

**RICHMOND REDEVELOPMENT AND
HOUSING AUTHORITY**

**FINANCIAL STATEMENTS
September 30, 2014**

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



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CliftonLarsonAllen LLP

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

BUILDING VIBRANT COMMUNITIES

INDEPENDENT AUDITORS' REPORT



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

BUILDING VIBRANT COMMUNITIES

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Richmond Redevelopment and Housing Authority
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Richmond Redevelopment and Housing Authority (the Authority), a political subdivision of the Commonwealth of Virginia, which comprise the statement of net position as of September 30, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2014, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

The financial statements of the Authority as of September 30, 2013 have been restated to correct a material misstatement. See Note 2 of the financial statements for further analysis of the prior period adjustment. Our opinion is not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-14 and schedule of funding progress on page 41 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The information identified in the table of contents as other supplementary information is not a required part of the financial statements and is presented for purposes of additional analysis. The schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information described in the preceding paragraph is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information identified in the table of contents as other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Arlington, Virginia
May 6, 2015

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

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, 2014. 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 Position

- The assets of RRHA exceeded its liabilities by \$112.7 million (net position). Of this amount, \$26.1 million (unrestricted net position) may be used to meet ongoing obligations to creditors, \$79.8 million is invested in capital assets, net of debt and \$6.8 million is restricted for specific purposes (restricted net position).
- RRHA's total net position decreased by \$11.9 million or 9.59% compared to fiscal year 2013.
- RRHA's total assets decreased by \$11.4 million from the prior year while RRHA's total liabilities increased by \$0.6 million from the prior year. During fiscal year 2014 RRHA assets decreased as a result of normal depreciation expense of \$4.6 million, transfer of assets to the City of Richmond totaling \$10.0 million and the transfer of items to Land Held for Resale totaling \$1.7 million. These amounts were offset by an increase in land held for resale totaling \$0.7 million, HAP reserves of \$1.1 million, and an increase in HUD receivables totaling \$0.8 million.
- RRHA's liquidity remains stable at 4.03 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 11.

Statement of Revenues, Expenses, and Changes in Net Position

- RRHA's operating expenses exceeded operating revenues by \$14.7 million.
- The operating loss includes depreciation expense of \$4.6 million primarily associated with the LIPH properties.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

- HAP revenues exceeded HAP expenses by \$1.1 million.
- Properties sold and transferred within the Real Estate and Community Development programs were sold and/or transferred for a loss of \$11.2 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, 2014. 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 Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position presents information on all of RRHA's assets and liabilities, with the difference between assets and liabilities reported as net position. Over time, the increases or decreases in RRHA's net position can be an indicator as to whether the financial position of RRHA is improving or deteriorating. To accurately use changes in net position 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 position is reported in the following three categories:

- Net investment in capital assets – represents the net book value of buildings and land, furniture and equipment, and construction in progress less the current outstanding related debt.
- Restricted – resources 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 position balance consists of Family Self Sufficiency escrow, debt service, program income, and excess housing assistance payments.
- Unrestricted – represents those portions of the total net position, which while not restricted, have been designated for a broad range of housing initiatives and future operations of RRHA.

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

The Statement of Revenues, Expenses and Changes in Net Position presents a comparison of RRHA's receipts and disbursements and ultimately shows how net position changed during the year. All changes in net position 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 SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other supplementary information that is not required. The Schedule of Funding Progress included in footnote 11 presents RRHA's progress in funding its obligation to provide pension benefits to its employees. Additionally, the other supplementary information included on pages 43 through 54 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 position may serve over time as a useful indicator of RRHA's financial position. In the case of RRHA, assets exceeded liabilities by \$112.7 million at September 30, 2014.

Net position in capital assets totaling \$79.8 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 position totaling \$6.7 million represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position totaling \$26.2 million, which may be used to meet RRHA's ongoing obligations to residents and creditors.

**RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014**

At the end of the fiscal year, RRHA is able to report positive balances in all three categories of net position.

Table 1 represents the Schedule of Net Position for RRHA as of September 30, 2014 and 2013.

**Table 1
Schedule of Net Position**

	2014	As Restated 2013	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Current and other assets	\$ 52,834,483	\$ 50,236,770	\$ 2,597,713	5.17%
Capital assets	80,275,599	94,238,188	(13,962,589)	(14.82)%
Total assets	133,110,082	144,474,958	(11,364,876)	(7.87)%
Current and other liabilities	17,909,748	16,926,809	982,939	5.81%
Long-term debt outstanding	2,464,549	2,849,870	(385,321)	(13.52)%
Total liabilities	20,374,297	19,776,679	597,618	3.02%
Net position:				
Net investment in capital assets	79,793,396	94,075,821	(14,282,425)	(15.18)%
Restricted	6,679,083	5,674,231	1,004,852	17.71%
Unrestricted	26,263,306	24,948,227	1,315,079	5.27%
Total net position	\$ 112,735,785	\$ 124,698,279	\$ (11,962,494)	(9.59)%

Net position changed as a result of the following:

- Current and Other Assets increased by \$2.6 million or 5.17%. The increase is due to increases in the following items: HAP reserves totaling \$1.1 million, HUD receivables totaling \$0.8 million, land held for resale of \$0.7 million.
- Capital assets decreased by \$14.0 million or 14.82%. RRHA assets decreased as a result of normal depreciation expense of \$4.6 million, transfer of assets to the City of Richmond totaling \$10.0 million and the transfer of items to Land Held for Resale totaling \$1.7 million.
- Current and other liabilities increased by \$1.0 million or 5.81%. This is primarily due to the increase in payables due HUD as the result from an overpayment of operating subsidy for the 8th AMP by \$.3 million and not utilizing set-aside funds for the HCVP program totaling \$0.4 million. In addition, there was an increase in the current portion of the Wells Fargo note totaling \$.3 million.
- Long-term debt outstanding decreased by \$0.4 million or 13.52%. The decrease is primarily due to the payment of \$0.4 million on the Wells Fargo line of credit which was converted to a 3-year term note during fiscal year 2013.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

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

Table 2
Statements of Revenues, Expenses and Changes in Net Position

	2014	As Restated 2013	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Operating revenues:				
Tenant revenue	\$ 9,931,066	\$ 9,444,145	\$ 486,921	5.16%
HUD grants & subsidies	47,354,916	47,101,090	253,826	0.54%
Other government grants & subsidies	405,467	422,905	(17,438)	(4.12)%
Sale of property	77,431	133,560	(56,129)	(42.03)%
Other income	2,785,465	4,479,774	(1,694,309)	(37.82)%
Mortgage interest	118,493	129,464	(10,971)	(8.47)%
Total operating revenues	60,672,838	61,710,938	(1,038,100)	(1.68)%
Operating expenses:				
Administrative	13,645,014	12,020,776	1,624,238	13.51%
Tenant services	674,734	942,357	(267,623)	(28.40)%
Utilities	10,206,683	9,638,289	568,394	5.90%
Maintenance and operation	7,952,387	9,626,927	(1,674,540)	(17.39)%
Protective services	971,238	1,179,512	(208,274)	(17.66)%
General expenses	3,349,146	4,772,660	(1,423,514)	(29.83)%
Housing assistance	22,147,085	24,645,918	(2,498,833)	(10.14)%
Extraordinary maintenance	1,225	2,200	(975)	(44.32)%
Cost of property sold	11,824,970	555,896	11,269,074	2027.19%
Depreciation	4,623,508	4,148,938	474,570	11.44%
Total operating expenses	75,395,990	67,533,473	7,862,517	11.64%
Operating gain/(loss)	(14,723,152)	(5,822,535)	(8,900,617)	152.86%
Non-operating revenues (expenses):				
Loss on sale of assets	(311,951)	(1,565)	(310,386)	99.50%
Investment income	(133,850)	56,450	(190,300)	(337.11)%
Interest expense	(53,345)	(49,911)	(3,434)	6.88%
Total non-operating revenue (expense), net	(499,146)	4,974	(504,120)	(10135.10)%
Net income/(loss) before capital grants	(15,222,298)	(5,817,561)	(9,404,737)	161.66%
Capital grants/contributions	3,259,804	4,501,847	(1,242,043)	(27.59)%
Change in net position	\$ (11,962,494)	\$ (1,315,714)	\$ (10,646,780)	809.20%

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- Net position decreased primarily due to an increase in the cost of property sold and various changes in operating revenues and operating expenses.
- Tenant revenues increased by \$0.5 million or 5.16% as a result of an increase in excess utility charges.
- Other income decreased \$1.7 million or 37.82% primarily as the result of recognizing income on the write-off of the allowance established in the prior year related to land held for resale.
- Administrative expenses increased by \$1.6 million or 13.51% as a result of an increase in legal costs totaling \$1.9 million. The increase is offset by a decrease in salaries due to vacancies.
- Tenant services decreased by \$0.3 million or 28.40% as a result of moving staff to the LIPH sites, thus there would have been an increase in administrative expenses.
- Maintenance and operation costs decreased by \$1.7 million or 17.39%. The decrease in maintenance costs is the result of reductions in salaries and benefits totaling \$.9 million as a result of vacancies, and reduction in pest control, grounds costs and vacancy reduction contract costs totaling \$.7 million.
- Protective services decreased by \$0.2 million or 17.66% as a result of disbanding the RRHA police department in April 2014.
- General expenses decreased by \$1.4 million or 29.83% as the result of adjustments related to the write off of properties that occurred in the prior fiscal year. Write-off properties in the current year were reflected as prior period adjustments and were not reflected as current year transactions.
- Housing Assistance decreased by \$2.5 million or 10.14% due to a change in the HCVP payment standards, attrition in the program, and the impact of sequestration.
- Cost of property sold increased by \$11.3 million or 2027.19%. This is primarily due to the loss on the transfer of the Coliseum and Shockoe Parking garages totaling \$10.0 million to the City of Richmond at book value. The loss was in a non-cash transaction. The remaining difference is due to the sale and/or disposal of various properties within the HOPE VI, CDBG and Business Activities programs.
- Loss on sale of assets increased by \$0.3 million or 99.5% as a result of the write-off of the leasehold improvements related to the 1209 building. RRHA no longer rents the building.
- Capital contributions decreased by \$1.2 million or 27.59% as a result of using replacement housing factor funds in the prior year for the DOVE project totaling \$1.2 million. Replacement housing factor funds were not utilized in the current year.

**RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014**

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 2014 and 2013. Program expenses represent amounts spent by RRHA to administer these programs.

**Table 3
Statements of Revenues, Expenses and Changes in Net Position**

	2014	As Restated 2013	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Program revenues (gross):				
Rent and other	\$ 9,931,066	\$ 9,444,145	\$ 486,921	5.16%
Operating subsidies/grants	22,998,973	22,672,100	326,873	1.44%
Capital grants	3,259,804	4,501,847	(1,242,043)	(27.59)%
HCVP administrative fees	1,788,618	1,576,432	212,186	13.46%
HCVP subsidy	22,898,074	22,852,558	45,516	0.20%
City programs	1,936,824	1,243,273	693,551	55.78%
Investment and other	985,432	3,421,419	(2,435,987)	(71.20)%
Total program revenues	63,798,791	65,711,774	(1,912,983)	(2.91)%
Program expenses (gross):				
Low rent housing	34,108,303	35,064,585	(956,282)	(2.73)%
Other grants	811,862	3,056,803	(2,244,941)	(73.44)%
HCVP administrative	1,799,871	1,812,174	(12,303)	(0.68)%
HCVP subsidy	21,726,656	24,389,090	(2,662,434)	(10.92)%
City programs	12,273,151	1,406,378	10,866,773	772.68%
Investment and other	5,041,443	1,298,458	3,742,985	288.26%
Total program expenses	75,761,286	67,027,488	8,733,798	13.03%
Change in net position	(11,962,495)	(1,315,714)	(10,646,781)	809.20%
Net position, October 1	124,698,279	131,538,411	(6,840,132)	(5.20)%
Prior period adjustment	-	(5,524,418)	5,524,418	100.00%
Net position, October 1, as restated	124,698,279	126,013,993	(1,315,714)	(1.04)%
Net position, September 30	\$ 112,735,784	\$ 124,698,279	\$ (17,486,913)	(14.02)%

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

**RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
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- Total program revenues decreased by \$1.9 million or 2.91%. Capital grants decreased by \$1.2 million as a result of using replacement housing factor funds in the prior year for the DOVE project totaling \$1.2 million. Investment and other revenue decreased by \$2.4 million primarily due to recognizing income on the write-off of the allowance established in the prior year related to land held for resale totaling \$1.4 million with the remaining difference due to correction of overstated program income due to the City of Richmond.
- Total program expenses increased by \$8.7 million or 13.03%. This decrease is primarily due to a decrease in City programs of \$10.9 million due to the loss on the sale of properties, primarily the transfer of the parking garages to the City of Richmond for \$10 million. Increase in investment and other expenses due to an increase in legal costs of \$1.9 million with the remaining difference due to the correction of an overstatement. The above increase is offset by decreases in grants (\$1.2 million) and housing choice voucher subsidy expenses (\$2.7 million). Decrease in grants is due to properties sold in HOPE VI and decreases in housing choice voucher due to a change in the HCVF payment standards, attrition in the program, and the impact of sequestration.

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>2014</u>	<u>2013</u>
Current assets	\$ 30,946,113	\$ 28,093,056
Less: current liabilities	(7,679,549)	(6,162,288)
Working capital	<u>\$ 23,266,564</u>	<u>\$ 21,930,768</u>
Current assets	\$ 30,946,113	\$ 28,093,056
Divided by: current liabilities	7,679,549	6,162,288
Current ratio	4.03:1	4.56:1

RRHA is financially stable as evidenced by its working capital of \$23,266,564 and its 4.03:1 ratio of current assets to current liabilities at September 30, 2014. HUD's financial assessment considers a current ratio of 1:1 or greater as financially stable. The working capital for RRHA increased from fiscal year 2013 by \$1,335,796 while the current ratio decreased. This is primarily due to an increase in the HAP reserve of \$1.1 million, increase in HUD receivable of \$.8 million, and an increase in land held for resale totaling \$.7 million. The above is offset by an increase in payables due to HUD of \$.7 million, and an increase in the current portion of the Wells Fargo three year note totaling \$.3 million. The remaining difference is due to an increase in accrual for healthcare and vendor costs.

**RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2014, RRHA's capital assets totaled \$80,275,599 (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 29.

**Table 5
Capital Assets**

	2014	As Restated 2013
Land	\$ 4,332,170	\$ 10,233,076
Buildings	159,588,840	164,226,327
Furniture, equipment & machinery	8,731,814	8,119,892
Accumulated depreciation	(97,512,747)	(96,171,351)
Construction in progress	5,135,522	7,830,244
Total	\$ 80,275,599	\$ 94,238,188

Long-Term Debt

As of September 30, 2014, RRHA had net outstanding notes, bonds and loans payable totaling \$2,464,549. See footnote 8 on page 30.

	2014	2013
Wells Fargo Line of Credit	\$ 1,331,946	\$ 1,700,000
4th and Grace Place Note Payable	765,000	765,000
Diocese of Richmond Note Payable	366,414	384,870
RDC Loan	754,122	739,608
ROI Loan	4,076	5,448
Subtotal	3,221,558	3,594,926
Less: Eliminations	(757,009)	(745,056)
Total outstanding debt	\$ 2,464,549	\$ 2,849,870

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET

The national economy for 2015 showed signs of improvement in several areas. Americans were more confident in the economic conditions and future direction of the economy, job creations improved slightly, and consumer spending increased to the highest level since 2008. It is anticipated that the economy will grow moderately for fiscal 2015. Inflation will be below 1%, and unemployment will climb up to 6%, although the unemployment has been steady at about 5.5%. The national unemployment rate for 2014 improved from the prior year from about 7.2% to 5.9% while the City of Richmond unemployment rate improved slightly for the same time period from about 5.7% to 5.3%.

Along with a modest increase in the economy, 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 federal and state offices, headquarters of major corporations, numerous health facilities, and the concentration of educational institutions add to its economic vitality. In addition, major semiconductor manufacturing firms have been attracted to Richmond in the past years. The most notable is the Virginia Bio-Technology Research Park, which is home to 45 biotechnology firms and other related companies. Richmond is also home to the Fifth District Federal Reserve Bank and the Fourth Circuit U.S. Court of Appeals. The competitive advantages and the diversity of the labor force have helped Richmond to maintain a stable economy.

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). 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 2015 budget is conservatively based and is reflective of 2014 federal legislative mandates. The fiscal year (FY) 2015 budget assumes HUD will fund public housing operations at 84% of projected need, fund housing assistant payments at 99% of projected need, and fund the administrative needs of HCVP at 75%. These projected funding levels are a significant increase from prior year's funding.

The FY2015 budget also 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.

**RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014**

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 Controller, Richmond Redevelopment and Housing Authority, 901 Chamberlayne Parkway, Richmond, Virginia 23220.

ACKNOWLEDGMENTS

This report was prepared by the Richmond Redevelopment and Housing Authority's Finance Department under the direction of T.K. Somanath, Interim Chief Executive Officer and the leadership of Stacey L. Daniels-Fayson, CPA, Controller, with assistance from:

Financial Reporting Team:

Chantal Arnassan
Suresh Batra
Rachel Vovchuk
Tianna Wooldridge

Operations Team:

Lucinda Horsey, CPA
Genelle Frizzelle
Belinda Hawkins
Sherlene Hassan
Tarea Tillman

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

The cover is courtesy of the RRHA Office of Governmental Affairs and Public Relations.

BASIC FINANCIAL STATEMENTS

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT OF NET POSITION
September 30, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 3)	\$ 4,705,676
Restricted cash and cash equivalents (Note 3)	8,508,314
Accounts receivables, net of allowance of \$115,949 (Note 4)	2,535,135
Mortgage loans and notes receivable - current, net of allowance of \$45,448 (Note 5)	920,036
Land held for resale, net of allowance of \$124,213 (Note 7)	13,452,767
Other assets, net of allowance of \$49,655	<u>824,185</u>
Total current assets	<u>30,946,113</u>

NONCURRENT ASSETS

Capital assets - non-depreciable (Note 6)	
Land	4,332,170
CIP	<u>5,135,522</u>
Total capital assets - non-depreciable	<u>9,467,692</u>
Capital assets - depreciable (Note 6)	
Buildings and improvements	159,588,840
Furniture and equipment	8,731,814
Accumulated depreciation	<u>(97,512,747)</u>
Total capital assets - depreciable	<u>70,807,907</u>
Capital assets, net	<u>80,275,599</u>
Mortgage loans and notes receivable - noncurrent, net of allowance of \$1,661,378 (Note 5)	21,429,146
Investment in joint venture	<u>459,224</u>
Total noncurrent assets	<u>102,163,969</u>

TOTAL ASSETS

\$ 133,110,082

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Current portion long-term debt (Note 8)	\$ 729,779
Accounts payable (Note 9)	2,822,800
Due to other governments, current (Note 9)	1,339,090
Accrued liabilities (Note 9)	2,093,805
Tenant security deposits/FSS escrows (Note 9)	576,502
Other current liabilities (Note 9)	25,374
Unearned revenues (Note 9)	<u>92,199</u>
Total current liabilities	<u>7,679,549</u>

NONCURRENT AND OTHER LIABILITIES

Long-term debt, net of current portion (Note 8)	1,734,770
Other noncurrent liabilities (Note 9)	8,549,916
Accrued pension and OPEB liability (Note 12)	<u>2,410,062</u>
Total noncurrent liabilities	<u>12,694,748</u>
Total liabilities	<u>20,374,297</u>

NET POSITION

Net investment in capital assets	79,793,396
Restricted	6,679,083
Unrestricted	<u>26,263,306</u>
Total net position	<u>112,735,785</u>

TOTAL LIABILITIES AND NET POSITION

\$ 133,110,082

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

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended September 30, 2014

OPERATING REVENUES

Dwelling rental	\$ 9,931,066
HUD grants and subsidies	47,354,916
Other government grants and subsidies	405,467
Sale of property	77,431
Other income	2,785,465
Mortgage interest	<u>118,493</u>
Total operating revenues	<u>60,672,838</u>

OPERATING EXPENSES

Administration	13,645,014
Tenant services	674,734
Utilities	10,206,683
Maintenance and operation	7,952,387
Protective services	971,238
General expenses	3,349,146
Housing assistance payments	22,147,085
Extraordinary maintenance	1,225
Cost of property sold	11,824,970
Depreciation	<u>4,623,508</u>
Total operating expenses	<u>75,395,990</u>

Total operating loss (14,723,152)

Nonoperating revenues (expenses):

Loss on sale of assets	(311,951)
Investment income	(133,850)
Interest expense	<u>(53,345)</u>

Total nonoperating revenues (expenses) (499,146)

Loss before capital grants (15,222,298)

Capital grants 3,259,804

CHANGE IN NET POSITION (11,962,494)

NET POSITION, BEGINNING OF YEAR, AS RESTATED 124,698,279

NET POSITION, END OF YEAR \$ 112,735,785

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

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended September 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Rental receipts	\$ 10,275,149
Direct HUD subsidies	43,734,312
Other government grants and subsidies	405,467
Charges for services	2,981,389
Payments to employees	(10,693,147)
Housing operations and tenant services	(23,503,053)
Housing assistance payments	(22,147,085)
Net cash used in operating activities	<u>1,053,032</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Issuance of notes payable	6,053
Interest payments	(53,345)
Principal payments on bonds and loans payable	(391,374)
Net cash used in noncapital financing activities	<u>(438,666)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of capital assets, net	(3,540,194)
Disposal of capital assets	52,853
Capital contributions	3,259,804
Net cash provided by capital financing activities	<u>(227,537)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in land held for resale	1,204,727
Loss on disposal of land held for resale	(311,951)
Loss on investment	140,791
Interest income	(133,850)
Net cash provided by investing activities	<u>899,717</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,286,546
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,927,444</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 13,213,990</u></u>
CLASSIFIED AS	
Cash and cash equivalents	\$ 4,705,676
Restricted cash	<u>8,508,314</u>
TOTAL	<u><u>\$ 13,213,990</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Net operating loss	\$ (14,723,152)
Adjustments to reconcile cash and cash equivalents used in operating activities:	
Depreciation	4,623,508
Bad debt expense	984,947
Donated property	11,189,555
Effects of changes in operating assets and liabilities, net of business combination and noncash items:	
Accounts receivable	(1,901,967)
Mortgage loans, net	127,427
Other assets	(230,225)
Accounts payable	1,941,508
Unearned revenue	(2,558,122)
Tenant security deposits	30,575
Accrued liabilities	18,363
Other liabilities	<u>1,550,615</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ 1,053,032</u></u>

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

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Richmond Redevelopment and Housing Authority (the Authority or 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. The CFP funds, which are allocated annually, represent the major source of funding for capital and management activities at PHAs.

The HOPE VI revitalization program includes the construction and sale of affordable housing units. The units will be owned by RRHA and managed as public housing.

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.

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 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, 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting, Basis of Presentation and Measurement Focus

RRHA has prepared its financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Government Accounting Standards Board (GASB) Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), was issued to incorporate FASB and AICPA guidance into GASB authoritative literature.

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 Position. All funds of the Authority are enterprise funds.

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.

Management of RRHA and the City of Richmond has determined that 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.

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 present the Authority and the following blended component units, which are entities for which the primary government is considered financially accountable.

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.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (continued)

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.

These entities are deemed blended component units and therefore, the operating activities are included in the Authority's basic financial statements. Two of the entities have calendar year ends and one has 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, 2014.

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. 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, and included in the allowance for loan losses if deemed appropriate.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

In 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.

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.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (continued)

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.

<u>Years of Service</u>	<u>Number of Days Earned per Year</u>	<u>Maximum Balance End of the Year</u>	<u>Maximum Payment Upon Separation</u>
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

Net Position

Net position in enterprise fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Net investment 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 position represents 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 position consists 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 resources are available.

Unearned Revenue

Unearned revenue shown on the Statement of Net Position 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.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

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 Position. 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 Position.

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.

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 Position for presentation purposes in the audited statements at September 30, 2014. 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.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

New Accounting Pronouncements

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. It also requires that certain items previously capitalized or deferred be treated as a period cost. The implementation of this new standard has no impact on the Authority's 2014 financial statements.

NOTE 2 – PRIOR PERIOD ADJUSTMENT

Management performed a reconciliation of the construction in progress account during the fiscal year and identified certain errors resulting in and overstatement of amounts previously reported as of September 30, 2013. Further, management identified certain properties that were sold in prior years that remained listed in the capital asset balances. Accordingly, an adjustment to non-depreciable capital assets has been made as of September 30, 2013 to correct for these errors as follows:

Net position, September 30, 2013, as previously stated	\$ 130,222,697
Prior period adjustment	<u>(5,524,418)</u>
Net position, September 30, 2013, as restated	<u>\$ 124,698,279</u>

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash

At September 30, 2014, cash on hand, cash items and petty cash totaled \$10,364,920 and the value of RRHA's deposits with financial institutions totaled \$10,526,257.

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 HCV payments, and debt service.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

Cash (continued)

Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of a bank failure, RRHA's deposits may not be returned to it. 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). 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. As of September 30, 2014, all bank balances were covered by either federal deposit insurance or the Act.

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. The balance of cash equivalents and investments at September 30, 2014 was \$2,849,070.

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.

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.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

Custodial credit risk - investments

For an investment, this 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 the detail of cash equivalents and investments at September 30, 2014:

	Fair Value			Ratings
	Unrestricted	Restricted	Total	
Petty cash	\$ 1,000	\$ -	\$ 1,000	N/A
Checking accounts	4,553,337	5,810,583	10,363,920	N/A
Money market funds	<u>151,339</u>	<u>2,697,731</u>	<u>2,849,070</u>	AAAm
Total	<u>\$ 4,705,676</u>	<u>\$ 8,508,314</u>	<u>\$ 13,213,990</u>	

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable including applicable allowances for uncollectible accounts at September 30, 2014 consisted of the following:

Tenants (net of allowance of \$115,949)	\$ 362,397
Accounts receivable - HUD	1,485,006
Other government	275,465
Miscellaneous	<u>412,267</u>
Total	<u>\$ 2,535,135</u>

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 5 – MORTGAGE LOANS

The composition of RRHA's mortgage loan portfolio, by collateral type, as of September 30, 2014, is as follows:

	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
Single-family real estate	\$ 9,222,267	\$ 23,933	\$ 9,246,200
Multi-family real estate	5,123,678	454,142	5,577,820
Commercial real estate	<u>7,290,000</u>	<u>1,941,988</u>	<u>9,231,988</u>
Total mortgage loans	21,635,945	2,420,063	24,056,008
Less allowance	<u>(1,706,826)</u>	-	<u>(1,706,826)</u>
Total mortgage loans, net	19,929,119	2,420,063	22,349,182
Less current mortgage loans	<u>(920,036)</u>	-	<u>(920,036)</u>
Non-current mortgage loans	<u>\$ 19,009,083</u>	<u>\$ 2,420,063</u>	<u>\$ 21,429,146</u>

RRHA makes single-family mortgage loans that are both active and deferred. 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	\$ 862,678	\$ 7,387,678
City of Richmond Cooperative Agreements:			
4th and Grace Street	<u>765,000</u>	<u>1,079,310</u>	<u>1,844,310</u>
Total commercial loans	<u>\$ 7,290,000</u>	<u>\$ 1,941,988</u>	<u>\$ 9,231,988</u>

Related liabilities consist of the following:

Notes payable - 4th and Grace Street	\$ 765,000
Accrued interest - 4th and Grace Street	1,079,310
Due to City of Richmond - mortgage loans	<u>3,334,613</u>
Total	<u>\$ 5,178,923</u>

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

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 5 – MORTGAGE LOANS (CONTINUED)

Other liabilities to the City of Richmond are due after repayment of the related mortgage loans receivable. 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. There was no loss incurred in fiscal year 2014.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 is as follows:

	Balance October 1, 2013 (as restated)	Increases	Decreases	Transfers	Balance September 30, 2014
Capital assets not being depreciated:					
Land	\$ 10,233,076	\$ -	\$ (5,900,906)	\$ -	\$ 4,332,170
Construction in progress (CIP)	<u>7,830,244</u>	<u>3,515,567</u>	<u>(919,480)</u>	<u>(5,290,809)</u>	<u>5,135,522</u>
Total capital assets not being depreciated	<u>18,063,320</u>	<u>3,515,567</u>	<u>(6,820,386)</u>	<u>(5,290,809)</u>	<u>9,467,692</u>
Capital assets being depreciated:					
Land improvements	7,470,143	9,581	-	290,455	7,770,179
Building and structures	156,756,184	3,719	(7,704,135)	2,762,893	151,818,661
Equipment	<u>8,119,892</u>	<u>11,328</u>	<u>-</u>	<u>600,594</u>	<u>8,731,814</u>
Total capital assets being depreciated	172,346,219	24,628	(7,704,135)	3,653,942	168,320,654
Less accumulated depreciation:	<u>96,171,351</u>	<u>4,623,508</u>	<u>(3,282,112)</u>	<u>-</u>	<u>97,512,747</u>
Total capital assets being depreciated, net	<u>76,174,868</u>	<u>(4,598,880)</u>	<u>(4,422,023)</u>	<u>3,653,942</u>	<u>70,807,907</u>
Total capital assets, net	<u>\$ 94,238,188</u>	<u>\$ (1,083,313)</u>	<u>\$ (11,242,409)</u>	<u>\$ (1,636,867)</u>	<u>\$ 80,275,599</u>

The Authority transferred \$1,636,867 from CIP to land held for resale during fiscal 2014 representing properties with no activity during fiscal year 2014 as the Authority intends to offer the properties for sale.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 7 – LAND HELD FOR RESALE

Activity in the land held for resale account for the year ended September 30, 2014 is as follows:

	Balance October 1, 2013	Increases	Decreases	Transfers	Balance September 30, 2014
Land held for resale	\$ 13,144,840	\$ -	\$ (1,204,727)	\$ 1,636,867	\$ 13,576,980
Less: allowance	<u>164,832</u>	<u>-</u>	<u>(40,619)</u>	<u>-</u>	<u>124,213</u>
Total land held for resale, net	<u>\$ 12,980,008</u>	<u>\$ -</u>	<u>\$ (1,164,108)</u>	<u>\$ 1,636,867</u>	<u>\$ 13,452,767</u>

NOTE 8 – DEBT OBLIGATIONS

Changes in the total long-term debt during the year ended September 30, 2014 are summarized below. These debt obligations of RRHA are not held or guaranteed by HUD.

	Balance October 1, 2013	Additions	Forgiveness/ Reductions	Balance September 30, 2014	Due Within One Year
Wells Fargo Note ¹	\$ 1,700,000	\$ 4,864	\$ (372,918)	\$ 1,331,946	\$ 711,233
4th & Grace Place Note ²	765,000	-	-	765,000	-
Diocese of Richmond ³	384,870	-	(18,456)	366,414	18,546
RDC Loan ⁴	739,608	14,514	-	754,122	29,188
ROI Loan ⁵	<u>5,448</u>	<u>-</u>	<u>(1,372)</u>	<u>4,076</u>	<u>1,671</u>
Subtotal	3,594,926	19,378	(392,746)	3,221,558	760,638
Less: Eliminations	<u>(745,056)</u>	<u>(13,325)</u>	<u>1,372</u>	<u>(757,009)</u>	<u>(30,859)</u>
Grand total	<u>\$ 2,849,870</u>	<u>\$ 6,053</u>	<u>\$ (391,374)</u>	<u>\$ 2,464,549</u>	<u>\$ 729,779</u>

¹Wells Fargo Non-Revolver Line of Credit Note: Original Date December 21, 2005 renewed in the amount of \$1,704,864 effective August 31, 2013. Interest to accrue on principal balance; rate may change day to day based on the Daily One Month LIBOR plus 1.50%. The line of credit has been extended through May 1, 2016.

²Dated July 27, 2000, interest rate of 6.4%, maturing January 1, 2021.

³Dated August 28, 2012, interest rate of 6.0%, maturing September 1, 2017.

⁴Dated 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.

⁵Dated July 15, 2011, interest rate of 3.0%. This loan is between the Authority and ROI, a blended component unit and is therefore eliminated for financial statement purposes.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 8 – DEBT OBLIGATIONS (CONTINUED)

The principal payment obligations related to bonds and loans payable for the five years commencing October 1, 2014, and thereafter are as follows:

<u>Year Ended September 30,</u>	<u>Notes and Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 729,779	\$ 39,007
2016	625,704	25,606
2017	344,066	18,966
2018	-	-
2019	-	-
2020-2023	<u>765,000</u>	<u>-</u>
Total	<u><u>\$ 2,464,549</u></u>	<u><u>\$ 83,579</u></u>

NOTE 9 – 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 2014 was as follows:

	<u>Balance</u>		<u>Balance</u>		<u>Due Within</u>
	<u>October 1,</u>	<u>Increases</u>	<u>Reductions</u>	<u>September 30,</u>	
	<u>2013</u>			<u>2014</u>	<u>One Year</u>
Accounts payable	\$ 881,292	\$ 35,332,640	\$ (33,391,132)	\$ 2,822,800	\$ 2,822,800
Due to other governments	6,267,920	3,251,529	(5,079,989)	4,439,460	1,339,090
Accrued liabilities	2,075,442	36,907,246	(36,888,883)	2,093,805	2,093,805
Tenant security deposits	545,927	204,153	(173,578)	576,502	576,502
Unearned revenues	2,650,321	763,019	(20,922)	3,392,418	92,199
Other current liabilities	21,030	4,344		25,374	25,374
Other noncurrent liabilities	1,991,073	752,278	(594,024)	2,149,327	-
OPEB liability	<u>2,493,804</u>	<u>184,031</u>	<u>(267,773)</u>	<u>2,410,062</u>	<u>-</u>
Total	<u><u>\$ 16,926,809</u></u>	<u><u>\$ 77,399,240</u></u>	<u><u>\$ (76,416,301)</u></u>	<u><u>\$ 17,909,748</u></u>	<u><u>\$ 6,949,770</u></u>

NOTE 10 – 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 \$104,177,364 as of September 30, 2014.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 11 – DEFINED BENEFIT PENSION PLAN

Plan Description

RRHA contributes to the Virginia Retirement System (VRS), an 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. The plan is administered by the Board of Trustees for Virginia Retirement System and provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Beginning January 1, 2014, employees newly covered under VRS were enrolled in the new VRS Hybrid Retirement Plan (Hybrid Plan). The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members had the option of converting to the new Hybrid Plan. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority 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

All active members of Plan 1 or Plan 2 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 2014 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. Members of the Hybrid Plan are required to contribute 1% of their creditable compensation per year to the defined contribution component of the Hybrid Plan and active members may make voluntary additional contributions of up to 4% of their creditable compensation. 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. The recommended employer contribution rate for 2014 was 12.40%. 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, 2014, 2013 and 2012 were \$1,242,573, \$1,330,828, and \$1,516,767, respectively and were equal to the required contributions.

Plan Benefits and Membership

All full-time, salaried permanent employees must participate in the VRS as a member of Plan 1, Plan 2 or the Hybrid Plan. Plan 1 includes members hired prior to July 1, 2010, and who were vested as of January 1, 2013. Plan 2 includes members hired on or after July 1, 2010, or members hired prior to July 1, 2010 and who were not vested as of January 1, 2013. The Hybrid Plan includes members hired on or after January 1, 2014 or those who elect the plan. 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 are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.70 percent of their average final compensation (AFC) times years of service. Plan 2 members who retire after reaching Social Security normal retirement age plus five years of

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Benefits and Membership (continued)

service are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.70 percent of their AFC times years of service up to January 1, 2013 plus 1.65% of AFC times years of service from January 1, 2013. Hybrid Plan 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 1.00% of 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 and Hybrid Plan 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 and Hybrid Plan members may retire after reaching age 60 with five years of service, or upon the sum of their age and their years of service being 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.

As of the June 30, 2014 valuation report, the plan had 269 active members, 241 retirees & beneficiaries, and 169 inactive vested & non-vested members

Actuarial Assumptions

The required contributions for the plan were determined as part of the June 30, 2014 and 2013 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. Actuarial cost method – entry age, normal cost
2. Amortization method – level percentage, closed
3. Remaining amortization period – 30 years
4. Inflation rate – 2.50%

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (continued)

5. Asset valuation method – 5-year smoothed market
6. Investment return - 7.00%
7. Projected salary increases of 3% per annum
8. Cost of living adjustment of 2.50% per annum for Plan 1 members and 2.25% per annum for all other members.

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%
June 30, 2013	50,240,927	63,974,138	13,733,211	78.53%	10,313,433	133.16%
June 30, 2014	53,689,328	64,749,885	11,060,557	82.92%	8,977,419	123.20%

NOTE 12 – 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 68 retirees receiving benefits and 168 active plan members at September 30, 2014. The Plan does not issue a publicly available financial report.

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
 - 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.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 12 – POST RETIREMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

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, 2014 were as follows:

Annual required contribution	\$ 249,204
Interest on net OPEB obligation	112,221
Adjustment to annual required contribution	(295,327)
Contribution made	<u>(149,840)</u>
Decrease in net OPEB obligation	(83,742)
Net OPEB obligation, beginning of year	<u>2,493,804</u>
Net OPEB obligation, end of year	<u>\$ 2,410,062</u>

The percentage of AOC contributed was 180.7 percent.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 12 – POST RETIREMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

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, 2014 and 2013 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
9/30/2013	68,615	180.7%	2,493,804
9/30/2014	66,098	226.7%	2,410,062

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 September 30, 2012, the most recent actuarial valuation, the actuarial accrued liability (AAL) was \$1,434,450 and there were no actuarial plan assets, therefore the unfunded AAL (UAAL) was \$1,434,450. As of September 30, 2014, the annual covered payroll of active employees covered by the Plan was \$11,478,856 resulting in a ratio of UAAL to covered payroll of 12.50 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.

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.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 12 – POST RETIREMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (continued)

Actuarial assumptions used in the actuarial valuation were:

Valuation date	September 30, 2012
Actuarial method	Entry age normal cost method
Amortization method	Level percentage of pay
Amortization period	9 years - closed
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

Year Ending September 30,	Annual Rate of Increase
2014	8.00%
2015	7.00%
2016	6.00%
2017-2018	4.70%
2019-2022	4.60%

NOTE 13 – 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, 2014.

NOTE 14 – 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.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 14 – CONTINGENCIES AND OTHER MATTERS (CONTINUED)

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 15 – 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 16 – LEASES

RRHA is obligated under certain leases, which are accounted for as operating leases. Rental expense for the year ended September 30, 2014 was \$127,435. Rental obligations under operating leases for each of the years through September 30, 2018 are as follows:

<u>Year Ended September 30,</u>	<u>Rental Obligation</u>
2015	\$ 98,689
2016	102,110
2017	102,110
2018	<u>42,546</u>
Total	<u><u>\$ 345,455</u></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.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 17 – 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. 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 the four entities listed below. This activity includes payment of operating expenses.

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

RRHA Affiliate and Related Party	Purpose/Project	Date Formed	RRHA Interest	Percentage Ownership
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 18 – ECONOMIC DEPENDENCY

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

NOTE 19 – PENDING GASB STANDARDS

GASB routinely issues standards that will become effective in future years. The following are two standards that have been issued that management has determined may have an impact on future financial statements of the Authority. Management is currently evaluating the specific impact of these Standards.

Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*.

The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pension in which they are involved. This Statement will become effective for the reporting period ending September 30, 2015. The Authority is currently evaluating the effect of the implementation of this Statement.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement will become effective for the reporting period ending September 30, 2015. The Authority is currently evaluating the effect of the implementation of this Statement.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 19 – PENDING GASB STANDARDS (CONTINUED)

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

The objective of this Statement is to address an issue relating to amounts associated with contributions, if any, made by a local government employer contributing to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement will become effective for the reporting period September 30, 2015. The Authority is currently evaluating the effect of the implementation of this Statement.

Statement No. 72, *Fair Value Measurement and Application.*

The objective of this Statement is to enhance the comparability of financial statements among governments and related entities by establishing a consistent hierarchy of fair value measurement techniques. This Statement will become effective for the reporting period ending September 30, 2016. The Authority is currently evaluating the effect of the implementation of this Statement.

REQUIRED SUPPLEMENTARY INFORMATION

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FUNDING PROGRESS
September 30, 2014

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%
September 30, 2012	1,434,450	1,434,450	0.00%	11,478,856	12.50%

OTHER SUPPLEMENTARY INFORMATION

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2014

Line Item #	Account Description	LIPH 14.850/872	HCVP 14.871	HOPE VI 14.866	Blended Component Unit	State/Local	Business Activities	CDBG 14.218
CURRENT ASSETS								
Cash:								
111	Unrestricted	\$ 2,242,254	\$ 1,063,703	\$ -	\$ 325,443	\$ 558,216	\$ 303,739	\$ 60,258
112	Restricted - modernization and development	-	-	-	-	-	-	-
113	Other restricted	-	1,553,975	-	99,126	66,630	2,258,305	54,184
114	Tenant security deposits	576,605	-	-	-	-	-	-
115	Restricted for payment of current liabilities	47,537	33,455	-	-	604,862	376,889	126,000
100	Total cash	<u>2,866,396</u>	<u>2,651,133</u>	<u>-</u>	<u>424,569</u>	<u>1,229,708</u>	<u>2,938,933</u>	<u>240,442</u>
Accounts and notes receivable:								
122	HUD other projects	1,280,001	-	188,116	-	-	20	-
124	Other government	-	-	-	-	49,390	-	226,075
125	Miscellaneous	7,593,028	50,958	-	713	27,535	152,847	30,812
126	Tenants	476,651	-	-	-	620	-	-
126.1	Allowance for doubtful accounts - tenants	(115,949)	-	-	-	-	-	-
127	Notes, loans & mortgages receivable, current	-	-	437,831	-	10,617	361,820	84,648
128	Fraud recovery	-	-	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	-	-
120	Total receivables, net of allowances for uncollectibles	<u>9,233,731</u>	<u>50,958</u>	<u>625,947</u>	<u>713</u>	<u>88,162</u>	<u>514,687</u>	<u>341,535</u>
131	Investments - unrestricted	-	-	-	-	151,339	-	-
132	Investments - restricted	-	-	-	156,014	-	540,342	-
135	Investments - restricted for current liability	-	-	-	-	359,259	741,291	-
	Total current investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,014</u>	<u>510,598</u>	<u>1,281,633</u>	<u>-</u>
142	Prepaid expenses and other assets	52,694	9,407	-	-	-	5,733	-
143	Inventories	329,318	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	(32,884)	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	-	-	-
145	Assets held for sale	62,344	-	1,545,500	-	6,197,679	2,658,452	2,944,010
150	Total current assets	<u>12,511,599</u>	<u>2,711,498</u>	<u>2,171,447</u>	<u>581,296</u>	<u>8,026,147</u>	<u>7,399,438</u>	<u>3,525,987</u>
NONCURRENT ASSETS								
Fixed assets:								
161	Land	2,598,101	-	-	-	1,720,816	13,253	-
162	Buildings	138,043,661	-	-	-	13,775,000	-	-
163	Furniture, equipment & machinery - dwellings	1,520,593	-	-	-	-	-	-
164	Furniture, equipment & machinery - admin.	3,210,988	224,412	-	-	-	27,405	-
165	Leasehold improvements	7,770,179	-	-	-	-	-	-
166	Accumulated depreciation	(87,563,674)	(222,838)	-	-	(6,267,624)	(19,005)	-
167	Construction in progress	356,367	154,810	499,596	-	1,636,828	2,463,823	24,098
160	Total fixed assets, net of accumulated depreciation	<u>65,936,215</u>	<u>156,384</u>	<u>499,596</u>	<u>-</u>	<u>10,865,020</u>	<u>2,485,476</u>	<u>24,098</u>
171	Notes, loans and mortgages receivable - noncurrent	5,330,820	-	8,054,377	-	528,719	3,784,405	2,894,608
174	Other assets	-	-	-	-	-	-	-
176	Investment in joint ventures	-	-	-	459,224	-	-	-
180	Total noncurrent assets	<u>71,267,035</u>	<u>156,384</u>	<u>8,553,973</u>	<u>459,224</u>	<u>11,393,739</u>	<u>6,269,881</u>	<u>2,918,706</u>
190	TOTAL ASSETS	<u>\$ 83,778,634</u>	<u>\$ 2,867,882</u>	<u>\$ 10,725,420</u>	<u>\$ 1,040,520</u>	<u>\$ 19,419,886</u>	<u>\$ 13,669,319</u>	<u>\$ 6,444,693</u>

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2014

Line Item #	Account Description	ROSS 14.870	HOME	Other Project (RAD)	Section 8 Mod Rehab 14.856	COCC	Eliminations	Total
CURRENT ASSETS								
Cash:								
111	Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ 724	\$ -	\$ 4,554,337
112	Restricted - modernization and development	-	-	-	-	-	-	-
113	Other restricted	-	13,015	-	-	-	-	4,045,235
114	Tenant security deposits	-	-	-	-	-	-	576,605
115	Restricted for payment of current liabilities	-	-	-	-	-	-	1,188,743
100	Total cash	-	13,015	-	-	724	-	10,364,920
Accounts and notes receivable:								
122	HUD other projects	16,869	-	-	-	-	-	1,485,006
124	Other government	-	-	-	-	-	-	275,465
125	Miscellaneous	-	9,232	-	-	4,539,737	(11,992,595)	412,267
126	Tenants	-	-	-	-	1,075	-	478,346
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-	-	(115,949)
127	Notes, loans & mortgages receivable, current	-	54,400	-	-	1,579	(30,859)	920,036
128	Fraud recovery	-	-	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	-	-
120	Total receivables, net of allowances for uncollectibles	16,869	63,632	-	-	4,542,391	(12,023,454)	3,455,171
131	Investments - unrestricted	-	-	-	-	-	-	151,339
132	Investments - restricted	-	-	-	-	900,825	-	1,597,181
135	Investments - restricted for current liability	-	-	-	-	-	-	1,100,550
	Total current investments	-	-	-	-	900,825	-	2,849,070
142	Prepaid expenses and other assets	-	-	-	-	308,973	-	376,807
143	Inventories	-	-	-	-	167,715	-	497,033
143.1	Allowance for obsolete inventories	-	-	-	-	(16,771)	-	(49,655)
144	Interprogram - due from	-	-	-	-	-	-	-
145	Assets held for sale	-	44,782	-	-	-	-	13,452,767
150	Total current assets	16,869	121,429	-	-	5,903,857	(12,023,454)	30,946,113
NONCURRENT ASSETS								
Fixed assets:								
161	Land	-	-	-	-	-	-	4,332,170
162	Buildings	-	-	-	-	-	-	151,818,661
163	Furniture, equipment & machinery - dwellings	-	-	-	-	-	-	1,520,593
164	Furniture, equipment & machinery - admin.	-	-	-	-	3,748,416	-	7,211,221
165	Leasehold improvements	-	-	-	-	-	-	7,770,179
166	Accumulated depreciation	-	-	-	-	(3,439,606)	-	(97,512,747)
167	Construction in progress	-	-	-	-	-	-	5,135,522
160	Total fixed assets, net of accumulated depreciation	-	-	-	-	308,810	-	80,275,599
171	Notes, loans and mortgages receivable - noncurrent	-	1,561,151	-	-	1,216	(726,150)	21,429,146
174	Other assets	-	-	-	-	-	-	-
176	Investment in joint ventures	-	-	-	-	-	-	459,224
180	Total noncurrent assets	-	1,561,151	-	-	310,026	(726,150)	102,163,969
190	TOTAL ASSETS	<u>\$ 16,869</u>	<u>\$ 1,682,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,213,883</u>	<u>\$ (12,749,604)</u>	<u>\$ 133,110,082</u>

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2014

Line Item #	Account Description	LIPH 14.850/872	HCVP 14.871	HOPE VI 14.866	Blended Component Unit	State/Local	Business Activities	CDBG 14.218
CURRENT LIABILITIES								
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable <= 90 days	2,516,273	293,325	152,769	142,363	89,321	303,788	48,059
313	Accounts payable > 90 days	-	-	-	-	127,993	2,728,979	115,781
321	Accrued wage/payroll taxes payable	161,526	23,367	2,548	-	6,051	15,575	2,322
322	Accrued compensated absences - current portion	307,271	34,125	-	-	-	63,061	-
324	Accrued contingency liability	-	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	2,034	-
331	Accounts payable - HUD PHA programs	351,055	434,349	-	-	-	-	-
333	Accounts payable - other government	-	-	-	-	855,824	-	366,529
341	Tenant security deposits	576,502	-	-	-	-	-	-
342	Deferred revenues	91,549	647	-	-	-	-	3
343	Current portion of LT debt - capital projects / mortg	-	-	-	29,188	-	241,902	-
344	Current portion of LT debt - operating	-	-	-	1,671	-	-	-
345	Other current liabilities	11,566	-	-	5,153	-	2,017	6,044
346	Accrued liabilities - other	1,009,833	3,358	-	179	672	7,622	694
347	Interprogram (due to)	-	-	-	-	-	-	-
348	Loan liability - current	-	-	-	-	-	487,877	-
310	Total current liabilities	<u>5,025,575</u>	<u>789,171</u>	<u>155,317</u>	<u>178,554</u>	<u>1,079,861</u>	<u>3,852,855</u>	<u>539,432</u>
NONCURRENT LIABILITIES								
351	LT debt, net of current - capital projects/mortg	-	-	-	724,934	-	211,113	-
352	LT debt, net of current - operating	-	-	-	2,405	-	-	-
353	Non-current liabilities - other	1,786,354	33,499	862,677	172,833	270,934	1,243,948	2,612,775
354	Accrued compensated absences - noncurrent	-	-	-	-	-	-	-
355	Loan liability - noncurrent	333	-	-	-	-	757,135	765,000
357	Accrued pension and OPEB liability	583,006	171,754	-	-	-	95,787	-
350	Total noncurrent liabilities	<u>2,369,693</u>	<u>205,253</u>	<u>862,677</u>	<u>900,172</u>	<u>270,934</u>	<u>2,307,983</u>	<u>3,377,775</u>
300	Total liabilities	<u>7,395,268</u>	<u>994,424</u>	<u>1,017,994</u>	<u>1,078,726</u>	<u>1,350,795</u>	<u>6,160,838</u>	<u>3,917,207</u>
NET POSITION								
508.1	Net investment in capital assets	65,936,215	156,384	499,596	(754,122)	10,865,020	2,032,461	24,098
511.1	Restricted net position	-	1,430,114	-	255,140	176,177	3,916,827	-
512.1	Unrestricted net position	10,447,151	286,960	9,207,830	460,776	7,027,894	1,559,193	2,503,388
513	Total net position	<u>76,383,366</u>	<u>1,873,458</u>	<u>9,707,426</u>	<u>(38,206)</u>	<u>18,069,091</u>	<u>7,508,481</u>	<u>2,527,486</u>
600	TOTAL LIABILITIES AND NET POSITION	<u>\$ 83,778,634</u>	<u>\$ 2,867,882</u>	<u>\$ 10,725,420</u>	<u>\$ 1,040,520</u>	<u>\$ 19,419,886</u>	<u>\$ 13,669,319</u>	<u>\$ 6,444,693</u>

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2014

Line Item #	Account Description	ROSS 14.870	HOME	Other Project (RAD)	Section 8 Mod Rehab 14.856	COCC	Eliminations	Total
CURRENT LIABILITIES								
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable <= 90 days	14,387	2,107	-	-	2,159,219	(3,580,369)	2,141,242
313	Accounts payable > 90 days	-	-	-	-	5,330,475	(8,407,074)	(103,846)
321	Accrued wage/payroll taxes payable	2,482	-	-	-	98,650	-	312,521
322	Accrued compensated absences - current portion	-	-	-	-	346,731	-	751,188
324	Accrued contingency liability	-	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	-	2,034
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-	785,404
333	Accounts payable - other government	-	116,737	-	-	-	-	1,339,090
341	Tenant security deposits	-	-	-	-	-	-	576,502
342	Deferred revenues	-	-	-	-	-	-	92,199
343	Current portion of LT debt - capital projects / mortg	-	-	-	-	-	(29,188)	241,902
344	Current portion of LT debt - operating	-	-	-	-	-	(1,671)	-
345	Other current liabilities	-	-	-	-	5,746	(5,152)	25,374
346	Accrued liabilities - other	-	-	-	-	5,704	-	1,028,062
347	Interprogram (due to)	-	-	-	-	-	-	-
348	Loan liability - current	-	-	-	-	-	-	487,877
310	Total current liabilities	<u>16,869</u>	<u>118,844</u>	<u>-</u>	<u>-</u>	<u>7,946,525</u>	<u>(12,023,454)</u>	<u>7,679,549</u>
NONCURRENT LIABILITIES								
351	LT debt, net of current - capital projects/mortg	-	-	-	-	-	(724,934)	211,113
352	LT debt, net of current - operating	-	-	-	-	-	(1,216)	1,189
353	Non-current liabilities - other	-	1,566,896	-	-	-	-	8,549,916
354	Accrued compensated absences - noncurrent	-	-	-	-	-	-	-
355	Loan liability - noncurrent	-	-	-	-	-	-	1,522,468
357	Accrued pension and OPEB liability	-	-	-	-	1,559,515	-	2,410,062
350	Total noncurrent liabilities	<u>-</u>	<u>1,566,896</u>	<u>-</u>	<u>-</u>	<u>1,559,515</u>	<u>(726,150)</u>	<u>12,694,748</u>
300	Total liabilities	<u>16,869</u>	<u>1,685,740</u>	<u>-</u>	<u>-</u>	<u>9,506,040</u>	<u>(12,749,604)</u>	<u>20,374,297</u>
NET POSITION								
508.1	Net investment in capital assets	-	-	-	-	308,810	724,934	79,793,396
511.1	Restricted net position	-	-	-	-	900,825	-	6,679,083
512.1	Unrestricted net position	-	(3,160)	-	-	(4,501,792)	(724,934)	26,263,306
513	Total net position	<u>-</u>	<u>(3,160)</u>	<u>-</u>	<u>-</u>	<u>(3,292,157)</u>	<u>-</u>	<u>112,735,785</u>
600	TOTAL LIABILITIES AND NET POSITION	<u>\$ 16,869</u>	<u>\$ 1,682,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,213,883</u>	<u>\$ (12,749,604)</u>	<u>\$ 133,110,082</u>

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2014

Line		LIPH	HCVP	HOPE VI	Blended	Business	CDBG	
Item #	Account Description	14.850/872	14.871	14.866	Component Unit	State/Local	Activities	14.218
REVENUE								
70300	Net tenant rental revenue	\$ 8,625,656	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70400	Tenant revenue - other	1,305,410	-	-	-	-	-	-
70500	Total tenant revenue	9,931,066	-	-	-	-	-	-
70600	HUD PHA operating grants	22,650,047	24,355,943	195,844	-	-	-	-
70610	Capital grants	2,670,412	-	589,392	-	-	-	-
70710	Management fee	-	-	-	-	-	-	-
70720	Asset management fee	-	-	-	-	-	-	-
70730	Bookkeeping fee	-	-	-	-	-	-	-
70740	Front line service fee	-	-	-	-	-	-	-
70750	Other fees	-	-	-	-	-	-	-
70800	Other governmental grants	-	-	-	-	-	-	405,467
71100	Investment income - unrestricted	281	-	-	(140,286)	84	14,514	-
71200	Mortgage interest income	-	-	-	-	-	118,493	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	1,000	76,409	22
71310	Cost of sales of assets	-	-	(642,989)	-	(10,214,081)	(49,254)	(704,755)
71400	Fraud recovery	-	56,592	-	-	-	-	-
71500	Other revenue	787,038	337,252	25,839	13,648	1,392,712	593,735	126,414
71600	Gain or loss on the sale of fixed assets	(311,951)	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	10	1,106	3,582	-
70000	Total revenue	35,726,893	24,749,787	168,086	(126,628)	(8,819,179)	757,479	(172,852)
EXPENSES								
Administrative:								
91100	Administrative salaries	1,676,378	606,511	87,991	-	156,351	379,408	68,864
91200	Auditing fees	54,575	62,075	-	1,500	300	-	-
91300	Management fee	3,795,631	273,110	-	-	-	-	-
91310	Bookkeeping fee	333,314	-	-	-	-	-	-
91400	Advertising and marketing	3,861	-	681	-	3,476	946	-
91500	Employee benefit contributions - administrative	572,845	169,246	24,613	-	40,718	122,394	24,125
91600	Office expenses	513,022	167,089	82,254	-	41,199	281,468	11,726
91700	Legal expense	246,668	21,505	9,914	1,720	40,124	178,016	142,392
91800	Travel	-	-	-	-	-	-	-
91900	Other	418,987	125,693	6,600	8,905	-	2,024	-
91000	Total administrative	7,615,281	1,425,229	212,053	12,125	282,168	964,256	247,107
92000	Asset management fee	424,753	-	-	-	-	-	-
Tenant services:								
92100	Salaries	-	-	-	-	-	-	-
92200	Relocation costs	57,809	-	-	-	-	1,325	-
92300	Employee benefit contributions	-	-	-	-	-	-	-
92400	Other	1,343,751	3,172	-	2,220	-	-	-
92500	Total tenant services	1,401,560	3,172	-	2,220	-	1,325	-
Utilities:								
93100	Water	1,826,187	-	-	-	-	355	172
93200	Electricity	2,828,326	-	-	-	16,128	1,000	456
93300	Gas	2,021,770	-	-	-	-	-	-
93400	Fuel	-	-	-	-	-	-	-
93600	Sewer	3,207,966	-	-	-	-	360	-
93800	Other utilities expense	271,307	-	-	-	2,696	26,886	3,082
93000	Total utilities	10,155,556	-	-	-	18,824	28,601	3,710
Ordinary maintenance & operations:								
94100	Labor	2,445,165	-	-	-	-	-	-
94200	Materials and other	911,722	-	-	-	-	261	-
94300	Contracts	3,179,148	-	-	-	-	-	254
94500	Employee benefits contribution	943,394	-	-	-	-	-	-
94000	Total ordinary maintenance & operations	7,479,429	-	-	-	-	261	254
Protective services:								
95100	Labor	277,036	-	-	-	-	-	-
95200	Other contract costs	395,602	-	-	-	-	-	-
95300	Other	151,056	-	-	-	-	995	-
95500	Employee benefit contributions	103,374	-	-	-	-	-	-
95000	Total protective services	927,068	-	-	-	-	995	-

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2014

Line Item #	Account Description	ROSS 14.870	HOME	Other Project (RAD)	Section 8 Mod Rehab 14.856	COCC	Eliminations	Total
REVENUE								
70300	Net tenant rental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,625,656
70400	Tenant revenue - other	-	-	-	-	-	-	1,305,410
70500	Total tenant revenue	-	-	-	-	-	-	9,931,066
70600	HUD PHA operating grants	82,966	-	-	70,116	-	-	47,354,916
70610	Capital grants	-	-	-	-	-	-	3,259,804
70710	Management fee	-	-	-	-	3,417,389	(3,417,389)	-
70720	Asset management fee	-	-	-	-	424,753	(424,753)	-
70730	Bookkeeping fee	-	-	-	-	333,314	(333,314)	-
70740	Front line service fee	-	-	-	-	1,904,820	(1,904,820)	-
70750	Other fees	-	-	-	-	1,777,331	(1,777,331)	-
70800	Other governmental grants	-	-	-	-	-	-	405,467
71100	Investment income - unrestricted	-	-	-	-	109	(13,424)	(138,722)
71200	Mortgage interest income	-	-	-	-	-	-	118,493
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	77,431
71310	Cost of sales of assets	-	(213,891)	-	-	-	-	(11,824,970)
71400	Fraud recovery	-	-	-	-	-	-	56,592
71500	Other revenue	-	10,019	-	-	181,184	(738,968)	2,728,873
71600	Gain or loss on the sale of fixed assets	-	-	-	-	-	-	(311,951)
72000	Investment income - restricted	-	-	-	-	174	-	4,872
70000	Total revenue	82,966	(203,872)	-	70,116	8,039,074	(8,609,999)	51,661,871
EXPENSES								
Administrative:								
91100	Administrative salaries	2,123	-	-	-	3,296,873	-	6,274,499
91200	Auditing fees	-	-	-	-	98,350	-	216,800
91300	Management fee	-	-	-	7,857	-	(3,780,283)	296,315
91310	Bookkeeping fee	-	-	-	-	-	(333,314)	-
91400	Advertising and marketing	-	-	-	-	19,915	-	28,879
91500	Employee benefit contributions - administrative	359	-	-	-	955,047	-	1,909,347
91600	Office expenses	-	-	-	-	1,171,499	(376,074)	1,892,183
91700	Legal expense	-	-	-	-	2,032,388	-	2,672,727
91800	Travel	-	-	-	-	-	-	-
91900	Other	-	-	-	-	302,660	(510,605)	354,264
91000	Total administrative	2,482	-	-	7,857	7,876,732	(5,000,276)	13,645,014
92000	Asset management fee	-	-	-	-	-	(424,753)	-
Tenant services:								
92100	Salaries	61,836	-	-	-	254,215	-	316,051
92200	Relocation costs	-	-	-	-	-	-	59,134
92300	Employee benefit contributions	18,648	-	-	-	86,065	-	104,713
92400	Other	-	-	-	-	252	(1,154,559)	194,836
92500	Total tenant services	80,484	-	-	-	340,532	(1,154,559)	674,734
Utilities:								
93100	Water	-	-	-	-	-	-	1,826,714
93200	Electricity	-	-	-	-	(8)	-	2,845,902
93300	Gas	-	-	-	-	-	-	2,021,770
93400	Fuel	-	-	-	-	-	-	-
93600	Sewer	-	-	-	-	-	-	3,208,326
93800	Other utilities expense	-	-	-	-	-	-	303,971
93000	Total utilities	-	-	-	-	(8)	-	10,206,683
Ordinary maintenance & operations:								
94100	Labor	-	-	-	-	1,259,634	-	3,704,799
94200	Materials and other	-	-	-	-	31,685	-	943,668
94300	Contracts	-	-	-	-	624	(1,266,727)	1,913,299
94500	Employee benefits contribution	-	-	-	-	447,227	-	1,390,621
94000	Total ordinary maintenance & operations	-	-	-	-	1,739,170	(1,266,727)	7,952,387
Protective services:								
95100	Labor	-	-	-	-	55,383	-	332,419
95200	Other contract costs	-	-	-	-	-	-	395,602
95300	Other	-	-	-	-	135,898	(148,106)	139,843
95500	Employee benefit contributions	-	-	-	-	-	-	103,374
95000	Total protective services	-	-	-	-	191,281	(148,106)	971,238

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2014

Line Item #	Account Description	LIPH 14.850/872	HCVP 14.871	HOPE VI 14.866	Blended Component Unit	State/Local	Business Activities	CDBG 14.218
EXPENSES (Continued)								
Insurance premiums:								
96110	Property insurance	\$ 555,229	\$ -	\$ -	\$ -	\$ 4,448	\$ 12,323	\$ 4,704
96120	Liability insurance	173,545	8,223	-	-	2,366	2,958	2,169
96130	Workmen's compensation	96,742	15,475	-	-	-	8,015	-
96140	All other insurance	130,503	11,701	-	-	-	18,472	-
96100	Total insurance premiums	956,019	35,399	-	-	6,814	41,768	6,873
Other general expenses:								
96200	Other general expenses	819,370	20,059	14,119	21,717	102,249	505,132	160,306
96210	Compensated absences	(52,497)	(4,724)	-	-	-	3,045	-
96300	Payments in lieu of taxes	-	-	-	-	-	-	-
96400	Bad debt - tenants rent	309,532	-	-	-	-	-	-
96500	Bad debt - mortgages	-	-	432,670	-	-	67,997	-
96600	Bad debt - other	-	-	-	-	-	174,748	-
96800	Severance expense	-	-	-	-	-	-	-
96000	Total other general expenses	1,076,405	15,335	446,789	21,717	102,249	750,922	160,306
Interest expense and amortization costs								
96710	Interest on mortgage/bonds payable	-	-	-	-	-	-	-
96720	Interest on notes payable	-	-	-	14,647	-	52,122	-
96730	Amortization of bond issue costs	-	-	-	-	-	-	-
96700	Total interest expense and amortization costs	-	-	-	14,647	-	52,122	-
96900	Total operating expenses	30,036,071	1,479,135	658,842	50,709	410,055	1,840,250	418,250
97000	Excess of operating revenue over operating expenses	5,690,822	23,270,652	(490,756)	(177,337)	(9,229,234)	(1,082,771)	(591,102)
Extraordinary maintenance								
97100	Extraordinary maintenance	1,225	-	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-
97300	Housing assistance payments	41,671	21,726,656	-	-	-	-	-
97350	HAP portability in	-	316,958	-	-	-	-	-
97400	Depreciation expense	4,029,336	3,778	-	-	312,117	-	-
90000A	Total other expenses	4,072,232	22,047,392	-	-	312,117	-	-
90000	Total expenses	34,108,303	23,526,527	658,842	50,709	722,172	1,840,250	418,250
Other financing sources (uses):								
10010	Operating transfer in	1,989,025	-	-	-	-	-	-
10020	Operating transfer out	(1,989,025)	-	-	-	-	-	-
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)	-	-	-	-	-	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	<u>\$ 1,618,590</u>	<u>\$ 1,223,260</u>	<u>\$ (490,756)</u>	<u>\$ (177,337)</u>	<u>\$ (9,541,351)</u>	<u>\$ (1,082,771)</u>	<u>\$ (591,102)</u>
Memo Account Information								
11020	Required annual debt principal payments	\$ -	\$ -	\$ -	\$ 30,859	\$ -	\$ 729,779	\$ -
11030	Beginning equity	74,415,960	565,177	13,761,584	159,596	28,136,086	8,269,133	3,138,940
11040	Prior period adjustments, equity transfers & correction	348,816	85,021	(3,563,402)	(20,465)	(525,644)	322,119	(20,352)
11170	Administrative fee equity	-	443,344	-	-	-	-	-
11180	Housing assistance payments equity	-	1,430,114	-	-	-	-	-
11190	Unit months available	48,124	34,245	-	-	-	-	-
11210	Unit months leased	45,889	32,720	-	-	-	-	-
11270	Excess cash	4,737,217	-	-	-	-	-	-
11610	Land purchases	-	-	-	-	-	-	-
11620	Building purchases	-	-	-	-	-	-	-
11630	Furniture & equipment - dwelling purchases	-	-	-	-	-	-	-
11640	Furniture & equipment - administrative purchases	-	-	-	-	-	-	-
11650	Leasehold improvements	-	-	-	-	-	-	-
11660	Infrastructure purchases	2,670,412	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
September 30, 2014

Line Item #	Account Description	ROSS 14.870	HOME	Other Project (RAD)	Section 8 Mod Rehab 14.856	COCC	Eliminations	Total
EXPENSES (Continued)								
Insurance premiums:								
96110	Property insurance	\$ -	\$ -	\$ -	\$ -	\$ 11,250	\$ -	\$ 587,954
96120	Liability insurance	-	-	-	-	9,472	-	198,733
96130	Workmen's compensation	-	-	-	-	84,761	-	204,993
96140	All other insurance	-	-	-	-	123,866	-	284,542
96100	Total insurance premiums	-	-	-	-	229,349	-	1,276,222
Other general expenses								
96200	Other general expenses	-	2	-	397	135,364	(602,154)	1,176,561
96210	Compensated absences	-	-	-	-	(34,408)	-	(88,584)
96300	Payments in lieu of taxes	-	-	-	-	-	-	-
96400	Bad debt - tenants rent	-	-	-	-	-	-	309,532
96500	Bad debt - mortgages	-	-	-	-	-	-	500,667
96600	Bad debt - other	-	-	-	-	-	-	174,748
96800	Severance expense	-	-	-	-	-	-	-
96000	Total other general expenses	-	2	-	397	100,956	(602,154)	2,072,924
Interest expense and amortization costs								
96710	Interest on mortgage/bonds payable	-	-	-	-	-	-	-
96720	Interest on notes payable	-	-	-	-	-	(13,424)	53,345
96730	Amortization of bond issue costs	-	-	-	-	-	-	-
96700	Total interest expense and amortization costs	-	-	-	-	-	(13,424)	53,345
96900	Total operating expenses	82,966	2	-	8,254	10,478,012	(8,609,999)	36,852,547
97000	Excess of operating revenue over operating expenses	-	(203,874)	-	61,862	(2,438,938)	-	14,809,324
Extraordinary maintenance								
97100	Extraordinary maintenance	-	-	-	-	-	-	1,225
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-
97300	Housing assistance payments	-	-	-	61,800	-	-	21,830,127
97350	HAP portability in	-	-	-	-	-	-	316,958
97400	Depreciation expense	-	-	-	-	278,277	-	4,623,508
90000A	Total other expenses	-	-	-	61,800	278,277	-	26,771,818
90000	Total expenses	82,966	2	-	70,054	10,756,289	(8,609,999)	63,624,365
Other financing sources (uses):								
10010	Operating transfer in	-	-	-	-	-	(1,989,025)	-
10020	Operating transfer out	-	-	-	-	-	1,989,025	-
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)	-	-	-	-	-	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ -	\$ (203,874)	\$ -	\$ 62	\$ (2,717,215)	\$ -	\$ (11,962,494)
Memo Account Information								
11020	Required annual debt principal payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (30,859)	\$ 729,779
11030	Beginning equity	-	220,325	1,414,921	(42)	141,017	-	130,222,697
11040	Prior period adjustments, equity transfers & correction	-	(19,611)	(1,414,921)	(20)	(715,959)	-	(5,524,418)
11170	Administrative fee equity	-	-	-	-	-	-	443,344
11180	Housing assistance payments equity	-	-	-	-	-	-	1,430,114
11190	Unit months available	-	-	-	456	-	-	82,825
11210	Unit months leased	-	-	-	132	-	-	78,741
11270	Excess cash	-	-	-	-	-	-	4,737,217
11610	Land purchases	-	-	-	-	-	-	-
11620	Building purchases	-	-	-	-	-	-	-
11630	Furniture & equipment - dwelling purchases	-	-	-	-	-	-	-
11640	Furniture & equipment - administrative purchases	-	-	-	-	-	-	-
11650	Leasehold improvements	-	-	-	-	-	-	-
11660	Infrastructure purchases	-	-	-	-	-	-	2,670,412
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
Modernization Project Number VA36P007501-07
From Inception through September 30, 2014

Operations	\$ 1,334,000
Management improvements	1,241,183
Administration	771,149
Audit	2,283
Fees and costs	155,735
Site improvement	6,643
Dwelling structures	2,584,800
Non-dwelling structures	362,825
Non-dwelling equipment	1,217,718
Demolition	<u>35,153</u>
Total development costs	<u>\$ 7,711,489</u>

The total amount of modernization costs at September 30, 2014 as shown above agree with the Annual Performance and Evaluation Form submitted to HUD on October 8, 2014.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
Modernization Project Number VA36P007501-08
From Inception through September 30, 2014

Operations	\$ 1,540,000
Management improvements	1,212,191
Administration	772,000
Fees and costs	124,458
Site improvement	464,191
Dwelling structures	3,118,229
Dwelling structures - nonexpendable	9,913
Non-dwelling structures	132,391
Non-dwelling equipment	142,909
Relocation costs	<u>204,122</u>
Total development costs	<u>\$ 7,720,404</u>

The total amount of modernization costs at September 30, 2014 as shown above agree with the Annual Performance and Evaluation Form submitted to HUD on October 8, 2014.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
Modernization Project Number VA36P007501-09
From Inception through September 30, 2014

Operations	\$ 1,551,059
Management improvements	1,550,466
Administration	775,529
Audit	31,000
Fees and costs	154,501
Site improvement	622,220
Dwelling structures	2,646,503
Dwelling structures - nonexpendable	13,446
Non-dwelling structures	268,854
Non-dwelling equipment	55,332
Demolition	29,475
Relocation costs	<u>56,909</u>
 Total development costs	 <u>\$ 7,755,294</u>

The total amount of modernization costs at September 30, 2014 as shown above agree with the Annual Performance and Evaluation Form submitted to HUD on October 8, 2014.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
Modernization Project Number VA36P007501-10
From Inception through September 30, 2014

Operations	\$ 1,545,960
Management improvements	1,545,385
Administration	772,980
Audit	61,438
Fees and costs	143,394
Site improvement	145,416
Dwelling structures	3,325,842
Dwelling structures - nonexpendable	89,402
Non-dwelling structures	-
Non-dwelling equipment	-
Demolition	-
Relocation costs	<u>100,000</u>
Total development costs	<u>\$ 7,729,817</u>

The total amount of modernization costs at September 30, 2014 as shown above agree with the Annual Performance and Evaluation Form submitted to HUD on October 8, 2014.

SINGLE AUDIT REPORT

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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, the financial statements of the business-type activities of Richmond Redevelopment and Housing Authority (the Authority), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 6, 2015.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

Authority's Response to Finding

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".**CliftonLarsonAllen LLP**

Arlington, Virginia
May 6, 2015

**INDEPENDENT AUDITORS' 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

Report on Compliance for Each Major Federal Program

We have audited Richmond Redevelopment and Housing Authority's (the Authority) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2014. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Basis for Qualified Opinion on Low Rent Public Housing Program

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA 14.850 Low Rent Public Housing Program as described in finding number 2014-002 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on Low Rent Public Housing Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Low Rent Public Program for the year ended September 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2014-003 and 2014-005. Except as noted above, our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-003 through 2014-005 to be significant deficiencies.

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

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

CliftonLarsonAllen LLP

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

Arlington, Virginia
May 6, 2015

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2014

	Federal Catalog Number	Federal Expenditures
U.S. Department of Housing and Urban Development (HUD)		
Public and Indian Housing Operating subsidy	14.850	\$ 18,678,807
HOPE VI - Urban Revitalization Development	14.866	785,237
Housing Choice Voucher Program	14.871	23,526,527
Capital Fund Program	14.872	6,701,152
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	70,054
Resident Opportunity Support Services	14.870	<u>82,967</u>
Total HUD Financial Assistance		<u>49,844,744</u>
State/Local Financial Pass-Through Assistance		
City of Richmond:		
Community Development Block Grant	14.218	<u>405,467</u>
Total Expenditures of Federal Awards		<u><u>\$ 50,250,211</u></u>

This schedule is an integral part of the accompanying notes.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2014

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 Richmond Redevelopment and Housing Authority (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 2014 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, 2014. No new loans were disbursed during the year ended September 30, 2014.

	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grant	14.218	\$ 2,979,256
HOME	14.239	<u>1,615,551</u>
Total		<u>\$ 4,594,807</u>

**RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2014**

I. Summary of Independent Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- | | | | | |
|---|--------------|-----|---------------|---------------|
| • Material weakness(es) identified? | <u> X </u> | Yes | <u> </u> | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u> X </u> | Yes | <u> </u> | None reported |

Type of auditors' report issued on compliance for major programs:

Modified

- | | | | | |
|--|--------------|-----|---------------|----|
| • Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | <u> X </u> | Yes | <u> </u> | No |
|--|--------------|-----|---------------|----|

Identification of Major Programs

Name of Federal Program	CFDA Number
Low Rent Public Housing Program	14.850
Section 8 Housing Choice Voucher Cluster	14.871

Dollar threshold used to distinguish between type A and type B programs \$1,645,351

Auditee qualified as low-risk auditee?	<u> X </u>	Yes	<u> </u>	No
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RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2014

II. Financial Statement Findings

Finding 2014-001

Type of Finding: Material Weakness

Condition/Context

Management reviewed the construction in progress accounts and discovered multiple errors related to prior fiscal years. A number of real property parcels sold or otherwise disposed in a prior year had not been removed from the construction in progress accounts. In addition, significant amounts added to the construction in progress accounts in prior fiscal years were determined to be non-capitalizable items but were not properly expensed until the current fiscal year. These issues resulted in a restatement of prior year net position in the amount of \$5,524,419.

Criteria

Items that have been sold should be removed from property, plant, and equipment in the year of their disposal and amounts that do not qualify as construction in progress should be expensed when incurred.

Cause

The Authority did not properly maintain the capital assets recorded on their books or record items as they were disposed by the Authority.

Effect

These errors resulted in inaccurate account balances and increased the risk of misstatement or fraudulent activity.

Questioned Costs

Unable to determine

Recommendation

We recommend the Authority review their process for recording property, plant, and equipment to ensure amounts are added, disposed or expensed in the proper period.

RRHA Response

The Authority has procedures in place to ensure that the recording of property, plant, and equipment is accurate. The Authority made the determination to review its construction work in progress for the HOPE 6 grant to ensure that all properties sold were removed from the construction work in progress. Several of the transactions pre-dated fiscal 2012. During fiscal 2014, the Authority implemented a monthly reconciliation and review process of the construction work in process accounts to insure the non-capitalizable items are properly expensed in the current fiscal year. To further strengthen the review process, the Controller will implement an additional process to ensure updates are timely and accurate. The Controller will select samples of purchases and sales of properties from the insurance report provided by Real Estate and Community Development and will ensure that the transactions have been properly reported. This process will be implemented immediately. The Finance Manager and Controller are responsible for this correction action. This process will be implemented immediately.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2014

III. Federal Award Findings and Questioned Costs

Finding 2014-002: **Low Rent Public Housing, CFDA #14.850**
Federal Agency: **U.S. Department of Housing and Urban Development**
Compliance Requirement: **Allowable Costs**
Type of Finding: **Noncompliance, Material Weakness**

Condition

Testing of receivable balances owed to the Low Rent Public Housing (LRPH) program from the Central Office Cost Center (COCC) indicated potential unallowable uses of LRPH grant funds to pay for salary and other vendor payables on behalf of the COCC.

Criteria

The Operating Fund is designed to make assistance available to PHA's for the operation and management of public housing. PHA's are precluded from providing temporary loans to other programs, and interfund transactions indicate the existence of temporary loans, especially if they are not satisfied on a timely basis. Any funds transferred out of the operating fund require proper authorization from HUD and should be documented in accordance with 42 USC 1437g(e).

Cause

The COCC has not generated sufficient income to maintain the cash balances necessary to cover their expenses.

Effect

It appears LRPH grant funds were used to cover expenses of the COCC. This is considered an unallowable use of grant funds and could be subject to repayment.

Questioned Costs

\$4,908,813.

Recommendation

We recommend the Authority work with HUD to determine the full extent of any unallowable grant expenditures and establish a repayment agreement if necessary. In addition, we recommend the Authority evaluate the operations of the COCC to determine where they can generate cost savings to better leverage the revenue the COCC generates.

RRHA Response

The Authority will work with HUD to determine the full extent of any unallowable grant expenditures and establish a repayment agreement if necessary. In addition, the Authority is underway in reviewing the COCC operations and will provide recommendations for reorganizing the COCC operations, reducing costs and researching alternate streams of revenue. The Controller and Executive Team are responsible for this corrective action and the anticipated completion date is September 30, 2015.

**RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2014**

Finding 2014-003: **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

The Authority has 15 tenant councils which equals 180 months of expenditures. Testing of 22 months of expenditures found 15 months with numerous unallowable or unsupported expenditures. The unallowable expenditures included excessive food/beverage costs, supplies for social events, and holiday bonuses to council leaders. The review of checks and support for expenditures noted many checks written to council presidents for payment of expenses with no supporting invoice or receipt for the expenses. In addition, 4 tenant councils did not properly prepare a budget for their use of tenant participation funds.

Criteria

PIH Notice 2013-21 and 24 CFR 964.140 and 964.15 provide guidance on the activities allowed for tenant participation purposes. Unallowable expenses include those outside the PHA policy, HUD regulatory requirements and items specifically listed as prohibited funds in the Office of Management and Budget's (OMB) Circular A-87. This list of prohibited uses of federal funds includes entertainment and social activities.

Cause

The Authority has not sufficiently implemented and monitored controls 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 unallowable expenditures or questionable expenditures. We could not determine that all expenditures were properly spent on tenant participation activities.

Questioned Costs

\$5,509.

Recommendation

We recommend the Authority continue to improve procedures for reviewing tenant council expenditures and provide additional training for council members in proper financial recordkeeping processes and allowable costs. The Authority should provide written information to the councils describing how unallowable expenses should be repaid and the potential consequences of continued unallowable expenses.

RRHA Response

The Authority has entered into written agreements with all tenant councils effective December 2012. The written agreements were updated effective May 2014 along with the implementation of Financial Management Procedures. The written agreements document the funding received, allowable expenditures of funds, and that the Authority has the authorization to inspect financial records. The Financial Management Procedures provide clarification on the use of cash, cell phone usage, and training costs. The Authority has provided training to all tenant councils (i.e. record keeping, HUD regulations) to ensure compliance with the written agreements as well as one-on-one training with specific tenant councils. The

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2014

Authority continues with quarterly reviews of tenant council expenditures to ensure compliance with the agreements and HUD regulations.

On May 22, 2014, the Authority presented and discussed the 2013 audit findings with the tenant councils to help provide the tenant organization a better understanding of the severity of the issues that need to be addressed. On June 2, 2014, the Authority provided training to the tenant councils (i.e. record keeping, HUD regulations) and has presented to the tenant council the HUD video training on allowable and unallowable costs.

During fiscal 2015, the Authority updated the Financial Management Procedures to include additional clarification/language regarding the reimbursement of unallowable costs with non-federal funds, stipends, definition of failed audits, and the process of failed audits. Training was provided to the tenant councils on March 12, 2015. Training included discussions on record keeping, HUD regulations, and on the updated Financial Management procedures.

The Interim Chief Operating Office and Controller are responsible for the continuing monitoring of tenant participation funds.

Finding 2014-004:	Low Rent Public Housing, CFDA #14.850
Federal Agency:	U.S. Department of Housing and Urban Development
Compliance Requirement:	Reporting (Public and Indian Housing Information Center)
Type of Finding:	Noncompliance, Significant Deficiency

Condition

Testing of 40 Low Rent Public Housing tenant files for reporting purposes found exceptions in 3 files where HUD-50058 forms were uploaded to the Public and Indian Housing Information Center (PIC) more than 60 days after the effective date.

Criteria

PIH Notice 2011-65 issued on November 30, 2011 clarified the reporting requirements for PIC by stating that the form must be submitted no later than 60 calendar days from the effective date of the HUD-50058.

Cause

The Authority did not properly monitor controls to ensure HUD-50058 forms were uploaded to HUD's PIC system in a timely manner.

Effect

Late uploads to the PIC system do not provide accurate data to HUD for use in funding decisions.

Questioned Costs

Unable to determine.

Recommendation

We recommend the Authority continue to revise their procedures to ensure all annual recertifications and other certifications are submitted to PIC in a timely manner.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2014

RRHA Response

RRHA has determined that many of the issues noted in the independent assessment of the HCV Program may also be applicable to low rent public housing. Because of this, RRHA will seek to implement similar recommendations provided in the assessment for improvements. Low rent public housing also experienced staffing challenges that created a backlog in reexamination completion and negatively impacted compliance. RRHA will also implement recommendations to remediate backlog, implement more frequent and centralized tracking through available reports, reduce and balance workloads through hiring, policy changes and redistribution and standardize procedures and work methods in an effort to improve the timely completion of reexaminations and 50058 upload to PIC in the required timeframe within the low rent public housing program.

The Interim Chief Operating Officer and the AVP of Property Management are responsible for the implementation of the recommendations. It is anticipated that the recommendations will be implemented by December 2015.

Finding 2014-005:	Housing Choice Voucher Program, CFDA #14.871
Federal Agency:	U.S. Department of Housing and Urban Development
Compliance Requirement:	Reporting (PIC), Special Tests (HQS Inspections)
Type of Finding:	Noncompliance, Significant Deficiency

Condition

Testing of 40 Housing Choice Voucher (HCV) tenant files for reporting and annual inspection requirements found exceptions in 7 files with some files containing multiple exceptions. The exceptions include the following:

- 2 HUD-50058 forms were not uploaded to PIC within 60 days of the effective date.
- 5 files did not document that an annual inspection was conducted within 12 months of the last inspection

Criteria

24 CFR 982.405(a) states "The PHA must inspect the unit leased to a family prior to the initial term of the lease, at least annually during assisted occupancy, and at other times as needed, to determine if the unit meets HQS." 24 CFR 982.158 requires the Authority to submit the HUD-50058 form electronically in PIC each time the Authority completes a new HUD-50058 form for any action. PIH Notice 2011-65 issued on November 30, 2011 clarified the reporting requirements by stating that the form must be submitted no later than 60 calendar days from the effective date of the HUD-50058.

Cause

The Authority did not adequately monitor the completion of annual inspections or the timely submission of required information to HUD's PIC system.

Effect

The Authority may have paid HAP to landlords for units that did not meet housing quality standards. In addition, the late uploads to the PIC systems do not provide accurate data to HUD for use in funding decisions.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2014

Questioned Costs

Unable to determine

Recommendation

We recommend that the Authority continue to revise their procedures to ensure all inspections occur timely and the HUD-50058 forms are submitted in the required timeframe.

RRHA Response

The RRHA HCVP program converted from Visual Homes to Yardi beginning in March 2014. Due to the system conversion, some inspections may not have occurred timely. The Inspection Supervisor worked with YARDI July 1, 2014 – September 2015, to assure all Inspections were transferred from VH to YARDI. Controls have been implemented to prevent future reoccurrences. Additional training was conducted September 2015 to familiarize staff with tracking reports that are available in Yardi to monitor inspections and ensure that all inspections are completed within the required timeframe. RRHA has also implemented biennial inspections and alternative inspection methods as provided in the FY 2014 Omnibus appropriations bill for inspections other than initial inspections or interim inspections where the family or other government official notifies RRHA of a unit's failure to comply with HQS.

RRHA had engaged an independent contractor to assess the HCVP Program and provide recommendations for improvements. The assessment noted that staffing challenges have created a backlog in reexamination completion and negatively impacted compliance. RRHA will implement recommendations to remediate backlog, implement more frequent and centralized tracking through available Yardi reports, reduce and balance workloads through hiring, policy changes and redistribution and standardize procedures and work methods in an effort to improve the timely completion of reexaminations and 50058 upload to PIC in the required timeframe.

The Assistant V.P. of HCVP and Tenant Selection and Housing Choice Voucher Managers are responsible for the implementation of the independent contractor's recommendations. It is anticipated that the recommendations will be implemented by December 2015.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2014

Finding 2013-001 - Low Rent Public Housing, CFDA #14.850

Condition

The Authority has 15 tenant councils which equals 180 months of expenditures. Testing of 22 months of expenditures found 18 months with numerous unallowable or unsupported expenditures. The unallowable expenditures included excessive food/beverage costs, supplies for social events, trips for amusement purposes, payment of tenant rent and holiday bonuses to council leaders. The review of checks and support for expenditures noted many checks written to council presidents for payment of expenses with no supporting invoice or receipt for the expenses. We also noted checks written by council presidents to themselves with no evidence of other review and approval.

Status

This finding was noted in the current year. See finding 2014-003.

Finding 2013-002, 2012-01, 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 issue related to missing inspection documentation remains open in the current year. See finding 2014-005.

Finding 2013-003 - Low Rent Public Housing, CFDA #14.850

Condition

Testing of 40 Low Rent Public Housing tenant files for eligibility and recertification purposes found exceptions in 6 files which included the following:

- 1 file did not have a general release form signed by all household members over the age of 18.
- 1 file contained a miscalculation of tenant income.
- 2 files did not contain third party verification of assets or the assets reported in the HUD-50058 did not agree to the support.
- 2 HUD-50058 forms were uploaded to PIC more than 60 days after the effective date.

Status

This finding was partially cleared in the current fiscal year. The issue related to PIC uploads remains open in the current year. See finding 2014-004.

**RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2014**

Finding 2013-004 – Section 8 Project Based Cluster CFDA #14.182/195/249/856

Condition

2 of 5 tenant files tested for compliance with eligibility and annual inspection requirements contained exceptions. 1 file did not document the completion of an annual HQS inspection and 1 file did not document support for the tenant's assets.

Status

The current year expenditures did not require an assessment of risk under A-133 guidelines so the program was not selected as a major program to test in the current year.