

Newport News Redevelopment and Housing Authority
Newport News, Virginia

Report on Examination of Financial Statements
And Additional Information

For the Year Ended June 30, 2008

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Independent Auditors' Report

The Directors of the Newport News
Redevelopment and Housing Authority

We have audited the accompanying financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Newport News Redevelopment and Housing Authority (the "Authority"), as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the Authority as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, each major fund and the aggregate remaining fund information of the Authority as of June 30 2008, and the respective changes in their financial position and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the financial statements, the 2007 financial statements have been restated to correct a misstatement.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining nonmajor fund statements, capital fund program schedules, and financial status reports, as well as the accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements, capital fund program schedules, financial status reports and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cherry, Bekant & Holland, L.L.P.

Virginia Beach, Virginia
March 31, 2009

Newport News Redevelopment and Housing Authority MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2008

The Newport News Redevelopment and Housing Authority ("the Authority") management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual fund issues or concerns.

This management discussion and analysis is presented in accordance with the requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34).

Financial Highlights

The net assets of the Authority increased by \$193,178 during the year ended June 30, 2008. Net assets were \$69,823,501 and \$69,630,323, as restated, for the years ending June 30, 2008 and 2007, respectively. As explained in note 23, the Great Oak Apartments are no longer included in the Authority's financial statements and their net assets of \$438,357 are not included in the aforementioned 2007 net asset amount. For purposes of comparability between periods, the 2007 condensed financial statement information presented later in the MD&A are presented as restated and do not include the balances and transactions of the Great Oak Apartments.

OVERVIEW OF THE ANNUAL FINANCIAL REPORTS

The following outline describes the integral parts of this financial presentation and is a guideline for understanding its components:

- I. **Management Discussion and Analysis (MD&A)**
Serves as an introduction to the Authority's basic financial statements
- II. **Basic Financial Statements**
 - Fund Financial Statements
 - Notes to the Financial Statements
- III. **Other Supplementary Information**

Fund Financial Statements

The financial statements in this report are those of a special purpose governmental entity engaged in only business type activities. This is a change from previous periods when the activities accounted for in the CDBG and HOME programs were accounted for and reported as governmental activities. The reporting of these activities was changed in order to conform to reporting formats preferred by the Department of Housing and Urban Development for Public Housing Authorities and to more closely conform to the customary reporting format for this industry.

The following Statements are included in the fund financial statements:

Newport News Redevelopment and Housing Authority MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2008

Statement of Net Assets: -- The Statement of Net Assets reports all financial and capital resources for the Authority similar to a balance sheet. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), "Restricted", and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: -- This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: -- This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

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".

Statement of Revenues, Expenses and Changes in Fund Net Assets: -- This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Statement of Cash Flows: -- The statement of cash flows discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing and investment activities.

The Authority uses the enterprise method of accounting, which utilizes the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by the private sector.

Major Funds – Business-type Activities

During 2008 the Authority evaluated the number of its funds and programs and determined several similar programs could be consolidated into funds for reporting purposes. The affects of this reconfiguration of funds is more fully described in Note 23 of the accompanying financial statements.

Public Housing Fund: -- Under the conventional Low- Rent Public Housing Program, the Authority rents units that it owns to low-income households. The Low- Rent Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Authority's capital funds are received from the Federal Government through a formula driven computation. These funds are used to upgrade our facilities at various developments to give our residents the decent and safe living environment they need. Each year's grant funds must be entirely obligated within

Newport News Redevelopment and Housing Authority MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2008

two years of inception of the grant, and entirely expended within four years. In 2008, these funds include the operations of blended component units operated as public housing developments.

Rental Assistance Fund: -- This fund is used to report all rental assistance and subsidy programs and includes the Housing Choice Voucher program, the Section 8 Moderate Rehabilitation SRO program, and the Shelter Plus Care Program. Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords who own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income. The Shelter Plus Care Program provides housing assistance payments for special needs population. Under the Section 8 Moderate Rehabilitation Program, the Housing Authority assists homeless participants in a single room occupancy facility. This program is similar to the Housing Choice Voucher Program except that these units are owned by one landlord, and required moderate renovation before rental.

State & Local Activities Fund: -- This fund includes the Authority's Revolving fund to centrally pay invoices and payroll and also includes locally funded redevelopment activities and grants.

Central Office Cost Center Fund: -- This fund is new in 2008 and is used to account for administrative functions provided by the Authority for its other programs. This includes the costs of the Authority's Executive offices, Department of Administration, Department of Finance, and other centralized services.

Community Development Block Grant (CDBG) and HOME Funds: -- Public housing agencies in Virginia are created as combined redevelopment and housing authorities under State law. The redevelopment powers of NNRHA are granted by the State Legislature and include the ability to carry out all tasks associated with redevelopment and conservation (community and economic development) projects (e.g.: property acquisition and clearance as well as making loans and grants). Redevelopment is coordinated closely with the City of Newport News and often is funded with City funding. NNRHA also is under contract with the City of Newport News to administer the local Community Development Block Grant (CDBG) and HOME programs. The Authority serves as the agency to receive all funds drawn by the City, collect all sources of other income, and pay all expenses incurred on behalf of the programs.

Late in June 2007, the Authority conveyed its interests in the Great Oak Apartments to an entity that does not meet the criteria for inclusion in the financial statements of the Authority. This is more fully described in note 23 of these financial statements. In 2007, this fund was included in the Authority's financial statement and was reported as a major fund.

Non-Major Funds

Resident Opportunity and Supportive Service (ROSS) Grants: -- The Authority has received funding over the last several years from the Department of Housing and Urban Development that encourages economic self-sufficiency among the Authority's resident population. This includes the Service Coordinators for Public Housing grants (SCPH), which funds coordinators who work directly with the Authority's senior residents.

Transition Center Fund - Virginia Housing Development Authority: -- The Authority built and maintains a 12-unit facility for the developmentally disabled with Section 8 Housing Choice Vouchers New Construction

**Newport News Redevelopment and Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008**

funds provided by the Virginia Housing Development Authority (VHDA). NNRHA contracts the management services of this facility to a local chapter of the Community Services Board for the unique needs of this special client population. Tenant rent, Section 8 Housing Choice Vouchers Housing Assistance Payments (HAP), and interest income provide for a well-financed development with adequate operating and replacement reserves.

Orcutt Townhomes II, L.P.: -- This fund is a blended component unit representing the activities associated with the development of a yet to be determined number of units of townhomes as a partial replacement for Orcutt Homes public housing.

Business Activities Fund: - This fund includes several programs and initiatives owned, operated, or administered by the Authority, including:

Congregate Resident Facility Housing: -- The Authority built and maintains an 18-bed facility for single pregnant clients suffering from substance abuse. The Community Services Board rents the facility and provides rehabilitation services.

Tax Exempt Bond Issuance Program: -- The Authority occasionally is approached by private developers to issue tax exempt bonds for multi-family rental properties. The Bond Issuance Fee Program is funded by fees these developers pay either as a one-time financing fee or as annual payments over the life of the bond. The fee includes a pro-rata share of the initial bond financing for the Authority's tax exempt funding. Also the Authority earns interest on these deposits.

Property Management Funds: -- The Housing Authority manages three Section 8 New Construction complexes for a local non-profit provider serving elderly and special needs clients. The Authority receives management fees for each of the projects.

Excess Earned Administration Fee Fund: -- The Excess Administration Fee Program is funded by the interest earned on investments and the rental of acquired property. The fee program was started as the various Section 8 Certificate and Moderate Rehabilitation Programs were terminated and the excess administrative fees earned were transferred to this new program.

Newport News Redevelopment and Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008

ANALYSIS OF AUTHORITY-WIDE NET ASSETS (STATEMENT OF NET ASSETS)

(Interfund due from and to amounts as well as interfund loans receivable and payable are excluded)

	FY 2008	FY 2007, as restated			Increase (decrease)
	Enterprise Funds	Governmental Fund	Enterprise Funds	Total	
ASSETS:					
Cash and Investments	\$ 11,587,141	\$ 1,820,065	\$10,983,677	\$ 12,803,742	\$ (1,216,601)
Other Current Assets	2,683,832	(20,330)	1,874,672	1,854,342	829,490
Restricted Assets	17,125,237	8,070,843	5,112,458	13,183,301	3,941,936
Non-Current Assets	1,642,018	73,376	1,522,888	1,596,264	45,754
Capital Assets (Net)	41,759,101	32,571	45,231,399	45,263,970	(3,504,869)
TOTAL ASSETS	\$ 74,797,329	\$ 9,976,525	\$ 64,725,094	\$ 74,701,619	\$ 95,710
LIABILITIES:					
Current Liabilities	\$ 3,829,829	\$ 1,785,333	\$ 1,798,353	\$ 3,583,686	\$ 246,143
Non-Current Liabilities	1,143,999	87,778	1,399,832	1,487,610	(343,611)
TOTAL LIABILITIES	4,973,828	1,873,111	3,198,185	5,071,296	(97,468)
Net Assets Invested in Capital Assets, Net of Related Debt	36,852,235	26,290	40,314,745	40,341,035	(3,488,800)
Restricted Net Assets	16,301,133	8,077,124	6,459,342	14,536,466	1,764,667
Unrestricted Net Assets	16,670,133	-	14,752,822	14,752,822	1,917,311
TOTAL NET ASSETS	69,823,501	8,103,414	61,526,909	69,630,323	193,178
TOTAL LIABILITIES and NET ASSETS	\$ 74,797,329	\$ 9,976,525	\$ 64,725,094	\$ 74,701,619	\$ 95,710

Analysis of Changes in Net Assets:

The net assets increased by \$193,178, due to insignificant overall changes in the total assets and liabilities of the Authority. Cash and investments, including the portion in restricted assets, increased \$2,342,670. These increases, coupled with slight increases in other current assets and restricted assets are offset by depreciation expense on capital assets.

Newport News Redevelopment and Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008

	FY 2008	FY 2007, as restated			Increase / Decrease	Percent
	Enterprise Funds	Governmental Activities	Business-type Activities	Total		
OPERATING REVENUES						
Rental and tenant income	\$ 5,693,288	\$ -	\$5,283,761	\$ 5,283,761	\$ 409,527	7.75%
Intergovernmental	28,123,563	2,635,774	23,979,861	26,615,635	1,507,928	5.67%
Other income	623,275	1,890,535	266,952	2,157,487	(1,534,212)	-71.11%
Total operating revenues	<u>34,440,126</u>	<u>4,526,309</u>	<u>29,530,574</u>	<u>34,056,883</u>	<u>383,243</u>	1.13%
OPERATING EXPENSES:						
Administration	6,293,981	803,067	5,142,181	5,945,248	348,733	5.87%
Tenant services	669,437	-	493,152	493,152	176,285	35.75%
Utilities	2,821,956	-	2,567,497	2,567,497	254,459	9.91%
Ordinary maintenance and operations	3,171,818	-	4,275,037	4,275,037	(1,103,219)	-25.81%
Protective services	137,605	-	127,431	127,431	10,174	7.98%
General expenditures	4,882,785	3,342,211	1,545,900	4,888,111	(5,326)	-0.11%
Nonroutine maintenance (net of insurance)	63,124	-	73,868	73,868	(10,744)	-14.54%
Housing assistance payments	13,401,816	-	11,823,793	11,823,793	1,578,023	13.35%
Interest	45,402	-	45,020	45,020	382	0.85%
Depreciation	4,426,475	10,377	4,509,896	4,520,273	(93,798)	-2.08%
Total operating expenses	<u>35,914,399</u>	<u>4,155,655</u>	<u>30,603,775</u>	<u>34,759,430</u>	<u>1,154,969</u>	3.32%
OPERATING INCOME / (LOSS)	<u>(1,474,273)</u>	<u>370,654</u>	<u>(1,073,201)</u>	<u>(702,547)</u>	<u>(771,726)</u>	
NONOPERATING REVENUES / (EXPENSES):						
Interest and investment revenue	602,719	-	625,274	625,274	(22,555)	-3.61%
Gain or (loss) on disposition of fixed assets	1,225	-	-	-	1,225	
Total nonoperating revenues / expenses	<u>603,944</u>	<u>-</u>	<u>625,274</u>	<u>625,274</u>	<u>(21,330)</u>	
INCOME / (LOSS) BEFORE CONTRIBUTIONS, TRANSFERS, AND ADJUSTMENTS						
	(870,329)	370,654	(447,927)	(77,273)	(793,056)	
HUD capital contributions	774,812	-	1,467,536	1,467,536	(692,724)	-47.20%
Contributions	288,695	-	861,305	861,305	(572,610)	-66.48%
CHANGE IN NET ASSETS	<u>193,178</u>	<u>370,654</u>	<u>1,880,914</u>	<u>2,251,568</u>	<u>(2,058,390)</u>	
TOTAL NET ASSETS - beginning, as restated						
	69,630,323	7,926,479	58,497,303	66,423,782	3,206,541	
Prior period adjustment	-	(193,719)	1,148,692	954,973	(954,973)	
TOTAL NET ASSETS - ending	<u>\$ 69,823,501</u>	<u>\$ 8,103,414</u>	<u>\$ 61,526,909</u>	<u>\$ 69,630,323</u>	<u>\$ 193,178</u>	

**Newport News Redevelopment and Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008**

Revenue and Expense Activities

Operating Revenues of Enterprise Funds Activities: -- The Authority's revenue decreased slightly by 1.1% or \$383,243 in FYE June 30, 2008 as compared to FYE June 30, 2007. Charges for services and program income (rent, excess utilities, and maintenance) had a small increase of 7.75% due to an increase in rental revenue because of higher tenant rents and the HUD Earned Income Verification (EIV) program which identified additional sources of tenant income. Operating grants and housing assistance payments increased \$1,507,928. The increase is attributable to \$1,412,289 in public housing subsidy, \$1,057,230 increase in Section 8 subsidy; however the increases were offset by decreases of \$727,941 in the HOME grant. The other income had a decrease of \$1,534,212. This was due to a significant decrease in program income for both the CDBG and HOME programs. Due to the faltering economy, not as many individuals are refinancing and paying off these loans. As a result, our program income has decreased significantly.

Operating Expenses of Enterprise Funds Activities: -- The Authority's Enterprise Funds expenses increased by 3.32% or \$1,154,969 in FYE June 30, 2008 as compared to FYE June 30, 2007. We had a significant decrease of \$1,103,219 in ordinary maintenance and operations due to decreased maintenance for 584 units scheduled for demolition and controlling costs during our transition to asset management. However, we also experienced a large increase of \$1,578,023 in housing assistance payments and more payments to Landlords. We also had associated increases of \$857,651 for administration, utility and tenant services costs.

CAPITAL ASSETS

At the end of fiscal year June 30, 2008, the Enterprise Funds had \$135,592,201 before accumulated depreciation, invested in a broad range of capital assets, including multi-family residential property, commercial office and shop property, computer equipment, and vehicles. The decrease of \$2,577,589 is primarily due to the disposition of the Great Oak Apartments. Additional information on the Authority's capital assets can be found in Note 5 to the financial statements.

	<u>FY 2008</u>	<u>FY 2007 as restated</u>	<u>Increase / Decrease</u>
Land and improvements	\$ 3,766,978	\$ 4,322,754	\$ (555,776)
Building	128,869,190	130,489,239	(1,620,049)
Equipment	2,645,218	2,757,061	(111,843)
Construction in progress	310,815	600,736	(289,921)
Total before depreciation	<u>135,592,201</u>	<u>138,169,790</u>	<u>(2,577,589)</u>
Accumulated depreciation	<u>(93,833,100)</u>	<u>(89,687,073)</u>	<u>(4,146,027)</u>
 TOTAL	 41,759,101	 48,482,717	 (6,723,616)
Prior period adjustments	-	(3,218,747)	3,218,747
	<u>\$ 41,759,101</u>	<u>\$ 45,263,970</u>	<u>\$ (3,504,869)</u>

Newport News Redevelopment and Housing Authority MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2008

LONGTERM DEBT

At the end of fiscal year June 30, 2008, the Authority owed \$147,004 in long-term debt to external parties. This is a note payable due to VHDA for the Transition Center. During 2008, there were no modifications to this mortgage note and principal payments of \$9,789 were made. At June 30, 2007, the Authority's financial statements reflected additional long-term debt totaling \$2,899,568 associated with the Great Oak Apartments. This debt was assumed by another entity when this development was conveyed in late June 2007. Finally, as further described in note 4, \$4,152,860 in intrafund debt between programs consolidated in the same fund that were separately reported at June 30, 2007 were eliminated for 2008. Additional information on the Authority's long term debt can be found in Note 4 to the financial statements.

ECONOMIC FACTORS

Several significant economic factors are present that may impact the Authority in the future:

- The Department of Housing and Urban Development has historically under-estimated the subsidy needs of public housing authorities. The Housing Act of 1998 made sweeping changes to the public housing program. Congress commissioned Harvard University to conduct a public housing cost study to establish a reasonable basis to project the cost of managing public housing, and determine the amount of subsidy a housing authority should receive.
- Harvard proposed a new operating fund formula to calculate the operating subsidy and that the public housing program should move to a system which focused on asset management. Under the Operating Fund Program formula some housing authorities will receive more subsidy than under the old formula and some will receive less. Housing authorities who will experience a decline in operating subsidy can have their losses stopped by demonstrating successful conversion to asset management. In August 2008, the Authority was notified that we demonstrated a successful conversion to asset management. As a result, our operating subsidy reduction will be stopped at five percent between the old and new funding formulas.
- The Authority is being funded at a rate of 88.96% of eligibility for the first six months of 2009.
- The recently approved American Reinvestment and Recovery Act of 2009 makes significant investments towards addressing the long-standing capital repair needs of public housing, the creation of jobs, and increasing energy efficiency.
- Congress eliminated appropriations for the Public Housing Drug Elimination Program (PHDEP). Most, but not all, services funded by these dollars have been discontinued. However, the Authority has elected to continue some programs and services through the Low Rent Public Housing Program.
- Health care and other insurance costs are expected to increase dramatically over the next several years.
- The Authority's non-federal revenues are expected to increase as the result of its other business activities and development efforts.
- Postretirement benefits other than pensions are estimated to be \$158,000 for FY 2009. The liability has been funded through a trust.

**Newport News Redevelopment and Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008**

FINANCIAL CONTACT

Questions concerning any of the information provided in this Management Discussion & Analysis should be addressed to:

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FINANCIAL STATEMENTS

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF NETS ASSETS (BALANCE SHEET)

PROPRIETARY FUNDS

June 30, 2008

	Business-type Activities - Enterprise Funds		
	Public Housing	Rental	State & Local
	Fund	Assistance Fund	Activities Fund
<u>ASSETS:</u>			
Current assets:			
Cash and equivalents -			
unrestricted	\$ 6,125,143	\$ 1,635,236	\$ 841,735
Accounts receivable (net of			
allowance	771,856	103,066	385,161
Due from other funds	3,719,455	-	2,589,251
Investments	-	-	-
Deferred charges	19,065	1,181	2,183
Other assets	-	-	-
	<u>10,635,519</u>	<u>1,739,483</u>	<u>3,818,330</u>
Restricted assets:			
Cash and equivalents -			
restricted	3,726,086	4,244,336	-
Investments - restricted	311,194	-	-
Other restricted assets -			
notes receivable	-	-	-
	<u>4,037,280</u>	<u>4,244,336</u>	<u>-</u>
Noncurrent assets:			
Notes and mortgages			
receivables	-	-	-
Nondepreciable capital			
assets	3,836,692	32,000	-
Capital assets (net)	36,311,326	274,182	-
Interfund notes receivable	-	-	-
Other noncurrent assets	66,799	-	15,200
	<u>40,214,817</u>	<u>306,182</u>	<u>15,200</u>
TOTAL ASSETS	<u>\$54,887,616</u>	<u>\$ 6,290,001</u>	<u>\$ 3,833,530</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF NETS ASSETS (BALANCE SHEET)

PROPRIETARY FUNDS
(Continued)

June 30, 2008

	Business-type Activities - Enterprise Funds		
	Public Housing	Rental	State & Local
	Fund	Assistance Fund	Activities Fund
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,158,760	\$ 36,022	\$ 102,384
Due to other funds	2,522,806	162,883	3,741,092
Accrued salaries	41,840	11,565	2,599
Accrued interest payable	-	-	-
Deferred credits	383,465	11,919	-
Compensated absences	-	-	-
Current portion of long-term liabilities	-	-	-
Total current liabilities	<u>4,106,871</u>	<u>222,389</u>	<u>3,846,075</u>
Long-term liabilities:			
Compensated absences	205,712	39,447	15,200
Notes and mortgages payable	-	-	-
Interfund notes payable	827,538	-	-
Trust, deposit and escrow liabilities	169,855	339,644	15,200
Total long-term liabilities	<u>1,203,105</u>	<u>379,091</u>	<u>30,400</u>
TOTAL LIABILITIES	<u>5,309,976</u>	<u>601,480</u>	<u>3,876,475</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	35,388,156	306,182	-
Restricted net assets	3,556,231	3,904,692	-
Unrestricted net assets	10,633,253	1,477,647	(42,945)
TOTAL NET ASSETS	<u>49,577,640</u>	<u>5,688,521</u>	<u>(42,945)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$54,887,616</u>	<u>\$ 6,290,001</u>	<u>\$ 3,833,530</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF NETS ASSETS (BALANCE SHEET)

PROPRIETARY FUNDS
(Continued)

June 30, 2008

	Business-type Activities - Enterprise Funds		
	Central Office	Community	HOME Investment
	Cost Center	Development	Partnerships
	Fund	Fund	Fund
<u>ASSETS:</u>			
Current assets:			
Cash and equivalents -			
unrestricted	\$ 833,052	\$ 482,199	\$ 409,894
Accounts receivable (net of			
allowance	3,240	247,334	12,645
Due from other funds	3,789,291	-	-
Investments	-	100,000	-
Deferred charges	24,123	-	-
Other assets	-	-	1,064,565
	<hr/>	<hr/>	<hr/>
Total current assets	4,649,706	829,533	1,487,104
	<hr/>	<hr/>	<hr/>
Restricted assets:			
Cash and equivalents -			
restricted	-	-	-
Investments - restricted	-	-	-
Other restricted assets -			
notes receivable	-	3,386,692	5,038,617
	<hr/>	<hr/>	<hr/>
Total restricted assets	-	3,386,692	5,038,617
	<hr/>	<hr/>	<hr/>
Noncurrent assets:			
Notes and mortgages			
receivables	-	-	-
Nondepreciable capital			
assets	-	-	-
Capital assets (net)	80,474	35,996	9,138
Interfund notes receivable	-	-	-
Other noncurrent assets	-	-	577
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	80,474	35,996	9,715
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 4,730,180</u>	<u>\$ 4,252,221</u>	<u>\$ 6,535,436</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF NETS ASSETS (BALANCE SHEET)

PROPRIETARY FUNDS
(Continued)

June 30, 2008

	Business-type Activities - Enterprise Funds		
	Central Office	Community	HOME Investment
	Cost Center	Development	Partnerships
	Fund	Fund	Fund
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 33,778	\$ 541,450	\$ 1,382,020
Due to other funds	3,690,941	226,514	88,275
Accrued salaries	37,306	6,233	423
Accrued interest payable	-	-	-
Deferred credits	-	19,182	37
Compensated absences	28,329	2,287	-
Current portion of long-term liabilities	-	-	-
Total current liabilities	<u>3,790,354</u>	<u>795,666</u>	<u>1,470,755</u>
Long-term liabilities:			
Compensated absences	171,846	33,867	577
Notes and mortgages payable	-	-	-
Interfund notes payable	-	-	-
Trust, deposit, and escrow liabilities	-	-	16,349
Total long-term liabilities	<u>171,846</u>	<u>33,867</u>	<u>16,926</u>
TOTAL LIABILITIES	<u>3,962,200</u>	<u>829,533</u>	<u>1,487,681</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	80,474	35,996	9,138
Restricted net assets	-	3,386,692	5,038,617
Unrestricted net assets	687,506	-	-
TOTAL NET ASSETS	<u>767,980</u>	<u>3,422,688</u>	<u>5,047,755</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,730,180</u>	<u>\$ 4,252,221</u>	<u>\$ 6,535,436</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF NETS ASSETS (BALANCE SHEET)

PROPRIETARY FUNDS
(Continued)

June 30, 2008

	Business-type Activities -	
	Enterprise Funds	
	Other Enterprise Funds	Total
<u>ASSETS</u>		
Current assets:		
Cash and equivalents - unrestricted	\$ 1,121,707	\$ 11,448,966
Accounts receivable (net of allowance)	46,436	1,569,738
Due from other funds	423,053	10,521,050
Investments	38,175	138,175
Deferred charges	2,977	49,529
Other assets	-	1,064,565
Total current assets	<u>1,632,348</u>	<u>24,792,023</u>
Restricted assets:		
Cash and equivalents - restricted	37,460	8,007,882
Investments - restricted	378,852	690,046
Other restricted assets - notes receivable	2,000	8,427,309
Total restricted assets	<u>418,312</u>	<u>17,125,237</u>
Noncurrent assets:		
Notes and mortgages receivable	1,510,142	1,510,142
Nondepreciable capital assets	209,101	4,077,793
Capital assets (net)	970,192	37,681,308
Interfund notes receivable	827,538	827,538
Other noncurrent assets	49,300	131,876
Total noncurrent assets	<u>3,566,273</u>	<u>44,228,657</u>
TOTAL ASSETS	<u>\$ 5,616,933</u>	<u>\$ 86,145,917</u>

The accompanying notes are integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF NETS ASSETS (BALANCE SHEET)

PROPRIETARY FUNDS
(Continued)

June 30, 2008

	Business-type Activities -	
	Enterprise Funds	
	Other Enterprise Funds	Total
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 14,902	\$ 3,269,316
Due to other funds	88,539	10,521,050
Accrued salaries	3,529	103,495
Accrued interest payable	1,097	1,097
Deferred credits	-	414,603
Compensated absences	-	30,616
Current portion of long-term liabilities	10,702	10,702
Total current liabilities	<u>118,769</u>	<u>14,350,879</u>
Long-term liabilities:		
Compensated absences	-	466,649
Notes and mortgages payable	136,302	136,302
Interfund notes payable	-	827,538
Trust, deposit and escrow liabilities	-	541,048
Total long-term liabilities	<u>136,302</u>	<u>1,971,537</u>
TOTAL LIABILITIES	<u>255,071</u>	<u>16,322,416</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	1,032,289	36,852,235
Restricted net assets	414,901	16,301,133
Unrestricted net assets	<u>3,914,672</u>	<u>16,670,133</u>
TOTAL NET ASSETS	<u>5,361,862</u>	<u>69,823,501</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,616,933</u>	<u>\$ 86,145,917</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	Public Housing Fund	Rental Assistance Fund	State & Local Activities Fund
OPERATING REVENUES:			
Rental and tenant income	\$ 5,662,522	\$ -	\$ -
Intergovernmental - operating grants	7,543,555	15,113,797	1,532,772
Fee revenue	-	-	-
Other income	58,427	95,167	-
Total operating revenues	<u>13,264,504</u>	<u>15,208,964</u>	<u>1,532,772</u>
OPERATING EXPENSES:			
Administration	3,776,257	1,449,660	148,977
Tenant services	369,892	107	-
Utilities	2,752,025	116	4,361
Ordinary maintenance	3,127,891	21,469	42,316
Protective services	126,303	505	355
General expenditures	920,107	1,038	1,295,686
Non-routine maintenance (net of insurance recoveries)	63,124	-	-
Housing assistance payments	-	13,349,569	52,247
Interest	31,828	-	-
Depreciation	4,290,624	52,070	-
Total operating expenses	<u>15,458,051</u>	<u>14,874,534</u>	<u>1,543,942</u>
OPERATING INCOME/(LOSS)	<u>(2,193,547)</u>	<u>334,430</u>	<u>(11,170)</u>
NONOPERATING REVENUES/EXPENSES:			
Interest and investment revenue	339,863	167,555	-
Gain or loss on sale or disposition fixed assets	530	705	-
Total nonoperating revenues/(expenses)	<u>340,393</u>	<u>168,260</u>	<u>-</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	<u>(1,853,154)</u>	<u>502,690</u>	<u>(11,170)</u>
Transfers in/(out)	(925,951)	118,373	-
HUD Capital contributions	774,812	-	-
Contributions	288,695	-	-
CHANGE IN NET ASSETS	<u>(1,715,598)</u>	<u>621,063</u>	<u>(11,170)</u>
TOTAL NET ASSETS/(DEFICIT) - July 1, 2007	51,460,260	5,068,308	(31,775)
Prior period adjustments (Note 8)	<u>(167,022)</u>	<u>(850)</u>	<u>-</u>
TOTAL NET ASSETS/(DEFICIT)- June 30, 2008	<u>\$49,577,640</u>	<u>\$ 5,688,521</u>	<u>\$ (42,945)</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
(Continued)

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	Central Office Cost Center Fund	Community Development Fund	HOME Investment Partnerships Fund
	Fund	Fund	Fund
OPERATING REVENUES:			
Rental and tenant income	\$ -	\$ -	\$ -
Intergovernmental - operating grants	-	2,296,627	1,298,046
Fee Revenue	3,054,938	-	-
Other income	-	172,377	45,756
Total operating revenues	<u>3,054,938</u>	<u>2,469,004</u>	<u>1,343,802</u>
OPERATING EXPENSES:			
Administration	2,783,311	731,915	102,657
Tenant services	-	-	-
Utilities	32,139	-	-
Ordinary maintenance	164,397	-	-
Protective services	2,702	-	-
General expenditures	51,494	1,587,294	1,021,371
Non-routine maintenance (net of insurance recoveries)	-	-	-
Housing assistance payments	-	-	-
Interest	-	-	-
Depreciation	24,803	8,202	2,311
Total operating expenses	<u>3,058,846</u>	<u>2,327,411</u>	<u>1,126,339</u>
OPERATING INCOME/(LOSS)	<u>(3,908)</u>	<u>141,593</u>	<u>217,463</u>
NONOPERATING REVENUES/EXPENSES:			
Interest and investment revenue	-	11,102	-
Gain or loss on sale or disposition fixed assets	3,119	(3,129)	-
Total nonoperating revenues/(expenses)	<u>3,119</u>	<u>7,973</u>	<u>-</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	(789)	149,566	217,463
Transfers in/(out)	925,951	-	-
HUD Capital contributions	-	-	-
Contributions	-	-	-
CHANGE IN NET ASSETS	<u>925,162</u>	<u>149,566</u>	<u>217,463</u>
TOTAL NET ASSETS - July 1, 2007	-	3,473,122	4,824,011
Prior period adjustments (Note 8)	(157,182)	(200,000)	6,281
TOTAL NET ASSETS - June 30, 2008	<u><u>\$ 767,980</u></u>	<u><u>\$ 3,422,688</u></u>	<u><u>\$ 5,047,755</u></u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
(Continued)

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds	
	Other Enterprise Funds	Total
OPERATING REVENUES:		
Rental and tenant income	\$ 30,766	\$ 5,693,288
Intergovernmental - operating grants	338,766	28,123,563
Fee revenue	-	3,054,938
Other income	196,495	568,222
Total operating revenues	566,027	37,440,011
OPERATING EXPENSES:		
Administration	88,701	9,081,478
Tenant services	299,438	669,437
Utilities	33,315	2,821,956
Ordinary maintenance	28,133	3,384,206
Protective services	7,740	137,605
General expenditures	5,795	4,882,785
Non-routine maintenance (net of insurance recoveries)	-	63,124
Housing assistance payments	-	13,401,816
Interest	13,574	45,402
Depreciation	48,465	4,426,475
Total operating expenses	525,161	38,914,284
OPERATING INCOME/(LOSS)	40,866	(1,474,273)
NONOPERATING REVENUES/EXPENSES:		
Interest and investment revenue	84,199	602,719
Gain or loss on disposition fixed assets	-	1,225
Total nonoperating revenues/(expenses)	84,199	603,944
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	125,065	(870,329)
Transfers in/(out)	(118,373)	-
HUD Capital contributions	-	774,812
Contributions	-	288,695
CHANGE IN NET ASSETS	6,692	193,178
TOTAL NET ASSETS - July 1, 2007	3,881,424	68,675,350
Prior period adjustments (Note 8)	1,473,746	954,973
TOTAL NET ASSETS - June 30, 2008	\$ 5,361,862	\$ 69,823,501

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
(Continued)

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	Total	Elimination of Interfund Revenues and Expenses	Government Wide
OPERATING REVENUES:			
Rental and tenant income	\$ 5,693,288	\$ -	\$ 5,693,288
Intergovernmental - operating grants	28,123,563	-	28,123,563
Fee revenue	3,054,938	(2,999,885)	55,053
Other income	568,222	-	568,222
Total operating revenues	37,440,011	(2,999,885)	34,440,126
OPERATING EXPENSES:			
Administration	9,081,478	(2,787,497)	6,293,981
Tenant services	669,437	-	669,437
Utilities	2,821,956	-	2,821,956
Ordinary maintenance	3,384,206	(212,388)	3,171,818
Protective services	137,605	-	137,605
General expenditures	4,882,785	-	4,882,785
Non-routine maintenance (net of insurance recoveries)	63,124	-	63,124
Housing assistance payments	13,401,816	-	13,401,816
Interest	45,402	-	45,402
Depreciation	4,426,475	-	4,426,475
Total operating expenses	38,914,284	(2,999,885)	35,914,399
OPERATING INCOME/(LOSS)	(1,474,273)	-	(1,474,273)
NONOPERATING REVENUES/EXPENSES:			
Interest and investment revenue	602,719	-	602,719
Gain or loss on sale or disposition of fixed assets	1,225	-	1,225
Total nonoperating revenues/(expenses)	603,944	-	603,944
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	(870,329)	-	(870,329)
Transfers in/(out)	-	-	-
HUD Capital contributions	774,812	-	774,812
Contributions	288,695	-	288,695
CHANGE IN NET ASSETS	193,178	-	193,178
TOTAL NET ASSETS - July 1, 2007	68,675,350	-	68,675,350
Prior period adjustments (Note 8)	954,973	-	954,973
TOTAL NET ASSETS - June 30, 2008	\$69,823,501	\$ -	\$ 69,823,501

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CASH FLOWS
PROPREITARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities	
	Enterprise Funds	
	Public Housing Fund	Rental Assistance Fund
Cash flows from operating activities:		
Cash received from tenants/others	\$ 5,400,383	\$ 95,168
Cash received for fees/services/donations	1,290	-
Cash operating grants received (net)	7,629,580	15,039,715
Cash transfers from(to) other funds and entities	(1,621,285)	57,701
Cash payments for goods, services, rental subsidies	(7,221,366)	(14,136,769)
Cash payments to/for employees and benefits	(3,107,654)	(773,229)
Cash payments in lieu of property taxes	(214,640)	-
Net cash provided/(used) by operating activities	<u>866,308</u>	<u>282,586</u>
Cash flows from capital and related financings activities:		
Purchase of equipment/capital assets	(1,453,410)	-
Proceeds from sale of equipment	530	705
Contributions received for capital outlays	1,364,717	-
Loan principal payments	-	-
Interest payments	-	-
Net cash provided/(used) by capital and related financing activities	<u>(88,163)</u>	<u>705</u>
Cash flows from noncapital financing activities:		
Contributions received from tax credit investor	288,695	-
Loans made to borrowers	-	-
Loans payments received	-	-
Net cash provided/(used) by noncapital financing activities	<u>288,695</u>	<u>-</u>
Cash flows from investing activities:		
Proceeds from sale/reclassification of investments	(3,925)	-
Receipts of interest and dividends	339,863	167,555
Net cash provided/(used) by investing activities	<u>335,938</u>	<u>167,555</u>
Net increase/(decrease) in cash	1,402,778	450,846
Cash at July 1, 2007	<u>8,448,451</u>	<u>5,428,726</u>
Cash at June 30, 2008	<u>\$ 9,851,229</u>	<u>\$ 5,879,572</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities	
	Enterprise Funds	
	Public Housing Fund	Rental Assistance Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (2,193,547)	\$ 334,430
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	4,290,624	52,070
Interest expense	31,828	-
Operating transfers	(855,700)	118,373
Change in assets and liabilities:		
Decrease/(Increase) in accounts receivable and due from funds	(2,676,537)	(79,487)
Decrease/(Increase) in deferred charges and prepaid expenses	152,669	5,489
Decrease/(Increase) in other assets	(66,799)	-
Increase/(Decrease) in accounts payable and due to funds	2,126,648	(19,495)
Increase/(Decrease) in accrued liabilities	(102,924)	(22,970)
Increase/(Decrease) in trust, deposit, and escrow liabilities	(374,278)	(117,743)
Increase/(Decrease) in deferred credits	534,324	11,919
Net cash provided/(used) by operating activities	<u>\$ 866,308</u>	<u>\$ 282,586</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities	
	Enterprise Funds	
	State & Local Activities Fund	Central Office Cost Center Fund
Cash flows from operating activities:		
Cash received from tenants/others	\$ -	\$ -
Cash received for fees/services/donations	-	2,525,381
Cash operating grants received (net)	1,579,818	-
Cash transfers from(to) other funds and entities	1,009,574	1,283,667
Cash payments for goods, services, rental subsidies	(1,823,020)	(512,465)
Cash payments to/for employees and benefits	(213,834)	(2,431,624)
Cash payments in lieu of property taxes	-	-
Net cash provided/(used) by operating activities	<u>552,538</u>	<u>864,959</u>
Cash flows from capital and related financings activities:		
Purchase of equipment/capital assets	-	(35,026)
Proceeds from sale of equipment	-	3,119
Contributions received for capital outlays	-	-
Loan principal payments	-	-
Interest payments	-	-
Net cash provided/(used) by capital and related financing activities	<u>-</u>	<u>(31,907)</u>
Cash flows from noncapital financing activities:		
Contributions received from tax credit investor	-	-
Loans made to borrowers	-	-
Loans payments received	-	-
Net cash provided/(used) by noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Proceeds from sale/reclassification of investments	-	-
Receipts of interest and dividends	-	-
Net cash provided/(used) by investing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash	552,538	833,052
Cash at July 1, 2007	<u>289,197</u>	<u>-</u>
Cash at June 30, 2008	<u>\$ 841,735</u>	<u>\$ 833,052</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities	
	Enterprise Funds	
	State & Local Activities Fund	Central Office Cost Center Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (11,170)	\$ (3,908)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	-	24,803
Interest expense	-	-
Operating transfers	-	855,700
Change in assets and liabilities:		
Decrease/(Increase) in accounts receivable and due from funds	(2,000,170)	(3,792,531)
Decrease/(Increase) in deferred charges and prepaid expenses	759	(24,123)
Decrease/(Increase) in other assets	(5,965)	-
Increase/(Decrease) in accounts payable and due to funds	2,653,842	3,724,719
Increase/(Decrease) in accrued liabilities	(87,954)	80,299
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	-
Increase/(Decrease) in deferred credits	3,196	-
Net cash provided/(used) by operating activities	<u>\$ 552,538</u>	<u>\$ 864,959</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities	
	Enterprise Funds	
	Community Development Fund	HOME Investment Partnerships Fund
Cash flows from operating activities:		
Cash received from tenants/others	\$ -	\$ -
Cash received for fees/services/donations	172,527	13,044
Cash operating grants received (net)	2,156,703	1,298,046
Cash transfers from(to) other funds and entities	(113,276)	1,854
Cash payments for goods, services, rental subsidies	(1,693,482)	(1,608,228)
Cash payments to/for employees and benefits	(471,933)	(40,284)
Cash payments in lieu of property taxes	-	-
Net cash provided/(used) by operating activities	<u>50,539</u>	<u>(335,568)</u>
Cash flows from capital and related financings activities:		
Purchase of equipment/capital assets	(21,037)	(5,168)
Proceeds from sale of equipment	-	-
Contributions received for capital outlays	-	-
Loan principal payments	-	-
Interest payments	-	-
Net cash provided/(used) by capital and related financing activities	<u>(21,037)</u>	<u>(5,168)</u>
Cash flows from noncapital financing activities:		
Contributions received from tax credit investor	-	-
Loans made to borrowers	(441,707)	(659,334)
Loans payments received	<u>301,847</u>	<u>273,234</u>
Net cash provided/(used) by noncapital financing activities	<u>(139,860)</u>	<u>(386,100)</u>
Cash flows from investing activities:		
Proceeds from sale/reclassification of investments	-	-
Receipts of interest and dividends	<u>9,221</u>	<u>-</u>
Net cash provided/(used) by investing activities	<u>9,221</u>	<u>-</u>
Net increase/(decrease) in cash	(101,137)	(726,836)
Cash at July 1, 2007	<u>583,336</u>	<u>1,136,730</u>
Cash at June 30, 2008	<u>\$ 482,199</u>	<u>\$ 409,894</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities	
	Enterprise Funds	
	Community Development Fund	HOME Investment Partnerships Fund
Reconciliation of operating income to net cash provided/(used) by operating activities:		
Operating income (loss)	\$ 141,593	\$ 217,463
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	8,202	2,311
Interest expense	-	-
Operating transfers	-	-
Change in assets and liabilities:		
Decrease/(Increase) in accounts receivable and due from funds	(141,130)	221,104
Decrease/(Increase) in deferred charges and prepaid expenses	-	-
Decrease/(Increase) in other assets	-	(1,064,565)
Increase/(Decrease) in accounts payable and due to funds	27,685	279,673
Increase/(Decrease) in accrued liabilities	(4,993)	(7,940)
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	16,349
Increase/(Decrease) in deferred credits	19,182	37
Net cash provided/(used) by operating activities	<u>\$ 50,539</u>	<u>\$ (335,568)</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities	
	Enterprise Funds	
	Other Enterprise Funds	Total
Cash flows from operating activities:		
Cash received from tenants/others	\$ 222,102	\$ 5,717,653
Cash received for fees/services/donations	-	2,712,242
Cash operating grants received (net)	391,081	28,094,943
Cash transfers from(to) other funds and entities	(198,475)	419,760
Cash payments for goods, services, rental subsidies	(253,611)	(27,248,941)
Cash payments to/for employees and benefits	(237,841)	(7,276,399)
Cash payments in lieu of property taxes	-	(214,640)
Net cash provided/(used) by operating activities	<u>(76,744)</u>	<u>2,204,618</u>
Cash flows from capital and related financings activities:		
Purchase of equipment/capital assets	-	(1,514,641)
Proceeds from sale of equipment	-	4,354
Contributions received for capital outlays	-	1,364,717
Loan principal payments	(9,789)	(9,789)
Interest payments	(13,647)	(13,647)
Net cash provided/(used) by capital and related financing activities	<u>(23,436)</u>	<u>(169,006)</u>
Cash flows from noncapital financing activities:		
Contributions received from tax credit investor	-	288,695
Loans made to borrowers	-	(1,101,041)
Loans repayments received	1,511	576,592
Net cash provided/(used) by noncapital financing activities	<u>1,511</u>	<u>(235,754)</u>
Cash flows from investing activities:		
Proceeds from sale/reclassification of investments	(22,273)	(26,198)
Receipts of interest and dividends	52,371	569,010
Net cash provided/(used) by investing activities	<u>30,098</u>	<u>542,812</u>
Net increase/(decrease) in cash	(68,571)	2,342,670
Cash at July 1, 2007	<u>1,227,738</u>	<u>17,114,178</u>
Cash at June 30, 2008	<u>\$ 1,159,167</u>	<u>\$ 19,456,848</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities	
	Enterprise Funds	
	Other Enterprise Funds	Total
Reconciliation of operating income to net cash provided/(used) by operating activities:		
Operating income (loss)	\$ 40,866	\$ (1,474,273)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	48,465	4,426,475
Interest expense	13,574	45,402
Operating transfers	(118,373)	-
Change in assets and liabilities:		
Decrease/(Increase) in accounts receivable and due from funds	18,176	(8,450,575)
Decrease/(Increase) in deferred charges and prepaid expenses	(7)	134,787
Decrease/(Increase) in other assets	(49,300)	(1,186,629)
Increase/(Decrease) in accounts payable and due to funds	(27,455)	8,765,617
Increase/(Decrease) in accrued liabilities	(2,690)	(149,172)
Increase/(Decrease) in trust, deposit, and escrow liabilities	-	(475,672)
Increase/(Decrease) in deferred credits	-	568,658
Net cash provided/(used) by operating activities	<u>\$ (76,744)</u>	<u>\$ 2,204,618</u>

The accompanying notes are an integral part of this statement.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Newport News Redevelopment and Housing Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Newport News Redevelopment and Housing Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

The Newport News Redevelopment and Housing Authority is a public body and a body corporate and politic created under the Authority of the General Statutes of the State of Virginia. The Authority was created for the purpose of providing safe and sanitary housing for the citizens of Newport News, Virginia. The seven member Board of Commissioners of the Authority is appointed to four-year terms by the City Council of the City of Newport News but the Authority designates its own management. The City provides minimal financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and maintain its own accounting system. Although the City Council of the City of Newport News appoints the governing board of the Authority, no other criteria established by GASB 14 for inclusion of the Authority in the financial reports of the City of Newport News are met. Therefore, a separate financial report is prepared for the Authority.

Included within the reporting entity:

GOVERNMENTAL FUNDS

Major funds:

Public Housing Fund

This fund owns and operates HUD-subsidized rental apartments and includes the activities of HUD grants provided specifically for public housing facilities, tenants, and activities. This fund includes the Low-Rent Public Housing operating subsidy program, and the Public Housing Capital Fund Program as well as mixed finance tax credit properties operated as Public Housing.

Rental Assistance Fund

This fund is used to account for the rental housing assistance program administered by the Authority. These programs include the Housing Choice Voucher program, the Section 8 Moderate Rehabilitation Program, and the Shelter Plus Care Program.

State & Local Activities Fund

This fund includes the Authority's Revolving Fund used to centrally pay invoices and payroll. This fund also includes locally funded redevelopment activities and grants.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity (Continued)

Central Office Cost Center Fund	This fund is used to account for administrative functions provided by the Authority for its other programs. This includes the costs of the Authority's Executive offices, Department of Administration, Department of Finance, and other centralized services.
Community Development Fund	This fund is used to carry-out community and economic development activities through the City of Newport News.
HOME Investment Partnerships Fund	This fund is used to carry-out community and economic development activities through the City of Newport News.

Non-major funds:

Resident Self Sufficiency and Service
Coordinator Programs Fund
Transition Center Fund
Orcutt Townhomes II
Business Activities Fund

In evaluating the Authority's reporting entity in accordance with GASB Statement 14, management determined that the following entities or organizations met the criteria for inclusion in the Authority's financial statements:

Orcutt Senior Housing Development Corporation (including Orcutt Senior Housing, L.P.)
Orcutt Townhomes Development Corporation (including Orcutt Townhomes I, L.P.)
Orcutt Townhomes Development Corporation (including Orcutt Townhomes II, L.P.)

These entities are included as blended component units of the Authority. In accordance with the applicable guidance, management evaluated whether the Authority is financially accountable for an entity as well as the significance of the relationship. The following criteria were used in this evaluation: the ability of the Authority to appoint a voting majority of the organization's governing body; whether the Authority can impose its will on the organization; whether the organization provides specific financial benefits to or imposes a specific financial burden on the Authority; and whether the organization is fiscally dependent on the Authority.

B. Description of a Public Housing Authority

Funding for the Newport News Redevelopment and Housing Authority is from the United States Department of Housing and Urban Development (HUD) and from payments received from tenants of the Authority owned housing. Under the Low-Rent Public Housing Program, low income tenants pay a portion of the rental cost of public housing, based upon the income and need of the tenants. HUD funds the difference between the actual costs to operate the Authority and the amounts paid by tenants through operating subsidies. The subsidies are made to of the Authority under the terms and conditions of the annual contributions contract with HUD.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. Description of a Public Housing Authority (Continued)

The Rental Assistance Fund provides rental supplements to the owners of existing private housing who rent to qualifying individuals. The Authority processes all applicants for the Section 8 Housing Choice Vouchers and Moderate Rehabilitation Programs, places approved applicants in housing and pays the owner of the private housing monthly rental supplement. Under the conditions of an annual contributions contract, HUD provides funding for the rental supplements and for administrative costs. Under the Moderate Rehabilitation and Shelter Plus Care programs, housing assistance payments are funded by HUD on a reimbursement basis and an administrative fee is earned based on a formulae proscribed by HUD. For the Housing Choice Voucher program, HUD provides funding for housing assistance, administrative fees, and for other purposes based on an appropriated budget authority.

C. Fund financial statements

The Authority is a special-purpose government with no governmental activities. All of the Authority's funds are reported as business-type activities, which rely on a significant extent on fees and charges for support. In accordance with Sp20.107 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Authority's basic financial statements only include the Enterprise fund financial statements. The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Major individual enterprise funds are reported as separate columns in the fund financial statements. The fund financial statement, generally do not reflect any elimination of interfund balances or transactions, however, the Statement of Activities does reflect an elimination column to remove the effects of interfund revenues and expenses associated with the Control Office Cost Center.

D. Revenue recognition, measurement focus, basis of accounting, and financial statement presentation

The fund level financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessment.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Revenue recognition, measurement focus, basis of accounting, and financial statement presentation (Continued)

The significant revenue recognition policies and practice related to these revenues are as follows:

Charges to tenants, participants, or applicants - these revenues consist primarily of dwelling rental charges and related fees and charges. Such revenues are recognized when due. Rental charges are typically recorded and recognized at the beginning of the rental term while tenant charges and fees are recognized when the underlying transaction has occurred. The revenues associated with installment repayment agreements are recorded when collected.

Operating grants and contributions - the Authority receives various grants from other governments and entities. In general, for cost reimbursement-type grants, the revenues are recognized when the underlying expenses are incurred and as soon as all eligibility requirements imposed by the provider have been met. For formula-based operating subsidies, the revenues are recognized during the period for which the subsidy was approved and authorized by the grantor agency. For fee-based grants, the revenues are recognized when the services are performed and delivered. The principal operating grant revenues earned by the Authority include operating subsidies for its low-rent public housing program, administrative fees for the Section 8 housing assistance programs and the non-capital portions of modernization and capital improvement grants.

Capital grants and contributions - the Authority receives various grants from other governments and entities. In general, for cost reimbursement-type grants, the revenues are recognized when the underlying expenses are incurred and as soon as all eligibility requirements imposed by the provider have been met. The principal capital grant revenues earned by the Authority include the capital portion of modernization and capital improvement grants.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the enterprise fund are rental and other charges to tenants or participants and the Section 8 administrative fee earned on the housing assistance program. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. Fund Accounting

The Authority uses funds to report on its financial position and results of its operations in the fund level financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The fund types used by the Authority are described as follows:

Proprietary Fund Types - these funds account for virtually all other operations that are organized to be primarily self-supporting through user charges. The funds included in this category are Enterprise Funds. Enterprise Funds are established to account for operations that are financed or operated in a manner similar to business enterprises, where the intent is that the costs of the program be recovered primarily through user charges.

F. Basis of Accounting - Fund Level Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary fund types used the flow of economic resources measurement focus. With this measurement focus the emphasis is on the measurement of net income similar to the approach used by commercial enterprise. Revenues are recognized when earned and expenses are recognized when incurred.

Generally, the fund financial statements do not reflect the elimination of interfund balances and transfers.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

G. Budgets and Budgetary Accounting

The Authority is required by its HUD Annual Contribution Contracts to adopt annual budgets for the Low-Rent Public Housing Program. Annual budgets are not required for capital projects grants; other HUD grants or Housing Assistance Payments Programs as their budgets are approved for the length of the project or grant. Annual, project and grant length budgets require grantor approval. The annual operating budget is not approved by HUD and is not an appropriate budget.

Appropriations are authorized at the function level. Management may transfer budget authorization between functions. All appropriations which are not used lapse at year end. Budgeted amounts are as originally adopted or as amended by the Board.

H. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority. Investments are stated at cost or at market value as required by GASB 31.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as deferred charges or prepaid items.

J. Inventories

Inventories are valued at cost using the average cost method.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

K. Capital Assets

Capital assets including construction or acquisition of infrastructure assets are capitalized in the proprietary funds used to acquire or construct them. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Assets are depreciated over their useful lives using the straight line method. The useful lives for each class of depreciable assets are as follows:

Buildings and improvements	15-40 years
Furniture	10 years
Office equipment and maintenance equipment	7 years
Vehicles and automotive equipment	7 years
Computer equipment and software	3-7 years

L. Capitalized Interest

Interest expense on notes and bonds, net of interest income on related debt proceeds are capitalized during the project development period through the date of full availability. Only the interest associated specifically with debt used to construct physical structures is capitalized.

M. Vacation and Sick Leave Compensation

Employees earn annual leave at varying rates based upon years of service up to a maximum of 24 days per year. At termination, employees are paid for any accumulated annual leave. The liability for accrued but unused annual leave at June 30, 2008 is \$497,265 and is reported in the appropriate fund as a current or non-current liability. The maximum accrual is forty (40) days. Employees earn sick leave at the rate of 15 days per year with no maximum accumulation. At termination, employees are not paid for any accumulated balances.

N. Estimates

Preparing the Authority's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates relate to allowance for uncollectible accounts receivable, inventory obsolescence and depreciation. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS:

The Authority's funds are maintained in bank deposits or in investments in debt securities. The Authority is permitted to invest funds in deposit accounts at federally insured financial institutions; in obligations of the U.S. Treasury or U.S. Government agencies; Local or State Government Investment Pools; and Repurchase Agreements with financial institutions (as long as the entire balance is collateralized by specifically identified securities of the U.S. Government or its agencies). Investments in debt securities that have a remaining maturity at the time of purchase of more than one year and that have a determinable market value are valued at market value as of year-end. The market values are based on quoted market prices at year-end. Certificates of deposit are stated at cost as they are not traded in any market and are held for longer terms. Securities with a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

BANK DEPOSITS

Deposits include amounts held in accounts that qualify for federal depository insurance and include demand deposits such as checking accounts, saving accounts and NOW accounts, as well as time deposits such as nonnegotiable certificates of deposit. In the financial statements, amounts held in demand deposits accounts and in time deposits with initial maturities of 90 days or less are classified as cash and cash equivalents. Amounts held in time deposits with initial maturities in excess of 90 days are classified as investments.

As of June 30, 2008, the Authority's deposits consist of the following:

Demand Deposit accounts (checking, savings, and money market account)	\$ 1,649,104
Time deposits - certificates of deposit	<u>138,000</u>
Total deposits	<u><u>\$ 1,787,104</u></u>

Deposits are required to be either covered by federal depository insurance or be collateralized with securities held by a third-party custodian in the Authority's name. At June 30, 2008, the Authority's deposits with financial institutions had a carrying amount of \$1,787,104 and a bank balance of \$2,961,473. The bank balance is categorized as follows:

Amounts insured by the FDIC or collateralized with securities held by third party custodians in the Authority's name	\$ 1,207,464
Collateralized under the Commonwealth's public depository fund in accordance with the laws of the Commonwealth of Virginia	<u>1,754,009</u>
Total bank balance	<u><u>\$ 2,961,473</u></u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS: (Continued)

As of June 30, 2008, the Authority deposits are classified in the financial statements as follows:

Cash and cash equivalents	\$ 1,649,104
Investments	<u>138,000</u>
Total deposits	<u><u>\$ 1,787,104</u></u>

INVESTMENTS

As of June 30, 2008 the Authority held the following investments:

Investment Type	Maturity	Issuer Credit Rating	Fair Value or Cost
Repurchase Agreements	Daily	N/A	\$ 7,876,503
Federal Home Loan Bank Discount Note	07/15/2008	Moody AAA	299,757
Federal National Mortgage Association Discount Note	08/12/2008	N/A	648,385
Federal Home Loan Bank Discount Note	07/22/2008	Moody AAA	99,882
Federal National Mortgage Association Discount Note	07/07/2008	N/A	99,970
Federal Home Loan Bank Discount Note	07/07/2008	S&P A-1+	3,324,740
Farmer Mac Discount Note	08/05/2008	N/A	1,807,303
Farmer Mac Discount Note	08/07/2008	N/A	897,060
Federal Home Loan Housing Corporation Discount Note	07/07/2008	S&P A-1+	1,015,885
Federal Home Loan Housing Corporation Discount Note	07/07/2008	S&P A-1+	1,735,659
Federal Home Loan Housing Corporation Discount Note	12/22/2008	Moody AAA	311,194
RBC Dain Rauscher Mutual Fund	N/A	N/A	175
	Total		<u><u>\$ 18,116,513</u></u>

As of June 30, 2008, the Authority's investments consist of the following:

Cash and cash equivalents	\$ 17,805,144
Investments	<u>311,369</u>
Total investments	<u><u>\$ 18,116,513</u></u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS: (Continued)

In summary, as of June 30, 2008, the Authority's cash and cash equivalents consist of the following:

Deposits with financial institutions	\$ 1,649,104
Investments - short-term	17,805,144
Petty cash and change funds	<u>2,600</u>
Total deposits	<u>\$ 19,456,848</u>
Restricted for:	
Capital improvements replacement reserve	\$ 2,881,297
Transition Center security deposits	3,411
Housing Choice Voucher HAP Reserve	3,904,692
Revolving loan (PULSE)	34,049
Family Self Sufficiency (FSS) program escrow	509,499
Replacement reserve and other reserve accounts	<u>674,934</u>
	<u>8,007,882</u>
Unrestricted	<u>\$ 11,448,966</u>

In summary, as of June 30, 2008, the Authority's investments consist of the following:

Deposits with financial institutions - longer term maturities	\$ 138,000
Investments - unrestricted	<u>175</u>
Unrestricted	<u>138,175</u>
Investments - restricted	311,194
Reserves held by VHDA	<u>378,852</u>
	<u>690,046</u>
Total investments	<u>\$ 828,221</u>

Interest rate risk - the Authority's formal investment policy does not specifically address the exposure to this risk.

Credit risk - the Authority's formal investment policy does not specifically address credit risk. Credit risk is generally evaluated based on the credit ratings issued by nationally recognized statistical rating organizations.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS: (Continued)

Custodial credit risk - investments - For an investment, this is the risk that, in the event of the failure of a counterparty, the Authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's \$7,876,503 investment in repurchase agreements are uninsured and unregistered investments for which the securities are held by the counterparty, or by the counterparty, or by its trust department but not in the Authority's name. The Authority has no policy on custodial credit risk for investments.

Custodial credit risk - deposits - For deposits, this is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority has no policy on custodial credit risk for deposits.

Concentration of credit risk - the Authority's investment policy does not restrict the amount that the Authority may invest in any one issuer.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 3 - ACCOUNTS RECEIVABLES

Receivables at June 30, 2008 consist of the following:

	Public Housing Fund	Rental Assistance Fund	State & Local		Central Office Cost		Community Development Fund	HOME Investment Partnership	Other Enterprise Funds	Total
			Activities Fund	Local Fund	Center Fund	Cost Fund				
Tenants	\$ 129,088	\$ 145,827	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 274,915
Less: Allowance	(47,588)	(145,827)	-	-	-	-	-	-	-	(193,415)
	81,500	-	-	-	-	-	-	-	-	81,500
HUD	677,820	95,139	-	-	-	-	-	34,359	-	807,318
Other governments	8,587	7,927	18,434	-	-	245,453	12,645	1,130	-	294,176
Travel advances	-	-	15,008	-	-	-	-	-	-	15,008
Interest	-	-	-	-	-	1,881	-	-	-	1,881
Affiliated property owners	-	-	-	-	-	-	-	-	-	-
Phoenix Village II	-	-	61,826	-	1,800	-	-	-	-	63,626
Phoenix Village	-	-	19,865	-	1,440	-	-	-	-	21,305
Great Oak	-	-	269,494	-	-	-	-	-	-	269,494
Miscellaneous	3,949	-	534	-	-	-	-	10,947	-	15,430
	\$ 771,856	\$ 103,066	\$ 385,161	\$ 3,240	\$ 247,334	\$ 12,645	\$ 46,436	\$ 1,569,738		

The allowance for doubtful accounts is an estimate of the amounts owed by residents that the Authority expects to become uncollectible. The estimate was based on an analysis of historical write-off amounts and the amounts owed by vacated tenants.

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 4 - MORTGAGES/NOTES PAYABLE:

Transition Center

The cost of the Transition Center was financed by a permanent first mortgage loan from the Virginia Housing Development Authority (VHDA). On June 15, 1978 the construction loan was converted to a permanent first mortgage loan of \$256,311 payable in equal monthly installments of \$1,953 including interest at 8.824%, through September 1, 2017. The maturities over the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
For the year ended June 30, 2009	10,703	12,733	23,436
For the year ended June 30, 2010	11,701	11,735	23,436
For the year ended June 30, 2011	12,793	10,643	23,436
For the year ended June 30, 2012	13,988	9,448	23,436
For the year ended June 30, 2013	15,293	8,143	23,436
For the years ended June 30, 2014-2018	82,526	16,988	99,514
	<u>\$ 147,004</u>	<u>\$ 69,690</u>	<u>\$ 216,694</u>

Interfund note payable - Orcutt Senior Housing - Capital Funds Loan

The Authority developed 50 units of senior housing using a combination of tax credit proceeds, non-federal Authority resources, and public funds. A portion of this funding was derived from public housing capital funds grants. A note in the amount of \$2,556,800 was executed on December 24, 2003, however, only \$2,475,000 in capital funds were actually utilized for this project. The note is non-interest bearing and matures on December 24, 2043. Payment of this note is deferred until this date or upon the sale of conveyance of the property. This note is secured by a deed of trust. This note is recorded on the accounting records of the Low-Rent Public Housing Program as a receivable and on the Orcutt Senior Housing Development Corporation as a liability. However, since these programs have been consolidated into a single Public Housing Fund this loan balance does not appear in the financial statements.

Interfund payable - Orcutt Senior Housing - Non Public Housing Funds Notes

The Authority developed 50 units of senior housing using a combination of tax credit proceeds, non-federal Authority resources, and public funds. A portion of this funding was derived from non-public funds, specifically excess administrative fees earned by the Authority. A note in the amount of \$762,676 was executed on December 24, 2003 however, only \$714,000 was actually utilized for this project. The note bears interest at a rate of 4% per year and matures on December 24, 2033. Payment of this note and the accrued interest thereon is deferred until this date or upon the sale of conveyance of the property. This note is secured by a deed of trust. This note is recorded on the accounting records of the Excess Earned Administrative Fee Fund as a receivable and on the Orcutt Senior Housing Development Corporation as a liability.

Principal loan through June 30, 2005	\$ 714,000
Accrued interest for the year ended June 30, 2005	21,678
Accrued interest for the year ended June 30, 2006	29,427
Accrued interest for the year ended June 30, 2007	30,604
Accrued interest for the year ended June 30, 2008	31,829
Total due as of June 30, 2008	<u>\$ 827,538</u>

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 4 - MORTGAGES/NOTES PAYABLE: (Continued)

Interfund note payable - Orcutt Townhomes I

The Authority developed 24 units of family housing using a combination of tax credit proceeds, non-federal Authority resources, and public funds. A portion of this funding was derived from public housing capital funds grants. A note in the amount of \$2,527,755 was executed on December 29, 2006. The note bears interest at a rate of 5.03% and matures on December 29, 2035. Payment of this note is deferred until this date or upon the sale of conveyance of the property. This note is secured by a deed of a trust. This note is recorded on the accounting records of the Low-Rent Public Housing Program as a receivable and on the Orcutt Townhomes I as a liability. During the interim period before the note was executed, no interest is due. As of June 30, 2007, \$1,570,861 had been advanced under this agreement. However, since these programs have been consolidated into a single Public Housing Fund this loan balance does not appear in the financial statements.

Interfund note payable - Property Management Fund

On November 22, 2006 the Authority executed a note between its Excess Fee Program and its Management Fee Program in the amount of \$107,000. This note bears no interest. Payment is due annually on June 30, from any fee income over and above expenses. For June 30, 2007 the Management Fee program's fees exceeded expenses by \$23,183 and for June 30, 2008 income exceeded expenses by \$52,797 resulting in \$75,980 being currently due. However, since these programs have been consolidated into a single Business Activities Fund this loan balance does not appear in the financial statements.

Changes in long-term liabilities:

Long-term liabilities activity for the year ended June 30, 2008, was as follows:

	Balance at June 30, 2007	Additions	Reductions	Balance at June 30, 2008	Due Within One Year
Business-type activities:					
Transition Center					
Mortgage Payable	\$ 156,793	\$ -	\$ 9,789	\$ 147,004	\$ 10,702
Interfund notes payable	795,709	31,829	-	827,538	-
Escrow liabilities	873,612	-	332,564	541,048	-
Compensated absences	510,231	-	12,966	497,265	30,616
Business-type activities long-term liabilities	<u>\$ 2,336,345</u>	<u>\$ 31,829</u>	<u>\$ 355,319</u>	<u>\$ 2,012,855</u>	<u>\$ 41,318</u>
Elimination of intra-fund debt between programs consolidated into the same fund	4,152,860				
Long-term debt associated with an entity no longer included in the reporting entity	<u>2,899,568</u>				
Previously reported at June 30, 2007	<u>\$ 9,388,773</u>				

Newport News Redevelopment and Housing Authority
Newport News, Virginia

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance at June 30, 2007	Additions	Transfers/ Reductions	Balance at June 30, 2008
<u>Business-type activities:</u>				
Land and improvements	\$ 4,259,651	\$ 1,000	\$ (493,673)	\$ 3,766,978
Construction in progress	600,736	8,150	(298,071)	310,815
Total capital assets, not being depreciated	<u>4,860,387</u>	<u>9,150</u>	<u>(791,744)</u>	<u>4,077,793</u>
Land and improvements	63,103	-	(63,103)	-
Buildings and improvements	130,489,239	783,154	(2,403,203)	128,869,190
Furniture, equipment, vehicles and fixtures	<u>2,757,061</u>	<u>132,432</u>	<u>(244,275)</u>	<u>2,645,218</u>
Total capital assets, being depreciated	<u>133,309,403</u>	<u>915,586</u>	<u>(2,710,581)</u>	<u>131,514,408</u>
Accumulated depreciation	<u>(89,687,073)</u>	<u>(4,426,475)</u>	<u>280,448</u>	<u>(93,833,100)</u>
Total capital assets, being depreciated (net)	<u>43,622,330</u>	<u>(3,510,889)</u>	<u>(2,430,133)</u>	<u>37,681,308</u>
	<u>\$ 48,482,717</u>	<u>\$ (3,501,739)</u>	<u>\$ (3,221,877)</u>	<u>\$ 41,759,101</u>

Depreciation expense was charged to functions/programs of the Authority as follows:

<u>Business-type activities:</u>	
Public Housing Fund	\$ 4,290,624
Rental Assistance Fund	52,070
Central Office Cost Center Fund	24,803
Community Development Fund	8,202
HOME Investment Partnerships Fund	2,311
Other non-major Enterprise Funds	<u>48,465</u>
Total depreciation expense - business-type activities	<u>\$ 4,426,475</u>

Included in the reductions / transfers in the schedule above are the effects of the sale of Great Oak Apartments in June, 2007 to an affiliated entity that is not included in the reporting entity. This sale was not reflected in the financial statements as of June 30, 2007. Capital assets, net of depreciation, totaling \$2,899,974 were disposed of in this manner.

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 6 EMPLOYEE RETIREMENT PLAN:

The Authority contributes to the Pension Plan for the Employees of the Newport News Redevelopment and Housing Authority, which is a defined contribution plan. This plan is administered by ING Life Insurance and Annuity Company.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individuals' account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and the forfeitures of other participants' benefits that may be allocated to such participant's account. As established by the Authority's personnel policy, all full-time employees of the Authority with six months employment as of the enrollment date of July 1st or January 1st each year are eligible for enrollment into the Plan. Contributions made by an employee vest immediately and contributions made by the Authority vest after five years of full-time employment. An employee who leaves the employment of the Authority is entitled to his or her contributions and the Authority's contributions to the extent vested and the earnings on these amounts. As determined by the plan provisions, employees are not required to contribute to the pension plan. The Authority is required to contribute an amount equal to 12% of the employee's annual salary as of July 1st of each year.

During the year ended June 30, 2008, the Authority's required and actual contributions amounted to \$542,924 which was 12% of its covered payroll.

No pension plan provision changes occurred during the year which affected the required contributions to be made by the Authority or its employees.

NOTE 7 - RISK MANAGEMENT:

The Authority is exposed to various risks of losses related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has mitigated this risk by participating and obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses of the fund where the coverage is required. Insurance coverage provided includes property and casualty, general liability, fidelity bond, workers compensation. During the current or subsequent period there were no claims made or paid that were not covered by the Authority's insurance providers. There were no significant coverage decreases in the current or subsequent audit period.

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 8 - PRIOR PERIOD ADJUSTMENTS:

Transactions occurring during the current period that should have been recorded in prior periods as well as corrections of prior period transactions are recorded as prior period adjustments. A summary of the prior period adjustments for the period ended June 30, 2008 are as follows:

	Public Housing Fund	Rental Assistance Fund	Central		HOME			Other Enterprise Funds	Total
			Office Cost Center Fund	Community Development Fund	Investment Partnerships Fund				
Correct prior year depreciation estimates	\$ (325,054)	-	\$ -	-	\$ -	-	-	\$ (325,054)	
Correct prior year capital assets	-	-	-	-	6,281	-	-	6,281	
Correct prior year allocation of compensated absence liability	158,032	(850)	(157,182)	-	-	-	-	-	
Record note receivable associated with seller financing provided in the sale and conveyance of Great Oak Apartments, LLC	-	-	-	-	-	-	1,473,746	1,473,746	
Record prior year write-off of note receivable by Board but never recorded	-	-	-	(200,000)	-	-	-	(200,000)	
Total prior period adjustment to beginning net assets	\$ (167,022)	\$ (850)	\$ (157,182)	\$ (200,000)	\$ 6,281	\$ 1,473,746	\$ 954,973	\$ 954,973	

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS:

In addition to the pension benefits explained in Note 6, the Authority provides postretirement health care benefits. In accordance with the Authority's personnel manual an employee who retires is eligible to continue his/her medical and dental insurance coverage at the same level that was in effect at retirement unless there is a qualifying event and providing the plans are still available. In the event of the death of a retired employee, the surviving spouse and/or other covered dependents may continue the same benefits that were in effect at the time of the death.

The following medical and dental insurance vesting schedule shows what portion the Authority will contribute towards continuing medical and dental coverage for retiring employees. Retirees are responsible for payment for their portion of medical and dental coverage premiums (employee portion) and may be responsible for a portion of the employer portion depending upon the number of points they have earned through a combination of age and years of service.

The employer's portion of the insurance premium may vary according to the policies that are offered or by budget restraints.

Points are calculated by adding the employee's age plus years of service (Example: 58 years of age plus 12 years service equals 70 points). Accumulated sick and annual leave may be used to qualify for additional points.

Retiree Medical and Dental Insurance Vesting Schedule:

80 points = 100 percent - Authority pays 100 percent of employer contribution towards medical and dental insurance. Retiree pays 100 percent of employee cost.

75 points = 90 percent - Authority pays 90 percent of employer contribution towards medical and dental insurance. Retiree pays 100 percent of employee cost and 10 percent of Authority cost.

70 points = 80 percent - Authority pays 80 percent of employer contribution towards medical and dental insurance. Retiree pays 100 percent of employee cost and 20 percent of Authority cost.

65 points = 70 percent - Authority pays 70 percent of employer contribution towards medical and dental insurance. Retiree pays 100 percent of employee cost and 30 percent of Authority cost.

60 points = 60 percent - Authority pays 60 percent of employer contribution towards medical and dental insurance. Retiree pays 100 percent of employee cost and 40 percent of Authority cost.

During the year ended June 30, 2008 net expenditures of \$55,232 were recognized for postretirement health care. The plan is not advanced funded but rather funded on a "Pay-as-You-Go" basis. Twenty-eight retirees participate in the dental program and twenty-six retirees participate in the health insurance program. Recorded expenses are reduced by amounts paid by retirees.

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 10 - CONDUIT DEBT:

From time to time, the Authority has issued Tax Exempt Mortgage Revenue Bonds and Limited Obligation Notes to provide financial assistance to private-sector entities for the acquisition and construction of affordable multi-family rental housing deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from rents received from the developments. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2008, there were four series of Tax Exempt Mortgage Revenue Bonds and Limited Obligation Note outstanding, with an aggregate principal amount payable of \$31,823,691.

NOTE 11 - AFFILIATED ENTITY:

During a prior year the Authority became a minority owner in Newport News Medical Arts, LLC, a limited liability corporation that was formerly operated as Medical Arts Senior Apartments, LP. At the end of the compliance period for this development the Authority will obtain title for \$1.

NOTE 12 - NOTES AND MORTGAGES RECEIVABLE:

These balances represent amounts due from homebuyers, program participants, and affiliated entities for various program purposes. Loan terms vary but generally require repayment in from 20-30 years at minimal interest rates. Through the CDBG and HOME programs administered through the City of Newport News, the Authority administers several loan programs for the purposes authorized under these programs. These loans are secured by promissory notes and deeds to secure debt, and represent legal assets of the Authority.

Notes and mortgages receivable at June 30, 2008 consist of the following:

	Community Development Fund	HOME Investment Partnerships Fund	Other Non- Major Enterprise Funds	Total
<u>Restricted assets:</u>				
Program loans due from program participants	\$ 3,386,692	\$ 5,038,617	\$ -	\$ 8,425,309
Due from commercial entities - PULSE program	-	-	2,000	2,000
	<u>\$ 3,386,692</u>	<u>\$ 5,038,617</u>	<u>\$ 2,000</u>	<u>\$ 8,427,309</u>
<u>Unrestricted assets:</u>				
Due from Great Oak Apartments, LLC, due June 11, 2047	-	-	1,473,746	1,473,746
Downpayment assistance loans due from homebuyers	-	-	36,396	36,396
	<u>-</u>	<u>-</u>	<u>1,510,142</u>	<u>1,510,142</u>
	<u>\$ 3,386,692</u>	<u>\$ 5,038,617</u>	<u>\$ 1,512,142</u>	<u>\$ 9,937,451</u>

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NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 13 - INTERFUND RECEIVABLES AND TRANSFERS

The composition of amounts due to and from other funds as of June 30, 2008 is as follows:

	Payable Fund							Total
	Public Housing Fund	Rental Assistance Fund	State & Local Activities Fund	Central Office Cost Center Fund	Community Development Fund	HOME Fund	Other Enterprise Funds	
Public Housing Fund	\$ -	\$ -	\$ 28,514	\$ 3,690,941	\$ -	\$ -	\$ -	\$ 3,719,455
State & Local Activities Fund	2,215,052	82,159	-	-	146,781	81,032	64,227	2,589,251
Central Office Cost Center	307,754	20,592	3,349,657	-	79,733	7,243	24,312	3,789,291
Other Enterprise Fund	-	60,132	362,921	-	-	-	-	423,053
	<u>\$ 2,522,806</u>	<u>\$ 162,883</u>	<u>\$ 3,741,092</u>	<u>\$ 3,690,941</u>	<u>\$ 226,514</u>	<u>\$ 88,275</u>	<u>\$ 88,539</u>	<u>\$ 10,521,050</u>

Amounts payable between funds generally arise from the practice of utilizing the Revolving Fund as a central bill paying entity and from the use of the Revolving Fund checking account and the Public Housing General Fund checking account as central depositories. The Authority's accounting software system automatically generates interfund entries when transactions occur between funds.

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NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 13 - INTERFUND RECEIVABLES AND TRANSFERS (Continued):

The composition of transfers to and from other funds as of June 30, 2008 is as follows:

Paying Fund	Receiving Fund		
	Rental Assistance Fund	Central Office Cost Center Fund	Total
Public Housing Fund - initial capitalization of the COCC fund	\$ -	\$ 855,700	\$ 855,700
Public Housing Fund - transfer capital assets, net of depreciation, to the COCC	-	67,601	67,601
Public Housing - close completed capital fund grants to COCC	-	2,650	2,650
Other Enterprise Funds - Business Activities Fund transfer operating transfer to Housing Choice Voucher Program	118,373	-	118,373
	<u>\$ 118,373</u>	<u>\$ 925,951</u>	<u>\$ 1,044,324</u>

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 14 - ACCOUNTS PAYABLE

Payables at June 30, 2008 consist of the following:

	Public Housing Fund	Rental Assistance Fund	State & Local		Central Office Cost		HOME		Other Enterprise Funds	Total
			Activities Fund	Local Fund	Center Fund	Office Cost Fund	Investment Partnership	Community Development		
Vendors and contractors	\$ 330,997	\$ 36,022	\$ 53,151	\$ 33,221	\$ 144,229	\$ 168,445	\$ 10,005	\$ 776,070		
Accrued utilities	122,497	-	-	557	-	-	1,582	124,636		
Tenant security deposits	200,848	-	-	-	-	-	3,315	204,163		
Other governments	147,029	-	49,233	-	393,197	1,213,575	-	1,803,034		
Contract retention	357,389	-	-	-	-	-	-	357,389		
Miscellaneous	-	-	-	-	4,024	-	-	4,024		
	<u>\$ 1,158,760</u>	<u>\$ 36,022</u>	<u>\$ 102,384</u>	<u>\$ 33,778</u>	<u>\$ 541,450</u>	<u>\$ 1,382,020</u>	<u>\$ 14,902</u>	<u>\$ 3,269,316</u>		

NOTE 15 - ACCRUED SALARIES AND EXPENSES:

Accrued salaries and expenses at June 30, 2008 consist of the following:

	Public Housing Fund		State & Local		Central Office Cost		HOME		Other Enterprise Funds	Total
	Fund	Assistance Fund	Activities Fund	Local Fund	Center Fund	Office Cost Fund	Community Development	Investment Partnerships		
Salaries and wages	\$ 41,840	\$ 11,565	\$ 1,879	\$ 37,306	\$ 6,233	\$ 423	\$ 3,529	\$ 102,775		
Taxes accrued or withheld	-	-	(886)	-	-	-	-	(886)		
Other payroll withholdings	-	-	1,606	-	-	-	-	1,606		
	<u>\$ 41,840</u>	<u>\$ 11,565</u>	<u>\$ 2,599</u>	<u>\$ 37,306</u>	<u>\$ 6,233</u>	<u>\$ 423</u>	<u>\$ 3,529</u>	<u>\$ 103,495</u>		

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 16 - OTHER ASSETS:

Other assets at June 30, 2008 consist of the following:

	Public Housing Fund	Community Development Fund	HOME Investment Partnerships Fund	Other non- Major Enterprise Funds	Total
<u>Other current assets:</u>					
HOMEBuilder costs - construction costs for homes being built for resale to program participants	\$ -	\$ -	\$ 1,064,565	\$ -	\$ 1,064,565
	<u>-</u>	<u>-</u>	<u>1,064,565</u>	<u>-</u>	<u>1,064,565</u>
<u>Other noncurrent assets:</u>					
Due from the City of Newport News for long-term compensated absences	\$ -	\$ 15,200	\$ 577	\$ -	\$ 15,777
Insurance proceeds due from insurer pending demolition of Dickerson Homes	66,799	-	-	-	66,799
Redevelopment costs for city funded redevelopment programs	-	-	-	49,300	49,300
	<u>66,799</u>	<u>15,200</u>	<u>577</u>	<u>49,300</u>	<u>131,876</u>
	<u>\$ 66,799</u>	<u>\$ 15,200</u>	<u>\$ 1,065,142</u>	<u>\$ 49,300</u>	<u>\$ 1,196,441</u>

NOTE 17 - CONSTRUCTION COMMITMENTS:

The Authority has active construction projects as of June 30, 2008. The projects include various modernization and capital improvement programs. At year end the Authority's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Orcutt Senior Housing Development - Ashe Manor	\$ 4,905,117	\$ 337,231
Brighton HVAC renovations	201,576	-
	<u>\$ 5,106,693</u>	<u>\$ 337,231</u>

These projects are funded with Capital Fund Program grants received from the Department of Housing and Urban Development or are tax credit equity projects.

NOTE 18 - DEFICIT NET ASSETS:

At June 30, 2008 the following fund reflects a deficit in net assets. A deficit in net assets indicates that the liabilities of the fund or program exceed the cumulative assets of the fund:

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 18 - DEFICIT NET ASSETS (Continued):

State & Local Activities

This deficit stems from the practice of recording the expense associated with compensated absences when incurred but deferring the revenue associated with this future payment until such time as the funds are eligible for requisition.

NOTE 19 - RESTRICTED NET ASSETS:

Public Housing Fund:

Restricted for Capital Activities:

The Authority has received funds from the Department of Housing and Urban Development under the Capital Fund Program under the replacement reserve budget line items. These funds are accumulated to meet future capital improvement needs and must be used for these purposes. The following is a summary of the changes in the net assets restricted for capital activities for the year ended June 30, 2008:

Balance at July 1, 2007	\$ 2,784,910
Interest earned	96,387
Additions to reserve from CGP/CFP grant program	-
Expenditures of reserves	-
Balance at June 30, 2008	<u>\$ 2,881,297</u>

These restricted net assets are held in short-term US Government securities (\$2,627,582) and in the general fund checking account (\$253,715).

Restricted Reserves for Tax Credit Developments:

	Orcutt Senior Housing - Operating Reserve	Orcutt Senior Housing - Replacement Reserve	Orcutt Townhomes - Operating Reserve	Orcutt Townhomes - Replacement Reserve
Balance at July 1, 2007	\$ 271,271	\$ 34,215	\$ -	\$ 40,664
Interest earned	6,163	-	9,239	-
Deposits	-	17,187	283,695	12,500
Withdrawals	-	-	-	-
Balance at June 30, 2008	<u>\$ 277,434</u>	<u>\$ 51,402</u>	<u>\$ 292,934</u>	<u>\$ 53,164</u>

These funds are held in checking accounts.

Newport News Redevelopment and Housing Authority
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JUNE 30, 2008

NOTE 19 - RESTRICTED NET ASSETS (Continued):

Rental Assistance Fund:

Housing Choice Voucher Program:

The Authority's annual contribution contract with HUD and HUD regulations require that the undesignated fund balance (net assets) reflect the balance of any excess housing assistance funding and excess administrative fee funding. This requirement results from HUD's issuance of PIH Notice 2006-03. Previously, the HUD annual contribution was based on a settlement process that reimbursed the Authority directly for certain costs and required the computation of the fee earned. With the issuance of this new guidance, the HUD funding is based on the annual budget authority. Due to restrictions imposed by HUD on the use of the "excess HAP equity", this amount is reported as restricted net assets.

	HAP Equity	Administrative Fee Equity	Total
Balance at July 1, 2007	\$ 3,583,680	\$ 1,431,168	\$ 5,014,848
Prior period adjustments	-	(850)	(850)
Balance at July 1, 2007	3,583,680	1,430,318	5,013,998
Current period excess/(deficiency) of funding	321,012	259,613	580,625
Balance at June 30, 2008	<u>\$ 3,904,692</u>	<u>\$ 1,689,931</u>	<u>\$ 5,594,623</u>

These restricted net assets are held in the Section 8 checking account.

Community Development Fund and HOME Investment Partnerships Fund:

Through its CDBG and HOME programs administered through the City of Newport News, the Authority administers several loan programs for purposes authorized under these programs. These loans are secured by promissory notes and deeds to secure debt and represent legal assets of the Authority. The principal and interest received from these loans is considered program income under these programs and must be utilized for specific CDBG and HOME program purposes. As of June 30, 2008 the balances due are as follows:

CDBG Program	\$ 3,386,692
HOME Program	5,038,617
	<u>\$ 8,425,309</u>

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 19 - RESTRICTED NET ASSETS (Continued):

Other Enterprise Funds:

Transition Center Restricted Reserves:

The Authority owns and operates housing under the terms of a mortgage and regulatory agreement with the Virginia Housing Development Authority (VHDA). VHDA requires that certain reserves and escrow accounts be maintained and VHDA retains possession and control such funds. Accordingly, these net assets are reported as restricted. The following is a summary of the changes in the net assets restricted for these purposes for the year ended June 30, 2008:

	Insurance Escrow	Replacement Reserve	Operating Reserve	Total
Balance at July 1, 2007	\$ 2,558	\$ 140,619	\$ 214,338	\$ 357,515
Interest earned	-	8,087	10,394	18,481
Deposits	2,070	3,588	-	5,658
Withdrawals	(2,802)	-	-	(2,802)
Balance at June 30, 2008	<u>\$ 1,826</u>	<u>\$ 152,294</u>	<u>\$ 224,732</u>	<u>\$ 378,852</u>

These funds are held by VHDA in various accounts.

Business Activities Fund:

In February 2005 the Authority received the net assets of a community non-profit organization upon its dissolution. The Authority agreed to use these funds for essentially the same purpose, to provide revolving loans to seed small business ventures for economically disadvantaged recipients. Initially, these funds were recorded and reported as a deferred credit pending the ultimate disposition of these funds. Currently, the funds and the related loans made are recorded and reported on the Tax Exempt Financing Program.

Proceeds received	\$ 36,092
Less: Loans made and administrative costs	<u>(2,043)</u>
Cash available	34,049
Outstanding loans	<u>2,000</u>
Restricted net assets as of June 30, 2008	<u>\$ 36,049</u>

NOTE 20 - DEVELOPMENT COSTS FOR TAX CREDIT DEVELOPMENTS:

In recent years the Authority has developed two properties utilizing mixed-finance resources, including HUD capital funds and tax-credit financing. Though ownership entities were created for these entities, the Authority contracted for, paid for, and accounted for all of the development and construction costs. These ownership entities are presented in the Authority's financial statements as component units of the Authority.

During the development phase of these projects, the Authority recorded all development costs in their general ledger accounting system. In addition, the Authority entered development cost information in its capital asset and depreciation software system for each project. Finally, as required by the terms of the financing arrangements, development cost certifications were performed for each development.

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(Continued)

JUNE 30, 2008

NOTE 21 - DEVELOPMENT COSTS FOR TAX CREDIT DEVELOPMENTS: (Continued)

The Authority has not fully reconciled the development costs recorded in its accounting records and the costs certified to for each development. The amounts recorded or certified differ as follows:

	Orcutt Senior Housing Development Corporation	Orcutt Townhomes I
Development Costs Recorded in General Ledger	<u>\$ 6,315,977</u>	<u>\$ 5,089,777</u>
Development Costs Captured in Capital Asset/ Depreciation Software	<u>\$ 6,315,977</u>	<u>\$ 5,088,777</u>
Development Costs Certified in Cost Certification	<u>\$ 7,027,423</u>	<u>\$ 5,883,423</u>

The development cost certification appears to include adjustment made by the auditing firm that prepared the cost certification and that were never provided or explained to the management of the Authority.

NOTE 22 - CONTINGENT LIABILITIES

The Authority receives grant funds, principally from the Federal Government, to carry out its operations. Expenditures from these grants are subject to audit by the grantor, and the Authority is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the Authority, and refunds that may be required as a result of expenditures disallowed by the grantors will not be material to the financial statements.

NOTE 23 - EFFECTS OF FUND RESTRUCTURING AND CHANGE IN REPORTING ENTITY

In 2008 the Authority changed the manner in which it reports certain programs and funds in its financial statements. Certain programs previously reported in separate funds were consolidated with similar programs into new funds. Further, a multi-family apartment complex, Great Oak Apartments, previously owned by the Authority was conveyed to an affiliated entity that does not meet the criteria for inclusion the Authority's reporting entity. This sale and conveyance actually occurred in the prior reporting period. These apartments were previously reported as a major fund, Great Oak Apartments and the prior financial statements reflected cash of \$62,148 and net assets of \$438,357. This fund is not included in the financial statements for the current period.

Newport News Redevelopment and Housing Authority
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NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008

NOTE 23 - EFFECTS OF FUND RESTRUCTURING AND CHANGE IN REPORTING ENTITY (Continued)

The effects of these changes on the amounts presented in the financial statements are as follows:

	<u>Beginning Cash</u>	<u>Beginning Net Assets</u>
<u>Public Housing Fund:</u>		
As previously reported:		
Low Rent Public Housing Fund	\$ 7,647,306	\$ 42,008,226
Orcutt Senior Housing Development Corporation	351,265	2,756,317
Orcutt Townhomes I	449,880	3,938,671
Other Enterprise Funds - Capital Fund Fund	-	2,757,046
Beginning amounts for the Public Housing Fund	<u>\$ 8,448,451</u>	<u>\$ 51,460,260</u>
 <u>Rental Assistance Fund:</u>		
As previously reported:		
Housing Choice Voucher Fund	\$ 5,338,943	\$ 5,018,806
Other Enterprise Funds - Shelter Plus Care Fund	33,768	-
Other Enterprise Funds - Section 8 Moderate Rehabilitation Fund	56,015	49,502
Beginning amounts for the Rental Assistance Fund	<u>\$ 5,428,726</u>	<u>\$ 5,068,308</u>
 <u>Other Enterprise Funds:</u>		
As previously reported:		
Other Enterprise Funds - Congregate Housing Fund	\$ -	\$ 546,549
Other Enterprise Funds - Tax Exempt Bond Program Fund	585,797	656,203
Other Enterprise Funds - Property Management Fund	-	(52,485)
Other Enterprise Funds - Excess Earned Administrative Fee Fund	627,302	2,319,550
Beginning amounts for the Business Activities Fund	<u>\$ 1,213,099</u>	<u>\$ 3,469,817</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET ASSETS (BALANCE SHEET)
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS

JUNE 30, 2008

Business-type Activities -
Enterprise Funds

	Resident Self Sufficiency and Service Coordinator Fund	Transition Center Fund	Orcutt Townhomes II
<u>ASSETS:</u>			
Current assets:			
Cash and equivalents - restricted	\$ -	\$ 17,768	\$ -
Accounts receivable (net of allowance)	34,359	-	-
Due from other funds	-	-	-
Investments	-	-	-
Deferred charges	415	1	-
	<u>34,774</u>	<u>17,769</u>	<u>-</u>
Total current assets			
Restricted assets:			
Cash and equivalents - restricted	-	3,411	-
Investments - restricted	-	378,852	-
Other restricted assets - notes receivable	-	-	-
	<u>-</u>	<u>382,263</u>	<u>-</u>
Total restricted assets			
Noncurrent assets:			
Notes and mortgages receivables	-	-	-
Nondepreciable capital assets	-	17,201	37,800
Capital assets (net)	25,684	131,210	-
Interfund notes receivable	-	-	-
Other noncurrent assets	-	-	-
	<u>25,684</u>	<u>148,411</u>	<u>37,800</u>
Total noncurrent assets			
TOTAL ASSETS	<u>\$ 60,458</u>	<u>\$ 548,443</u>	<u>\$ 37,800</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET ASSETS (BALANCE SHEET)
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS
(Continued)

JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	Resident Self Sufficiency and Service Coordinator Fund	Transition Center Fund	Orcutt Townhomes II
<u>LIABILITIES:</u>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 3,626	\$ 7,033	\$ 228
Due to other funds	27,619	5,321	9,680
Accrued salaries and expenses	3,529	-	-
Accrued interest payable	-	1,097	-
Current portion of long-term liabilities	-	10,702	-
Total current liabilities	<u>34,774</u>	<u>24,153</u>	<u>9,908</u>
Long-term liabilities:			
Notes and mortgages payable	-	136,302	-
Total long-term liabilities	<u>-</u>	<u>136,302</u>	<u>-</u>
TOTAL LIABILITIES	<u>34,774</u>	<u>160,455</u>	<u>9,908</u>
<u>NET ASSETS:</u>			
Invested in capital assets, net of related debt	25,684	1,407	37,800
Restricted net assets	-	378,852	-
Unrestricted net assets	-	7,729	(9,908)
TOTAL NET ASSETS	<u>25,684</u>	<u>387,988</u>	<u>27,892</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 60,458</u>	<u>\$ 548,443</u>	<u>\$ 37,800</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET ASSETS (BALANCE SHEET)
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS
(Continued)

JUNE 30, 2008

	Business-type Activities - Enterprise Funds	
	Business Activities Fund	Total
<u>ASSETS:</u>		
Current assets:		
Cash and equivalents - unrestricted	\$ 1,103,939	\$ 1,121,707
Accounts receivable (net of allowance)	12,077	46,436
Due from other funds	423,053	423,053
Investments	38,175	38,175
Deferred charges	2,561	2,977
	<u>1,579,805</u>	<u>1,632,348</u>
Total current assets		
Restricted assets:		
Cash and equivalents - restricted	34,049	37,460
Investments - restricted	-	378,852
Other restricted assets - notes receivable	2,000	2,000
	<u>36,049</u>	<u>418,312</u>
Total restricted assets		
Noncurrent assets:		
Notes and mortgages receivables	1,510,142	1,510,142
Nondepreciable capital assets	154,100	209,101
Capital assets (net)	813,298	970,192
Interfund notes receivable	827,538	827,538
Other noncurrent assets	49,300	49,300
	<u>3,354,378</u>	<u>3,566,273</u>
Total noncurrent assets		
	<u>\$ 4,970,232</u>	<u>\$ 5,616,933</u>
TOTAL ASSETS		

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF NET ASSETS (BALANCE SHEET)
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS
(Continued)

JUNE 30, 2008

	Business Activities Fund	Total
<u>LIABILITIES:</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,015	\$ 14,902
Due to other funds	45,919	88,539
Accrued salaries and expenses	-	3,529
Accrued interest payable	-	1,097
Current portion of long-term liabilities	-	10,702
	<u>49,934</u>	<u>118,769</u>
Total current liabilities		
	49,934	118,769
Long-term liabilities:		
Notes and mortgages payable	-	136,302
	<u>-</u>	<u>136,302</u>
Total long-term liabilities		
	-	136,302
	<u>-</u>	<u>136,302</u>
TOTAL LIABILITIES	<u>49,934</u>	<u>255,071</u>
<u>NET ASSETS:</u>		
Invested in capital assets, net of related debt	967,398	1,032,289
Restricted net assets	36,049	414,901
Unrestricted net assets	3,916,851	3,914,672
	<u>4,920,298</u>	<u>5,361,862</u>
TOTAL NET ASSETS		
	4,920,298	5,361,862
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,970,232</u>	<u>\$ 5,616,933</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities -		
	Enterprise Funds		
	Resident Self Sufficiency and Service Coordinator Fund	Transition Center Fund	Orcutt Townhomes II
OPERATING REVENUES:			
Rental and tenant income	\$ -	\$ 30,766	\$ -
Intergovernmental - operating grants	288,534	50,232	-
Other income	-	-	-
Total operating revenues	<u>288,534</u>	<u>80,998</u>	<u>-</u>
OPERATING EXPENSES:			
Administration	12,206	9,941	-
Tenant services	270,732	-	-
Utilities	-	18,882	-
Ordinary maintenance	2,588	9,330	2,083
Protective services	750	705	-
General expenditures	2,259	1,854	-
Interest	-	13,574	-
Depreciation	3,941	8,060	-
Total operating expenses	<u>292,476</u>	<u>62,346</u>	<u>2,083</u>
OPERATING INCOME/(LOSS)	<u>(3,942)</u>	<u>18,652</u>	<u>(2,083)</u>
NONOPERATING REVENUES/EXPENSES:			
Interest and investment revenue	-	17,330	-
Total nonoperating revenues/(expenses)	<u>-</u>	<u>17,330</u>	<u>-</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	(3,942)	35,982	(2,083)
Transfers in/(out)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(3,942)	35,982	(2,083)
TOTAL NET ASSETS - July 1, 2007	29,626	352,006	29,975
Prior period adjustments (Note 8)	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS - June 30, 2008	<u>\$ 25,684</u>	<u>\$ 387,988</u>	<u>\$ 27,892</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds	
	Business Activities Fund	Total
OPERATING REVENUES:		
Rental and tenant income	\$ -	\$ 30,766
Intergovernmental - operating grants	-	338,766
Other income	196,495	196,495
Total operating revenues	<u>196,495</u>	<u>566,027</u>
OPERATING EXPENSES:		
Administration	66,554	88,701
Tenant services	28,706	299,438
Utilities	14,433	33,315
Ordinary maintenance	14,132	28,133
Protective services	6,285	7,740
General expenditures	1,682	5,795
Interest	-	13,574
Depreciation	36,464	48,465
Total operating expenses	<u>168,256</u>	<u>525,161</u>
OPERATING INCOME/(LOSS)	<u>28,239</u>	<u>40,866</u>
NONOPERATING REVENUES/EXPENSES:		
Interest and investment revenue	66,869	84,199
Total nonoperating revenues/(expenses)	<u>66,869</u>	<u>84,199</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND ADJUSTMENTS	95,108	125,065
Transfers in/(out)	<u>(118,373)</u>	<u>(118,373)</u>
CHANGE IN NET ASSETS	(23,265)	6,692
TOTAL NET ASSETS - July 1, 2007	3,469,817	3,881,424
Prior period adjustments (Note 8)	<u>1,473,746</u>	<u>1,473,746</u>
TOTAL NET ASSETS - June 30, 2008	<u>\$ 4,920,298</u>	<u>\$ 5,361,862</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

Non-major Business-type Activities -
Enterprise Funds

	Enterprise Funds		
	Resident Self Sufficiency and Service Coordinator Fund	Transition Center Fund	Orcutt Townhomes II
Cash flows from operating activities:			
Cash received from tenants/others	\$ -	\$ 33,791	\$ -
Cash operating grants received (net)	339,462	51,619	-
Cash transfers from(to) other funds and entities	(50,244)	(15,632)	2,225
Cash payments for goods, services, rental subsidies	(69,660)	(32,952)	(2,225)
Cash payments to/for employees and benefits	(219,558)	(2,843)	-
Net cash provided/(used) by operating activities	-	33,983	-
Cash flows from capital and related financings activities:			
Loan principal payments	-	(9,789)	-
Interest payments	-	(13,647)	-
Net cash provided/(used) by capital and related financing activities	-	(23,436)	-
Cash flows from noncapital financing activities:			
Loans repayments received	-	-	-
Net cash provided/(used) by noncapital financing activities	-	-	-
Cash flows from investing activities:			
Proceeds from sale/reclassification of investments	-	(21,337)	-
Receipts of interest and dividends	-	17,330	-
Net cash provided/(used) by investing activities	-	(4,007)	-
Net increase/(decrease) in cash	-	6,540	-
Cash at July 1, 2007	-	14,639	-
Cash at June 30, 2008	\$ -	\$ 21,179	\$ -

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2008

	Non-major Business-type Activities - Enterprise Funds		
	Resident Self Sufficiency and Service Coordinator Fund	Transition Center Fund	Orcutt Townhomes II
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (3,942)	\$ 18,652	\$ (2,083)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	3,941	8,060	-
Interest expense	-	13,574	-
Operating transfers	-	-	-
Change in assets and liabilities:			
Decrease/(Increase) in accounts receivable	50,928	4,412	-
Decrease/(Increase) in deferred charges and prepaid expenses	(139)	(1)	-
Decrease/(Increase) in other assets	1	-	-
Increase/(Decrease) in accounts payable	(54,318)	(8,638)	2,083
Increase/(Decrease) in accrued liabilities	3,529	(2,076)	-
Net cash provided/(used) by operating activities	\$ -	\$ 33,983	\$ -

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds	
	Business Activities Fund	Total
Cash flows from operating activities:		
Cash received from tenants/others	\$ 188,311	\$ 222,102
Cash operating grants received (net)	-	391,081
Cash transfers from(to) other funds and entities	(134,824)	(198,475)
Cash payments for goods, services, rental subsidies	(148,774)	(253,611)
Cash payments to/for employees and benefits	(15,440)	(237,841)
Net cash provided/(used) by operating activities	<u>(110,727)</u>	<u>(76,744)</u>
Cash flows from capital and related financings activities:		
Loan principal payments	-	(9,789)
Interest payments	-	(13,647)
Net cash provided/(used) by capital and related financing activities	<u>-</u>	<u>(23,436)</u>
Cash flows from noncapital financing activities:		
Loans repayments received	<u>1,511</u>	<u>1,511</u>
Net cash provided/(used) by noncapital financing activities	<u>1,511</u>	<u>1,511</u>
Cash flows from investing activities:		
Proceeds from sale/reclassification of investments	(936)	(22,273)
Receipts of interest and dividends	<u>35,041</u>	<u>52,371</u>
Net cash provided/(used) by investing activities	<u>34,105</u>	<u>30,098</u>
Net increase/(decrease) in cash	(75,111)	(68,571)
Cash at July 1, 2007	<u>1,213,099</u>	<u>1,227,738</u>
Cash at June 30, 2008	<u>\$ 1,137,988</u>	<u>\$ 1,159,167</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR BUSINESS-TYPE ENTERPRISE FUNDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds	
	Business Activities Fund	Total
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 28,239	\$ 40,866
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	36,464	48,465
Interest expense	-	13,574
Operating transfers	(118,373)	(118,373)
Change in assets and liabilities:		
Decrease/(Increase) in accounts receivable	(37,164)	18,176
Decrease/(Increase) in deferred charges and prepaid expenses	133	(7)
Decrease/(Increase) in other assets	(49,301)	(49,300)
Increase/(Decrease) in accounts payable	33,418	(27,455)
Increase/(Decrease) in accrued liabilities	(4,143)	(2,690)
Net cash provided/(used) by operating activities	<u>\$ (110,727)</u>	<u>\$ (76,744)</u>

SUPPLEMENTAL INFORMATION

Newport News Redevelopment and Housing Authority
Newport News, Virginia

SCHEDULE OF CAPITAL FUND PROGRAM COSTS - UNCOMPLETED

JUNE 30, 2008

CFP 501-04

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year 501-04 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 329,068.00	\$ 329,068.00
Management Improvements	190,000.00	65,303.89
Administration	329,068.00	328,395.00
Fees & Costs	105,000.00	126,550.63
Site improvement	60,000.00	(7,139.68)
Dwelling structures	242,843.00	514,136.94
Non-dwelling equipment	50,000.00	53,581.09
Demolition	50,000.00	-
Replacement reserve	1,874,705.00	1,874,705.00
Relocation expenses	60,000.00	-
Total Cost	<u>\$ 3,290,684.00</u>	<u>\$ 3,284,600.87</u>

2. Costs examined during the current period totaled \$51,948.27

3. A reconciliation of development advances and costs are as follows:

Funds advanced:	
Grants - HUD	\$ 3,290,684.00
Funds expended	<u>3,284,600.87</u>
Excess (deficiency) of funds advanced	<u>\$ 6,083.13</u>

Newport News Redevelopment and Housing Authority
 Newport News, Virginia

SCHEDULE OF CAPITAL FUND PROGRAM COSTS - UNCOMPLETED

JUNE 30, 2008

CFP 501-05

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year 501-05 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 326,894.00	\$ 326,894.00
Management Improvements	90,000.00	400.00
Administration	326,894.00	332,382.99
Fees & Costs	105,000.00	32,297.34
Dwelling structures	1,513,548.00	1,370,850.56
Replacement reserve	906,606.00	906,606.00
Total Cost	<u>\$ 3,268,942.00</u>	<u>\$ 2,969,430.89</u>

2. Costs examined during the current period totaled \$484784.54

3. A reconciliation of development advances and costs are as follows:

Funds advanced:	
Grants - HUD	\$ 2,966,818.89
Funds expended	<u>2,969,430.89</u>
Excess (deficiency) of funds advanced	<u>\$ (2,612.00)</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

SCHEDULE OF CAPITAL FUND PROGRAM COSTS - UNCOMPLETED

JUNE 30, 2008

CFP 501-06

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year 501-06 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Management improvements	\$ 65,000.00	\$ 7,251.85
Administration	313,249.00	312,442.23
Fees & Costs	235,000.00	52,422.49
Site improvements	21,000.00	-
Dwelling structures	1,469,316.00	-
Non-dwelling equipment	25,000.00	3,049.67
Replacement reserves	903,924.00	903,924.00
Relocation expenses	100,000.00	10,018.75
Total Cost	<u>\$ 3,132,489.00</u>	<u>\$ 1,289,108.99</u>

2. Costs examined during the current period totaled \$95,945.49

3. A reconciliation of development advances and costs are as follows:

Funds advanced:	
Grants - HUD	\$ 1,228,056.07
Funds expended	<u>1,289,108.99</u>
Excess (deficiency) of funds advanced	<u>\$ (61,052.92)</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

SCHEDULE OF CAPITAL FUND PROGRAM COSTS - UNCOMPLETED

JUNE 30, 2008

CFP R501-06

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year R501-06 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Management improvements	\$ 112,283.00	\$ 112,283.00
Total Cost	\$ 112,283.00	\$ 112,283.00

2. Costs examined during the current period totaled \$112,283.00

3. A reconciliation of development advances and costs are as follows:

Funds advanced:	
Grants - HUD	\$ 112,283.00
Funds expended	112,283.00
Excess (deficiency) of funds advanced	\$ -

Newport News Redevelopment and Housing Authority
Newport News, Virginia

SCHEDULE OF CAPITAL FUND PROGRAM COSTS - UNCOMPLETED

JUNE 30, 2008

CFP 501-07

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year 501-07 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 349,246.00	\$ 349,246.00
Management improvements	65,000.00	-
Administration	349,246.00	349,246.00
Fees & Costs	85,000.00	37,498.27
Site improvements	10,000.00	-
Dwelling structures	1,949,891.00	201,576.39
Non-dwelling structures	659,078.00	-
Non-dwelling equipment	25,000.00	-
Total Cost	<u>\$ 3,492,461.00</u>	<u>\$ 937,566.66</u>

2. Costs examined during the current period totaled \$937,566.66

3. A reconciliation of development advances and costs are as follows:

Funds advanced:	
Grants - HUD	\$ 677,559.34
Funds expended	<u>937,566.66</u>
Excess (deficiency) of funds advanced	<u>\$ (260,007.32)</u>

Newport News Redevelopment and Housing Authority
 Newport News, Virginia

SCHEDULE OF CAPITAL FUND PROGRAM COSTS - UNCOMPLETED

JUNE 30, 2008

CFP 501-08

Annual Contributions Contract P-5545

1. The Capital Fund Program costs for Program Year 501-08 are as follows:

<u>Account</u>	<u>Budget</u>	<u>Amount</u>
Operations	\$ 377,698.00	\$ -
Management improvements	40,000.00	-
Administration	377,698.00	32,977.53
Fees & Costs	140,000.00	-
Site improvements	100,000.00	-
Dwelling structures	2,381,583.00	-
Demolition	300,000.00	-
Relocation expenses	60,000.00	-
Total Cost	<u>\$ 3,776,979.00</u>	<u>\$ 32,977.53</u>

2. Costs examined during the current period totaled \$32,977.53

3. A reconciliation of development advances and costs are as follows:

Funds advanced:	
Grants - HUD	\$ -
Funds expended	<u>32,977.53</u>
Excess (deficiency) of funds advanced	<u>\$ (32,977.53)</u>

FINANCIAL STATUS REPORT

(Short Form)

(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted U. S. Department of HUD		2. Federal Grant or Other Identifying Number Assigned By Federal Agency VA003RFS157A006		OMB Approval No. 0348-0039	Page 1 of 1 pages
3. Recipient Organization (Name and complete address, including ZIP code) Newport News Redevelopment and Housing Authority P.O. Box 797 Newport News, VA 23607					
4. Employer Identification Number 54-6001452		5. Recipient Account Number or Identifying Number		6. Final Report <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
7. Basis <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual					
8. Funding/Grant Period (See instructions) From: (Month, Day, Year) 10/1/2007		To: (Month, Day, Year) 10/1/2008		9. Period Covered by this Report From: (Month, Day, Year) 7/1/07	
				To: (Month, Day, Year) 6/30/08	
10. Transactions			I Previously Reported	II This Period	III Cumulative
a. Total outlays			-	38,585.37	38,585.37
b. Recipient share of outlays			-		
c. Federal share of outlays			-	38,585.37	38,585.37
d. Total unliquidated obligations					
e. Recipient share of unliquidated obligations					
f. Federal share of unliquidated obligations					
g. Total Federal share (Sum of lines c and f)					38,585.37
h. Total Federal funds authorized for this funding period					46,000.00
i. Unobligated balance of Federal funds (Line h minus line g)					7,414.63
11. Indirect Expense					
a. Type of Rate (Place "X" in appropriate box) <input type="checkbox"/> Provisional <input type="checkbox"/> Predetermined <input type="checkbox"/> Final <input type="checkbox"/> Fixed					
b. Rate		c. Base		d. Total Amount	
				e. Federal Share	
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation. Costs of \$38,585.37 were incurred during the current period.					
13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.					
Typed or Printed Name and Title				Telephone (Area code, number and extension)	
Signature of Authorized Certifying Official				Date Report Submitted	

FINANCIAL STATUS REPORT

(Short Form)

(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted		2. Federal Grant or Other Identifying Number Assigned By Federal Agency		OMB Approval No.	Page of
U. S. Department of HUD		VA003RNN011A005		0348-0039	1 1 pages
3. Recipient Organization (Name and complete address, including ZIP code)					
Newport News Redevelopment and Housing Authority P.O. Box 797 Newport News, VA 23607					
4. Employer Identification Number		5. Recipient Account Number or Identifying Number		6. Final Report	
54-6001452				[] Yes [X] No	
7. Basis					
[X] Cash [] Accrual					
8. Funding/Grant Period (See instructions)			9. Period Covered by this Report		
From: (Month, Day, Year)		To: (Month, Day, Year)	From: (Month, Day, Year)		To: (Month, Day, Year)
6/23/2006		6/24/2009	7/1/07		6/30/08
10. Transactions			I	II	III
			Previously Reported	This Period	Cumulative
a. Total outlays			163,242.84	88,307.17	251,550.01
b. Recipient share of outlays			-		
c. Federal share of outlays			163,242.84	88,307.17	251,550.01
d. Total unliquidated obligations					
e. Recipient share of unliquidated obligations					
f. Federal share of unliquidated obligations					
g. Total Federal share (Sum of lines c and f)					251,550.01
h. Total Federal funds authorized for this funding period					398,050.00
i. Unobligated balance of Federal funds (Line h minus line g)					146,499.99
11. Indirect Expense					
a. Type of Rate (Place "X" in appropriate box)					
[] Provisional [] Predetermined [] Final [] Fixed					
b. Rate		c. Base		d. Total Amount	
				e. Federal Share	
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.					
Costs of \$88,307.17 were incurred during the current period.					
13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.					
Typed or Printed Name and Title				Telephone (Area code, number and extension)	
Signature of Authorized Certifying Official				Date Report Submitted	

FINANCIAL STATUS REPORT

(Short Form)

(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted U. S. Department of HUD		2. Federal Grant or Other Identifying Number Assigned By Federal Agency VA003RFS130A005		OMB Approval No. 0348-0039	Page 1 of 1 pages
3. Recipient Organization (Name and complete address, including ZIP code) Newport News Redevelopment and Housing Authority P.O. Box 797 Newport News, VA 23607					
4. Employer Identification Number 54-6001452		5. Recipient Account Number or Identifying Number		6. Final Report <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
7. Basis <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual					
8. Funding/Grant Period (See instructions) From: (Month, Day, Year) To: (Month, Day, Year) 3/16/2006 3/16/2007		9. Period Covered by this Report From: (Month, Day, Year) To: (Month, Day, Year) 7/1/07 6/30/08			
10. Transactions			I Previously Reported	II This Period	III Cumulative
a. Total outlays			41,468.17	3,319.83	44,788.00
b. Recipient share of outlays			-		
c. Federal share of outlays			41,468.17	3,319.83	44,788.00
d. Total unliquidated obligations					
e. Recipient share of unliquidated obligations					
f. Federal share of unliquidated obligations					
g. Total Federal share (Sum of lines c and f)					44,788.00
h. Total Federal funds authorized for this funding period					44,788.00
i. Unobligated balance of Federal funds (Line h minus line g)					-
11. Indirect Expense	a. Type of Rate (Place "X" in appropriate box) <input type="checkbox"/> Provisional <input type="checkbox"/> Predetermined <input type="checkbox"/> Final <input type="checkbox"/> Fixed				
	b. Rate	c. Base	d. Total Amount	e. Federal Share	
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation. This grant is completed and the reported costs are in agreement with the accounting records. Costs of \$3,319.83 were incurred during the current period.					
13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.					
Typed or Printed Name and Title				Telephone (Area code, number and extension)	
Signature of Authorized Certifying Official				Date Report Submitted	

FINANCIAL STATUS REPORT

(Short Form)

(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted U. S. Department of HUD		2. Federal Grant or Other Identifying Number Assigned By Federal Agency VA003REF022A005		OMB Approval No. 0348-0039	Page of pages
3. Recipient Organization (Name and complete address, including ZIP code) Newport News Redevelopment and Housing Authority P.O. Box 797 Newport News, VA 23607					
4. Employer Identification Number 54-6001452		5. Recipient Account Number or Identifying Number		6. Final Report <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
7. Basis <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual					
8. Funding/Grant Period (See instructions) From: (Month, Day, Year) To: (Month, Day, Year) 6/6/2006 4/23/2009		9. Period Covered by this Report From: (Month, Day, Year) To: (Month, Day, Year) 7/1/07 6/30/08			
10. Transactions			I Previously Reported	II This Period	III Cumulative
a. Total outlays			119,728.78	157,551.75	277,280.53
b. Recipient share of outlays			-		
c. Federal share of outlays			119,728.78	157,551.75	277,280.53
d. Total unliquidated obligations					
e. Recipient share of unliquidated obligations					
f. Federal share of unliquidated obligations					
g. Total Federal share (Sum of lines c and f)					277,280.53
h. Total Federal funds authorized for this funding period					350,000.00
i. Unobligated balance of Federal funds (Line h minus line g)					72,719.47
11. Indirect Expense	a. Type of Rate (Place "X" in appropriate box) <input type="checkbox"/> Provisional <input type="checkbox"/> Predetermined <input type="checkbox"/> Final <input type="checkbox"/> Fixed				
	b. Rate	c. Base	d. Total Amount	e. Federal Share	
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation. Costs of \$157,551.75 were incurred and examined during the current period.					
13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.					
Typed or Printed Name and Title				Telephone (Area code, number and extension)	
Signature of Authorized Certifying Official				Date Report Submitted	

Newport News Redevelopment and Housing Authority
Newport News, Virginia

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008

	Federal Award Number	Program or Award Amount	Disbursements or Expenditures
FEDERAL GRANTOR			
U.S. Department of HUD			
Direct Programs:			
Low-Rent Public Housing Program			
Operating Subsidies			
VA003-001-07D	14.850	\$ 6,575,658	\$ 3,287,829
VA00300XXX08D	14.850	\$ 6,753,070	3,376,538
			<u>6,664,367</u>
Capital Fund Program:			
VA36P003501-04	14.872	\$ 3,290,684	51,948
VA36P003501-05	14.872	\$ 3,268,942	484,785
VA36P003501-06	14.872	\$ 3,132,489	95,945
VA36P003501-06	14.872	\$ 112,283	-
VA36P003501-07	14.872	\$ 3,492,461	937,566
VA36R003501-08	14.872		32,978
			<u>1,603,222</u>
Housing Assistance Payments Program:			
Housing Choice Voucher Program	14.871	\$ 14,705,954	<u>14,705,954</u>
Housing Assistance Payments Program:			
Moderate Rehabilitation - Single Room Occupancy	14.856	\$ 332,929	332,929
New Construction through the Virginia Housing Development Authority			
Transition Center, VA36H027032	14.182	\$ 50,232	50,232
			<u>383,161</u>
TOTAL SECTION 8 PROJECT BASED CLUSTER			
Resident Opportunities and Supportive Services			
VA003RFS130A005	14.870	\$ 44,788	4,097
VA003REF022A005	14.870	\$ 350,000	157,552
VA003RNN011A005	14.870	\$ 398,050	88,300
VA003RFS157A006	14.870	\$ 46,000	38,585
			<u>288,534</u>

Newport News Redevelopment and Housing Authority
Newport News, Virginia

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2008

	Federal Award Number	Program or Award Amount	Disbursements or Expenditures
Shelter Plus Care Program VA36C90-5001	14.238	\$ 243,600	<u>30,596</u>
		TOTAL HUD	<u>23,675,834</u>
U.S. Department of Homeland Security Federal Emergency Management Agency Emergency Preparedness and Response Disaster Housing Assistance Grant VA003F	97.109	\$ 49,836	<u>44,318</u>
		TOTAL DIRECT	<u>23,720,152</u>
U.S. Department of HUD Indirect Programs: Pass-Through from the City of Newport News Community Development Block Grants/ Entitlement Grants	14.218	\$ 2,296,627	<u>2,296,627</u>
HOME Investment Partnership Program M-XX-MC-510202	14.239	\$ 1,298,046	<u>1,298,046</u>
		TOTAL INDIRECT	<u>3,594,673</u>
		TOTAL	<u><u>27,314,825</u></u>

NOTE:

The accompanying schedule of expenditure of federal awards includes the federal grant activity of the Authority and is presented on the full accrual basis of accounting (see Note 1 for a detailed description of this basis of accounting). The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Since this schedule reports the expenditure of federal awards, including capital expenditures, some of the amounts appearing on this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed In Accordance with Government Auditing Standards

The Directors of the Newport News
Redevelopment and Housing Authority

We have audited the basic financial statements of the Newport News Redevelopment and Housing Authority (the "Authority") as of and for the year ended June 30, 2008, and have issued our report thereon dated March 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

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

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency 2008-1 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that the significant deficiency identified above is not a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in a separate letter dated March 31, 2009.

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

This report is intended solely for the information and use of the Directors, and Authority management and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekant & Holland, L.L.P.

Virginia Beach, Virginia
March 31, 2009



**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Federal Program and Internal Control
over Compliance in Accordance with OMB Circular A-133**

The Directors of the Newport News
Redevelopment and Housing Authority

Compliance

We have audited the compliance of the Newport News 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 June 30, 2008. The Authority's major federal programs are identified in the summary of auditors' 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 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct 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 on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 31, 2009.

The report is intended for the information of the Board of Directors, management, 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.

Cherry, Bekant & Holland, L.L.P.

Virginia Beach, Virginia
March 31, 2009

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended June 30, 2007 contained six audit findings. The corrective action taken by the Authority was as follows:

- 07-1 INABILITY TO DRAFT FINANCIAL STATEMENTS AND RELATED DISCLOSURES:
The Authority hired an accounting firm to provide accounting assistance, training and prepared our own financial statements. This finding is cleared.
- 07-2 FAILURE TO PREPARE AND SUBMIT HUD REQUIRED FINANCIAL DATA SCHEDULE (FDS):
The accounting firm hired by the Authority assisted in the preparation of the FDS and it was submitted timely. The Authority entered into a Memorandum of Agreement with HUD that identifies specific targets and strategies to ensure that required reports are submitted to HUD on a timely basis. This finding is cleared.
- 07-3 SECTION 8 ADMINISTRATION:
The Section 8 office has been fully staffed and the Authority hired a Compliance Analyst to ensure compliance through internal program audits of Section 8 files including all SEMAP indicators; to monitor MTCS, HCV payment standards, utility allowances, PIC and EIV for compliance; and to review portable billings for tracking purposes. Staff was also hired to assist the inspection department with landlord notifications, data entry and filing. SEMAP meetings are also held to review all indicators. This finding is cleared.
- 07-4 FINANCIAL REPORTING - SPECIFIC DEPARTURES FROM OR MISAPPLICATION OF GAAP:
The accounting firm hired by the Authority has been utilized for advice and consultation on matters of application of GAAP. Training has been provided to staff and they will continue to be trained in the correct application of accounting principles. This finding is cleared.
- 07-5 LACK OF INTERNAL FINANCIAL REPORTING AND BUDGETING:
The Finance Department provides monthly financial statements for the Public Housing program, the Community Development Grant program, as well as to the Executive Director and Directors' of Housing and Administration. We are currently evaluating proposals from two vendors for a new enterprise business system to fully meet the needs of the Authority. This finding is cleared.
- 07-6 FIXED ASSET MANAGEMENT SYSTEM NOT MAINTAINED PROPERLY:
The accounting firm hired by the Authority has been utilized to set up and update the equipment management system. Staff have been tasked to complete the depreciation process and to keep the system current. Staff continues to receive training on the FAS-GOV system used by the Authority. This finding is cleared.

Newport News Redevelopment and Housing Authority

**Schedule Of Findings And Questioned Costs
For the Fiscal Year Ended June 30, 2008**

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: **unqualified opinion**
- (b) Significant deficiencies in internal control disclosed by the audit of the financial statements: **yes**
Material weaknesses: **no**
- (c) Noncompliance, which is material to the financial statements: **no**
- (d) Significant deficiencies in internal control over major programs: **no**
Material weaknesses: **no**
- (e) The type of report issued on compliance for major programs: **unqualified opinion**
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **no**
- (g) The programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA #</u>
Low Rent Public Housing	14.850
Capital Fund	14.872
Housing Assistance Payments	14.871
CDBG	14.218
HOME Investment Partnership	14.239

- (h) Dollar threshold used to distinguish between Types A and B Programs: **\$819,445**
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **no**

(2) Findings - Financial Statement Audit:

2008-1 – No Formal Process to Review for Impairment or Valuation of Mortgage Notes Receivable:

Condition:

The Authority does not have a formal process for the appropriate employees and members of management to review the listing of mortgage notes receivable for potential impairment or valuation issues.

Criteria:

Mortgage notes receivable should be recorded at fair market value, which approximates cost less an allowance for doubtful accounts. Sound business practices and a sound internal control system should provide for management's involvement in assessing an allowance for doubtful accounts on, at a minimum, an annual basis. Management's estimate of an allowance for doubtful accounts should consider known problems with collectibility, economic conditions and other risks inherent to the mortgage notes receivable portfolio.

Cause:

The current process for monitoring impairment and valuation occurs annually and involves only staff members of the finance department and community development, who analyze reports for potential write-offs. During our audit testing of mortgage notes receivable, discussions with the Commercial Loan Program Manager, who is not involved in the valuation process, led us to identify a loan that had been approved for write-off by the board in a prior year.

Effect:

The failure of all knowledgeable parties being involved in the process resulted in a prior period adjustment for a commercial loan that was approved for write-off by the board in a prior year.

Recommendation:

We recommend the valuation process be expanded to include key members of management, specifically the Director of Finance, the Commercial Development Program Manager and Commercial Loan Program Manager, who collectively possess a greater knowledge of these loans.

Management's Response:

During 2008, the Authority converted from a manual loan accounting process to an electronic loan accounting process, which allowed for the ease of tracking specific loans, related activities and account balances. This process was completed November 2008. The Authority will assemble a team which includes the Finance Director, Commercial Loan Program Manager, Commercial Development Program Manager, and the responsible Accounting Officer, to review the listing of mortgage notes receivable as of June 30, 2009, to collectively discuss known collectibility issues, economic conditions affecting the loan balances, and other identified risks. Thereafter, the Finance Department will send quarterly Trial Balance reports that detail all open loans for Community Development review.

Responsible Parties:

Assembling a team for review of loan impairment and valuation: Finance Director
Target Date: October 2009, for the year ended June 30, 2009

(3) Findings and Questioned Costs - Major Federal Awards: none.