RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2018

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

RRHA
Richmond Redevelopment & Housing Authority
BUILDING VIBRANT COMMUNITIES

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Mr. Orlando Artze (Through March 2019)

Chief Executive Officer

Mr. Damon E. Duncan (Effective March 2019)

Independent Auditors

CliftonLarsonAllen LLP

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BUILDING VIBRANT COMMUNITIES

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Richmond Redevelopment and Housing Authority
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Richmond Redevelopment and Housing Authority (the Authority), a political subdivision of the Commonwealth of Virginia, which comprise the statement of net position as of September 30, 2018, 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 Notes 11 and 13 to the financial statements, the Authority has recognized their net pension liability under Governmental Accounting Standards Board (GASB) Statement No. 68 and net OPEB liability related to group life insurance (GLI) under Governmental Accounting Standards Board (GASB) Statement No. 75 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 and GLI 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, net OPEB liability, and the measurement date.

The Authority has included the financial effects of the GASB 68 and GASB 75 actuarial valuation report provided by VRS based on a measurement date of June 30, 2017, the most recent available report published by VRS. These effects impacted beginning net position, net pension liability, net OPEB liability, and deferred outflows of resources, deferred inflows of resources and pension and OPEB expense. Although an updated actuarial valuation report with a measurement date of September 30, 2017 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 net pension liability and net OPEB liability related to GLI 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, 2018, 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.

Emphasis of Matter

During fiscal year ended September 30, 2018, the Authority adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. As a result of the implementation of this standard, the Authority reported a restatement for the change in accounting principle. The effect of this restatement is identified in Note 21. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12, the schedule of the Authority's share of net GLI OPEB liability, the schedule of the Authority's contributions – VRS GLI plan, the schedule of changes in the Authority's total OPEB liability and related ratios, 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 50-54 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming 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 May 15, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the 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
May 15, 2019

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, 2018. 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 $117 million (net position). Of this amount, $23.2 million (unrestricted net position) may be used to meet ongoing obligations to creditors, $79.4 million is invested in capital assets, net of debt and $14.3 million is restricted for specific purposes (restricted net position).

- RRHA's total net position increased by $8.1 million or 7.40% compared to fiscal year 2017.

- RRHA's total assets increased by $6.9 million from the prior year while RRHA's total liabilities decreased by $3.7 million from the prior year. During fiscal year 2018 RRHA's assets increased primarily as the result of an increase in accounts receivables due to timing of HUD funding drawn from the Capital Fund Program, an increase in mortgage receivables, and an increase in capital assets due to addressing heating, water, and sewer line issues at various properties.

- Liabilities decreased as a result of a decrease in the pension liability of $3.6 million and decrease in the net OPEB obligation of $1.6 million, offset by an increase in noncurrent liabilities related to Church Hill ground lease of $1.2 million and Jackson Ward Multifamily ground lease of $1.3 million.

- RRHA's liquidity remains stable at 7.44 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 revenue exceeded operating expenses by $ .3 million.
- The operating expenses include depreciation expense of $3.8 million primarily associated with the LIPH properties.
- HAP expenses exceeded HAP revenues by $.3 million.
- Increase in HUD receipts due to increase in operating subsidy of $2.7 million, and an increase in HAP funding of $276 thousand.
- Properties sold and transferred within the Real Estate and Community Development programs were sold and/or transferred for a loss of $1.0 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, 2018. 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 the Authority's Share of Net GLI OPEB Liability on page 50, The Schedule of The Authority's Contributions – VRS GLI plan on page 51, The Schedule of changes in the Authority's Total OPEB Liability and Related Ratios included on page 52, 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 53 through 54, reflects RRHA's position as it related to funding its obligation to provide pension and OPEB benefits to its employees. Additionally, the other supplementary information included on pages 56 through 63 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 $116.9 million at September 30, 2018.

Net position in capital assets totaling $79.4 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 $14.3 million represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position totaling $23 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, 2018 and 2017.

Table 1
Schedule of Net Position

	2018	2017	$ Increase/ (Decrease)	% Increase/ (Decrease)
Current and Other Assets	$ 62,679,211	$ 61,505,138	$ 1,174,073	1.91%
Capital Assets	79,395,456	73,658,466	5,736,990	7.79%
Total Assets	142,074,667	135,163,604	6,911,063	5.11%
Deferred Outflows of Resources	1,170,611	2,503,055	(1,332,444)	(53.23)%
Current and Other Liabilities	23,707,535	27,385,031	(3,677,496)	(13.43)%
Long-term Debt Outstanding	765,000	765,000	-	0.00%
Total Liabilities	24,472,535	28,150,031	(3,677,496)	(13.06)%
Deferred Inflows of Resources	1,920,660	717,169	1,203,491	167.81%
Net Position:				
Net Investment in Capital Assets	79,395,456	73,658,466	5,736,990	7.79%
Restricted	14,284,194	17,558,134	(3,273,940)	(18.65)%
Unrestricted	23,172,433	17,582,859	5,589,574	31.79%
Total Net Position	$ 116,852,083	$ 108,799,459	$ 8,052,624	7.40%

Net position changed as a result of the following:

- Current and Other Assets increased by $1.2 million or 1.9%. The increase is due to an increase in accounts receivable of $2.1 million due to timing of HUD funding drawn from the Capital Fund Program and an increase in mortgage receivables.

- Capital assets increased by $5.7 million or 7.8%. RRHA assets increased as a result of normal depreciation expense of $3.7 million which was offset by an increase in capital spending of $9.9 million.

- Current and other liabilities decreased by $3.6 million or 13.4%. The decrease is due to the net of a 1) decrease in net pension liability at September 30, 2018 of $4.4 million, 2) a decrease in OPEB obligation of $1.9 million, 3) an increase in other noncurrent liability related to Church Hill ground lease of $2.1 million, and Jackson Ward Multifamily ground lease of $1.3 million 4) an increase in OPEB obligation for group life insurance of $.7million.

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

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

	2018	2017	$ Increase/ (Decrease)	% Increase/ (Decrease)
Operating Revenues:				
Rental Revenue	$ 10,645,201	$ 10,475,995	$ 169,206	1.62%
HUD Grants	49,780,970	47,107,705	2,673,265	5.67%
Other Governmental Grants	234,940	67,761	167,179	246.72%
Other Revenue	4,456,988	7,114,160	(2,657,172)	(37.35)%
	65,118,099	64,765,621	352,478	0.54%
Program Expenses:				
Administrative	9,449,900	10,023,694	(573,794)	(5.72)%
Tenant Services	586,023	527,375	58,648	11.12%
Utilities	12,585,826	11,618,958	966,868	8.32%
Ordinary Maintenance & Operation	7,617,630	8,167,190	(549,560)	(6.73)%
General Expenses	3,254,975	4,448,594	(1,193,619)	(26.83)%
Housing Assistance Payments	25,608,215	24,728,186	880,029	3.56%
Cost of Property Sold	1,925,628	1,994,917	(69,289)	(3.47)%
Depreciation	3,769,709	3,709,291	60,418	1.63%
Total Program Expenses	64,797,906	65,218,205	(420,299)	(0.64)%
Nonoperating Revenues (Expenses)				
Loss on Sale of Capital Assets	-	(295,836)	295,836	100.00%
Investment Income	42,718	106,083	(63,365)	(59.73)%
Interest Expense	-	(19,668)	19,668	100.00%
Total nonoperating Expenses	42,718	(209,421)	252,139	120.40%
Loss Before Contributions and Transfers	362,911	(662,005)	1,024,916	(154.82)%
Capital Grants	7,109,672	16,461,954	(9,352,282)	(56.81)%
Transfer	-	(155,630)	155,630	0.00%
Change in Net Position	7,472,583	15,644,319	(8,171,736)	(52.23)%
Net Position, October 1 as restated	109,379,500	93,155,140	16,224,360	17.42%
Net Position, September 30	$ 116,852,083	$ 108,799,459	$ 8,052,624	7.40%

- HUD Grants and subsidies increased by $2.6 million or 5.6% as a result of an increase in HAP funding of $276 thousand, and an increase in operating subsidy of $2.5 million.

- Other revenue decreased by $2.7 million or 37.4% due to a decrease in sale of property revenue compared to prior year.

- Administrative expenses decreased by $.6 million or 5.8% as a result of decreases in employee benefits related to the decrease in pension expense.
- Utility expenses increased by $1.0 million or 8.3% due to rate increases for Gas, Water and Sewer and increased consumption.
- Ordinary Maintenance & Operations decreased by $.5 million, or 6.7%, as a result of decreases in employee benefits related to the decrease in pension expense.
- General expenses decreased by $1.2 million or 26.83% due to a decrease in compensated absences of $516 thousand and a decrease in bad debt of $.6 million.
- Housing Assistance Payments increased by $.9 million or 3.5% due to increase in leasing.
- Capital grants decreased by $9.3 million or 56.8% as funding was used in the prior year 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

	2018	2017
Current Assets	$ 36,820,220	$ 39,378,238
Less: Current Liabilities	(4,922,446)	(6,502,179)
Working Capital	$ 31,897,774	$ 32,876,059
Current Assets	$ 36,820,220	$ 39,378,238
Divided by: Current Liabilities	4,922,446	6,502,179
Current Ratio	7.44:1	6.06:1

RRHA is financially stable as evidenced by its working capital of $32.0 million and its 7.44:1 ratio of current assets to current liabilities at September 30, 2018. HUD's financial assessment considers a current ratio of 1:1 or greater as financially stable. The working capital for RRHA decreased from fiscal year 2017 by $1 million while the current ratio increased. Current assets decreased at a faster rate than current liabilities. Decrease in current assets is primarily due to a decrease in cash of $1.5 million primarily related to infrastructure spending related to Dove and Armstrong projects. Decrease in current liabilities is due primarily due the settlement of excess utilities legal issues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2018, RRHA's capital assets totaled $79,395,456 (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

	2018	2017
Land	$ 8,108,857	$ 7,181,479
Buildings	152,959,970	151,718,019
Furniture, Equipment and Machinery	15,205,533	12,643,166
Accumulated Depreciation	(103,542,550)	(100,639,971)
Construction in Progress	6,663,646	2,755,773
Total	$ 79,395,456	$ 73,658,466

Long-Term Debt

As of September 30, 2018, RRHA had net outstanding notes, bonds and loans payable totaling $7.4 million. See footnote 7 for further details.

Table 5
Long-Term Debt

	2018	2017
4th and Grace Place Note Payable	$ 765,000	$ 765,000
COCC/LRPH Repayment	6,245,544	6,355,544
COCC/LRPH Repayment	440,225	-
Subtotal	7,450,769	7,120,544
Less: Eliminations	(6,685,769)	(6,355,544)
Total Outstanding Debt	$ 765,000	$ 765,000

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 was the notion that with deregulation of the financial industry and revision of the Tax Code, the economy would continue to grow. However, the effects of President Trump's tax cuts have led to increased stock buybacks and not jobs as promised and there is some uncertainty of the economy resulting from the trade war with China. The Federal Reserve has raised the interest rates in during 2018 and it is not expected to raise the rates during 2019.

Despite the above, the U.S. economic outlook is healthy. It is anticipated that the economy will grow moderately for fiscal 2019, 2.1% in 2019 versus 3% for 2018. Inflation is anticipated to decrease slightly to 1.8% from 1.9%, and unemployment will decline to 3.7% from about 4.1%. The national unemployment rate for 2018 improved from the prior year from about 4.1% to 3.7% while the City of Richmond unemployment rate improved slightly for the same time period from about 3.8% to 2.9%. 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, and HOPE VI.

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 2019 budget is conservatively based and is reflective of 2018 federal legislative mandates. The fiscal year (FY) 2018 budget assumes HUD will fund Public Housing Operations at 87% of projected need, fund Housing Assistant Payments at 100% 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 FY2019 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 redevelopment efforts, continuing the revitalization of FAY Towers (Jacksonward Senior and Baker School), planning revitalization for Creighton, and RAD redevelopment efforts for about 500 family and senior units. Another of RRHA's objectives 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:	Operations Team:
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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, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	$	11,454,927
Restricted Cash and Cash Equivalents (Note 2)		15,004,729
Short-Term Investment (Note 2)		70,929
Accounts Receivables, Net of Allowance of $986,624 (Note 3)		3,757,593
Mortgage Loans and Notes Receivable - Current, Net of Allowance of $373,243 (Note 4)		278,035
Land Held for Resale, Net of Allowance of $1,068,814 (Note 6)		5,473,936
Other Assets, Net of Allowance of $64,802		780,071
Total Current Assets		36,820,220
NONCURRENT ASSETS		
Capital Assets - Non-depreciable (Note 5)		
Land		8,108,857
CIP		6,663,646
Total Capital Assets - Non-depreciable		14,772,503
Capital Assets - Depreciable (Note 5)		
Buildings and Improvements		152,959,970
Furniture and Equipment		15,205,533
Accumulated Depreciation		(103,542,550)
Total Capital Assets - Depreciable		64,622,953
Capital Assets, Net		79,395,456
Mortgage Loans and Notes Receivable - Noncurrent, Net of Allowance of $390,931 (Note 4)		25,858,991
Total Noncurrent Assets		105,254,447
Total Assets		142,074,667
DEFERRED OUTFLOW OF RESOURCES		
OPEB Related Inflows		72,700
Pension Related Outflows		1,097,911
Total Deferred Outflow of Resources		1,170,611
Total Assets and Deferred Outflow of Resources	$	143,245,278
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable (Note 9)	$	1,189,687
Due to Other Governments, Current (Note 9)		479,265
Compensated Absences, Current (Note 9)		611,882
Accrued Liabilities (Note 9)		1,665,107
Tenant Security Deposits/FSS Escrows (Note 9)		662,702
Other Current Liabilities (Note 9)		9,756
Unearned Revenues (Note 9)		304,047
Total Current Liabilities		4,922,446
NONCURRENT AND OTHER LIABILITIES		
Long-Term Debt, Net of Current (Note 7)		765,000
Other Noncurrent Liabilities (Note 9)		12,826,747
Accrued Pension and OPEB Liability (Notes 11,12 &13)		5,958,342
Total Noncurrent Liabilities		19,550,089
Total Liabilities		24,472,535
DEFERRED INFLOW OF RESOURCES		
OPEB Related Inflows		277,068
Pension Related Inflows		1,643,592
Total Deferred Inflow of Resources		1,920,660
NET POSITION		
Net Investment in Capital Assets		79,395,456
Restricted		14,284,194
Unrestricted		23,172,433
Total Net Position		116,852,083
Total Liabilities, Deferred Inflow of Resources, and Net Position	$	143,245,278

See accompanying Notes to Financial Statements.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2018

OPERATING REVENUES	
Dwelling Rental	$ 10,645,201
HUD Grants and Subsidies	49,780,970
Other Government Grants and Subsidies	234,940
Sale of Property	721,601
Other Income	3,651,954
Mortgage Interest	83,433
Total Operating Revenues	65,118,099
OPERATING EXPENSES	
Administration	9,449,900
Tenant Services	586,023
Utilities	12,585,826
Maintenance and Operation	7,617,630
General Expenses	3,254,975
Housing Assistance Payments	25,608,215
Cost of Property Sold	1,925,628
Depreciation	3,769,709
Total Operating Expenses	64,797,906
Total Operating Income	320,193
Nonoperating Revenues (Expenses):	
Investment Income	42,718
Total Nonoperating Revenues (Expenses)	42,718
Income Before Capital Grants	362,911
Capital Grants	7,109,672
CHANGE IN NET POSITION	7,472,583
Net Position - Beginning of Year As Restated	109,379,500
NET POSITION - END OF YEAR	$ 116,852,083

See accompanying Notes to Financial Statements.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Rental Receipts	$ 10,467,519
Direct HUD Subsidies	48,645,712
Other Government Grants and Subsidies	234,940
Charges for Services	205,282
Payments to Employees	(13,540,996)
Housing Operations and Tenant Services	(21,495,769)
Housing Assistance Payments	(25,608,215)
Net Cash Used by Operating Activities	(1,091,527)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of Capital Assets	(9,933,432)
Proceeds from Sale of Capital Assets	721,601
Disposal of Capital Assets	800,042
Capital Contributions	7,109,672
Net Cash Used by Capital Financing Activities	(1,302,117)
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of Land Held for Resale	353,935
Loss on Disposal of Land Held for Resale	434,795
Interest Income	42,718
Net Cash Provided by Investing Activities	831,448
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,562,196)
Cash and Cash Equivalents - Beginning of Year	28,021,852
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 26,459,656
CLASSIFIED AS	
Cash and Cash Equivalents	$ 11,454,927
Restricted Cash	15,004,729
Total	$ 26,459,656
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Net Operating Income	$ 320,193
Adjustments to Reconcile Cash and Cash Equivalents Used by Operating Activities:	
Depreciation	3,769,709
Bad Debt Expense	569,241
Effects of Changes in Operating Assets and Liabilities, Net of Business Combination and Noncash Items:	
Accounts Receivable	(1,444,633)
Mortgage Loans, Net	(3,625,463)
Other Assets	(119,054)
Accounts Payable	15,171
Unearned Revenue	(515,265)
Tenant Security Deposits	20,715
Accrued Liabilities	(1,089,350)
Other Liabilities	3,274,307
OPEB Liabilities	(620,258)
Pension Liability	(3,460,028)
Deferred Inflow - Pension	926,423
Deferred Inflow - OPEB	(488,932)
Deferred Outflow - Pension	1,405,144
Deferred Outflow - OPEB	(29,447)
Net Cash Used by Operating Activities	$ (1,091,527)

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.

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

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.

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.

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

Financial Reporting Entity (Continued)

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.

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, 2018.

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.

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

Inventories

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

Capital Assets

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

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

Compensated Absences (Continued)

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

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

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. Nonexchange 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.

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

Revenue Recognition (Continued)

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

Nonoperating 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 nonoperating 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, 2018. 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.

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

Deferred Outflows/Inflows of Resources (Continued)

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, changes in assumptions, and net differences between projected and actual earnings on Pension plan related to Pension and OPEB.

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Income Taxes

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

Use of Estimates

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

New Accounting Pronouncements

In fiscal year 2018, the Authority implemented GASB statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of this statement had an impact on the basic financial statements and disclosures of the Authority, resulting in a restatement to beginning equity.

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

New Accounting Pronouncements (Continued)

The Authority also implemented GASB statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The implementation of this statement had no impact on the Authority.

The Authority also implemented GASB statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this statement had no impact on the Authority.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash

At September 30, 2018, cash on hand, cash items and petty cash totaled $26,530,585 and the value of RRHA's deposits with financial institutions totaled $25,756,822.

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].

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits (Continued)

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, 2018, all bank balances were covered by either federal deposit insurance or the Act.

Cash Equivalents and Investments

Cash equivalents consist of money market funds with initial maturities not exceeding 365 days and average maturities of less than 90 days. RRHA invests in a short term Government & Agency Portfolio 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, 2018 was $1,875,909.

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.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Cash Equivalents and Investments (Continued)

Concentration of Credit Risk

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

The following is the detail of cash equivalents and investments at September 30, 2018 with maturities less than one year:

	Fair Value			S&P
	Unrestricted	Restricted	Total	Ratings
Petty Cash	$ 1,000	$ -	$ 1,000	N/A
Checking and Savings Accounts	11,453,927	13,199,749	24,653,676	N/A
Money Market Funds	-	1,804,980	1,804,980	Aaa-mf
Short-Term Investments				
Federal Home Loan Banks	-	37,902	37,902	AAAm
Federal Farm Credit Banks	-	7,806	7,806	AAAm
US Treasuries	-	25,221	25,221	AAAm
Total	$ 11,454,927	$ 15,075,658	$ 26,530,585	

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, 2018, fair value of investments are as follows:

		Fair Value Measurements Using		
	9/30/2018	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	$ 37,902	$ -	$ 37,902	$ -
Federal Farm Credit Banks	7,806	-	7,806	-
U.S. Treasuries	25,221	25,221	-	-
Total Invesments by Fair Value Level	$ 70,929	$ 25,221	$ 45,708	$ -

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable including applicable allowances for uncollectible accounts at September 30, 2018 consisted of the following:

Tenants (Net of Allowance of $643,694)	$ 383,635
Accounts Receivable - HUD	2,500,620
Other Government	24,721
Miscellaneous (Net of Allowance of $342,930)	848,617
Total	$ 3,757,593

NOTE 4 MORTGAGE LOANS

The composition of RRHA's mortgage loan portfolio, by collateral type, as of September 30, 2018, is as follows:

	Principal	Accrued Interest	Total
Single-Family Real Estate	$ 5,447,429	$ -	$ 5,447,429
Multi-Family Real Estate	9,656,871	1,745,748	11,402,619
Commercial Real Estate	7,290,000	2,761,152	10,051,152
Total Mortgage Loans	22,394,300	4,506,900	26,901,200
Less Allowance	(764,174)	-	(764,174)
Total Mortgage Loans, Net	21,630,126	4,506,900	26,137,026
Less Current Mortgage Loans	(278,035)	-	(278,035)
Noncurrent Mortgage Loans	$ 21,352,091	$ 4,506,900	$ 25,858,991

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	$ 1,162,408	$ 7,687,408
City of Richmond Cooperative Agreements:			
4th and Grace Street	765,000	1,598,744	2,363,744
Total Commercial Loans	$ 7,290,000	$ 2,761,152	$ 10,051,152

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	1,598,744
Due to City of Richmond - Mortgage Loans	2,009,407
Total	$ 4,373,151

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.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 is as follows:

	Balance October 1, 2017	Increases	Decreases	Transfers/ Capitalizations	Balance September 30, 2018
Capital Assets Not Being Depreciated:					
Land	$ 7,181,479	$ -	$ (167,532)	$ 1,094,910	$ 8,108,857
Construction in Progress (CIP)	2,755,773	9,078,452	(21,284)	(5,149,295)	6,663,646
Total Capital Assets Not Being Depreciated	9,937,252	9,078,452	(188,816)	(4,054,385)	14,772,503
Capital Assets Being Depreciated:					
Land Improvements	10,152,938	349,750	-	1,684,596	12,187,284
Building and Structures	141,565,081	170,561	(2,199,957)	1,237,001	140,772,686
Equipment	12,643,166	334,669	-	2,227,698	15,205,533
Total Capital Assets Being Depreciated	164,361,185	854,980	(2,199,957)	5,149,295	168,165,503
Less Accumulated Depreciation:	100,639,971	3,769,709	(867,130)	-	103,542,550
Total Capital Assets Being Depreciated, Net	63,721,214	(2,914,729)	(1,332,827)	5,149,295	64,622,953
Total Capital Assets, Net	$ 73,658,466	$ 6,163,723	$ (1,521,643)	$ 1,094,910	$ 79,395,456

NOTE 6 LAND HELD FOR RESALE

Activity in the land held for resale account for the year ended September 30, 2018 is as follows:

	Balance October 1, 2017	Increases	Decreases	Transfers	Balance September 30, 2018
Land Held for Resale	$ 7,916,346	$ 822,460	$ (434,795)	$ (1,761,262)	$ 6,542,749
Less: Allowance	(558,770)	(510,043)	-	-	(1,068,813)
Total Land Held for Resale, Net	$ 7,357,576	$ 312,417	$ (434,795)	$ (1,761,262)	$ 5,473,936

NOTE 7 DEBT OBLIGATIONS

Changes in the total long-term debt during the year ended September 30, 2018 are summarized below. These debt obligations of RRHA are not held or guaranteed by HUD.

	Balance October 1, 2017	Additions	Forgiveness/ Reductions	Balance September 30, 2018	Due Within One Year
4th & Grace Place Note[1]	$ 765,000	$ -	$ -	$ 765,000	$ -
COCC/LRPH Repayment[2]	6,355,544	-	(110,000)	6,245,544	110,000
COCC/LRPH Repayment[3]	-	448,225	(8,000)	440,225	8,000
Subtotal	7,120,544	448,225	(118,000)	7,450,769	118,000
Less: Eliminations	(6,355,544)	(448,225)	118,000	(6,685,769)	(118,000)
Grand Total	$ 765,000	$ -	$ -	$ 765,000	$ -

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

[2] 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.

[3] Amended agreement dated December 28, 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.

The principal payment obligations related to bonds and loans payable for the five years commencing October 1, 2018, 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. On December 28, 2017, the agreement was amended again increasing the amount by $448,225. 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. For the $6,465,544 amount amended on September 11, 2017, 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. For the $448,225 amount amended on December 28, 2017, payments will be made as follows: 56 annual installments of $8,000 beginning on October 1, 2018, and the final installment of $225 due on October 1, 2075. 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 2018 was as follows:

	Balance October 1, 2017	Increases	Reductions	Balance September 30, 2018	Due Within One Year
Accounts Payable	$ 1,174,516	$ 32,433,758	$ (32,418,587)	$ 1,189,687	$ 1,189,687
Due to Other Governments	2,615,179	975,201	(1,264,153)	2,326,227	479,265
Accrued Liabilities	2,736,774	36,114,644	(37,186,311)	1,665,107	1,665,107
Compensated Absences	629,565	825,650	(843,333)	611,882	611,882
Tenant Security Deposits	641,987	548,109	(527,394)	662,702	662,702
Unearned Revenues	5,641,903	10,926,209	(7,882,432)	8,685,680	304,047
Other Current Liabilities	26,378	495,026	(511,648)	9,756	9,756
Other Noncurrent Liabilities	2,577,313	142,180	(121,341)	2,598,152	-
Pension and OPEB Liability	11,341,416	10,633,109	(16,016,183)	5,958,342	-
Total	$ 27,385,031	$ 93,093,886	$ (96,771,382)	$ 23,707,535	$ 4,922,446

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 $45,511,670 as of September 30, 2018.

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, 2017 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, 2017 in the case of the Authority. Therefore, the valuation report issued by VRS is outdated for the Authority's September 30, 2018 financial statements.

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, 2018 financial statements no updated report was available.

The Authority has included the financial effects of the GASB 68 valuation report with the June 30, 2017 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.

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

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefits terms of the pension plan:

Active Members	171
Inactive Members	
Member or their Beneficiaries Receiving Benefits	257
Members Active Elsewhere in VRS	88
Nonvested Members	62
Vested Members	65
Subtotal Inactive Members	472
Total Members	643

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 was 9.62% of covered employee compensation for the period July 1, 2016 through June 30, 2018. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. Effective July 1, 2018 the required contribution rate was 8.26% of covered employees compensation.

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 $1,097,913 and $1,090,534 for the years ended September 30, 2018 and September 30, 2017, respectively.

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

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

Actuarial Assumptions – General Employees (Continued)

Inflation:	2.5%
Salary increases, including inflation:	3.0% per annum
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.

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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2009 through June 30, 2013. 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

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

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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	100.00%		4.80%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, 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, 2017	$ 65,334,626	$ 55,916,256	$ 9,418,370
Changes for the Year			
Service Cost	763,574	-	763,574
Interest	4,423,847	-	4,423,847
Changes of Assumptions	(149,304)	-	(149,304)
Differences Between Expected and Actual Experience	(1,618,861)	-	(1,618,861)
Contributions - Employer	-	847,574	(847,574)
Contributions - Employee	-	397,480	(397,480)
Net Investment Income	-	6,633,050	(6,633,050)
Benefit Payments, Including Refunds	(4,273,624)	(4,273,624)	-
Administrative Expenses	-	(40,464)	40,464
Other Changes	-	(5,812)	5,812
Net Changes	(854,368)	3,558,204	(4,412,572)
Balances at September 30, 2018	$ 64,480,258	$ 59,474,460	$ 5,005,798

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 one 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	12,026,765	5,005,798	(936,735)

For the year ended September 30, 2018, the Authority recognized pension expense of $(1,226,053). At September 30, 2018, 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	$ -	$ 794,128
Difference Between Expected and Actual Experience	-	778,330
Changes in Assumptions	-	71,134
Authority Contributions Subsequent to the Measurement Date	1,097,911	-
Total	$ 1,097,911	$ 1,643,592

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

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

The $1,097,912 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
2019	$ (1,436,694)
2020	317,755
2021	40,638
2022	(565,291)
2023	-
Total	$ (1,643,592)

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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)

Employees Covered by Benefits Term

At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	84
	93

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.

Total OPEB Liability

RRHA's total OPEB liability of $273,544 was measured as of September 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.0 percent
Healthcare cost trend rates	The medical trend assumptions used in the valuation were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007. Version 2018_c was used for the 2017 valuation. The following assumptions were used as input variables into the model: Rate of Inflation 2.50% Rate of Growth in Real Income/GDP per capita 1.0% Income Multiplier for Health Spending 1.0 Health Share of GDP Resistance Point 25% Year for Limiting Cost Growth to GDP Growth 2075
Retirees' share of benefit-related cost	72.5 to 74.9 percent of projected health insurance premiums for retirees

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

Changes in the Net OPEB Liability

	Total OPEB Liability (a)
Balances at 9/30/17	$ 620,274
Changes for the Year:	
Service Cost	38,742
Interest	17,922
Differences Between Expected and Actual Experience	(259,654)
Assumptions Changes	(902)
Benefit Payments	(142,838)
Net Changes	(346,730)
Balances at 9/30/18	$ 273,544

Changes of assumptions and other inputs reflect a change in the discount rate from 3.00 percent in 2014 to 3.55 percent in 2017.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the total OPEB liability of RRHA, as well as what RRHA's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.55 percent) or 1-percentage-point higher (4.55 percent) than the current discount rate:

	1% Decrease 2.55%	Discount Rate 3.55%	1% Increase 4.55%
Net OPEB Liability (Asset)	$ 273,559	$ 273,544	$ 272,897

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.50percent decreasing to 4.09 percent) or 1-percentage-point higher (6.50 percent increasing to 4.50 percent) than the current healthcare cost trend rates:

	1% Decrease (Varied decreasing to 4.09%)	Healthcare Cost Trend Rates (Varied decreasing to 5.09%)	1% Increase (Varied decreasing to 6.09%)
Net OPEB Liability (Asset)	$ 270,911	$ 273,544	$ 276,277

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

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

For the year ended September 30, 2018, RRHA recognized negative OPEB expense of $(2,824). At September 30, 2018, RRHA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ (200,372)
Changes of Assumptions	-	(696)
Total	$ -	$ (201,068)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:	Amount
2019	$ (59,488)
2020	(59,488)
2021	(59,488)
2022	(22,604)

NOTE 13 GROUP LIFE INSURANCE PROGRAM

Modification of Opinion

The most recent actuarial valuation report provided by the Virginia Retirement System (VRS) related to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployement Benefits Other Than Pensions,* used a measurement date of June 30, 2017 to determine the total group life insurance (GLI) OPEB liability. GASB 75 requires a measurement date no earlier than the end of the employer's prior fiscal year, or September 30, 2017 in the case of the Authority. Therefore, the valuation report issued by VRS is outdated for the Authority's September 30, 2018 financial statements.

VRS provides group life insurance to multiple employers in the state of Virginia and is responsible for procuring the actuarial valuation report used to determine the total GLI OPEB 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, 2018 financial statements no updated report was available.

The Authority has included the financial effects of the GASB 75 valuation report with the June 30, 2017 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.

NOTE 13 GROUP LIFE INSURANCE PROGRAM (CONTINUED)

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.

Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  - o Accidental dismemberment benefit
  - o Safety belt benefit
  - o Repatriation benefit
  - o Felonious assault benefit
  - o Accelerated death benefit option

Reduction in benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

NOTE 13 GROUP LIFE INSURANCE PROGRAM (CONTINUED)

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the Authority were $53,700 and $43,254 for the years ended September 30, 2018 and September 30, 2017, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At September 30, 2018, the Authority reported a liability of $679,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At September 30, 2018, the participating employer's proportion was .04510% as compared to .04379% at September 30, 2017.

For the year ended September 30, 2018, the participating employer recognized GLI OPEB expense of $(40,446). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion

NOTE 13 GROUP LIFE INSURANCE PROGRAM (CONTINUED)

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experiences	$ -	$ 15,000
Net Difference Between Projected and Actual Earnings on GLI OPEB Program Investments	-	26,000
Changes in Assumptions	-	35,000
Changes in Porportion	19,000	-
Authority Contributions Subsequent to Measurement Date	53,700	-
Total	$ 72,700	$ 76,000

$53,700 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended September 30:	Amount
2019	$ (10,459)
2020	(10,459)
2021	(10,459)
2022	(10,459)
2023	(10,459)
Thereafter	(4,706)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including inflation – Locality – General Employees	3.5 percent – 5.35 percent
Investment rate of return	7.0 Percent, net of investment expenses, including inflation*

NOTE 13 GROUP LIFE INSURANCE PROGRAM (CONTINUED)

Actuarial Assumptions (Continued)

*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 projected 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 preparation of the OPEB liabilities.

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position.

NOTE 13 GROUP LIFE INSURANCE PROGRAM (CONTINUED)

Net GLI OPEB Liability (Continued)

As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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 and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

NOTE 13 GROUP LIFE INSURANCE PROGRAM (CONTINUED)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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 ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
The Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 878,217	$ 679,000	$ 517,504

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 14 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, 2018.

NOTE 15 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 16 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 17 LEASES

RRHA is obligated under certain leases, which are accounted for as operating leases. Rental expense for the year ended September 30, 2018 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
2019	$ 197,089
2020	162,112
Total	$ 359,201

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.

NOTE 17 LEASES (CONTINUED)

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.

The Authority also leased land to Baker School LLC for the Fay Towers project. The lease required a one-time up-front prepaid rent of $825,000. $82,500 was received with the execution of the lease. The remaining $742,500 will be paid in the form of a promissory note. The term of 75 years commencing on December 28, 2017. The land was leased to develop 51 senior housing units.

NOTE 18 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 19 ECONOMIC DEPENDENCY

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

NOTE 20 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. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement is effective for reporting periods beginning after June 15, 2018.

- GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018.

- GASB Statement No. 87, *Leases,* is required to be implemented for the fiscal year ended September 30, 2021. The primary objective of this Statement is to better meet the informationl needs of financial statement users by improving the accounting and financial reporting for leases by governments.

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for reporting periods beginning after June 15, 2018.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for reporting periods beginning after December 15, 2019.

- GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for reporting periods beginning after December 15, 2018.

The Authority is currently evaluating the effect of the implementation of these Statements.

NOTE 21 RESTATEMENT

During the fiscal year ended September 30, 2018, the Authority adopted GASB Statement No. 75*, Accounting and Financial Reporting for Postemployement Benefits Other Than Pensions*. As a result of the implementation of GASB Statement No. 75, the Authority reported a restatement for the change in accounting principles. Beginning net position at October 1, 2017 has been restated by $580,041.

REQUIRED SUPPLEMENTARY INFORMATION

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF AUTHORITY'S SHARE OF NET GLI OPEB LIABILITY
SEPTEMBER 30, 2018

	2018 *	2017	2016	2015	2014	2013	2012	2011	2010	2009
Authority's Proportion of the Net GLI OPEB Liability (Asset)	0.0451%	Information prior to fiscal year 2018 was not available. The Authority will accumulate each year until ten years of data becomes available.								
Authority's Proportionate Share of the Net GLI OPEB Liability (Asset)	$ 679,000									
Authority's Covered Payroll	$ 8,318,127									
Authority's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.16%									
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%									

Notes to Schedule:

* The amounts presented have a measurement date of June 30, 2017.

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Non-Largest Ten Locality Employers - General Employees	
Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
VRS GLI PLAN
SEPTEMBER 30, 2018

Date	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contributions Deficiency (Excess)	Authority's Covered Payr0ll	Contributions as a % of Covered Payroll
2018*	$ 43,254	$ 43,254	$ -	$ 8,318,127	0.52%
2017					
2016					
2015					
2014					
2013					
2012					
2011					
2010					
2009					

Information prior to fiscal year 2018 was not available. The Authority will accumulate each year until ten years of data becomes available.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2018

Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability										
Service cost	$ 38,742									
Interest	17,922									
Changes of benefit terms	-									
Differences between expected and actual experience	(259,654)	Information prior to fiscal year 2018 was not available. The Authority will accumulate each year until ten years of data becomes available.								
Changes of assumptions	(902)									
Benefit payments	(142,838)									
Net change in total OPEB liability	(346,730)									
Total OPEB liability - beginning	-									
Total OPEB liability - ending (a)	$ (346,730)									
Covered-employee payroll	$ 5,022,510									
Plan fiduciary net position as a percentage of the total OPEB liability	-6.9%									

Notes to Schedule:

Benefit changes - None

Changes of assumptions - The discount rate was changed to 3.55%. In the prior (2014) valuation, the discount rate was 3.00%.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2018

	2018	2017	2016	2015
Total Pension Liability				
Service Cost	$ 763,574	$ 858,337	$ 980,501	$ 1,113,926
Interest	4,423,847	4,453,853	4,412,693	4,330,100
Change in Assumptions	(149,304)	-	-	-
Differences Between Expected and Actual Experience	(1,618,861)	(1,415,200)	(467,761)	-
Benefit Payments, Including Refunds	(4,273,624)	(4,377,683)	(4,297,159)	(4,231,119)
Net Change in Total Pension Liability	(854,368)	(480,693)	628,274	1,212,907
Total Pension Liability - Beginning	65,334,626	65,815,319	65,187,045	63,974,138
Total Pension Liability - Ending (a)	$ 64,480,258	$ 65,334,626	$ 65,815,319	$ 65,187,045
Plan Fiduciary Net Position				
Contributions - Employer	$ 847,574	$ 940,113	$ 1,022,623	$ 1,189,819
Contributions - Employee	397,480	383,716	414,364	490,888
Net Investment Income	6,633,050	927,825	2,599,500	8,133,010
Benefit Payments, Including Refunds	(4,273,624)	(4,377,683)	(4,297,159)	(4,231,119)
Administrative Expenses	(40,464)	(37,325)	(37,922)	(45,600)
Other Changes	(5,812)	(411)	(541)	429
Net Change in Plan Fiduciary Net Position	3,558,204	(2,163,765)	(299,135)	5,537,427
Plan Fiduciary Net Position - Beginning	55,916,256	58,080,021	58,379,156	52,841,729
Plan Fiduciary Net Position - Ending (b)	$ 59,474,460	$ 55,916,256	$ 58,080,021	$ 58,379,156
Authority's Net Pension Liability - Ending (a) - (b)	$ 5,005,798	$ 9,418,370	$ 7,735,298	$ 6,807,889
Plan Fiduciary Net Position as a % of Total Pension Liability	92.24%	85.58%	88.25%	89.56%
Covered Payroll	$ 8,431,972	$ 8,020,439	$ 11,478,856	$ 10,303,718
Authority's Net Pension Liability as a % of Covered Payroll	59.37%	117.43%	67.39%	66.07%

* The Authority implemented GASB 68 during fiscal year 2015. As such, only four 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, 2018

	2018	2017	2016	2015
Contractually Required Contributions	$ 1,097,913	$ 1,090,534	$ 1,022,623	$ 1,189,819
Contributions in Relation to Contractually Required Contributions	$ 1,097,913	$ 1,090,534	$ 1,022,623	$ 1,189,819
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's Covered Employee Payroll	$ 7,702,268	$ 8,431,972	$ 8,020,439	$ 11,478,856
Contributions as a % of Covered Employee Payroll	14.25%	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 four 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, 2018

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	$ 8,362,928	$ 33,379	$ -	$ 621,044	$ 192,123	$ 441,366
112	Restricted - modernization and development	-	-	-	-	7,433,577	2,198,498
113	Other restricted	53	604,646	-	-	725,943	1,968,434
114	Tenant security deposits	648,183	-	-	-	-	4,689
115	Restricted for payment of current liabilities	74,067	53,046	-	-	-	-
100	Total cash	9,085,231	691,071	-	621,044	8,351,643	4,612,987
	Accounts and notes receivable:						
122	HUD other projects	2,161,050	52,113	276,045	-	-	-
124	Other government	-	-	-	-	24,721	-
125	Miscellaneous	1,321,920	264,223	-	-	370,666	445,569
126	Tenants	1,035,012	-	-	-	620	2,423
126.1	Allowance for doubtful accounts - tenants	(655,495)	-	-	-	-	-
126.2	Allowance for doubtful accounts - other	-	(77,527)	-	-	(19,882)	(117,531)
127	Notes, loans & mortgages receivable, current	117,999	-	79,125	-	-	80,794
128	Fraud recovery	-	35,293	-	-	-	-
120	Total receivables, net of allowances for uncollectibles	3,980,486	274,102	355,170	-	376,125	411,255
132	Investments - restricted	-	-	-	-	-	607,975
135	Investments - restricted for current liability	-	-	-	-	-	-
	Total current investments	-	-	-	-	-	607,975
142	Prepaid expenses and other assets	48,867	8,351	-	-	-	10,365
143	Inventories	415,978	-	-	-	-	-
143.1	Allowance for obsolete inventories	(41,561)	-	-	-	-	-
145	Assets held for sale	-	-	1,049,433	-	3,186,764	471,282
150	Total current assets	13,489,001	973,524	1,404,603	621,044	11,914,532	6,113,864
	NONCURRENT ASSETS						
	Fixed assets:						
161	Land	4,983,176	25,914	-	-	1,343,400	233,000
162	Buildings	136,440,824	678,388	-	-	-	774,926
163	Furniture, equipment & machinery - dwellings	2,182,730	-	-	-	-	-
164	Furniture, equipment & machinery - admin.	8,914,183	366,088	-	-	-	51,883
165	Leasehold improvements	11,990,191	73,690	-	-	-	-
166	Accumulated depreciation	(97,245,443)	(883,361)	-	-	-	(69,964)
167	Construction in progress	814,046	-	619,500	-	5,052,647	85,195
160	Total fixed assets, net of accumulated depreciation	68,079,707	260,719	619,500	-	6,396,047	1,075,040
171	Notes, loans and mortgages receivable - noncurrent	13,688,650	-	7,714,004	-	767,788	5,523,249
180	Total noncurrent assets	81,768,357	260,719	8,333,504	-	7,163,835	6,598,289
200	Deferred Outflow of Resources	578,012	76,878	-	-	-	81,949
290	**TOTAL ASSETS AND DEFERRED OUTFLOWS**	$ 95,835,370	$ 1,311,121	$ 9,738,107	$ 621,044	$ 19,078,367	$ 12,794,102

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2018

Line Item #	Account Description	CDBG 14.218	HOME	Other Project PFSS	ROSS	COCC	Eliminations	Authority Total
	CURRENT ASSETS							
	Cash:							
111	Unrestricted	$ 213,449	$ -	$ -	$ -	$ 1,590,638	$ -	$ 11,454,927
112	Restricted - modernization and development	-	-	-	-	570,152	-	10,202,227
113	Other restricted	139,666	46,729	-	-	-	-	3,485,471
114	Tenant security deposits	-	-	-	-	-	-	652,872
115	Restricted for payment of current liabilities	-	-	-	-	-	-	127,113
100	Total cash	353,115	46,729	-	-	2,160,790	-	25,922,610
	Accounts and notes receivable:							
122	HUD other projects	-	-	11,412	-	-	-	2,500,620
124	Other government	-	-	-	-	-	-	24,721
125	Miscellaneous	156,569	34,427	28,873	-	1,124,841	(2,590,834)	1,156,254
126	Tenants	-	-	-	-	1,075	-	1,039,130
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-	-	(655,495)
126.2	Allowance for doubtful accounts - other	(107,150)	(20,840)	-	-	-	-	(342,930)
127	Notes, loans & mortgages receivable, current	81,874	36,243	-	-	-	(118,000)	278,035
128	Fraud recovery	-	-	-	-	-	-	35,293
120	Total receivables, net of allowances for uncollectibles	131,293	49,830	40,285	-	1,125,916	(2,708,834)	4,035,628
132	Investments - restricted	-	-	-	-	-	-	607,975
135	Investments - restricted for current liability	-	-	-	-	-	-	-
	Total current investments	-	-	-	-	-	-	607,975
142	Prepaid expenses and other assets	-	-	-	-	128,899	-	196,482
143	Inventories	-	-	-	-	232,413	-	648,391
143.1	Allowance for obsolete inventories	-	-	-	-	(23,241)	-	(64,802)
145	Assets held for sale	766,457	-	-	-	-	-	5,473,936
150	Total current assets	1,250,865	96,559	40,285	-	3,624,777	(2,708,834)	36,820,220
	NONCURRENT ASSETS							
	Fixed assets:							
161	Land	1,094,910	-	-	-	428,457	-	8,108,857
162	Buildings	-	-	-	-	2,878,548	-	140,772,686
163	Furniture, equipment & machinery - dwellings	-	-	-	-	-	-	2,182,730
164	Furniture, equipment & machinery - admin.	-	-	-	-	3,690,649	-	13,022,803
165	Leasehold improvements	-	-	-	-	123,403	-	12,187,284
166	Accumulated depreciation	-	-	-	-	(5,343,782)	-	(103,542,550)
167	Construction in progress	92,258	-	-	-	-	-	6,663,646
160	Total fixed assets, net of accumulated depreciation	1,187,168	-	-	-	1,777,275	-	79,395,456
171	Notes, loans and mortgages receivable - noncurrent	3,894,948	838,121	-	-	-	(6,567,769)	25,858,991
180	Total noncurrent assets	5,082,116	838,121	-	-	1,777,275	(6,567,769)	105,254,447
200	Deferred Outflow of Resources	-	-	7,477	-	426,295	-	1,170,611
290	**TOTAL ASSETS AND DEFERRED OUTFLOWS**	$ 6,332,981	$ 934,680	$ 47,762	$ -	$ 5,828,347	$ (9,276,603)	$ 143,245,278

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2018

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	$ 2,668,576	$ 106,881	$ 41,142	$ 1,797	$ 393,132	$ 58,221
321	Accrued wage/payroll taxes payable	260,100	31,682	-	-	-	24,590
322	Accrued compensated absences - current portion	276,936	27,666	-	-	-	35,089
331	Accounts payable - HUD PHA programs	60,450	-	-	-	-	-
333	Accounts payable - other government	26,835	-	-	-	12,366	-
341	Tenant security deposits	658,013	-	-	-	-	4,689
342	Deferred revenues	28,212	15,328	-	-	108,295	49,576
345	Other current liabilities	488,913	7,111	-	-	-	-
346	Accrued liabilities - other	1,112,819	6,724	-	470	-	1,113
348	Loan liability - current	-	-	-	-	-	-
310	Total current liabilities	5,580,854	195,392	41,142	2,267	513,793	173,278
	NONCURRENT LIABILITIES						
353	Noncurrent liabilities - other	2,824,133	35,167	1,162,408	-	668,680	3,949,121
354	Accrued compensated absences - noncurrent	-	-	-	-	-	-
355	Loan liability - noncurrent	-	-	-	-	-	-
357	Accrued pension and OPEB liability	2,629,968	263,278	33,964	-	76,261	261,705
350	Total noncurrent liabilities	5,454,101	298,445	1,196,372	-	744,941	4,210,826
300	Total liabilities	11,034,955	493,837	1,237,514	2,267	1,258,734	4,384,104
400	Deferred Inflow of Resources	951,762	125,018	-	-	-	128,170
	NET POSITION						
508.1	Net investment in capital assets	68,079,707	260,719	619,500	-	6,396,047	1,075,040
511.1	Restricted net position	-	761,769	-	-	8,159,486	4,770,218
512.1	Unrestricted net position	15,768,946	(330,222)	7,881,093	618,777	3,264,100	2,436,570
513	Total net position	83,848,653	692,266	8,500,593	618,777	17,819,633	8,281,828
600	**TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION**	$ 95,835,370	$ 1,311,121	$ 9,738,107	$ 621,044	$ 19,078,367	$ 12,794,102

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2018

Line Item #	Account Description	CDBG 14.218	HOME	Other Project PFSS	ROSS	COCC	Eliminations	Authority Total
	CURRENT LIABILITIES							
312	Accounts payable <= 90 days	$ 789	$ -	$ 5,833	$ -	$ 17,307	$ (2,103,991)	$ 1,189,687
321	Accrued wage/payroll taxes payable	-	-	2,872	-	200,206	-	519,450
322	Accrued compensated absences - current portion	-	-	-	-	272,191	-	611,882
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-	60,450
333	Accounts payable - other government	170,757	208,857	-	-	-	-	418,815
341	Tenant security deposits	-	-	-	-	-	-	662,702
342	Deferred revenues	102,636	-	-	-	-	-	304,047
345	Other current liabilities	-	-	-	-	575	(486,843)	9,756
346	Accrued liabilities - other	767	-	-	-	23,764	-	1,145,657
348	Loan liability - current	-	-	-	-	118,000	(118,000)	-
310	Total current liabilities	274,949	208,857	8,705	-	632,043	(2,708,834)	4,922,446
	NONCURRENT LIABILITIES							
353	Noncurrent liabilities - other	3,281,749	905,489	-	-	-	-	12,826,747
354	Accrued compensated absences - noncurrent	-	-	-	-	-	-	-
355	Loan liability - noncurrent	765,000	-	-	-	6,567,769	(6,567,769)	765,000
357	Accrued pension and OPEB liability	247,932	-	4,203	-	2,441,031	-	5,958,342
350	Total noncurrent liabilities	4,294,681	905,489	4,203	-	9,008,800	(6,567,769)	19,550,089
300	Total liabilities	4,569,630	1,114,346	12,908	-	9,640,843	(9,276,603)	24,472,535
400	Deferred Inflow of Resources	-	-	10,989	-	704,721	-	1,920,660
	NET POSITION							
508.1	Net investment in capital assets	1,187,168	-	-	-	1,777,275	-	79,395,456
511.1	Restricted net position	22,569	-	-	-	570,152	-	14,284,194
512.1	Unrestricted net position	553,614	(179,666)	23,865	-	(6,864,644)	-	23,172,433
513	Total net position	1,763,351	(179,666)	23,865	-	(4,517,217)	-	116,852,083
600	**TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION**	$ 6,332,981	$ 934,680	$ 47,762	$ -	$ 5,828,347	$ (9,276,603)	$ 143,245,278

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2018

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	$ 9,598,834	$ -	$ -	$ -	$ -	$ -
70400	Tenant revenue - other	1,046,172	-	-	-	-	195
70500	Total tenant revenue	10,645,006	-	-	-	-	195
70600	HUD PHA operating grants	23,643,865	26,032,740	28,651	-	-	-
70610	Capital grants	5,758,889	-	427,783	-	-	-
70710	Management fee	-	-	-	-	-	-
70720	Asset management fee	-	-	-	-	-	-
70730	Bookkeeping fee	-	-	-	-	-	-
70740	Front line service fee	-	-	-	-	-	-
70750	Other fees	-	-	-	-	-	-
70800	Other governmental grants	-	-	-	-	1,156,590	-
71100	Investment income - unrestricted	1,857	-	-	626	11,824	10,582
71200	Mortgage interest income	-	-	-	-	-	83,433
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	721,601
71310	Cost of sales of assets	-	-	(58,586)	-	(155,940)	(1,694,242)
71400	Fraud recovery	-	6,160	-	-	-	-
71500	Other revenue	679,225	1,106,144	-	1,000	838,713	1,026,102
71600	Gain or loss on the sale of fixed assets	-	-	-	-	-	-
72000	Investment income - restricted	-	34	-	-	-	10,469
70000	Total revenue	40,728,842	27,145,078	397,848	1,626	1,851,187	158,140
	EXPENSES						
	Administrative:						
91100	Administrative salaries	1,457,565	512,679	-	-	148,939	318,461
91200	Auditing fees	37,045	49,320	-	5,307	-	60,700
91300	Management fee	3,877,746	435,336	-	-	-	159,767
91310	Bookkeeping fee	330,930	181,363	-	-	-	-
91400	Advertising and marketing	9,958	2,542	407	-	1,277	895
91500	Employee benefit contributions - administrative	216,040	66,295	-	-	60,686	-
91600	Office expenses	1,404,542	138,780	28,244	-	79,760	84,965
91700	Legal expense	218,811	1,114	-	1,168	195,556	44,127
91900	Other	101,403	25,415	-	-	-	594
91000	Total administrative	7,654,040	1,412,844	28,651	6,475	486,218	669,509
92000	Asset management fee	301,680	-	-	-	-	-
	Tenant services:						
92100	Salaries	82,647	-	-	-	-	-
92200	Relocation costs	179,205	-	-	-	-	-
92300	Employee benefit contributions	38,456	-	-	-	-	-
92400	Other	574,502	187,680	-	-	-	-
92500	Total tenant services	874,810	187,680	-	-	-	-
	Utilities:						
93100	Water	2,851,499	2,002	-	-	-	1,969
93200	Electricity	2,792,273	7,410	-	-	-	9,991
93300	Gas	1,823,131	2,630	-	-	-	361
93600	Sewer	4,759,254	3,240	-	-	-	2,941
93800	Other utilities expense	239,369	1,351	-	-	619	-
93000	Total utilities	12,465,526	16,633	-	-	619	15,262
	Ordinary maintenance & operations:						
94100	Labor	2,614,783	-	-	-	-	-
94200	Materials and other	1,223,133	952	-	-	-	1,889
94300	Contracts	3,735,253	19,082	-	-	-	39,443
94500	Employee benefits contribution	312,406	-	-	-	-	-
94000	Total ordinary maintenance & operations	7,885,575	20,034	-	-	-	41,332
	Protective services:						
95200	Other contract costs	-	-	-	-	-	-
95300	Other	1,113	-	-	-	-	-
95000	Total protective services	1,113	-	-	-	-	-

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2018

Line Item #	Account Description	CDBG 14.218	HOME	Other Project PFSS	ROSS	COCC	Eliminations	Authority Total
	REVENUE							
70300	Net tenant rental revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,598,834
70400	Tenant revenue - other	-	-	-	-	-	-	1,046,367
70500	Total tenant revenue	-	-	-	-	-	-	10,645,201
70600	HUD PHA operating grants	-	-	75,714	-	-	-	49,780,970
70610	Capital grants	-	-	-	-	-	-	6,186,672
70710	Management fee	-	-	-	-	3,955,414	(3,955,414)	-
70720	Asset management fee	-	-	-	-	301,680	(301,680)	-
70730	Bookkeeping fee	-	-	-	-	512,293	(512,293)	-
70740	Front line service fee	-	-	-	-	1,242,034	(1,242,034)	-
70750	Other fees	-	-	-	-	1,838,221	(1,838,221)	-
70800	Other governmental grants	1,350	-	-	-	-	-	1,157,940
71100	Investment income - unrestricted	-	-	-	-	-	-	24,889
71200	Mortgage interest income	-	-	-	-	-	-	83,433
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	721,601
71310	Cost of sales of assets	(16,860)	-	-	-	-	-	(1,925,628)
71400	Fraud recovery	-	-	-	-	-	-	6,160
71500	Other revenue	99,699	81,529	-	-	460,902	(647,520)	3,645,794
71600	Gain or loss on the sale of fixed assets	-	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	7,326	-	17,829
70000	Total revenue	84,189	81,529	75,714	-	8,317,870	(8,497,162)	70,344,861
	EXPENSES							
	Administrative:							
91100	Administrative salaries	53,874	-	-	-	2,391,865	-	4,883,383
91200	Auditing fees	-	-	-	-	6,425	-	158,797
91300	Management fee	-	-	-	-	-	(4,138,479)	334,370
91310	Bookkeeping fee	-	-	-	-	-	(512,293)	-
91400	Advertising and marketing	-	-	-	-	6,817	-	21,896
91500	Employee benefit contributions - administrative	11,826	-	-	-	275,597	-	630,444
91600	Office expenses	800	750	-	-	847,514	-	2,585,355
91700	Legal expense	651	1,336	-	-	120,205	-	582,968
91900	Other	-	-	-	-	125,275	-	252,687
91000	Total administrative	67,151	2,086	-	-	3,773,698	(4,650,772)	9,449,900
92000	Asset management fee	-	-	-	-	-	(301,680)	-
	Tenant services:							
92100	Salaries	-	-	53,603	-	138,315	-	274,565
92200	Relocation costs	-	-	-	-	-	-	179,205
92300	Employee benefit contributions	-	-	5,225	-	33,839	-	77,520
92400	Other	-	-	-	-	-	(707,449)	54,733
92500	Total tenant services	-	-	58,828	-	172,154	(707,449)	586,023
	Utilities:							
93100	Water	-	-	-	-	8,393	-	2,863,863
93200	Electricity	-	-	-	-	46,486	-	2,856,160
93300	Gas	-	-	-	-	7,924	-	1,834,046
93600	Sewer	-	-	-	-	11,479	-	4,776,914
93800	Other utilities expense	3,232	-	-	-	10,272	-	254,843
93000	Total utilities	3,232	-	-	-	84,554	-	12,585,826
	Ordinary maintenance & operations:							
94100	Labor	-	-	-	-	1,202,182	-	3,816,965
94200	Materials and other	-	-	-	-	42,099	-	1,268,073
94300	Contracts	-	-	-	-	80,410	(1,846,036)	2,028,152
94500	Employee benefits contribution	-	-	-	-	189,265	-	501,671
94000	Total ordinary maintenance & operations	-	-	-	-	1,513,956	(1,846,036)	7,614,861
	Protective services:							
95200	Other contract costs	-	-	-	-	-	-	-
95300	Other	-	-	-	-	-	(1,113)	-
95000	Total protective services	-	-	-	-	-	(1,113)	-

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2018

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	$ 479,942	$ 669	$ -	$ -	$ -	$ 13,786
96120	Liability insurance	240,494	18,568	-	-	-	6,940
96130	Workmen's compensation	47,681	5,008	-	-	-	3,071
96140	All other insurance	53,768	4,910	-	-	-	2,385
96100	Total insurance premiums	821,885	29,155	-	-	-	26,182
	Other general expenses:						
96200	Other general expenses	938,218	12,817	167,206	380	866,444	55,730
96210	Compensated absences	25,664	2,323	-	-	-	-
96400	Bad debt - tenants rent	271,792	-	-	-	-	-
96500	Bad debt - mortgages	-	-	144,000	-	-	9,750
96600	Bad debt - other	-	14,162	-	-	5,337	22,138
96000	Total other general expenses	1,235,674	29,302	311,206	380	871,781	87,618
	Interest expense and amortization costs						
96720	Interest on notes payable	-	-	-	-	-	-
96730	Amortization of bond issue costs	-	-	-	-	-	-
96700	Total interest expense and amortization costs	-	-	-	-	-	-
96900	Total operating expenses	31,240,303	1,695,648	339,857	6,855	1,358,618	839,903
97000	Excess of operating revenue over operating expenses	9,488,539	25,449,430	57,991	(5,229)	492,569	(681,763)
97100	Extraordinary maintenance	2,769	-	-	-	-	-
97300	Housing assistance payments	52,414	24,436,581	-	-	42,147	-
97350	HAP portability in	-	1,077,073	-	-	-	-
97400	Depreciation expense	3,583,417	45,534	-	-	-	33,591
90000A	Total other expenses	3,638,600	25,559,188	-	-	42,147	33,591
90000	Total expenses	34,878,903	27,254,836	339,857	6,855	1,400,765	873,494
	Other financing sources (uses):						
10010	Operating transfer in	1,707,891	-	-	-	-	-
10020	Operating transfer out	(1,707,891)	-	-	-	-	-
10091	InterProject excess cash transfer in	436,698	-	-	-	-	-
10092	InterProject excess cash transfer out	(436,698)	-	-	-	-	-
10093	Transfer from program and project - in	-	-	-	-	-	-
10094	Transfer from program and project - out	-	-	-	-	-	-
10100	Total other financing sources (uses)	-	-	-	-	-	-
10000	**EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES**	$ 5,849,939	$ (109,758)	$ 57,991	$ (5,229)	$ 450,422	$ (715,354)
	Memo Account Information						
11020	Required annual debt principal payments	$ -	$ -	$ -	$ -	$ -	$ -
11030	Beginning equity	79,371,336	746,797	8,269,671	624,006	17,364,841	8,175,171
11040	Prior period adjustments, equity transfers & correction	(1,372,622)	55,227	172,931	-	4,370	822,011
11170	Administrative fee equity	-	(69,503)	-	-	-	-
11180	Housing assistance payments equity	-	761,769	-	-	-	-
11190	Unit months available	46,557	36,250	-	-	225	-
11210	Unit months leased	44,480	36,250	-	-	63	-
11270	Excess cash	5,018,029	-	-	-	-	-
11610	Land purchases	-	-	-	-	-	-
11620	Building purchases	-	-	-	-	-	-
11630	Furniture & equipment - dwelling purchases	-	-	-	-	-	-
11640	Furniture & equipment - administrative purchases	-	-	-	-	-	-
11650	Leasehold improvements	-	-	-	-	-	-
11660	Infrastructure purchases	5,758,887	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2018

Line Item #	Account Description	CDBG 14.218	HOME	Other Project PFSS	ROSS	COCC	Eliminations	Authority Total
	EXPENSES (Continued)							
	Insurance premiums:							
96110	Property insurance	$ 8,317	$ -	$ -	$ -	$ 23,304	$ -	$ 526,018
96120	Liability insurance	1,842	-	-	-	515	-	268,359
96130	Workmen's compensation	-	-	-	-	28,074	-	83,834
96140	All other insurance	-	-	-	-	55,000	-	116,063
96100	Total insurance premiums	10,159	-	-	-	106,893	-	994,274
	Other general expenses							
96200	Other general expenses	98,885	43	-	-	513,862	(990,112)	1,663,473
96210	Compensated absences	-	-	-	-	-	-	27,987
96400	Bad debt - tenants rent	-	-	-	-	-	-	271,792
96500	Bad debt - mortgages	-	-	-	-	-	-	153,750
96600	Bad debt - other	102,062	-	-	-	-	-	143,699
96000	Total other general expenses	200,947	43	-	-	513,862	(990,112)	2,260,701
	Interest expense and amortization costs							
96720	Interest on notes payable	-	-	-	-	-	-	-
96730	Amortization of bond issue costs	-	-	-	-	-	-	-
96700	Total interest expense and amortization costs	-	-	-	-	-	-	-
96900	Total operating expenses	281,489	2,129	58,828	-	6,165,117	(8,497,162)	33,491,585
97000	Excess of operating revenue over operating expenses	(197,300)	79,400	16,886	-	2,152,753	-	36,853,276
97100	Extraordinary maintenance	-	-	-	-	-	-	2,769
97300	Housing assistance payments	-	-	-	-	-	-	24,531,142
97350	HAP portability in	-	-	-	-	-	-	1,077,073
97400	Depreciation expense	-	-	-	-	107,167	-	3,769,709
90000A	Total other expenses	-	-	-	-	107,167	-	29,380,693
90000	Total expenses	281,489	2,129	58,828	-	6,272,284	(8,497,162)	62,872,278
	Other financing sources (uses):							
10010	Operating transfer in	-	-	-	-	-	(1,707,891)	-
10020	Operating transfer out	-	-	-	-	-	1,707,891	-
10091	InterProject excess cash transfer in	-	-	-	-	-	(436,698)	-
10092	InterProject excess cash transfer out	-	-	-	-	-	436,698	-
10093	Transfer from program and project - in	-	-	-	-	-	-	-
10094	Transfer from program and project - out	-	-	-	-	-	-	-
10100	Total other financing sources (uses)	-	-	-	-	-	-	-
10000	**EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES**	$ (197,300)	$ 79,400	$ 16,886	$ -	$ 2,045,586	$ -	$ 7,472,583
	Memo Account Information							
11020	Required annual debt principal payments	$ -	$ -	$ -	$ -	$ 118,000	$ (118,000)	$ -
11030	Beginning equity	1,408,303	(226,195)	11,452	-	(6,945,923)	-	108,799,459
11040	Prior period adjustments, equity transfers & correction	552,348	(32,871)	(4,473)	-	383,120	-	580,041
11170	Administrative fee equity	-	-	-	-	-	-	(69,503)
11180	Housing assistance payments equity	-	-	-	-	-	-	761,769
11190	Unit months available	-	-	-	-	-	-	83,032
11210	Unit months leased	-	-	-	-	-	-	80,793
11270	Excess cash	-	-	-	-	-	-	5,018,029
11610	Land purchases	-	-	-	-	-	-	-
11620	Building purchases	-	-	-	-	-	-	-
11630	Furniture & equipment - dwelling purchases	-	-	-	-	-	-	-
11640	Furniture & equipment - administrative purchases	-	-	-	-	-	-	-
11650	Leasehold improvements	-	-	-	-	-	-	-
11660	Infrastructure purchases	-	-	-	-	-	-	5,758,887
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-

SINGLE AUDIT REPORT

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

Board of Commissioners
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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 15, 2019.

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
May 15, 2019

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, 2018. 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

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

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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We identified certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-002 to be a significant deficiencies.

Board of Commissioners
Richmond Redevelopment and Housing Authority

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

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
May 15, 2019

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2018

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	-	-	$ 20,630,759
HOPE VI - Urban Revitalization Development	14.866	-	-	456,434
Housing Choice Voucher Program	14.871	-	-	27,257,311
Capital Fund Program	14.872	-	-	8,771,995
PIH Family Self-Sufficiency Program	14.896	-	-	59,078
HOME Investment Partnerships Program	14.239	City of Richmond	-	1,019,218
Community Development Block Grant	14.218	City of Richmond	-	3,140,577
Total Department of Housing and Urban Development Programs				61,335,372
Total Expenditures of Federal Awards				$ 61,335,372

This schedule is an integral part of the accompanying notes.

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, 2018. 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.

NOTE 3 INDIRECT COST RATE

The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

NOTE 4 FINDINGS AND QUESTIONED COSTS

The findings and questioned costs identified in connection with the 2018 Single Audit are disclosed in Schedule III

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 5 SUBRECIPIENTS

The Authority did not pass-through any federal awards to subrecipients. The Authority was not a recipient of any amount of federal awards for the year ended September 30, 2018. See the accompanying schedule.

This information is an integral part of the accompanying schedule.

NOTE 6 NON-CASH FEDERAL ASSISTANCE

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2018.

NOTE 6 LOANS OUTSTANDING

The Authority had the following loan balances outstanding at September 30, 2018. No new loans were disbursed during the year ended September 30, 2018.

	Federal CFDA Number	Amount Outstanding
Community Development Block Grant	14.218	$ 3,033,746
HOME	14.239	874,364
Total		$ 3,908,110

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, 2018

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? ____ yes __X__ no
   - Significant deficiency(ies) identified? __X__ yes ____ 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
14.872	Capital Fund Program

Dollar threshold used to distinguish between Type A and Type B programs: $ 1,827,042

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

2018-001

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, 2017 through September 30, 2018
Type of Finding:	Significant Deficiency in Internal Control over Compliance

Criteria: Reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third-party verification (24 CFR section 982.516).

Condition/Context: Testing of 40 tenant files for eligibility identified exceptions in 3 files. The exceptions include:

- 2 files were not recertified annually.
- 1 file did not have documentation of a letter sent to the tenant and landlord notifying them about a change in rent.

Questioned Costs: Unable to determine

Cause: The recertifications that were not performed timely annually and the missing documentation appear to be staff errors which were not routinely seen during testing of the files.

Effect: The lack of internal controls over this compliance requirement resulted in noncompliance with the regulations pertaining to recertification of tenant eligibility.

Repeat Finding: Yes, 2017-001 noted in the prior year.

Recommendation: 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.

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

2018-002

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, 2017 through September 30, 2018
Type of Finding:	Significant Deficiency in Internal Control over Compliance

Criteria: 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: A sample of 40 HCVP units, for which rental assistance was paid during the fiscal year, was selected for annual inspection testing. 15 of those selected had annual inspection due in fiscal year 2017, of which 11 were not completed timely due to system limitations noted and addressed in the prior fiscal year. The remaining 25 had annual inspections due in fiscal year 2018 and were performed timely.

Questioned Costs: Unable to determine

Cause: During the fiscal year 2015 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 that were due in 2017. The Authority has since created a report in the tenant system allowing them to easily track the two year inspection period. The 11 files that contained exceptions were for HQS inspections performed from January 2017 to March 2018, prior to the prior year corrective action plan. Files were selected for testing due to random selection of HAP transactions made during the fiscal year. The inspections that were performed were as a result of the corrections made during FY 2017 as noted in the 2017 audit. As such, there were no exceptions noted for those units sampled that had inspections due in FY 18.

Effect: The lack of internal controls over this compliance requirement resulted in noncompliance with the regulations pertaining to Housing Quality Standards.

Repeat Finding: Yes, 2017-001 noted in the prior year.

Recommendation: We recommend the Authority continue to monitor the biennial inspection process utilizing the new report to ensure units are inspected timely.

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

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 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, 2018.

Audit period: October 1, 2017 to September 30, 2018

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—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2017 – 001 Housing Choice Voucher Program

Condition: 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

Status: See current year finding 2018-001 and 2018-003.

Reason for finding's recurrence:.

Eligibility: Of the files sampled there were no errors with calculation of income/deductions resulting in improper payments. However, in FY 2018, HCVP had significant turnover of key staff ensuing a backlog of recertifications resulting in delayed processing.

Annual HQS: The current year exceptions noted is based on timing and sampling methods required under Uniform Guidance. There were no exceptions noted from those units sampled that had inspections due in FY 18.

Corrective Action:

Eligibility: Key staff positions have been filled as of February 2019. As such, the Assisted Housing Supervisor pulls the recertification report weekly to discuss at the scheduled weekly meetings. Ms. Grubb has created a processing plan for each staff person to ensure recertifications are processed 30 days in advance. Ms. Grubb meets with the Director bi-weekly to discuss and assess the successes of the plan.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2018

Annual HQS: The inspections that were performed were as a result of the corrections made during FY 2017 as noted in the 2017 audit. There were no exceptions noted for those units sampled that had inspections due in FY 18, as such there is no corrective action needed.

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please call Kenyatta Green at 804-780-4375.

RRHA
Richmond Redevelopment & Housing Authority

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April 25, 2019

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 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, 2018.

Audit period: October 1, 2017 to September 30, 2018

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 PROGRAM AUDITS

U.S. Department of Housing and Urban Development

2018-001 Housing Choice Voucher Program – CFDA No. 14.871

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

Action taken in response to finding: As recommended, each error identified during this audit has been discussed with the entire team and the specific Specialist(s) individually.

The recertification errors were identified and contributed to turnover in staffing for the past year. The Assisted Housing Supervisor, Tammy Grubb, works continuously with staff to develop a timeline to ensure recertifications are processed at minimum 30 days in advance and will be responsible for ongoing monitoring and compliance. This timeline includes weekly meetings for staff updates as a team and individually, as needed. Individual conferences were completed with effected staff on January 22, 2019. Training was completed with all staff February 1, 2019. Tammy will meet with the Director bi weekly to discuss the successes of the plan.

Name(s) of the contact person(s) responsible for corrective action: Tammy Grubb, Assisted Housing Supervisor

Planned completion date for corrective action plan: Effective with completion of the recertification plan in June 2019.

2018-002 Housing Choice Voucher Program – CFDA No. 14.871

Recommendation: We recommend the Authority continue to monitor the biennial inspection process utilizing the new report to ensure units are inspected timely. Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The inspections that were performed were as a result of the corrections made during FY 2017 as noted in the 2017 audit. There were no exceptions noted for those units sampled that had inspections due in FY 18, as such there is no corrective action needed.

Name(s) of the contact person(s) responsible for corrective action: Elaine Jackson, Inspections Supervisor and Kenyatta Green, Director.

Planned completion date for corrective action plan: Corrective action was put in place effective February 2018 and is operating effectively. We will continue to utilize the procedures put in place in FY 2017 to monitor compliance over annual HQS inspections.

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please call Kenyatta Green at 804-780-4375.