%

This schedule is presented to illustrate the requirement to show 10 years of information. However, recalculations of prior years are not required. If prior years are not reported in accordance with GAAP, they should not be included. Since 2017 was the first year of this presentation, no other data is available. Additional years will be included as they become available.

The net OPEB liability reported by the Authority has a measurement date one year prior to the reporting date.

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REQUIRED SUPPLEMENTARY INFORMATION

OPEB Schedule of Contributions

JUNE 30, 2018

	June 30, 2018	June 30, 2017
Actuarially determined contribution	\$ 85,600	\$ 81,100
Contributions in relation to the actuarially determined contribution	(139,914)	(76,958)
Contribution deficiency	\$ (54,314)	\$ 4,142
 Covered employee payroll	 \$ 4,384,217	 \$ 3,776,000
 Contributions as a percentage of covered employee payroll	 3.19%	 2.04%

Notes to Schedule

Valuation date

7/1/2016

Actuarial valuations for OPEB funding purposes are performed biennially as of July 1. The most recent valuation was performed as of July 1, 2016.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Amortization period	28 years
Asset valuation method	Market value
Inflation	2.50%
Healthcare cost trend rates	8.80% for 2017, 6.20% for 2018, 5.70% for 2019, gradually decreasing to an ultimate rate of 4.00% for 2098 and beyond.
Salary increases	2.00%
Investment rate of return	7.00%
Mortality:	
Pre-Retirement	RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward two years and Females set back three years.
Post-Retirement	RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Females set back one year.
Post-Disablement	RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set back three years and no provision for future mortality improvements.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of OPEB Investment Returns

JUNE 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual money-weighted rate of return, net of investment expense	9.52%	12.88%

This schedule is presented to illustrate the requirement to show 10 years of information. However, recalculations of prior years are not required. If prior years are not reported in accordance with GAAP, they should not be included. Since 2017 was the first year of this presentation, no other data is available. Additional years will be included as they become available.

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2018

	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	\$ 6,304,580	\$ 1,723,309	\$ 3,242,638	\$ 791,381	\$ 162,487	\$ -	\$ 422,684
Accounts receivable (net of allowance)	526,551	161,504	50,319	933	93,171	68,551	1,397
Due from other programs	69	-	406,606	-	-	-	-
Investments	-	-	103,335	-	-	-	-
Prepaid expenses	16,221	7,940	91,103	1,346	294	-	58
Materials inventory (net of allowance)	-	-	23,390	-	-	-	-
Total current assets	<u>6,847,421</u>	<u>1,892,753</u>	<u>3,917,391</u>	<u>793,660</u>	<u>255,952</u>	<u>68,551</u>	<u>424,139</u>
Restricted assets:							
Cash and equivalents - restricted	134,135	100,108	-	-	1,453,567	-	3,315
Investments - restricted	-	-	-	-	-	-	-
Notes receivable (noncurrent)	-	-	-	2,493,729	5,334,295	-	-
Total restricted assets	<u>134,135</u>	<u>100,108</u>	<u>-</u>	<u>2,493,729</u>	<u>6,787,862</u>	<u>-</u>	<u>3,315</u>
Noncurrent assets:							
Notes and mortgages receivable	-	-	1,473,746	-	-	-	-
Nondepreciable capital assets	3,175,202	32,000	-	-	-	-	17,201
Capital assets (net)	23,383,443	105,784	164,606	8,966	5,590	-	85,667
Interprogram notes receivable	14,743,856	-	-	-	1,946,000	-	-
Accrued interest receivable	410,869	-	-	-	-	-	-
Investment in joint ventures	-	-	-	-	-	-	-
Other noncurrent assets	-	-	-	-	-	-	-
Total noncurrent assets	<u>41,713,370</u>	<u>137,784</u>	<u>1,638,352</u>	<u>8,966</u>	<u>1,951,590</u>	<u>-</u>	<u>102,868</u>
TOTAL ASSETS	<u>48,694,926</u>	<u>2,130,645</u>	<u>5,555,743</u>	<u>3,296,355</u>	<u>8,995,404</u>	<u>68,551</u>	<u>530,322</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to OPEB plan	-	-	139,914	-	-	-	-

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2018

	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	636,604	56,775	105,528	96,695	5,146	-	1,877
Due to other programs	99,387	31,205	478,254	18,492	76,444	65,121	3,227
Accrued salaries	21,018	10,223	24,613	2,272	528	3,430	198
Accrued interest payable	-	-	-	-	-	-	-
Unearned revenues	31,456	-	-	-	-	-	1,074
Security deposit liabilities	90,560	1,250	-	-	-	-	3,315
Compensated absences	3,754	-	-	-	-	-	-
Current portion of long-term liabilities	-	-	-	-	-	-	-
Total current liabilities	<u>882,779</u>	<u>99,453</u>	<u>608,395</u>	<u>117,459</u>	<u>82,118</u>	<u>68,551</u>	<u>9,691</u>
Long-term liabilities:							
Compensated absences	85,143	64,784	182,814	5,842	5,011	-	1,995
Net OPEB liability	-	-	270,615	-	-	-	-
Notes and mortgages payable	-	-	-	-	-	-	-
Interprogram notes payable	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-
Trust, deposit and escrow liabilities	37,116	98,966	-	-	9,625	-	-
Total long-term liabilities	<u>122,259</u>	<u>163,750</u>	<u>453,429</u>	<u>5,842</u>	<u>14,636</u>	<u>-</u>	<u>1,995</u>
TOTAL LIABILITIES	<u>1,005,038</u>	<u>263,203</u>	<u>1,061,824</u>	<u>123,301</u>	<u>96,754</u>	<u>68,551</u>	<u>11,686</u>
NET POSITION							
Net investment in capital assets	26,558,645	137,784	164,606	8,966	5,590	-	102,868
Restricted for:							
Reserves and escrows	6,459	-	-	-	-	-	-
Loan programs	-	-	-	2,493,729	7,280,295	-	-
Other	-	-	-	670,359	1,612,765	-	-
Unrestricted (deficit)	<u>21,124,784</u>	<u>1,729,658</u>	<u>4,469,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>415,768</u>
TOTAL NET POSITION	<u>\$ 47,689,888</u>	<u>\$ 1,867,442</u>	<u>\$ 4,633,833</u>	<u>\$ 3,173,054</u>	<u>\$ 8,898,650</u>	<u>\$ -</u>	<u>\$ 518,636</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2018

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lower Jefferson Avenue Development Program	Orcutt Senior Housing/ Ashe Manor	Orcutt Townhomes	Orcutt Townhomes III
ASSETS							
Current assets:							
Cash and equivalents - unrestricted	\$ -	\$ -	\$ 3,063,567	\$ -	\$ 14,460	\$ 57,024	\$ 150,379
Accounts receivable (net of allowance)	55,275	-	18,006	-	564	1,275	3,313
Due from other programs	-	-	493,392	-	-	-	-
Investments	-	-	206,670	-	-	-	-
Prepaid expenses	361	-	227	-	11,459	15,137	15,429
Materials inventory (net of allowance)	-	-	-	-	-	-	-
Total current assets	<u>55,636</u>	<u>-</u>	<u>3,781,862</u>	<u>-</u>	<u>26,483</u>	<u>73,436</u>	<u>169,121</u>
Restricted assets:							
Cash and equivalents - restricted	-	-	-	-	501,328	578,596	267,542
Investments - restricted	-	-	-	-	-	-	-
Notes receivable (noncurrent)	-	-	-	-	-	-	-
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>501,328</u>	<u>578,596</u>	<u>267,542</u>
Noncurrent assets:							
Notes and mortgages receivable	-	-	238,998	-	-	-	-
Nondepreciable capital assets	-	-	591,233	-	58,963	100,014	37,800
Capital assets (net)	6,030	-	669,306	-	3,401,175	3,263,177	4,211,242
Interprogram notes receivable	-	-	714,000	-	-	-	-
Accrued interest receivable	-	-	515,942	-	-	-	-
Investment in joint ventures	-	-	990,198	-	-	-	-
Other noncurrent assets	-	-	149,300	375,858	-	-	-
Total noncurrent assets	<u>6,030</u>	<u>-</u>	<u>3,868,977</u>	<u>375,858</u>	<u>3,460,138</u>	<u>3,363,191</u>	<u>4,249,042</u>
TOTAL ASSETS	<u>61,666</u>	<u>-</u>	<u>7,650,839</u>	<u>375,858</u>	<u>3,987,949</u>	<u>4,015,223</u>	<u>4,685,705</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to OPEB plan	-	-	-	-	-	-	-

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2018

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lower Jefferson Avenue Development Program	Orcutt Senior Housing/ Ashe Manor	Orcutt Townhomes	Orcutt Townhomes III
<u>LIABILITIES</u>							
Current liabilities:							
Accounts payable and accrued expenses	151	-	48,778	-	15,837	17,033	14,312
Due to other programs	68,816	-	9,990	-	3,035	2,428	1,536
Accrued salaries	1,669	-	1,175	-	829	669	443
Accrued interest payable	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	1,825	3,686	753
Security deposit liabilities	-	-	-	-	4,376	3,565	3,849
Compensated absences	-	-	-	-	-	-	-
Current portion of long-term liabilities	-	-	-	-	-	-	-
Total current liabilities	<u>70,636</u>	<u>-</u>	<u>59,943</u>	<u>-</u>	<u>25,902</u>	<u>27,381</u>	<u>20,893</u>
Long-term liabilities:							
Compensated absences	7,985	-	5,098	-	2,002	1,616	831
Net OPEB liability	-	-	-	-	-	-	-
Notes and mortgages payable	-	-	-	-	-	-	1,484,231
Interprogram notes payable	-	-	-	-	3,189,000	1,570,861	1,859,842
Accrued interest payable	-	-	-	-	515,942	-	-
Trust, deposit and escrow liabilities	-	-	-	-	-	7,152	2
Total long-term liabilities	<u>7,985</u>	<u>-</u>	<u>5,098</u>	<u>-</u>	<u>3,706,944</u>	<u>1,579,629</u>	<u>3,344,906</u>
TOTAL LIABILITIES	<u>78,621</u>	<u>-</u>	<u>65,041</u>	<u>-</u>	<u>3,732,846</u>	<u>1,607,010</u>	<u>3,365,799</u>
<u>NET POSITION</u>							
Net investment in capital assets	6,030	-	1,260,539	-	271,138	1,792,330	904,969
Restricted for:							
Reserves and escrows	-	-	-	-	496,952	567,879	263,691
Loan programs	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Unrestricted (deficit)	<u>(22,985)</u>	<u>-</u>	<u>6,325,259</u>	<u>375,858</u>	<u>(512,987)</u>	<u>48,004</u>	<u>151,246</u>
TOTAL NET POSITION	<u>\$ (16,955)</u>	<u>\$ -</u>	<u>\$ 7,585,798</u>	<u>\$ 375,858</u>	<u>\$ 255,103</u>	<u>\$ 2,408,213</u>	<u>\$ 1,319,906</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2018

	Lofts on Jefferson	Oyster Point- Brighton	Cypress Terrace	Total	Eliminations	Proprietary Fund
ASSETS						
Current assets:						
Cash and equivalents - unrestricted	\$ 5,554	\$ 251,825	\$ 23,146	\$ 16,213,034	\$ -	\$ 16,213,034
Accounts receivable (net of allowance)	1,359	152,770	85,179	1,220,167	-	1,220,167
Due from other programs	-	-	-	900,067	(900,067)	-
Investments	-	-	-	310,005	-	310,005
Prepaid expenses	4,817	41,463	25,082	230,937	-	230,937
Materials inventory (net of allowance)	-	-	-	23,390	-	23,390
Total current assets	<u>11,730</u>	<u>446,058</u>	<u>133,407</u>	<u>18,897,600</u>	<u>(900,067)</u>	<u>17,997,533</u>
Restricted assets:						
Cash and equivalents - restricted	8,722	42,279	13,234	3,102,826	-	3,102,826
Investments - restricted	15,990	86,447	28,322	130,759	-	130,759
Notes receivable (noncurrent)	-	-	-	7,828,024	-	7,828,024
Total restricted assets	<u>24,712</u>	<u>128,726</u>	<u>41,556</u>	<u>11,061,609</u>	<u>-</u>	<u>11,061,609</u>
Noncurrent assets:						
Notes and mortgages receivable	-	-	-	1,712,744	-	1,712,744
Nondepreciable capital assets	-	2,800,000	1,190,000	8,002,413	-	8,002,413
Capital assets (net)	1,420,056	15,970,690	8,539,911	61,235,643	-	61,235,643
Interprogram notes receivable	-	-	-	17,403,856	(17,403,856)	-
Accrued interest receivable	-	-	-	926,811	(926,811)	-
Investment in joint ventures	-	-	-	990,198	-	990,198
Other noncurrent assets	-	-	-	525,158	(100,000)	425,158
Total noncurrent assets	<u>1,420,056</u>	<u>18,770,690</u>	<u>9,729,911</u>	<u>90,796,823</u>	<u>(18,430,667)</u>	<u>72,366,156</u>
TOTAL ASSETS	<u>1,456,498</u>	<u>19,345,474</u>	<u>9,904,874</u>	<u>120,756,032</u>	<u>(19,330,734)</u>	<u>101,425,298</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to OPEB plan	-	-	-	139,914	-	139,914

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUND PROGRAMS

JUNE 30, 2018

	Lofts on Jefferson	Oyster Point- Brighton	Cypress Terrace	Total	Eliminations	Proprietary Fund
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable and accrued expenses	1,340	45,092	17,713	1,062,881	-	1,062,881
Due to other programs	25,273	11,970	4,889	900,067	(900,067)	-
Accrued salaries	210	3,734	1,443	72,454	-	72,454
Accrued interest payable	1,859	8,445	3,958	14,262	-	14,262
Unearned revenues	608	6,876	1,511	47,789	-	47,789
Security deposit liabilities	8,722	33,758	12,520	161,915	-	161,915
Compensated absences	-	-	-	3,754	-	3,754
Current portion of long-term liabilities	12,076	72,507	47,401	131,984	-	131,984
Total current liabilities	<u>50,088</u>	<u>182,382</u>	<u>89,435</u>	<u>2,395,106</u>	<u>(900,067)</u>	<u>1,495,039</u>
Long-term liabilities:						
Compensated absences	416	17,260	12,528	393,325	-	393,325
Net OPEB liability	-	-	-	270,615	-	270,615
Notes and mortgages payable	552,679	3,577,493	2,302,599	7,917,002	-	7,917,002
Interprogram notes payable	-	7,184,903	3,599,250	17,403,856	(17,403,856)	-
Accrued interest payable	-	284,452	126,417	926,811	(926,811)	-
Trust, deposit and escrow liabilities	-	8,520	714	162,095	-	162,095
Total long-term liabilities	<u>553,095</u>	<u>11,072,628</u>	<u>6,041,508</u>	<u>27,073,704</u>	<u>(18,330,667)</u>	<u>8,743,037</u>
 TOTAL LIABILITIES	 <u>603,183</u>	 <u>11,255,010</u>	 <u>6,130,943</u>	 <u>29,468,810</u>	 <u>(19,230,734)</u>	 <u>10,238,076</u>
<u>NET POSITION</u>						
Net investment in capital assets	855,301	7,935,787	3,780,661	43,785,214	17,403,856	61,189,070
Restricted for:						
Reserves and escrows	15,990	86,448	28,322	1,465,741	-	1,465,741
Loan programs	-	-	-	9,774,024	(1,946,000)	7,828,024
Other	-	-	-	2,283,124	1,946,000	4,229,124
Unrestricted (deficit)	(17,976)	68,229	(35,052)	34,119,033	(17,503,856)	16,615,177
 TOTAL NET POSITION	 <u>\$ 853,315</u>	 <u>\$ 8,090,464</u>	 <u>\$ 3,773,931</u>	 <u>\$ 91,427,136</u>	 <u>\$ (100,000)</u>	 <u>\$ 91,327,136</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, 2018

	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	\$ 2,840,162	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,580
Intergovernmental - operating grants	5,216,062	21,356,787	-	1,115,426	759,029	302,526	51,607
Fee revenue	-	-	2,604,948	-	-	-	-
Other income	72,609	631,787	4,112	47,318	3,846	-	-
Total operating revenues	<u>8,128,833</u>	<u>21,988,574</u>	<u>2,609,060</u>	<u>1,162,744</u>	<u>762,875</u>	<u>302,526</u>	<u>82,187</u>
OPERATING EXPENSES:							
Administration	2,532,136	1,607,364	2,024,641	422,445	51,381	-	21,500
Tenant services	236,618	6,261	-	-	-	302,526	-
Utilities	1,780,411	1,406	37,485	-	-	-	20,845
Ordinary maintenance	2,550,227	13,363	102,715	1,849	-	-	11,963
Protective services	121,570	532	14,743	7	-	-	1,971
Insurance expense	334,970	38,148	91,083	7,178	907	-	3,683
General expenses	256,463	8,209	20,258	984,205	234,988	-	189
Nonroutine maintenance	98,449	-	-	-	-	-	-
Housing assistance payments	-	20,484,918	-	-	-	-	-
Depreciation	2,113,708	33,587	63,395	4,918	3,727	-	8,974
Total operating expenses	<u>10,024,552</u>	<u>22,193,788</u>	<u>2,354,320</u>	<u>1,420,602</u>	<u>291,003</u>	<u>302,526</u>	<u>69,125</u>
OPERATING INCOME/(LOSS)	<u>(1,895,719)</u>	<u>(205,214)</u>	<u>254,740</u>	<u>(257,858)</u>	<u>471,872</u>	<u>-</u>	<u>13,062</u>
NONOPERATING REVENUES/EXPENSES:							
Interest and investment revenue	213,038	7,949	1,389	37,339	17,880	-	920
Interest expense	-	-	-	-	-	-	(42)
Developer fees earned	-	-	-	-	-	-	-
Gain (loss) on disposition of capital assets	(48)	-	48	-	-	-	-
Total nonoperating revenues/(expenses), net	<u>212,990</u>	<u>7,949</u>	<u>1,437</u>	<u>37,339</u>	<u>17,880</u>	<u>-</u>	<u>878</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEM	<u>(1,682,729)</u>	<u>(197,265)</u>	<u>256,177</u>	<u>(220,519)</u>	<u>489,752</u>	<u>-</u>	<u>13,940</u>
Transfers from other programs	-	-	-	-	-	-	-
Transfers to other programs	(301,167)	-	-	-	-	-	-
HUD capital contributions	2,254,606	-	-	-	-	-	-
Tax credit and other proceeds	-	-	-	-	-	-	-
Special item - capital assets soft development costs related to RAD conversion	-	-	-	-	-	-	-
CHANGE IN NET POSITION	<u>270,710</u>	<u>(197,265)</u>	<u>256,177</u>	<u>(220,519)</u>	<u>489,752</u>	<u>-</u>	<u>13,940</u>
TOTAL NET POSITION - July 1, 2017, as restated	<u>47,419,178</u>	<u>2,064,707</u>	<u>4,377,656</u>	<u>3,393,573</u>	<u>8,408,898</u>	<u>-</u>	<u>504,696</u>
TOTAL NET POSITION - June 30, 2018	<u>\$ 47,689,888</u>	<u>\$ 1,867,442</u>	<u>\$ 4,633,833</u>	<u>\$ 3,173,054</u>	<u>\$ 8,898,650</u>	<u>\$ -</u>	<u>\$ 518,636</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, 2018

	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program	Lower Jefferson Avenue Development Program	Orcutt Senior Housing/ Ashe Manor	Orcutt Townhomes	Orcutt Townhomes III
OPERATING REVENUES:							
Rental and tenant income	\$ -	\$ -	\$ -	\$ -	\$ 163,903	\$ 107,137	\$ 108,709
Intergovernmental - operating grants	234,575	-	-	-	-	-	81,068
Fee revenue	-	-	-	-	-	-	-
Other income	-	-	267,547	-	2,664	-	1,087
Total operating revenues	<u>234,575</u>	<u>-</u>	<u>267,547</u>	<u>-</u>	<u>166,567</u>	<u>107,137</u>	<u>190,864</u>
OPERATING EXPENSES:							
Administration	184,315	30,159	189,656	-	102,626	78,251	43,091
Tenant services	-	-	8,180	-	6,228	5,204	368
Utilities	1,079	-	15,214	-	97,824	8,820	7,659
Ordinary maintenance	27,463	-	29,090	-	89,413	69,238	47,555
Protective services	367	-	4,420	-	9,690	982	161
Insurance expense	12,894	-	13,408	-	7,977	19,424	14,378
General expenses	7,850	-	7,201	-	26,060	86,071	28,746
Nonroutine maintenance	-	-	-	-	-	-	-
Housing assistance payments	-	-	-	-	-	-	-
Depreciation	1,723	-	50,977	-	208,129	191,828	183,860
Total operating expenses	<u>235,691</u>	<u>30,159</u>	<u>318,146</u>	<u>-</u>	<u>547,947</u>	<u>459,818</u>	<u>325,818</u>
OPERATING INCOME/(LOSS)	<u>(1,116)</u>	<u>(30,159)</u>	<u>(50,599)</u>	<u>-</u>	<u>(381,380)</u>	<u>(352,681)</u>	<u>(134,954)</u>
NONOPERATING REVENUES/EXPENSES:							
Interest and investment revenue	-	-	53,149	-	263	267	162
Interest expense	-	-	-	-	(47,760)	-	-
Developer fees earned	-	-	993,908	-	-	-	-
Gain (loss) on disposition of capital assets	-	-	-	-	-	-	-
Total nonoperating revenues/(expenses), net	<u>-</u>	<u>-</u>	<u>1,047,057</u>	<u>-</u>	<u>(47,497)</u>	<u>267</u>	<u>162</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEM							
Transfers from other programs	(1,116)	(30,159)	996,458	-	(428,877)	(352,414)	(134,792)
Transfers to other programs	-	-	-	-	174,513	126,606	48
HUD capital contributions	-	-	-	-	-	-	-
Tax credit and other proceeds	-	-	-	-	-	-	60,000
Special item - capital assets soft development costs related to RAD conversion	-	-	-	-	-	-	-
CHANGE IN NET POSITION	<u>(1,116)</u>	<u>(30,159)</u>	<u>996,458</u>	<u>-</u>	<u>(254,364)</u>	<u>(225,808)</u>	<u>(74,744)</u>
TOTAL NET POSITION - July 1, 2017, as restated							
	(15,839)	30,159	6,589,340	375,858	509,467	2,634,021	1,394,650
TOTAL NET POSITION - June 30, 2018	<u>\$ (16,955)</u>	<u>\$ -</u>	<u>\$ 7,585,798</u>	<u>\$ 375,858</u>	<u>\$ 255,103</u>	<u>\$ 2,408,213</u>	<u>\$ 1,319,906</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

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

PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2018

	Lofts on Jefferson	Oyster Point- Brighton	Cypress Terrace	Total	Eliminations	Proprietary Fund
OPERATING REVENUES:						
Rental and tenant income	\$ 99,870	\$ 503,851	\$ 212,968	\$ 4,067,180	\$ -	\$ 4,067,180
Intergovernmental - operating grants	-	817,003	339,975	30,274,058	-	30,274,058
Fee revenue	-	-	-	2,604,948	(2,552,748)	52,200
Other income	-	19,984	17,223	1,068,177	-	1,068,177
Total operating revenues	<u>99,870</u>	<u>1,340,838</u>	<u>570,166</u>	<u>38,014,363</u>	<u>(2,552,748)</u>	<u>35,461,615</u>
OPERATING EXPENSES:						
Administration	20,768	365,418	158,667	7,832,418	(2,498,549)	5,333,869
Tenant services	163	10,542	3,171	579,261	-	579,261
Utilities	9,386	163,509	79,657	2,223,295	-	2,223,295
Ordinary maintenance	21,946	258,674	106,883	3,330,379	(54,199)	3,276,180
Protective services	371	10,397	8,960	174,171	-	174,171
Insurance expense	5,998	81,239	44,646	675,933	-	675,933
General expenses	10,219	193,770	122,205	1,986,434	-	1,986,434
Nonroutine maintenance	-	-	-	98,449	-	98,449
Housing assistance payments	-	-	-	20,484,918	-	20,484,918
Depreciation	55,906	295,776	155,363	3,371,871	-	3,371,871
Total operating expenses	<u>124,757</u>	<u>1,379,325</u>	<u>679,552</u>	<u>40,757,129</u>	<u>(2,552,748)</u>	<u>38,204,381</u>
OPERATING INCOME/(LOSS)	<u>(24,887)</u>	<u>(38,487)</u>	<u>(109,386)</u>	<u>(2,742,766)</u>	<u>-</u>	<u>(2,742,766)</u>
NONOPERATING REVENUES/EXPENSES:						
Interest and investment revenue	150	1,920	62	334,488	(220,113)	114,375
Interest expense	(22,520)	(127,767)	(56,989)	(255,078)	220,113	(34,965)
Developer fees earned	-	-	-	993,908	-	993,908
Gain (loss) on disposition of capital assets	-	-	-	-	-	-
Total nonoperating revenues/(expenses), net	<u>(22,370)</u>	<u>(125,847)</u>	<u>(56,927)</u>	<u>1,073,318</u>	<u>-</u>	<u>1,073,318</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEM						
Transfers from other programs	(47,257)	(164,334)	(166,313)	(1,669,448)	-	(1,669,448)
Transfers to other programs	-	-	-	301,167	(301,167)	-
HUD capital contributions	-	-	-	(301,167)	301,167	-
Tax credit and other proceeds	-	-	-	2,254,606	-	2,254,606
Special item - capital assets soft development costs related to RAD conversion	-	7,322,317	3,605,207	10,987,524	-	10,987,524
Special item - capital assets soft development costs related to RAD conversion	-	(1,369,069)	(713,036)	(2,082,105)	-	(2,082,105)
CHANGE IN NET POSITION	<u>(47,257)</u>	<u>5,788,914</u>	<u>2,725,858</u>	<u>9,490,577</u>	<u>-</u>	<u>9,490,577</u>
TOTAL NET POSITION - July 1, 2017, as restated	900,572	2,301,550	1,048,073	81,936,559	(100,000)	81,836,559
TOTAL NET POSITION - June 30, 2018	<u>\$ 853,315</u>	<u>\$ 8,090,464</u>	<u>\$ 3,773,931</u>	<u>\$ 91,427,136</u>	<u>\$ (100,000)</u>	<u>\$ 91,327,136</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2018

	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	\$ 2,798,887	\$ 649,450	\$ -	\$ -	\$ -
Cash received for fees/services/donations	-	-	56,312	47,318	145,616
Cash operating grants received (net)	5,213,964	21,246,839	-	1,115,426	869,413
Cash transfers from (to) other funds and entities	(1,664,948)	(570,807)	3,250,196	(197,503)	(92,777)
Cash payments for goods, services, rental subsidies	(4,639,150)	(20,861,084)	(694,209)	(1,010,983)	-
Cash payments to/for employees and benefits	(1,780,469)	(754,970)	(1,713,396)	(184,872)	(24,847)
Cash payments in lieu of property taxes	(108,291)	-	-	-	-
Net cash provided by/(used in) operating activities	<u>(180,007)</u>	<u>(290,572)</u>	<u>898,903</u>	<u>(230,614)</u>	<u>897,405</u>
Cash flows from capital and related financing activities:					
Purchase of equipment/capital assets	(2,239,324)	(4,764)	(44,619)	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Proceeds from issuing notes and other debt	-	-	-	-	-
Proceeds from sale of tax credits	-	-	-	-	-
Contributions received for capital outlays	1,977,491	-	-	-	-
Loan principal payments	-	-	-	-	-
Interest payments	-	-	-	-	-
Net cash provided by/(used in) capital and related financing activities	<u>(261,833)</u>	<u>(4,764)</u>	<u>(44,619)</u>	<u>-</u>	<u>-</u>
Cash flows from noncapital financing activities:					
Developer fees received	-	-	-	-	-
Loans made to borrowers	-	-	-	(37,120)	(775,354)
Receipt of interest on notes and loans	-	-	-	36,599	17,880
Loans payments received	-	-	-	244,897	178,153
Net cash provided by/(used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,376</u>	<u>(579,321)</u>
Cash flows from investing activities:					
Receipts of interest and dividends	40,685	8,180	-	739	-
Deposits (withdrawals) to/from reserve accounts	-	-	-	-	-
Net cash provided by/(used in) investing activities	<u>40,685</u>	<u>8,180</u>	<u>-</u>	<u>739</u>	<u>-</u>
Net increase/(decrease) in cash	(401,155)	(287,156)	854,284	14,501	318,084
Cash and equivalents at July 1, 2017	<u>6,839,870</u>	<u>2,110,573</u>	<u>2,388,354</u>	<u>776,880</u>	<u>1,297,970</u>
Cash and equivalents at June 30, 2018	<u>\$ 6,438,715</u>	<u>\$ 1,823,417</u>	<u>\$ 3,242,638</u>	<u>\$ 791,381</u>	<u>\$ 1,616,054</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2018

	Public Housing Program	Rental Assistance Program	Central Office Cost Center Program	Community Development Program	HOME Investment Partnerships Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (1,895,719)	\$ (205,214)	\$ 254,740	\$ (257,858)	\$ 471,872
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	2,113,708	33,587	63,395	4,918	3,727
Operating transfers	(301,167)	-	-	-	-
Other adjustments	-	-	-	-	-
Change in assets and liabilities:					
Decrease/(Increase) in accounts receivable	11,530	(111,728)	5,218	(933)	109,495
Decrease/(Increase) in due from other funds/programs	(69)	-	852,614	-	-
Decrease/(Increase) in prepaid expenses and materials inventory	-	-	-	7,296	412,008
Decrease/(Increase) in prepaid expenses and materials invento	79	(2,493)	(77,444)	(138)	150
Decrease/(Increase) in other assets	-	-	102	-	-
Decrease/(Increase) in deferred outflows of resources	-	-	(62,956)	-	-
Increase/(Decrease) in accounts payable	(31,883)	26,362	(60,932)	31,886	(33,534)
Increase/(Decrease) in due to other funds/programs	(75,431)	(3,234)	5,899	(10,591)	(69,842)
Increase/(Decrease) in accrued liabilities	(861)	953	3,616	486	38
Increase/(Decrease) in compensated absences	(3,639)	3,460	13,985	(5,680)	3,491
Increase/(Decrease) in trust, deposit, and escrow liabilities	991	(32,265)	-	-	-
Increase/(Decrease) in unearned revenues	2,454	-	-	-	-
Increase/(Decrease) in OPEB liabilities	-	-	(99,334)	-	-
Net cash provided by (used in) operating activities	<u>\$ (180,007)</u>	<u>\$ (290,572)</u>	<u>\$ 898,903</u>	<u>\$ (230,614)</u>	<u>\$ 897,405</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2018

	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	\$ -	\$ 30,422	\$ -	\$ -	\$ -
Cash received for fees/services/donations	-	-	-	-	270,981
Cash operating grants received (net)	305,545	51,607	229,993	-	-
Cash transfers from (to) other funds and entities	(3,190)	(3,132)	(15,365)	-	126,752
Cash payments for goods, services, rental subsidies	(8,463)	(40,952)	(63,707)	-	(69,623)
Cash payments to/for employees and benefits	(293,892)	(17,246)	(150,921)	-	(129,154)
Cash payments in lieu of property taxes	-	-	-	-	-
Net cash provided by/(used in) operating activities	<u>-</u>	<u>20,699</u>	<u>-</u>	<u>-</u>	<u>198,956</u>
Cash flows from capital and related financing activities:					
Purchase of equipment/capital assets	-	-	-	-	(398,292)
Proceeds from sale of capital assets	-	-	-	-	10,000
Proceeds from issuing notes and other debt	-	-	-	-	-
Proceeds from sale of tax credits	-	-	-	-	-
Contributions received for capital outlays	-	-	-	-	-
Loan principal payments	-	(5,686)	-	-	-
Interest payments	-	(84)	-	-	-
Net cash provided by/(used in) capital and related financing activities	<u>-</u>	<u>(5,770)</u>	<u>-</u>	<u>-</u>	<u>(388,292)</u>
Cash flows from noncapital financing activities:					
Developer fees received	-	-	-	-	993,908
Loans made to borrowers	-	-	-	-	-
Receipt of interest on notes and loans	-	-	-	-	-
Loans payments received	-	-	-	-	1,132
Net cash provided by/(used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>995,040</u>
Cash flows from investing activities:					
Receipts of interest and dividends	-	280	-	-	1,014
Deposits (withdrawals) to/from reserve accounts	-	403,133	-	-	-
Net cash provided by/(used in) investing activities	<u>-</u>	<u>403,413</u>	<u>-</u>	<u>-</u>	<u>1,014</u>
Net increase/(decrease) in cash	-	418,342	-	-	806,718
Cash and equivalents at July 1, 2017	-	7,657	-	-	2,256,849
Cash and equivalents at June 30, 2018	<u>\$ -</u>	<u>\$ 425,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,063,567</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2018

	Resident Self Sufficiency Programs	Transition Center Program	State & Local Activities Program	Neighborhood Stabilization Program	Business Activities Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ -	\$ 13,062	\$ (1,116)	\$ (30,159)	\$ (50,599)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	-	8,974	1,723	-	50,977
Operating transfers	-	-	-	-	-
Other adjustments	-	-	-	-	3,574
Change in assets and liabilities:					
Decrease/(Increase) in accounts receivable	3,019	(537)	(4,583)	-	(5,951)
Decrease/(Increase) in due from other funds/programs	-	-	-	30,159	189,049
Decrease/(Increase) in notes and mortgages receivable	-	-	-	-	-
Decrease/(Increase) in prepaid expenses and materials inventory	-	161	41	-	(17)
Decrease/(Increase) in other assets	-	-	-	-	-
Decrease/(Increase) in deferred outflows of resources	-	-	-	-	-
Increase/(Decrease) in accounts payable	-	(1,374)	(62)	-	46,733
Increase/(Decrease) in due to other funds/programs	(3,190)	(130)	6,656	-	(38,666)
Increase/(Decrease) in accrued liabilities	171	9	(337)	-	237
Increase/(Decrease) in compensated absences	-	95	(2,322)	-	3,619
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	-	-	-	-
Increase/(Decrease) in unearned revenues	-	439	-	-	-
Increase/(Decrease) in OPEB liabilities	-	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ 20,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,956</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2018

	Lower Jefferson Avenue Development Program	Orcutt Senior Housing/ Ashe Manor	Orcutt Townhomes	Orcutt Townhomes III	Lofts on Jefferson
Cash flows from operating activities:					
Cash received from tenants/others	\$ -	\$ 163,304	\$ 103,921	\$ 104,460	\$ 99,691
Cash received for fees/services/donations	-	2,665	-	1,087	-
Cash operating grants received (net)	-	-	-	80,400	-
Cash transfers from (to) other funds and entities	-	128,576	91,845	(19,949)	(3,498)
Cash payments for goods, services, rental subsidies	-	(231,398)	(111,402)	(78,758)	(36,977)
Cash payments to/for employees and benefits	-	(58,108)	(44,437)	(26,912)	(13,690)
Cash payments in lieu of property taxes	-	(6,774)	(8,830)	(9,205)	(9,378)
Net cash provided by/(used in) operating activities	<u>-</u>	<u>(1,735)</u>	<u>31,097</u>	<u>51,123</u>	<u>36,148</u>
Cash flows from capital and related financing activities:					
Purchase of equipment/capital assets	-	-	(2,895)	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Proceeds from issuing notes and other debt	-	-	-	-	-
Proceeds from sale of tax credits	-	-	-	-	-
Contributions received for capital outlays	-	-	-	-	-
Loan principal payments	-	-	-	-	(11,609)
Interest payments	-	-	-	-	(22,558)
Net cash provided by/(used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(2,895)</u>	<u>-</u>	<u>(34,167)</u>
Cash flows from noncapital financing activities:					
Developer fees received	-	-	-	-	-
Loans made to borrowers	-	-	-	-	-
Receipt of interest on notes and loans	-	-	-	-	-
Loans payments received	-	-	-	-	-
Net cash provided by/(used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:					
Receipts of interest and dividends	-	262	267	162	34
Deposits (withdrawals) to/from reserve accounts	-	-	-	-	-
Net cash provided by/(used in) investing activities	<u>-</u>	<u>262</u>	<u>267</u>	<u>162</u>	<u>34</u>
Net increase/(decrease) in cash	-	(1,473)	28,469	51,285	2,015
Cash and equivalents at July 1, 2017	<u>-</u>	<u>517,261</u>	<u>607,151</u>	<u>366,636</u>	<u>12,261</u>
Cash and equivalents at June 30, 2018	<u>\$ -</u>	<u>\$ 515,788</u>	<u>\$ 635,620</u>	<u>\$ 417,921</u>	<u>\$ 14,276</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2018

	Lower Jefferson Avenue Development Program	Orcutt Senior Housing/ Ashe Manor	Orcutt Townhomes	Orcutt Townhomes III	Lofts on Jefferson
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ -	\$ (381,380)	\$ (352,681)	\$ (134,954)	\$ (24,887)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	-	208,129	191,828	183,860	55,906
Operating transfers	-	174,513	126,606	48	-
Other adjustments	-	-	63,760	5,305	-
Change in assets and liabilities:					
Decrease/(Increase) in accounts receivable	-	797	287	(1,095)	(253)
Decrease/(Increase) in due from other funds/programs	-	-	-	-	-
Decrease/(Increase) in notes and mortgages receivable	-	-	-	-	-
Decrease/(Increase) in prepaid expenses and materials inventory	-	92	326	(723)	770
Decrease/(Increase) in other assets	-	-	-	-	-
Decrease/(Increase) in deferred outflows of resources	-	-	-	-	-
Increase/(Decrease) in accounts payable	-	(3,390)	3,582	1,248	71
Increase/(Decrease) in due to other funds/programs	-	(319)	(256)	(157)	3,555
Increase/(Decrease) in accrued liabilities	-	(2)	173	153	71
Increase/(Decrease) in compensated absences	-	980	700	592	308
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	(125)	(2,631)	(3,316)	-
Increase/(Decrease) in unearned revenues	-	(1,030)	(597)	162	607
Increase/(Decrease) in OPEB liabilities	-	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ (1,735)</u>	<u>\$ 31,097</u>	<u>\$ 51,123</u>	<u>\$ 36,148</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
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COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2018

	Oyster Point- Brighton	Cypress Terrace Eliminations	Total	Eliminations	Proprietary Fund
Cash flows from operating activities:					
Cash received from tenants/others	\$ 531,714	\$ 217,096	\$ 4,698,945	\$ -	\$ 4,698,945
Cash received for fees/services/donations	602	87	524,668	-	524,668
Cash operating grants received (net)	1,044,058	439,697	30,596,942	-	30,596,942
Cash transfers from (to) other funds and entities	(770,453)	(255,747)	-	-	-
Cash payments for goods, services, rental subsidies	(583,933)	(320,837)	(28,751,476)	-	(28,751,476)
Cash payments to/for employees and benefits	(296,642)	(129,471)	(5,619,027)	-	(5,619,027)
Cash payments in lieu of property taxes	(212,625)	(87,850)	(442,953)	-	(442,953)
Net cash provided by/(used in) operating activities	<u>(287,279)</u>	<u>(137,025)</u>	<u>1,007,099</u>	<u>-</u>	<u>1,007,099</u>
Cash flows from capital and related financing activities:					
Purchase of equipment/capital assets	(2,147,986)	(1,669,499)	(6,507,379)	-	(6,507,379)
Proceeds from sale of capital assets	-	-	10,000	-	10,000
Proceeds from issuing notes and other debt	4,864,642	2,717,399	7,582,041	-	7,582,041
Proceeds from sale of tax credits	7,322,317	3,605,207	10,927,524	-	10,927,524
Contributions received for capital outlays	-	-	1,977,491	-	1,977,491
Loan principal payments	(9,501,220)	(4,634,095)	(14,152,610)	-	(14,152,610)
Interest payments	-	-	(22,642)	-	(22,642)
Net cash provided by/(used in) capital and related financing activities	<u>537,753</u>	<u>19,012</u>	<u>(185,575)</u>	<u>-</u>	<u>(185,575)</u>
Cash flows from noncapital financing activities:					
Developer fees received	-	-	993,908	-	993,908
Loans made to borrowers	-	-	(812,474)	-	(812,474)
Receipt of interest on notes and loans	-	-	54,479	-	54,479
Loans payments received	-	-	424,182	-	424,182
Net cash provided by/(used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>660,095</u>	<u>-</u>	<u>660,095</u>
Cash flows from investing activities:					
Receipts of interest and dividends	1,920	62	53,605	-	53,605
Deposits (withdrawals) to reserve accounts	(86,447)	(28,322)	288,364	-	288,364
Net cash provided by/(used in) investing activities	<u>(84,527)</u>	<u>(28,260)</u>	<u>341,969</u>	<u>-</u>	<u>341,969</u>
Net increase/(decrease) in cash	165,947	(146,273)	1,823,588	-	1,823,588
Cash and equivalents at July 1, 2017	<u>128,157</u>	<u>182,653</u>	<u>17,492,272</u>	<u>-</u>	<u>17,492,272</u>
Cash and equivalents at June 30, 2018	<u>\$ 294,104</u>	<u>\$ 36,380</u>	<u>\$ 19,315,860</u>	<u>\$ -</u>	<u>\$ 19,315,860</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2018

	Oyster Point- Brighton	Cypress Terrace Eliminations	Total	Eliminations	Proprietary Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (38,487)	\$ (109,386)	\$ (2,742,766)	\$ -	\$ (2,742,766)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	295,776	155,363	3,371,871	-	3,371,871
Operating transfers	-	-	-	-	-
Other adjustments	-	-	72,639	-	72,639
Change in assets and liabilities:					
Decrease/(Increase) in accounts receivable	92,126	28,566	125,958	-	125,958
Decrease/(Increase) in due from other funds/programs	-	-	1,071,753	(1,071,753)	-
Decrease/(Increase) in notes and mortgages receivable	-	-	419,304	-	419,304
Decrease/(Increase) in prepaid expenses and materials inventory	(8,903)	(5,405)	(93,504)	-	(93,504)
Decrease/(Increase) in other assets	-	-	102	-	102
Decrease/(Increase) in deferred outflows of resources	-	-	(62,956)	-	(62,956)
Increase/(Decrease) in accounts payable	16,177	4,765	(351)	-	(351)
Increase/(Decrease) in due to other funds/programs	(671,506)	(214,541)	(1,071,753)	1,071,753	-
Increase/(Decrease) in accrued liabilities	(190)	(255)	4,262	-	4,262
Increase/(Decrease) in compensated absences	4,285	(711)	19,163	-	19,163
Increase/(Decrease) in trust, deposit, and escrow liabilities	20,090	3,665	(13,591)	-	(13,591)
Increase/(Decrease) in unearned revenues	3,353	914	6,302	-	6,302
Increase/(Decrease) in OPEB liabilities	-	-	(99,334)	-	(99,334)
Net cash provided by (used in) operating activities	<u>\$ (287,279)</u>	<u>\$ (137,025)</u>	<u>\$ 1,007,099</u>	<u>\$ -</u>	<u>\$ 1,007,099</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

SCHEDULE AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

JUNE 30, 2018

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	10,665.98	10,665.98
Administration	236,594.00	236,594.00
Fees and costs	219,283.81	219,283.81
Dwelling structures	567,330.24	567,330.24
Dwelling equipment	17,040.00	17,040.00
Non-dwelling structures	1,078,438.97	1,078,438.97
Total Cost	\$ 2,365,947.00	\$ 2,365,947.00

2. The distribution of costs by budget line item as shown on the final Progress and Evaluation Report dated March 29, 2019 is in agreement with the Authority's records. The Actual Modernization Cost Certificate was submitted by the Authority on March 29, 2019.

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

4. Costs incurred during the current period totaled \$351,678.57

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

Funds advanced:	
Grants - HUD	\$ 2,365,947.00
Funds expended	2,365,947.00
Excess funds advanced	\$ -

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

SCHEDULE OF CAPITAL FUND PROGRAM COSTS - UNCOMPLETED

JUNE 30, 2018

CFP R501-15

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year R501-15 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 243,571.00	\$ 243,571.00
Management improvements	50,000.00	49,800.22
Administration	243,571.00	243,571.00
Fees and costs	200,000.00	188,943.03
Dwelling structures	1,698,575.00	1,705,071.25
Total Cost	\$ 2,435,717.00	\$ 2,430,956.50

2. Costs incurred during the current period totaled \$1,866,030.41

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

Funds advanced:	
Grants - HUD	\$ 2,177,932.75
Funds expended	2,430,956.50
Deficiency of funds advanced	\$ (253,023.75)

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

SCHEDULE OF CAPITAL FUND PROGRAM COSTS - UNCOMPLETED

JUNE 30, 2018

CFP R501-16

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year R501-16 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 263,517.00	\$ 263,517.00
Management improvements	50,000.00	-
Administration	263,517.00	263,517.00
Fees and costs	200,000.00	-
Dwelling structures	1,858,141.00	232,954.95
Total Cost	\$ 2,635,175.00	\$ 759,988.95

2. Costs incurred during the current period totaled \$496,471.95

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

Funds advanced:	
Grants - HUD	\$ 631,648.95
Funds expended	759,988.95
Deficiency of funds advanced	\$ (128,340.00)

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2018

CFP 501-17

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year 501-17 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 245,533.00	\$ -
Management improvements	50,000.00	245,533.00
Administration	245,533.00	-
Demolition	-	8,795.00
General capital activity	1,914,266.00	16,668.00
Total Cost	\$ 2,455,332.00	\$ 270,996.00

2. Costs incurred during the current period totaled \$270,996.00

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

Funds advanced:	
Grants - HUD	\$ 270,996.00
Funds expended	270,996.00
Excess of funds advanced	\$ -

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

STATEMENT AND CAPITAL FUND PROGRAM COSTS – UNCOMPLETED

JUNE 30, 2018

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>
Development activity	\$ 316,325.00	\$ 163,603.13
RAD investment activity	162,213.00	162,213.00
Total Cost	<u>\$ 478,538.00</u>	<u>\$ 325,816.13</u>

2. Costs incurred during the current period totaled \$30,007.00

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

Funds advanced:	
Grants - HUD	\$ 325,816.13
Funds expended	<u>325,816.13</u>
Excess of funds advanced	<u>\$ -</u>

NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY
NEWPORT NEWS, VIRGINIA

FEDERAL FINANCIAL REPORT

JUNE 30, 2018

VA003RPS077A015

Federal Cash:

a. Cumulative federal cash received	\$	268,414.31
b. Cumulative federal cash disbursements		308,305.27
c. Cash on hand	\$	<u>(39,890.96)</u>

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	385,932.00
e. Federal share of expenditures		308,305.27
f. Federal share of unliquidated obligations		-
g. Total federal share		<u>308,305.27</u>
h. Unobligated balance of federal funds	\$	<u>77,626.73</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, 2018

VA003FSH633A016

Federal Cash:

a. Cumulative federal cash received	\$	148,068.00
b. Cumulative federal cash disbursements		148,068.00
c. Cash on hand	\$	-

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	148,068.00
e. Federal share of expenditures		148,068.00
f. Federal share of unliquidated obligations		-
g. Total federal share		148,068.00
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, 2018

FSS17VA0015

Federal Cash:

a. Cumulative federal cash received	\$	44,571.90
b. Cumulative federal cash disbursements		73,231.57
c. Cash on hand	\$	<u>(28,659.67)</u>

Federal Expenditures and Unobligated Balance:

d. Total federal funds authorized	\$	148,068.00
e. Federal share of expenditures		73,231.57
f. Federal share of unliquidated obligations		-
g. Total federal share		<u>73,231.57</u>
h. Unobligated balance of federal funds	\$	<u>74,836.43</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/SINGLE AUDIT FISCAL YEAR ENDED: JUNE 30, 2018

	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	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended
111 Cash - Unrestricted	\$ 6,304,580				\$ 791,381		\$ 1,488,974	\$ 234,335	\$ 9,101	\$ 502,387
112 Cash - Restricted - Modernization and Development	\$ 6,459									
113 Cash - Other Restricted	\$ 37,116						\$ 98,858		\$ 206,526	\$ 1,344,911
114 Cash - Tenant Security Deposits	\$ 90,559						\$ 1,250		\$ 27,004	\$ 66,790
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	\$ 6,438,714	\$ -	\$ -	\$ -	\$ 791,381	\$ -	\$ 1,589,082	\$ 234,335	\$ 242,631	\$ 1,914,088
121 Accounts Receivable - PHA Projects							\$ 11,734			
122 Accounts Receivable - HUD Other Projects	\$ 381,363	\$ 28,660	\$ 10,760			\$ 39,891	\$ 137,635			\$ 8,488
124 Accounts Receivable - Other Government	\$ 63,192									\$ 220,197
125 Accounts Receivable - Miscellaneous					\$ 933		\$ 1,375		\$ 210	
126 Accounts Receivable - Tenants	\$ 96,478								\$ 6,297	\$ 4,588
126.1 Allowance for Doubtful Accounts - Tenants	\$ (23,801)								\$ -	\$ (3,293)
126.2 Allowance for Doubtful Accounts - Other	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery	\$ 10,353						\$ 239,277	\$ 108		\$ 16,022
128.1 Allowance for Doubtful Accounts - Fraud	\$ (1,035)						\$ (239,277)	\$ (108)		\$ (1,542)
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$ 526,550	\$ 28,660	\$ 10,760	\$ -	\$ 933	\$ 39,891	\$ 150,744	\$ -	\$ 6,507	\$ 244,460
131 Investments - Unrestricted										
132 Investments - Restricted									\$ 32,717	\$ 130,759
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	\$ 16,224				\$ 1,346		\$ 7,940		\$ 14,275	\$ 113,388
143 Inventories										
143.1 Allowance for Obsolete Inventories										
144 Inter Program Due From	\$ 69			\$ -	\$ -					
145 Assets Held for Sale										
150 Total Current Assets	\$ 6,981,557	\$ 28,660	\$ 10,760	\$ -	\$ 793,660	\$ 39,891	\$ 1,747,766	\$ 234,335	\$ 296,130	\$ 2,402,695
161 Land	\$ 2,549,663						\$ 32,000		\$ 252,300	\$ 4,186,778
162 Buildings	\$ 70,371,565						\$ 634,667		\$ 6,838,539	\$ 39,044,729
163 Furniture, Equipment & Machinery - Dwellings	\$ 29,659									\$ 477,351
164 Furniture, Equipment & Machinery - Administration	\$ 896,772				\$ 94,235		\$ 186,963		\$ 199,656	\$ 346,292
165 Leasehold Improvements	\$ 8,000,558						\$ 7,775		\$ 632,694	\$ 4,168,786
166 Accumulated Depreciation	\$ (55,915,112)				\$ (85,269)		\$ (723,621)		\$ (736,168)	\$ (7,230,907)
167 Construction in Progress	\$ 625,539									
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$ 26,558,644	\$ -	\$ -	\$ -	\$ 8,966	\$ -	\$ 137,784	\$ -	\$ 7,187,021	\$ 40,993,029
171 Notes, Loans and Mortgages Receivable - Noncurrent	\$ 15,154,725				\$ 2,493,729					
172 Notes, Loans, & Mortgages Receivable - Noncurrent - Past Due										
173 Grants Receivable - Noncurrent										
174 Other Assets										\$ 375,858
176 Investments in Joint Ventures										
180 Total Noncurrent Assets	\$ 41,713,369	\$ -	\$ -	\$ -	\$ 2,502,695	\$ -	\$ 137,784	\$ -	\$ 7,187,021	\$ 41,368,887
200 Deferred Outflow of Resources										
290 Total Assets and Deferred Outflow of Resources	\$ 48,694,926	\$ 28,660	\$ 10,760	\$ -	\$ 3,296,355	\$ 39,891	\$ 1,885,550	\$ 234,335	\$ 7,483,151	\$ 43,771,582

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

ENTITY-WIDE BALANCE SHEET SUMMARY

SUBMISSION TYPE: AUDITED/SINGLE AUDIT FISCAL YEAR ENDED: JUNE 30, 2018

			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		\$ 422,684	\$ 162,487		\$ 3,063,567	\$ 3,242,638	\$ 16,222,134		\$ 16,222,134
112	Cash - Restricted - Modernization and Development							\$ 6,459		\$ 6,459
113	Cash - Other Restricted			\$ 1,453,567				\$ 3,140,978		\$ 3,140,978
114	Cash - Tenant Security Deposits		\$ 3,315					\$ 188,918		\$ 188,918
115	Cash - Restricted for Payment of Current Liabilities									
100	Total Cash		\$ 425,999	\$ 1,616,054	\$ -	\$ 3,063,567	\$ 3,242,638	\$ 19,558,489	\$ -	\$ 19,558,489
121	Accounts Receivable - PHA Projects							\$ 11,734		\$ 11,734
122	Accounts Receivable - HUD Other Projects							\$ 606,797		\$ 606,797
124	Accounts Receivable - Other Government			\$ 53,360	\$ 55,275	\$ 6,869		\$ 398,893		\$ 398,893
125	Accounts Receivable - Miscellaneous			\$ 39,812		\$ 2,587	\$ 50,318	\$ 95,235		\$ 95,235
126	Accounts Receivable - Tenants		\$ 1,552					\$ 108,915		\$ 108,915
126.1	Allowance for Doubtful Accounts - Tenants		\$ (155)					\$ (27,249)		\$ (27,249)
126.2	Allowance for Doubtful Accounts - Other			\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
127	Notes, Loans, & Mortgages Receivable - Current									
128	Fraud Recovery							\$ 265,760		\$ 265,760
128.1	Allowance for Doubtful Accounts - Fraud							\$ (241,962)		\$ (241,962)
129	Accrued Interest Receivable					\$ 8,550		\$ 8,550		\$ 8,550
120	Total Receivables, Net of Allowances for Doubtful Accounts		\$ 1,397	\$ 93,172	\$ 55,275	\$ 18,006	\$ 50,318	\$ 1,226,673	\$ -	\$ 1,226,673
131	Investments - Unrestricted					\$ 206,670	\$ 103,335	\$ 310,005		\$ 310,005
132	Investments - Restricted							\$ 163,476		\$ 163,476
135	Investments - Restricted for Payment of Current Liability									
142	Prepaid Expenses and Other Assets		\$ 58	\$ 294	\$ 361	\$ 227	\$ 91,104	\$ 245,217		\$ 245,217
143	Inventories						\$ 23,389	\$ 23,389		\$ 23,389
143.1	Allowance for Obsolete Inventories							\$ -		\$ -
144	Inter Program Due From					\$ 493,392	\$ 406,606	\$ 900,067	\$ (900,067)	\$ -
145	Assets Held for Sale									
150	Total Current Assets		\$ 427,454	\$ 1,709,520	\$ 55,636	\$ 3,781,862	\$ 3,917,390	\$ 22,427,316	\$ (900,067)	\$ 21,527,249
161	Land		\$ 17,201			\$ 139,100		\$ 7,177,042		\$ 7,177,042
162	Buildings		\$ 332,094			\$ 1,118,624		\$ 118,340,218		\$ 118,340,218
163	Furniture, Equipment & Machinery - Dwellings							\$ 507,010		\$ 507,010
164	Furniture, Equipment & Machinery - Administration			\$ 37,752	\$ 17,228	\$ 12,036	\$ 1,081,236	\$ 2,872,170		\$ 2,872,170
165	Leasehold Improvements		\$ 57,658			\$ 196,992		\$ 13,064,463		\$ 13,064,463
166	Accumulated Depreciation		\$ (304,085)	\$ (32,162)	\$ (11,198)	\$ (658,346)	\$ (916,630)	\$ (66,613,498)		\$ (66,613,498)
167	Construction in Progress					\$ 452,133		\$ 1,077,672		\$ 1,077,672
168	Infrastructure									
160	Total Capital Assets, Net of Accumulated Depreciation		\$ 102,868	\$ 5,590	\$ 6,030	\$ 1,260,539	\$ 164,606	\$ 76,425,077	\$ -	\$ 76,425,077
171	Notes, Loans and Mortgages Receivable - Noncurrent			\$ 7,280,295		\$ 1,468,940	\$ 1,473,746	\$ 27,871,435	\$ (18,330,666)	\$ 9,540,769
172	Notes, Loans, & Mortgages Receivable - Noncurrent - Past Due									
173	Grants Receivable - Noncurrent									
174	Other Assets					\$ 149,300		\$ 525,158	\$ (100,000)	\$ 425,158
176	Investments in Joint Ventures					\$ 990,198		\$ 990,198		\$ 990,198
180	Total Noncurrent Assets		\$ 102,868	\$ 7,285,895	\$ 6,030	\$ 3,868,977	\$ 1,638,352	\$ 105,811,868	\$ (18,430,666)	\$ 87,381,202
200	Deferred Outflow of Resources						\$ 139,914	\$ 139,914		\$ 139,914
290	Total Assets and Deferred Outflow of Resources		\$ 530,322	\$ 8,995,405	\$ 61,666	\$ 7,650,839	\$ 5,695,656	\$ 128,379,098	\$ (19,330,733)	\$ 109,048,365

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

ENTITY-WIDE BALANCE SHEET SUMMARY

SUBMISSION TYPE: AUDITED/SINGLE AUDIT FISCAL YEAR ENDED: JUNE 30, 2018

	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	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	\$ 133,895		\$ 10,760		\$ 96,695		\$ 19,302	\$ 2,088	\$ 27,669	\$ 47,629
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	\$ 21,019	\$ 1,829			\$ 2,272	\$ 1,601	\$ 10,223		\$ 6,066	\$ 7,327
322 Accrued Compensated Absences - Current Portion	\$ 3,754									
324 Accrued Contingency Liability										
325 Accrued Interest Payable									\$ 11,419	\$ 14,262
331 Accounts Payable - HUD PHA Programs							\$ 231	\$ 24,374		
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	\$ 26,089									\$ 38,502
341 Tenant Security Deposits	\$ 90,559						\$ 1,250		\$ 27,425	\$ 66,790
342 Unearned Revenue	\$ 31,455								\$ 3,492	\$ 15,258
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue									\$ 63,167	\$ 131,985
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities	\$ 374,728								\$ 21,371	
346 Accrued Liabilities - Other	\$ 101,895						\$ 19			\$ 25,200
347 Inter Program - Due To	\$ 99,387	\$ 26,831			\$ 18,492	\$ 38,290	\$ 31,205			\$ 49,131
348 Loan Liability - Current										
310 Total Current Liabilities	\$ 882,781	\$ 28,660	\$ 10,760	\$ -	\$ 117,459	\$ 39,891	\$ 62,230	\$ 26,462	\$ 160,609	\$ 396,084
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue									\$ 1,405,753	\$ 25,320,857
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Noncurrent Liabilities - Other	\$ 37,116						\$ 98,967		\$ 19,189	\$ 943,199
354 Accrued Compensated Absences - Noncurrent	\$ 85,142				\$ 5,842		\$ 64,783			\$ 34,653
355 Loan Liability - Noncurrent										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities										
350 Total Noncurrent Liabilities	\$ 122,258	\$ -	\$ -	\$ -	\$ 5,842	\$ -	\$ 163,750	\$ -	\$ 1,424,942	\$ 26,298,709
300 Total Liabilities	\$ 1,005,039	\$ 28,660	\$ 10,760	\$ -	\$ 123,301	\$ 39,891	\$ 225,980	\$ 26,462	\$ 1,585,551	\$ 26,694,793
400 Deferred Inflow of Resources										
508.3 Nonspendable Fund Balance										
508.4 Net Investment in Capital Assets	\$ 26,558,644				\$ 8,966		\$ 137,784		\$ 5,718,101	\$ 15,540,187
509.3 Restricted Fund Balance										
510.3 Committed Fund Balance										
511.3 Assigned Fund Balance										
511.4 Restricted Net Position	\$ 6,459				\$ 3,164,088				\$ 239,243	\$ 1,459,281
512.3 Unassigned Fund Balance										
512.4 Unrestricted Net Position	\$ 21,124,784	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,521,786	\$ 207,873	\$ (59,744)	\$ 77,321
513 Total Equity - Net Assets / Position	\$ 47,689,887	\$ -	\$ -	\$ -	\$ 3,173,054	\$ -	\$ 1,659,570	\$ 207,873	\$ 5,897,600	\$ 17,076,789
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 48,694,926	\$ 28,660	\$ 10,760	\$ -	\$ 3,296,355	\$ 39,891	\$ 1,885,550	\$ 234,335	\$ 7,483,151	\$ 43,771,582

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

ENTITY-WIDE BALANCE SHEET SUMMARY

SUBMISSION TYPE: AUDITED/SINGLE AUDIT FISCAL YEAR ENDED: JUNE 30, 2018

			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	\$	300	\$	5,146	\$	151	\$	47,178	\$	12,027	\$	402,840	\$	402,840		
313 Accounts Payable >90 Days Past Due																
321 Accrued Wage/Payroll Taxes Payable	\$	198	\$	528	\$	1,669	\$	1,175	\$	24,613	\$	78,520	\$	78,520		
322 Accrued Compensated Absences - Current Portion								\$	3,754			\$	3,754			
324 Accrued Contingency Liability																
325 Accrued Interest Payable								\$	25,681			\$	25,681			
331 Accounts Payable - HUD PHA Programs								\$	24,605			\$	24,605			
332 Account Payable - PHA Projects																
333 Accounts Payable - Other Government								\$	64,591			\$	64,591			
341 Tenant Security Deposits	\$	3,315						\$	189,339			\$	189,339			
342 Unearned Revenue	\$	1,074						\$	51,279			\$	51,279			
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue								\$	195,152			\$	195,152			
344 Current Portion of Long-term Debt - Operating Borrowings																
345 Other Current Liabilities								\$	396,099			\$	396,099			
346 Accrued Liabilities - Other	\$	1,577				\$	1,600	\$	93,501	\$	223,792	\$	223,792			
347 Inter Program - Due To	\$	3,227	\$	76,444	\$	68,816	\$	9,990	\$	478,254	\$	900,067	\$	(900,067)	\$	-
348 Loan Liability - Current																
310 Total Current Liabilities	\$	9,691	\$	82,118	\$	70,636	\$	59,943	\$	608,395	\$	2,555,719	\$	(900,067)	\$	1,655,652
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue								\$	26,726,610	\$	(17,403,856)	\$	9,322,754			
352 Long-term Debt, Net of Current - Operating Borrowings																
353 Noncurrent Liabilities - Other			\$	9,626				\$	1,108,097	\$	(926,810)	\$	181,287			
354 Accrued Compensated Absences - Noncurrent	\$	1,995	\$	5,011	\$	7,985	\$	5,098	\$	182,814	\$	393,323	\$	393,323		
355 Loan Liability - Noncurrent																
356 FASB 5 Liabilities																
357 Accrued Pension and OPEB Liabilities							\$	270,615	\$	270,615		\$	270,615			
350 Total Noncurrent Liabilities	\$	1,995	\$	14,637	\$	7,985	\$	5,098	\$	453,429	\$	28,498,645	\$	(18,330,666)	\$	10,167,979
300 Total Liabilities	\$	11,686	\$	96,755	\$	78,621	\$	65,041	\$	1,061,824	\$	31,054,364	\$	(19,230,733)	\$	11,823,631
400 Deferred Inflow of Resources																
508.3 Nonspendable Fund Balance																
508.4 Net Investment in Capital Assets	\$	102,868	\$	5,590	\$	6,030	\$	1,260,539	\$	164,606	\$	49,503,315	\$	17,403,856	\$	66,907,171
509.3 Restricted Fund Balance																
510.3 Committed Fund Balance																
511.3 Assigned Fund Balance																
511.4 Restricted Net Position			\$	8,893,060					\$	13,762,131			\$	13,762,131		
512.3 Unassigned Fund Balance																
512.4 Unrestricted Net Position	\$	415,768	\$	-	\$	(22,985)	\$	6,325,259	\$	4,469,226	\$	34,059,288	\$	(17,503,856)	\$	16,555,432
513 Total Equity - Net Assets / Position	\$	518,636	\$	8,898,650	\$	(16,955)	\$	7,585,798	\$	4,633,832	\$	97,324,734	\$	(100,000)	\$	97,224,734
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$	530,322	\$	8,995,405	\$	61,666	\$	7,650,839	\$	5,695,656	\$	128,379,098	\$	(19,330,733)	\$	109,048,365

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

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED/SINGLE AUDIT FISCAL YEAR ENDED: JUNE 30, 2018

	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	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended
70300 Net Tenant Rental Revenue	\$ 2,521,360								\$ 386,444	\$ 1,154,099
70400 Tenant Revenue - Other	\$ 318,802									\$ 42,339
70500 Total Tenant Revenue	\$ 2,840,162	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 386,444	\$ 1,196,438
70600 HUD PHA Operating Grants	\$ 5,166,061	\$ 160,448	\$ 101,137			\$ 142,078	\$ 20,779,597	\$ 476,053		\$ 1,238,046
70610 Capital Grants	\$ 2,254,607									
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				\$ 1,115,426					
71100 Investment Income - Unrestricted	\$ 40,686				\$ 740		\$ 7,668	\$ 281		\$ 2,157
71200 Mortgage Interest Income	\$ 172,353				\$ 36,599					
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery							\$ 34,366	\$ 48		
71500 Other Revenue	\$ 72,608				\$ 47,318		\$ 597,373		\$ 19,142	\$ 11,028,483
71600 Gain or Loss on Sale of Capital Assets	\$ (48)									
72000 Investment Income - Restricted									\$ 182	\$ 667
70000 Total Revenue	\$ 10,596,429	\$ 160,448	\$ 101,137	\$ -	\$ 1,200,083	\$ 142,078	\$ 21,419,004	\$ 476,382	\$ 405,768	\$ 13,465,791
91100 Administrative Salaries	\$ 632,968				\$ 132,639		\$ 524,156	\$ 18,674	\$ 27,764	\$ 251,935
91200 Auditing Fees	\$ 31,223				\$ 10,084		\$ 33,639	\$ 1,198	\$ 4,600	\$ 55,356
91300 Management Fee	\$ 1,081,245		\$ 7,150	\$ 30,159	\$ 196,100		\$ 355,332	\$ 12,672	\$ 27,060	\$ 223,850
91310 Book-keeping Fee	\$ 101,602						\$ 222,082	\$ 7,920	\$ 3,600	\$ 35,700
91400 Advertising and Marketing	\$ 13,283				\$ 340		\$ 1,242	\$ 44	\$ 3,206	\$ 1,922
91500 Employee Benefit contributions - Administrative	\$ 205,334				\$ 37,852		\$ 171,934	\$ 6,239	\$ 6,819	\$ 81,919
91600 Office Expenses	\$ 159,257				\$ 14,928		\$ 174,679	\$ 6,223	\$ 9,538	\$ 51,696
91700 Legal Expense	\$ 39,793				\$ 5,333		\$ 6,196	\$ 221		\$ 11,455
91800 Travel	\$ 17,604				\$ 972		\$ 5,110	\$ 182	\$ 1,914	\$ 4,831
91810 Allocated Overhead										
91900 Other	\$ 110,626				\$ 24,196		\$ 51,768	\$ 702	\$ 4,079	\$ 39,357
91000 Total Operating - Administrative	\$ 2,392,935	\$ -	\$ 7,150	\$ 30,159	\$ 422,444	\$ -	\$ 1,546,138	\$ 54,075	\$ 88,580	\$ 758,021
92000 Asset Management Fee	\$ 139,200									\$ 10,800
92100 Tenant Services - Salaries	\$ 147,972	\$ 134,050				\$ 100,828				\$ 7,369
92200 Relocation Costs	\$ 975									\$ 9,221
92300 Employee Benefit Contributions - Tenant Services	\$ 49,573	\$ 26,398				\$ 32,787				\$ 2,321
92400 Tenant Services - Other	\$ 38,098		\$ 6,242			\$ 8,463	\$ 19		\$ 204	\$ 6,764
92500 Total Tenant Services	\$ 236,618	\$ 160,448	\$ 6,242	\$ -	\$ -	\$ 142,078	\$ 19	\$ -	\$ 204	\$ 25,675

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

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED/SINGLE AUDIT FISCAL YEAR ENDED: JUNE 30, 2018

			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		\$ 30,580					\$ 4,092,483		\$ 4,092,483
70400	Tenant Revenue - Other							\$ 361,141		\$ 361,141
70500	Total Tenant Revenue		\$ 30,580	\$ -	\$ -	\$ -	\$ -	\$ 4,453,624	\$ -	\$ 4,453,624
70600	HUD PHA Operating Grants							\$ 28,063,420		\$ 28,063,420
70610	Capital Grants							\$ 2,254,607		\$ 2,254,607
70710	Management Fee						\$ 1,981,243	\$ 1,981,243	\$ (1,981,243)	\$ -
70720	Asset Management Fee						\$ 150,000	\$ 150,000	\$ (150,000)	\$ -
70730	Book Keeping Fee						\$ 367,305	\$ 367,305	\$ (367,305)	\$ -
70740	Front Line Service Fee						\$ 54,199	\$ 54,199	\$ (54,199)	\$ -
70750	Other Fees						\$ 52,200	\$ 52,200		\$ 52,200
70700	Total Fee Revenue						\$ 2,604,947	\$ 2,604,947	\$ (2,552,747)	\$ 52,200
70800	Other Government Grants		\$ 51,607	\$ 759,029	\$ 234,575			\$ 2,210,637		\$ 2,210,637
71100	Investment Income - Unrestricted		\$ 280			\$ 3,589	\$ 1,389	\$ 56,790		\$ 56,790
71200	Mortgage Interest Income			\$ 17,880		\$ 49,560		\$ 276,392	\$ (220,113)	\$ 56,279
71300	Proceeds from Disposition of Assets Held for Sale									
71310	Cost of Sale of Assets									
71400	Fraud Recovery							\$ 34,414		\$ 34,414
71500	Other Revenue		\$ 3,846			\$ 1,261,455	\$ 4,112	\$ 13,034,337		\$ 13,034,337
71600	Gain or Loss on Sale of Capital Assets						\$ 48	\$ -		\$ -
72000	Investment Income - Restricted		\$ 640					\$ 1,489		\$ 1,489
70000	Total Revenue		\$ 83,107	\$ 780,755	\$ 234,575	\$ 1,314,604	\$ 2,610,496	\$ 52,990,657	\$ (2,772,860)	\$ 50,217,797
91100	Administrative Salaries		\$ 6,442	\$ 19,346	\$ 117,731	\$ 114,450	\$ 1,308,981	\$ 3,155,086		\$ 3,155,086
91200	Auditing Fees		\$ 6,417			\$ 917	\$ 3,941	\$ 147,375		\$ 147,375
91300	Management Fee		\$ 3,663	\$ 25,000	\$ 29,000	\$ 20,649		\$ 2,011,880	\$ (1,981,244)	\$ 30,636
91310	Book-keeping Fee							\$ 370,904	\$ (367,304)	\$ 3,600
91400	Advertising and Marketing			\$ 1,461	\$ 334		\$ 3,129	\$ 24,961		\$ 24,961
91500	Employee Benefit contributions - Administrative		\$ 4,150	\$ 3,475	\$ 23,551	\$ 13,367	\$ 346,451	\$ 901,091		\$ 901,091
91600	Office Expenses		\$ 143	\$ 1,673	\$ 6,831	\$ 5,541	\$ 306,742	\$ 737,251		\$ 737,251
91700	Legal Expense					\$ 1,330	\$ 9,674	\$ 74,002		\$ 74,002
91800	Travel		\$ 124	\$ 427	\$ 5,348	\$ 53	\$ 26,166	\$ 62,731		\$ 62,731
91810	Allocated Overhead									
91900	Other		\$ 561		\$ 1,520	\$ 33,349	\$ 19,557	\$ 285,715		\$ 285,715
91000	Total Operating - Administrative		\$ 21,500	\$ 51,382	\$ 184,315	\$ 189,656	\$ 2,024,641	\$ 7,770,996	\$ (2,348,548)	\$ 5,422,448
92000	Asset Management Fee							\$ 150,000	\$ (150,000)	\$ -
92100	Tenant Services - Salaries							\$ 390,219		\$ 390,219
92200	Relocation Costs							\$ 10,196		\$ 10,196
92300	Employee Benefit Contributions - Tenant Services							\$ 111,079		\$ 111,079
92400	Tenant Services - Other					\$ 8,180		\$ 67,970		\$ 67,970
92500	Total Tenant Services		\$ -	\$ -	\$ -	\$ 8,180	\$ -	\$ 579,464	\$ -	\$ 579,464

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

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED/SINGLE AUDIT FISCAL YEAR ENDED: JUNE 30, 2018

	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	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended
93100 Water	\$ 386,803								\$ 44,697	\$ 94,445
93200 Electricity	\$ 535,892								\$ 11,221	\$ 71,878
93300 Gas	\$ 126,309						\$ 1,071	\$ 38		\$ 16,997
93400 Fuel										
93500 Labor										
93600 Sewer	\$ 731,407						\$ 287	\$ 10	\$ 54,752	\$ 183,535
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense										
93000 Total Utilities	\$ 1,780,411	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,358	\$ 48	\$ 110,670	\$ 366,855
94100 Ordinary Maintenance and Operations - Labor	\$ 453,078						\$ 466	\$ 17	\$ 33,209	\$ 147,901
94200 Ordinary Maintenance and Operations - Materials and Other	\$ 621,202				\$ 1,156		\$ 2,678	\$ 95	\$ 10,749	\$ 119,788
94300 Ordinary Maintenance and Operations Contracts	\$ 1,322,772				\$ 693		\$ 9,760	\$ 348	\$ 52,197	\$ 278,071
94500 Employee Benefit Contributions - Ordinary Maintenance	\$ 153,175									\$ 47,951
94000 Total Maintenance	\$ 2,550,227	\$ -	\$ -	\$ -	\$ 1,849	\$ -	\$ 12,904	\$ 460	\$ 96,155	\$ 593,711
95100 Protective Services - Labor	\$ 33,547									\$ 2,358
95200 Protective Services - Other Contract Costs	\$ 76,683				\$ 8		\$ 514	\$ 18		\$ 27,753
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services	\$ 11,339									\$ 450
95000 Total Protective Services	\$ 121,569	\$ -	\$ -	\$ -	\$ 8	\$ -	\$ 514	\$ 18	\$ -	\$ 30,561
96110 Property Insurance	\$ 227,723						\$ 3,702		\$ 11,814	\$ 128,986
96120 Liability Insurance	\$ 45,212						\$ 7,089	\$ 253		\$ 22,263
96130 Workmen's Compensation	\$ 52,882				\$ 6,446		\$ 24,428	\$ 870	\$ 2,096	\$ 19,007
96140 All Other Insurance	\$ 9,155				\$ 732		\$ 1,745	\$ 62	\$ 70	\$ 3,406
96100 Total insurance Premiums	\$ 334,972	\$ -	\$ -	\$ -	\$ 7,178	\$ -	\$ 36,964	\$ 1,185	\$ 13,980	\$ 173,662
96200 Other General Expenses	\$ 10,878				\$ 976,909		\$ 4,586	\$ 163	\$ 1,750	\$ 291,197
96210 Compensated Absences	\$ 8,252						\$ 3,340	\$ 119		\$ 6,153
96300 Payments in Lieu of Taxes	\$ 96,347								\$ 30,984	\$ 164,324
96400 Bad debt - Tenant Rents	\$ 140,985								\$ 10,453	\$ 5,397
96500 Bad debt - Mortgages					\$ 7,296					
96600 Bad debt - Other										
96800 Severance Expense										
96000 Total Other General Expenses	\$ 256,462	\$ -	\$ -	\$ -	\$ 984,205	\$ -	\$ 7,926	\$ 282	\$ 43,187	\$ 467,071
96710 Interest of Mortgage (or Bonds) Payable									\$ 40,657	\$ 207,276
96720 Interest on Notes Payable (Short and Long Term)										\$ 47,760
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,657	\$ 255,036
96900 Total Operating Expenses	\$ 7,812,394	\$ 160,448	\$ 13,392	\$ 30,159	\$ 1,415,684	\$ 142,078	\$ 1,605,823	\$ 56,068	\$ 393,433	\$ 2,681,392
97000 Excess of Operating Revenue over Operating Expenses	\$ 2,784,035	\$ -	\$ 87,745	\$ (30,159)	\$ (215,601)	\$ -	\$ 19,813,181	\$ 420,314	\$ 12,335	\$ 10,784,399

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

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED/SINGLE AUDIT FISCAL YEAR ENDED: JUNE 30, 2018

			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			\$ 2,420		\$ 201	\$ 889	\$ 2,011	\$ 531,466		\$ 531,466
93200 Electricity			\$ 14,045		\$ 681	\$ 12,904	\$ 22,731	\$ 669,352		\$ 669,352
93300 Gas					\$ 167		\$ 10,043	\$ 154,625		\$ 154,625
93400 Fuel										
93500 Labor										
93600 Sewer			\$ 4,380		\$ 30	\$ 1,421	\$ 2,700	\$ 978,522		\$ 978,522
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense										
93000 Total Utilities			\$ 20,845	\$ -	\$ 1,079	\$ 15,214	\$ 37,485	\$ 2,333,965	\$ -	\$ 2,333,965
94100 Ordinary Maintenance and Operations - Labor			\$ 6,002			\$ 1,420	\$ 51,857	\$ 693,950		\$ 693,950
94200 Ordinary Maintenance and Operations - Materials and Other			\$ 1,814		\$ 278	\$ 5,843	\$ 12,241	\$ 775,844		\$ 775,844
94300 Ordinary Maintenance and Operations Contracts			\$ 4,147		\$ 27,185	\$ 21,674	\$ 24,892	\$ 1,741,739	\$ (54,199)	\$ 1,687,540
94500 Employee Benefit Contributions - Ordinary Maintenance						\$ 152	\$ 13,725	\$ 215,003		\$ 215,003
94000 Total Maintenance			\$ 11,963	\$ -	\$ 27,463	\$ 29,089	\$ 102,715	\$ 3,426,536	\$ (54,199)	\$ 3,372,337
95100 Protective Services - Labor							\$ 8,971	\$ 44,876		\$ 44,876
95200 Protective Services - Other Contract Costs			\$ 1,971		\$ 367	\$ 4,420	\$ 3,398	\$ 115,132		\$ 115,132
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services							\$ 2,374	\$ 14,163		\$ 14,163
95000 Total Protective Services			\$ 1,971	\$ -	\$ 367	\$ 4,420	\$ 14,743	\$ 174,171	\$ -	\$ 174,171
96110 Property Insurance			\$ 2,658		\$ 2,003	\$ 7,944	\$ 6,170	\$ 391,000		\$ 391,000
96120 Liability Insurance			\$ 448		\$ 4,944	\$ 87	\$ 12,113	\$ 92,409		\$ 92,409
96130 Workmen's Compensation			\$ 577	\$ 907	\$ 5,604	\$ 5,376	\$ 67,472	\$ 185,665		\$ 185,665
96140 All Other Insurance					\$ 343		\$ 5,328	\$ 20,841		\$ 20,841
96100 Total insurance Premiums			\$ 3,683	\$ 907	\$ 12,894	\$ 13,407	\$ 91,083	\$ 689,915	\$ -	\$ 689,915
96200 Other General Expenses			\$ 33	\$ 231,497	\$ 7,850	\$ 8	\$ 6,273	\$ 1,531,144		\$ 1,531,144
96210 Compensated Absences			\$ 96	\$ 3,491		\$ 3,620	\$ 13,985	\$ 39,056		\$ 39,056
96300 Payments in Lieu of Taxes								\$ 291,655		\$ 291,655
96400 Bad debt - Tenant Rents			\$ 60					\$ 156,895		\$ 156,895
96500 Bad debt - Mortgages						\$ 3,573		\$ 10,869		\$ 10,869
96600 Bad debt - Other										
96800 Severance Expense										
96000 Total Other General Expenses			\$ 189	\$ 234,988	\$ 7,850	\$ 7,201	\$ 20,258	\$ 2,029,619	\$ -	\$ 2,029,619
96710 Interest of Mortgage (or Bonds) Payable			\$ 42					\$ 247,975	\$ (172,353)	\$ 75,622
96720 Interest on Notes Payable (Short and Long Term)								\$ 47,760	\$ (47,760)	\$ -
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost			\$ 42	\$ -	\$ -	\$ -	\$ -	\$ 295,735	\$ (220,113)	\$ 75,622
96900 Total Operating Expenses			\$ 60,193	\$ 287,277	\$ 233,968	\$ 267,167	\$ 2,290,925	\$ 17,450,401	\$ (2,772,860)	\$ 14,677,541
97000 Excess of Operating Revenue over Operating Expenses			\$ 22,914	\$ 493,478	\$ 607	\$ 1,047,437	\$ 319,571	\$ 35,540,256	\$ -	\$ 35,540,256

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

ENTITY-WIDE REVENUE AND EXPENSE SUMMARY

SUBMISSION TYPE: AUDITED/SINGLE AUDIT

FISCAL YEAR ENDED: JUNE 30, 2018

	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	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended
97100 Extraordinary Maintenance	\$ 91,414								\$ 3,885	
97200 Casualty Losses - Non-capitalized	\$ 7,035									
97300 Housing Assistance Payments			\$ 87,745				\$ 19,509,268	\$ 395,466		
97350 HAP Portability-In							\$ 492,439			
97400 Depreciation Expense	\$ 2,113,710				\$ 4,918		\$ 33,587		\$ 222,564	\$ 1,090,862
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	\$ 10,024,553	\$ 160,448	\$ 101,137	\$ 30,159	\$ 1,420,602	\$ 142,078	\$ 21,641,117	\$ 451,534	\$ 619,882	\$ 3,772,254
10010 Operating Transfer In	\$ 313,317									
10020 Operating transfer Out	\$ (313,317)									
10030 Operating Transfers from/to Primary Government										\$ 301,167
10040 Operating Transfers from/to Component Unit	\$ (301,167)									
10050 Proceeds from Notes, Loans and Bonds										
10060 Proceeds from Property Sales										
10070 Extraordinary Items, Net Gain/Loss										
10080 Special Items (Net Gain/Loss)										\$ (2,082,106)
10091 Inter Project Excess Cash Transfer In	\$ 402,000									
10092 Inter Project Excess Cash Transfer Out	\$ (402,000)									
10093 Transfers between Program and Project - In										
10094 Transfers between Project and Program - Out										
10100 Total Other financing Sources (Uses)	\$ (301,167)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,780,939)
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 270,709	\$ -	\$ -	\$ (30,159)	\$ (220,519)	\$ -	\$ (222,113)	\$ 24,848	\$ (214,114)	\$ 7,912,598
11020 Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,333	\$ 14,206,924
11030 Beginning Equity	\$ 47,348,315	\$ -	\$ -	\$ 30,159	\$ 3,402,761	\$ -	\$ 1,916,122	\$ 183,025	\$ 6,111,714	\$ 9,429,713
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$ 70,863				\$ (9,188)		\$ (34,439)			\$ (265,522)
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							\$ 1,659,570			
11180 Housing Assistance Payments Equity							\$ -			
11190 Unit Months Available	\$ 14,686		\$ 96				\$ 30,142	\$ 1,056	\$ 600	\$ 4,944
11210 Number of Unit Months Leased	\$ 14,297		\$ 96				\$ 29,611	\$ 1,056	\$ 594	\$ 4,804
11270 Excess Cash	\$ 5,417,602									
11610 Land Purchases	\$ -									
11620 Building Purchases	\$ 2,498,480									
11630 Furniture & Equipment - Dwelling Purchases	\$ -									
11640 Furniture & Equipment - Administrative Purchases	\$ 7,852									
11650 Leasehold Improvements Purchases	\$ 10,107									
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/SINGLE AUDIT FISCAL YEAR ENDED: JUNE 30, 2018

			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							\$ 95,299		\$ 95,299
97200	Casualty Losses - Non-capitalized							\$ 7,035		\$ 7,035
97300	Housing Assistance Payments							\$ 19,992,479		\$ 19,992,479
97350	HAP Portability-In							\$ 492,439		\$ 492,439
97400	Depreciation Expense	\$ 8,974	\$ 3,726	\$ 1,723	\$ 50,978	\$ 63,395	\$ 3,594,437			\$ 3,594,437
97500	Fraud Losses									
97600	Capital Outlays - Governmental Funds									
97700	Debt Principal Payment - Governmental Funds									
97800	Dwelling Units Rent Expense									
90000	Total Expenses	\$ 69,167	\$ 291,003	\$ 235,691	\$ 318,145	\$ 2,354,320	\$ 41,632,090	\$ (2,772,860)		\$ 38,859,230
10010	Operating Transfer In							\$ 313,317	\$ (313,317)	\$ -
10020	Operating transfer Out							\$ (313,317)	\$ 313,317	\$ -
10030	Operating Transfers from/to Primary Government							\$ 301,167	\$ (301,167)	\$ -
10040	Operating Transfers from/to Component Unit							\$ (301,167)	\$ 301,167	\$ -
10050	Proceeds from Notes, Loans and Bonds									
10060	Proceeds from Property Sales									
10070	Extraordinary Items, Net Gain/Loss									
10080	Special Items (Net Gain/Loss)							\$ (2,082,106)		\$ (2,082,106)
10091	Inter Project Excess Cash Transfer In							\$ 402,000	\$ (402,000)	\$ -
10092	Inter Project Excess Cash Transfer Out							\$ (402,000)	\$ 402,000	\$ -
10093	Transfers between Program and Project - In									
10094	Transfers between Project and Program - Out									
10100	Total Other financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,082,106)	\$ -	\$ -	\$ (2,082,106)
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 13,940	\$ 489,752	\$ (1,116)	\$ 996,459	\$ 256,176	\$ 9,276,461	\$ -	\$ -	\$ 9,276,461
11020	Required Annual Debt Principal Payments	\$ 5,686	\$ -	\$ -	\$ -	\$ -	\$ 14,273,943			\$ 14,273,943
11030	Beginning Equity	\$ 505,357	\$ 8,410,963	\$ (8,860)	\$ 6,589,339	\$ 4,450,169	\$ 88,368,777			\$ 88,368,777
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$ (661)	\$ (2,065)	\$ (6,979)	\$ -	\$ (72,513)	\$ (320,504)			\$ (320,504)
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						\$ 1,659,570			\$ 1,659,570
11180	Housing Assistance Payments Equity						\$ -			\$ -
11190	Unit Months Available	\$ 144			\$ 156	\$ -	\$ 51,824			\$ 51,824
11210	Number of Unit Months Leased	\$ 136			\$ 156	\$ -	\$ 50,750			\$ 50,750
11270	Excess Cash						\$ 5,417,602			\$ 5,417,602
11610	Land Purchases						\$ -			\$ -
11620	Building Purchases						\$ -	\$ 2,498,480		\$ 2,498,480
11630	Furniture & Equipment - Dwelling Purchases						\$ -	\$ -		\$ -
11640	Furniture & Equipment - Administrative Purchases						\$ 44,619	\$ 52,471		\$ 52,471
11650	Leasehold Improvements Purchases						\$ -	\$ 10,107		\$ 10,107
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, 2018

	<u>Federal Award Number</u>	<u>Program or Award Amount</u>	<u>Disbursements or Expenditures</u>
FEDERAL GRANTOR			
U.S. Department of Housing and Urban Development			
Direct Programs:			
Low-Rent Public Housing Program			
Operating Subsidies	14.850	\$ 14,023,769	\$ 4,405,484
Capital Fund Program	14.872	\$ 12,497,340	3,015,184
Housing Assistance Payments Program:			
Housing Choice Voucher Program	14.871	\$ 20,779,597	20,779,597
Housing Assistance Payments Program:			
Section 8 Moderate Rehabilitation - Single Room Occupancy			
VA003SRO004 - 2016-2017 funding	14.249	\$ 476,053	476,053
Section 8 New Construction and Substantial Rehabilitation through the Virginia Housing Development Authority			
Transition Center, VA36H027032	14.182	\$ 51,607	51,607
Housing Assistance Payments Program:			
Substantial Rehabilitation	14.195	\$ 1,238,046	1,238,046
TOTAL SECTION 8 PROJECT BASED CLUSTER			<u>1,765,706</u>
Family Self-Sufficiency Coordinator	14.896	\$ 296,136	160,448
Service Coordinators	14.870	\$ 385,932	142,078
Continuum of Care			
Special Needs Assistance			
VA0055L3F051508	14.267	\$ 207,692	<u>101,137</u>
TOTAL HUD			<u>30,369,634</u>
TOTAL DIRECT			<u>30,369,634</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2018

	Federal Award Number	Program or Award Amount	Disbursements or Expenditures
U.S. Department of Housing and Urban Development Indirect Programs:			
Pass-through from the City of Newport News			
Community Development Block Grants/ Entitlement Grants			
B13MC510015, B14MC510015, B15M510015	14.218	\$ 1,115,426	1,115,426
HOME Investment Partnerships Program			
M-13-MC-51202	14.239	\$ 389,712	389,712
M-14-MC-51202	14.239	\$ 60,343	60,343
M-15-MC-51202	14.239	\$ 126,948	126,948
M-16-MC-51202	14.239	\$ 74,180	74,180
M-17-MC-51202	14.239	\$ 7,846	7,846
		TOTAL INDIRECT	1,774,455
		TOTAL	\$ 32,144,089

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 June 30, 2018. The information in this Schedule is presented in accordance with the 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). 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 assets, 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 percent 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, the 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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 30, 2019. Our report also 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. Our report also recognizes that the Authority implemented a new accounting standard effective July 1, 2017.

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 or Specifications for Audits of Authorities, Boards and Commissions*.

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.

Cheryl Bekant LLP

Virginia Beach, Virginia
March 30, 2019

**Report of Independent Auditor on Compliance for Each Major
Federal Program and on Internal Control over Compliance
Required by the Uniform 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, 2018. The Authority's major federal program is 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 the Authority's major federal program 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* (the "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 the major federal program. However, our audit does not provide a legal determination on the Authority's compliance.

Opinion on the 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 program for the year ended June 30, 2018.

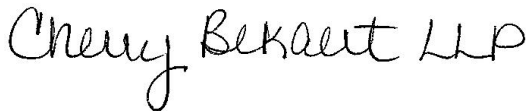
Report on Internal Control over Compliance

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Cheryl Bekant LLP".

Virginia Beach, Virginia
March 30, 2019

**Newport News Redevelopment and Housing Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

A. Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified:	None reported
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major federal programs:

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

Dollar threshold to distinguish between Types A and B Programs: **\$964,323**

The Authority was qualified as a low risk auditee in?
Accordance with Section 200.520 of the Uniform Guidance? **Yes**

- | | |
|----------------------------------------------------------------|-------------|
| B. Findings - Financial Statement Audit | None |
| C. Findings and Questioned Costs - Major Federal Awards | None |
| D. Findings and Questioned Costs – Virginia Compliance | None |
| E. Resolution of Prior Year's Findings | |

Resolution of Prior Year's Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

Finding 2017-001 – Nonmaterial Noncompliance – Statement of Economic Interest

Status: Corrective action was taken. Finding not repeated in current year.