RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2017

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

RRHA

Richmond Redevelopment & Housing Authority

BUILDING VIBRANT COMMUNITIES

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BUILDING VIBRANT COMMUNITIES

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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, 2017, 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.

Basis for Qualified Opinion

As more fully described in Note 11 to the financial statements, the Authority has recognized their proportionate share of the net pension liability under Governmental Accounting Standards Board (GASB) Statement No. 68 at a measurement date more than one year from the end of the fiscal year. The Authority participates in the Virginia Retirement System (VRS) who administers the pension plan for the Authority and other public sector employees in Virginia covered under VRS. VRS is responsible for obtaining the actuarial report determining the net pension liability and the measurement date.

The Authority has included the financial effects of the GASB 68 actuarial valuation report provided by VRS based on a measurement date of June 30, 2016, the most recent available report published by VRS. These effects impacted beginning net position, net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. Although an updated actuarial valuation report with a measurement date of September 30, 2016 or later would change these amounts, it is not practicable to quantify the financial effects.

In our opinion, accounting principles generally accepted in the United States of America require that a liability should be recognized for the employer's proportionate share of the net pension liability, measured as of a date no earlier than the end of the employer's prior fiscal year.

Qualified Opinion

In our opinion, except for the effects of the measurement of the Authority's proportionate share of the net pension liability as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Authority as of September 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12, the schedule of funding progress – OPEB, the schedule of changes in the Authority's net pension liability and related ratios and the schedule of Authority's contributions – VRS Plan on pages 42-44 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.

Board of Directors
Richmond Redevelopment and Housing Authority

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 financial data schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is also presented for the purpose of analysis, and is not a required part of the basic financial statements.

The financial data schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepared 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 accounting standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material aspects, 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 June 1, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority’s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
June 1, 2018

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, 2017. 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 3,000 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 and deferred outflow of resources of RRHA exceeded its liabilities and deferred inflows of resources by $108.8 million (net position). Of this amount, $17.6 million (unrestricted net position) may be used to meet ongoing obligations to creditors, $73.7 million is invested in capital assets, net of debt and $17.5 million is restricted for specific purposes (restricted net position).

- RRHA's total net position increased by $15.6 million or 16.79% compared to fiscal year 2016.

- RRHA's total assets increased by $15.6 million from the prior year while RRHA's total liabilities increased by $2.5 million from the prior year. During fiscal year 2017 RRHA's assets increased as the result of an increase in cash of $16.8 million due to 1) funding from the City of Richmond to support infrastructure needs for the highland Grove and Armstrong projects totaling $11.0 million, 2) sale of 200 Hospital Street and NHI homes totaling $2.3 million, 3) an increase in the LIPH program of $3.2 million and increase in other programs of $1.0 million. In addition, capital assets increased by $1.6 million which was offset by a decrease in land held for resale of $1.7 million and a decrease in receivables of $0.7 million. Liabilities increased as a result of an increase in the pension liability of $1.6 million, and the new Church Hill ground lease for $0.9 million.

- RRHA's liquidity remains stable at 6.06 to 1. This means that RRHA has the ability to pay its current liabilities at least 6 times over. See discussion of RRHA's liquidity on page 9.

Statement of Revenues, Expenses, and Changes in Net Position

- RRHA's operating expenses exceeded operating revenues by $0.5 million.
- The operating income includes depreciation expense of $3.7 million primarily associated with the LIPH properties.
- HAP expenses exceeded HAP revenues by $0.9 million.
- Decrease in HUD receipts due to reductions in HAP funding of $0.8 million, reductions in operating subsidy of $0.5 million and reductions in capital funding of $0.7 million.
- Properties sold and transferred within the Real Estate and Community Development programs were sold and/or transferred for a loss of $2.0 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, 2017. 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 supplementary 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources 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.

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 on page 42 presents RRHA's progress in funding its obligation to provide pension benefits to its employees. The Schedule of Changes in the Authority's Net Pension Liability and Related Ratios and Schedule of Authority's Contributions for the VRS Pension Plan are on pages 43 through 44. Additionally, the other supplementary information included on pages 46 through 53 presents a Financial Data Schedule.

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 and deferred outflow of resources exceeded liabilities and deferred inflow of resources by $108.8 million at September 30, 2017.

Net position in capital assets totaling $73.7 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 are 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 RRHA's net position totaling $17.5 million represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position totaling $17.6 million, which may be used to meet RRHA's ongoing obligations to residents and creditors.

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, 2017 and 2016.

Table 1
Schedule of Net Position

	2017	2016	$ Increase/ (Decrease)	% Increase/ (Decrease)
Current and Other Assets	$ 61,505,138	$ 47,439,760	$ 14,065,378	29.65%
Capital Assets	73,658,466	72,089,954	1,568,512	2.18%
Total Assets	135,163,604	119,529,714	15,633,890	13.08%
Deferred Outflows of Resources	2,503,055	2,286,102	216,953	9.49%
Current and Other Liabilities	27,385,031	24,598,912	2,786,119	11.33%
Long-term Debt Outstanding	765,000	1,093,610	(328,610)	(30.05)%
Total Liabilities	28,150,031	25,692,522	2,457,509	9.57%
Deferred Inflows of Resources	717,169	2,968,154	(2,250,985)	(75.84)%
Net Position:				
Net Investment in Capital Assets	73,658,466	72,089,954	1,568,512	2.18%
Restricted	17,558,134	5,045,754	12,512,380	247.98%
Unrestricted	17,582,859	16,019,432	1,563,427	9.76%
Total Net Position	$ 108,799,459	$ 93,155,140	$ 15,644,319	16.79%

Net position changed as a result of the following:

- Current and Other Assets increased by $14.1 million or 29.65%. The increase is due to an increase in cash of $16.8 million due to 1) funding from the City of Richmond to support infrastructure needs for the Highland Grove and Armstrong projects totaling $11.0 million, 2) sale of NHI homes totaling $1.3 million, 3) increase in the LIPH program cash of $3.2 million, and 4) increase in other programs due to mortgage receipts and other property sales. The above increase was offset by a decrease in land held for resale of $1.7 million and a decrease in receivables of $1.6 million.

- Capital assets increased by $1.6 million or 2.18%. RRHA assets increased as a result of normal depreciation expense of $3.7 million which was offset by an increase in capital spending of $5.5 million.

- Current and other liabilities increased by $2.8 million or 11.33%. The net pension liability at September 30, 2017 increased by $1.6 million. Other causes of the increases include the new Church Hill ground lease of $0.9 million, and an accrual of $0.7 million to address the excess utility issue. These increases were offset by a reduction in amounts due to HUD of $0.2 million.

- Long-term debt outstanding decreased by $0.3 million or 30.05%. The decrease is due to the full repayment of the loan with the Diocese of Richmond.

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

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

	2017	2016	$ Increase/ (Decrease)	% Increase/ (Decrease)
Operating Revenues:				
Rental Revenue	$ 10,475,995	$ 10,770,899	$ (294,904)	(2.74)%
HUD Grants	47,107,705	49,157,023	(2,049,318)	(4.17)%
Other Governmental Grants	67,761	170,061	(102,300)	(60.15)%
Other Revenue	7,114,160	5,530,199	1,583,961	28.64%
	64,765,621	65,628,182	(862,561)	(1.31)%
Program Expenses:				
Administrative	10,023,694	11,095,422	(1,071,728)	(9.66)%
Tenant Services	527,375	680,516	(153,141)	(22.50)%
Utilities	11,618,958	10,956,807	662,151	6.04%
Ordinary Maintenance & Operation	8,167,190	8,340,140	(172,950)	(2.07)%
Protective Services	5,251	326,251	(321,000)	(98.39)%
General Expenses	4,443,343	4,828,016	(384,673)	(7.97)%
Housing Assistance Payments	24,728,186	24,408,346	319,840	1.31%
Cost of Property Sold	1,994,917	1,987,231	7,686	0.39%
Depreciation	3,709,291	3,775,504	(66,213)	(1.75)%
Total Program Expenses	65,218,205	66,398,233	(1,180,028)	(1.78)%
Nonoperating Revenues (Expenses)				
Loss on Sale of Capital Assets	(295,836)	(7,448,583)	7,152,747	(96.03)%
Investment Income	106,083	6,075	100,008	1646.22%
Interest Expense	(19,668)	(27,051)	7,383	(27.29)%
Total nonoperating Expenses	(209,421)	(7,469,559)	7,260,138	(97.20)%
Loss Before Contributions and Transfers	(662,005)	(8,239,610)	7,577,605	(91.97)%
Capital Grants	16,461,954	6,101,104	10,360,850	169.82%
Transfer	(155,630)	-	(155,630)	100.00%
Change in Net Position	15,644,319	(2,138,506)	17,782,825	(831.55)%
Net Position, October 1	93,155,140	95,293,646	(2,138,506)	(2.24)%
Net Position, September 30	$ 108,799,459	$ 93,155,140	$ 15,644,319	16.79%

- HUD Grants and subsidies decreased by $2.0 million or 4.17% as a result of a decrease in HAP funding of $0.8 million, a decrease in operating subsidy of $0.5 million and a reduction in capital spending of $0.7 million.

- Other revenue increased by $1.8 million or 31.80% due to an increase in sale of property revenue of $2.6 million. (sale of NHI homes- $1.4 million, sale of 200 Hospital Street - $0.9 million).

- Administrative expenses decreased by $1.1 million or 9.66% as a result of decreases in outside management fees of $0.3 million, professional services of $0.5 million as planning costs for Armstrong project did not occur in 2017, and temporary personnel services of $0.3 million.

- Utility expenses increased by $0.7 million or 6.04% due to rate increases for Gas, Water and Sewer and increased consumption.

- Protective services expenses decreased by $0.3 million, or 98.39%, as a result of a reduction in security costs related to the Low Income Public Housing programs.

- General expenses decreased by $0.4 million or 7.97%. In fiscal 2016, the Authority established a payable to HUD to reimburse HUD for unallowable capital grant expenses totaling $0.7 million that did not occur in fiscal year 2017. This decrease is offset by higher bad debt tenant expense of $0.3 million.

- Loss on sale of assets decreased by $7.2 million or 96.03%. In fiscal year 2016, the Authority transferred the Theater Row building to the City of Richmond. This type of transaction did not occur in fiscal year 2017.

- Capital grants increased by $10.4 million or 169.82%. This significant increase is related to City grants for the Armstrong and Dove St. Redevelopment projects..

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 3
Working Capital and Current Ratio

	2017	2016
Current Assets	$ 39,378,238	$ 25,932,048
Less: Current Liabilities	(6,502,179)	(6,886,334)
Working Capital	$ 32,876,059	$ 19,045,714
Current Assets	$ 39,378,238	$ 25,932,048
Divided by: Current Liabilities	6,502,179	6,886,334
Current Ratio	6.06:1	3.77:1

RRHA is financially stable as evidenced by its working capital of $32.9 million and its 6.06:1 ratio of current assets to current liabilities at September 30, 2017. 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 2016 by $13.8 million while the current ratio also increased. Current assets increased at a faster rate than current liabilities. Increase in current assets is primarily due to an increase in cash of $16.8 million which is offset by reductions in the HUD receivable of $1.1 million related to capital expenditures and City Receivables of $0.5 million. Of the $16.8 million increase, 1) $11.0 million increase is related to funding received from the City of Richmond for infrastructure work to be performed at Highland Grove and Armstrong projects, 2) sale of NHI homes totaling $1.3 million, 3) increase in the LIPH program cash of $3.2 million, and 4) increase in other programs of $1.0 million, due to mortgage receipts and other property sales.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2017, RRHA's capital assets totaled $73,658,466 (net of accumulated depreciation). Included in the capital assets are land, land improvements, buildings and structures, equipment, and construction in progress. See footnote 5 for further details.

Table 4
Capital Assets

	2017	2016
Land	$ 7,181,479	$ 6,988,696
Buildings	151,718,019	148,972,160
Furniture, Equipment and Machinery	12,643,166	10,836,028
Accumulated Depreciation	(100,639,971)	(98,574,839)
Construction in Progress	2,755,773	3,867,909
Total	$ 73,658,466	$ 72,089,954

Long-Term Debt

As of September 30, 2017, RRHA had net outstanding notes, bonds and loans payable totaling $0.8 million. See footnote 7 for further details.

Table 5
Long-Term Debt

	2017	2016
4th and Grace Place Note Payable	$ 765,000	$ 765,000
Diocese of Richmond Note Payable	-	327,796
COCC/LRPH Repayment	6,355,544	5,957,744
ROI Loan	-	814
Subtotal	7,120,544	7,051,354
Less: Eliminations	(6,355,544)	(5,957,744)
Total Outstanding Debt	$ 765,000	$ 1,093,610

ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET

During the first year of Trump's presidency, the Tax Code was overhauled and several Obama era regulations have been repealed. There is the notion that with deregulation of the financial industry and revision of the Tax Code, the economy would continue to grow. The Federal Reserve has raised the interest rate and is expected to raise the rates an additional times during 2018. The focus will be on how the following will be handled by the President and the impact to the economy: Healthcare and Infrastructure spending.

The national economy for 2017 showed signs of improvement in several areas. Americans continued to be 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 2018. Inflation is anticipated to decrease slightly to 1.9% from 2.13%, and unemployment will decline to 3.9%, although unemployment has been steady at about 4.1%. The national unemployment rate for 2017 improved from the prior year from about 4.7% to 4.1% while the City of Richmond unemployment rate improved slightly for the same time period from about 3.9% to 3.8%. The City of Richmond's unemployment rate remains lower than the national average.

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.

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 2018 budget is conservatively based and is reflective of 2017 federal legislative mandates. The fiscal year (FY) 2018 budget assumes HUD will fund Public Housing Operations at 85% of projected need, fund Housing Assistant Payments at 97% of projected need, and fund the Administrative needs of HCVP at 76%. The projected funding level for the Public Housing Operations is consistent with prior year; however, the projected funding level for the Housing Assistant Payments is lower than prior year's.

The FY2018 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 FAY Towers and Creighton. Another of RRHA's objective is to increase cash through effective cash management during the fiscal year.

REQUEST FOR INFORMATION

The audited financial statements provide a general overview of RRHA's financial transactions. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the 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 Orlando Artze, Interim Chief Executive Officer and the leadership of Stacey L. Daniels-Fayson, CPA, Controller, with assistance from:

Financial Reporting Team:
Linda Brydie, CPA
Suresh Batra
DeAnna Burton
Pamela Thompson
Rachel Vovchuk
Tianna Wooldridge

Operations Team:
Lucinda Horsey, CPA
Genelle Frizzelle
Sherlene Hassan

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

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and Cash Equivalents (Note 2)	$ 8,572,567
Restricted Cash and Cash Equivalents (Note 2)	19,449,285
Short-Term Investments (Note 2)	70,168
Accounts Receivables, Net of Allowance of $911,655 (Note 3)	2,728,451
Mortgage Loans and Notes Receivable - Current, Net of Allowance of $369,886 (Note 4)	538,413
Land Held for Resale, Net of Allowance of $558,914 (Note 6)	7,357,576
Other Assets, Net of Allowance of $50,878	661,778
Total Current Assets	39,378,238
NONCURRENT ASSETS	
Capital Assets - Non-depreciable (Note 5)	
Land	7,181,479
CIP	2,755,773
Total Capital Assets - Non-depreciable	9,937,252
Capital Assets - Depreciable (Note 5)	
Buildings and Improvements	151,718,019
Furniture and Equipment	12,643,166
Accumulated Depreciation	(100,639,971)
Total Capital Assets - Depreciable	63,721,214
Capital Assets, Net	73,658,466
Mortgage Loans and Notes Receivable - Noncurrent, Net of Allowance of $447,727 (Note 4)	22,126,900
Total Noncurrent Assets	95,785,366
Total Assets	135,163,604
DEFERRED OUTFLOW OF RESOURCES	2,503,055
Total Assets and Deferred Outflow of Resources	$ 137,666,659
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable (Note 9)	$ 1,174,516
Due to Other Governments, Current (Note 9)	473,647
Compensated Absences, Current (Note 9)	629,565
Accrued Liabilities (Note 9)	2,736,774
Tenant Security Deposits/FSS Escrows (Note 9)	641,987
Other Current Liabilities (Note 9)	26,378
Unearned Revenues (Note 9)	819,312
Total Current Liabilities	6,502,179
NONCURRENT AND OTHER LIABILITIES	
Long-Term Debt, Net of Current (Note 7)	765,000
Other Noncurrent Liabilities (Note 9)	9,541,436
Accrued Pension and OPEB Liability (Notes 11&12)	11,341,416
Total Noncurrent Liabilities	21,647,852
Total Liabilities	28,150,031
DEFERRED INFLOW OF RESOURCES	717,169
NET POSITION	
Net Investment in Capital Assets	73,658,466
Restricted	17,558,134
Unrestricted	17,582,859
Total Net Position	108,799,459
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 137,666,659

See accompanying Notes to Financial Statements.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2017

OPERATING REVENUES	
Dwelling Rental	$ 10,475,995
HUD Grants and Subsidies	47,107,705
Other Government Grants and Subsidies	67,761
Sale of Property	2,698,209
Other Income	4,300,892
Mortgage Interest	115,059
Total Operating Revenues	64,765,621
OPERATING EXPENSES	
Administration	10,023,694
Tenant Services	527,375
Utilities	11,618,958
Maintenance and Operation	8,167,190
Protective Services	5,251
General Expenses	4,443,343
Housing Assistance Payments	24,728,186
Cost of Property Sold	1,994,917
Depreciation	3,709,291
Total Operating Expenses	65,218,205
Total Operating Loss	(452,584)
Nonoperating Revenues (Expenses):	
Loss on Sale of Assets	(295,836)
Investment Income	106,083
Interest Expense	(19,668)
Total Nonoperating Revenues (Expenses)	(209,421)
Loss Before Capital Grants and Transfers	(662,005)
Capital Grants	16,461,954
Transfer	(155,630)
CHANGE IN NET POSITION	15,644,319
Net Position - Beginning of Year	93,155,140
NET POSITION - END OF YEAR	$ 108,799,459

See accompanying Notes to Financial Statements.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Rental Receipts	$ 9,631,230
Direct HUD Subsidies	48,175,761
Other Government Grants and Subsidies	67,761
Charges for Services	6,309,781
Payments to Employees	(11,434,217)
Housing Operations and Tenant Services	(24,192,736)
Housing Assistance Payments	(24,728,186)
Net Cash Provided by Operating Activities	3,829,394
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer of Assets to Former Component Unit	(155,630)
Interest Payments	(19,668)
Principal Payments on Bonds and Loans Payable	(328,610)
Net Cash Used by Noncapital Financing Activities	(503,908)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of Capital Assets	(7,756,167)
Disposal of Capital Assets	548,268
Capital Contributions	16,461,954
Net Cash Provided by Capital Financing Activities	9,254,055
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Land Held for Resale	3,641,402
Proceeds from Sale of Investment	441,728
Loss on Disposal of Land Held for Resale	(295,836)
Interest Income	106,083
Net Cash Provided by Investing Activities	3,893,377
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,472,918
Cash and Cash Equivalents - Beginning of Year	11,548,934
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 28,021,852
CLASSIFIED AS	
Cash and Cash Equivalents	$ 8,572,567
Restricted Cash	19,449,285
Total	$ 28,021,852
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Loss	$ (452,584)
Adjustments to Reconcile Cash and Cash Equivalents Provided by Operating Activities:	
Depreciation	3,709,291
Bad Debt Expense	1,130,225
Effects of Changes in Operating Assets and Liabilities, Net of Business Combination and Noncash Items:	
Accounts Receivable	477,171
Mortgage Loans, Net	(1,340,634)
Other Assets	(12,256)
Accounts Payable	(1,484,026)
Unearned Revenue	273,675
Tenant Security Deposits	8,700
Accrued Liabilities	1,341,996
Other Liabilities	1,105,274
OPEB / Pension Liability	(927,438)
Net Cash Provided by Operating Activities	$ 3,829,394

See accompanying Notes to Financial Statements.

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 subrecipient 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.

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. The Authority's financial statements include those of the Authority and component units. In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB). These criteria include manifestation of oversight responsibility including financial accountability, imposition of will, financial benefit to or burden on a primary organization, and financial accountability as a result of fiscal dependency.

On the basis of the application of these criteria, Randolph Place Associated, L.P. and Richmond Development Corporation are entities that are required to be reported as blended component units of the Authority. There are no other component units.

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. On November 1, 2007, the 50-unit apartment was sold to a subsidiary of Better Housing Coalition. The Randolph Place Associates Limited Partnership has been repurposed to carry out for-profit development but currently has limited activity. The Partnership has a June 30 fiscal year end.

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. The Corporation has a December 31 fiscal year end.

These entities are deemed blended component units and therefore, the operating activities are included in the Authority's basic financial statements. 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, 2017.

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.

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.

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

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.

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

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

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

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. Unrestricted net position consists of assets that are not subject to externally imposed stipulations. The unrestricted net position may be designated for specific purposes by action of management or the board or may otherwise be limited by contractual agreements with outside parties. 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.

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 position 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.

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

Non-operating Revenues and Expenses

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

Inter-program Transfers

Transfers among programs are recognized in all programs affected in the period in which the transfers occur. The inter-program activity was eliminated from the Statement of Net Position for presentation purposes in the audited statements at September 30, 2017. The inter-program transfers are included in the supplemental information.

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.

Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until the future period. The Authority recognizes deferred outflows for contributions made subsequent to the measurement date related to pensions and the difference between projected and actual earnings on pension plan investments.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period. The Authority recognizes deferred inflows for the difference between expected and actual experience.

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.

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

New Accounting Pronouncements

In fiscal year 2017, the Authority implemented GASB statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The implementation of this statement did not impact the Authority's disclosures as the OPEB plan is not administered through a trust.

The Authority also implemented GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The Authority considered the effects of these statements when determining potential component units of the Authority.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash

At September 30, 2017, cash on hand, cash items and petty cash totaled $26,105,393 and the value of RRHA's deposits with financial institutions totaled $26,492,279.

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.

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 "establish 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, 2017, all bank balances were covered by either federal deposit insurance or the Act.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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 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. RRHA also invests in a liquid federal trust fund consisting of U.S. Treasury and Agency debt which matures within 1 year. The balance of cash equivalents and investments at September 30, 2017 was $1,986,627.

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.

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.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Cash Equivalents and Investments (Continued)

The following is the detail of cash equivalents and investments at September 30, 2017 with maturities less than one year:

	Fair Value Unrestricted	Fair Value Restricted	Total	S&P Ratings
Petty Cash	$ 1,000	$ -	$ 1,000	N/A
Checking Accounts	8,571,567	17,532,826	26,104,393	N/A
Money Market Funds	-	1,916,459	1,916,459	Aaa-mf
Short-Term Investments				
Federal Home Loan Banks	-	36,502	36,502	AAAm
Federal Farm Credit Banks	-	9,704	9,704	AAAm
US Treasuries	-	16,613	16,613	AAAm
Tennessee Valley Authority	-	7,349	7,349	AAAm
Total	$ 8,572,567	$ 19,519,453	$ 28,092,020	

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of September 30, 2017, fair value of investments are as follows:

		Fair Value Measurements Using		
	9/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
Debt Securities				
Federal Home Loan Banks	$ 36,502	$ -	$ 36,502	$ -
Federal Farm Credit Banks	9,704	-	9,704	-
U.S. Treasuries	16,613	16,613	-	-
Tennessee Valley Authority	7,349	-	7,349	-
Total Invesments by Fair Value Level	$ 70,168	$ 16,613	$ 53,555	$ -

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable including applicable allowances for uncollectible accounts at September 30, 2017 consisted of the following:

Tenants (Net of Allowance of $585,310)	$ 457,030
Accounts Receivable - HUD	1,365,362
Other Government	118,350
Miscellaneous (Net of Allowance of $326,345)	787,709
Total	$ 2,728,451

NOTE 4 MORTGAGE LOANS

The composition of RRHA's mortgage loan portfolio, by collateral type, as of September 30, 2017, is as follows:

	Principal	Accrued Interest	Total
Single-Family Real Estate	$ 5,690,532	$ -	$ 5,690,532
Multi-Family Real Estate	6,555,899	1,403,615	7,959,514
Commercial Real Estate	7,290,000	2,542,880	9,832,880
Total Mortgage Loans	19,536,431	3,946,495	23,482,926
Less Allowance	(817,613)	-	(817,613)
Total Mortgage Loans, Net	18,718,818	3,946,495	22,665,313
Less Current Mortgage Loans	(538,413)	-	(538,413)
Noncurrent Mortgage Loans	$ 18,180,405	$ 3,946,495	$ 22,126,900

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:

	Principal	Accrued Interest	Total
HUD Programs:			
Hope VI	$ 6,525,000	$ 1,086,313	$ 7,611,313
City of Richmond Cooperative Agreements:			
4th and Grace Street	765,000	1,456,567	2,221,567
Total Commercial Loans	$ 7,290,000	$ 2,542,880	$ 9,832,880

NOTE 4 MORTGAGE LOANS (CONTINUED)

Related liabilities consist of the following:

Notes Payable - 4th and Grace Street	$	765,000
Accrued Interest - 4th and Grace Street		1,456,567
Due to City of Richmond - Mortgage Loans		2,357,811
Total	$	4,579,378

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

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.

During fiscal year 2017, RRHA incurred 2 loan losses totaling $200,102 as a result of foreclosures. The allowance at September 30, 2017 was sufficient to cover these losses. The foreclosed properties were reflected on the books based on the loan value associated with each of the properties at the time of foreclosure. The losses represent approximately 3.7% of the total outstanding single family mortgage loan portfolio.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 is as follows:

	Balance October 1, 2016	Increases	Decreases	Transfers/ Capitalizations	Balance September 30, 2017
Capital Assets Not Being Depreciated:					
Land	$ 6,988,696	$ -	$ (35,155)	$ 227,938	$ 7,181,479
Construction in Progress (CIP)	3,867,909	5,660,778	-	(6,772,914)	2,755,773
Total Capital Assets Not Being Depreciated	10,856,605	5,660,778	(35,155)	(6,544,976)	9,937,252
Capital Assets Being Depreciated:					
Land Improvements	9,335,711	157,137	-	660,090	10,152,938
Building and Structures	139,636,449	-	(589,907)	2,518,539	141,565,081
Equipment	10,836,028	8,156	(206,049)	2,005,031	12,643,166
Total Capital Assets Being Depreciated	159,808,188	165,293	(795,956)	5,183,660	164,361,185
Less Accumulated Depreciation:	98,574,839	3,709,291	(206,049)	(1,438,110)	100,639,971
Total Capital Assets Being Depreciated, Net	61,233,349	(3,543,998)	(589,907)	6,621,770	63,721,214
Total Capital Assets, Net	$ 72,089,954	$ 2,116,780	$ (625,062)	$ 76,794	$ 73,658,466

NOTE 6 LAND HELD FOR RESALE

Activity in the land held for resale account for the year ended September 30, 2017 is as follows:

	Balance October 1, 2016	Increases	Decreases	Transfers	Balance September 30, 2017
Land Held for Resale	$ 9,828,409	$ -	$ (1,805,841)	$ (106,078)	$ 7,916,490
Less: Allowance	(759,527)	-	200,613	-	(558,914)
Total Land Held for Resale, Net	$ 9,068,882	$ -	$ (1,605,228)	$ (106,078)	$ 7,357,576

NOTE 7 DEBT OBLIGATIONS

Changes in the total long-term debt during the year ended September 30, 2017 are summarized below. These debt obligations of RRHA are not held or guaranteed by HUD.

	Balance October 1, 2016	Additions	Forgiveness/ Reductions	Balance September 30, 2017	Due Within One Year
4th & Grace Place Note[1]	$ 765,000	$ -	$ -	$ 765,000	$ -
Diocese of Richmond[2]	327,796	-	(327,796)	-	-
COCC/LRPH Repayment[3]	5,957,744	507,800	(110,000)	6,355,544	110,000
ROI Loan[4]	814	-	(814)	-	-
Subtotal	7,051,354	507,800	(438,610)	7,120,544	110,000
Less: Eliminations	(5,957,744)	(507,800)	110,000	(6,355,544)	(110,000)
Grand Total	$ 1,093,610	$ -	$ (328,610)	$ 765,000	$ -

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

[2] Dated August 28, 2012, interest rate of 6.0%, matured September 1, 2017.

[3]Amended agreement dated September 11, 2017, interest rate of 0.0%. This loan is between the Central Office Cost Center (COCC) and the Low Income Public Housing Program (LIPH) and is therefore eliminated for financial statement purposes.

[4] Dated July 15, 2011, interest rate of 3.0%. This loan was fully repaid during FY 17.

The principal payment obligations related to bonds and loans payable for the five years commencing October 1, 2017, and thereafter are as follows:

	Notes and Loans	
Year Ended September 30,	Principal	Interest
2021	$ 765,000	$ -

NOTE 8 HUD REPAYMENT AGREEMENT

As shown in Note 7, on July 6, 2016, RRHA entered into a repayment agreement with HUD in the amount of $6,132,638. This agreement was amended on September 11, 2017 increasing the amount by $507,800 to a new total of $6,465,544. The agreement is the result of the unallowable transfer of funds from the Low Rent Public Housing program to the Central Office Cost Center. RRHA is to make the required annual installment repayment over a period of 63 years commencing on October 1, 2016 out of non-HUD, non-federal funds. Payments will be made as follows: two annual installments of $51,352 beginning on October 1, 2016 and the second on October 1, 2017; sixty annual installments of $110,000; and the final installment of $29,934 due on October 1, 2078. In addition to these amounts, the agreement also requires repayment of management fees in the amount of $48,648 on October 1, 2016 and October 1, 2017. These amounts represent amounts owed between two programs of RRHA, so the receivable and payable amounts are eliminated for financial reporting purposes.

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 2017 was as follows:

	Balance October 1, 2016	Increases	Reductions	Balance September 30, 2017	Due Within One Year
Accounts Payable	$ 1,375,462	$ 22,956,796	$ (23,157,742)	$ 1,174,516	$ 1,174,516
Due to Other Governments	3,520,877	741,546	(1,647,244)	2,615,179	473,647
Accrued Liabilities	2,024,343	37,109,913	(36,397,482)	2,736,774	2,736,774
Compensated Absences	673,780	794,768	(838,983)	629,565	629,565
Tenant Security Deposits	633,287	226,479	(217,779)	641,987	641,987
Unearned Revenues	4,151,564	17,642,603	(16,152,264)	5,641,903	819,312
Other Current Liabilities	22,135	4,243	-	26,378	26,378
Other Noncurrent Liabilities	2,396,548	290,171	(109,406)	2,577,313	-
Pension and OPEB Liability	9,800,916	9,735,775	(8,195,275)	11,341,416	-
Total	$ 24,598,912	$ 89,502,294	$ (86,716,175)	$ 27,385,031	$ 6,502,179

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 $119,354,587 as of September 30, 2017.

NOTE 11 VIRGINIA RETIREMENT SYSTEM (VRS) POLITICAL SUBDIVISION PLAN

Modification of Opinion

The most recent actuarial valuation report provided by the Virginia Retirement System (VRS) related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* used a measurement date of June 30, 2016 to determine the net pension liability. GASB 68 requires a measurement date no earlier than the end of the employer's prior fiscal year, or September 30, 2016 in the case of the Authority. Therefore, the valuation report issued by VRS is outdated for the Authority's September 30, 2017 financial statements.

NOTE 11 VIRGINIA RETIREMENT SYSTEM (VRS) POLITICAL SUBDIVISION PLAN (CONTINUED)

Modification of Opinion (Continued)

VRS provides retirement benefits to multiple employers in the state of Virginia and is responsible for procuring the actuarial valuation report used to determine the net pension liability for employers participating in VRS. The Authority has no control over the timing or content of the actuarial valuation report and therefore has no responsibility for selecting the measurement date used in the report. VRS is aware that some employers participating in VRS cannot use the most recent available report, but as of the date of our opinion on the Authority's September 30, 2017 financial statements no updated report was available.

The Authority has included the financial effects of the GASB 68 valuation report with the June 30, 2016 measurement date as this represents the most recent data available. Although a report with a more recent measurement date would result in changes to the net pension liability and other financial components, it is not practical to estimate the effects of those changes on the financial statements.

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by VRS Retirement Plan upon employment. This cost sharing plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The system administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria.

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefits terms of the pension plan:

Active Members	164
Inactive Members	
Member or their beneficiaries receiving benefits	245
Members active elsewhere in VRS	86
Non-vested members	67
Vested Members	66
Sub-total Inactive Members	464
Total Members	628

NOTE 11 VIRGINIA RETIREMENT SYSTEM (VRS) POLITICAL SUBDIVISION PLAN (CONTINUED)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided by the Virginia General Assembly. Employees are required to contribute 5% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Authority's contractually required contribution rate for the year ended September 30, 2017 was 10.51% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $1,090,534 and $1,022,623 for the years ended September 30, 2017 and September 30, 2016, respectively.

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority's retirement plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation:	2.5%
Salary increases, including inflation:	3.5 % - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a project plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify the preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related.

NOTE 11 VIRGINIA RETIREMENT SYSTEM (VRS) POLITICAL SUBDIVISION PLAN (CONTINUED)

Actuarial Assumptions – General Employees (continued)

All Employers

Pre-Retirement

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

All Employers

-Update mortality table

-Decrease in rates of service retirement

-Decrease in rates of disability retirement

-Reduce rates of salary increase by 0.25% per year

Long term Expected Rate of Return

The long-term expected rate of return on System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation percentage and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

NOTE 11 VIRGINIA RETIREMENT SYSTEM (VRS) POLITICAL SUBDIVISION PLAN (CONTINUED)

Long term Expected Rate of Return (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return	Weighted Average Long-term Expected Rate of Return
U.S. Equities	19.50%	6.46%	1.26%
Developed Non-U.S. Equities	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

*Using stochastic project results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended September 30, 2018, the rate contributed by the Authority for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From October 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11 VIRGINIA RETIREMENT SYSTEM (VRS) POLITICAL SUBDIVISION PLAN (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2016	$ 65,815,319	$ 58,080,021	$ 7,735,298
Changes for the Year			
Service Cost	858,337	-	858,337
Interest	4,453,853	-	4,453,853
Differences Between Expected and Actual Experience	(1,415,200)	-	(1,415,200)
Contributions - Employer	-	940,113	(940,113)
Contributions - Employee	-	383,716	(383,716)
Net Investment Income	-	927,825	(927,825)
Benefit Payments, Including Refunds	(4,377,683)	(4,377,683)	-
Administrative Expenses	-	(37,325)	37,325
Other Changes	-	(411)	411
Net Changes	(480,693)	(2,163,765)	1,683,072
Balances at September 30, 2017	$ 65,334,626	$ 55,916,256	$ 9,418,370

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Authority using the discount rate of 7.00%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is on percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease -6.00%	Current Discount Rate (7.00%)	1% Increase -8.00%
Authority's Net Pension Liability	16,651,142	9,418,370	3,300,901

For the year ended September 30, 2017, the Authority recognized pension expense of $68,151. At September 30, 2017, the Authority reported deferred inflows and outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	$ 1,445,095	$ -
Difference Between Expected and Actual Experience	-	717,169
Authority Contributions Subsequent to the Measurement Date	1,057,960	-
Total	$ 2,503,055	$ 717,169

NOTE 11 VIRGINIA RETIREMENT SYSTEM (VRS) POLITICAL SUBDIVISION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Continued)

The $1,090,534 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended September 30:	Amount
2018	$ (732,069)
2019	(28,979)
2020	883,046
2021	605,928
Total	$ 727,926

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 report may be downloaded from the VRS web site located at http://www.varetire.org/pdg/publications/2016-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Additional disclosures on changes in net pension liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

NOTE 12 POST RETIREMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The post-retirement benefits plan is a 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 57 retirees receiving benefits and 115 active plan members at the valuation date of 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.

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

Funding Policy

The contribution 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, 2017 were as follows:

Annual Required Contribution	$ 167,424
Interest on Net OPEB Obligation	61,950
Adjustment to Annual Required Contribution	(295,340)
Contribution Made	(76,555)
Decrease in Net OPEB Obligation	(142,521)
Net OPEB Obligation, Beginning of Year	2,065,567
Net OPEB Obligation, End of Year	$ 1,923,046

The percentage of AOC contributed was 169.3 percent.

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributions to the Plan, and the net OPEB obligations for the years ended September 30, 2017 and 2016 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
9/30/2015	(67,701)	155.9%	2,248,932
9/30/2016	(60,448)	203.3%	2,065,567
9/30/2017	(65,966)	116.1%	1,923,046

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

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, 2014, the most recent actuarial valuation, the actuarial accrued liability (AAL) was $868,203 and there were no actuarial plan assets, therefore the unfunded AAL (UAAL) was $868,203. As of September 30, 2014, the annual covered payroll of active employees covered by the Plan was $10,303,718 resulting in a ratio of UAAL to covered payroll of 8.4 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.

Actuarial assumptions used in the actuarial valuation were:

Valuation date	September 30, 2014
Actuarial method	Entry age normal cost method
Amortization method	Level percentage of pay
Amortization period	7 years - closed
Investment rate of return	3.00%
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
2017	2.00%
2018	7.00%
2019-2022	5.30%

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, 2017.

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. No such matters were brought to our attention.

Grants

Federal grant programs in which RRHA participates have been audited in accordance with the provisions of the Office of Management and Budget Uniform Guidance. 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, 2017 was $122,097. Rental obligations under operating leases for each of the years through September 30, 2019 are as follows:

Year Ended September 30,	Rental Obligation
2018	$ 522,488
2019	477,317
2020	22,339
Total	$ 1,022,144

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.

The Authority also leased land to Church Hill North Phase I, LLC for the Armstrong project. The lease is for $976,000 of which $73,200 was paid and is for a term of 40 years commencing on January 24, 2017. The land was leased to develop 60 family apartments.

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%
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%
RDC Armstrong LLC	Armstrong	3/5/2015	Member	100.00%
RDC Church Hill North 1 LLC	Church Hill	2/13/2015	Non-Managing Member	25.00%
RDC Church hill North 1B LLC	Church Hill	8/24/2017	Non-Managing Member	25.00%

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

The following pending GASB Pronouncements will be effective for the Authority in future years. The Authority is currently assessing the impact of these Statements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for fiscal years beginning after June 15, 2017.

- GASB Statement No. 84, *Fiduciary Activities*. This Statement is effective for reporting periods beginning after December 15, 2018.

- GASB Statement No. 87, *Leases*. This Statement is effective for reporting periods beginning after December 15, 2019.

NOTE 20 SUBSEQUENT EVENTS

On March 7, 2018, the U.S. District Court for the Eastern District of Virginia issued a preliminary order approving a settlement agreement for class-action claims against RRHA related to excess utility surcharges and associated late fees. Under the settlement agreement, RRHA will pay approximately $1 million to current and former RRHA tenants to compensate for (1) utilities surcharges assessed under an allegedly improper utility allowance system, (2) late fees allegedly charges in violation of existing lease agreements, and (3) additional utilities surcharges charged due to contractor billing error. RRHA will also pay $100,000 to Legal Aid Justice Center of Virginia for the class plaintiffs' attorney's fees.

The settlement will compensate for approximately 22% of all contested charges. The majority of settlement funds will take the form of credits applied to tenant accounts and/or past due balances; only former tenants owing less than their settlement award will receive a cash refund.

The settlement agreement is subject to objections by the class action plaintiffs. All such objections, if any, will be heard at a final hearing scheduled for July 10, 2018. After the July 10 hearing, a final order approving the settlement will be issued, at which point RRHA will distribute all settlement amounts within 45 days. RRHA has restricted cash sufficient to cover the current settlement terms and recorded a related liability.

REQUIRED SUPPLEMENTARY INFORMATION

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS – OPEB PLAN
SEPTEMBER 30, 2017

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%
September 30, 2014	868,203	868,203	0.00%	10,303,718	8.40%

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2017

	2017	2016	2015
Total Pension Liability			
Service Cost	$ 858,337	$ 980,501	$ 1,113,926
Interest	4,453,853	4,412,693	4,330,100
Differences Between Expected and Actual Experience	(1,415,200)	(467,761)	-
Benefit Payments, Including Refunds	(4,377,683)	(4,297,159)	(4,231,119)
Net Change in Total Pension Liability	(480,693)	628,274	1,212,907
Total Pension Liability - Beginning	65,815,319	65,187,045	63,974,138
Total Pension Liability - Ending (a)	$ 65,334,626	$ 65,815,319	$ 65,187,045
Plan Fiduciary Net Position			
Contributions - Employer	$ 940,113	$ 1,022,623	$ 1,189,819
Contributions - Employee	383,716	414,364	490,888
Net Investment Income	927,825	2,599,500	8,133,010
Benefit Payments, Including Refunds	(4,377,683)	(4,297,159)	(4,231,119)
Administrative Expenses	(37,325)	(37,922)	(45,600)
Other Changes	(411)	(541)	429
Net Change in Plan Fiduciary Net Position	(2,163,765)	(299,135)	5,537,427
Plan Fiduciary Net Position - Beginning	58,080,021	58,379,156	52,841,729
Plan Fiduciary Net Position - Ending (b)	$ 55,916,256	$ 58,080,021	$ 58,379,156
Authority's Net Pension Liability - Ending (a) - (b)	$ 9,418,370	$ 7,735,298	$ 6,807,889
Plan Fiduciary Net Position as a % of Total Pension Liability	85.58%	88.25%	89.56%
Covered Payroll	$ 8,431,972	$ 8,020,439	$ 11,478,856
Authority's Net Pension Liability as a % of Covered Payroll	111.70%	96.44%	59.31%

* The Authority implemented GASB 68 during fiscal year 2015. As such, only three years of information is available.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
VRS PENSION PLAN
Last 10 Fiscal Years
SEPTEMBER 30, 2017

	2017	2016	2015
Contractually Required Contributions	$ 1,090,534	$ 1,022,623	$ 1,189,819
Contributions in Relation to Contractually Required Contributions	$ 1,090,534	$ 1,022,623	$ 1,189,819
Contribution deficiency (excess)	$ -	$ -	$ -
Authority's Covered Employee Payroll	$ 8,431,972	$ 8,020,439	$ 11,478,856
Contributions as a % of Covered Employee Payroll	12.93%	12.75%	10.37%

* Schedule is intended to show information for 10 years. The Authority implemented GASB 68 during fiscal year 2015. As such, only three years of information is available. Additional years will be included as they become available.

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities of the measurement date of June 30, 2016 is not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

All Employers – Non-LEO's

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

OTHER SUPPLEMENTARY INFORMATION

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2017

Line Item #	Account Description	LIPH 14.850/872	HCVP 14.871	HOPE VI 14.866	Blended Comp Unit	State/Local	Business Activities
	CURRENT ASSETS						
	Cash:						
111	Unrestricted	$ 6,077,415	$ 5,110	$ 45,839	$ 624,802	$ 688,662	$ 344,628
112	Restricted - modernization and development	-	-	-	-	11,048,554	2,102,133
113	Other restricted	1,179,797	927,601	-	-	386,182	1,561,414
114	Tenant security deposits	640,709	-	-	-	-	-
115	Restricted for payment of current liabilities	72,890	40,006	-	-	-	-
100	Total cash	7,970,811	972,717	45,839	624,802	12,123,398	4,008,175
	Accounts and notes receivable:						
122	HUD other projects	1,254,940	-	96,582	-	-	-
124	Other government	-	-	-	-	19,748	-
125	Miscellaneous	1,089,423	201,750	-	-	267,262	323,651
126	Tenants	1,042,340	-	-	-	-	-
126.1	Allowance for doubtful accounts - tenants	(585,310)	-	-	-	-	-
126.2	Allowance for doubtful accounts - other	-	(63,365)	-	-	(19,882)	(115,108)
127	Notes, loans & mortgages receivable, current	109,998	-	144,246	-	24,439	179,388
128	Fraud recovery	-	43,952	-	-	-	-
120	Total receivables, net of allowances for uncollectibles	2,911,391	182,337	240,828	-	291,567	387,931
132	Investments - restricted	-	-	-	-	-	543,336
135	Investments - restricted for current liability	-	-	-	-	-	56,980
	Total current investments	-	-	-	-	-	600,316
142	Prepaid expenses and other assets	52,631	10,018	-	-	-	12,313
143	Inventories	332,775	-	-	-	-	-
143.1	Allowance for obsolete inventories	(32,466)	-	-	-	-	-
145	Assets held for sale	-	-	1,264,539	-	3,704,810	1,123,933
150	Total current assets	11,235,142	1,165,072	1,551,206	624,802	16,119,775	6,132,668
	NONCURRENT ASSETS						
	Fixed assets:						
161	Land	5,150,708	25,914	-	-	1,343,400	233,000
162	Buildings	137,233,219	678,388	-	-	-	774,926
163	Furniture, equipment & machinery - dwellings	1,915,158	-	-	-	-	-
164	Furniture, equipment & machinery - admin.	6,606,348	366,088	-	-	-	51,882
165	Leasehold improvements	9,955,845	73,690	-	-	-	-
166	Accumulated depreciation	(94,499,717)	(837,827)	-	-	-	(46,066)
167	Construction in progress	1,741,927	-	191,717	-	667,105	62,766
160	Total fixed assets, net of accumulated depreciation	68,103,488	306,253	191,717	-	2,010,505	1,076,508
171	Notes, loans and mortgages receivable - noncurrent	12,375,389	-	7,720,236	-	775,691	3,249,255
180	Total noncurrent assets	80,478,877	306,253	7,911,953	-	2,786,196	4,325,763
200	Deferred Outflow of Resources	1,151,755	136,225	-	-	29,180	186,663
290	**TOTAL ASSETS AND DEFERRED OUTFLOWS**	$ 92,865,774	$ 1,607,550	$ 9,463,159	$ 624,802	$ 18,935,151	$ 10,645,094

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2017

Line Item #	Account Description	CDBG 14.218	HOME	Other Project PFSS	COCC	Eliminations	Authority Total
	CURRENT ASSETS						
	Cash:						
111	Unrestricted	$ 86,755	$ -	$ -	$ 699,356	$ -	$ 8,572,567
112	Restricted - modernization and development	-	-	-	697,494	-	13,848,181
113	Other restricted	247,357	15,000	-	-	-	4,317,351
114	Tenant security deposits	-	-	-	-	-	640,709
115	Restricted for payment of current liabilities	-	-	-	-	-	112,896
100	Total cash	334,112	15,000	-	1,396,850	-	27,491,704
	Accounts and notes receivable:						
122	HUD other projects	-	-	13,840	-	-	1,365,362
124	Other government	98,602	-	-	-	-	118,350
125	Miscellaneous	169,638	32,026	-	643,402	(1,657,050)	1,070,102
126	Tenants	-	-	-	-	-	1,042,340
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-	(585,310)
126.2	Allowance for doubtful accounts - other	(107,150)	(20,840)	-	-	-	(326,345)
127	Notes, loans & mortgages receivable, current	74,387	115,955	-	-	(110,000)	538,413
128	Fraud recovery	-	-	-	-	-	43,952
120	Total receivables, net of allowances for uncollectibles	235,477	127,141	13,840	643,402	(1,767,050)	3,266,864
132	Investments - restricted	-	-	-	-	-	543,336
135	Investments - restricted for current liability	-	-	-	-	-	56,980
	Total current investments	-	-	-	-	-	600,316
142	Prepaid expenses and other assets	-	-	-	120,820	-	195,782
143	Inventories	-	-	-	184,097	-	516,872
143.1	Allowance for obsolete inventories	-	-	-	(18,410)	-	(50,876)
145	Assets held for sale	1,264,294	-	-	-	-	7,357,576
150	Total current assets	1,833,883	142,141	13,840	2,326,759	(1,767,050)	39,378,238
	NONCURRENT ASSETS						
	Fixed assets:						
161	Land	-	-	-	428,457	-	7,181,479
162	Buildings	-	-	-	2,878,548	-	141,565,081
163	Furniture, equipment & machinery - dwellings	-	-	-	-	-	1,915,158
164	Furniture, equipment & machinery - admin.	-	-	-	3,703,690	-	10,728,008
165	Leasehold improvements	-	-	-	123,403	-	10,152,938
166	Accumulated depreciation	-	-	-	(5,256,361)	-	(100,639,971)
167	Construction in progress	92,258	-	-	-	-	2,755,773
160	Total fixed assets, net of accumulated depreciation	92,258	-	-	1,877,737	-	73,658,466
171	Notes, loans and mortgages receivable - noncurrent	3,348,610	903,263	-	-	(6,245,544)	22,126,900
180	Total noncurrent assets	3,440,868	903,263	-	1,877,737	(6,245,544)	95,785,366
200	Deferred Outflow of Resources	-	-	14,591	984,641	-	2,503,055
290	**TOTAL ASSETS AND DEFERRED OUTFLOWS**	$ 5,274,751	$ 1,045,404	$ 28,431	$ 5,189,137	$ (8,012,594)	$ 137,666,659

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2017

Line Item #	Account Description	LIPH 14.850/872	HCVP 14.871	HOPE VI 14.866	Blended Comp Unit	State/Local	Business Activities
	CURRENT LIABILITIES						
312	Accounts payable <= 90 days	$ 2,381,141	$ 51,742	$ 73,211	$ 693	$ 284,250	$ 27,671
321	Accrued wage/payroll taxes payable	275,568	28,471	-	-	5,373	32,014
322	Accrued compensated absences - current portion	275,815	25,343	-	-	-	48,513
331	Accounts payable - HUD PHA programs	17,796	-	-	-	-	-
333	Accounts payable - other government	27,953	-	-	-	11,735	-
341	Tenant security deposits	637,298	-	-	-	-	4,689
342	Deferred revenues	105,139	41,521	-	-	548,667	19,998
345	Other current liabilities	13,838	2,971	-	-	50	2,817
346	Accrued liabilities - other	2,133,642	7,090	-	103	171	9,068
348	Loan liability - current	-	-	-	-	-	-
310	Total current liabilities	5,868,190	157,138	73,211	796	850,246	144,770
	NONCURRENT LIABILITIES						
353	Noncurrent liabilities - other	2,527,994	40,006	1,086,313	-	627,336	1,661,696
354	Accrued compensated absences - noncurrent	-	-	-	-	-	-
355	Loan liability - noncurrent	-	-	-	-	-	-
357	Accrued pension and OPEB liability	4,768,256	624,578	33,964	-	84,368	609,975
350	Total noncurrent liabilities	7,296,250	664,584	1,120,277	-	711,704	2,271,671
300	Total liabilities	13,164,440	821,722	1,193,488	796	1,561,950	2,416,441
400	Deferred Inflow of Resources	329,998	39,031	-	-	8,360	53,482
	NET POSITION						
508.1	Net investment in capital assets	68,103,488	306,253	191,717	-	2,010,505	1,076,508
511.1	Restricted net position	-	1,048,159	-	-	11,434,736	4,259,175
512.1	Unrestricted net position	11,267,848	(607,615)	8,077,954	624,006	3,919,600	2,839,488
513	Total net position	79,371,336	746,797	8,269,671	624,006	17,364,841	8,175,171
600	**TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION**	$ 92,865,774	$ 1,607,550	$ 9,463,159	$ 624,802	$ 18,935,151	$ 10,645,094

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2017

Line Item #	Account Description	CDBG 14.218	HOME	Other Project PFSS	COCC	Eliminations	Authority Total
	CURRENT LIABILITIES						
312	Accounts payable <= 90 days	$ -	$ -	$ 10,043	$ 2,815	$ (1,657,050)	$ 1,174,516
321	Accrued wage/payroll taxes payable	-	-	2,755	214,478	-	558,659
322	Accrued compensated absences - current portion	-	-	-	279,894	-	629,565
331	Accounts payable - HUD PHA programs	-	-	-	-	-	17,796
333	Accounts payable - other government	163,788	252,375	-	-	-	455,851
341	Tenant security deposits	-	-	-	-	-	641,987
342	Deferred revenues	103,987	-	-	-	-	819,312
345	Other current liabilities	6,044	-	-	658	-	26,378
346	Accrued liabilities - other	830	-	-	27,211	-	2,178,115
348	Loan liability - current	-	-	-	110,000	(110,000)	-
310	Total current liabilities	274,649	252,375	12,798	635,056	(1,767,050)	6,502,179
	NONCURRENT LIABILITIES						
353	Noncurrent liabilities - other	2,578,867	1,019,224	-	-	-	9,541,436
354	Accrued compensated absences - noncurrent	-	-	-	-	-	-
355	Loan liability - noncurrent	765,000	-	-	6,245,544	(6,245,544)	765,000
357	Accrued pension and OPEB liability	247,932	-	-	4,972,343	-	11,341,416
350	Total noncurrent liabilities	3,591,799	1,019,224	-	11,217,887	(6,245,544)	21,647,852
300	Total liabilities	3,866,448	1,271,599	12,798	11,852,943	(8,012,594)	28,150,031
400	Deferred Inflow of Resources	-	-	4,181	282,117	-	717,169
	NET POSITION						
508.1	Net investment in capital assets	92,258	-	-	1,877,737	-	73,658,466
511.1	Restricted net position	118,570	-	-	697,494	-	17,558,134
512.1	Unrestricted net position	1,197,475	(226,195)	11,452	(9,521,154)	-	17,582,859
513	Total net position	1,408,303	(226,195)	11,452	(6,945,923)	-	108,799,459
600	**TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION**	$ 5,274,751	$ 1,045,404	$ 28,431	$ 5,189,137	$ (8,012,594)	$ 137,666,659

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2017

Line Item #	Account Description	LIPH 14.850/872	HCVP 14.871	HOPE VI 14.866	Blended Comp Unit	State/Local	Business Activities
	REVENUE						
70300	Net tenant rental revenue	$ 9,751,596	$ -	$ -	$ -	$ -	$ -
70400	Tenant revenue - other	724,399	-	-	-	-	-
70500	Total tenant revenue	10,475,995	-	-	-	-	-
70600	HUD PHA operating grants	21,118,324	25,756,876	160,698	-	-	-
70610	Capital grants	3,510,231	-	501,156	-	-	-
70710	Management fee	-	-	-	-	-	-
70720	Asset management fee	-	-	-	-	-	-
70730	Bookkeeping fee	-	-	-	-	-	-
70740	Front line service fee	-	-	-	-	-	-
70750	Other fees	-	-	-	-	-	310,278
70800	Other governmental grants	-	-	-	-	11,583,459	-
71100	Investment income - unrestricted	1,168	-	-	-	4,377	10,024
71200	Mortgage interest income	-	-	-	-	-	81,168
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	2,698,209
71310	Cost of sales of assets	-	-	-	-	(276,272)	(896,082)
71400	Fraud recovery	-	32,802	-	-	-	-
71500	Other revenue	846,822	774,037	-	288,797	1,851,410	739,543
71600	Gain or loss on the sale of fixed assets	2,905	-	-	-	-	(298,741)
72000	Investment income - restricted	73,027	-	-	-	447	13,125
70000	Total revenue	36,028,472	26,563,715	661,854	288,797	13,163,421	2,657,524
	EXPENSES						
	Administrative:						
91100	Administrative salaries	1,542,998	496,805	-	-	171,241	447,311
91200	Auditing fees	61,579	59,331	-	3,314	-	89,412
91300	Management fee	3,602,847	436,440	-	-	-	150,800
91310	Bookkeeping fee	336,405	272,775	-	-	-	-
91400	Advertising and marketing	3,862	557	-	-	-	16,210
91500	Employee benefit contributions - administrative	529,418	146,362	3,716	-	56,730	79,234
91600	Office expenses	763,343	121,227	81,509	-	176,329	101,289
91700	Legal expense	249,189	2,468	-	2,943	151,577	29,328
91900	Other	66,740	29,143	-	-	-	3,695
91000	Total administrative	7,156,381	1,565,108	85,225	6,257	555,877	917,279
92000	Asset management fee	229,874	-	-	-	-	-
	Tenant services:						
92100	Salaries	77,897	-	-	-	-	-
92200	Relocation costs	63,654	-	-	-	-	-
92300	Employee benefit contributions	12,204	192	-	-	-	-
92400	Other	637,178	193,224	-	-	10,500	-
92500	Total tenant services	790,933	193,416	-	-	10,500	-
	Utilities:						
93100	Water	2,570,537	1,648	-	-	-	1,020
93200	Electricity	2,679,616	7,475	-	-	-	3,709
93300	Gas	1,610,010	2,423	-	-	-	83
93600	Sewer	4,372,592	2,998	-	-	-	1,201
93800	Other utilities expense	239,326	1,317	-	-	1,633	27,458
93000	Total utilities	11,472,081	15,861	-	-	1,633	33,471
	Ordinary maintenance & operations:						
94100	Labor	2,519,178	-	-	-	-	-
94200	Materials and other	1,092,912	1,020	1,823	-	-	144
94300	Contracts	3,744,126	11,793	2,225	-	-	213
94500	Employee benefits contribution	775,933	182	-	-	-	885
94000	Total ordinary maintenance & operations	8,132,149	12,995	4,048	-	-	1,242
	Protective services:						
95200	Other contract costs	5,251	-	-	-	-	-
95300	Other	2,871	-	-	-	-	-
95000	Total protective services	8,122	-	-	-	-	-

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2017

Line Item #	Account Description	CDBG 14.218	HOME	Other Project PFSS	COCC	Eliminations	Authority Total
	REVENUE						
70300	Net tenant rental revenue	$ -	$ -	$ -	$ -	$ -	$ 9,751,596
70400	Tenant revenue - other	-	-	-	-	-	724,399
70500	Total tenant revenue	-	-	-	-	-	10,475,995
70600	HUD PHA operating grants	-	-	71,807	-	-	47,107,705
70610	Capital grants	-	-	-	-	-	4,011,387
70710	Management fee	-	-	-	3,631,465	(3,631,465)	-
70720	Asset management fee	-	-	-	229,874	(229,874)	-
70730	Bookkeeping fee	-	-	-	609,180	(609,180)	-
70740	Front line service fee	-	-	-	1,250,391	(1,250,391)	-
70750	Other fees	-	-	-	1,688,958	(1,999,236)	-
70800	Other governmental grants	67,764	-	-	-	-	11,651,223
71100	Investment income - unrestricted	-	-	-	-	-	15,569
71200	Mortgage interest income	33,891	-	-	-	-	115,059
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	2,698,209
71310	Cost of sales of assets	(822,563)	-	-	-	-	(1,994,917)
71400	Fraud recovery	-	-	-	-	-	32,802
71500	Other revenue	863,382	104,841	-	170,351	(503,988)	5,135,195
71600	Gain or loss on the sale of fixed assets	-	-	-	-	-	(295,836)
72000	Investment income - restricted	-	-	-	3,915	-	90,514
70000	Total revenue	142,474	104,841	71,807	7,584,134	(8,224,134)	79,042,905
	EXPENSES						
	Administrative:						
91100	Administrative salaries	35,169	-	-	2,407,333	-	5,100,857
91200	Auditing fees	-	-	-	9,884	-	223,520
91300	Management fee	-	-	-	-	(3,941,766)	248,321
91310	Bookkeeping fee	-	-	-	-	(609,180)	-
91400	Advertising and marketing	-	-	-	7,757	-	28,386
91500	Employee benefit contributions - administrative	29,673	-	-	629,721	-	1,474,854
91600	Office expenses	71,554	-	4,101	884,264	-	2,203,616
91700	Legal expense	1,738	-	-	70,548	-	507,791
91900	Other	-	-	-	136,771	-	236,349
91000	Total administrative	138,134	-	4,101	4,146,278	(4,550,946)	10,023,694
92000	Asset management fee	-	-	-	-	(229,874)	-
	Tenant services:						
92100	Salaries	-	-	49,677	193,546	-	321,120
92200	Relocation costs	-	-	-	(164)	-	63,490
92300	Employee benefit contributions	-	-	6,577	65,168	-	84,141
92400	Other	-	-	-	6,388	(788,666)	58,624
92500	Total tenant services	-	-	56,254	264,938	(788,666)	527,375
	Utilities:						
93100	Water	-	-	-	8,485	-	2,581,690
93200	Electricity	-	-	-	55,854	-	2,746,654
93300	Gas	-	-	-	6,906	-	1,619,422
93600	Sewer	-	-	-	11,844	-	4,388,635
93800	Other utilities expense	2,813	-	-	10,010	-	282,557
93000	Total utilities	2,813	-	-	93,099	-	11,618,958
	Ordinary maintenance & operations:						
94100	Labor	-	-	-	1,224,201	-	3,743,379
94200	Materials and other	406	-	-	72,633	-	1,168,938
94300	Contracts	-	-	-	62,934	(1,690,842)	2,130,449
94500	Employee benefits contribution	-	-	-	347,424	-	1,124,424
94000	Total ordinary maintenance & operations	406	-	-	1,707,192	(1,690,842)	8,167,190
	Protective services:						
95200	Other contract costs	-	-	-	-	-	5,251
95300	Other	-	-	-	-	(2,871)	-
95000	Total protective services	-	-	-	-	(2,871)	5,251

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2017

Line Item #	Account Description	LIPH 14.850/872	HCVP 14.871	HOPE VI 14.866	Blended Comp Unit	State/Local	Business Activities
	EXPENSES (Continued)						
	Insurance premiums:						
96110	Property insurance	$ 525,241	$ 592	$ -	$ -	$ -	$ 3,055
96120	Liability insurance	216,220	16,279	-	-	-	569
96130	Workmen's compensation	61,766	6,760	-	-	-	5,502
96140	All other insurance	94,196	5,555	-	-	-	11,551
96100	Total insurance premiums	897,423	29,186	-	-	-	20,677
	Other general expenses:						
96200	Other general expenses	576,889	25,070	1,600	115	646,681	826,850
96210	Compensated absences	26,111	1,883	-	-	-	-
96400	Bad debt - tenants rent	831,376	-	-	-	-	-
96500	Bad debt - mortgages	-	-	225,734	-	-	9,750
96600	Bad debt - other	-	63,365	-	-	-	-
96000	Total other general expenses	1,434,376	90,318	227,334	115	646,681	836,600
	Interest expense and amortization costs						
96720	Interest on notes payable	-	-	-	-	-	19,668
96730	Amortization of bond issue costs	-	-	-	-	-	-
96700	Total interest expense and amortization costs	-	-	-	-	-	19,668
96900	Total operating expenses	30,121,339	1,906,884	316,607	6,372	1,214,691	1,828,937
97000	Excess of operating revenue over operating expenses	5,907,133	24,656,831	345,247	282,425	11,948,730	828,587
97300	Housing assistance payments	44,855	23,999,082	-	-	-	-
97350	HAP portability in	-	684,249	-	-	-	-
97400	Depreciation expense	3,527,501	45,532	-	-	-	2,583
90000A	Total other expenses	3,572,356	24,728,863	-	-	-	2,583
90000	Total expenses	33,693,695	26,635,747	316,607	6,372	1,214,691	1,831,520
	Other financing sources (uses):						
10010	Operating transfer in	1,642,193	-	-	-	-	-
10020	Operating transfer out	(1,642,193)	-	-	-	-	-
10091	InterProject excess cash transfer in	596,513	-	-	-	-	-
10092	InterProject excess cash transfer out	(596,513)	-	-	-	-	-
10093	Transfer from program and project - in	75,000	-	-	-	-	-
10094	Transfer from program and project - out	-	-	(75,000)	-	-	-
10100	Total other financing sources (uses)	75,000	-	(75,000)	-	-	-
10000	**EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES**	$ 2,409,777	$ (72,032)	$ 270,247	$ 282,425	$ 11,948,730	$ 826,004
	Memo Account Information						
11020	Required annual debt principal payments	$ -	$ -	$ -	$ -	$ -	$ -
11030	Beginning equity	74,499,836	530,239	10,040,128	497,211	6,068,480	9,258,798
11040	Prior period adjustments, equity transfers & correction	2,461,723	288,590	(2,040,704)	(155,630)	(652,369)	(1,909,631)
11170	Administrative fee equity	-	(301,362)	-	-	-	-
11180	Housing assistance payments equity	-	1,048,159	-	-	-	-
11190	Unit months available	47,148	36,419	-	-	-	-
11210	Unit months leased	45,263	36,370	-	-	-	-
11270	Excess cash	1,430,371	-	-	-	-	-
11610	Land purchases	-	-	-	-	-	-
11620	Building purchases	-	-	-	-	-	-
11630	Furniture & equipment - dwelling purchases	-	-	-	-	-	-
11640	Furniture & equipment - administrative purchases	-	-	-	-	-	-
11650	Leasehold improvements	-	-	-	-	-	-
11660	Infrastructure purchases	3,510,231	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2017

Line Item #	Account Description	CDBG 14.218	HOME	Other Project PFSS	COCC	Eliminations	Authority Total
	EXPENSES (Continued)						
	Insurance premiums:						
96110	Property insurance	$ 6,247	$ -	$ -	$ 40,689	$ -	$ 575,824
96120	Liability insurance	1,323	-	-	-	-	234,391
96130	Workmen's compensation	-	-	-	38,334	-	112,362
96140	All other insurance	-	-	-	79,602	-	190,904
96100	Total insurance premiums	7,570	-	-	158,625	-	1,113,481
	Other general expenses						
96200	Other general expenses	433,534	-	-	621,839	(960,935)	2,171,643
96210	Compensated absences	-	-	-	-	-	27,994
96400	Bad debt - tenants rent	-	-	-	-	-	831,376
96500	Bad debt - mortgages	-	-	-	-	-	235,484
96600	Bad debt - other	-	-	-	-	-	63,365
96000	Total other general expenses	433,534	-	-	621,839	(960,935)	3,329,862
	Interest expense and amortization costs						
96720	Interest on notes payable	-	-	-	-	-	19,668
96730	Amortization of bond issue costs	-	-	-	-	-	-
96700	Total interest expense and amortization costs	-	-	-	-	-	19,668
96900	Total operating expenses	582,457	-	60,355	6,991,971	(8,224,134)	34,805,479
97000	Excess of operating revenue over operating expenses	(439,983)	104,841	11,452	592,163	-	44,237,426
97300	Housing assistance payments	-	-	-	-	-	24,043,937
97350	HAP portability in	-	-	-	-	-	684,249
97400	Depreciation expense	-	-	-	133,675	-	3,709,291
90000A	Total other expenses	-	-	-	133,675	-	28,437,477
90000	Total expenses	582,457	-	60,355	7,125,646	(8,224,134)	63,242,956
	Other financing sources (uses):						
10010	Operating transfer in	-	-	-	-	(1,642,193)	-
10020	Operating transfer out	-	-	-	-	1,642,193	-
10091	InterProject excess cash transfer in	-	-	-	-	-	596,513
10092	InterProject excess cash transfer out	-	-	-	-	-	(596,513)
10093	Transfer from program and project - in	-	-	-	-	(75,000)	-
10094	Transfer from program and project - out	-	-	-	-	75,000	-
10100	Total other financing sources (uses)	-	-	-	-	-	-
10000	**EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES**	$ (439,983)	$ 104,841	$ 11,452	$ 458,488	$ -	$ 15,799,949
	Memo Account Information						
11020	Required annual debt principal payments	$ -	$ -	$ -	$ 110,000	$ (110,000)	$ -
11030	Beginning equity	1,661,651	(314,999)	-	(9,086,204)	-	93,155,140
11040	Prior period adjustments, equity transfers & correction	186,635	(16,037)	-	1,681,793	-	(155,630)
11170	Administrative fee equity	-	-	-	-	-	(301,362)
11180	Housing assistance payments equity	-	-	-	-	-	1,048,159
11190	Unit months available	-	-	-	-	-	83,567
11210	Unit months leased	-	-	-	-	-	81,633
11270	Excess cash	-	-	-	-	-	1,430,371
11610	Land purchases	-	-	-	-	-	-
11620	Building purchases	-	-	-	-	-	-
11630	Furniture & equipment - dwelling purchases	-	-	-	-	-	-
11640	Furniture & equipment - administrative purchases	-	-	-	-	-	-
11650	Leasehold improvements	-	-	-	-	-	-
11660	Infrastructure purchases	-	-	-	-	-	3,510,231
13901	Replacement Housing Factor Funds	-	-	-	-	-	-

SINGLE AUDIT REPORT

CliftonLarsonAllen LLP
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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
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 Richmond Redevelopment and Housing Authority (the Authority), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 1, 2018.

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.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
June 1, 2018

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
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 *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, 2017. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal Program for the year ended September 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to this matters.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a material weakness.

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

Board of Commissioners
Richmond Redevelopment and Housing Authority

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
June 1, 2018

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/ Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Housing and Urban Development				
Public and Indian Housing	14.850	-	-	$ 18,459,309
HOPE VI - Urban Revitalization Development	14.866	-	-	661,855
Housing Choice Voucher Program	14.871	-	-	26,635,747
Capital Fund Program	14.872	-	-	6,169,247
PIH Family Self-Sufficiency Program	14.896	-	-	60,355
HOME Investment Partnerships Program	14.239	City of Richmond	-	1,019,218
Community Development Block Grant	14.218	City of Richmond	-	3,404,708
Total Department of Housing and Urban Development Programs				56,410,439
Total Expenditures of Federal Awards				$ 56,410,439

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, 2017

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Authority under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

NOTE 3 FINDINGS AND QUESTIONED COSTS

The findings and questioned costs identified in connection with the 2017 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, 2017. No new loans were disbursed during the year ended September 30, 2017.

	Federal CFDA Number	Amount Outstanding
Community Development Block Grant	14.218	$ 3,140,575
HOME	14.239	1,019,218
Total		$ 4,159,793

This information is an integral part of the accompanying schedule.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2017

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Modified

2. Internal control over financial reporting:
   - Material weakness(es) identified? _____ yes __X__ no
   - Significant deficiency(ies) identified? _____ yes __X__ none reported

3. Noncompliance material to financial statements noted? _____ yes __X__ no

Federal Awards

1. Internal control over major federal programs:
   - Material weakness(es) identified? __X__ yes _____ no
   - Significant deficiency(ies) identified? _____ yes __X__ none reported

2. Type of auditors' report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __X__ yes _____ no

Identification of Major Federal Programs

CFDA Numbers	Name of Federal Program or Cluster
14.871	Housing Choice Voucher Program

Dollar threshold used to distinguish between Type A and Type B programs: $ 1,684,941

Auditee qualified as low-risk auditee? _____ yes __X__ no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2017-001

Federal Agency:	U.S. Department of Housing and Urban Development
Federal Program Title:	Housing Choice Voucher Program
CFDA Number:	14.871
Award Period:	October 1, 2016 through September 30, 2017
Type of Finding:	Material Weakness in Internal Control over Compliance and Compliance

Criteria: 24 CFR 985.516 requires PHA's to obtain third party verification of all income, assets, and expenses reported on the HUD-50058. Under 24 CFR 5.212 and 5.230, the head of household and other household members over age 18 are required to sign a federally prescribed general release form for employment information and a privacy notice. 24 CFR 982.158 requires a PHA to submit the HUD-50058 form electronically in PIC each time the PHA completes a new HUD-50058 form for any action. 24 CFR 982.405(a) requires a PHA to inspect the unit leased to a family prior to the initial term of the lease and at least biennially during the term of occupancy.

Condition/Context: Testing of 40 tenant files for eligibility, annual inspections and HUD-50058 reporting requirements identified exceptions in 18 files with several files containing multiple exceptions. The exceptions include:

- 4 files contained improper calculation of income/deductions from income or did not contain proper documentation to support income calculations.
- 1 file contained the HUD-9886 form and general release form signed by the head of household, but the form was not signed by another household member over age 18.
- 1 file was not uploaded to HUD's PIC database.
- 17 files contained annual inspections that occurred more than 24 months apart, which exceeds the policy stated in the Authority's HCVP Administrative Plan.

Questioned Costs: Unable to determine

Cause: The incorrect calculations, missing forms and missing file upload appear to be staff errors which were not routinely seen during testing of the files. When the Authority changed their policy for annual inspections to allow for biennial inspections, they did not immediately realize that their tenant system did not contain reports to allow for adequate tracking of pending inspection deadlines. When the two year deadlines for inspections came near, the Authority realized the difficulty in identifying units due for inspections. This caused inspections to be conducted late. The Authority has since created a report in the tenant system allowing them to easily track the two year inspection period.

Effect: The lack of internal controls over this compliance requirement resulted in noncompliance with the regulations pertaining to recertification of tenant eligibility and housing quality standards. The Authority could have disbursed incorrect housing assistance payments to landlords on behalf of ineligible tenants or units that did not meet housing quality standards.

Repeat Finding: No

Recommendation: We recommend the Authority continue to monitor the biennial inspection process utilizing the new report to ensure units are inspected timely. A current internal review of inspection dates for all properties may assist the Authority in determining whether they have brought all inspections current. For tenant file errors we recommend the Authority review the errors directly with the responsible staff and utilize the errors as part of their ongoing training of all staff.

Views of responsible officials: There is no disagreement with the audit finding.

Section IV – Prior Year Findings

2016-001

A significant deficiency was identified during the FYE 2016 noting the Authority did not submit the required Section 3 reports related to the Low Rent Public Housing program in a timely manner. The reports were submitted on February 9, 2017, 30 days after the HUD due date. For FYE 9/30/17 the Authority submitted the required Section 3 reports prior to the deadline so this finding is considered closed.

RRHA
Richmond Redevelopment & Housing Authority

Interim Chief Executive Officer
Orlando C. Artze
901 Chamberlayne Parkway
P.O. Box 26887
Richmond, VA 23261-6887
804-780-4200
804-644-1445
TTY: Dial 7-1-1
www.rrha.com

June 18, 2018

U.S. Department of Housing and Urban Development

Richmond Redevelopment and Housing Authority respectfully submits the following corrective action plan for the year ended September 30, 2017.

Audit period: October 1, 2016 – September 30, 2017

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

U.S. Department of Housing and Urban Development
2017-001 Housing Choice Voucher Program – CFDA No. 14.871

Recommendation: The finding recommended the Authority continue to monitor the biennial inspection process utilizing the new report to ensure units are inspected timely. A current internal review of inspection dates for all properties may assist the Authority in determining whether they have brought all inspections current. For tenant file errors it was recommended that the Authority review the errors directly with the responsible staff and utilize the errors as part of their ongoing training of all staff.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: As recommended by the external auditor, CliftonLarsonAllen, the Housing Choice Voucher Program of Richmond Redevelopment and Housing Authority adopts the practice of internal controls over the compliance requirement of biennial inspections and proper calculation and documentation for tenant files. The corrective action plan will be commenced as follows:

HQS Inspections Testing:

- The HQS Supervisor will utilize the report created in the tenant system monthly to ensure all inspections scheduled for the following one (1) to two (2) months out are scheduled.
- The HQS Supervisor will meet monthly with the HCVP Director to provide a complete overview of the status of HQS inspections as an additional compliance metric.
- As an additional adequate tracking method files will be uploaded into PIC weekly and any and all errors from the submission will be corrected immediately.

Eligibility Testing:

- 4 (annual) files contained improper calculation of income/deductions from income or did not contain proper documentation to support income calculations. Additional training and instruction has been implemented from the Supervisor of the Housing Choice Voucher Program and all current and perspective Specialists. The HCVP Supervisor will conduct increased Quality Control metrics to ensure processes are being followed.
- 1 (interim) file contained the HUD-9886 form and general release form signed by the head of household, but the form was not signed by another household member over age 18. Additional methods are being implemented by attaching the HUD-9886 form to each interim packet. Front desk staff will be required to ensure that all adults 18 and over have signed the document prior to acceptance of the written change.
- 1 file was not uploaded to HUD's PIC database. All PIC submissions will be submitted weekly and follow-up will commence immediately afterwards to verify the submission

Name(s) of the contact person(s) responsible for corrective action: Kenyatta Green, HCVP Director

Planned completion date for corrective action plan: February 2018