

Roanoke Redevelopment and Housing Authority

FINANCIAL STATEMENTS

Roanoke Redevelopment and Housing Authority

Table of Contents

September 30, 2012

| <u>Contents</u> | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report | 1-2 |
| Management's Discussion and Analysis | 3-8 |
| Basic Financial Statements | 9 |
| Statement of Net Assets | 10 |
| Statement of Revenues, Expenses, and Changes in Net Assets | 11 |
| Statement of Cash Flows | 12-13 |
| Notes to Financial Statements | 14-39 |
| 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 | 40-41 |
| Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | 42-43 |
| Schedule of Expenditures of Federal Awards | 44 |
| Notes to Schedule of Federal Awards | 45 |
| Schedule of Findings and Questioned Costs | 46-48 |
| Supplementary Information | 49 |
| Financial Data Schedule | 50-61 |
| Certificate of Actual Modernization and Development Costs | 62 |
| Independent Accountant's Report on Applying Agreed-Upon Procedures | 63-64 |

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Roanoke Redevelopment and Housing Authority:

We have audited the accompanying financial statements of the business-type activities which comprise the enterprise fund of the Roanoke Redevelopment and Housing Authority, (the Authority), as of and for the year ended September 30, 2012 which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, which represent 35.03 percent, 22.56 percent, and 8.13 percent, respectively, of the assets, net assets and revenues of the Roanoke Redevelopment and Housing Authority. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the report of the other auditors.

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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activities which comprise the major fund and the discretely presented component units of Roanoke Redevelopment and Housing Authority as of September 30, 2012, and the results of its operations and changes in net assets and, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2013 on our consideration of the Roanoke Redevelopment and Housing Authority's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis contained on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Roanoke Redevelopment and Housing Authority taken as a whole. The accompanying information listed as supplemental information, including the Financial Data Schedule and Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors, in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

March 26, 2013
Toms River, New Jersey

Long Scatellaro and Company LLP

ROANOKE REDEVELOPMENT & HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2012

The Roanoke Redevelopment and Housing Authority (the Authority or RRHA) is a political subdivision of the Commonwealth of Virginia and is empowered to implement housing, community development, redevelopment, and revitalization programs within the City of Roanoke, (the City). The City created the Authority in 1949 under the provisions of the United States Housing Act of 1937. Under Title 36 of the Code of Virginia, the Authority has the power to acquire, lease, and improve property, to acquire via eminent domain; to make loans or grants; to investigate and determine whether an area is blighted; and to carry out a redevelopment plan in cooperation with local government.

The Authority presents this discussion and analysis of its financial activities for the fiscal year ended September 30, 2012. Please read this overview of the Authority's financial activities in conjunction with the financial statements which begin on page 10.

The discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and other supplementary information. The basic financial statements are composed of two parts: 1) the financial statements and 2) the notes to the basic financial statements. The other supplementary information included in the financial section of the report presents required information as well as some information that is not required yet considered of interest to readers of the report.

The primary focus of the Authority's financial statements is on the financial statements of a single business-type activity that combines all programs administered by the Authority. A separate column in the financial statements also shows the combined transactions of the Authority's real estate limited partnership component units.

The financial results of the discretely presented component units are not addressed in this management discussion and analysis.

FINANCIAL HIGHLIGHTS

The Authority's FY 2012 major financial highlights included the following:

Total assets and liabilities of the Authority were approximately \$60.2 million and \$6.9 million respectively; thus total net assets were approximately \$53.3 million at September 30, 2012.

Total Revenues (including capital contributions and grants) and expenses were approximately \$21.5 million and \$21.3 million respectively, thus net assets increased by approximately \$.2 million during the fiscal year.

Revenues are derived from various sources with approximately 79% received either directly or indirectly (through the City) from the U. S. Department of Housing and Urban Development (HUD). Rental Revenues account for an additional 15% of total revenue; the remaining 6% of revenue balance is derived from miscellaneous fees for services, other government grants, or nonoperating sources (i.e. investment income, and development fees).

Total liabilities decreased during the year by approximately (18%) due to a reduction in debt service payments and related payoffs of the indebtedness.

Operating activities reduced cash flows by approximately \$.8 million. The net increase in cash for the year was approximately \$1.8 million. Cash was increased by \$3.4 million from investing activities and reduced by \$.8 million for capital and financing activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

AUTHORITY FINANCIAL STATEMENTS

The Authority's mission focuses on the planning, design, construction, preservation, rehabilitation, financing, and management of housing, primarily for low- and moderate-income households, assisting in the revitalization of neighborhoods, and redevelopment of commercial and industrial areas in the City of Roanoke. As of September 30, 2012, the Authority owned over 1,200 residential units that are leased to low-income families and individuals. In addition, housing assistance was paid to over 1,500 households under the Federal Housing Choice Voucher and Mod Rehab programs for privately owned existing housing.

BASIC FINANCIAL STATEMENTS

The Authority is presenting its fiscal year 2012 management's discussion and analysis based on the financial results of its enterprise programs in three basic financial statements - the statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows. The statement of net assets reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus net assets. Net assets are broken down into the following three categories:

- *Net assets, invested in capital assets, net of related debt* consist of all capital assets net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- *Restricted net assets* consist of assets that are restricted by constraints placed on the asset by external parties, such as, creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.
- *Unrestricted net assets* consists of net assets that do not meet the definition of net assets invested in capital assets, net of related debt, or restricted net assets.

The statement of revenues, expenses, and changes in net assets includes operating revenues, such as operating grants and rental income; operating expenses, such as administrative, utilities, maintenance, depreciation; and nonoperating revenues and expenses, such as investment income, interest expense, capital contributions and special items, such as impairment loss on capital assets. The statement's focus is the change in net assets, which is similar to net income or loss.

Finally, a statement of cash flows is included, which discloses net cash flows from operating activities, capital and related financing activities, investing activities and noncapital financing activities.

These basic financial statements utilize the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period they are incurred.

These financial statements represent over a dozen programs and activities. Most of these programs are financed by federal grants from HUD, rents, and other user charges resulting from operations of subsidized housing, by development and financing fees, and by investment income and loan proceeds. The Authority also administers housing and community development activities, in which funding is controlled at the City level.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTERPRISE FUND)

The following table summarizes the changes in net assets between September 30, 2012 and 2011 for the Authority as a whole:

| | <u>2012</u> | <u>2011</u> | <u>NET CHANGE</u> | <u>%</u> |
|--|----------------------|----------------------|--------------------|----------------|
| Cash | \$ 8,408,676 | \$ 6,629,394 | \$ 1,779,282 | 26.84% |
| Current Assets | 6,653,263 | 9,605,064 | (2,951,801) | -30.73% |
| Non-current Assets | 6,562,502 | 6,803,493 | (240,991) | -3.54% |
| Capital Assets - Net | <u>38,643,593</u> | <u>38,458,942</u> | <u>184,651</u> | <u>0.48%</u> |
| Total Assets | 60,268,034 | 61,496,893 | (1,228,859) | -2.00% |
| Current Liabilities | 1,695,782 | 2,503,887 | (808,105) | -32.27% |
| Non-current Liabilities | <u>5,234,489</u> | <u>5,908,372</u> | <u>(673,883)</u> | <u>-11.41%</u> |
| Total Liabilities | <u>6,930,271</u> | <u>8,412,259</u> | <u>(1,481,988)</u> | <u>-17.62%</u> |
| Invested in Capital Assets -net of Related Debt | 37,690,512 | 36,984,568 | 705,944 | 1.91% |
| Restricted Net Assets | 1,262,266 | 1,203,738 | 58,528 | 4.86% |
| Unrestricted Net Assets | <u>14,384,985</u> | <u>14,896,328</u> | <u>(511,343)</u> | <u>-3.43%</u> |
| Total Net Assets | <u>\$ 53,337,763</u> | <u>\$ 53,084,634</u> | <u>\$ 253,129</u> | <u>0.48%</u> |

Total assets of the Authority decreased 2% primarily related to a decrease in investments for the year that were used to fund operations.

Cash increased approximately 27% and current assets decreased approximately 31% as a result of investments that either matured or were called during the year and reverted to the Authority's cash account.

Of the approximately \$6.9 million of liabilities, \$1.7 million or 24% is current liabilities, which will require payment within 12 months of the reported fiscal year-end and \$5.2 million or 76% is non-current liabilities for which payments will be made in following periods. Current liabilities decreased 32% over the prior year mainly due to the retirement of debt and payoff of indebtedness to other governments related to projects undertaken by the Authority to support its mission for redevelopment activities. Non-current liabilities were reduced during the year by approximately 11% due to a reduction in debt outstanding.

Total net assets increased slightly over the prior year by .48% as a result of the combined activities of HUD and Non-HUD programs throughout the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The following table summarizes the changes in operations between fiscal years 2012 and 2011 for the Authority as a whole:

| | <u>2012</u> | <u>2011</u> | <u>NET CHANGE</u> | <u>%</u> |
|--------------------------------------|----------------------|----------------------|-------------------|-----------------|
| Tenant Rental Revenue | \$ 3,137,545 | \$ 2,988,341 | \$ 149,204 | 4.99% |
| HUD Operating Grants | 14,103,847 | 20,515,807 | (6,411,960) | -31.25% |
| Fraud Recovery | - | - | - | 0.00% |
| Other Revenue | <u>1,462,201</u> | <u>(815,913)</u> | <u>2,278,114</u> | <u>-279.21%</u> |
| Total Operating Revenue | 18,703,593 | 22,688,235 | (3,984,642) | -17.56% |
| Operating Expenses: | | | | |
| Administrative | 3,238,593 | 3,322,297 | (83,704) | -2.52% |
| Tenant Services | 593,103 | 660,212 | (67,109) | -10.16% |
| Utilities | 1,853,237 | 1,934,087 | (80,850) | -4.18% |
| Maintenance | 2,681,411 | 2,678,602 | 2,809 | 0.10% |
| General Expenses | 844,258 | 1,861,762 | (1,017,504) | -54.65% |
| Housing Assistance Payments | 9,609,964 | 9,487,269 | 122,695 | 1.29% |
| Depreciation | <u>2,265,444</u> | <u>2,296,249</u> | <u>(30,805)</u> | <u>-1.34%</u> |
| Total Expenses | 21,086,010 | 22,240,478 | (1,154,468) | -5.19% |
| Operating Income (Loss) | (2,382,417) | 447,757 | (2,830,174) | -632.08% |
| Non-operating Revenue (Expenses): | | | | |
| Interest on Investments | 131,007 | 313,173 | (182,166) | -58.17% |
| Interest Expense | (118,091) | (213,117) | 95,026 | -44.59% |
| Extraordinary Maintenance | (84,019) | (176,428) | 92,409 | -52.38% |
| Impairment loss | - | (1,894,100) | 1,894,100 | -100.00% |
| Proceeds from Sale of Capital Assets | <u>(11,269)</u> | <u>(1,119,427)</u> | <u>1,108,158</u> | <u>-98.99%</u> |
| Non-operating Loss | (82,372) | (3,089,899) | 3,007,527 | -97.33% |
| HUD Capital Grants | 2,717,918 | 1,964,292 | 753,626 | 38.37% |
| Equity transfers | - | (611,447) | 611,447 | -100.00% |
| Net Change | <u>253,129</u> | <u>(1,289,297)</u> | <u>1,542,426</u> | <u>-119.63%</u> |
| Beginning Net Assets | 53,084,634 | 54,373,931 | (1,289,297) | -2.37% |
| Total Net Assets | <u>\$ 53,337,763</u> | <u>\$ 53,084,634</u> | <u>\$ 253,129</u> | <u>0.48%</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Total Revenue decreased 17.6% due to a reduction in operating grants funded by HUD of approximately \$6.4 million in 2012 when compared to the amount of funding provided during the 2011 fiscal year.

Other revenue increased approximately \$2.3 million as a result of several factors that occurred during the year including: a slight increase in management fees received related to property managed by the Authority; a donation received from the Roanoke Valley Housing Corporation, a discretely presented component unit, to assist the Authority in its mission to provide housing opportunities to moderate and low income citizens of the community; and to the accrual of development fees related to the Authority's involvement with a component unit involved in the rehabilitation of 17 houses on Miller's Hill. The prior year the Authority realized losses related to land sales involving a project in the South Jefferson Redevelopment Area of the city. For 2012 the Authority had no similar activity.

Total expenses decreased by \$1.1 million or 5% due to a reduction in spending in most all categories which can be correlated to the reduced funding received by HUD for the fiscal year.

Tenant Services expenses decreased 10% due to a change in the Authority's retirement plan that was implemented in 2012. The Authority changed from a defined contribution plan to a defined benefit plan as of January 1, 2012.

General expenses decreased 55% due to 2011 proceeds of property sales that were returned to the City of Roanoke. There were no property sales returns in 2012.

Operating Income decreased 632% due to the decrease in HUD Operating Grants. During the 2012 calendar the Authority only received 56% of funding for its public housing program as a direct result of the 2012 appropriations act that was approved by Congress.

Investment Interest Income decreased approximately 58% due to a decline in interest rates for investments and due to a reduction in the amount of principal invested. Any maturing investments were not reinvested.

Interest Expense decreased 45% due to declining balances of bonds and notes payable.

Extraordinary Maintenance decreased 52% due to the decrease in funding for the HUD Public Housing Operating Subsidy.

The Authority recorded impairment losses in 2011 related to property acquired in the South Jefferson Redevelopment Area. There were no impairment losses recorded during 2012.

Proceeds from Sale of Capital Assets increased 99% due to the cost of property sold in the South Jefferson Redevelopment Project in the prior year. Typically the property was sold for far less than its cost in order to facilitate the redevelopment activity in that area. No such sales occurred in 2012.

HUD Capital Grants increased 38% due to the completion of capital construction at Public Housing sites during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following table summarizes the changes in capital assets between September 30, 2012 and 2011:

| | <u>2012</u> | <u>2011</u> | <u>Net Change</u> | <u>Variance</u> |
|----------------------------|---------------|---------------|-------------------|-----------------|
| Land | \$ 12,353,863 | \$ 12,097,637 | \$ 256,226 | 2.12% |
| Infrastructure | 4,931,649 | 4,945,703 | (14,054) | -0.28% |
| Buildings and Improvements | 64,959,893 | 63,817,940 | 1,141,953 | 1.79% |
| Furniture and Equipment | 2,088,107 | 2,006,788 | 81,319 | 4.05% |
| Construction in Progress | 7,759,356 | 7,114,333 | 645,023 | 9.07% |
| Total | 92,092,868 | 89,982,401 | 2,110,467 | 2.35% |
| Accumulated Depreciation | 53,449,275 | 51,523,459 | 1,925,816 | 3.74% |
| Net Capital Assets | \$ 38,643,593 | \$ 38,458,942 | \$ 184,651 | 0.48% |

All variances were primarily due to modernization projects that were active or completed during the year.

- *Public Housing Loans and Bonds* - In prior years, the Authority issued notes to the Federal Financing Bank to permanently finance certain Public Housing projects. HUD pays the annual debt service on the outstanding balance of \$187,520 for those notes. In fiscal year 2003, the Authority issued bonds for \$3.3 million to fund additional Public Housing construction. The principal balance of those bonds as of September 30, 2012 was \$650,000.

- *Dual-funded Mortgage Loans* - In fiscal year 2012 the Authority has debt related to a dual-funded loan program that allowed low-to moderate-income homeowners to rehabilitate their homes. The outstanding balance as of September 30, 2012 was \$801,783.

- *City of Roanoke Loans* - the Authority entered into an agreement with the City of Roanoke to finance a portion of home rehabilitation loans. The outstanding balance on amounts owed to the City of Roanoke was \$2 million at September 30, 2012.

Economic Factors

The Authority continues to face uncertainties regarding the subsidized funding levels provided by HUD for its assisted housing programs. These uncertainties have both an immediate and long range impact on the operations of the Authority.

The Authority is facing the looming impact of reduced funding as the results of current funding reductions become known. For calendar year 2012 the HUD administration is funding public housing authorities at 93.05% of their eligibility under HUD's Public Housing program's operating formula. Due to the operating fund offset that was authorized by HUD during 2012 RRHA only received approximately 53% of its funding eligibility for its public housing program, the lowest funding in the history of the program. Public Housing agencies have not been notified of their funding levels for the 2013 year as of yet, but it is expected to be another year of severely low funding.

The Capital Fund program has also witnessed a steady decline the past few years, with the last funding cycle providing the lowest level of funding in the programs history. Capital funds are used to address capital needs in the public housing program. It is expected that the current trend will continue into the future.

The Housing Choice Voucher (HCV) program has been provided adequate funding to cover the housing assistance payments to participants until the 2012 year. The 2013 year is estimated to fund only 93.1% the lowest funding level in the 38 year history of the program.

Administrative Fees for the HCV program are also anticipated to result in the lowest funding levels estimated to be approximately 69% for the 2013 year. The past three years have resulted in drastic declines in funding for administering the program.

The challenges in funding the programs and in administering these programs on such reduced resources will have to be closely monitored by the management and staff of RRHA in the coming months in order to determine the impact this will have on RRHA and its ability to manage these programs given these constraints.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the VP of Finance/CFO, Roanoke Redevelopment & Housing Authority, 2624 Salem Turnpike, NW, PO Box 6359, Roanoke, VA 24017 or visit our website at www.rkehousing.org

BASIC FINANCIAL STATEMENTS

Roanoke Redevelopment and Housing Authority
Statement of Net Assets
September 30, 2012

| ASSETS | Enterprise Fund | Component Units | Total Reporting Entity |
|---|----------------------|--------------------|------------------------------|
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ 8,408,676 | 1,028,376 | 9,437,052 |
| Accounts receivable - other | 730,379 | - | 730,379 |
| Accounts receivable - tenants, net | 58,046 | 22,660 | 80,706 |
| Notes & mortgage receivable - current | 263,788 | - | 263,788 |
| Investments | 3,310,980 | - | 3,310,980 |
| Prepaid expenses | 296,772 | 197,842 | 494,614 |
| Accrued interest receivable | 23,383 | - | 23,383 |
| Assets held for sale | <u>1,969,915</u> | <u>658,758</u> | <u>2,628,673</u> |
| Total current assets | <u>15,061,939</u> | <u>1,907,636</u> | <u>16,969,575</u> |
| RESTRICTED ASSETS: | | | |
| Cash and cash equivalents | <u>1,723,200</u> | <u>592,507</u> | <u>2,315,707</u> |
| Total restricted assets | <u>1,723,200</u> | <u>592,507</u> | <u>2,315,707</u> |
| NONCURRENT ASSETS: | | | |
| Land, structures and equipment net of accumulated depreciation | <u>38,643,593</u> | <u>29,789,658</u> | <u>68,433,251</u> |
| Total fixed assets, net | <u>38,643,593</u> | <u>29,789,658</u> | <u>68,433,251</u> |
| Notes & mortgages receivable, excluding current portion, net | 4,473,849 | - | 4,473,849 |
| Other assets | <u>365,453</u> | <u>211,081</u> | <u>576,534</u> |
| Total assets | <u>\$ 60,268,034</u> | <u>32,500,882</u> | <u>92,768,916</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | \$ 471,109 | 209,362 | 680,471 |
| Accounts payable - HUD | 52 | - | 52 |
| Accrued wages and payroll taxes | 120,156 | - | 120,156 |
| Accrued compensated absences | 106,020 | - | 106,020 |
| Accrued interest | 15,825 | 85,721 | 101,546 |
| Accrued liability - other | 23,688 | 184 | 23,872 |
| Tenant security deposits | 156,038 | 62,350 | 218,388 |
| Bonds payable, current portion | 410,748 | - | 410,748 |
| Notes payable, current portion | 284,935 | 476,119 | 761,054 |
| Deferred revenues | 27,781 | 425 | 28,206 |
| Other current liabilities | <u>79,430</u> | <u>-</u> | <u>79,430</u> |
| Total current liabilities | <u>1,695,782</u> | <u>834,161</u> | <u>2,529,943</u> |
| NONCURRENT LIABILITIES: | | | |
| Bonds payable, excluding current portion | 426,772 | - | 426,772 |
| Notes payable, excluding current portion | 4,372,079 | 14,323,126 | 18,695,205 |
| Other liabilities | <u>435,638</u> | <u>1,807,279</u> | <u>2,242,917</u> |
| Total noncurrent liabilities | <u>5,234,489</u> | <u>16,130,405</u> | <u>21,364,894</u> |
| NET ASSETS: | | | |
| Invested in capital assets, net | 37,690,512 | 15,986,619 | 53,677,131 |
| Restricted | 1,262,266 | 528,488 | 1,790,754 |
| Unrestricted | <u>14,384,985</u> | <u>(978,791)</u> | <u>13,406,194</u> |
| Total net assets | <u>53,337,763</u> | <u>15,536,316</u> | <u>68,874,079</u> |
| Total liabilities and net assets | <u>\$ 60,268,034</u> | <u>32,500,882</u> | <u>92,768,916</u> |

See accompanying notes to financial statements.

Roanoke Redevelopment and Housing Authority
Statement of Revenues, Expenses, and Changes
in Net Assets
For the Year Ended September 30, 2012

| | Enterprise <u>Fund</u> | Component <u>Units</u> | Total Reporting <u>Entity</u> |
|--|---------------------------|---------------------------|-------------------------------------|
| Operating revenues: | | | |
| Tenant revenue | \$ 3,137,545 | 1,632,596 | 4,770,141 |
| HUD operating grants | 13,876,392 | - | 13,876,392 |
| Other government grants | 227,455 | - | 227,455 |
| Proceeds from the disposition of assets held for sale | 271,053 | - | 271,053 |
| Cost of sale of assets | (274,375) | - | (274,375) |
| Other revenue | <u>1,465,523</u> | <u>22,205</u> | <u>1,487,728</u> |
| Total operating revenue | <u>18,703,593</u> | <u>1,654,801</u> | <u>20,358,394</u> |
| Operating expenses: | | | |
| Administrative salaries | 1,948,411 | 92,246 | 2,040,657 |
| Other administrative expenses | 1,290,182 | 193,859 | 1,484,041 |
| Tenant / community services | 593,103 | - | 593,103 |
| Utility expense | 1,853,237 | 167,308 | 2,020,545 |
| Maintenance salaries | 915,242 | 84,778 | 1,000,020 |
| Maintenance other | 1,766,169 | 228,419 | 1,994,588 |
| Contract / protective services | 4,624 | 2,632 | 7,256 |
| Insurance | 311,174 | 71,530 | 382,704 |
| Other general expenses | 121,084 | 113,695 | 234,779 |
| Bad debt | 303,673 | 28,252 | 331,925 |
| Payments in lieu of taxes | 103,703 | 59,404 | 163,107 |
| Housing assistance payments | 9,609,964 | - | 9,609,964 |
| Depreciation | <u>2,265,444</u> | <u>1,020,076</u> | <u>3,285,520</u> |
| Total operating expenses | <u>21,086,010</u> | <u>2,062,199</u> | <u>23,148,209</u> |
| Operating loss | <u>(2,382,417)</u> | <u>(407,398)</u> | <u>(2,789,815)</u> |
| Non-operating revenues (expenses): | | | |
| Capital grants | 2,717,918 | - | 2,717,918 |
| Investment income / mortgage interest | 131,007 | 1,159 | 132,166 |
| Extraordinary maintenance | (84,019) | - | (84,019) |
| Interest expense | (118,091) | (439,264) | (557,355) |
| Gain (Loss) on sale of fixed assets | <u>(11,269)</u> | <u>-</u> | <u>(11,269)</u> |
| Net non-operating income (loss) | <u>2,635,546</u> | <u>(438,105)</u> | <u>2,197,441</u> |
| Capital contributions | <u>-</u> | <u>85,783</u> | <u>85,783</u> |
| Change in net assets | 253,129 | (759,720) | (506,591) |
| Total net assets, beginning | <u>53,084,634</u> | <u>16,296,036</u> | <u>69,380,670</u> |
| Total net assets, end of year | <u>\$ 53,337,763</u> | <u>15,536,316</u> | <u>68,874,079</u> |

See accompanying notes to financial statements.

Roanoke Redevelopment and Housing Authority
Statement of Cash Flows - All Enterprise Funds
For the Year Ended September 30, 2012

Cash Flows from Operating Activities:

| | |
|---|---------------------|
| Receipts from tenants | \$ 3,119,513 |
| Receipts operating grants and subsidies | 14,380,003 |
| Other receipts | 1,740,379 |
| Payments to suppliers and employees | <u>(20,066,451)</u> |

| | |
|---|------------------|
| Net cash flows used by operating activities | <u>(826,556)</u> |
|---|------------------|

Cash Flows from Capital and Related Financing Activities:

| | |
|--------------------------------------|-----------------|
| Deposits to (from) restricted cash | (47,239) |
| Purchases of capital assets | (2,642,113) |
| Disposal of capital assets | 192,018 |
| Interest paid on capital debt | (131,814) |
| Principal payments of notes payable | (794,878) |
| Capital grant contributions | 2,717,918 |
| Gain(Loss) on sale of capital assets | (11,269) |
| Extraordinary maintenance | <u>(84,019)</u> |

| | |
|---|------------------|
| Net cash flows used in capital and related financing activities | <u>(801,396)</u> |
|---|------------------|

Cash Flows from Investing Activities:

| | |
|------------------------------|----------------|
| Advances of notes receivable | 287,010 |
| Accrued interest receivable | 16,318 |
| Matured investments | 2,700,000 |
| Interest and dividends | <u>403,906</u> |

| | |
|---|------------------|
| Net cash flows provided by investing activities | <u>3,407,234</u> |
|---|------------------|

| | |
|----------------------|-----------|
| Net increase in cash | 1,779,282 |
|----------------------|-----------|

| | |
|---------------------------|------------------|
| Cash at beginning of year | <u>6,629,394</u> |
|---------------------------|------------------|

| | |
|---------------------|---------------------|
| Cash at end of year | <u>\$ 8,408,676</u> |
|---------------------|---------------------|

Roanoke Redevelopment and Housing Authority
Statement of Cash Flows (continued) - All Enterprise Funds
For the Year Ended September 30, 2012

Reconciliation of operating income to cash provided by
operating activities

| | |
|--|---------------------|
| Operating loss | \$ (2,382,417) |
| | |
| Items which did not provide (use) cash: | |
| Depreciation | 2,265,444 |
| | |
| Working capital changes which provided (used) cash: | |
| Accounts receivable - tenants | (18,032) |
| Accounts receivable - other | 276,156 |
| Other assets | 3,803 |
| Deferred revenue | (36,992) |
| Prepaid expenses | (185,903) |
| Assets held for sale | (112,220) |
| Accounts payable- HUD | (567) |
| Accounts payable | (740,022) |
| Accrued expenses | 6,601 |
| Other liabilities | 20,615 |
| Tenant security deposits | 1,841 |
| Other current liabilities | <u>75,137</u> |
| | |
| Net cash used by operating activities | <u>\$ (826,556)</u> |

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements

For the Year Ended September 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority is a Special Purpose Government engaged only in business-type activities and therefore, presents only the financial statements required for the enterprise fund.

The Authority has multiple programs which are accounted for as one business type activity for financial reporting purposes which are presented as the "enterprise fund" in the basic financial statements as follows:

Enterprise Fund - In accordance with the Enterprise Fund Method, activity is recorded using the accrual basis of accounting, and the measurement focus is on the flow of economic resources. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This required the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Governmental Accounting Standards - The Housing Authority has applied all applicable Governmental Accounting Standards Board pronouncements as well as pronouncements issued by the Financial Accounting Standards Board on or before November 30, 1989, and those issued after November 30, 1989 except for those that conflict with or contradict Governmental Accounting Standards Board pronouncements.

B. Cash

The Authority considers cash on hand and cash in checking to be cash equivalents. Cash on hand is not included in calculation of collateral required.

C. Accounts Receivable

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due. An allowance for doubtful accounts is established to provide for all accounts that may not be collected in the future for any reason.

D. Investments

The required disclosures for investments carried at fair value on a recurring basis are detailed in footnote 4.

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Investments (continued)

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability. Management did not elect the fair value option for certain financial assets and financial liabilities, which were all eligible for the fair value option, since those instruments were not affected by changes in management's risk management and investment strategy.

E. Prepaid Items

Prepaid items consists of payments made to vendors for services that will benefit future periods.

F. Assets Held for Resale

These assets consist of foreclosure homes, rental and commercial properties. The foreclosure homes and rental properties are listed at actual cost while the commercial property is listed at actual cost less impairment.

G. Deferred Revenue

The Authority recognizes revenues as earned. The amount received in advance of the period in which it is earned is recorded as a liability under deferred revenue.

H. Revenue Accounting Policies

Dwelling rental income, HUD Grants received for operations, other operating fund grants and operating miscellaneous income are shown as operating income. HUD grants received for capital assets and all other revenue are shown as non-operating income. The financial statements do not contain material inter-fund revenues and expenses for internal activity. The policy is to eliminate any material inter-fund revenues and expenses for these financial statements.

I. Postemployment Benefits

For the year ended September 30, 2009, the Authority implemented the requirements of GASB Accounting Standards Codification related to postemployment benefits which recognizes the cost of postemployment health benefits in the same year the employee services are received. Recognition of prior years accumulated liability is being phased in over 30 years as the Authority has adopted the requirements prospectively.

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The costs of maintenance and repairs are expensed, while significant renewals and betterments are capitalized. Small dollar value minor equipment items are expensed. Depreciation on assets has been expensed in the statement of income and expenses. Estimated useful lives are as follows:

| | |
|-------------------------------------|-------------|
| Dwellings and improvements | 15-40 years |
| Furniture, equipment, and machinery | 5 years |
| Infrastructure | 30 years |

K. Intangible Assets

Intangible assets with finite useful lives are amortized over their estimated useful life. Bond issuance costs consist primarily of unamortized revenue bond issuance costs. Expenses relating to the issuance of the capital program bonds are capitalized and amortized on a straight-line basis over the term of the bonds maturity.

L. Fair Value Measurements

Fair Value Measurements Topic of the FASB Accounting Standard Codification was established to create a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP) that is intended to result in increased consistency and comparability in fair value measurements. It also expands disclosures about fair value measurements. It applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured at fair value, but does not expand the use of fair value. Items carried at fair value on a recurring basis consist of financial instruments which are valued primarily based on quoted prices in active or brokered markets for identical as well as similar assets.

M. Long-lived Assets

The Authority evaluates the carrying value of long-lived assets. When indications of an impairment are present, the recoverability of the carrying value of the assets in question are assessed based on the future undiscounted cash flows expected to result from their use. If the carrying value cannot be recovered, impairment losses are recognized to the extent the carrying value exceeds fair value.

2. REPORTING ENTITY DEFINITION

The Roanoke Redevelopment and Housing Authority (the Authority or RRHA) was created by the City of Roanoke in 1949 under the provisions of the United States Housing Act of 1937. The Authority is governed by a seven member board of commissioners which are appointed by Roanoke's City Council for staggered four year terms. The Board elects a chairman and employs an Executive Director to administer the affairs of the Authority.

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

2. REPORTING ENTITY DEFINITION (continued)

The Authority is a separate political subdivision of the State of Virginia. The Authority has complete legislative and administrative authority over its affairs and recruits and employs personnel. The Authority has substantial legal authority to control its affairs without local government approval therefore all operations of the Authority are a separate reporting entity as reflected in this report.

The Authority adopts an annual budget that is approved by the Board of Commissioners. Subsidies are received primarily from the Department of Housing and Urban Development (HUD). The Authority is responsible for its debts and is entitled to surpluses.

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 certain criteria. These criteria include manifestation of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Based upon the application of these criteria, the reporting entity includes the following components units:

Blended Component Units

Shenandoah Crossings, Inc., incorporated on June 13, 2000, was created to assist the Authority in the renovation of an office building into an apartment complex. Shenandoah Crossings, Inc. is the general partner of a real estate limited partnership, Shenandoah Crossings, Limited Partnership. Shenandoah Crossings, Inc. is reported as a blended component unit because it was created to assist the Authority in its mission of housing redevelopment in the City and its operations are indistinguishable from the Authority.

Discretely Presented Component Units

Roanoke Valley Housing Corporation (RVHC) was created as a not-for-profit affiliate organization of the Authority and incorporated in 1995. RVHC was previously reported as a blended component unit because it was created to assist the Authority in its mission to provide affordable housing to low-income families in the City of Roanoke, (the City), and its operations were indistinguishable from the Authority. Roanoke Valley Housing Corporation is a partner in the general partner of Hurt Park, LP, Indian Village, LP, Stepping Stone, LP, Park Street Housing, LP and Day Avenue, LP. RVHC became a discretely presented component unit at January 1, 2011, based on changes in the Authority's role on governance.

Shenandoah Crossings, Limited Partnership (SCLP) - The Authority has significant influence over the general partner (Shenandoah Crossings, Inc.) of a real estate limited partnership (SCLP) that has significant financial relationships with the Authority. The limited partnership interests are held by third parties unrelated to the Authority. The Authority has certain rights and responsibilities which enable it to impose its will on the limited partnership due to the significant influence over the general partner and financial relationships with the partnership.

2. REPORTING ENTITY DEFINITION (continued)

Discretely Presented Component Units (continued)

Shenandoah Crossings, Limited Partnership (SCLP) (continued)

The limited partnership was formed for the purpose of renovating an office building of historical and architectural significance into a luxury apartment complex. On May 24, 2001, the limited partnership acquired the vacant Norfolk & Western General Office Building South (historic name) located at 8 Jefferson Street, NW, Roanoke Virginia (the Office Building). The Office Building is an architectural landmark of Roanoke and is located in the commercial area north of the downtown business district. The limited partnership renovated the Office Building into an 87-unit apartment complex known, as Eight Jefferson Place. Marketing activities of Eight Jefferson Place began in July 2002 and rental of apartments to tenants began September 2002.

The responsibility for management of the affairs of the limited partnership, and the ongoing management of Shenandoah Crossings Apartments is vested with the general partner, Shenandoah Crossings, Inc. The limited partnership's December 31, 2011 year-end financial statements are included within the Authority's basic financial statements. Complete financial statements of the limited partnership can be obtained from the VP of Finance of Roanoke Redevelopment and Housing Authority, 2624 Salem Turnpike N.W., Roanoke, VA 24017.

Stepping Stone, Limited Partnership (SSLP) The Authority has significant influence over the general partner, Stepping Stone Apartments, LLC, of a real estate limited partnership (SSLP) that has significant financial relationships with the Authority. The Authority has certain rights and responsibilities which enable it to impose its will on the limited partnership due to the significant influence over the general partner and financial relationships with the partnership.

The limited partnership was formed for the purpose of constructing 15 duplex units at the Villages at Lincoln. RVHC acted as the developer on this project. The Authority applied for an allocation of low-income housing tax credits from the Virginia Housing Development Authority. On November 10, 2003 the Authority conveyed 15 vacant lots to SSLP. Construction on the project began in August 2004 and was completed in October 2005. Marketing activities of Stepping Stone Apartments began in January 2005 and rental of duplex units to tenants began in March 2005.

The responsibility for management of the affairs of the limited partnership, and the ongoing management of Stepping Stone Apartments is vested with Stepping Stone Apartments, LLC. The Authority has entered into a fifteen-year agreement with SSLP to manage the thirty units over the life of the tax credit compliance period. The limited partnership's December 31, 2011 year-end financial statements are included within the Authority's basic financial statements. Inquiries regarding the limited partnership should be directed to the VP of Finance of Roanoke Redevelopment and Housing Authority, 2624 Salem Turnpike N.W., Roanoke, VA 24017.

2. REPORTING ENTITY DEFINITION (continued)

Discretely Presented Component Units (continued)

Indian Village, Limited Partnership (IVLP) The Authority has significant influence over the general partner, Indian Village, LLC, a real estate limited partnership (IVLP) that has significant financial relationships with the Authority. The Authority has certain rights and responsibilities which enable it to impose its will on the limited partnership due to the significant influence over the general partner and financial relationships with the partnership.

The limited partnership was formed for the purpose of constructing and operating 24 apartment units. RVHC acted as the developer on this project. The Authority applied for an application of low-income housing tax credits from the Virginia Housing Development Authority on March 11, 2005. Construction on the project began in June 2006 and was completed January 2008.

The responsibility for management of the affairs of the limited partnership, and the ongoing management of Hillcrest Heights Town Homes is vested with Indian Village, LLC. The Authority has entered into a fifteen year agreement with IVLP to manage the twenty four units over the life of the tax credit compliance period. The limited partnership's December 31, 2011 year end financial statements are included within the Authority's basic financial statements. Inquiries regarding the limited partnership should be directed to the VP of Finance of Roanoke and Redevelopment and Housing Authority, 2624 Salem Turnpike N.W., Roanoke, VA 24017.

Day Avenue, Limited Partnership (DALP) The Authority has significant influence over the general partner, Day Avenue Improvements, LLC, of a real estate limited partnership (DALP) that has significant financial relationships with the Authority. The Authority has certain rights and responsibilities which enable it to impose its will on the limited partnership due to significant influence over the general partner and financial relationships with the partnership. The Roanoke Redevelopment and Housing Authority is a limited partner in Day Avenue, LP.

The limited partnership was formed September 1, 2005 for the purpose of acquiring, constructing, rehabilitating, and selling seventeen historic homes on the 400 block of Day Avenue located in the City of Roanoke. The Authority acted as the developer on this project. The Authority applied for an allocation of historical tax credits from the Department of Historic Resources. Rehabilitation on the project began in January 2006 and all houses with the exception of one have been rehabilitated and sold.

The responsibility for management of the affairs of the limited partnership, and the ongoing management of DALP is vested with Day Avenue Improvements, LLC. The limited partnership's December 31, 2011 year end financial statements are included within the Authority's basic financial statements. Inquiries regarding the limited partnership should be directed to the VP of Finance of Roanoke and Redevelopment and Housing Authority, 2624 Salem Turnpike N.W., Roanoke, VA 24017.

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

2. REPORTING ENTITY DEFINITION (continued)

Discretely Presented Component Units (continued)

Park Street Housing, Limited Partnership (PSLP) The Authority has significant influence over the general partner, Park Street Housing Development, LLC, a real estate limited partnership (PSLP) that has significant financial relationships with the Authority. The Authority has certain rights and responsibilities which enable it to impose its will on the limited partnership due to the significant influence over the general partner and financial relationships with the partnerships.

The limited partnership was formed for the purpose of constructing and operating 25 apartment units. RVHC acted as the developer on this project. The Authority applied for an allocation of low income housing tax credits from the Virginia Housing Development Authority on March 11, 2005. Construction on the project began in April 2006 and was completed in December 2007.

The responsibility for management of the affairs of the limited partnership, and the ongoing management of Park Street Square is vested with Park Street Housing Development, LLC. The Authority has entered into a fifteen year agreement with PSLP to manage the twenty five units over the life of the tax credit compliance period. The limited partnership's December 31, 2011 year end financial statements are included within the Authority's basic financial statements. Inquiries regarding the limited partnership should be directed to the VP of Finance of Roanoke and Redevelopment and Housing Authority, 2624 Salem Turnpike N.W., Roanoke, VA 24017.

Hurt Park, Limited Partnership (HPLP) The Authority has significant influence over the general partner, Hurt Park, LLC, a real estate limited partnership (Hurt Park, LP) that has significant financial relationships with the Authority. The Authority has certain rights and responsibilities which enable it to impose its will on the limited partnership due to the significant influence over the general partner and financial relationships with the partnership.

The limited partnership was formed for the purpose of constructing and operating a 40 unit apartment complex in Roanoke Virginia. RVHC acted as the developer on this project. Construction on the project began in 2007. Construction was completed in May 2009.

The responsibility for management of the affairs of the limited partnership is vested with the general partner. The limited partnership's December 31, 2011 year end financial statements are included within the Authority's basic financial statements. Inquiries regarding the limited partnership should be directed to the VP of Finance of Roanoke and Redevelopment and Housing Authority, 2624 Salem Turnpike N.W., Roanoke, VA 24017.

3. CASH AND INVESTMENT DEPOSITS

The U.S. Department of Housing and Urban Development, (HUD) requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

3. CASH AND INVESTMENT DEPOSITS (continued)

It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

Deposits: The three credit risk categories are:

1. Insured or collateralized with securities held by the entity or by its agent (correspondent bank or Federal Reserve bank) in the entity's name.
2. Collateralized with securities held by the pledging financial institution trust department or agent in the entity's name.
3. Uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name.

As of September 30, 2012, the carrying amount of the Enterprise fund's cash and cash equivalents (including restricted cash) was \$10,131,876 and the bank balance approximated \$10,415,347. All funds are covered by the federal depository insurance or by collateral held by the Authority's agent in the Authority's name. The Authority is authorized by HUD to invest in time deposits, certificates of deposits and obligations of the U.S. Treasury.

4. FAIR VALUE MEASUREMENTS

Fair values of assets and liabilities measured on a recurring basis at September 30, 2012 are as follows:

| <u>Fair Value Measurements at Reporting Date Using</u> | | | | |
|--|-------------------|---|---|--|
| | <u>Fair Value</u> | Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| September 30, 2012 | | | | |
| Federal Coupons | \$ 3,310,980 | 3,310,980 | - | - |

All assets and liabilities have been valued using a market approach.

5. CONTRACTUAL COMMITMENTS

The Authority had Outstanding Contractual Commitments as of the Balance Sheet Date as follows:

| | |
|-------------------|-------------|
| Total Commitments | \$7,176,325 |
|-------------------|-------------|

6. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all risks of loss, including workman's compensation. The Authority established a risk management program for employee's group health insurance in 1995. The Authority has not had any significant reductions in insurance coverage or any claims not reimbursed.

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

7. CONCENTRATION OF RISK

The Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on the availability of funding.

8. SIGNIFICANT ESTIMATES

The financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to depreciation and useful lives of assets and to reserves for uncollectibility of notes and mortgages receivable. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

9. PENSION PLAN

During the 2012 fiscal year the Authority changed pension plans. For September 1, 2011 - December 31, 2011 the Authority provided retirement benefits for its full-time employees through a defined contribution plan administered by American Funds. In this plan the benefits depended solely on the amounts contributed to the plan plus investment earnings. All employees who were scheduled to work at least 20 hours per week for 5 months per year were eligible. The Authority contributed a total of 14% of each participant's compensation for the plan year while the employees had no contribution requirement. The Authority's contributions for each employee and any interest earned were fully vested after 5 years of continuous service. During fiscal year 2012 the Authority made required contributions of \$107,007 to this plan. As of December 31, 2011 this plan was closed and the Authority became a member of the Virginia Retirement System (VRS) on January 1, 2012.

The Authority now requires all its full-time permanent employees to enroll in the Virginia Retirement System (VRS). The Authority also offers enrollment in the VRS Deferred Benefit Plan on a voluntary basis for full time and part time employees; temporary and contract employees are not eligible to participate in either plan.

The VRS is a mixed agent and cost-sharing, multiple-employer defined benefit pension plan administered by the State of Virginia. The defined benefit plan provides a lifetime monthly benefit during retirement based on a retirement multiplier as a percentage of the member's average 60 consecutive months of highest compensation multiplied by the member's total service credit. The retirement multiplier for the Authority employees (considered non-hazardous duty members) is 1.70%. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and RRHA pays into the VRS. The VRS administers two defined benefit plans for local government employees. The Authority and its employees are covered under Plan 2 which is for members joining on July 1, 2010 or later. Members are eligible for unreduced benefits beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Members are required to contribute 5% of regular earnings to the plan each pay period and the Authority contributes 4.72% per pay period. The FY 2012 required contribution was determined by the VRS based on the Authority's employee population and the benefits the Authority elected to provide to its employees.

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

9. PENSION PLAN (continued)

The actuarial methods and assumptions for this plan are as follows:

| | |
|------------------------------------|---|
| Valuation Date | June 30, 2012 |
| Actuarial Cost Method | Entry Age Normal Cost |
| Amortization Method | Level Percent of Pay, Open |
| Payroll Growth Rate | 3% |
| Remaining Amortization Period | 29 years (decreasing by one each year in subsequent valuations until reaching 20 years) |
| Asset Valuation Method | 5-Year, Smoothed Market |
| Investment Rate of Return | 7% |
| Projected Salary Increases | 3.75% to 5.60% |
| Cost-of-Living adjustment (Plan 2) | 2.25% |

For the fiscal year end September 30, 2012, the Authority's annual pension cost of \$105,986 for VRS was equal to the required and actual contributions.

| | |
|--|---------------|
| Annual Required Contribution Rate | June 30, 2012 |
| a. Contribution Rate | 8.18% |
| b. Funding Period in Years | 29 Years |
| c. Amortization Factor based on funding period | 17.8892 |

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was funded at 111%. The actuarial accrued liability for benefits was \$902,866 and the actuarial value of assets was \$1,006,319, resulting in an unfunded actuarial accrued liability (UAAL) of (\$103,453). The covered payroll (annual payroll of 73 active employees covered by the plan) was \$2,969,069 and the ratio of the UAAL to the covered payroll was (3.5%).

Schedule of Funding Progress for the Authority Pension Plan.

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio Assets as % of AAL (a/b) | UAAL as % of Covered Payroll (c) | UAAL as % of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|---------------------------------------|---------------------------|---------------------------------------|----------------------------------|--|
| 6/30/12 | 1,006,319 | 902,866 | (103,453) | 111.46% | 2,969,069 | (3.48)% |

Comprehensive annual financial reports that include financial statements and required supplementary information for the plan are available by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500 or from the VRS via web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf>.

10. COMPENSATED ABSENCES

It is the Authority's policy to grant employees vacation benefits in varying amounts to specified maximums depending on tenure with the Authority. Upon termination, employees were entitled to reimbursement of accrued vacation leave, up to a maximum of 45 days. Sick leave was not vested and was not paid upon employee upon termination. Unpaid accrued vacation was recorded as a liability while sick leave was recorded as an expense when the employee utilized it.

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

10. COMPENSATED ABSENCES (continued)

Effective July 1, 2011, the Authority terminated the vacation and sick leave policies and implemented Paid Time Off (PTO) and Limited Supplement (LS) policies. Under these new policies employees are granted PTO and LS in varying amounts according to tenure with the Authority. Upon voluntary termination from the Authority an employee will be paid for any unused PTO balance up to 75 hours. Limited Supplement is not vested nor paid upon termination. PTO accrued but not paid as of September 30, 2012 is carried as a liability while LS is expensed as used but not accrued.

11. ACCOUNTS RECEIVABLE

Accounts Receivable - Tenants

Accounts receivable - tenants for the Enterprise fund are shown at gross of \$61,373 less of an allowance for doubtful accounts of \$3,327 for the year ended September 30, 2012.

Accounts receivable - tenants for the component units are shown at gross of \$93,009 less of an allowance for doubtful accounts of \$70,349 for the year ended December 31, 2011.

Accounts Receivable - Other

Accounts Receivable - Other, consists of following:

| | Enterprise Fund | Component Units |
|--|--------------------|--------------------|
| Accounts receivable - HUD | \$ 420,234 | - |
| Accounts receivable - other government | 61,927 | - |
| Fraud recovery | 55,552 | - |
| Fraud recovery - allowance | (11,025) | - |
| Accounts receivable - management & development fees | 169,616 | - |
| Accounts receivable - miscellaneous | 34,075 | - |
| | <u>\$ 730,379</u> | <u>-</u> |

12. INTERPROGRAM ACTIVITY

The Authority manages several programs. Many charges, i.e., payroll, benefits, insurance, etc. are paid by the Authority's revolving fund and subsequently reimbursed by the other various funds. Balances due for such charges are reflected in the Interprogram Due to/Due from account balances. Interprograms at September 30, 2012 consisted of the following:

| | |
|-------------------------------------|-------------|
| Low rent and Capital Fund Program | \$ 18,629 |
| Community Development Block Grants | - |
| Section 8 Mod Rehab | - |
| Hope VI | - |
| ROSS | (18,629) |
| Housing Choice Vouchers | - |
| State/Local | - |
| COCC | 692,357 |
| Veterans Affairs Supportive Housing | - |
| Business Activities | (692,357) |
| Shelter Plus | - |
| ARRA | - |
| Home Investment Partnership | - |
| Mainstream | - |
| | <u>\$ -</u> |

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

13. RESTRICTED CASH

The Authority's restricted cash consists of the following as of the end of the fiscal year:

| | Enterprise Fund | Component Units |
|---|---------------------|--------------------|
| Restricted for HAP Payments | \$ 793,428 | - |
| Restricted for Tenant Security | 156,038 | 64,019 |
| Restricted for Debt Service and Related Reserve | 380,130 | 528,488 |
| Restricted for Loan Loss Reserve | 183,838 | - |
| Restricted for FSS Escrow | 166,046 | - |
| Restricted for Payment of Program Income | 42,522 | - |
| Restricted for Payment of Current Liability | 1,198 | - |
| | <u>\$ 1,723,200</u> | <u>592,507</u> |

14. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgage receivable at September 30, 2012 are as follows:

Qualified residents who are unable to obtain financing from commercial sources may be loaned funds by the Authority. The Authority has entered into a \$2,250,000 Note Purchase Agreement with SunTrust Bank to finance a portion of these mortgage loans. Funds to finance the remaining mortgage loans disbursed have been obtained primarily from the City of Roanoke. Mortgage loans held by the Authority are collateralized by single-family residences.

\$ 2,616,967

The Authority has a lease/purchase program for prospective homeowners. The purchasers of the homes finance their mortgages through banks, grants from other organizations and occasionally soft second mortgages from the Authority. These soft second mortgages are secured through deeds of trust and deferred purchase money notes bearing zero interest.

87,000

Non-interest bearing, unsecured promissory note due from Shenandoah Crossings, LP, a discretely presented component, of \$1,200,000. The principal balance is due in full May 1, 2042. The Authority's management has assessed the \$1,200,000 as fully collectible.

1,200,000

Second unsecured promissory note due from Shenandoah Crossings, LP for an amount up to \$3,000,000. The second note bears interest at 4% annually, with interest payments due monthly, and the outstanding principal balance due May 1, 2042.

114,279

Interest receivable on \$3,000,000 promissory note due from Shenandoah Crossings LP payable at full maturity on May 1, 2042.

188,947

Note receivable with The Hancock Building LLC, payable in full upon default of loan agreement within a 10 year period due October 10, 2018. Unsecured and non-interest bearing.

530,444

Various Note receivables from Day Ave, LP payable at maturity in 2042. Unsecured with interest accruing monthly on the unpaid balance at the rate of 4.00%

82,000

Interest receivable on Day Avenue, LP notes payable maturing in 2042.

50,294

Note receivable from Shenandoah Crossings, Inc. Unsecured with interest accruing monthly on the unpaid balance at the rate of 4.00% to be paid in full by 2042.

1,926,186

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

14. NOTES AND MORTGAGES RECEIVABLE (continued)

| | |
|--|---------------------|
| Note receivable interest on voluntary loan on the Shenandoah Crossings Inc. loan | 771,691 |
| Developers fees receivable from discrete component units | 1,638,509 |
| Less: Allowance for doubtful accounts | <u>(4,468,680)</u> |
| Total | 4,737,637 |
| Less: current portion | <u>(263,788)</u> |
| Notes receivable, excluding current portion | <u>\$ 4,473,849</u> |

15. CAPITAL ASSETS

A summary of the Authority's Capital Assets at September 30, 2012 is as follows:

Enterprise Fund Detail:

| | <u>BUSINESS ACTIVITIES</u> | <u>CDBG</u> | <u>PUBLIC HOUSING & CAPITAL FUND</u> | <u>HOPE VI</u> |
|--------------------------------|------------------------------------|------------------|--|---------------------|
| Land and Improvements | \$ 146,086 | 4,215,961 | 7,859,272 | 115,486 |
| Infrastructure | - | 1,822,317 | - | 1,822,332 |
| Building and Improvements | 659,006 | - | 54,242,834 | 9,824,803 |
| Furniture and Equipment | 24,285 | - | 1,320,729 | 201,360 |
| Construction in Process | - | - | 7,759,356 | - |
| Less: Accumulated Depreciation | <u>(583,285)</u> | <u>(383,280)</u> | <u>(48,905,872)</u> | <u>(2,446,958)</u> |
| Total Property and Equipment | <u>\$ 246,092</u> | <u>5,654,998</u> | <u>22,276,319</u> | <u>9,517,023</u> |
| | <u>HOUSING CHOICE VOUCHERS</u> | <u>COCC</u> | <u>STATE/LOCAL</u> | <u>TOTAL</u> |
| Land and Improvements | \$ - | - | 17,058 | 12,353,863 |
| Infrastructure | - | - | 1,287,000 | 4,931,649 |
| Building and Improvements | 233,250 | - | - | 64,959,893 |
| Furniture and Equipment | 130,450 | 411,283 | - | 2,088,107 |
| Construction in Process | - | - | - | 7,759,356 |
| Less: Accumulated Depreciation | <u>(317,939)</u> | <u>(409,496)</u> | <u>(402,445)</u> | <u>(53,449,275)</u> |
| Total Property and Equipment | <u>\$ 45,761</u> | <u>1,787</u> | <u>901,613</u> | <u>38,643,593</u> |

Enterprise Fund Summary:

| | October 1, 2011 <u>Balance</u> | <u>Additions</u> | <u>Transfers & Deletions</u> | September 30, 2012 <u>Balance</u> |
|------------------------------------|-----------------------------------|--------------------|--------------------------------------|---|
| Land | \$ 12,097,637 | 28,883 | 227,343 | 12,353,863 |
| Construction in Process | <u>7,114,333</u> | <u>2,329,802</u> | <u>(1,684,779)</u> | <u>7,759,356</u> |
| Total Assets not being depreciated | 19,211,970 | 2,358,685 | (1,457,436) | 20,113,219 |
| Infrastructure | 4,945,703 | 800 | (14,854) | 4,931,649 |
| Buildings and Improvements | 63,817,940 | 161,045 | 980,908 | 64,959,893 |
| Furniture and Equipment | <u>2,006,788</u> | <u>121,583</u> | <u>(40,264)</u> | <u>2,088,107</u> |
| Total Property and Equipment | 89,982,401 | 2,642,113 | (531,646) | 92,092,868 |
| Less: Accumulated Depreciation | <u>(51,523,459)</u> | <u>(2,265,444)</u> | <u>339,628</u> | <u>(53,449,275)</u> |
| Net Book Value | <u>\$ 38,458,942</u> | <u>376,669</u> | <u>(192,018)</u> | <u>38,643,593</u> |

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

15. CAPITAL ASSETS (continued)

A summary of the Discrete Component Unit's Capital Assets at December 31, 2011 is as follows:

| | January 1, 2011 <u>Balance</u> | <u>Additions</u> | <u>Transfers & Deletions</u> | December 31, 2011 <u>Balance</u> |
|--------------------------------|--------------------------------------|--------------------|--------------------------------------|--|
| Land | \$ 3,220,334 | - | - | 3,220,334 |
| Construction in Progress | - | - | - | - |
| Total Assets not depreciated | 3,220,334 | - | - | 3,220,334 |
| Buildings and Improvements | 31,910,470 | - | - | 31,910,470 |
| Furniture and Equipment | 233,565 | - | - | 233,565 |
| Total Property and Equipment | 35,364,369 | - | - | 35,364,369 |
| Less: Accumulated Depreciation | (4,561,942) | (1,012,769) | - | (5,574,711) |
| Net Book Value | <u>\$ 30,802,427</u> | <u>(1,012,769)</u> | <u>-</u> | <u>29,789,658</u> |

16. BONDS AND NOTES PAYABLE

Bonds and Permanent Notes

1. To permanently finance certain public housing projects, the Authority issued bonds in the original principal amount of \$3,315,000 with interest rates from 1.60% to 4.50% maturing in September 2014. The bond payments are financed through the Authority's Capital Fund Program. Interest paid and charged to expense during the year was \$42,813. The bonds are secured by the projects' land, structures, and equipment. As of September 30, 2012, the outstanding principal balance of these bonds payable was \$650,000 the current portion of which totaled \$320,000. Future projected payments are as follows:

| Fiscal Year | Principal | Interest | Balance Due |
|----------------|-------------------|---------------|-------------|
| 2013 | \$ 320,000 | 29,250 | 330,000 |
| 2014 | 330,000 | 14,850 | - |
| Total Payments | <u>\$ 650,000</u> | <u>44,100</u> | |

2. The Authority issued notes to the Federal Financing Bank in the original principal amount of \$3,042,616. These notes are payable in annual installments each November 1 until maturity in 2012 and 2014, with interest at 6.6%. Both the bonds and notes are secured by the projects' land, structures, and equipment, and debt service is paid annually by HUD under an annual contributions contract. Interest paid and charged to expense during the year was \$25,738. As of September 30, 2012, the outstanding principal balance of these debt instruments was \$187,520. Future projected payments are as follows:

| Fiscal Year | Principal | Interest | Balance Due |
|----------------|-------------------|---------------|-------------|
| 2013 | \$ 90,748 | 12,410 | 96,772 |
| 2014 | 96,772 | 9,387 | - |
| Total Payments | <u>\$ 187,520</u> | <u>21,797</u> | |

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

16. BONDS AND NOTES PAYABLE (continued)

A summary of the bonds payable at September 30, 2012:

| | Total | Current | Long Term |
|------------------------------|-------------------|----------------|----------------|
| Capital Fund Bonds | \$ 650,000 | 320,000 | 330,000 |
| Federal Financing Bank Notes | <u>187,520</u> | <u>90,748</u> | <u>96,772</u> |
| | <u>\$ 837,520</u> | <u>410,748</u> | <u>426,772</u> |

Notes Payable

3. Through the Authority's City Activities fund qualified residents who were unable to obtain financing from commercial sources were given mortgage loans to rehabilitate their home. These loans were made in conjunction with CDBG or HOME mortgage loans provided by the City of Roanoke. The Authority obtained loans from SunTrust Bank to fund the mortgage loans provided to the qualified homeowners and collateralized those loans with deeds of trust on the various single-family residences. Interest rates on the applicable mortgage notes payable to SunTrust Bank range from 4.7% to 8.13%. Principal and interest payments are due in varying amounts through October of 2022. The amount of interest charged and paid as expense during the year was \$53,633. The principal balance at September 30, 2012 was \$801,783. Debt service requirements are as follows:

| Fiscal Year | Principal | Interest | Balance Due |
|----------------|-------------------|----------------|-------------|
| 2013 | \$ 145,689 | 44,668 | 656,094 |
| 2014 | 150,653 | 35,423 | 505,441 |
| 2015 | 154,299 | 26,055 | 351,142 |
| 2016 | 112,506 | 14,384 | 238,636 |
| 2017 | 80,404 | 12,163 | 158,232 |
| 2018-2022 | <u>158,232</u> | <u>18,321</u> | - |
| Total Payments | <u>\$ 801,783</u> | <u>151,014</u> | |

4. During fiscal year ending September 30, 2007, the Authority issued a mortgage note payable to SunTrust Bank to fund capital activities related to private units owned by the Authority. The note bears interest at 6.95% and is payable in equal monthly installments of \$1,434. The amount of interest paid and charged to expense during the year was \$8,347. The note is secured by capital assets related to the Jamison and Downing Properties. The outstanding principal balance as of September 30, 2012 was \$115,561. Future projected payments are as follows:

| Fiscal Year | Principal | Interest | Balance Due |
|----------------|-------------------|---------------|-------------|
| 2013 | \$ 9,470 | 7,734 | 106,091 |
| 2014 | 10,150 | 7,054 | 95,941 |
| 2015 | 10,878 | 6,326 | 85,063 |
| 2016 | 11,659 | 5,545 | 73,404 |
| 2017 | 12,495 | 4,708 | 60,909 |
| 2018-2022 | <u>60,909</u> | <u>9,201</u> | - |
| Total Payments | <u>\$ 115,561</u> | <u>40,568</u> | |

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

16. BONDS AND NOTES PAYABLE (continued)

Other Non-current Liabilities Payable to the City of Roanoke

5. Qualified homeowners participating in a home rehabilitation program were given mortgage loans by the Authority to repair their homes. The Authority entered into an agreement with the City of Roanoke to finance a portion of these mortgage loans through its CDBG and HOME funds. CDBG/HOME funded mortgage loan payments received by the Authority are due back to the City. Repayment from the Authority to the City of outstanding principal and interest balances is deferred without interest for periods of up to fifteen years. The Authority's outstanding balance included in long-term debt owed to the City for these loans as of September 30, 2012, is \$2,009,226. The current portion is \$41,776.

6. Included in long-term debt is \$1,200,000 payable to the City of Roanoke related to amounts provided by the City to the Authority to help fund development of the Shenandoah Crossings project. The amount is repayable to the City by the Authority upon receipt by the Authority of the \$1,200,000 note receivable from Shenandoah Crossings, Limited Partnership.

7. The Authority entered into a loan agreement with the City of Roanoke and the Hancock Building, LLC to loan funds provided by the City to The Hancock Building, LLC in the amount of \$880,000. This loan is interest free and the Authority is obligated to pay the City any amounts received from the The Hancock Building, LLC. The principal balance of this loan at September 30, 2012 was \$530,444. The current portion is \$88,000.

A summary of the notes payable at September 30, 2012:

| | Total | Current | Long Term |
|-----------------------------|--------------------|----------------|------------------|
| City Activities Notes | \$ 801,783 | 145,689 | 656,094 |
| Jamison, Downing Properties | 115,561 | 9,470 | 106,091 |
| CDBG/HOME Notes | 2,009,226 | 41,776 | 1,967,450 |
| Shenandoah Crossings Note | 1,200,000 | - | 1,200,000 |
| Hancock Building Note | 530,444 | 88,000 | 442,444 |
| | <u>\$4,657,014</u> | <u>284,935</u> | <u>4,372,079</u> |

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

17. ENTERPRISE FUND LONG-TERM LIABILITIES

As required by governmental accounting standards, a summary of Enterprise Fund Long-term liability activity for the year ended September 30, 2012, is as follows:

| | October 1, 2011 | | | September 30, 2012 |
|------------------------------|---------------------|------------------|------------------|-----------------------|
| | <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> |
| Accrued Compensated Absences | \$ 86,157 | 239,386 | 219,523 | 106,020 |
| Accrued OPEB Liabilities | 167,537 | 18,903 | - | 186,440 |
| Bonds Payable | 1,349,977 | - | 512,457 | 837,520 |
| Notes Payable | 4,939,435 | - | 282,421 | 4,657,014 |
| Other Long Term Liabilities | 269,978 | 151,074 | 148,166 | 272,886 |
| Less: Current Portion | <u>(904,712)</u> | <u>(442,288)</u> | <u>(521,609)</u> | <u>(825,391)</u> |
| Long-Term Liabilities | <u>\$ 5,908,372</u> | <u>(32,925)</u> | <u>640,958</u> | <u>5,234,489</u> |

18. NOTES PAYABLE - DISCRETE COMPONENT UNITS

1. In 2001, Shenandoah Crossings, LP signed a promissory note with a mortgage company, in the amount of \$5,223,300. The note is secured by the land and structures of the housing project with an interest rate of 7.25% and monthly payments of principal and interest in the amount of \$33,412. In October 2009, Shenandoah Crossings, LP refinanced its mortgage in the amount of \$5,223,300. The note is secured by the land and structures of the housing project with an interest rate of 4.98% and monthly payments of principal and interest in the amount of \$25,117. The remaining balance, if any, is due in full on June 1, 2049. The outstanding balance of the mortgage loan at December 31, 2011 was \$5,132,858, the current portion of \$46,853.

2. As of December 31, 2011, Shenandoah Crossings, LP had a non-interest bearing, unsecured promissory note issued to Roanoke Redevelopment and Housing Authority in the amount of \$1,200,000. Any outstanding principal is due May 1, 2042.

3. Shenandoah Crossings, LP has a second unsecured promissory note issued to Roanoke Redevelopment and Housing Authority for an amount up to \$3,000,000. The note bears interest at 4% annually with interest payments due monthly. Any outstanding principal is due May 1, 2042. As of December 31, 2011, the outstanding balance was \$114,279.

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

18. NOTES PAYABLE -- DISCRETE COMPONENT UNITS (continued)

Debt service requirements for Shenandoah Crossings, LP's mortgage payable with Berkadia as of December 31, 2011 are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Balance Due</u> |
|--------------------|---------------------|------------------|--------------------|
| 2012 | \$ 46,853 | 254,556 | 5,086,005 |
| 2013 | 49,240 | 252,169 | 5,036,765 |
| 2014 | 51,749 | 249,660 | 4,985,016 |
| 2015 | 54,386 | 247,023 | 4,930,630 |
| 2016 | 57,157 | 244,252 | 4,873,473 |
| 2017-2021 | 332,551 | 1,174,495 | 4,540,922 |
| 2022-2026 | 426,356 | 1,080,689 | 4,114,566 |
| 2027-2031 | 546,126 | 960,920 | 3,568,440 |
| 2032-2036 | 697,284 | 809,762 | 2,871,156 |
| 2037-2041 | 890,280 | 616,765 | 1,980,876 |
| 2042-2046 | 1,135,708 | 371,337 | 845,168 |
| 2047-2049 | <u>845,168</u> | <u>73,856</u> | - |
| Total Payments | <u>\$ 5,132,858</u> | <u>6,335,484</u> | |

4. As of December 31, 2011, Stepping Stone, LP had a promissory note issued to Virginia Housing and Development Authority in the amount of \$435,755. The note bears interest at 3.25%. Principal and interest is payable in 360 monthly installments of \$2,176. Payments on the note began February of 2006.

5. Stepping Stone, LP had a second promissory note issued to Virginia Community Capital Incorporated. The note bears interest at 2%. Principal and interest are payable monthly with a final payment of all outstanding principal and accrued interest is due in 15 years. Payments on the note began in February of 2006. As of December 31, 2011, the partnership owed \$364,976 against this note.

Debt service requirements for Stepping Stone, LP's notes payable as of December 31, 2011 are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Balance Due</u> |
|--------------------|-------------------|-----------------|--------------------|
| 2012 | \$ 23,890 | 21,294 | 776,841 |
| 2013 | 24,551 | 20,633 | 752,290 |
| 2014 | 25,210 | 19,974 | 727,080 |
| 2015 | 25,888 | 19,296 | 701,192 |
| 2016 | 26,569 | 18,616 | 674,623 |
| 2017-2021 | 379,862 | 77,331 | 294,761 |
| 2022-2026 | 89,627 | 40,936 | 205,134 |
| 2027-2031 | 105,418 | 25,144 | 99,716 |
| 2032-2036 | 99,716 | 6,898 | - |
| 2037-2040 | - | - | - |
| Total Payments | <u>\$ 800,731</u> | <u>250,122</u> | |

6. As of December 31, 2011, Indian Village, LP has two VHDA notes secured by a Deed of Trust in the amounts of \$901,054 and \$500,000 plus interest. The VHDA note 1 is bearing interest at 3.5% with principal and interest payments of \$6,781 per month. The loan is to be paid in full by December 2043. The VHDA note 2 is also secured by a Deed of Trust and bears interest at 2%. Current interest only payments of \$833 monthly are required. The note is to be paid in full by 2038.

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

18. NOTES PAYABLE - DISCRETE COMPONENT UNITS - (continued)

Debt service requirements for Indian Village, LP's notes payable as of December 31, 2011 are as follows:

| <u>Fiscal Year</u> | | <u>Principal</u> | <u>Interest</u> | <u>Balance Due</u> |
|--------------------|----|------------------|-----------------|--------------------|
| 2012 | \$ | 15,831 | 41,285 | 1,385,223 |
| 2013 | | 16,394 | 40,722 | 1,368,829 |
| 2014 | | 16,977 | 40,138 | 1,351,852 |
| 2015 | | 17,580 | 39,535 | 1,334,272 |
| 2016 | | 18,206 | 38,909 | 1,316,066 |
| 2017-2021 | | 101,215 | 184,361 | 1,214,851 |
| 2022-2026 | | 120,540 | 165,035 | 1,094,311 |
| 2027-2031 | | 143,556 | 142,018 | 950,755 |
| 2032-2036 | | 170,969 | 114,607 | 779,786 |
| 2037-2041 | | 703,614 | 51,962 | 76,172 |
| 2042-2043 | | <u>76,172</u> | <u>2,354</u> | - |
| Total Payments | \$ | <u>1,401,054</u> | <u>860,926</u> | |

7. Indian Village, LP owes the Roanoke Valley Housing Corporation \$464,638. No interest accrues on the note, and is payable from net cash flow.

8. As of December 31, 2011, Day Ave, LP owed Roanoke Valley Housing Corporation for three notes. One note for \$86,532, a second for \$147,174 and a third for \$318,500. These loans have no interest and mature in 2042.

9. As of December 31, 2011, Day Ave, LP had a construction loan with BB&T Bank totaling \$362,000. The interest rate is BB&T's prime plus 1.00% with a maturity date of November 22, 2012.

10. Day Ave, LP has a line of credit with Roanoke Redevelopment and Housing Authority. Interest on the outstanding principal amount is due each month. As of December 31, 2011, the line of credit was paid in full.

11. As of December 31, 2011, Day Ave, LP had promissory notes to the Roanoke Redevelopment and Housing Authority in the amount of \$82,000 with an interest rate of 4% on the unpaid principal. All the notes mature in 2042.

12. As of December 31, 2011, Park Street, LP had two promissory notes issued to Roanoke Redevelopment and Housing Authority with outstanding principal balances as of \$ 1,133,034 and \$1,120,129. Interest due the Authority on the notes has been waived but not forgiven. The principal balance of the notes is due November 5, 2035.

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

18. NOTES PAYABLE - DISCRETE COMPONENT UNITS - (continued)

13. Park Street, LP has two notes secured by a Deed of Trust in the amount of \$527,007 and \$100,000 plus interest. The VHDA note 1 is bearing interest at 3.5% with principal and interest payments of \$2,211 per month. The loan is to be paid in full by December 2045. The VHDA note 2 is also secured by a Deed of Trust and bearing interest at 3%. Currently interest only payments of \$250 monthly are required. The loan is to be paid in full by December 2028.

Debt service requirements for Park Street, LP's notes payable to VHDA as of December 31, 2011 are as follows:

| <u>Fiscal Year</u> | | <u>Principal</u> | <u>Interest</u> | <u>Balance Due</u> |
|--------------------|----|------------------|-----------------|--------------------|
| 2012 | \$ | 8,216 | 23,714 | 618,791 |
| 2013 | | 8,508 | 23,422 | 610,283 |
| 2014 | | 8,811 | 23,119 | 601,472 |
| 2015 | | 9,124 | 22,806 | 592,348 |
| 2016 | | 9,449 | 22,482 | 582,899 |
| 2017-2021 | | 52,530 | 107,121 | 530,369 |
| 2022-2026 | | 62,561 | 97,091 | 467,808 |
| 2027-2031 | | 174,506 | 68,945 | 293,302 |
| 2032-2036 | | 88,733 | 43,919 | 204,569 |
| 2037-2041 | | 105,676 | 26,976 | 98,893 |
| 2042-2045 | | <u>98,893</u> | <u>7,228</u> | - |
| Total Payments | \$ | <u>627,007</u> | <u>466,823</u> | |

14. As of December 31, 2011, Hurt Park, LP had a mortgage loan with VHDA with a balance due of \$1,309,309. The mortgage loan has an interest rate of 4.117% and monthly payments of \$6,073. The mortgage matures in September 2044.

Hurt Park, LP also has a second mortgage with VHDA carrying a balance of \$500,000 and bearing an interest rate of 2%. Payments consist of interest only and the mortgage matures in September 2029.

| <u>Fiscal Year</u> | | <u>Principal</u> | <u>Interest</u> | <u>Balance Due</u> |
|--------------------|----|------------------|------------------|--------------------|
| 2012 | \$ | 19,329 | 63,542 | 1,789,980 |
| 2013 | | 20,140 | 62,731 | 1,769,840 |
| 2014 | | 20,985 | 61,886 | 1,748,855 |
| 2015 | | 21,865 | 61,006 | 1,726,990 |
| 2016 | | 22,782 | 60,089 | 1,704,208 |
| 2017-2021 | | 129,077 | 285,277 | 1,575,131 |
| 2022-2026 | | 158,524 | 255,830 | 1,416,607 |
| 2027-2031 | | 694,689 | 206,332 | 721,918 |
| 2032-2036 | | 239,105 | 125,249 | 482,813 |
| 2037-2041 | | 293,654 | 70,701 | 189,159 |
| 2042-2044 | | <u>189,159</u> | <u>11,234</u> | - |
| Total Payments | \$ | <u>1,809,309</u> | <u>1,263,877</u> | |

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

19. DISCRETE COMPONENT UNITS LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2011, applicable to the Discrete Component Units, was as follows:

| | January 1, 2011 | | | December 31, 2011 |
|-----------------------|---------------------|-----------------|-----------------|----------------------|
| | <u>Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u> |
| Notes Payable | \$14,885,454 | 40,552 | 126,761 | 14,799,245 |
| Other Liabilities | 1,712,469 | 94,810 | - | 1,807,279 |
| Less Current Portion | <u>(431,103)</u> | <u>(45,016)</u> | <u>-</u> | <u>(476,119)</u> |
| Long-Term Liabilities | <u>\$16,166,820</u> | <u>90,346</u> | <u>126,761</u> | <u>16,130,405</u> |

Other liabilities consist of developer fees payable of \$1,621,811 and accrued interest of \$185,468.

20. RESTRICTED NET ASSETS

Restricted net assets consist of the following:

| | Enterprise Fund | Component Units |
|--|---------------------|--------------------|
| Restricted for HAP Payments | \$ 793,428 | - |
| Restricted for Debt Service and Related Reserves | 380,131 | 528,488 |
| Restricted Loan Loss Reserve | <u>88,707</u> | <u>-</u> |
| | <u>\$ 1,262,266</u> | <u>528,488</u> |

21. OTHER COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

22. RELATED PARTY TRANSACTIONS

Agreements with Shenandoah Crossings, Limited Partnership (Component Unit)

On May 18, 2001, the Authority entered into a supervisory management and incentive agreement with SCLP. Under the agreement, the Authority provides consulting services regarding compliance with historical tax credits, assistance in developing a marketing program and asset management services. As of, and for the year ended, September 30, 2012, \$95,763 of revenue has been recorded by the Authority under this agreement. The Authority management has assessed these revenues to be fully collectable.

Agreements with Stepping Stone, Limited Partnership (Component Unit)

The Authority and Stepping Stone, LP have entered an agreement whereby the Authority will provide property management services to the LP in exchange for a service fee of 6% of collected rents. As of September 30, 2012, Stepping Stone, LP owed the Authority \$2,532 for property management services and had paid the Authority \$10,519 in management fees during the year.

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

22. RELATED PARTY TRANSACTIONS (continued)

Agreements with Indian Village, Limited Partnership (Component Unit)

As of September 30, 2012, Indian Village, LP owed the Authority \$4,677 in accrued management fees and expenses. During the year, the Partnership paid \$9,049 in management fees to the Authority.

Agreements with Day Avenue, Limited Partnership (Component Units)

On December 28, 2006, the Authority entered into a development agreement with DALP whereby the Authority agreed to assist DALP in the acquisition, rehabilitation and sale of seventeen historic homes on the 400 block of Day Avenue in the City of Roanoke. In return for these services the Authority was entitled to receive a developer's fee equal to 20% of the development costs which was anticipated to be approximately \$1,041,000. As of September 30, 2012 DALP owes RRHA unpaid developer's fees of \$338,510. DALP has received additional disbursements from RRHA totaling \$82,000. These loans have an interest rate of 4% and maturity dates of 2042. Payment of the developer's fees and loans is to be made from the sales of the individual houses by DALP. The developer's fees and loans have been fully reserved. RRHA also extended a line of credit to DALP that was paid in full during the 2011 year.

Agreements with Park Street Housing, Limited Partnership (Component Unit)

As mentioned in Note 17, RRHA has an outstanding loan with Park Street, LP of \$2,253,163. As of September 30, 2012, Park Street, LP owed the Authority \$3,079 in accrued management fees and expenses. During the year the partnership paid \$8,393 in management fees to the Authority.

Agreements with Hurt Park, Limited Partnership (Component Unit)

The Authority and Hurt Park, LP have entered into an agreement whereby the Authority will provide property management services to the LP in exchange for a service fee of 6% of collected rents. As of September 30, 2012, Hurt Park, LP owed the Authority \$4,214 for property management services and had paid the Authority \$15,359 in management fees during the year.

23. CONDUIT DEBT

The Authority, 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 full faith and credit of the Authority, the Commonwealth of Virginia or any political subdivision thereof. Accordingly, such debt and related assets are not presented in the basic financial statements. The aggregate amount of all conduit debt obligations outstanding was approximately \$3,892,296 as of September 30, 2012. No debt of this type was issued for the fiscal year ended September 30, 2012.

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

24. USE OF ANOTHER AUDITOR'S WORK

According to Statements of Auditing Standards, an auditor may "Use the work and reports of other independent auditors who have audited the financial statements of one or more subsidiaries, divisions, branches, components, or investments included in the financial statements presented". When making the decision of whether to include said statements, the Principle Auditor, must take in consideration "the professional reputation and independence of the other auditor". During the Roanoke Redevelopment and Housing Authority audit, we elected to use another independent auditor's work for Shenandoah Crossings, LP, Stepping Stone, LP, Indian Village, LP, Day Ave, LP, Park Street Housing, LP, Hurt Park, LP, and Roanoke Valley Housing Corporation based on the recommendation of the Housing Authority's management.

The aforementioned partnership audits for the year ended December 31, 2011 were performed by Dooley and Vicars, LLP, a highly regarded, independent auditing firm in Richmond, VA. All six audits had unqualified opinions with no findings.

25. DIFFERENT REPORTING PERIODS

The Roanoke Redevelopment and Housing Authority has a September 30 year end and each of the six discrete component units have December 31 year ends. The December 31, 2011 financial statements for the component units are included in the Authority's September 30, 2012 basic financial statements in the component unit column. If a component unit has a year end differing from that of the reporting entity, the financial statements for the component unit's fiscal year ending during the reporting entity's fiscal year should be incorporated. If transactions between component units that have different fiscal years result in inconsistencies in amounts reported as due to or due from, and so forth, the nature and amount of those transactions should be disclosed in the notes to the financial statements.

| | |
|--|------------------|
| <u>RRHA - Due to/Due from Shenandoah Crossings, LP</u> | <u>DR (CR)</u> |
| Balance at December 31, 2011 | \$ 1,661,199 |
| Net Transfers from January 1, 2012 to September 30, 2012 | <u>(9,558)</u> |
| Balance at September 30, 2012 | <u>1,651,641</u> |
| <u>RRHA - Due to/Due from Day Ave, LP</u> | <u>DR (CR)</u> |
| Balance at December 31, 2011 | 395,582 |
| Net Transfers from January 1, 2012 to September 30, 2012 | <u>(1,029)</u> |
| Balance at September 30, 2012 | <u>394,553</u> |
| <u>RRHA - Due to/Due from Park Street Housing, LP</u> | <u>DR (CR)</u> |
| Balance at December 31, 2011 | 2,257,237 |
| Net Transfers from January 1, 2012 to September 30, 2012 | <u>(995)</u> |
| Balance at September 30, 2012 | <u>2,256,242</u> |
| <u>RRHA - Due to/Due from Stepping Stone, LP</u> | <u>DR (CR)</u> |
| Balance at December 31, 2011 | 2,621 |
| Net Transfers from January 1, 2012 to September 30, 2012 | <u>(270)</u> |
| Balance at September 30, 2012 | <u>2,351</u> |
| <u>RRHA - Due to/Due from Indian Village, LP</u> | <u>DR (CR)</u> |
| Balance at December 31, 2011 | 2,884 |
| Net Transfers from January 1, 2012 to September 30, 2012 | <u>1,793</u> |
| Balance at September 30, 2012 | <u>4,677</u> |

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

25. DIFFERENT REPORTING PERIODS (continued)

| | | |
|--|--|----------------|
| <u>RRHA - Due to/Due from Hurt Park, LP</u> | | <u>DR (CR)</u> |
| Balance at December 31, 2011 | | 6,335 |
| Net Transfers from January 1, 2012 to September 30, 2012 | | <u>(2,121)</u> |
| Balance at September 30, 2012 | | <u>4,214</u> |
| <u>RRHA - Due to/Due from RVHC</u> | | <u>DR (CR)</u> |
| Balance at December 31, 2011 | | - |
| Net Transfers from January 1, 2012 to September 30, 2012 | | <u>71</u> |
| Balance at September 30, 2012 | | <u>\$ 71</u> |

26. GRANTS

During the fiscal year ended September 30, 2012, the Authority closed out two capital fund grants. The following schedule summarizes the grants closed during 2012:

| Capital Fund Program Grant Number | Expenditures prior to fiscal year 2012 | Expenditures for fiscal year 2012 | Total Expenditures |
|---|--|---|-----------------------|
| VA36P011501-08 | \$ 2,083,386 | 286,050 | 2,369,436 |
| VA36S011501-09 | <u>3,250,682</u> | <u>-</u> | <u>3,250,682</u> |
| | <u>\$ 5,334,068</u> | <u>286,050</u> | <u>5,620,118</u> |

27. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 26, 2013, the date the financial statements were available to be issued. There are no subsequent events to report.

28. OTHER POSTEMPLOYMENT BENEFIT PLAN

Plan Description. The Authority participates in a healthcare plan managed by the Commonwealth of Virginia and administered by Anthem Blue Cross and Blue Shield. The Plan subsidizes retiree medical health care coverage at various rates based upon age at retirement. The health care plan is fully-insured and partially experienced-rated. Eligibility is based on reaching age 60 with 5 years of service or age 55 with 10 years of service.

Funding Policy. The Authority contributes a subsidy between 50%-100% of the single premium rate based on the age of the employee at retirement. The Authority does not subsidize spousal coverage and the retiree is responsible for any premium not covered by the Authority. Historically, the Authority has funded its retiree health benefits on a pay-as-you-go basis. For the year ended September 30, 2012, the other postemployment plan (OPEB) expense was \$58,998.

Annual OPEB Cost and Net OPEB Obligation. The Authority's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of the GASB Codification. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

28. OTHER POSTEMPLOYMENT BENEFIT PLAN (continued)

| | | |
|--|----|----------------------|
| Annual Required Contribution | \$ | 58,600 |
| Interest on Net OPEB Obligation | | 7,539 |
| Adjustment to annual required contribution | | <u>(7,141)</u> |
| Annual OPEB expense | | 58,998 |
| Contributions made | | <u>(40,096)</u> |
| Increase in net OPEB obligation | | 18,902 |
| Net OPEB Obligation-beginning of year | | - |
| Net OPEB Obligation-end of year | \$ | <u><u>18,902</u></u> |

The employer contributions of \$40,096 represent 68% of the annual required contribution for the year ended September 30, 2012. The annual required contribution calculation for the year ended September 30, 2012 is as follows:

| | | |
|--|----|----------------------|
| Normal cost at beginning of year | \$ | 32,269 |
| Amortization of the unfunded actuarial accrued liability | | <u>23,808</u> |
| Total normal cost and amortization payment | | 56,077 |
| Adjustment for timing | | <u>2,523</u> |
| Total Annual Required Contribution (ARC) | \$ | <u><u>58,600</u></u> |

Funded Status and Funding Progress. The funded status of the plan based on an actuarial valuation is as follows:

| | | |
|---|----|-----------------------|
| Actuarial accrued liability-beginning of year | \$ | 583,714 |
| Actuarial value of assets-beginning of year | | - |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ | <u><u>583,714</u></u> |
| Funded ratio | | 0 % |
| Covered payroll | \$ | <u>2,828,813</u> |
| UAAL as % of covered payroll | | 20.6% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented below shows multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Roanoke Redevelopment and Housing Authority

Notes to Financial Statements (continued)

28. OTHER POSTEMPLOYMENT BENEFIT PLAN (continued)

Schedule of Funding Progress for the Authority OPEB Plan

| <u>As of</u> | <u>Actuarial Value of Assets</u> (a) | <u>Actuarial Accrued Liability (AAL)</u> (b) | <u>Unfunded AAL (UAAL)</u> (b-a) | <u>Funded Ratio</u> (a/b) | <u>Covered Payroll</u> (c) | <u>UAAL as % of Covered Payroll</u> ((b-a)/c) |
|--------------|---|---|-------------------------------------|------------------------------|-------------------------------|--|
| 10/1/2010 | \$- | \$1,349,461 | \$1,349,461 | 0% | \$3,099,765 | 43.5% |
| 10/1/2011 | \$- | \$583,714 | \$583,714 | 0% | \$2,828,813 | 20.6% |
| 10/1/2012 | \$- | \$583,714 | \$583,714 | 0% | \$2,828,213 | 20.6% |

Schedule of Employer Contributions for the Authority OPEB Plan

| <u>FYE</u> | <u>Employer Contributions</u> a | <u>Annual Required Contribution (ARC)</u> b | <u>% of ARC Contributed</u> c=a/b |
|------------|------------------------------------|--|--------------------------------------|
| 9/30/2012 | \$40,096 | \$58,600 | 68.4% |
| 9/30/2011 | \$36,451 | \$58,600 | 62.2% |
| 9/30/2010 | \$77,072 | \$148,561 | 51.9% |

29. UNCERTAIN TAX POSITIONS

The Authority had no unrecognized tax benefits at September 30, 2012 and no open years prior to September 30, 2009. The Authority files tax returns in the U.S. federal jurisdiction and the State of Virginia.

JUMP, SCUTELLARO AND COMPANY, L.L.P. CERTIFIED PUBLIC ACCOUNTANTS

12 LEXINGTON AVENUE · TOMS RIVER, NJ 08753 PHONE (732) 240-7377 FAX (732) 505-8307 WEBSITE: jumpcpa.com

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

The Board of Commissioners of the
Roanoke Redevelopment and Housing Authority:

We have audited the financial statements of the business-type activities which comprise the major fund and the discretely presented component units of the Roanoke Redevelopment and Housing Authority, (the Authority), as of and for the year ended September 30, 2012 which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 26, 2013. Our report includes a reference to other auditors. 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. Other auditors audited the discretely presented components units as described in our report on Roanoke Redevelopment and Housing Authority's financial statements. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

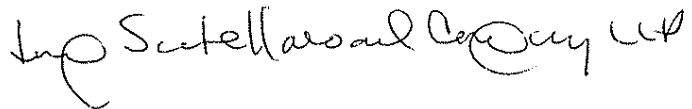
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, 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*.

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

A handwritten signature in black ink that reads "Ing Scatellaro and Company LLP". The signature is written in a cursive, flowing style.

March 26, 2013
Toms River, New Jersey

JUMP, SCUTELLARO AND COMPANY, L.L.P. CERTIFIED PUBLIC ACCOUNTANTS

12 LEXINGTON AVENUE TOMS RIVER, NJ 08753 · PHONE (732) 240-7377 FAX (732) 505-8307 WEBSITE: jumpcpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Commissioners of the
Roanoke Redevelopment and Housing Authority:

Compliance

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

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

In our opinion, the Authority, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

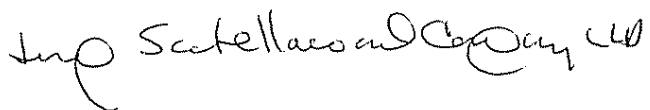
Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to the federal programs. In planning and performing our audit, we considered the Authority's internal control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

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

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

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

March 26, 2013
Toms River, New Jersey

 Joseph Scatellaro

Roanoke Redevelopment and Housing Authority
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2012

| <u>Federal Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Grant Expenditures</u> |
|---|--------------------------------|-------------------------------|
| U.S. Department of Housing and Urban Development: | | |
| Direct Awards: | | |
| Public Housing | 14.850 | \$ 2,721,244 |
| Housing Choice Vouchers | 14.871 | 10,163,774 |
| Section 8 Moderate Rehabilitation Program | 14.856 | 39,236 |
| Mainstream | 14.181 | 232,288 |
| Resident Opportunity and Support Services | 14.870 | 344,138 |
| Revitalization of Severely Distressed Public Housing | 14.866 | 78,774 |
| Public Housing Capital Fund Program | 14.872 | 2,875,284 |
| Pass-through from City of Roanoke: | | |
| Shelter Plus Care Program | 14.238 | 121,278 |
| Community Development Block Grant | 14.218 | <u>18,294</u> |
| | | <u>\$16,594,310</u> |

Roanoke Redevelopment and Housing Authority

Notes to Schedule of Federal Awards

September 30, 2012

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Roanoke Redevelopment and Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Loan Guarantees

At September 30, 2012, the Authority is not the guarantor of any loans outstanding, except as discussed in the notes to the financial statements.

Roanoke Redevelopment and Housing Authority

Schedule of Findings and Questioned Costs

September 30, 2012

I. Summary of Auditor's Results

Financial Statement Section

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued: | Unqualified |
| 2. | Internal control over financial reporting | |
| | a. Material Weakness(es) identified? | No |
| | b. Were significant deficiencies identified not considered to be material weaknesses? | No |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards Section

- | | | |
|----|---|-------------|
| 1. | Internal control over major programs: | |
| | a. Material Weakness(es) identified? | No |
| | b. Were significant deficiencies identified not considered to be material weaknesses? | No |
| 2. | Type of auditor's report issued on compliance for major programs: Housing Choice Vouchers | Unqualified |
| 3. | Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a)) | No |
| 4. | Dollar threshold used to determine Type A Programs: type A and B programs | \$497,829 |
| 5. | Auditee qualified as low risk? | Yes |
| 6. | <u>Major Programs:</u> | |

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|--------------------------------|
| 14.871 | Housing Choice Vouchers |

Roanoke Redevelopment and Housing Authority
Schedule of Findings and Questioned Costs (continued)
September 30, 2012

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

None

IV. Summary of Prior Audit Findings and Questioned Costs

None

Roanoke Redevelopment and Housing Authority
Schedule of Findings and Questioned Costs (continued)

September 30, 2012

Current year findings and questioned costs

None

Supplementary Information

Balance Sheet

| FDS # | Description | Total AMPs | SB HCY Fund 306 | SB MAIN-STREAM Fund 310 | SB Mod Rehab Prjms Combined | Hope VI | ROSS | CDBG | HOME |
|---------|--|--------------|-----------------|-------------------------|-----------------------------|-------------|--------|-----------|-----------|
| 111 | Cash-unrestricted | 6,017,075 | -433,270 | 81,387 | 202,849 | 14,856 | 14,870 | 14,218 | 14,239 |
| 112 | Cash-restricted-modernization and development | | | | | | | | |
| 113 | Cash-restricted | 446,392 | 893,212 | | | | | 20,747 | 21,775 |
| 114 | Cash-tenant security deposits | 150,738 | | | | | | | |
| 115 | Cash - Restricted for payment of current liability | | | | | | | | |
| 100 | Total Cash | 6,614,405 | 1,316,482 | 81,387 | 202,849 | | | 20,747 | 21,775 |
| 121 | Accounts receivable - PHA projects | | | | | | | | |
| 122-010 | Accounts receivable - HUD other projects - Operating Subsidy | | | 10,450 | | | | | |
| 122-030 | Accounts receivable - HUD other projects - Capital fund | 258,216 | | | | | 45,599 | | |
| 122-030 | Accounts receivable - HUD other projects - Other | 94,561 | | | 11,408 | | 45,599 | | |
| 122 | Accounts receivable - HUD other projects | 352,777 | | 10,450 | 11,408 | | 45,599 | | |
| 124 | Account receivable - other government | | | | | | | 7,854 | 1,389 |
| 125-010 | Account receivable - miscellaneous - Not For Profit | | | | | | | | |
| 125-020 | Account receivable - miscellaneous - Partnership | | | | | | | | |
| 125-030 | Account receivable - miscellaneous - Joint Venture | | | | | | | | |
| 125-040 | Account receivable - miscellaneous - Tax Credit | | | | | | | | |
| 125-050 | Account receivable - miscellaneous - Other | 44,481 | | | | | | 995 | 712 |
| 125 | Account receivable - miscellaneous | 44,481 | | | | | | 995 | 712 |
| 126 | Accounts receivable - tenants | 57,118 | | | | | | | |
| 128 | Allowance for doubtful accounts - tenants | (3,327) | | | | | | | |
| 127 | Notes, Loans, & Mortgages Receivable - Current | | | | | | | | |
| 128 | Notes, Loans, & Mortgages Receivable - Current | 55,552 | | | | | | | |
| 129 | Allowance for doubtful accounts - fraud | (1,023) | | | | | | | |
| 120 | Accrued interest receivable | 19,020 | | | | | | 80 | 148 |
| 130 | Total receivables, net of allowance for doubtful accounts | 470,069 | 44,527 | 10,450 | 11,408 | | 45,599 | 78,667 | 24,297 |
| 131 | Investments - unrestricted | 3,310,980 | | | | | | | |
| 132 | Investments - restricted | | | | | | | | |
| 133 | Investments - Restricted for payment of current liability | | | | | | | | |
| 142 | Prepaid expenses and other assets | 229,416 | | | | | | | |
| 143 | Inventories | | | | | | | | |
| 143 | Allowance for obsolete inventories | | | | | | | | |
| 144 | Inter program - due from | 38,743 | | | | | | | |
| 145 | Assets held for sale | | | | | | | | |
| 150 | Total Current Assets | 10,663,413 | 1,401,800 | 91,837 | 214,257 | | 45,599 | 49,414 | 46,062 |
| 161 | Land | 7,829,272 | | | | 115,486 | | | |
| 162 | Buildings | 54,242,834 | 333,250 | | | 9,824,803 | | | |
| 163 | Furniture, equipment and machinery - dwellings | 464,244 | | | | 121,845 | | | |
| 164 | Furniture, equipment and machinery - administration | 836,485 | 130,450 | | | 79,315 | | | |
| 165 | Leasehold improvements | | | | | | | | |
| 166 | Accumulated depreciation | (48,905,872) | (317,939) | | | (2,446,938) | | | |
| 167 | Construction in progress | 7,259,156 | | | | | | | |
| 168 | Infrastructure | | | | | | | 1,822,317 | |
| 160 | Total capital assets, net of accumulated depreciation | 22,276,319 | 45,761 | | | 9,517,023 | | 5,654,998 | |
| 171-010 | Notes, Loans, & mortgages receivable - Non-current - Not For Profit | | | | | | | | |
| 171-020 | Notes, Loans, & mortgages receivable - Non-current - Partnership | | | | | | | | |
| 171-030 | Notes, Loans, & mortgages receivable - Non-current - Joint Venture | | | | | | | | |
| 171-040 | Notes, Loans, & mortgages receivable - Non-current - Tax Credit | | | | | | | | |
| 171-050 | Notes, Loans, & mortgages receivable - Non-current - Other | 87,000 | | | | | | 549,749 | 1,417,715 |
| 171 | Notes, Loans, & mortgages receivable - Non-current | 87,000 | | | | | | 549,749 | 1,417,715 |
| 172-010 | Notes, Loans, & mortgages receivable - Non-current - past due - Not For Profit | | | | | | | | |
| 172-020 | Notes, Loans, & mortgages receivable - Non-current - Partnership | | | | | | | | |
| 172-030 | Notes, Loans, & mortgages receivable - Non-current - Joint Venture | | | | | | | | |
| 172-040 | Notes, Loans, & mortgages receivable - Non-current - Tax Credit | | | | | | | | |
| 172-050 | Notes, Loans, & mortgages receivable - Non-current - Other | | | | | | | | |
| 172 | Notes, Loans, & mortgages receivable - Non-current - past due | | | | | | | | |
| 173 | Grants receivable - Non-current | | | | | | | | |
| 174-040 | Other assets - Tax Credit | | | | | | | | |

| FDS # | Description | Total AMP's | SB HCY Fund 306 14,871 | SB MAIN-STREAM Fund 310 14,181 | SB Mod Rehab Prgrms Combined 14,856 | Hope VI 14,866 | ROSS 14,870 | CDHG 14,218 | HOME 14,239 |
|---------|--|-------------|---------------------------------|---|--|-------------------|----------------|----------------|----------------|
| 174-030 | Other assets - Other | 21,053 | | | | | | | |
| 174 | Other assets | 21,053 | | | | | | | |
| 176-010 | Investment in Joint venture - Not For Profit | | | | | | | | |
| 176-020 | Investment in Joint venture - Partnership | | | | | | | | |
| 176-030 | Investment in Joint venture - Joint Venture | | | | | | | | |
| 176-040 | Investment in Joint venture - Tax Credit | | | | | | | | |
| 176-050 | Investment in Joint venture - Other | | | | | | | | |
| 176 | Investment in Joint venture | | | | | | | | |
| 180 | Total Non-current Assets | 21,394,372 | 45,761 | | | 9,517,023 | | 6,204,747 | 1,417,715 |
| 190 | Total Assets | 33,047,785 | 1,447,561 | 91,837 | 214,257 | 9,517,023 | 45,599 | 6,254,161 | 1,463,777 |
| 311 | Bank overdraft | | | | | | | | |
| 312 | Accounts payable <= 90 days | 236,214 | 11,280 | | | | 3,826 | 197 | |
| 313 | Accounts payable > 90 days past due | | | | | | | | |
| 321 | Accrued wage/payroll taxes payable | 52,132 | 12,660 | | | | 6,280 | | |
| 322 | Accrued compensated absences - current portion | 50,056 | 11,335 | | | | 1,201 | | |
| 324 | Accrued contingency liability | | | | | | | | |
| 325 | Accrued interest payable | 13,813 | | | | | | | |
| 331-010 | Accounts payable - HUD PHA Programs - Operating Subsidy | | | | | | | | |
| 331-020 | Accounts payable - HUD PHA Programs - Capital fund | 52 | | | | | | | |
| 331-030 | Accounts payable - HUD PHA Programs - Other | | | | | | | | |
| 331 | Accounts payable - HUD PHA Programs | 52 | | | | | | | |
| 332 | Accounts payable - PHA Projects | | | | | | | | |
| 333 | Accounts payable - other government | 103,703 | | | | | | 31,036 | 24,024 |
| 341 | Tenant security deposits | 130,738 | | | | | | | |
| 342-010 | Deferred revenue - Operating Subsidy | | | | | | | | |
| 342-020 | Deferred revenue - Capital fund | 550 | | | | | | | |
| 342-030 | Deferred revenue - Other | 37,231 | | | | | | | |
| 342 | Deferred revenue | 27,781 | | | | | | | |
| 343-010 | CFPP | 410,748 | | | | | | | |
| 343-020 | Capital Projects/ Mortgage Revenue | | | | | | | | |
| 343 | Current portion long-term debt - capital proj/mortgage revenue bonds | 410,748 | | | | | | | |
| 344 | Current portion of long-term debt - operating borrowings | 79,430 | | | | | | | |
| 345 | Other current liabilities | | | | | | | | |
| 346 | Accrued liabilities - other | | | | | | | | |
| 347 | Other program - due to | 20,114 | | | | | 18,629 | | |
| 348-010 | Loan liability - current - Not For Profit | | | | | | | | |
| 348-020 | Loan liability - current - Partnership | | | | | | | | |
| 348-030 | Loan liability - current - Joint Venture | | | | | | | | |
| 348-040 | Loan liability - current - Tax Credit | | | | | | | | |
| 348-050 | Loan liability - current - Other | | | | | | | | |
| 348 | Loan liability - current | | | | | | | 19,738 | 22,038 |
| 310 | Total Current Liabilities | 1,144,781 | 35,375 | | | | 29,936 | 50,971 | 46,062 |
| 351-010 | Long-term debt - CFPP | 426,772 | | | | | | | |
| 351-020 | Long-term - Capital Projects/ Mortgage Revenue | | | | | | | | |
| 351 | Capital Projects/ Mortgage Revenue Bonds | 426,772 | | | | | | | |
| 352 | Long-term debt, net of current - operating borrowings | | | | | | | | |
| 353 | Non-current liabilities - other | 66,261 | 97,349 | | | | | | |
| 354 | Accrued compensated absences - Non-current | | | | | | | | |
| 355-010 | Loan liability - Non-current - Not For Profit | | | | | | | | |
| 355-020 | Loan liability - Non-current - Partnership | | | | | | | | |
| 355-030 | Loan liability - Non-current - Joint Venture | | | | | | | | |
| 355-040 | Loan liability - Non-current - Tax Credit | | | | | | | | |
| 355-050 | Loan liability - Non-current - Other | | | | | | | | |
| 355 | Other - Commitment | | | | | | | 549,735 | 1,417,715 |
| 356 | FASB 5 Liabilities | | | | | | | | |
| 357 | Accrued Pension and OPEB Liability | 119,548 | 19,848 | | | | 15,663 | | |
| 330 | Total Non-current liabilities | 612,581 | 117,197 | | | | 15,663 | 549,735 | 1,417,715 |
| 300 | Total Liabilities | 1,757,362 | 152,572 | | | | 45,599 | 600,706 | 1,463,777 |
| 508 | Invested in capital assets, net of related debt | 21,438,799 | 45,761 | | | 9,517,023 | | 5,654,998 | |
| 511 | Restricted Net Assets | 360,131 | 793,428 | | | | | | |
| 512 | Unrestricted Net Assets | 9,471,493 | 455,800 | 91,837 | 214,257 | | | (1,543) | |
| 513 | Total Equity/Net Assets | 31,270,423 | 1,294,989 | 91,837 | 214,257 | 9,517,023 | | 5,653,455 | |
| 600 | Total Liabilities and Equity/Net assets | 33,047,785 | 1,447,561 | 91,837 | 214,257 | 9,517,023 | 45,599 | 6,254,161 | 1,463,777 |

| FDS # | Description | Total AMPs | S8 HCV Fund 306 14,871 | S8 MAIN-STREAM Fund 310 14,181 | S8 Mod Rehab Prgms Combined 14,856 | Hope VI 14,866 | ROSS 14,870 | CDBG 14,218 | HOME 14,239 |
|-------------------------|---|------------------|------------------------|--------------------------------|------------------------------------|----------------|----------------|-----------------|--------------|
| Income Statement | | | | | | | | | |
| 70300 | Net tenant rental revenue | 2,755,792 | | | | | | | |
| 70400 | Tenant revenue - other | 239,803 | | | | | | | |
| 70500 | Total Tenant Revenue | 2,995,595 | | | | | | | |
| 70600-010 | Housing assistance payments | - | 10,163,774 | 202,486 | 32,137 | | | | |
| 70600-020 | Ongoing administrative fees earned | - | | 29,802 | 7,099 | | | | |
| 70600-030 | FSS Coordinator | - | | | | | | | |
| 70600-040 | Actual independent public accountant audit costs | - | | | | | | | |
| 70600-050 | Total preliminary fees earned | - | | | | | | | |
| 70600-060 | Interest earned on advances | - | | | | | | | |
| 70600-070 | Admin fee calculation description | - | | | | | | | |
| 70600 | HUD PHA operating grants | 2,956,726 | 10,163,774 | 232,288 | 39,236 | 658 | 344,138 | 18,294 | - |
| 70610 | Capital grants | 2,639,802 | | | | 78,116 | | | |
| 70710 | Management Fee | - | | | | | | | |
| 70720 | Asset Management Fee | - | | | | | | | |
| 70730 | Book-Keeping Fee | - | | | | | | | |
| 70740 | Front Line Service Fee | - | | | | | | | |
| 70750 | Other Fees | - | | | | | | | |
| 70700 | Total Fee Revenue | - | - | - | - | - | - | - | - |
| 70800 | Other government grants | - | | | | | | | |
| 71100-010 | Housing Assistance Payment | - | | | | | | | |
| 71100-020 | Administrative Fee | - | | | | | | | |
| 71100 | Investment income - unrestricted | (3,654) | - | - | - | - | - | 1,613 | 2,024 |
| 71200 | Mortgage interest income | 1,130 | | | | | | | |
| 71300 | Proceeds from disposition of assets held for sale | - | | | | 170,228 | | | |
| 71310 | Cost of sale of assets | - | | | | (166,837) | | | |
| 71400-010 | Housing Assistance Payment | - | 684 | | | | | | |
| 71400-020 | Administrative Fee | - | 684 | | | | | | |
| 71400 | Fraud recovery | - | 1,368 | - | - | - | - | - | - |
| 71500 | Other revenue | 148,005 | 81,650 | | | | | | |
| 71600 | Gain or loss on sale of capital assets | 12,046 | (3,598) | | | | | | |
| 72000-010 | Housing Assistance Payment | - | | | | | | | |
| 72000-020 | Administrative fee | - | | | | | | | |
| 72000 | Investment income - restricted | - | - | - | - | - | - | (23,400) | - |
| 70000 | Total Revenue | 8,749,650 | 10,243,194 | 232,288 | 39,236 | 82,165 | 344,138 | (3,493) | 2,024 |
| 91100 | Administrative salaries | 465,412 | 236,122 | 7,140 | 1,256 | 276 | | | |
| 91200 | Auditing fees | 20,956 | 11,622 | 325 | | | | | |
| 91300 | Management Fees | 1,010,668 | 153,133 | | | | | | |
| 91310 | Book-Keeping Fee | 111,590 | 139,785 | | | | | | |
| 91400 | Advertising and Marketing | 14,609 | | | | | | | |
| 91500 | Employee benefit contributions - administrative | 131,606 | 72,857 | 2,148 | 464 | | | | |
| 91600 | Office Expenses | 186,408 | 23,431 | | | | | | |
| 91700 | Legal Expense | 135,913 | 14,353 | 277 | | | | | |
| 91800 | Travel | 618 | 2,010 | | | | | | |
| 91810 | Allocated Overhead | - | | | | | | | |
| 91900 | Other | 133,184 | 73,015 | 2,196 | 180 | 432 | | 1,878 | |
| 91000 | Total Operating-Administrative | 2,210,764 | 726,328 | 12,086 | 1,900 | 658 | - | 1,878 | - |
| 92000 | Asset Management Fee | 148,520 | | | | | | | |
| 92100 | Tenant services - salaries | 124,337 | 52,315,06 | | | | 165,263 | | |

| FDS # | Description | Total AMF's | S8 HCV Fund 306 14,871 | S8 MAIN-STREAM Fund 310 14,181 | S8 Mod Rehab Prgms Combined 14,856 | Hope VI 14,866 | ROSS 14,870 | CDBG 14,218 | HOME 14,239 |
|-----------|---|-------------|------------------------|--------------------------------|------------------------------------|----------------|-------------|-------------|-------------|
| 92200 | Relocation Costs | - | | | | | | | |
| 92300 | Employee benefit contributions - tenant services | 36,865 | 9,350 | | | | 52,191 | | |
| 92400 | Tenant services - other | 48,040 | 1,682 | | | | 117,022 | | |
| 92500 | Total Tenant Services | 209,242 | 42,538 | | | | 334,476 | | |
| 93100 | Water | 354,046 | 915 | 29 | 6 | | | | |
| 93200 | Electricity | 591,772 | 1,295 | 33 | 5 | | | | |
| 93300 | Gas | 492,691 | 1,758 | 49 | 8 | | | | |
| 93400 | Fuel | - | | | | | | | |
| 93500 | Labor | - | | | | | | | |
| 93600 | Sewer | 381,012 | 971 | 27 | 5 | | | | |
| 93700 | Employee benefit contributions - utilities | - | | | | | | | |
| 93750 | HAP Portability-In | - | | | | | | | |
| 93800 | Other utilities expense | - | | | | | | | |
| 93000 | Total Utilities | 1,819,521 | 4,939 | 138 | 24 | | | | |
| 94100 | Ordinary maint & operations-labor | 779,942 | | | | | | | |
| 94200 | Ordinary maint & operations-materials and other | 424,262 | 1,355 | 142 | 12 | | | | |
| 94300-010 | Ordinary maint & operations contracts-Garbage/Trash Removal | 138,154 | | | | | | | |
| 94300-020 | Ordinary maint & operations contracts-Heating & Cooling | 82,001 | | | | | | | |
| 94300-030 | Ordinary maint & operations contracts-Snow Removal | - | | | | | | | |
| 94300-040 | Ordinary maint & operations contracts-Elevator Maint | 9,792 | | | | | | | |
| 94300-050 | Ordinary maint & operations contracts-Landscape & Grounds | 97,682 | | | | | | | |
| 94300-060 | Ordinary maint & operations contracts-Unit Turnaround | 148,091 | | | | | | | |
| 94300-070 | Ordinary maint & operations contracts-Electrical | 55,805 | | | | | | | |
| 94300-080 | Ordinary maint & operations contracts-Plumbing | 24,374 | | | | | | | |
| 94300-090 | Ordinary maint & operations contracts-Extermination | 64,243 | | | | | | | |
| 94300-100 | Ordinary maint & operations contracts-Janitorial | 8,118 | 1,512 | | | | | | |
| 94300-110 | Ordinary maint & operations contracts-Routine Maint | 191,897 | | | | | | | |
| 94300-120 | Ordinary maint & operations contracts-Misc | 249,667 | 2,656 | | | | | | |
| 94300 | Ordinary Maintenance and Operations Contracts | 1,069,824 | 4,168 | | | | | | |
| 94500 | Ordinary maint- Employee benefit contributions | 244,743 | | | | | | | |
| 94000 | Total Maintenance | 2,518,771 | 5,523 | 142 | 12 | | | | |
| 95100 | Protective services - labor | - | | | | | | | |
| 95200 | Protective services - other contract costs | 4,624 | | | | | | | |
| 95300 | Protective services - other | - | | | | | | | |
| 95500 | Protective services - Employee benefit contributions | - | | | | | | | |
| 95000 | Total Protective Services | 4,624 | | | | | | | |
| 96110 | Property Insurance | 153,778 | | | | | | | |
| 96120 | Liability Insurance | 61,005 | | | | | | 3,423 | |
| 96130 | Workmen's Compensation | 31,192 | 5,228 | | | | | | |
| 96140 | All other Insurance | 19,060 | 8,101 | 390 | 71 | | | | |
| 96100 | Total Insurance Premiums | 265,035 | 13,329 | 390 | 71 | | | 3,423 | |
| 96200 | Other general expenses | 10,664 | | | | | | | |
| 96210 | Compensated absences | 1,291 | 25,136 | | | | | 2,781 | 2,024 |
| 96300 | Payments in lieu of taxes | 103,703 | | | | | 9,662 | | |
| 96400 | Bad debt - tenant rents | 48,967 | | | | | | | |
| 96500 | Bad debt - mortgages | - | | | | | | | |
| 96600 | Bad debt - other | - | | | | | | | |

| FDS # | Description | Total AMF's | S8 HCV Fund 306 14,871 | S8 MAIN-STREAM Fund 310 14,181 | S8 Mod Rehab Prgrms Combined 14,856 | Hope VI 14,866 | ROSS 14,870 | CDBG 14,218 | HOME 14,239 |
|-----------|--|-------------|---------------------------------|---|--|-------------------|----------------|----------------|----------------|
| 96800 | Severance expense | - | - | - | - | - | - | - | - |
| 96000 | Total Other General Expenses | 164,625 | 25,136 | - | - | - | 9,662 | 2,781 | 2,024 |
| 96710 | Interest of Mortgage (or Bonds) Payable | 56,334 | - | - | - | - | - | - | - |
| 96720 | Interest on Notes Payable (Short and Long Term) | - | - | - | - | - | - | - | - |
| 96730 | Amortization of Bond Issue Costs | 401 | - | - | - | - | - | - | - |
| 96700 | Interest expense and Amortization cost | 56,735 | - | - | - | - | - | - | - |
| 96900 | Total Operating Expenses | 7,397,837 | 817,793 | 12,756 | 2,007 | 658 | 344,138 | 8,082 | 2,024 |
| 97000 | Excess Revenue Over Operating Expenses | 1,351,813 | 9,425,401 | 219,532 | 37,229 | 81,507 | - | (11,575) | - |
| 97100 | Extraordinary maintenance | 84,019 | - | - | - | - | - | - | - |
| 97200 | Casualty losses- Non-capitalized | - | - | - | - | - | - | - | - |
| 97300-010 | Mainstream I & 5 year | - | - | 202,407 | - | - | - | - | - |
| 97300-020 | Home-Ownership | - | 42,611 | - | - | - | - | - | - |
| 97300-025 | Litigation | - | - | - | - | - | - | - | - |
| 97300-030 | Hope IV | - | - | - | - | - | - | - | - |
| 97300-035 | Moving to Work | - | - | - | - | - | - | - | - |
| 97300-040 | Tenant Protection | - | 142,928 | - | - | - | - | - | - |
| 97300-050 | Portability In | - | - | - | - | - | - | - | - |
| 97300-060 | Enhanced | - | 60,820 | - | - | - | - | - | - |
| 97300-070 | All Other | - | 8,947,210 | - | 32,137 | - | - | - | - |
| 97300-100 | Total HAP Payment | - | - | - | - | - | - | - | - |
| 97300 | Housing assistance payments | - | 9,193,569 | 202,407 | 32,137 | - | - | - | - |
| 97350 | HAP Portability In | - | 66,123 | - | - | - | - | - | - |
| 97400 | Depreciation expense | 1,833,925 | 5,065 | - | - | 291,076 | - | 61,038 | - |
| 97500 | Fraud losses | - | - | - | - | - | - | - | - |
| 97800 | Dwelling units rent expense | - | - | - | - | - | - | - | - |
| 90000 | Total Expenses | 9,315,781 | 10,082,550 | 215,163 | 34,144 | 291,734 | 344,138 | 69,120 | 2,024 |
| 10010 | Operating transfer in | 5,977 | - | - | - | - | - | - | - |
| 10020 | Operating transfer out | (5,977) | - | - | - | - | - | - | - |
| 10030-010 | Not For Profit | - | - | - | - | - | - | - | - |
| 10030-020 | Partnership | - | - | - | - | - | - | - | - |
| 10030-030 | Joint Venture | - | - | - | - | - | - | - | - |
| 10030-040 | Tax Credit | - | - | - | - | - | - | - | - |
| 10030-050 | Other | - | - | - | - | - | - | - | - |
| 10030 | Operating transfers from / to primary government | - | - | - | - | - | - | - | - |
| 10040 | Operating transfers from / to component unit | - | - | - | - | - | - | - | - |
| 10070 | Extraordinary items, net gain/loss | - | - | - | - | - | - | - | - |
| 10080 | Special items, net gain/loss | - | - | - | - | - | - | - | - |
| 10091 | Inter AMP Excess Cash Transfer In | - | - | - | - | - | - | - | - |
| 10092 | Inter AMP Excess Cash Transfer Out | - | - | - | - | - | - | - | - |
| 10093 | Transfers from Program to AMP | - | - | - | - | - | - | - | - |
| 10094 | Transfers from AMP to Program | - | - | - | - | - | - | - | - |
| 10100 | Total other financing sources (uses) | - | - | - | - | - | - | - | - |
| 10000 | Excess (Deficiency) of Revenue Over (Under) Expenses | (566,131) | 160,644 | 17,125 | 5,092 | (209,569) | - | (72,613) | - |
| 11020 | Required Annual Debt Principal Payments | 512,457 | - | - | - | - | - | - | - |
| 11030 | Beginning equity | 31,686,326 | 1,134,345 | 74,712 | 209,165 | 9,896,820 | - | 5,726,068 | - |

| FDS # | Description | Total AMPs | S8 HCV Fund 306 14,871 | S8 MAIN-STREAM Fund 310 14,181 | S8 Mod Rehab Prgms Combined 14,856 | Hope VI 14,866 | ROSS 14,870 | CDBG 14,218 | HOME 14,239 |
|-----------|--|------------|------------------------|--------------------------------|------------------------------------|----------------|-------------|-------------|-------------|
| 11040-010 | Prior period adjustments and correction of errors - Editable | - | | | - | | | | |
| 11040-020 | Prior period adjustments and correction of errors - Editable | - | | | - | | | | |
| 11040-030 | Prior period adjustments and correction of errors - Editable | - | | | - | | | | |
| 11040-040 | Prior period adjustments and correction of errors - Editable | - | | | - | | | | |
| 11040-050 | Prior period adjustments and correction of errors - Editable | - | | | - | | | | |
| 11040-060 | Prior period adjustments and correction of errors - Editable | - | | | - | | | | |
| 11040-070 | Equity Transfers (UNRESTRICTED) | - | | | - | | | | |
| 11040-080 | Equity Transfers (RESTRICTED) | - | | | - | | | | |
| 11040-090 | Equity Transfers | - | | | - | | | | |
| 11040-100 | Equity Transfers | - | | | - | | | | |
| 11040-110 | Equity Transfers | 170,228 | | | - | (170,228) | | | |
| 11040 | Prior period adjustments, equity transfers, & correction of errors | 170,228 | - | - | - | (170,228) | - | - | - |

Balance Sheet

| FDS # | Description | STATE/ LOCAL | 2012 Shelter Plus Care 14,238 | Business Activity | Central Office Cost Center | Eliminations | Total | COMPONENT UNITS COMBINED 6 | ENTITY WIDE TOTAL |
|---------|--|-----------------|-------------------------------------|-------------------|-------------------------------|--------------|--------------|-------------------------------------|----------------------|
| 111 | Cash-unrestricted | 1,065,543 | | | 608,552 | | 8,408,676 | 1,028,376 | 9,437,052 |
| 112 | Cash-restricted-neighborhood and development | | | | | | 1,365,964 | 538,488 | 2,094,452 |
| 113 | Cash-other restricted | 183,838 | | | | | 156,038 | 64,019 | 220,057 |
| 114 | Cash-tenant security deposits | | | 5,300 | | | 1,198 | 1,198 | |
| 115 | Cash - Restricted for payment of current liability | | 1,198 | | | | | | |
| 100 | Total Cash | 1,249,381 | 1,198 | 5,300 | 608,552 | | 10,131,676 | 1,620,883 | 11,752,559 |
| 121 | Accounts receivable - PHA projects | | | | | | | | |
| 122-010 | Accounts receivable - HUD other projects - Operating Subsidy | | | | | | 10,450 | | 10,450 |
| 122-020 | Accounts receivable - HUD other projects - Capital fund | | | | | | 258,216 | | 258,216 |
| 122-030 | Accounts receivable - HUD other projects - Other | | | | | | 151,568 | | 151,568 |
| 122 | Accounts receivable - HUD other projects | | | | | | 420,234 | | 420,234 |
| 124 | Account receivable - other government | 52,681 | | | | | 61,927 | | 61,927 |
| 125-010 | Account receivable - miscellaneous - Not For Profit | | | | | | | | |
| 125-020 | Account receivable - miscellaneous - Joint Venture | | | | | | | | |
| 125-030 | Account receivable - miscellaneous - Partnership | | | | | | | | |
| 125-040 | Account receivable - miscellaneous - Tax Credit | | | 169,616 | | | 169,616 | | 169,616 |
| 125-050 | Account receivable - miscellaneous - Other | 17,825 | | | 170,731 | (200,609) | 34,075 | | 34,075 |
| 126 | Accounts receivable - tenants | 17,825 | | 169,616 | 170,731 | (200,609) | 203,691 | | 203,691 |
| 126 | Allowance for doubtful accounts - tenants | | | 4,255 | | | 61,373 | 93,009 | 154,382 |
| 126 | Allowance for doubtful accounts - other | | | | | | (3,227) | (70,349) | (73,576) |
| 127 | Notes, Loans, & Mortgages Receivable - Current | 222,912 | | | | | 263,788 | | 263,788 |
| 128 | Allowance for doubtful accounts - fraud | | | | | | 55,552 | | 55,552 |
| 129 | Accrued interest receivable | 4,135 | | | | | 23,383 | | (11,025) |
| 130 | Total receivables, net of allowance for doubtful accounts | 296,656 | | 173,871 | 170,731 | (200,609) | 1,075,596 | 22,660 | 1,098,256 |
| 131 | Investments - unrestricted | | | | | | 3,310,980 | | 3,310,980 |
| 132 | Investments - restricted | | | | | | | | |
| 135 | Investments - Restricted for payment of current liability | 340 | | | 24,478 | | 296,772 | 197,842 | 494,614 |
| 142 | Prepaid expenses and other assets | | | | | | | | |
| 143 | Inventories | | | | | | | | |
| 143 | Allowance for obsolete inventories | | | | | | | | |
| 144 | Inter program - due from | | | | 692,357 | | | | |
| 145 | Assets held for sale | 1,811,984 | | | | | 1,969,915 | | 2,628,673 |
| 150 | Total Current Assets | 3,356,361 | 1,198 | 348,849 | 1,496,118 | (931,769) | 16,785,139 | 2,500,143 | 19,185,282 |
| 161 | Land | 17,058 | | | | | 12,353,863 | 3,220,334 | 15,574,197 |
| 162 | Buildings | | | 659,006 | | | 64,959,893 | 31,910,470 | 96,870,363 |
| 163 | Furniture, equipment and machinery - dwellings | | | | | | 386,083 | 105,896 | 691,983 |
| 164 | Furniture, equipment and machinery - administration | | | 24,285 | 411,283 | | 1,502,018 | 127,669 | 1,629,687 |
| 165 | Leasehold improvements | | | | | | | | |
| 166 | Accumulated depreciation | (402,445) | | (583,285) | (409,496) | | (53,449,275) | (5,574,711) | (59,023,986) |
| 167 | Construction in progress | | | | | | 7,759,356 | | 7,759,356 |
| 168 | Infrastructure | 1,287,060 | | | | | 4,931,649 | | 4,931,649 |
| 160 | Total capital assets, net of accumulated depreciation | 901,613 | | 246,092 | 1,787 | | 38,643,593 | 29,789,658 | 68,433,251 |
| 171-010 | Notes, Loans, & mortgages receivable - Non-current - Not For Profit | | | | | | | | |
| 171-020 | Notes, Loans, & mortgages receivable - Non-current - Partnership | | | | | | | | |
| 171-030 | Notes, Loans, & mortgages receivable - Non-current - Joint Venture | | | | | | | | |
| 171-040 | Notes, Loans, & mortgages receivable - Non-current - Tax Credit | 1,200,000 | | 732,726 | | (429,580) | 1,503,226 | | 1,503,226 |
| 171-050 | Notes, Loans, & mortgages receivable - Non-current - Other | 1,170,808 | | | 39,368 | (294,017) | 2,970,623 | | 2,970,623 |
| 171 | Notes, Loans, & mortgages receivable - Non-current | 2,370,808 | | 732,726 | 39,368 | (723,517) | 4,473,849 | | 4,473,849 |
| 172-010 | Notes, Loans, & mortgages receivable - Non-current - part dis - Not For Profit | | | | | | | | |
| 172-020 | Notes, Loans, & mortgages receivable - Non-current - Partnership | | | | | | | | |
| 172-030 | Notes, Loans, & mortgages receivable - Non-current - Joint Venture | | | | | | | | |
| 172-040 | Notes, Loans, & mortgages receivable - Non-current - Tax Credit | | | | | | | | |
| 172-050 | Notes, Loans, & mortgages receivable - Non-current - Other | | | | | | | | |
| 172 | Notes, Loans, & mortgages receivable - Non-current | | | | | | | | |
| 173 | Grants receivable - Non-current | | | | | | | | |
| 174-040 | Other assets - Tax Credit | | | 344,400 | | | 344,400 | | 344,400 |

| FDS # | Description | STATE/ LOCAL | 2012 Shelter Plus Care 14,238 | Business Activity | Central Office Cost Center | Eliminations | Total | COMPONENT UNITS COMBINED 6 | ENTITY WIDE TOTAL |
|---------|---|-----------------|-------------------------------------|-------------------|-------------------------------|--------------|------------|-------------------------------------|----------------------|
| 174-030 | Other assets - Other | | | | | | 21,053 | 211,081 | 232,134 |
| 174 | Other assets | | | 344,400 | | | 365,453 | 211,081 | 576,534 |
| 176-010 | Investment in Joint venture - Not For Profit | | | | | | | | |
| 176-020 | Investment in Joint venture - Partnership | | | | | | | | |
| 176-030 | Investment in Joint venture - Joint Venture | | | | | | | | |
| 176-040 | Investment in Joint venture - Tax Credit | | | | | | | | |
| 176-050 | Investment in Joint venture - Other | | | | | | | | |
| 176 | Investment in Joint venture | | | 1,323,218 | 41,155 | (723,517) | 43,482,895 | 30,000,739 | 73,483,634 |
| 180 | Total Non-current Assets | 3,272,421 | | | | | | | |
| 190 | Total Assets | 6,630,782 | 1,198 | 1,672,067 | 1,537,273 | (1,655,286) | 60,269,034 | 32,500,882 | 97,768,916 |
| 311 | Bank overdraft | | | | | | | | |
| 312 | Accounts payable <= 90 days | 817 | 1,198 | 1,109 | 5,745 | | 260,486 | 204,319 | 464,805 |
| 313 | Accounts payable > 90 days past due | | | | | | | | |
| 321 | Accrued wage/payroll taxes payable | | | 6,500 | 47,584 | | 120,156 | | 120,156 |
| 322 | Accrued compensated absences - current portion | | | 4,325 | 39,103 | | 106,020 | | 106,020 |
| 324 | Accrued contingency liability | | | | | | | | |
| 325 | Accrued interest payable | 2,012 | | | | | 15,825 | 85,721 | 101,546 |
| 311-010 | Accounts payable - HUD PHA Programs - Operating Subsidy | | | | | | | | |
| 311-020 | Accounts payable - HUD PHA Programs - Capital fund | | | | | | | | |
| 311-030 | Accounts payable - HUD PHA Programs - Other | | | | | | | | |
| 311 | Accounts payable - HUD PHA Programs | | | | | | | | |
| 312 | Accounts payable - PHA Projects | | | | | | | | |
| 323 | Accounts payable - other government | 51,860 | | | | | 210,623 | 5,023 | 215,646 |
| 341 | Tenant security deposits | | | 5,300 | | | 156,038 | 62,350 | 218,388 |
| 342-010 | Deferred revenue - Operating Subsidy | | | | | | | | |
| 342-020 | Deferred revenue - Capital fund | | | | | | | | |
| 342-030 | Deferred revenue - Other | | | | | | | | |
| 342 | Deferred revenue | | | | | | 27,231 | 425 | 27,656 |
| 343-010 | CFPP | | | | | | 27,781 | 425 | 28,206 |
| 343-020 | Capital Projects/ Mortgage Revenue | | | | | | 410,748 | | 410,748 |
| 343 | Current portion long-term debt - capital proj/mortg revenue | | | 9,470 | | | 420,218 | 476,119 | 896,337 |
| 344 | Current portion of long-term debt - operating borrowings | | | | | | | | |
| 345 | Other current liabilities | | | 39,368 | | | 79,430 | | 79,430 |
| 346 | Accrued liabilities - other | | | 18,000 | 23,688 | | 23,688 | 184 | 23,872 |
| 347 | Other liabilities - due to | | | 692,357 | | | (731,100) | | |
| 348-010 | Loan liability - current - Not For Profit | | | | | | | | |
| 348-020 | Loan liability - current - Partnership | | | | | | | | |
| 348-030 | Loan liability - current - Joint Venture | | | | | | | | |
| 348-040 | Loan liability - current - Tax Credit | | | | | | | | |
| 348-050 | Loan liability - current - Other | 233,689 | | | | | 275,465 | | 275,465 |
| 348 | Loan liability - current | 233,689 | | | | | 275,465 | | 275,465 |
| 310 | Total Current Liabilities | 288,378 | 1,198 | 776,419 | 111,120 | (788,468) | 1,695,782 | 834,161 | 2,529,943 |
| 351-010 | Long-term debt - CFPP | | | | | | 426,772 | | 426,772 |
| 351-020 | Long-term - Capital Projects/ Mortgage Revenue | | | | | | | | |
| 351 | Capital Projects/ Mortgage Revenue Bonds | | | 106,091 | | | 532,863 | 14,323,126 | 14,855,989 |
| 352 | Long-term debt, net of current - operating borrowings | | | | | | | | |
| 353 | Non-current liabilities - other | 96,076 | | 704,068 | 13,200 | (704,068) | 272,886 | 1,807,279 | 2,080,165 |
| 354 | Accrued compensated absences- Non-current | | | | | | | | |
| 355-010 | Loan liability - Non-current - Not For Profit | | | | | | | | |
| 355-020 | Loan liability - Non-current - Partnership | | | | | | | | |
| 355-030 | Loan liability - Non-current - Joint Venture | | | | | | | | |
| 355-040 | Loan liability - Non-current - Tax Credit | | | | | | | | |
| 355-050 | Loan liability - Non-current - Other | 2,298,538 | | | | | 4,265,988 | | 4,265,988 |
| 355 | Other - Commitment | | | | | | | | |
| 356 | Loan liability - Non-current | 2,298,538 | | | | | 4,265,988 | | 4,265,988 |
| 357 | FASB 5 Liabilities | | | | | | | | |
| 357 | Accrued Pension and OPEB Liability | | | 7,691 | 162,752 | (162,750) | 162,752 | | 162,752 |
| 350 | Total Non-current liabilities | 2,394,614 | | 817,850 | 175,952 | (866,818) | 5,234,489 | 16,130,405 | 21,364,894 |
| 300 | Total Liabilities | 2,682,992 | 1,198 | 1,594,279 | 287,072 | (1,655,286) | 6,930,271 | 16,964,566 | 23,894,837 |
| 508 | Invested in capital assets, net of related debt | 904,613 | | 130,511 | 1,787 | | 37,690,512 | 15,986,619 | 53,672,131 |
| 511 | Restricted Net Assets | 88,707 | | | | | 1,262,266 | 528,488 | 1,790,754 |
| 512 | Unrestricted Net Assets | 2,957,420 | | (52,743) | 1,248,414 | | 14,384,983 | (978,791) | 13,406,194 |
| 513 | Total Equity/Net Assets | 3,947,790 | | 77,768 | 1,250,201 | | 53,337,763 | 15,516,316 | 68,854,079 |
| 600 | Total Liabilities and Equity/Net assets | 6,630,782 | 1,198 | 1,672,067 | 1,537,273 | (1,655,286) | 60,269,034 | 32,500,882 | 97,768,916 |

| FDS # | Description | STATE/ LOCAL | 2012 Shelter Plus Care 14,238 | Business Activity | Central Office Cost Center | Eliminations | Total | COMPONENT UNITS COMBINED 6 | ENTITY WIDE TOTAL |
|-------------------------|---|-----------------|-------------------------------------|-------------------|-------------------------------|--------------|------------|-------------------------------------|----------------------|
| Income Statement | | | | | | | | | |
| 70300 | Net tenant rental revenue | - | - | 141,396 | - | - | 2,897,188 | 1,525,086 | 4,422,274 |
| 70400 | Tenant revenue - other | - | - | 554 | - | - | 240,357 | 107,510 | 347,867 |
| 70500 | Total Tenant Revenue | - | - | 141,950 | - | - | 3,137,545 | 1,632,596 | 4,770,141 |
| 70600-010 | Housing assistance payments | - | 115,728 | - | - | - | 10,514,125 | - | 10,514,125 |
| 70600-020 | Ongoing administrative fees earned | - | 5,550 | - | - | - | 42,451 | - | 42,451 |
| 70600-030 | FSS Coordinator | - | - | - | - | - | - | - | - |
| 70600-040 | Actual independent public accountant audit costs | - | - | - | - | - | - | - | - |
| 70600-050 | Total preliminary fees earned | - | - | - | - | - | - | - | - |
| 70600-060 | Interest earned on advances | - | - | - | - | - | - | - | - |
| 70600-070 | Admin fee calculation description | - | - | - | - | - | - | - | - |
| 70600 | HUD PHA operating grants | - | 121,278 | - | - | - | 13,876,392 | - | 13,876,392 |
| 70610 | Capital grants | - | - | - | - | - | 2,717,918 | - | 2,717,918 |
| 70710 | Management Fee | - | - | - | 1,296,619 | (1,296,619) | - | - | - |
| 70720 | Asset Management Fee | - | - | - | 148,520 | (148,520) | - | - | - |
| 70730 | Book-Keeping Fee | - | - | - | 251,175 | (251,175) | - | - | - |
| 70740 | Front Line Service Fee | - | - | - | 225,300 | (225,300) | - | - | - |
| 70750 | Other Fees | - | - | - | - | - | - | - | - |
| 70700 | Total Fee Revenue | - | - | - | 1,921,614 | (1,921,614) | - | - | - |
| 70800 | Other government grants | - | - | - | - | - | 227,455 | - | 227,455 |
| 71100-010 | Housing Assistance Payment | 227,455 | - | - | - | - | 83,009 | - | 83,009 |
| 71100-020 | Administrative Fee | - | - | 83,009 | - | - | - | - | - |
| 71100 | Investment income - unrestricted | 92 | - | 83,009 | 5 | - | 79,452 | 473 | 79,925 |
| 71200 | Mortgage interest income | 46,745 | - | - | 43 | - | 51,555 | - | 51,555 |
| 71300 | Proceeds from disposition of assets held for sale | 100,825 | - | - | - | - | 271,053 | - | 271,053 |
| 71310 | Cost of sale of assets | (107,538) | - | - | - | - | (274,375) | - | (274,375) |
| 71400-010 | Housing Assistance Payment | - | - | - | - | - | 684 | - | 684 |
| 71400-020 | Administrative Fee | - | - | - | - | - | 684 | - | 684 |
| 71400 | Fraud recovery | - | - | - | - | - | 1,368 | - | 1,368 |
| 71500 | Other revenue | 171,907 | - | - | - | - | 1,464,155 | 22,205 | 1,486,360 |
| 71600 | Gain or loss on sale of capital assets | - | - | 1,042,135 | 20,458 | - | (11,269) | - | (11,269) |
| 72000-010 | Housing Assistance Payment | - | - | - | 3,683 | - | - | - | - |
| 72000-020 | Administrative Fee | - | - | - | - | - | - | - | - |
| 72000 | Investment income - restricted | - | - | - | - | - | - | - | - |
| 70000 | Total Revenue | 439,486 | 121,278 | 1,267,094 | 1,945,803 | (1,921,614) | 21,541,249 | 1,655,960 | 23,197,209 |
| 91100 | Administrative salaries | 1,150 | 2,910 | 105,594 | 1,128,601 | - | 1,948,411 | 92,246 | 2,040,657 |
| 91200 | Auditing fees | 1,844 | 171 | 602 | 5,707 | - | 41,227 | 7,446 | 48,673 |
| 91300 | Management Fees | 800 | - | 132,018 | - | (1,296,619) | - | 116,075 | 116,075 |
| 91310 | Book-Keeping Fee | - | - | - | - | (251,175) | - | - | - |
| 91400 | Advertising and Marketing | - | - | - | 7,985 | - | 22,594 | 2,725 | 25,319 |
| 91500 | Employee benefit contributions - administrative | 367 | 1,081 | 33,216 | 323,820 | - | 565,559 | - | 565,559 |
| 91600 | Office Expenses | - | - | 1,586 | 85,106 | - | 296,531 | 20,320 | 316,851 |
| 91700 | Legal Expense | 5,194 | 142 | 1,750 | 62,671 | - | 220,300 | 7,351 | 227,651 |
| 91800 | Travel | - | - | - | 6,709 | - | 9,337 | 1,207 | 10,544 |
| 91810 | Allocated Overhead | - | - | - | - | - | - | - | - |
| 91900 | Other | 2,971 | 906 | 47,438 | 13,558 | (141,124) | 134,634 | 38,735 | 173,369 |
| 91000 | Total Operating-Administrative | 12,326 | 5,210 | 322,204 | 1,634,157 | (1,688,918) | 3,238,593 | 286,105 | 3,524,698 |
| 92000 | Asset Management Fee | - | - | - | - | (148,520) | - | - | - |
| 92100 | Tenant services - salaries | - | - | 58 | - | - | 321,106 | - | 321,106 |

| FDS # | Description | STATE/ LOCAL | 2012 Shelter Plus Care 14,238 | Business Activity | Central Office Cost Center | Eliminations | Total | COMPONENT UNITS COMBINED 6 | ENTITY WIDE TOTAL |
|-----------|---|-----------------|-------------------------------------|-------------------|-------------------------------|--------------|-----------|-------------------------------------|----------------------|
| 92200 | Relocation Costs | - | - | - | - | - | - | - | - |
| 92300 | Employee benefit contributions - tenant services | - | - | - | - | - | 98,406 | - | 98,406 |
| 92400 | Tenant services - other | - | - | - | 14,920 | (8,073) | 173,591 | - | 173,591 |
| 92500 | Total Tenant Services | - | - | - | 14,920 | (8,073) | 593,103 | - | 593,103 |
| 93100 | Water | 111 | 14 | 551 | 4,816 | - | 360,488 | 30,097 | 390,585 |
| 93200 | Electricity | 164 | 17 | 592 | 6,769 | - | 600,647 | 104,453 | 705,100 |
| 93300 | Gas | 145 | 24 | 243 | 9,198 | - | 504,116 | 3,226 | 507,342 |
| 93400 | Fuel | - | - | - | - | - | - | - | - |
| 93500 | Labor | - | - | - | - | - | - | - | - |
| 93600 | Sewer | 144 | 14 | 728 | 5,085 | - | 387,986 | 29,532 | 417,518 |
| 93700 | Employee benefit contributions - utilities | - | - | - | - | - | - | - | - |
| 93750 | HAP Portability-In | - | - | - | - | - | - | - | - |
| 93800 | Other utilities expense | - | - | - | - | - | - | - | - |
| 93000 | Total Utilities | 564 | 69 | 2,114 | 25,868 | - | 1,853,237 | 167,308 | 2,020,545 |
| 94100 | Ordinary maint & operations-labor | 45 | - | 80,994 | 54,261 | - | 915,242 | 84,778 | 1,000,020 |
| 94200 | Ordinary maint & operations-materials and other | 7 | - | 4,837 | 7,060 | - | 437,675 | 41,692 | 479,367 |
| 94300-010 | Ordinary maint & operations contracts-Garbage/Trash Removal | - | - | - | - | - | 138,154 | 12,419 | 150,573 |
| 94300-020 | Ordinary maint & operations contracts-Heating & Cooling | - | - | - | - | - | 82,001 | 12,882 | 94,883 |
| 94300-030 | Ordinary maint & operations contracts-Snow Removal | - | - | - | - | - | - | - | - |
| 94300-040 | Ordinary maint & operations contracts-Elevator Maint | - | - | - | - | - | 9,792 | 11,642 | 21,434 |
| 94300-050 | Ordinary maint & operations contracts-Landscape & Grounds | 1,137 | - | 5,013 | - | - | 103,832 | 11,667 | 115,499 |
| 94300-060 | Ordinary maint & operations contracts-Unit Turnaround | - | - | - | - | - | 148,091 | 42,564 | 190,655 |
| 94300-070 | Ordinary maint & operations contracts-Electrical | - | - | - | - | (47,210) | 8,595 | 510 | 9,105 |
| 94300-080 | Ordinary maint & operations contracts-Plumbing | - | - | - | - | - | 24,374 | 720 | 25,094 |
| 94300-090 | Ordinary maint & operations contracts-Extermination | - | - | 2,013 | - | - | 66,256 | 6,310 | 72,566 |
| 94300-100 | Ordinary maint & operations contracts-Janitorial | - | - | - | 11,431 | - | 21,061 | 23,885 | 44,946 |
| 94300-110 | Ordinary maint & operations contracts-Route Maint | - | 74 | - | - | - | 191,971 | 22,463 | 214,434 |
| 94300-120 | Ordinary maint & operations contracts-Misc | 11,362 | - | 12,154 | 2,207 | (28,893) | 249,153 | 41,665 | 290,818 |
| 94300 | Ordinary Maintenance and Operations Contracts | 12,499 | 74 | 19,180 | 13,638 | (76,103) | 1,043,280 | 186,727 | 1,230,007 |
| 94500 | Ordinary maint- Employee benefit contributions | - | - | 23,652 | 16,819 | - | 285,214 | - | 285,214 |
| 94000 | Total Maintenance | 12,551 | 74 | 128,663 | 91,778 | (76,103) | 2,681,411 | 313,197 | 2,994,608 |
| 95100 | Protective services - labor | - | - | - | - | - | - | - | - |
| 95200 | Protective services - other contract costs | - | - | - | - | - | 4,624 | 2,632 | 7,256 |
| 95300 | Protective services - other | - | - | - | - | - | - | - | - |
| 95500 | Protective services - Employee benefit contributions | - | - | - | - | - | - | - | - |
| 95000 | Total Protective Services | - | - | - | - | - | 4,624 | 2,632 | 7,256 |
| 96110 | Property Insurance | 232 | - | 2,661 | 68 | - | 156,739 | 58,176 | 214,915 |
| 96120 | Liability Insurance | 316 | - | 805 | 968 | - | 66,517 | 12,930 | 79,447 |
| 96130 | Workmen's Compensation | - | - | 3,491 | 14,112 | - | 54,023 | - | 54,023 |
| 96140 | All other Insurance | - | 197 | 1,596 | 4,480 | - | 33,895 | 424 | 34,319 |
| 96100 | Total Insurance Premiums | 548 | 197 | 8,553 | 19,628 | - | 311,174 | 71,530 | 382,704 |
| 96200 | Other general expenses | 48,500 | - | - | - | - | 63,969 | 113,695 | 177,664 |
| 96210 | Compensated absences | - | - | 10,294 | 10,732 | - | 57,115 | - | 57,115 |
| 96300 | Payments in lieu of taxes | - | - | - | - | - | 103,703 | 59,404 | 163,107 |
| 96400 | Bad debt - tenant rents | - | - | - | - | - | 48,967 | 28,252 | 77,219 |
| 96500 | Bad debt - mortgages | - | - | - | - | - | - | - | - |
| 96600 | Bad debt - other | - | - | 254,706 | - | - | 254,706 | - | 254,706 |

| FDS # | Description | STATE/ LOCAL | 2012 Shelter Plus Care 14,238 | Business Activity | Central Office Cost Center | Eliminations | Total | COMPONENT UNITS COMBINED 6 | ENTITY WIDE TOTAL |
|-----------|--|-----------------|-------------------------------------|-------------------|-------------------------------|--------------|------------|-------------------------------------|----------------------|
| 96800 | Severance expense | - | - | - | - | - | - | - | - |
| 96000 | Total Other General Expenses | 48,500 | - | 265,000 | 10,732 | - | 528,460 | 201,351 | 729,811 |
| 96710 | Interest of Mortgage (or Bonds) Payable | - | - | - | - | - | 56,334 | 406,363 | 462,697 |
| 96720 | Interest on Notes Payable (Short and Long Term) | 52,988 | - | 8,368 | - | - | 61,356 | 30,695 | 92,051 |
| 96730 | Amortization of Bond Issue Costs | - | - | - | - | - | 401 | 2,206 | 2,607 |
| 96700 | Interest expense and Amortization cost | 52,988 | - | 8,368 | - | - | 118,091 | 439,264 | 557,355 |
| 96900 | Total Operating Expenses | 127,477 | 5,550 | 734,902 | 1,797,083 | (1,921,614) | 9,328,693 | 1,481,387 | 10,810,080 |
| 97000 | Excess Revenue Over Operating Expenses | 312,009 | 115,728 | 532,192 | 148,720 | - | 12,212,556 | 174,573 | 12,387,129 |
| 97100 | Extraordinary maintenance | - | - | - | - | - | 84,019 | - | 84,019 |
| 97200 | Casualty losses- Non-capitalized | - | - | - | - | - | - | - | - |
| 97300-010 | Mainstream 1 & 5 year | - | - | - | - | - | 202,407 | - | 202,407 |
| 97300-020 | Home-Ownership | - | - | - | - | - | 42,611 | - | 42,611 |
| 97300-025 | Litigation | - | - | - | - | - | - | - | - |
| 97300-030 | Hope IV | - | - | - | - | - | - | - | - |
| 97300-035 | Moving to Work | - | - | - | - | - | - | - | - |
| 97300-040 | Tenant Protection | - | - | - | - | - | 142,928 | - | 142,928 |
| 97300-050 | Portability In | - | - | - | - | - | - | - | - |
| 97300-060 | Enhanced | - | - | - | - | - | - | - | - |
| 97300-070 | All Other | - | 115,728 | - | - | - | 60,820 | - | 60,820 |
| 97300-100 | Total HAP Payment | - | 115,728 | - | - | - | 9,095,075 | - | 9,095,075 |
| 97300 | Housing assistance payments | - | 115,728 | - | - | - | 9,543,841 | - | 9,543,841 |
| 97350 | HAP Portability In | - | - | - | - | - | 66,123 | - | 66,123 |
| 97400 | Depreciation expense | 42,899 | - | 29,653 | 1,788 | - | 2,265,444 | 1,020,076 | 3,285,520 |
| 97500 | Fraud losses | - | - | - | - | - | - | - | - |
| 97800 | Dwelling units rent expense | - | - | - | - | - | - | - | - |
| 90000 | Total Expenses | 170,376 | 121,278 | 764,555 | 1,798,871 | (1,921,614) | 21,288,120 | 2,501,463 | 23,789,583 |
| 10010 | Operating transfer in | - | - | - | - | (5,977) | - | - | - |
| 10020 | Operating transfer out | - | - | - | - | 5,977 | - | - | - |
| 10030-010 | Not For Profit | - | - | - | - | - | - | - | - |
| 10030-020 | Partnership | - | - | - | - | - | - | - | - |
| 10030-030 | Joint Venture | - | - | - | - | - | - | - | - |
| 10030-040 | Tax Credit | - | - | - | - | - | - | - | - |
| 10030-050 | Other | - | - | - | - | - | - | - | - |
| 10030 | Operating transfers from / to primary government | - | - | - | - | - | - | - | - |
| 10040 | Operating transfers from / to component unit | - | - | - | - | - | - | - | - |
| 10070 | Extraordinary items, net gain/loss | - | - | - | - | - | - | - | - |
| 10080 | Special items, net gain/loss | - | - | - | - | - | - | 85,783 | 85,783 |
| 10091 | Inter AMP Excess Cash Transfer In | - | - | - | - | - | - | - | - |
| 10092 | Inter AMP Excess Cash Transfer Out | - | - | - | - | - | - | - | - |
| 10093 | Transfers from Program to AMP | - | - | - | - | - | - | - | - |
| 10094 | Transfers from AMP to Program | - | - | - | - | - | - | - | - |
| 10100 | Total other financing sources (uses) | - | - | - | - | - | - | 85,783 | 85,783 |
| 10000 | Excess (Deficiency) of Revenue Over (Under) Expenses | 269,110 | - | 502,539 | 146,932 | - | 253,129 | (759,720) | (506,591) |
| 11020 | Required Annual Debt Principal Payments | 137,729 | - | 27,492 | - | - | 677,678 | 104,480 | 782,158 |
| 11030 | Beginning equity | 3,678,680 | - | (424,751) | 1,103,269 | - | 53,084,634 | 16,296,036 | 69,380,670 |

| FDS # | Description | STATE/ LOCAL | 2012 Shelter Plus Care 14,238 | Business Activity | Central Office Cost Center | Eliminations | Total | COMPONENT UNITS COMBINED 6 | ENTITY WIDE TOTAL |
|-----------|--|-----------------|-------------------------------------|-------------------|-------------------------------|--------------|-------|-------------------------------------|----------------------|
| 11040-010 | Prior period adjustments and correction of errors - Editable | - | | - | - | | - | - | - |
| 11040-020 | Prior period adjustments and correction of errors - Editable | - | | - | - | | - | - | - |
| 11040-030 | Prior period adjustments and correction of errors - Editable | - | | - | - | | - | - | - |
| 11040-040 | Prior period adjustments and correction of errors - Editable | - | | - | - | | - | - | - |
| 11040-050 | Prior period adjustments and correction of errors - Editable | - | | - | - | | - | - | - |
| 11040-060 | Prior period adjustments and correction of errors - Editable | - | | - | - | | - | - | - |
| 11040-070 | Equity Transfers (UNRESTRICTED) | - | | - | - | | - | - | - |
| 11040-080 | Equity Transfers (RESTRICTED) | - | | - | - | | - | - | - |
| 11040-090 | Equity Transfers | - | | - | - | | - | - | - |
| 11040-100 | Equity Transfers | - | | - | - | | - | - | - |
| 11040-110 | Equity Transfers | - | | - | - | | - | - | - |
| 11040 | Prior period adjustments, equity transfers, & correction of errors | - | - | - | - | - | - | - | - |

Roanoke Redevelopment and Housing Authority
 Certificate of Actual Modernization and Development Costs
 For the Year Ended September 30, 2012

| | |
|---|---|
| Grant Number | VA36URD011I198 |
| Program | Urban Revitalization Program (HOPE VI) |
| Budget | <u>\$15,373,940</u> |
| Advances | \$15,373,940 |
| Costs | <u>\$15,373,940</u> |
| Excess/(Deficiency) of Advances Due To/(From) HUD | \$ <u> -</u> |
| The Actual Modernization Cost Certificate is in agreement with the Authority's records | <u>Yes</u> |
| All modernization work in connection with the grant have been completed | <u>Yes</u> |
| All liabilities have been paid and there are no undischarged mechanics', laborers', contractors' or material-men's liens against the Project on file in any public office where the same should be filed in order to be valid. The time in which such liens could be filed has expired. | <u>Yes</u> |
| There were no budget overruns. | <u>Yes</u> |

JUMP, SCUTELLARO AND COMPANY, L.L.P. CERTIFIED PUBLIC ACCOUNTANTS

12 LEXINGTON AVENUE · TOMS RIVER, NJ · 08753 PHONE (732) 240-7377 FAX (732) 505-8307 WEBSITE: jumpcpa.com

Independent Accountant's Report on Applying
Agreed-Upon Procedures

To Roanoke Redevelopment and Housing Authority:

We have performed the procedure described in the second paragraph of this report, which was agreed to by Roanoke Redevelopment and Housing Authority and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the reporting package. Roanoke Redevelopment and Housing Authority is responsible for accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with Audits of States, Local Governments, and Non-profit Organizations, of the financial statements of Roanoke Redevelopment and Housing Authority as of and for the year ended September 30, 2012, and have issued our reports thereon dated March 26, 2013. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplemental financial data templates dated March 26, 2013, was expressed in relation to the basic financial statements of Roanoke Redevelopment and Housing Authority taken as a whole.

A copy of the financial statement package required by OMB Circular A-133, which includes the auditor's reports is available in its entirety from Roanoke Redevelopment and Housing Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of Roanoke Redevelopment and Housing Authority and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

March 26, 2013
Toms River, New Jersey

Jump Scutellaro and Company CP

Attachment to Independent Accountant's Report on Applying
Agreed-Upon Procedures

| UFRS Rule Information | Hard Copy Document(s) | Findings |
|--|---|----------|
| Balance Sheet and Revenue and Expense (data line items 111 to 1121) | Financial Data Schedules, all CFDAs | Agrees |
| Footnotes (data element G5000-010) | Footnotes to audited basic financial statements | Agrees |
| Type of Opinion on the Financial Data Schedule (data element G5100-010) | Auditor's supplemental report on Financial Data Schedule | Agrees |
| Audit Findings Narrative (data element G5200-010) | Schedule of Findings and Questioned Costs | Agrees |
| General information (data element series G2000, G2100, G2200, G2300, G9000, G9100) | OMB Data Collection Form | Agrees |
| Financial statement report information (data element G3000-010 to G3000-050, G3100-010 to G3100-030, G3200-010 to G3200-030, G3300-010 to G3300-060, G3400-010 to G3400-020) | Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form. | Agrees |
| Federal program report information (data element G4000-010 to G4000-040) | Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form. | Agrees |
| Federal agencies required to receive reporting package (data element G4000-050) | OMB Data Collection Form | Agrees |
| Basic financial statements and auditor's reports required to be submitted electronically. | Basic financial statements (inclusive of auditor reports) | Agrees |