

**RICHMOND REDEVELOPMENT AND
HOUSING AUTHORITY**

**FINANCIAL STATEMENTS
September 30, 2012**

To be the catalyst for quality affordable housing and community revitalization.



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CliftonLarsonAllen, LLP

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INDEPENDENT AUDITOR'S REPORT



Richmond **Redevelopment**
& **Housing** Authority

BUILDING VIBRANT COMMUNITIES



Independent Auditor's Report

Board of Commissioners
Richmond Redevelopment and Housing Authority
Richmond, Virginia

We have audited the accompanying statement of net assets of the Richmond Redevelopment and Housing Authority (RRHA), a political subdivision of the Commonwealth of Virginia, as of and for the year ended September 30, 2012 and the related statements of revenue, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of RRHA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RRHA as of September 30, 2012, and the changes in net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2013 on our consideration of RRHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America required that the management's discussion and analysis and schedule of funding progress on pages 3 through 13 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of RRHA taken as a whole. The accompanying information listed in the table of contents as supplemental information on pages 43 through 66 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

Richmond, Virginia
March 21, 2013

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012

INTRODUCTION

This section of the Richmond Redevelopment and Housing Authority's (RRHA) annual financial report presents Management's Discussion and Analysis (MD&A) of RRHA's financial and operating performance during the fiscal year that ended September 30, 2012. Management's discussion and analysis is designed to assist the reader in focusing on significant financial transactions, provide an overview of RRHA's financial activity, and identify changes in RRHA's financial position. The following sections, in conjunction with the financial statements, are designed to focus on RRHA's current year activities, resulting changes, and currently known facts.

RRHA was created in 1940 by the City of Richmond, Virginia (the City) pursuant to the Housing Authority Law (Title 36 of the Code of Virginia). A nine member Board of Commissioners appointed by the City Council governs RRHA. RRHA serves more than 10,000 residents in approximately 4,000 public housing units and more than 2,900 individuals residing in other forms of subsidized housing. In addition, RRHA acts as the City's redevelopment authority. In this role, RRHA provides protection to the general taxing authority of the City by insulating the general obligation liability of the City from the operation of development contracts with private development entities. Currently, RRHA acts as a conduit for federal, state and local funding for housing and redevelopment projects.

FINANCIAL HIGHLIGHTS

Statement of Net Assets

- The assets of RRHA exceeded its liabilities by \$131.5 million (net assets). Of this amount, \$23.3 million (unrestricted net assets) may be used to meet ongoing obligations to creditors, \$101.6 million is invested in capital assets, net of debt and \$6.6 million is restricted for specific purposes (restricted net assets).
- RRHA's total net assets decreased by \$1.4 million or 1.08% compared to fiscal year 2011.
- RRHA's total assets decreased by \$20.1 million from the prior year while RRHA's total liabilities decreased by \$18.6 million from the prior year. During fiscal year 2012 RRHA received funding from the City to pay off debt totaling \$17.7 million which reduced the corresponding note receivable and bonds payable.
- RRHA's liquidity remains stable at 3.25 to 1. This means that RRHA has the ability to pay its current liabilities at least 3 times over. See discussion of RRHA's liquidity on page 10.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
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Statement of Revenues, Expenses, and Changes in Net Assets

- RRHA's operating expenses exceeded operating revenues by \$7.4 million.
- The operating loss includes depreciation expense associated with the LIPH properties and an allowance for land held for resale.
- HAP expenses exceeded HAP funding by \$1.3 million. The HAP reserve was utilized to cover the difference.
- Properties sold within the Real Estate and Community Development program were sold for a loss of \$0.5 million.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The following is an overview and analysis of the financial activities of RRHA for the fiscal year ended September 30, 2012. This discussion and analysis is intended to serve as an introduction to RRHA's financial report, which has the following components: basic financial statements, notes to the financial statements, and supplemental information which allow the reader to address relevant questions, broaden a basis for comparison (year-to-year or public housing agency to public housing agency) and enhance RRHA's accountability to its stakeholders.

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of RRHA's finances in a manner similar to private-sector business. RRHA records its transactions for all of its programs as one enterprise fund. The basic financial statements consist of three statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets presents information on all of RRHA's assets and liabilities, with the difference between assets and liabilities reported as net assets. Over time, the increases or decreases in RRHA's net assets can be an indicator as to whether the financial position of RRHA is improving or deteriorating. To accurately use changes in net assets as an indicator of RRHA's overall health, the underlying factors contributing to increases or decreases must be analyzed, as well as other non-financial factors (such as changes in the condition of fixed assets). Net assets are reported in the following three categories:

- Invested in capital assets net of related debt – represents the net book value of buildings and land, furniture and equipment, and construction in progress less the current outstanding related debt.
- Restricted – assets whose use is subject to constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments less related debt. RRHA's restricted net asset balance consists of Family Self Sufficiency escrow, debt service, program income, and excess housing assistance payments.

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- Unrestricted – represents those portions of the total net assets, which while not restricted, have been designated for a broad range of housing initiatives and future operations of RRHA.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents a comparison of RRHA's receipts and disbursements and ultimately shows how net assets changed during the year. All changes in net assets are recognized as the underlying event occurs, regardless of the timing of the related cash flows. As a result, revenues and expenses are reported in this statement for some items that will not impact cash flows until future fiscal periods.

Statement of Cash Flows

The Statement of Cash Flows provides information that helps to assess RRHA's ability to generate positive future net cash flows, assess RRHA's ability to meet its obligations and its needs for external financing and assess the reasons for differences between net operating income or loss and associated cash receipts and payments. It also helps to assess the effects on RRHA's financial position of both its cash and non-cash investing and financing transactions, if any, during the period.

NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the basic financial statements. The notes also present certain required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION AND OTHER SUPPLEMENTAL INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other supplemental information that is not required. The Schedule of Funding Progress included in footnote 10 presents RRHA's progress in funding its obligation to provide pension benefits to its employees. Additionally, the other supplemental information included on pages 42 through 66 presents a Financial Data Schedule and Statement and Certification of Actual Modernization Costs for four grants closed out during the fiscal year and the Schedule of Funding Progress for Post-Retirement Benefits Other than Pension Benefits.

FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of RRHA's financial position. In the case of RRHA, assets exceeded liabilities by \$131.5 million at September 30, 2012.

Net assets totaling \$101.6 million reflect RRHA's investments in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. RRHA uses these capital assets to provide services to residents; consequently, these assets are not available for future spending.

An additional portion of the RRHA's net assets totaling \$6.6 million represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net assets totaling \$23.3 million, which may be used to meet RRHA's ongoing obligations to residents and creditors.

**RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
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At the end of the fiscal year, RRHA is able to report positive balances in all three categories of net assets.

Table 1 represents the Schedule of Net Assets for RRHA as of September 30, 2012 and September 30, 2011.

**Table 1
Schedule of Net Assets**

	2012	2011	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Current and other assets	\$ 48,493,326	\$ 69,025,616	\$ (20,532,290)	(29.75)%
Capital assets	103,448,680	103,014,794	433,886	0.42%
Total assets	151,942,006	172,040,410	(20,098,404)	(11.68)%
Current and other liabilities	16,201,194	16,534,015	(332,821)	(2.01)%
Long-term debt outstanding	4,202,401	22,528,026	(18,325,625)	(81.35)%
Total liabilities	20,403,595	39,062,041	(18,658,446)	(47.77)%
Net assets:				
Invested in capital assets, net of related debt	101,580,559	99,813,204	1,767,355	1.77%
Restricted	6,656,423	6,835,839	(179,416)	(2.62)%
Unrestricted	23,301,429	26,329,326	(3,027,897)	(11.50)%
Total net assets	\$ 131,538,411	\$ 132,978,369	\$ (1,439,958)	(1.08)%

Net assets changed as a result of the following:

- Current and Other Assets decreased by \$20.5 million or 29.75%. During fiscal year 2012 RRHA received funding from the City of Richmond to pay off debt totaling \$17.7 million thus reducing the notes receivable and related debt. In addition, amounts due from HUD decreased by approximately \$2.4 million due to the closing of the stimulus grant and receiving operating subsidies on a timely basis.
- Long-term debt outstanding decreased by \$18.3 million or 81.35%. See the explanation for current and other assets related to the payoff of debt totaling \$17.7 million. The remaining difference is due to normal annual principal payments.

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Table 2 summarizes the major sources of revenues and expenses for the year:

Table 2
Statement of Revenues, Expenses and Changes in Net Assets

	2012	2011	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Operating revenues:				
Tenant revenue	\$ 8,753,370	\$ 8,465,562	\$ 287,808	3.40%
HUD grants & subsidies	49,096,091	53,631,426	(4,535,335)	(8.46)%
Other government grants & subsidies	453,827	2,105,546	(1,651,719)	(78.45)%
Sale of property	677,772	809,630	(131,858)	(16.29)%
Other income	3,056,192	1,666,186	1,390,006	83.42%
Mortgage interest	134,624	136,010	(1,386)	(1.02)%
Total operating revenues	62,171,876	66,814,360	(4,642,484)	(6.95)%
Operating expenses:				
Administrative	12,405,111	14,687,410	(2,282,299)	(15.54)%
Tenant services	1,411,842	1,944,183	(532,341)	(27.38)%
Utilities	9,444,354	9,160,816	283,538	3.10%
Maintenance and operation	9,821,117	10,893,326	(1,072,209)	(9.84)%
Protective services	1,052,925	1,042,785	10,140	0.97%
General expenses	4,538,083	3,232,694	1,305,389	40.38%
Housing assistance	24,539,960	22,740,690	1,799,270	7.91%
Extraordinary maintenance	9,115	53,345	(44,230)	(82.91)%
Cost of property sold	2,480,052	984,476	1,495,576	151.92%
Depreciation	3,885,412	3,844,787	40,625	1.06%
Total operating expenses	69,587,971	68,584,512	1,003,459	1.46%
Operating gain/(loss)	(7,416,095)	(1,770,152)	(5,645,943)	318.95%
Non-operating revenues (expenses):				
Loss on sale of assets	(113,325)	-	(113,325)	100.00%
Other non-operating revenue (expense)	-	707,037	(707,037)	(100.00)%
Investment income	13,565	63,520	(49,955)	(78.64)%
Interest expense	(476,402)	(932,898)	456,496	(48.93)%
Total non-operating revenue (expense), net	(576,162)	(162,341)	(413,821)	254.91%
Net income/(loss) before capital grants	(7,992,257)	(1,932,493)	(6,059,764)	313.57%
Capital grants/contributions	6,552,299	10,063,584	(3,511,285)	(34.89)%
Change in net assets	\$ (1,439,958)	\$ 8,131,091	\$ (9,571,049)	(117.71)%

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- Net assets primarily changed as a result of closing the stimulus grants during fiscal year 2012. This impacted various line items on the above table including HUD grants and subsidies, tenant services, maintenance and operations, and capital grants/contributions.
- Other government grants and subsidies decreased by \$1.7 million or 78.45% due to a reduction in City revenues resulting from the timing of work performed for the City through various agreements (CDBG, COOP, HOME).
- Administrative expenses decreased by \$2.3 million or 15.54% due to several vacant positions and the closing of the stimulus grants during fiscal year 2012.
- General expenses increased by \$1.3 million or 40.38% due to an increase in allowance for land held for resale related to non-HUD properties.
- Housing assistance increased by \$1.8 million or 7.91% due to an increase in HAP utilization. The average HAP utilization increased from 85% in fiscal year 2011 to 89% in fiscal year 2012.
- Cost of property sold increased by \$1.5 million or 151.92% due to the sale of Old Manchester lots, Ordway Homes and Fulton Village that did not occur in the prior year.
- Interest expense decreased by \$0.5 million or 48.93% due to the payoff of debt totaling \$17.7 million during fiscal year 2012.
- Loss on sale of assets increased by \$113,325 or 100% related to the disposition of land held for resale.
- Other non-operating revenue decreased by \$0.7 million or 100% due to the classification of certain revenues and expenses.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012

Table 3 shows gross revenues and expenses by program. Program revenues represent funding received by RRHA from HUD and the City of Richmond for fiscal years 2012 and 2011. Program expenses represent amounts spent by RRHA to administer these programs.

Table 3
Statements of Revenues, Expenses and Changes in Net Assets

	<u>2012</u>	<u>2011</u>	<u>\$</u> <u>Increase/</u> <u>(Decrease)</u>	<u>%</u> <u>Increase/</u> <u>(Decrease)</u>
Program revenues (gross):				
Rent and other	\$ 8,753,370	\$ 8,465,562	\$ 287,808	3.40%
Operating subsidies/grants	24,240,256	29,489,179	(5,248,923)	(17.80)%
Capital grants	6,552,299	9,960,077	(3,407,778)	(34.21)%
HCVP administrative fees	1,752,868	1,882,592	(129,724)	(6.89)%
HCVP subsidy	23,103,492	22,261,855	841,637	3.78%
City programs	1,284,713	3,875,420	(2,590,707)	(66.85)%
Investment and other	457,365	774,268	(316,903)	(40.93)%
Total program revenues	<u>66,144,363</u>	<u>76,708,953</u>	<u>(10,564,590)</u>	<u>(13.77)%</u>
Program expenses (gross):				
Low rent housing	35,330,584	36,441,720	(1,111,136)	(3.05)%
Other grants	1,505,180	3,609,462	(2,104,282)	(58.30)%
HCVP administrative	1,650,146	850,107	800,039	94.11%
HCVP subsidy	24,519,845	22,733,178	1,786,667	7.86%
City programs	2,558,107	3,384,951	(826,844)	(24.43)%
Investment and other	2,020,459	1,558,444	462,015	29.65%
Total program expenses	<u>67,584,321</u>	<u>68,577,862</u>	<u>(993,541)</u>	<u>(1.45)%</u>
Change in net assets	(1,439,958)	8,131,091	(9,571,049)	(117.71)%
Net assets, October 1	<u>132,978,369</u>	<u>124,847,278</u>	<u>8,131,091</u>	<u>6.51%</u>
Net assets, September 30	<u>\$ 131,538,411</u>	<u>\$ 132,978,369</u>	<u>\$ (1,439,958)</u>	<u>(1.08)%</u>

Note: Other federal programs consist of HOPE VI, Ross Grant, and Public Safety.

- Total program revenues decreased by \$10.6 million or 13.77%. Operating subsidies/grants and capital grants decreased by \$8.6 million due to the closing of the ARRA stimulus grants. In addition, City programs decreased by \$2.6 million due to a reduction in City revenues resulting from the timing of work performed for the City through various agreements (CDBG, COOP, HOME).
- Total program expenses decreased by \$1.0 million or 1.45%. This decrease is primarily due to a decrease in the low rent housing program (\$1.1 million), other grants (\$2.1 million), and City programs (\$0.8 million). These decreases are offset by an increase in HCVP administrative subsidy expenses totaling \$2.4 million.

**RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- The decrease in the low rent housing program expenses and other grant program expenses is primarily due to the closing of the ARRA stimulus project. Vacant positions in the low rent housing program also contributed to the decrease in expenses.
- The increase in the HCVP subsidy is due to an increase in utilization of HAP as additional tenants were being served. The average HAP utilization increased from 85% in fiscal year 2011 to 89% in fiscal year 2012.

LIQUIDITY

RRHA's "working capital" is the difference between its current assets and current liabilities and represents the "amount of net liquid resources" available for use in the course of ongoing business activities. The "current ratio" reflects the "relationship" of these classifications and is a measure of RRHA's ability to pay short-term obligations.

**Table 4
Working Capital and Current Ratio**

	<u>2012</u>	<u>2011</u>
Current assets	\$ 28,387,511	\$ 34,602,265
Less: current liabilities	(8,740,320)	(9,249,090)
Working capital	<u>\$ 19,647,191</u>	<u>\$ 25,353,175</u>
Current assets	<u>\$ 28,387,511</u>	<u>\$ 34,602,265</u>
Divided by: current liabilities	8,740,320	9,249,090
Current ratio	3.25:1	3.74:1

RRHA is financially stable as evidenced by its working capital of \$19,647,191 and its 3.25:1 ratio of current assets to current liabilities at September 30, 2012. HUD's financial assessment considers a current ratio of 1:1 or greater as financially stable. The working capital for RRHA decreased from fiscal year 2011 by \$5,705,984 while the current ratio also decreased. This is primarily due to a decrease in HUD receivables for both capital reimbursements and operating subsidies. RRHA completed its stimulus project during fiscal year 2012 resulting in lower reimbursement requests for capital fund programs. In the prior year there were issues with receiving operating subsidies in a timely manner from HUD, but this did not occur in the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2012, RRHA's capital assets totaled \$103,448,680 (net of accumulated depreciation). Included in the capital assets are land, land improvements, buildings and structures, equipment, and construction in progress. See footnote 6 on page 30.

**RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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**Table 5
Capital Assets**

	2012	2011
Land	\$ 10,101,338	\$ 10,226,639
Buildings	160,531,660	151,257,673
Furniture, equipment & machinery	6,720,914	6,493,704
Accumulated depreciation	(91,723,560)	(88,165,402)
Construction in progress	17,818,328	23,202,180
Total	\$ 103,448,680	\$ 103,014,794

Long-Term Debt

As of September 30, 2012, RRHA had net outstanding notes, bonds and loans payable totaling \$4,202,401. See footnote 7 on page 31.

	2012	2011
Energy Services	\$ 161,404	\$ 880,590
Old Manchester Bonds	-	17,704,095
Wells Fargo Line of Credit	2,876,433	3,178,341
4th and Grace Place Note Payable	765,000	765,000
Diocese of Richmond Note Payable	399,564	-
RDC Loan	711,000	711,000
ROI Loan	5,061	-
Subtotal	4,918,462	23,239,026
Less: Eliminations	(716,061)	(711,000)
Total outstanding debt	\$ 4,202,401	\$ 22,528,026

ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET

Nationally, the recent recession was severe. Real GDP fell and the downturn lasted longer than during any previous post World War II recession. The economy is believed to have bottomed out in 2009, but state and local governments continue to report record revenue losses in their operating budgets due to reduced real estate values and tax collections. Job losses reached their highest level since the Great Depression with an average unemployment rate of 9.5 percent, while the City of Richmond experienced an unemployment rate of 10.8 percent.

Despite the economic challenges, the City of Richmond has several competitive advantages. It is geographically positioned as a focal point of economic development along the east coast. The presence of the Commonwealth's state offices, as well as several institutions of higher education add to its economic vitality. Additionally, Richmond is home to the Fifth District Federal Reserve Bank and the Fourth Circuit U.S. Court of Appeals.

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These competitive advantages and the diversity of the labor force have helped Richmond recover from the recent economic downturn. Employment in the Richmond Petersburg MSA exceeded expectations by growing 1.8 percent in FY 2012, far ahead of the forecast of 0.1 percent. As with the rest of the state, professional and business services were less than expected, adding only 1,200 jobs instead of the predicted 2,500.

A major objective in Richmond is to ensure that downtown is vibrant and healthy because it is a reflection of the entire Richmond metropolitan area. Numerous community and economic development initiatives continue to create investment opportunities. RRHA is a partner and benefactor of the City's efforts.

In addition to funds from the City of Richmond, RRHA receives a significant portion of its funding from the U.S. Department of Housing and Urban Development (HUD) and the fiscal year (FY) 2013 budget assumes HUD will fund public housing operations at 92% of projected need. RRHA administers several HUD programs including Low Income Public Housing (LIPH), Housing Choice Voucher Programs (HCVP), Capital Grants, HOPE VI, Community Development Block Grant (CDBG), and Home Investment Partnership (HOME) Fund.

External economic and legislative factors outside of HUD's control affect its ability to influence key performance goals. These external factors include economic conditions, unemployment rates, financial lending environment, and tax regulations, as well as other federal, state and local conditions. In addition to the above noted factors, budget constraints could have a direct impact on all HUD programs. Interrelated budgetary and economic factors, and a shortage of affordable housing caused by uncontrollable external economic conditions may affect HUD's ability to fund and meet its goals.

Therefore, the FY 2013 budget is conservatively based and reflects the goals of the Board of Commissioners, Executive Staff and senior leadership of RRHA. These goals include improving property efficiency, completing the HOPE VI and Dove Street redevelopment efforts and planning for the revitalization of Creighton and Whitcomb. Another of RRHA's objective is to increase cash through effective cash management during the fiscal year.

REQUEST FOR INFORMATION

The audited financial statements provide a general overview of RRHA's financial transactions. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Richmond Redevelopment and Housing Authority, 901 Chamberlayne Parkway, Richmond, Virginia 23220.

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ACKNOWLEDGMENTS

This report was prepared by the Richmond Redevelopment and Housing Authority's Finance Department under the leadership of Stacey L. Daniels-Fayson, CPA, Controller, with assistance from:

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Operations Team:

James Dickerson
Tarea Tillman
Belinda Hawkins

Administration Team:

Leondra Brown-Turner

Budget Team:

Darlene Giles

The Department of Finance wishes to express its appreciation to the Board of Commissioners, the Chief Executive Officer and all RRHA Departments and other organizations for their support.

The cover is courtesy of the RRHA Communications Department.

BASIC FINANCIAL STATEMENTS

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT OF NET ASSETS
September 30, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 3)	\$ 6,042,240
Restricted cash and cash equivalents (Note 3)	8,248,973
Accounts receivables, net of allowance of \$39,752 (Note 4)	1,353,157
Mortgage loans and notes receivable current, net of allowance of \$1,987,005 (Note 5)	957,036
Land held for resale, net of allowance of \$1,601,954	11,459,281
Other assets	<u>326,824</u>
Total current assets	<u>28,387,511</u>

NONCURRENT ASSETS

Capital assets - non-depreciable (Note 6)	
Land	10,101,338
CIP	<u>17,818,328</u>
Total capital assets - non-depreciable	<u>27,919,666</u>
Capital assets - depreciable (Note 6)	
Buildings and improvements	160,531,660
Furniture and equipment	6,720,914
Accumulated depreciation	<u>(91,723,560)</u>
Total capital assets - depreciable	<u>75,529,014</u>
Capital assets, net	<u>103,448,680</u>
Mortgage loans and notes receivable noncurrent (Note 5)	19,505,800
Investment in joint venture	<u>600,015</u>
Total noncurrent assets	<u>123,554,495</u>

TOTAL ASSETS

\$ 151,942,006

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion long-term debt (Note 7)	\$ 3,052,967
Accounts payable (Note 8)	991,909
Due to other governments, current (Note 8)	1,589,502
Accrued liabilities (Note 8)	2,176,926
Tenant security deposits/FSS escrows (Note 8)	530,990
Other current liabilities (Note 8)	41,549
Deferred revenues (Note 8)	<u>356,477</u>
Total current liabilities	<u>8,740,320</u>

NONCURRENT AND OTHER LIABILITIES

Long-term debt, net of current portion (Note 7)	1,149,434
Deferred revenue, net of current (Note 8)	1,616,965
Due to other governments, net of current (Note 8)	4,530,196
Other noncurrent liabilities (Note 8)	1,816,941
Accrued pension and OPEB liability (Note 11)	<u>2,549,739</u>
Total noncurrent liabilities	<u>11,663,275</u>
Total liabilities	<u>20,403,595</u>

NET ASSETS

Invested in capital assets, net of related debt	101,580,559
Restricted net assets	6,656,423
Unrestricted	<u>23,301,429</u>
Total net assets	<u>131,538,411</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 151,942,006

The accompanying notes are an integral part of the financial statements.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended September 30, 2012

OPERATING REVENUES

Dwelling rental	\$ 8,753,370
HUD grants and subsidies	49,096,091
Other government grants and subsidies	453,827
Sale of property	677,772
Other income	3,056,192
Mortgage interest	<u>134,624</u>
Total operating revenues	<u>62,171,876</u>

OPERATING EXPENSES

Administration	12,405,111
Tenant services	1,411,842
Utilities	9,444,354
Maintenance and operation	9,821,117
Protective services	1,052,925
General expenses	4,538,083
Housing assistance payments	24,539,960
Extraordinary maintenance	9,115
Cost of property sold	2,480,052
Depreciation	<u>3,885,412</u>
Total operating expenses	<u>69,587,971</u>

Total operating gain/(loss) (7,416,095)

Nonoperating revenues (expenses):

Loss on sale of assets	(113,325)
Investment income	13,565
Interest expense	<u>(476,402)</u>

Total nonoperating revenues (expenses) (576,162)

Loss before capital grants (7,992,257)

Capital grants 6,552,299

CHANGE IN NET ASSETS (1,439,958)

NET ASSETS, BEGINNING OF YEAR 132,978,369

NET ASSETS, END OF YEAR \$ 131,538,411

The accompanying notes are an integral part of the financial statements.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended September 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Rental receipts	\$ 8,836,218
Direct HUD subsidies	52,786,301
Charges for services	3,868,588
Other governmental grants	14,910,291
Administration and general	(14,727,615)
Housing operations and tenant services	(25,627,967)
Housing assistance payments	(24,539,960)
Net cash provided by operating activities	<u>15,505,856</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Principal payments on bonds and loans payable	(18,725,625)
Issuance of notes payable	<u>400,000</u>
Net cash used in noncapital financing activities	<u>(18,325,625)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of capital assets, net	(4,919,297)
Capital contributions	<u>6,552,299</u>
Net cash provided by capital financing activities	<u>1,633,002</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest payments	(476,402)
Decrease in land held for resale	2,303,947
Loss on disposal of land held for resale	(113,325)
Interest income	<u>13,565</u>
Net cash provided by investing activities	<u>1,727,785</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	541,018
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,750,195</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 14,291,213</u>
CLASSIFIED AS	
Cash and cash equivalents	\$ 6,042,240
Restricted cash	<u>8,248,973</u>
TOTAL	<u>\$ 14,291,213</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net operating loss	\$ (7,416,095)
Adjustments to reconcile cash and cash equivalents provided by operating activities:	
Depreciation	3,885,412
Effects of changes in operating assets and liabilities, net of business combination and noncash items:	
Accounts receivable	2,303,647
Mortgage loans, net	14,456,464
Other assets	2,609,249
Accounts payable	(2,264,944)
Deferred revenue	1,386,563
Tenant security deposits	82,848
Accrued liabilities	(3,671)
Other liabilities	<u>466,383</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 15,505,856</u>

The accompanying notes are an integral part of the financial statements.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Richmond Redevelopment and Housing Authority (RRHA) has prepared its financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The significant accounting policies under which the financial statements have been prepared are as follows:

Basis of Accounting, Basis of Presentation and Measurement Focus

The Authority uses the accrual basis of accounting in the enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

The Authority uses fund accounting (as presented in the supplemental financial data schedule). Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are determination of net income, financial position and cash flows. All assets and liabilities associated with the Enterprise Fund's activities are included on the Statement of Net Assets. All funds of the Authority are enterprise funds.

In accordance with Government Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting* (GASB 20), RRHA follows all applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements and predecessor Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, in accounting for its proprietary fund. Under paragraph 7 of Statement No. 20, RRHA has elected not to apply FASB pronouncements issued after November 30, 1989.

Effective for fiscal year 2008, HUD requires all public housing agencies meeting certain criteria to account for financial activity by project. Referred to as the asset management program, RRHA is now required to report financial activity by project as well as by fund through HUD's on-line reporting system.

Financial Reporting Entity

RRHA's financial statements are prepared in conformity with GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Therefore, RRHA's financial statements are presented in accordance with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39. This Statement defines the distinction between the primary government, RRHA, and its related entities; however, RRHA's relationships with other organizations do not constitute the inclusion of said organizations with the RRHA reporting entity. RRHA is a component unit of the City of Richmond, Virginia and, accordingly, the financial position and results of RRHA's operations are included in the City of Richmond's basic financial statements.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (continued)

RRHA also includes several blended component units. The entities that are included as blended component units are as follows:

Richmond Opportunities, Inc. (ROI)

The Richmond Opportunities Inc. (ROI) is organized as a nonstock corporation exclusively for charitable and educational purposes. The name of the corporation was changed to Richmond Opportunities, Inc. in August 2009. Currently, RRHA's Youth Sports and Fine Arts Academy program operates through ROI. The mission of the Academy is to provide RRHA youth opportunities to participate in a variety of sports and cultural-related activities while receiving intensive, case management services. Bringing youth together from all communities is an opportunity for youth to gain enhanced socialization skills and respect for one another. The Academy deters gang behavior and other anti-social behavior by providing opportunities for youth to interact positively with RRHA and non-RRHA youth reaching across various socio-economic levels. This program is primarily funded through the donations of RRHA employees; the donations are tax deductible.

Randolph Place Associates, L.P.

The Randolph Place Associates, L.P. was a limited partnership created under the laws of the Commonwealth of Virginia on January 10, 1985. The Partnership was formed to acquire, rehabilitate, construct, own, and operate a 50-unit apartment housing project for occupancy by the elderly in Richmond, Virginia. The project was managed by RRHA through the Randolph Place Development Corporation (RPDC), a wholly owned subsidiary of RRHA, which was a general partner.

On November 1, 2007, the 50-unit apartment was sold to a subsidiary of Better Housing Coalition. The Randolph Place Associates limited partnership was dissolved effective August 2, 2007 and there is discussion to repurpose the RPDC to carry out for-profit development.

Richmond Development Corporation (RDC)

The Richmond Development Corporation (RDC), formerly known as Randolph Neighborhood and Development Corporation (RNDC), obtained a Section 501(c) (3) tax-exempt status as a public charity on January 11, 1982. The name of the corporation was changed to Richmond Development Corporation in February 1998. The purpose of the Corporation is to build vibrant and sustainable neighborhoods in Richmond through housing and commercial development activities. This Corporation will be the vehicle used to obtain tax credits and funding for several of RRHA's strategic initiatives.

Synergy Realty LLC

Synergy Realty Brokerage, Inc. is a for-profit corporation domiciled in the state of Virginia. The office is located at 901 Chamberlayne Parkway, Richmond, VA 23220. The primary goal of Synergy is to facilitate sale and purchase transactions for RRHA residential and commercial real estate activities.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (continued)

These entities are deemed blended component units because they provide services almost entirely for the benefit of RRHA or residents of RRHA. Therefore, the operating activities are included in the Authority's basic financial statements. Two of the entities have calendar year ends and three have a June 30 fiscal year end. Accordingly, the amounts included for each blended component unit in the financial statements are as of and for the respective year ends that fall within the year ended September 30, 2012.

Cash Equivalents

Highly liquid investments, including money market funds and certificates of deposit, with initial maturities of three months or less from the date of purchase are considered cash equivalents.

Receivables

Receivables are shown net of allowances. RRHA determines its allowance based on historical data.

Mortgage Loans Receivable

Mortgage loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. As of September 30, 2012, there was a reserve of \$1,987,005 for loan losses. RRHA has seen an increase in the number of foreclosures; however, the reserve established to cover loan losses is sufficient to cover the foreclosures. Note 5, Mortgage Loans provides information about loans in foreclosure. Properties that are foreclosed are carried on the books at the loan value if an appraisal of the property is not available. Loans that become past due as to principal and interest are evaluated for collectability.

Inventories

During fiscal year 2011, RRHA implemented a just-in-time solution for inventory. Under this new method, inventory is recorded at cost and is expensed when purchased. RRHA also continues to use the consumption method for items purchased prior to the change. These items are charged to expense when consumed. Inventories are recorded at average cost.

Capital Assets

Capital assets, mainly buildings and structures, land, land improvements and equipment, are generally stated at historical cost, or at estimated historical cost based on appraisals or on other acceptable methods when historical cost is not available. RRHA defines capital assets as items with an initial, individual cost of more than \$5,000 and an estimated useful life of at least 5 years. Donated fixed assets are stated at their fair market value as of the date of the donation.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

Accumulated depreciation is reported as a reduction of fixed assets. Depreciation is calculated on the straight-line basis over the following estimated useful lives.

Building and structures	40 - 50 years
Building improvements	15 - 40 years
Equipment	5 - 20 years
Land improvements	20 years

Construction in Progress

Construction in Progress represents expended funds for certain Housing Modernization programs. At the completion of the project, amounts are transferred to land and land improvements; buildings and structures; and equipment. Administrative, overhead and other costs, which do not increase the value of the property, are expensed as incurred.

Land Held for Resale

Land Held for Resale is recorded at the lower of cost or fair market value when purchased or donated, less estimated disposal costs.

Debt Obligations

Debt is carried at the outstanding face amount, net of any remaining unamortized premium or discount.

Compensated Absences

The liabilities for compensated absences have been recorded in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The current leave policy in effect (Policy #2.3 effective January 1, 2008) states that employees earn annual vacation leave at a rate ranging from 22.75 days per year, up to a maximum of 29.25 days per year after 15 years of service.

According to this policy, the maximum balance at the end of each fiscal year and maximum payment upon separation is noted in the following table.

Years of Service	Number of Days Earned per Year	Maximum Balance End of the Year	Maximum Payment Upon Separation
Less than five years	22.75 days	24 days	24 days
5 – 9 years	26 days	30 days	30 days
10- 14 years	26 days	36 days	36 days
15 or more years	29.25 days	42 days	36 days

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets in proprietary financial statements (net of related debt) are classified as invested in capital assets, restricted, and unrestricted. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statute. RRHA's restricted net assets consist of escrows held for debt service payments, reserve accounts, program income for the City, and excess housing assistance payments.

The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Deferred Revenue

Deferred revenue shown on the Statement of Net Assets is comprised of revenue amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not yet been met.

Revenue Recognition

Generally, revenues are recognized when earned, regardless of when the related cash flows take place. Non-exchange transactions, in which RRHA either gives or receives value without directly receiving or giving equal value in exchange include, for example, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Rental revenues are recorded as operating revenues as rentals become due. Rental payments received in advance, if any, are deferred until earned.

RRHA has entered into annual contributions contracts with HUD to develop, manage, own, and rent affordable housing. HUD makes annual debt service contributions and monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments and administration fees for the HCVP program. Such operating contributions are reflected as operating revenues in the accompanying Statement of Revenues, Expenses and Changes in Net Assets. Capital contributions are presented as a separate component in determining the change in net assets for the year on the Statement of Revenues, Expenses and Changes in Net Assets.

Other intergovernmental revenues, which are primarily derived from the City of Richmond, are reported under the legal contractual requirements of the individual programs.

Home sales revenues are recorded at the time of closing and are reported under the legal contractual requirement of the individual program and are reported as operating revenues.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-operating Revenues and Expenses

Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. RRHA reports as non-operating revenue and expense amounts arising from capital asset transactions, investment related activities and intergovernmental debt service related transactions.

Inter-program Transfers

Transfers among programs are recognized in all programs affected in the period in which the transfers occur. The inter-program activity was eliminated from the Statement of Net Assets for presentation purposes in the audited statements at September 30, 2012. The inter-program transfers are included in the supplemental information.

Indirect Costs

Certain indirect costs are allocated to expenses in the various programs in accordance with the cost allocation plan which was approved by the appropriate grantors as part of RRHA's overall operations budget for the fiscal year.

Pension Plans

RRHA participates in a defined benefit pension plan administered by the Virginia Retirement System. It is RRHA's policy to fund the normal cost and amortization of unfunded prior service cost (over 30 years). RRHA also provides post-employment benefits other than pensions in the form of health-related insurance. Expenses are recognized as incurred.

Income Taxes

As a political subdivision of the Commonwealth of Virginia, RRHA is exempt from Federal and State income taxes.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses reported during the reporting period. Actual results could differ from those estimates.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 – ORGANIZATION

Background and Programs

RRHA was established by the City Council of the City of Richmond, Virginia (the City), in October 1940 as a political subdivision of the Commonwealth of Virginia. RRHA is responsible for operating affordable housing programs, which provide housing for eligible families, for operating redevelopment and conservation programs in accordance with the City's Master Plan and for the delivery of services to citizens of low income housing and urban renewal areas through the encouragement and development of social and economic opportunities. The Board of Commissioners of RRHA is appointed by the City Council. A summary of the various programs, including Annual Contributions Contract Numbers (ACC #), if applicable, provided by RRHA are as follows:

Low Income Public Housing programs provide subsidy funding annually, by a formula for Housing Modernization and Housing Operations Programs. These programs support public housing operations by way of an annual contributions contract with the Department of Housing and Urban Development (HUD), ACC # P-200. Under this contract, RRHA develops, modernizes and manages twenty-one public housing developments and 135 single family homes.

Housing Choice Voucher programs (HCVP) include the Certificate, Voucher and Moderate Rehabilitation programs. Under these programs, rental assistance payments are made by RRHA primarily to landlords on behalf of eligible families. These programs are funded by the annual contributions contract with HUD, ACC # P-5518.

Capital Funding Programs (CFP) provides funds annually, by a formula, to PHAs for capital and management activities, including modernization and development of public housing. Section 519 of the Quality Housing and Work Responsibility Act of 1998 (Public law 105-276) amends Section 9 of the U.S. Housing Act of 1937 to provide for a Capital Fund Program to be established by HUD for the purpose of making assistance available to PHAs to carry out capital, management, development and other activities. It also requires HUD to develop a formula (through a negotiated rulemaking process) for determining the amount of assistance to be provided and a mechanism to reward performance. The CFP funds, which are allocated annually, represent the major source of funding for capital and management activities at PHAs.

The HOPE VI program is provided by a grant from HUD in accordance with section 24(a) of the U.S. Housing Act of 1937. The grant provides assistance to public housing agencies for the purposes of improving the living environment for public housing residents of severely distressed public housing projects through the demolition, rehabilitation, reconfiguration, or replacement of obsolete public housing projects (or portions thereof); revitalize sites on which such public housing projects are located and contribute to the improvement of the surrounding neighborhood; provide housing that will avoid or decrease the concentration of low income families; and build sustainable communities. RRHA's HOPE VI program assists Blackwell, Fulton, and other communities of Richmond in this revitalization effort.

The first phase of the offsite component of HOPE VI, partnering with the developer Health-E Community in the Fulton area has completed the construction and sales of 32 units. The construction of the Phase II portion in Fulton for an additional 26 affordable homes with Health-E Community is ongoing along with the sales of these units. In addition, with the development partner Southside Community Development &

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 – ORGANIZATION (CONTINUED)

Background and Programs (continued)

Housing Corporation, 16 units and 48 units have been completed respectively within the additional phases of the HOPE VI program Swansboro and the Citywide down payment program.

Multiple developers are being utilized to develop the 188 single-family units in the onsite HOPE VI component in the Blackwell Revitalization Area. This has been divided into four phases. Southside Community Development & Housing Corporation was selected as the developer for Phase I (32 units) which is well into construction and unit sales. Better Housing Coalition was selected as the developer for Phase II (40 units), also under construction and unit sales. RRHA was the developer for Phase III, which consisted of the construction of 45 units. RRHA submitted an amendment to the Revitalization Plan in April of 2011 and received approval from HUD in June of 2011. RRHA completed 16 units and is now in the process of coordinating the completion of the development in Phase III with another developer/partner.

Resident Opportunities and Self-Sufficiency (ROSS) Programs are provided by a series of grants from HUD. The purpose of the ROSS Programs is to assist residents in becoming economically self-sufficient by providing supportive services and resident empowerment activities. This program is consistent with HUD's goal to most effectively focus resources on "welfare to work" and on independent living for the elderly and persons with disabilities. HUD awards ROSS grants to applicants that implement practical solutions within the grant term that result in improved economic self-sufficiency for public housing residents.

The Community Development Block Grant (CDBG) and the Home Investment Partnership (HOME) programs include various residential redevelopment projects administered by the City. RRHA acts as a sub recipient of CDBG and HOME programs, which are received by the City from HUD and passed on to RRHA. RRHA generally uses these funds for various revitalization projects which includes but is not limited to the purchase of land, demolition of blighted structures, relocation of tenants and/or owners, infrastructure improvements, single-family mortgage loans and forgivable loans and grants in designated sections of the City of Richmond. RRHA procures developers to rehabilitate or construct residential/commercial properties to replace or improve blighted structures. Upon sale of the revitalized structure, funds are in some cases returned to the City as program income.

The Capital Improvement Program consists of agreements and asset transfers with the City for multi-use development projects and other activities throughout the City of Richmond. These projects are generally funded through payments from the City to RRHA and borrowings for which repayment is dependent on funds from the City. Monies have been used to conduct studies, initiate loans and grants, purchase land, demolish blighted buildings, construct buildings, operate facilities and make relocation payments to displaced businesses and families.

RRHA also provides other non-grant related activities including administrative functions and resident day care services along with private residential and commercial bank loans, which are categorized as Other Programs.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

At September 30, 2012, cash on hand, cash items and petty cash totaled \$14,291,213 and the value of RRHA's deposits with financial institutions totaled \$14,637,526.

It is RRHA's policy to ensure that all deposits with financial institutions are covered by either federal deposit insurance or the provisions of the Virginia Security for Public Deposits Act (the Act). In addition to FDIC insurance covering financial institutions deposits of \$250,000 and less, the FDIC Transaction Account Guarantee Program fully guarantees all funds in noninterest-bearing transaction deposit accounts (including traditional demand deposit checking accounts). The second extension of this program covered the December 31, 2010 through December 31, 2012 period.

Under the Act, financial institutions may participate in the collateral pool by pledging collateral in excess of 50% of excess deposits in the name of the State Treasury Board. The Code of Virginia §2.2-4405(5), as amended, authorizes the State Treasury Board to "[e]stablish guidelines to permit banks to withdraw from the procedures for the payment of losses under §2.2-4403 [, as amended,] and instead be governed by the procedures for the payment of losses under §2.2-4404 [, as amended]. The State Treasury Board publishes lists of those financial institutions opting out of the collateral pool which did not meet the collateral requirements in accordance with the procedures for the payment of losses.

To support the implementation of Asset Management, RRHA established separate bank accounts for select programs (i.e. Community Revitalization, Housing Choice Voucher). Cash and investments are separately held by each of RRHA's programs. As disbursements are made from the payroll accounts, funds from the Revolving Account are automatically transferred to those bank accounts to cover those disbursements on a daily basis. All cash classified as restricted relates to the establishment of escrow accounts for outstanding loans with program requirements, tenant security deposits, excess housing choice voucher payments, and debt service payments.

Cash Equivalents and Investments

Cash equivalents consist of money market funds with initial maturities not exceeding 365 days and average maturities of less than 90 days. RRHA invests in a short term Government & Agency Portfolio. This is a money market fund that aims to maximize current income consistent with the preservation of capital and the maintenance of liquidity. The fund normally invests at least 80% of the assets in direct obligations of the U.S. Treasury and other securities issued or guaranteed as to principal and interest by the U.S. Government, or its agencies and instrumentalities (agency securities), as well as repurchase agreements secured by those obligations.

Interest Rate Risk

Fair value of an investment fluctuates with interest rates and increasing interest rates could cause fair value to decline below the original cost. To limit RRHA's exposure to increasing interest rates, RRHA's investment policy limits the terms of investment and allows the maturities to remain liquid to enable RRHA to meet all operating requirements.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Credit Risk

RRHA does not have a formal policy on credit risk; however, the Federal Code of Regulations, Part 85, Subpart C, (24 CFR 85.20) for cash management and investments permits investments in the following types of investments: direct U.S. obligations, U.S. agency obligations, repurchase agreements, and money market mutual funds. RRHA follows these guidelines and all of RRHA’s investments are short term in nature with weighted average maturities of less than 90 days. Repurchase agreements are collateralized by securities at market value sufficient to cover the face values of the investments.

Custodial credit risk for investments

For an investment, the custodial credit risk is the risk that in the event of failure of the counterparty, RRHA will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. RRHA does not have a formal policy on custodial credit risk.

Concentration of credit risk

RRHA places no limit on the amount that it may invest in any one issuer. The majority of the investments are in money market funds in various accounts held with one financial institution. RRHA does not have a formal policy for concentration of credit risk.

The following is a detail of cash and investments at September 30, 2012:

	Unrestricted	Fair Value Restricted	Total	Ratings
Petty cash	\$ 1,000	\$ -	\$ 1,000	N/A
Checking accounts	5,534,512	4,906,121	10,440,633	N/A
Money market funds	<u>506,728</u>	<u>3,342,852</u>	<u>3,849,580</u>	AAAm
Total	<u>\$ 6,042,240</u>	<u>\$ 8,248,973</u>	<u>\$ 14,291,213</u>	

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable including applicable allowances for uncollectible accounts at September 30, 2012 consisted of the following:

Tenants (net of allowance of \$39,752)	\$ 129,170
Accounts receivable - HUD	648,572
Other government	321,694
Miscellaneous	<u>253,721</u>
Total	<u>\$ 1,353,157</u>

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 5 – MORTGAGE LOANS

The composition of RRHA's mortgage loan portfolio, by collateral type, as of September 30, 2012, is as follows:

	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
Single-family real estate	\$ 11,216,370	\$ -	\$ 11,216,370
Multi-family real estate	2,285,861	71,373	2,357,234
Commercial real estate	<u>7,295,000</u>	<u>1,581,237</u>	<u>8,876,237</u>
Total mortgage loans	20,797,231	1,652,610	22,449,841
Less allowance	<u>(1,987,005)</u>	-	<u>(1,987,005)</u>
Total mortgage loans, net	18,810,226	1,652,610	20,462,836
Less current mortgage loans	<u>(957,036)</u>	-	<u>(957,036)</u>
Non-current mortgage loans	<u>\$ 17,853,190</u>	<u>\$ 1,652,610</u>	<u>\$ 19,505,800</u>

RRHA makes single-family mortgage loans that are both active and deferred. At September 30, 2012 there is a balance of \$4,885,130 due on active notes and \$6,331,240 due on deferred notes. Active loans require repayment of principal and interest and bear interest at market rates in effect at the time the loan was made. Deferred loans represent loans for which the repayment of principal and interest is deferred, without interest, for periods up to fifteen years and bear interest at rates significantly below market rates in effect at the time the loan was made.

Commercial loans were funded from the following sources:

	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
HUD programs:			
Hope VI	\$ 6,525,000	\$ 717,123	\$ 7,242,123
City of Richmond Cooperative Agreements:			
Broad Street Loan	5,000	-	5,000
4th and Grace Street	<u>765,000</u>	<u>864,114</u>	<u>1,629,114</u>
Total cooperative agreements	<u>770,000</u>	<u>864,114</u>	<u>1,634,114</u>
Total commercial loans	<u>\$ 7,295,000</u>	<u>\$ 1,581,237</u>	<u>\$ 8,876,237</u>

Related liabilities consist of the following:

Accounts payable City - loans	\$ 92,808
Notes payable - 4th and Grace Street	765,000
Accrued interest - 4th and Grace Street	864,113
Due to City of Richmond - mortgage loans	<u>4,011,351</u>
Total	<u>\$ 5,733,272</u>

These liabilities are included in accounts payable, due to other governments, and long-term debt, as applicable, in the Statement of Net Assets.

Other liabilities to the City of Richmond are due after repayment of the related mortgage loans receivable.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 5 – MORTGAGE LOANS (CONTINUED)

RRHA records an allowance for loan loss related to loans made for which RRHA bears the risk of loss. RRHA provides for losses when a specific need for an allowance is identified. The provision for loan losses charged or credited to operating expense is the amount necessary, in management's judgment, to maintain the allowance at a level it believes sufficient to cover losses in collection of loans. Estimates of future losses involve the exercise of management's judgment and assumptions with respect to future conditions. The principal factors considered by management in determining the adequacy of the allowance are the composition of the loan portfolio, historical loss experience, economic conditions, the value and adequacy of collateral, and the current level of the allowance.

During fiscal year 2012, RRHA incurred 5 loan losses totaling \$103,892 as a result of foreclosure. The allowance at September 30, 2012 was sufficient to cover these losses. The foreclosed properties were reflected on the books based on the loan value associated with each of the properties at the time of foreclosure. This loan loss represents 1% of the outstanding single family mortgages.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 is as follows:

	Balance October 1, 2011	Increases	Decreases	Transfers	Balance September 30, 2012
Capital assets not being depreciated:					
Land	\$ 10,226,639	\$ -	\$ (125,301)	\$ -	\$ 10,101,338
Construction in progress (CIP)	23,202,181	5,808,733	(807,403)	(10,385,183)	17,818,328
Total capital assets not being depreciated	33,428,820	5,808,733	(932,704)	(10,385,183)	27,919,666
Capital assets being depreciated:					
Land improvements	6,981,923	45,517	(5,688)	181,138	7,202,890
Building and structures	144,275,750	4,214	(312,562)	9,361,368	153,328,770
Equipment	6,493,704	128,569	(144,037)	242,678	6,720,914
Total capital assets being depreciated	157,751,377	178,300	(462,287)	9,785,184	167,252,574
Less accumulated depreciation:					
Land improvements	5,641,518	164,907	(5,688)	-	5,800,737
Building and structures	78,355,678	3,183,809	(169,083)	-	81,370,404
Equipment	4,168,207	536,696	(152,484)	-	4,552,419
Total accumulated depreciation	88,165,403	3,885,412	(327,255)	-	91,723,560
Total capital assets being depreciated, net	69,585,974	(3,707,112)	(135,032)	9,785,184	75,529,014
Total capital assets, net	\$ 103,014,794	\$ 2,101,621	\$ (1,067,736)	\$ (599,999)	\$ 103,448,680

The Authority transferred \$599,999 from CIP to land held for resale during fiscal 2012 representing properties with no activity during fiscal 2012 as the Authority intends to offer the properties for sale.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 7 – DEBT OBLIGATIONS

Changes in the total long-term debt during the year ended September 30, 2012 are summarized below. These debt obligations of RRHA are not held or guaranteed by HUD.

	Balance October 1, 2011	Additions	Forgiveness/ Reductions	Balance September 30, 2012	Due Within One Year
Old Manchester Project Bonds ¹					
Series 1995 B ²	\$ 4,000,000	\$ -	\$ (4,000,000)	\$ -	\$ -
Series 1998 ³	13,704,095	-	(13,704,095)	-	-
EUA Citizens Conversation Note ⁴	880,590	-	(719,186)	161,404	161,404
Wachovia/Wells Fargo Note ⁵	3,178,341	-	(301,908)	2,876,433	2,876,433
4th & Grace Place Note ⁶	765,000	-	-	765,000	-
Diocese of Richmond ⁷	-	400,000	(436)	399,564	15,130
RDC Loan ⁸	711,000	-	-	711,000	-
ROI Loan ⁹	6,000	-	(939)	5,061	733
Subtotal	23,245,026	400,000	(18,726,564)	4,918,462	3,053,700
Less: Eliminations	(717,000)	-	939	(716,061)	(733)
Grand total	\$ 22,528,026	\$ 400,000	\$ (18,725,625)	\$ 4,202,401	\$ 3,052,967

¹The assets associated with the Old Manchester Project bonds are carried on the City of Richmond's books. Repayment of the debt is funded through intergovernmental revenues from the City of Richmond. A related receivable from the City of Richmond has been recognized for debt service.

²Original issuance of \$8,400,000 maturing December 1, 2025. Interest at LIBOR (2.55% at September 30, 2004). This debt was paid in full as of September 30, 2012.

³Original issuance of \$32,505,000 maturing March 1, 2018. Interest at an average fixed rate of 4.2% to 5%. This debt was paid in full as of September 30, 2012.

⁴Original issuance of \$6,161,174 maturing December 18, 2012. Interest at 5.41% effective interest rate. This debt was paid in full as of December 31, 2012.

⁵Wachovia/Wells Fargo Non-Revolving Line of Credit Note: Original Date December 21, 2005 renewed in the amount of \$3,324,726. Interest to accrue on principal balance; rate may change day to day based on the LIBOR MIR plus 1.50%. The line of credit has been extended through March 31, 2013.

⁶Dated July 27, 2000, interest rate of 6.4%, maturing January 1, 2021.

⁷Dated August 28, 2012, interest rate of 6.0%, maturing September 1, 2017.

⁸Dated December 1, 2010, interest rate of 7.0%. This loan is between the Authority and RDC, a blended component unit and is therefore eliminated for financial statement purposes.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 7 – DEBT OBLIGATIONS (CONTINUED)

The principal payment obligations related to bonds and loans payable for the five years commencing October 1, 2012, and thereafter are as follows:

Year Ended September 30,	Notes and Loans	
	Principal	Interest
2013	\$ 3,052,967	\$ 28,517
2014	18,009	22,508
2015	19,120	21,397
2016	20,299	20,218
2017	327,006	18,966
2018-2022	765,000	-
Total	\$ 4,202,401	\$ 111,606

NOTE 8 – OTHER LIABILITIES

Activity in RRHA's liability accounts which include the component units, other than bonds, loans payable and long-term notes payable, for fiscal year 2012 was as follows:

	Balance			Balance	
	October 1,	Increases	Reductions	September 30,	Due Within
2011	2012			One Year	
Accounts payable	\$ 2,108,657	\$ 75,136,180	\$ (76,252,928)	\$ 991,909	\$ 991,909
Due to other governments	5,991,729	380,672	(252,703)	6,119,698	1,589,502
Accrued liabilities	2,176,534	45,736,608	(45,736,216)	2,176,926	2,176,926
Tenant security deposits	448,141	322,333	(239,484)	530,990	530,990
Deferred revenues	1,231,740	1,707,796	(966,094)	1,973,442	356,477
Other current liabilities	56,426	828	(15,705)	41,549	41,549
Other noncurrent liabilities	1,921,458	244,541	(349,058)	1,816,941	-
OPEB liability	2,599,330	4,298	(53,889)	2,549,739	-
Total	\$ 16,534,015	\$ 123,533,256	\$ (123,866,077)	\$ 16,201,194	\$ 5,687,353

NOTE 9 – CONDUIT DEBT

RRHA, with the approval of the City or other Commonwealth of Virginia local governmental entities, may issue and sell debt to finance the acquisition, development, construction and/or rehabilitation of mixed-use and/or multi-family housing projects and commercial facilities deemed to be in the public interest. Such debt is payable solely from the revenue of the projects, which are owned by the developers, and does not constitute a debt or pledge of the faith and credit of RRHA, the Commonwealth of Virginia or any political subdivision thereof. Accordingly, such debt and related assets are not presented in the financial statements. The aggregate amount of all conduit debt obligations outstanding totaled \$90,087,327 as of September 30, 2012. There were no issuances for fiscal year 2012.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 10 – DEFINED BENEFIT PENSION PLAN

RRHA contributes to the Virginia Retirement System (VRS), a mixed-agent, multiple-employer defined benefit public employee retirement system with separate cost-sharing pools for each locality that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia.

Plan Description

All full-time, salaried permanent employees must participate in the VRS. Effective June 30, 2010 all new members on and after that date participate in Plan 2 which provides for slightly different benefits as described in the following paragraphs. New members prior to June 30, 2010 are included in plan 1. Benefits vest after five years of service. Plan 1 members who retire at or after age 65 with at least five years of credited service or Plan 2 members who retire after reaching Social Security normal retirement age plus five years of service are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) times years of service. AFC is defined as the average of the highest consecutive 36 months of salary for Plan 1 members and the average of the highest 60 consecutive months of salary for Plan 2 members. An optional reduced retirement benefit is available to Plan 1 members of VRS as early as age 50 with 10 years of credited service or age 55 with at least five years of credited service. No reduction applies if the member has credit for 30 years of services at retirement and is at least 50. Plan 2 members may also select an optional reduced retirement benefit. No reduction is applied if the sum of the member's age and services is equal to 90. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns RRHA to establish and amend benefit provisions to the Commonwealth of Virginia legislature. VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing VRS at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy and Contribution Rates

All active members of the plan contribute 5.00% of their creditable compensation per year. The employer may "pick-up" the member's contributions under the provision of the Internal Revenue Code Section 414(h). Creditable compensation equals annual salary minus overtime pay, payments of a temporary nature, or payment for extra duties. RRHA has assumed the full amount of the member contribution which for 2012 was 5.0%. In addition, RRHA is required to contribute the remaining amounts necessary to fund the VRS using the actuarial basis specified by statute. The recommended employer contribution consists of the normal cost and the amortization of the unfunded actuarial liability. The employer contribution rates are computed as level percentages of payroll and are determined using the entry age normal cost method. Unfunded liabilities are amortized under a thirty year period from the valuation date decreasing by one each year in subsequent valuations until reaching 20 years. RRHA's actual contributions to the VRS for fiscal years June 30, 2012, 2011 and 2010 were \$1,455,990, \$1,657,403, and \$1,390,200 respectively and were equal to the required contributions.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 10 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The required contributions for the plan were determined as part of the June 30, 2012 and 2011 actuarial valuations. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Amounts determined for the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The significant actuarial assumptions used in the valuation of the plan are as follows:

1. Investment return of 7.00% per annum.
2. Projected salary increases between 3.75%-5.6% per annum for Non-LEO members and between 3.50%-4.75% per annum for LEO members.
3. Cost of living adjustment of 2.50% per annum for Plan 1 members and 2.25% per annum for Plan 2 members.
4. Total inflation is assumed to increase 2.5% per annum.
5. Asset valuation – this method is intended to recognize a “smoothed market value of assets.” Under this method, the difference between actual return on market value from investment experience and the expected return on market value is recognized over a five-year period. The resulting actuarial value of assets cannot be less than 80% or more than 120% of the market value of assets.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Asset	Actuarial Accrued Liability	Unfunded Actual Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	\$ 51,268,307	\$ 53,935,554	\$ 2,667,247	95.05%	\$ 10,810,298	24.67%
June 30, 2008	55,263,267	56,885,196	1,621,929	97.15%	11,416,556	14.21%
June 30, 2009	53,630,957	58,749,637	5,118,680	91.29%	11,113,951	46.06%
June 30, 2010	52,009,643	62,534,314	10,524,671	83.17%	12,185,415	86.37%
June 30, 2011	51,656,282	63,949,000	12,292,718	80.78%	11,784,653	104.31%
June 30, 2012	49,895,147	64,986,416	15,091,269	76.78%	10,847,595	139.12%

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 11 – POST RETIREMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The post retirement benefits plan is a cost-sharing single-employer defined benefit healthcare plan that finances hospital, medical, dental, and prescription drug insurance for eligible retirees. General information regarding the plans and their benefits is described in RRHA’s Summary Plan Descriptions. Plan documents govern the provisions of the benefit plans. There were 75 retirees receiving benefits and 217 active plan members at September 30, 2012. The Plan does not issue a publicly available financial report.

Funding Policy

The contributions requirements of plan members are established and may be amended by the Board of Commissioners. Funding for these benefits is currently made on a pay-as-you-go basis. For eligible employees and retirees, RRHA currently contributes approximately 72% towards the cost of health premiums. Contribution rates of the employee or retiree are determined based on the plan selected by the employee or retiree. The monthly rates paid by the plan members are described in the Summary Plan Description.

Annual OPEB Cost and Net OPEB Obligation

RRHA’s annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount that was actuarially determined by using the Entry Age Actuarial Cost Method, an amount actuarially determined in accordance with the parameters of GASB Statement 45. Under this method, the normal cost rate is the percentage of pay contribution which would be sufficient to fund the plan benefits if it were paid from each member’s entry into the plan until termination or retirement. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. Management has chosen to amortize any unfunded actuarial liabilities (of funding excess) over a period of eleven years to coincide with the termination of all benefits by February 28, 2022 as described in the Funding Status and Funding Progress section.

The following table shows the components to the Plan, and changes in RRHA’s net OPEB obligations.

RRHA’s AOC and the net OPEB obligation (NOPEBO) as of September 30, 2012 were as follows:

Annual required contribution	\$ 246,707
Interest on net OPEB obligation	119,757
Adjustment to annual required contribution	(224,618)
Contribution made	<u>(195,735)</u>
Decrease in net OPEB obligations	(53,889)
Net OPEB obligations, beginning of year	<u>2,603,628</u>
Net OPEB obligations, end of year	<u>\$ 2,549,739</u>

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 11 – POST RETIREMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

The percentage of AOC contributed was 67.1 percent.

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributions to the Plan, and the net OPEB obligations for the years ended September 30, 2012 and 2011 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2009	\$ 1,279,298	27.5%	\$ 1,856,000
9/30/2010	1,158,879	15.9%	2,739,091
9/30/2011	25,776	642.6%	2,599,330
9/30/2012	141,846	138.0%	2,549,739

Funding Status and Funding Progress

The required schedule of funding progress immediately following the notes presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

As of March 31, 2011, the most recent actuarial valuation, the actuarial accrued liability (AAL) was \$1,756,460 and there were no actuarial plan assets, therefore the unfunded AAL (UAAL) was \$1,756,460. The annual covered payroll of active employees covered by the Plan was \$13,070,673; the ratio of the UAAL to covered payroll was 13.4 percent. As of September 30, 2012, the annual covered payroll of active employees covered by the Plan was \$11,749,258 resulting in a ratio of UAAL to covered payroll of 13.3 percent.

The actuarial valuation of the Plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarially determined amounts regarding the funded status of the Plan and the annual required contributions (ARC) of RRHA and other participating agencies are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

During 2011, RRHA elected not to fund the difference between full funding and pay-as-you-go contributions. In March 2011, RRHA's Board of Commissioners approved a plan that would phase-out the health insurance for retirees by February 28, 2022. The changes are as follows:

- Only eligible persons hired on or before March 31, 2011, can participate in RRHA's retiree healthcare plan while it exists. Employees hired on or after April 1, 2011 will not have access to the plan.
- Starting in January 2012, RRHA began gradually phasing out the retiree healthcare plan. The retiree healthcare plan will end completely by February 28, 2022.
 - Through February 28, 2022, RRHA plans to continue to offer a healthcare plan to eligible retirees under the age of 65 and continue to provide the subsidy of \$225 per month, and

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 11 – POST RETIREMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Funding Status and Funding Progress (continued)

- Through December 31, 2016, RRHA plans to continue to offer a Medicare supplement plan to eligible retirees age 65 and over and to continue to provide those retirees with the subsidy of \$152 per month.

As a result of the change in the health care plans and determining the impact on the OPEB obligation, RRHA elected to amortize the accumulated liability of \$2,739,091 as of September 2010 over 11 years.

Actuarial Methods and Assumptions

The calculations of projected benefits are based on the terms of the Plan in effect at the time of valuation and on the pattern of sharing costs between the employer and plan members to that point. The actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the actuarial accrued liability and the actuarial value of assets.

Actuarial assumptions used in the actuarial valuation were:

Valuation date	March 31, 2011
Actuarial method	Entry age normal cost method
Amortization method	Level percentage of pay
Amortization period	11 years
Investment rate of return	4.50%
Salary scale	3.00%
Mortality	1994 group annuity mortality tables with a one-year setback in age for both males and females

Healthcare Cost Trend Rates

<u>Year Ending March 31,</u>	<u>Annual Rate of Increase</u>
2012	9.50%
2013	9.00%
2014	8.50%
2015	8.00%
2016	7.50%
2017	7.00%
2018	6.50%
2019	6.00%
2020+	5.50%

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 12 – DEFERRED COMPENSATION PLAN

RRHA offers all regular employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees or beneficiaries until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in an annuity contract for the participants. The contract is managed by the AIG Variable Annuity Life Insurance Company. The assets and corresponding liability are not included in the accompanying financial statements as of September 30, 2012.

NOTE 13 – CONTINGENCIES AND OTHER MATTERS

Litigation and Other Matters

Certain claims, suits and complaints arising in the ordinary course of business have been filed and are pending against RRHA. In the opinion of RRHA's management, all such matters are adequately covered by insurance or if not so covered, are without merit or are adequately reserved for. An accrual for these matters has been included in other liabilities in the financial statements.

Grants

Federal grant programs in which RRHA participates have been audited in accordance with the provisions of the Office of Management and Budget Circular A-133. In addition, these grants are subject to financial and compliance audits by the federal government. Such audits could result in requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. RRHA management is of the opinion that disallowances, if any, will not be material.

NOTE 14 – RISK MANAGEMENT

RRHA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. RRHA reports all of its risk management activities and pays all claims for retained risks. For all retained risks, claims expense and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. There have been no significant reductions in insurance coverage in the past three fiscal years.

NOTE 15 – LEASES

RRHA is obligated under certain leases, which are accounted for as operating leases. Rental expense for the year ended September 30, 2012 was \$247,139. Rental obligations under operating leases for each of the years through September 30, 2015 are as follows:

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 15 – LEASES (CONTINUED)

<u>Year Ended September 30,</u>	<u>Rental Obligation</u>
2013	\$ 182,544
2014	100,704
2015	16,784
Total	<u>\$ 300,032</u>

The Authority has leased land to Blackwell Community Limited Partnership. The lease calls for annual rent payments of \$100, and is for a term of 43 years, commencing on January 12, 2000.

The land was leased to develop low income housing funded by the federal Hope VI program. Operations for 75 of these housing units are included within RRHA's public housing annual contribution contract from HUD.

The Authority also leased land to Dove Street Redevelopment, LLC for the Dove Project Phase I. The lease was prepaid at \$800,000 and is for a term of 99 years commencing on April 27, 2012. The land was leased to develop 80 mixed income units, of which 30 will receive public housing subsidies.

NOTE 16 – AFFILIATED ENTITIES AND RELATED PARTIES

RRHA is a partner, owner, or interest holder either solely or severally with organizations as part of development and construction projects. These separate legal entities are established to advance the mission of RRHA related to building vibrant and sustainable neighborhoods and providing opportunities for RRHA youth. Activity of these entities is reflected in RRHA's financial statements as applicable, to the extent of their ownership interest and level of activity with five entities, Richmond Opportunities, Inc. (ROI), Randolph Place Associates, L.P., Richmond Development Corporation (RDC) and Synergy Realty LLC. This activity includes payment of operating expenses.

The following table reflects these entities, their purpose, and RRHA's interest.

<u>RRHA Affiliate and Related Party</u>	<u>Purpose/Project</u>	<u>Date Formed</u>	<u>RRHA Interest</u>	<u>Percentage Ownership</u>
Richmond Opportunities, Inc.	Supporting RRHA Youth	8/10/2009	N/A	0.00%
Randolph Place Associates, L.P.	Needs to be repurposed	1/10/1985	N/A	0.00%
Richmond Development Corporation	Vehicle for funding RRHA's strategic initiatives	1/11/1982	N/A	0.00%
Synergy Realty LLC	Sale and purchase of real estate	2/3/2009	N/A	0.00%
Blackwell Community II Limited Partnership	Townes at River South II	1998	Co-Limited Partner	0.01%
Jernigan Hall, LLC	314 West Grace Street	11/17/2010	Limited Partner	49.00%
Dove Street Redevelopment, LLC	Dove Phase I	2/25/2010	Co-Limited Partner	0.01%
Dove Street Redevelopment, LLC	Dove Phase II	2/23/2012	Co-Limited Partner	0.01%

NOTE 17 – ECONOMIC DEPENDENCY

RRHA is economically dependent on annual contributions and grants from HUD. RRHA operated at a loss prior to receiving the contributions.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FUNDING PROGRESS
September 30, 2012

Schedule of Funding Progress - Post Retirement Benefits Other Than Pension Benefits

Actuarial Valuation Date	Actuarial Accrued Liability	Unfunded Actual Accrued Liability (UALL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
September 30, 2007	12,999,377	12,999,377	0.00%	11,416,556	113.90%
September 30, 2009	12,098,829	12,098,829	0.00%	12,721,493	95.10%
March 31, 2011	1,756,400	1,756,460	0.00%	13,040,673	13.47%

OTHER SUPPLEMENTAL INFORMATION

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2012

Line Item #	Account Description	LIPH 14.850/872	HCVP 14.871	HOPE VI 14.866
CURRENT ASSETS				
Cash:				
111	Unrestricted	\$ 3,628,454	\$ 477,610	\$ 101,262
112	Restricted - modernization and development	-	-	-
113	Other restricted	-	1,113,603	-
114	Tenant security deposits	485,866	-	-
115	Restricted for payment of current liabilities	20,449	40,236	-
100	Total cash	<u>4,134,769</u>	<u>1,631,449</u>	<u>101,262</u>
Accounts and notes receivable:				
122	HUD other projects	630,195	-	7,446
124	Other government	-	-	-
125	Miscellaneous	2,622,247	91,796	-
126	Tenants	167,227	-	-
126.1	Allowance for doubtful accounts - tenants	(39,752)	-	-
127	Notes, loans & mortgages receivable, current	-	-	536,112
128	Fraud recovery	-	-	-
129	Accrued interest receivable	-	-	-
120	Total receivables, net of allowances for uncollectibles	<u>3,379,917</u>	<u>91,796</u>	<u>543,558</u>
131	Investments - unrestricted	-	-	-
132	Investments - restricted	-	791,445	-
135	Investments - restricted for current liability	-	-	-
	Total current investments	<u>-</u>	<u>791,445</u>	<u>-</u>
142	Prepaid expenses and other assets	19,891	6,835	-
143	Inventories	203,260	-	-
143.1	Allowance for obsolete inventories	(20,326)	-	-
144	Interprogram - due from	-	-	-
145	Assets held for sale	-	-	908,999
150	Total current assets	<u>7,717,511</u>	<u>2,521,525</u>	<u>1,553,819</u>
NONCURRENT ASSETS				
Fixed assets:				
161	Land	2,471,923	-	-
162	Buildings	132,286,770	-	-
163	Furniture, equipment & machinery - dwellings	1,298,720	-	-
164	Furniture, equipment & machinery - admin.	1,563,259	224,411	-
165	Leasehold improvements	7,202,890	-	-
166	Accumulated depreciation	(79,913,444)	(188,939)	-
167	Construction in progress	3,077,833	-	5,275,931
160	Total fixed assets, net of accumulated depreciation	<u>67,987,951</u>	<u>35,472</u>	<u>5,275,931</u>
171	Notes, loans and mortgages receivable - noncurrent	2,281,709	-	8,128,198
176	Investment in joint ventures	15	-	-
180	Total noncurrent assets	<u>70,269,675</u>	<u>35,472</u>	<u>13,404,129</u>
190	TOTAL ASSETS	<u>\$ 77,987,186</u>	<u>\$ 2,556,997</u>	<u>\$ 14,957,948</u>

N/C S/R Sect 8 Programs	CU	State/Local	Business Activities	CDBG 14.218
\$ -	\$ 78,155	\$ 883,227	\$ 86,418	\$ 262,297
-	-	-	-	-
-	286,757	20,273	1,791,685	19,098
-	-	-	-	-
-	-	769,974	304,035	-
-	<u>364,912</u>	<u>1,673,474</u>	<u>2,182,138</u>	<u>281,395</u>
-	-	-	20	-
-	-	305,074	-	16,620
-	1,603	25,703	120,754	-
-	-	620	-	-
-	-	-	-	-
-	2,748	26,329	7,329	341,741
-	-	-	-	-
-	-	-	-	-
-	<u>4,351</u>	<u>357,726</u>	<u>128,103</u>	<u>358,361</u>
-	-	506,728	-	-
-	155,995	-	540,106	-
-	-	213,968	740,940	-
-	<u>155,995</u>	<u>720,696</u>	<u>1,281,046</u>	<u>-</u>
-	1,967	-	3,217	35
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	4,877,625	2,171,167	3,212,658
-	<u>527,225</u>	<u>7,629,521</u>	<u>5,765,671</u>	<u>3,852,449</u>
-	-	7,616,162	13,253	-
-	-	21,042,000	-	-
-	-	-	-	-
-	-	-	11,638	-
-	-	-	-	-
-	-	(8,699,475)	(3,238)	-
-	-	3,604,557	2,878,765	501,008
-	-	23,563,244	2,900,418	501,008
-	72,023	347,023	4,590,432	3,042,039
-	<u>600,000</u>	-	-	-
-	<u>672,023</u>	<u>23,910,267</u>	<u>7,490,850</u>	<u>3,543,047</u>
<u>\$ -</u>	<u>\$ 1,199,248</u>	<u>\$ 31,539,788</u>	<u>\$ 13,256,521</u>	<u>\$ 7,395,496</u>

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2012

Line Item #	Account Description	ROSS 14.870	Public Safety	HOME
CURRENT ASSETS				
Cash:				
111	Unrestricted	\$ -	\$ -	\$ 602
112	Restricted - modernization and development	-	-	-
113	Other restricted	-	-	54,145
114	Tenant security deposits	-	-	-
115	Restricted for payment of current liabilities	-	-	-
100	Total cash	<u>-</u>	<u>-</u>	<u>54,747</u>
Accounts and notes receivable:				
122	HUD other projects	7,498	3,413	-
124	Other government	-	-	-
125	Miscellaneous	-	-	11,737
126	Tenants	-	-	-
126.1	Allowance for doubtful accounts - tenants	-	-	-
127	Notes, loans & mortgages receivable, current	-	-	43,510
128	Fraud recovery	-	-	-
129	Accrued interest receivable	-	-	-
120	Total receivables, net of allowances for uncollectibles	<u>7,498</u>	<u>3,413</u>	<u>55,247</u>
131	Investments - unrestricted	-	-	-
132	Investments - restricted	-	-	-
135	Investments - restricted for current liability	-	-	-
	Total current investments	<u>-</u>	<u>-</u>	<u>-</u>
142	Prepaid expenses and other assets	-	-	-
143	Inventories	-	-	-
143.1	Allowance for obsolete inventories	-	-	-
144	Interprogram - due from	-	-	-
145	Assets held for sale	-	-	288,832
150	Total current assets	<u>7,498</u>	<u>3,413</u>	<u>398,826</u>
NONCURRENT ASSETS				
Fixed assets:				
161	Land	-	-	-
162	Buildings	-	-	-
163	Furniture, equipment & machinery - dwellings	-	-	-
164	Furniture, equipment & machinery - admin.	-	-	-
165	Leasehold improvements	-	-	-
166	Accumulated depreciation	-	-	-
167	Construction in progress	-	-	-
160	Total fixed assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
171	Notes, loans and mortgages receivable - noncurrent	-	-	1,753,889
176	Investment in joint ventures	-	-	-
180	Total noncurrent assets	<u>-</u>	<u>-</u>	<u>1,753,889</u>
190	TOTAL ASSETS	<u>\$ 7,498</u>	<u>\$ 3,413</u>	<u>\$ 2,152,715</u>

ARRA - CFP Stimulus Formula 14.885	ARRA - CFP Stimulus Competitive 14.884	Section 8 MOD Rehab Program 14.856	COCC	Eliminations	Total
\$ -	\$ -	\$ 8,427	\$ 9,060	\$ -	\$ 5,535,512
-	-	-	-	-	-
-	-	-	-	-	3,285,561
-	-	-	-	-	485,866
-	-	-	-	-	1,134,694
-	-	8,427	9,060	-	10,441,633
-	-	-	-	-	648,572
-	-	-	-	-	321,694
-	-	-	2,916,037	(5,536,156)	253,721
-	-	-	1,075	-	168,922
-	-	-	-	-	(39,752)
-	-	-	-	(733)	957,036
-	-	-	-	-	-
-	-	-	28,337	(28,337)	-
-	-	-	2,945,449	(5,565,226)	2,310,193
-	-	-	-	-	506,728
-	-	-	900,398	-	2,387,944
-	-	-	-	-	954,908
-	-	-	900,398	-	3,849,580
-	-	-	106,515	-	138,460
-	-	-	6,033	-	209,293
-	-	-	(603)	-	(20,929)
-	-	-	-	-	-
-	-	-	-	-	11,459,281
-	-	8,427	3,966,852	(5,565,226)	28,387,511
-	-	-	-	-	10,101,338
-	-	-	-	-	153,328,770
-	-	-	-	-	1,298,720
-	-	-	3,622,886	-	5,422,194
-	-	-	-	-	7,202,890
-	-	-	(2,918,464)	-	(91,723,560)
-	-	-	2,480,234	-	17,818,328
-	-	-	3,184,656	-	103,448,680
-	-	-	5,815	(715,328)	19,505,800
-	-	-	-	-	600,015
-	-	-	3,190,471	(715,328)	123,554,495
\$ -	\$ -	\$ 8,427	\$ 7,157,323	\$ (6,280,554)	\$ 151,942,006

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2012

Line Item #	Account Description	LIPH 14.850/872	HCVP 14.871	HOPE VI 14.866
CURRENT LIABILITIES				
311	Bank overdraft	\$ -	\$ -	\$ -
312	Accounts payable <= 90 days	1,396,247	107,559	1,839
321	Accrued wage/payroll taxes payable	139,253	15,235	777
322	Accrued compensated absences - current portion	338,005	23,537	-
324	Accrued contingency liability	-	-	-
325	Accrued interest payable	-	-	-
331	Accounts payable - HUD PHA programs	159,964	-	-
333	Accounts payable - other government	-	-	-
341	Tenant security deposits	525,377	-	-
342	Deferred revenues	37,817	-	-
343	Current portion of LT debt - capital projects / mortg	161,404	-	-
344	Current portion of LT debt - operating	-	-	-
345	Other current liabilities	11,850	-	-
346	Accrued liabilities - other	976,117	3,261	375
347	Interprogram (due to)	-	-	-
348	Loan liability - current	-	-	-
310	Total current liabilities	<u>3,746,034</u>	<u>149,592</u>	<u>2,991</u>
NONCURRENT LIABILITIES				
351	LT debt, net of current - capital projects/mortg	-	-	-
352	LT debt, net of current - operating	-	-	-
353	Non-current liabilities - other	92,274	49,337	717,123
354	Accrued compensated absences - noncurrent	-	-	-
355	Loan liability - noncurrent	-	-	-
357	Accrued pension and OPEB liability	620,054	181,400	-
350	Total noncurrent liabilities	<u>712,328</u>	<u>230,737</u>	<u>717,123</u>
300	Total liabilities	<u>4,458,362</u>	<u>380,329</u>	<u>720,114</u>
EQUITY				
508.1	Invested in capital assets, net of related debt	67,826,547	35,472	5,275,931
511.1	Restricted net assets	-	1,895,946	-
512.1	Unrestricted net assets	5,702,277	245,250	8,961,903
513	Total equity/net assets	<u>73,528,824</u>	<u>2,176,668</u>	<u>14,237,834</u>
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	<u>\$ 77,987,186</u>	<u>\$ 2,556,997</u>	<u>\$ 14,957,948</u>

N/C S/R Sect 8 Programs	CU	State/Local	Business Activities	CDBG 14.218
\$ -	\$ -	\$ -	\$ -	\$ -
-	145,225	410,084	1,754,533	132,356
-	-	4,389	6,811	-
-	-	3,350	36,820	-
-	-	-	-	-
-	50,741	-	-	-
-	-	-	-	-
-	-	1,082,950	-	450,529
-	-	798	1,317	-
-	-	13,606	998	304,056
-	733	-	1,323,222	-
-	-	-	-	-
-	5,152	-	-	11,044
-	497	20,539	24,570	682
-	-	-	-	-
-	-	-	1,568,341	-
-	<u>202,348</u>	<u>1,535,716</u>	<u>4,716,612</u>	<u>898,667</u>
-	711,000	-	-	-
-	5,267	-	-	-
-	135,689	1,771,845	732,839	2,709,923
-	-	-	-	-
-	-	-	383,495	765,000
-	-	-	101,168	-
-	<u>851,956</u>	<u>1,771,845</u>	<u>1,217,502</u>	<u>3,474,923</u>
-	<u>1,054,304</u>	<u>3,307,561</u>	<u>5,934,114</u>	<u>4,373,590</u>
-	(711,000)	23,563,244	1,193,701	501,008
-	442,752	-	3,375,449	-
-	<u>413,192</u>	<u>4,668,983</u>	<u>2,753,257</u>	<u>2,520,898</u>
-	144,944	28,232,227	7,322,407	3,021,906
\$ -	<u>\$ 1,199,248</u>	<u>\$ 31,539,788</u>	<u>\$ 13,256,521</u>	<u>\$ 7,395,496</u>

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2012

Line Item #	Account Description	ROSS 14.870	Public Safety	HOME
CURRENT LIABILITIES				
311	Bank overdraft	\$ -	\$ -	\$ -
312	Accounts payable <= 90 days	5,554	2,125	1,265
321	Accrued wage/payroll taxes payable	1,944	1,288	-
322	Accrued compensated absences - current portion	-	-	-
324	Accrued contingency liability	-	-	-
325	Accrued interest payable	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-
333	Accounts payable - other government	-	-	56,023
341	Tenant security deposits	-	-	-
342	Deferred revenues	-	-	-
343	Current portion of LT debt - capital projects / mortg	-	-	-
344	Current portion of LT debt - operating	-	-	-
345	Other current liabilities	-	-	-
346	Accrued liabilities - other	-	-	-
347	Interprogram (due to)	-	-	-
348	Loan liability - current	-	-	-
310	Total current liabilities	<u>7,498</u>	<u>3,413</u>	<u>57,288</u>
NONCURRENT LIABILITIES				
351	LT debt, net of current - capital projects/mortg	-	-	-
352	LT debt, net of current - operating	-	-	-
353	Non-current liabilities - other	-	-	1,755,072
354	Accrued compensated absences - noncurrent	-	-	-
355	Loan liability - noncurrent	-	-	-
357	Accrued pension and OPEB liability	-	-	-
350	Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>1,755,072</u>
300	Total liabilities	<u>7,498</u>	<u>3,413</u>	<u>1,812,360</u>
EQUITY				
508.1	Invested in capital assets, net of related debt	-	-	-
511.1	Restricted net assets	-	-	45,376
512.1	Unrestricted net assets	-	-	294,979
513	Total equity/net assets	<u>-</u>	<u>-</u>	<u>340,355</u>
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	<u>\$ 7,498</u>	<u>\$ 3,413</u>	<u>\$ 2,152,715</u>

ARRA - CFP Stimulus Formula 14.885	ARRA - CFP Stimulus Competitive 14.884	Section 8 MOD Rehab Program 14.856	COCC	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	6,280	2,324,871	(5,531,004)	756,934
-	-	-	88,271	-	257,968
-	-	-	437,996	-	839,708
-	-	-	-	-	-
-	-	-	377	(28,337)	22,781
-	-	1,786	73,225	-	234,975
-	-	-	-	-	1,589,502
-	-	-	3,498	-	530,990
-	-	-	-	-	356,477
-	-	-	-	(733)	1,484,626
-	-	-	-	-	-
-	-	-	18,655	(5,152)	41,549
-	-	1,493	28,935	-	1,056,469
-	-	-	-	-	-
-	-	-	-	-	1,568,341
-	-	9,559	2,975,828	(5,565,226)	8,740,320
-	-	-	-	(711,000)	-
-	-	-	-	(4,328)	939
-	-	-	-	-	7,964,102
-	-	-	-	-	-
-	-	-	-	-	1,148,495
-	-	-	1,647,117	-	2,549,739
-	-	-	1,647,117	(715,328)	11,663,275
-	-	9,559	4,622,945	(6,280,554)	20,403,595
-	-	-	3,184,656	711,000	101,580,559
-	-	-	896,900	-	6,656,423
-	-	(1,132)	(1,547,178)	(711,000)	23,301,429
-	-	(1,132)	2,534,378	-	131,538,411
\$ -	\$ -	\$ 8,427	\$ 7,157,323	\$ (6,280,554)	\$ 151,942,006

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2012

Line Item #	Account Description	LIPH 14.850/872	HCVP 14.871	HOPE VI 14.866
REVENUE				
70300	Net tenant rental revenue	\$ 8,240,002	\$ -	\$ -
70400	Tenant revenue - other	513,368	-	-
70500	Total tenant revenue	8,753,370	-	-
70600	HUD PHA operating grants	23,482,706	24,856,360	102,780
70610	Capital grants	4,936,834	-	932,423
70710	Management fee	-	-	-
70720	Asset management fee	-	-	-
70730	Bookkeeping fee	-	-	-
70740	Front line service fee	-	-	-
70750	Other fees	-	-	-
70800	Other governmental grants	-	-	-
71100	Investment income - unrestricted	442	-	-
71200	Mortgage interest income	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-
71310	Cost of sales of assets	-	-	(37,595)
71400	Fraud recovery	-	26,110	-
71500	Other revenue	723,901	157,981	-
71600	Gain or loss on the sale of fixed assets	13,198	-	-
72000	Investment income - restricted	-	338	-
70000	Total revenue	37,910,451	25,040,789	997,608
EXPENSES				
Administrative:				
91100	Administrative salaries	1,585,654	651,421	36,208
91200	Auditing fees	190,478	85,672	-
91300	Management fee	3,078,712	-	-
91310	Bookkeeping fee	336,518	287,489	-
91400	Advertising and marketing	3,516	210	41,595
91500	Employee benefit contributions - administrative	431,965	161,439	5,664
91600	Office expenses	689,947	194,593	4,423
91700	Legal expense	215,134	10,195	-
91800	Travel	-	-	-
91900	Other	416,115	73,177	-
91000	Total administrative	6,948,039	1,464,196	87,890
92000	Asset management fee	354,570	-	-
Tenant services:				
92100	Salaries	-	-	-
92200	Relocation costs	122,933	-	-
92300	Employee benefit contributions	-	-	-
92400	Other	2,092,655	60,000	-
92500	Total tenant services	2,215,588	60,000	-
Utilities:				
93100	Water	1,431,327	-	-
93200	Electricity	3,110,458	-	-
93300	Gas	1,820,762	-	-
93400	Fuel	-	-	-
93600	Sewer	2,301,117	-	-
93800	Other utilities expense	685,433	-	1,125
93000	Total utilities	9,349,097	-	1,125
Ordinary maintenance & operations:				
94100	Labor	2,666,968	-	-
94200	Materials and other	1,522,137	40	-
94300	Contracts	4,923,777	-	-
94500	Employee benefits contribution	866,722	-	-
94000	Total ordinary maintenance & operations	9,979,604	40	-
Protective services:				
95100	Labor	482,310	-	-
95200	Other contract costs	418,034	-	-
95300	Other	266,680	-	-
95500	Employee benefit contributions	121,826	-	-
95000	Total protective services	1,288,850	-	-

N/C S/R Sect 8 Programs	CU	State/Local	Business Activities	CDBG 14.218
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	250	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	525	-	-	435,544
-	-	115	104	-
-	-	-	134,624	-
-	228,625	318,350	130,789	5
-	(257,466)	(887,581)	(1,137,770)	(60,284)
-	-	-	-	-
-	83,079	1,389,042	668,108	300,948
-	-	(131,643)	-	-
-	312	1,812	10,243	-
-	55,075	690,095	(193,652)	676,213
-	16,236	243,316	(1,361)	142,902
-	6,940	-	250	-
-	293	-	-	-
-	-	-	293,344	-
-	55	150	652	-
-	5,699	41,386	26,200	27,005
-	12,884	200,865	117,036	36,404
-	92	165,419	11,848	12,881
-	-	-	-	-
-	8,000	-	43,085	-
-	50,199	651,136	491,054	219,192
-	-	-	-	-
-	-	-	-	-
-	-	-	-	5,850
-	-	-	-	-
-	-	-	-	5,850
-	1,213	-	433	667
-	2,593	34,480	3,292	571
-	-	-	186	-
-	-	-	-	-
-	875	-	514	-
-	378	14,026	32,996	1,908
-	5,059	48,506	37,421	3,146
-	-	-	-	-
-	130	81	-	-
-	7,049	-	1,460	-
-	-	-	-	-
-	7,179	81	1,460	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2012

Line Item #	Account Description	ROSS 14.870	Public Safety	HOME
REVENUE				
70300	Net tenant rental revenue	\$ -	\$ -	\$ -
70400	Tenant revenue - other	-	-	-
70500	Total tenant revenue	-	-	-
70600	HUD PHA operating grants	78,078	44,186	-
70610	Capital grants	-	-	-
70710	Management fee	-	-	-
70720	Asset management fee	-	-	-
70730	Bookkeeping fee	-	-	-
70740	Front line service fee	-	-	-
70750	Other fees	-	-	-
70800	Other governmental grants	-	-	17,758
71100	Investment income - unrestricted	-	-	-
71200	Mortgage interest income	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	3
71310	Cost of sales of assets	-	-	(99,356)
71400	Fraud recovery	-	-	-
71500	Other revenue	-	-	-
71600	Gain or loss on the sale of fixed assets	-	-	-
72000	Investment income - restricted	-	-	-
70000	Total revenue	<u>78,078</u>	<u>44,186</u>	<u>(81,595)</u>
EXPENSES				
Administrative:				
91100	Administrative salaries	-	-	-
91200	Auditing fees	-	-	-
91300	Management fee	-	-	-
91310	Bookkeeping fee	-	-	-
91400	Advertising and marketing	-	-	-
91500	Employee benefit contributions - administrative	-	-	-
91600	Office expenses	-	-	600
91700	Legal expense	-	-	-
91800	Travel	-	-	-
91900	Other	-	-	-
91000	Total administrative	-	-	600
92000	Asset management fee	-	-	-
Tenant services:				
92100	Salaries	62,379	-	-
92200	Relocation costs	-	-	-
92300	Employee benefit contributions	15,699	-	-
92400	Other	-	-	-
92500	Total tenant services	<u>78,078</u>	-	-
Utilities:				
93100	Water	-	-	-
93200	Electricity	-	-	-
93300	Gas	-	-	-
93400	Fuel	-	-	-
93600	Sewer	-	-	-
93800	Other utilities expense	-	-	-
93000	Total utilities	-	-	-
Ordinary maintenance & operations:				
94100	Labor	-	-	-
94200	Materials and other	-	-	-
94300	Contracts	-	-	-
94500	Employee benefits contribution	-	-	-
94000	Total ordinary maintenance & operations	-	-	-
Protective services:				
95100	Labor	-	34,171	-
95200	Other contract costs	-	-	-
95300	Other	-	-	-
95500	Employee benefit contributions	-	10,015	-
95000	Total protective services	-	<u>44,186</u>	-

ARRA - CFP Stimulus Formula 14.885	ARRA - CFP Stimulus Formula 14.884	Section 8 MOD Rehab Program 14.856	COCC	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,240,002
-	-	-	-	-	513,368
-	-	-	-	-	8,753,370
352,329	7,346	172,056	-	-	49,096,091
676,317	6,725	-	-	-	6,552,299
-	-	-	2,856,282	(2,856,282)	-
-	-	-	354,570	(354,570)	-
-	-	-	940,862	(940,862)	-
-	-	-	2,763,825	(2,763,825)	-
-	-	-	2,957,338	(2,957,338)	-
-	-	-	-	-	453,827
-	-	-	3,195	(3,195)	661
-	-	-	-	-	134,624
-	-	-	-	-	677,772
-	-	-	-	-	(2,480,052)
-	-	-	-	-	26,110
-	-	-	361,903	(654,880)	3,030,082
-	-	-	5,120	-	(113,325)
-	-	-	199	-	12,904
<u>1,028,646</u>	<u>14,071</u>	<u>172,056</u>	<u>10,243,294</u>	<u>(10,530,952)</u>	<u>66,144,363</u>
162,735	-	-	3,737,181	-	6,574,292
-	-	-	35,050	-	318,390
-	-	-	-	(2,856,282)	222,723
-	7,346	23,511	-	(940,862)	7,346
-	-	-	30,129	-	76,307
50,251	-	-	1,273,381	-	2,022,990
12,276	-	-	1,411,612	(440,526)	2,240,114
-	-	-	134,448	-	550,017
-	-	-	-	-	-
-	-	-	480,455	(627,900)	392,932
<u>225,262</u>	<u>7,346</u>	<u>23,511</u>	<u>7,102,256</u>	<u>(4,865,570)</u>	<u>12,405,111</u>
-	-	-	-	(354,570)	-
-	-	-	781,363	-	843,742
9,593	-	-	-	-	138,376
-	-	-	224,884	-	240,583
-	-	-	4,000	(1,967,514)	189,141
<u>9,593</u>	<u>-</u>	<u>-</u>	<u>1,010,247</u>	<u>(1,967,514)</u>	<u>1,411,842</u>
-	-	-	-	-	1,433,640
-	-	-	-	-	3,151,394
-	-	-	-	-	1,820,948
-	-	-	-	-	-
-	-	-	-	-	2,302,506
-	-	-	-	-	735,866
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,444,354</u>
47,830	-	-	1,604,342	-	4,319,140
2,080	-	-	87,118	-	1,611,586
-	-	-	9,510	(2,413,941)	2,527,855
18,693	-	-	477,121	-	1,362,536
<u>68,603</u>	<u>-</u>	<u>-</u>	<u>2,178,091</u>	<u>(2,413,941)</u>	<u>9,821,117</u>
(11,944)	-	-	-	-	504,537
(4,181)	-	-	-	-	413,853
-	-	-	-	(263,986)	2,694
-	-	-	-	-	131,841
<u>(16,125)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(263,986)</u>	<u>1,052,925</u>

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2012

Line Item #	Account Description	LIPH 14.850/872	HCVP 14.871	HOPE VI 14.866
EXPENSES (Continued)				
Insurance premiums:				
96110	Property insurance	\$ 579,925	\$ -	\$ -
96120	Liability insurance	176,711	9,063	-
96130	Workmen's compensation	108,740	14,620	-
96140	All other insurance	159,451	13,800	-
96100	Total insurance premiums	<u>1,024,827</u>	<u>37,483</u>	<u>-</u>
Other general expenses:				
96200	Other general expenses	855,598	32,481	530,371
96210	Compensated absences	30,619	(5,987)	-
96300	Payments in lieu of taxes	-	-	-
96400	Bad debt - tenants rent	152,948	-	-
96500	Bad debt - mortgages	-	-	468,851
96600	Bad debt - other	-	-	-
96800	Severance expense	-	-	-
96000	Total other general expenses	<u>1,039,165</u>	<u>26,494</u>	<u>999,222</u>
Interest expense and amortization costs				
96710	Interest on mortgage/bonds payable	-	-	-
96720	Interest on notes payable	33,214	-	-
96730	Amortization of bond issue costs	-	-	-
96700	Total interest expense and amortization costs	<u>33,214</u>	<u>-</u>	<u>-</u>
96900	Total operating expenses	<u>32,232,954</u>	<u>1,588,213</u>	<u>1,088,237</u>
97000	Excess of operating revenue over operating expenses	<u>5,677,497</u>	<u>23,452,576</u>	<u>(90,629)</u>
97100	Extraordinary maintenance	9,115	-	-
97200	Casualty losses - non capitalized	-	-	-
97300	Housing assistance payments	20,115	24,377,207	-
97350	HAP portability in	-	-	-
97400	Depreciation expense	<u>3,068,400</u>	<u>32,515</u>	<u>-</u>
90000A	Total other expenses	<u>3,097,630</u>	<u>24,409,722</u>	<u>-</u>
90000	Total expenses	<u>35,330,584</u>	<u>25,997,935</u>	<u>1,088,237</u>
Other financing sources (uses):				
10010	Operating transfer in	825,735	-	-
10020	Operating transfer out	(825,735)	-	-
10030	Operating transfers from / to primary government	-	-	-
10070	Extraordinary items, net gain / loss	-	-	-
10093	Transfer from program and project - in	-	-	-
10100	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	<u>\$ 2,579,867</u>	<u>\$ (957,146)</u>	<u>\$ (90,629)</u>
Memo Account Information				
11020	Required annual debt principal payments	\$ 161,404	\$ -	\$ -
11030	Beginning equity	70,156,537	3,128,001	14,607,951
11040	Prior period adjustments, equity transfers & correction	792,420	5,813	(279,488)
11170	Administrative fee equity	-	393,392	-
11180	Housing assistance payments equity	-	1,783,276	-
11190	Unit months available	46,778	36,320	-
11210	Unit months leased	45,057	35,829	-
11270	Excess cash	1,246,537	-	-
11610	Land purchases	-	-	-
11620	Building purchases	-	-	-
11630	Furniture & equipment - dwelling purchases	-	-	-
11640	Furniture & equipment - administrative purchases	-	-	-
11650	Leasehold improvements	392,382	-	-
11660	Infrastructure purchases	5,619,877	-	-
13901	Replacement Housing Factor Funds	2,210,336	-	-

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2012

Line Item #	Account Description	ROSS 14.870	Public Safety	HOME
EXPENSES (Continued)				
Insurance premiums:				
96110	Property insurance	\$ -	\$ -	\$ 1,272
96120	Liability insurance	-	-	152
96130	Workmen's compensation	-	-	-
96140	All other insurance	-	-	-
96100	Total insurance premiums	<u>-</u>	<u>-</u>	<u>1,424</u>
Other general expenses				
96200	Other general expenses	-	-	27,000
96210	Compensated absences	-	-	-
96300	Payments in lieu of taxes	-	-	-
96400	Bad debt - tenants rent	-	-	-
96500	Bad debt - mortgages	-	-	-
96600	Bad debt - other	-	-	438
96800	Severance expense	-	-	-
96000	Total other general expenses	<u>-</u>	<u>-</u>	<u>27,438</u>
Interest expense and amortization costs				
96710	Interest on mortgage/bonds payable	-	-	-
96720	Interest on notes payable	-	-	-
96730	Amortization of bond issue costs	-	-	-
96700	Total interest expense and amortization costs	<u>-</u>	<u>-</u>	<u>-</u>
96900	Total operating expenses	<u>78,078</u>	<u>44,186</u>	<u>29,462</u>
97000	Excess of operating revenue over operating expenses	<u>-</u>	<u>-</u>	<u>(111,057)</u>
Extraordinary maintenance				
97100	Extraordinary maintenance	-	-	-
97200	Casualty losses - non capitalized	-	-	-
97300	Housing assistance payments	-	-	-
97350	HAP portability in	-	-	-
97400	Depreciation expense	-	-	-
90000A	Total other expenses	<u>-</u>	<u>-</u>	<u>-</u>
90000	Total expenses	<u>78,078</u>	<u>44,186</u>	<u>29,462</u>
Other financing sources (uses):				
10010	Operating transfer in	-	-	-
10020	Operating transfer out	-	-	-
10030	Operating transfers from / to primary government	-	-	-
10070	Extraordinary items, net gain / loss	-	-	-
10093	Transfer from program and project - in	-	-	-
10100	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (111,057)</u>
Memo Account Information				
11020	Required annual debt principal payments	\$ -	\$ -	\$ -
11030	Beginning equity	-	-	428,014
11040	Prior period adjustments, equity transfers & correction	-	-	23,398
11170	Administrative fee equity	-	-	-
11180	Housing assistance payments equity	-	-	-
11190	Unit months available	-	-	-
11210	Unit months leased	-	-	-
11270	Excess cash	-	-	-
11610	Land purchases	-	-	-
11620	Building purchases	-	-	-
11630	Furniture & equipment - dwelling purchases	-	-	-
11640	Furniture & equipment - administrative purchases	-	-	-
11650	Leasehold improvements	-	-	-
11660	Infrastructure purchases	-	-	-
13901	Replacement Housing Factor Funds	-	-	-

ARRA - CFP Stimulus Formula 14.885	ARRA - CFP Stimulus Competitive 14.884	Section 8 MOD Rehab Program 14.856	COCC	Eliminations	Total
\$ -	\$ -	\$ -	\$ 506	\$ -	\$ 604,828
-	-	-	872	-	209,580
-	-	-	126,150	-	258,648
-	-	-	153,388	-	356,715
-	-	-	280,916	-	1,429,771
-	-	5,907	468,183	(662,176)	2,499,338
-	-	-	(27,137)	-	(13,263)
-	-	-	-	-	-
-	-	-	-	-	152,948
-	-	-	-	-	468,851
-	-	-	-	-	438
-	-	-	-	-	-
-	-	5,907	441,046	(662,176)	3,108,312
-	-	-	-	-	352,266
-	-	-	-	(3,195)	124,136
-	-	-	-	-	-
-	-	-	-	(3,195)	476,402
287,333	7,346	29,418	11,012,556	(10,530,952)	39,149,834
741,313	6,725	142,638	(769,262)	-	26,994,529
-	-	-	-	-	9,115
-	-	-	-	-	-
-	-	142,638	-	-	24,539,960
-	-	-	-	-	-
-	-	-	355,174	-	3,885,412
-	-	142,638	355,174	-	28,434,487
287,333	7,346	172,056	11,367,730	(10,530,952)	67,584,321
-	-	-	-	(825,735)	-
-	-	-	-	825,735	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 741,313	\$ 6,725	\$ -	\$ (1,124,436)	\$ -	\$ (1,439,958)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161,404
-	-	(1,132)	3,621,794	-	132,978,369
(741,313)	(6,725)	-	37,020	-	-
-	-	-	-	-	393,392
-	-	-	-	-	1,783,276
-	-	456	-	-	83,554
-	-	264	-	-	81,150
-	-	-	-	-	1,246,537
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	392,382
-	-	-	-	-	5,619,877
-	-	-	-	-	2,210,336

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
Modernization Project Number VA36S00750109
From Inception through September 30, 2012

Administration	\$ 1,076,480
Fees and costs	474,404
Site improvement	263,267
Dwelling structures	8,005,495
Dwelling equipment - nonexpendable	236,083
Non-dwelling structures	377,109
Relocation costs	<u>331,959</u>
Total development costs	<u>\$ 10,764,797</u>

The total amount of modernization costs at September 30, 2012 as shown above agree with the Annual Performance and Evaluation Form submitted to HUD on June 11, 2012.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
Modernization Project Number VA00700050309E
From Inception through September 30, 2012

Administration	\$ 70,602
Dwelling structures	488,929
Relocation costs	<u>146,489</u>
 Total development costs	 <u><u>\$ 706,020</u></u>

The total amount of modernization costs at September 30, 2012 as shown above agree with the Annual Performance and Evaluation Form submitted to HUD on September 6, 2012.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
Modernization Project Number VA36R00750206
From Inception through September 30, 2012

Development activities	\$ <u>643,350</u>
Total development costs	\$ <u><u>643,350</u></u>

The total amount of modernization costs at September 30, 2012 as shown above agree with the Annual Performance and Evaluation Form submitted to HUD on July 31, 2012.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
Modernization Project Number VA36R00750207
From Inception through September 30, 2012

Development activities	\$ <u>774,697</u>
Total development costs	\$ <u><u>774,697</u></u>

The total amount of modernization costs at September 30, 2012 as shown above agree with the Annual Performance and Evaluation Form submitted to HUD on July 31, 2012.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTE TO SUPPLEMENTAL INFORMATION
September 30, 2012

NOTE 1 – ACTUAL CAPITAL FUND PROGRAM COST CERTIFICATES

RRHA has closed the following Capital Fund Program (CFP) grants. HUD approved each of the original budgets below and copies of the actual cost certificates submitted by RRHA are attached. Details of the grant numbers and final cost are as follows:

	<u>Budget</u>	<u>Cost</u>
Modernization Project Number VA36S00750109	\$ 10,764,797	\$ 10,764,797
Modernization Project Number VA00700050309E	706,020	706,020
Modernization Project Number VA36R00750206	643,350	643,350
Modernization Project Number VA36R00750207	774,697	774,697

SINGLE AUDIT REPORT

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

Board of Commissioners of the
Richmond Redevelopment and Housing Authority
Richmond, Virginia

We have audited the basic financial statements of the Richmond Redevelopment and Housing Authority (the Authority) as of and for the year ended September 30, 2012, and have issued our report thereon dated March 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 21, 2013.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Richmond, Virginia
March 21, 2013

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

Board of Commissioners of the
Richmond Redevelopment and Housing Authority
Richmond, Virginia

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-01 through 2012-05.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-01 through 2012-05. 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.

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

This report is intended solely for the information and use of management, the Board of Commissioners, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Richmond, Virginia
March 21, 2013

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2012

	Federal Catalog Number	Federal Expenditures
U.S. Department of Housing and Urban Development (HUD)		
Public and Indian Housing Operating subsidy	14.850	\$ 20,745,544
HOPE VI - Urban Revitalization Development	14.866	1,035,203
Housing Choice Voucher Cluster	14.871	25,981,856
Capital Fund Program	14.872	7,688,068
ARRA - Capital Fund Program - Competitive	14.884	14,071
ARRA - Capital Fund Program - Formula	14.885	1,028,646
Total Capital Fund Cluster		8,730,785
Lower Income Housing Assistance Program -		
Section 8 Moderate Rehabilitation	14.856	172,056
Resident Opportunity Support Services	14.870	78,078
Total HUD Financial Assistance		56,743,522
U.S. Department of Justice (DOJ)		
ARRA - Public Safety Partnership and Community Policing Grant	16.710	44,186
State/Local Financial Pass-Through Assistance		
City of Richmond:		
Community Development Block Grant	14.218	435,544
HOME	14.239	17,758
Total State/Local Financial Pass-Through Assistance		453,302
Total Expenditures of Federal Awards		\$ 57,241,010

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2012

NOTE 1 – BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting and includes all expenditures of federal awards administered by the Authority. Several programs are funded jointly by the City and State in accordance with requirements of the various federal grants. Costs incurred for such programs are applied to Federal grant funds in accordance with the terms of the related Federal grants with the remainder applied to funds provided by the City and State.

All costs charged to Federal Awards are determined based on the applicable Federal grants and OMB Circular A-87, *Costs Principles Applicable to Grants and Contracts with State and Local Governments*.

NOTE 2 – FEDERAL COGNIZANT AGENCY

The Federal cognizant agency for the Authority is the U.S. Department of Housing and Urban Development (HUD).

NOTE 3 – FINDINGS AND QUESTIONED COSTS

The findings and questioned costs identified in connection with the 2012 Single Audit are disclosed in Schedule II and III and the status of the prior year findings and questioned costs are disclosed in Schedule IV.

HUD has conducted several reviews of the Authority and has issued their reports on the results of some of these reviews. The Authority has responded to the reviews for which reports have been issued.

NOTE 4 – LOANS OUTSTANDING

The Authority had the following loan balances outstanding at September 30, 2012. No new loans were disbursed during the year ended September 30, 2012.

	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grant	14.218	\$ 3,383,788
HOME	14.239	<u>1,797,399</u>
Total		<u>\$ 5,181,187</u>

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes _____ None reported

Type of auditor's report issued on compliance for major programs: **Unqualified**

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes _____ No

Identification of Major Programs

Name of Federal Program	CFDA Number	Expenditures
Low Rent Public Housing Program	14.850	\$ 20,745,544
Section 8 Housing Choice Voucher Cluster	14.871	25,980,730
Capital Fund Program	14.872	7,688,068
ARRA – Capital Fund Program – Competitive	14.884	14,071
ARRA – Capital Fund Program - Formula	14.885	1,028,646

Dollar threshold used to distinguish between type A and type B programs \$1,717,230

Auditee qualified as low-risk auditee? _____ Yes X No

**RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012**

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

Finding 2012-01:	Housing Choice Voucher Program, CFDA #14.871
Federal Agency:	U.S. Department of Housing and Urban Development
Compliance Requirement:	Eligibility
Type of Finding:	Noncompliance, Significant Deficiency

Condition

Testing of 40 Housing Choice Voucher (HCV) tenant files for eligibility requirements found exceptions in 15 files which included the following:

- 1 file did not contain a completed and signed Declaration of Section 214 Status form for each family member to document citizenship status.
- 1 file did not contain proper third party verification of income as the pay stubs used were not consecutive.
- 13 files did not document that the Authority performed timely recertifications.

Criteria

Housing Choice Voucher regulation 24 CFR 982.201 requires tenants to declare citizenship status for all household members. 24 CFR 985.516 requires PHA's to obtain third party verification of all income, assets, and expenses reported on the HUD-50058 and conduct a reexamination of family income and composition at least annually.

Cause

The Authority did not collect all necessary third party verification information and other forms prior to completing the reexamination. The Authority is inconsistent in its review of recertifications prepared by housing specialists before they are approved to ensure they are performed annually.

Effect

The amount of housing assistance payments or tenant rent could be incorrect based on missing or inaccurate information.

Questioned Costs

Unable to determine.

Recommendation

We recommend that the Authority develop procedures to ensure all annual recertifications occur timely and the housing specialists obtain all required documentation.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

RRHA Response

The Authority currently performs monthly quality control reviews on a sufficient number of files to meet the SEMAP required sample size plus approximately 25% more files to assure compliance. Staff have secured missing documentation and corrected the errors noted above. The current actions will continue under the direction of the Quality Assurance Coordinator, Assistant VP of the Housing Choice Voucher Program and Tenant Selection Office with an estimated completion date of September 30, 2013.

Finding 2012-02:	Low Rent Public Housing, CFDA #14.850
Federal Agency:	U.S. Department of Housing and Urban Development
Compliance Requirement:	Eligibility
Type of Finding:	Noncompliance, Significant Deficiency

Condition

Testing of 40 Low Rent Public Housing tenant files found exceptions in 10 files, some of which had multiple exceptions, which included the following:

- 2 files did not contain third party verification of income or the income reported in the HUD-50058 did not agree to the support.
- 4 files did not contain third party verification of assets or the assets reported in the HUD-50058 did not agree to the support.
- 1 file did not contain third party verification of expenses or the expenses reported in the HUD-50058 did not agree to the support.
- 4 files did not document that the Authority performed timely recertifications.
- 2 files did not contain documentation to show the Authority reviewed the EIV report.

Criteria

Low Rent Public Housing regulation 24 CFR 960.259(c)(1) states "The PHA must obtain and document in the family file third party verification of the following factors, or must document in the file why third party verification was not available: reported family annual income; the value of assets; expenses related to deductions from annual income..." 24 CFR 960.257(a)(1) states "For families who pay an income-based rent, the PHA must conduct a reexamination of family income and composition at least annually..." PIH Notice 2010-19 requires a PHA to review the EIV report for all family members at each annual recertification.

Cause

The Authority did not collect all necessary third party verification information prior to completing the reexamination. In some cases, housing specialists incorrectly calculated annual income, assets or expenses. The Authority is inconsistent in its review of recertifications prepared by housing specialists before they are approved to ensure they are performed annually.

Effect

The amount of tenant rent could be incorrect based on missing or inaccurate information.

Questioned Costs

Unable to determine.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

Recommendation

We recommend that management increase the number of recertifications reviewed on a monthly basis until they can ensure a majority of the files meet HUD's eligibility requirements. Finally, we recommend that the Authority develop procedures to ensure all annual recertifications are performed timely.

RRHA Response

RRHA has begun a process to reorganize staff to allow for increased compliance and quality assurance monitoring. Upon completion of the reorganization, files will be reviewed by site and compliance staff on a monthly basis. Staff will receive training on HUD regulations 24 CFR 960.259 which govern verification of income, assets and expenses. All deficiencies noted above will be corrected by April 1, 2013. The Deputy Chief Operating Officer is responsible for this finding and we expect this corrective action will be completed by June 30, 2013.

Finding 2012-03:	Housing Choice Voucher Program, CFDA #14.871
Federal Agency:	U.S. Department of Housing and Urban Development
Compliance Requirement:	Special Tests (Waiting List)
Type of Finding:	Noncompliance, Significant Deficiency

Condition

Testing of 40 Housing Choice Voucher (HCV) applicant files from the top of the waiting list found 4 files that indicated the applicant's voucher had expired but the applicant was not removed from the applicant pool.

Criteria

In accordance with 24 CFR 982.303 the Authority may grant extensions to the initial term of the voucher issued to applicants as stated in their administrative plan. The Authority's Housing Choice Voucher Administrative Plan states in Chapter 8 that if a voucher expires and has not been extended by the Authority or expires after an extension, the family will be denied assistance.

Cause

The Authority's process for admitting tenants failed to identify those applicants with expired vouchers.

Effect

The existence of these applicants in the applicant pool potentially denies other eligible families from receiving assistance through the waiting list process. Once the voucher (including all extensions) has expired the applicant should be deemed ineligible and the next applicant selected from the waiting list.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

Questioned Costs

Unable to determine.

Recommendation

We recommend the Authority monitor procedures to ensure applications are processed in accordance with policies in the Housing Choice Voucher Administrative Plan.

RRHA Response

The Authority conducted training with staff on February 5, 2013 to re-emphasize the importance of sending notifications timely. The training was provided by the HCV Supervisor and the Assistant VP of the Housing Choice Voucher Program and Tenant Selection Office. The corrective action has been completed with ongoing monitoring.

Finding 2012-04:	Housing Choice Voucher Program, CFDA #14.871
Federal Agency:	U.S. Department of Housing and Urban Development
Compliance Requirement:	Reporting (VMS)
Type of Finding:	Noncompliance, Significant Deficiency

Condition

For 2 of the 3 monthly VMS reported tested the Authority could not provide support for all amounts. The missing information included the number of vouchers, HAP amounts, HAP expenses after the 1st of the month, vouchers issued but not under HAP contract at the end of the month and vouchers covered by Project-Based AHAP's and HAP's.

Criteria

The Uniform Financial Reporting Standards at 24 CFR 5.801 require public housing authorities to submit certain leasing and cost data information electronically to the Department of Housing and Urban Development (HUD) through the Voucher Management System (VMS). HUD uses VMS data for budget formulation and the determination of renewal funding levels for the Housing Choice Voucher Program which requires accurate reporting by the Authority.

Cause

The Authority did not maintain documentation to support certain amounts reported on the monthly VMS submission. The Authority retrieves some data from their electronic systems but may not retain this documentation after they submit the monthly VMS report.

Effect

The missing documentation did not allow us to determine whether the Authority accurately reported unit leasing and expense information to HUD. We could not verify the accuracy of certain data reported in the VMS reports due to a lack of supporting documentation. Inaccurate data could cause HUD to calculate incorrect renewal funding levels.

Questioned Costs

Unable to determine.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

Recommendation

We recommend the Authority maintain all documentation used to prepare the monthly VMS submissions so that amounts reported can be verified.

RRHA Response

The Authority implemented a process that all VMS monthly submissions and all updates/changes are accurately maintained. This process was effective as of September 2012. This process is under the supervision of the Controller and will be monitored on an ongoing basis.

Finding 2012-05:	Low Rent Public Housing, CFDA #14.850
Federal Agency:	U.S. Department of Housing and Urban Development
Compliance Requirement:	Special Tests (Tenant Participation Funding)
Type of Finding:	Noncompliance, Significant Deficiency

Condition

6 of 18 monthly tenant council expenditure listings tested contained unsupported expenditures and receipts or other information that indicated amounts were spent for personal items and not tenant participation activities. The 6 months comprise 4 different tenant councils.

Criteria

24 CFR 964.150 states that the resident councils must permit the PHA to inspect and audit the resident council's financial records.

Cause

It does not appear that controls are sufficient to account for tenant participation funds and hold the tenant councils accountable for their expenditures.

Effect

The tenant council expenditures are not properly documented and in some cases the documentation indicates potential expenditures for personal items. We could not determine that all expenditures were properly spent on tenant participation activities.

Questioned Costs

\$2,414.

Recommendation

We recommend the Authority develop and implement improved procedures for reviewing tenant council expenditures to include training the council members in proper financial recordkeeping processes and allowable costs .

RRHA Response

The Authority entered into written agreements with all tenant councils as of December 2012. The written agreements document the funding received, allowable expenditures of funds, and that the Authority has the authorization to inspect financial records. Since August, the Authority began auditing tenant councils and providing councils training to ensure compliance with written agreements.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

Finding 2011-01 – IT Logical Access

Condition

An outside IT vendor (Yardi Systems, Inc.) has remote access capability to the Authority's programs and data for purposes of application changes to the Authority's financial and tenant maintenance systems. The vendor has full authority to make changes to the application and supporting database.

Status

This finding was cleared in the current fiscal year.

Finding 2011-02, 2010-02, 2009-04, 2008-03, 2007-03, 2006-01 – Housing Choice Voucher Program, CFDA #14.871

Condition

Testing of Housing Choice Voucher tenant files for all years revealed exceptions in numerous files related to the following items: missing Declaration of Section 214 Status forms; missing or incorrect documentation to support income, asset or expense amounts; improper calculation of tenant rent or HAP amounts; untimely annual recertifications; housing assistance payments in disagreement with the HUD-50058; missing general release forms and privacy act notices, missing annual HQS inspection documentation, and failed HQS inspections that could not be located or did not document the proper reinspection period.

Status

This finding was partially cleared in the current fiscal year. The issues related to missing Declaration of Section 214 Status forms, missing or incorrect documentation to support income and untimely annual recertifications remain open in the current year. See finding 2012-01.

Finding 2011-03, 2010-05 – Capital Fund Program, CFDA #14.872 & 14.885

Condition

The Authority did not submit a Section 3 Report (HUD-60002) for the October 1, 2010 through September 30, 2011 period for the Public Housing Operating subsidy. In addition, the Section 3 report for the ARRA CFP Formula grant did contain sufficient documentation to support the number of total new hires or Section 3 new hires. The reports for both the ARRA CFP Formula and ARRA CFP Competitive grants improperly reported construction and non-construction contract amounts as total expenses including salaries, employee benefits and other non-contract expenditures were included in the amounts reported. Total contract amounts reported related to the ARRA CFP Formula and ARRA CFP Competitive grants were overstated by at least \$761,122 and \$74,028, respectively.

Status

This finding was cleared in the current fiscal year.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

Finding 2011-04 – Housing Choice Voucher Program, CFDA #14.871, Low Rent Public Housing Program, CFDA #14.850

Condition

Testing of 40 Housing Choice Voucher (HCV) applicant files from the top of the waiting list found 12 files that did not contain a preliminary application. A separate sample of 27 new tenant files noted that 1 file did not contain a preliminary application.

Testing of 40 Low Rent Public Housing applicants added to the public housing waiting list to determine if they were placed on the waiting list in accordance with the Admissions and Continued Occupancy Policy (ACOP) found exceptions in 3 files. 1 file could not be located; 2 files had a time/date stamp on the preliminary application that differed from the time/date of the application reported on the waiting list.

A separate sample of 40 new public housing tenants noted 3 files that contained a preliminary application without a time/date stamp.

Status

This finding was cleared in the current fiscal year.

Finding 2011-05 - Low Rent Public Housing, CFDA #14.850

Condition

The COCC overcharged for asset management fees by \$169,300. Five AMP's were charged fees even though they did not have excess cash per the September 30, 2010 audited FDS.

Status

This finding was cleared in the current fiscal year.

Finding 2011-06 - Low Rent Public Housing, CFDA #14.850

Condition

The Authority does not maintain current written agreements with the Resident Tenant Organization (RTO) to include a description of the funding, how the funds may be used, and that the Authority may inspect and/or audit the financial records of the RTO to verify funds were used for allowable expenses.

Status

This finding was cleared in the current fiscal year.