

**HARRISONBURG REDEVELOPMENT
AND HOUSING AUTHORITY**

**AUDITED
FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED
DECEMBER 31, 2016**

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

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TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management Discussion and Analysis	4
Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Net Position	11
Statement of Cash Flows.....	12
Notes to Financial Statements	14
 SUPPLEMENTAL INFORMATION	
Financial Data Schedule	32
Schedule of Expenditures of Federal Awards	37
Notes to Schedule of Expenditures of Federal Awards	38
 FINANCIAL COMPLIANCE REPORTS FOR FEDERAL FUNDS	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	39
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41
Summary Schedule of Prior Audit Findings.....	43
Schedule of Findings and Questioned Costs	44



Dooley & Vicars
Certified Public Accountants, L.L.P.

Daniel J. Dooley, C.P.A.
Michael H. Vicars, C.P.A.

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Harrisonburg Redevelopment
and Housing Authority
Harrisonburg, Virginia

We have audited the accompanying financial statements of the business-type activities which comprise the major fund of the Harrisonburg Redevelopment and Housing Authority as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**INDEPENDENT AUDITORS' REPORT
(CONTINUED)**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities which comprise the major fund of the Harrisonburg Redevelopment and Housing Authority at December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, Financial Data Schedule, and other supplementary information as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**INDEPENDENT AUDITORS' REPORT
(CONTINUED)**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2017, on our consideration of the Harrisonburg Redevelopment and Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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* in considering Harrisonburg Redevelopment and Housing Authority's internal control over financial reporting and compliance.



Dooley & Vicars
Certified Public Accountants, L.L.P.

September 12, 2017

Management Discussion and Analysis (MD&A)
Harrisonburg Redevelopment and Housing Authority
December 31, 2016

As management of the Harrisonburg Redevelopment and Housing Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for fiscal year ended December 31, 2016. We encourage readers to consider the information presented here and in conjunction with the Authority's financial statements.

The Authority's Mission

To promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination; and to foster redevelopment of blighted areas to ensure the economic, social and housing vitality of our community. This is accomplished through the following programs:

- Housing Choice Voucher (HCV)
- Family Unification Program (FUP)
- Rental Assistance for Non-Elderly Persons with Disabilities (NED)
- HUD-Veterans Affairs Supportive Housing (HUD-VASH)
- Project Based Housing, Franklin Heights, LLC
- Project Based Housing, Commerce Village, LLC
- Community Development Block Grant Funds
- Section 8 New Construction (JR "Polly" Lineweaver Apartments)
- Lineweaver Annex Apartments (LIHTC)
- Service Coordinator Grant Funds
- Family Self Sufficiency (FSS) Grant Funds
- Continuum of Care (COC), HMIS Grant Funds
- Virginia Homeless Solutions Program, VHSP Grant Funds
- Local Community Development/Business Activities
- Shenandoah Housing Corporation
- Lineweaver Annex Corporation
- 150 South Main/Children's Museum
- Commerce Village Management, LLC

Program services are provided under the following philosophy: to treat all individuals with respect and dignity, to base all decisions on rational and provable data, and to operate with efficiency in the delivery of all services.

Financial Highlights

- The assets of the Authority exceeded its liabilities by \$9M.
- The Authority's net position increased by more than 10%.
- The revenue income increased by more than \$.5M (excluding loss on sale of capital assets in 2015).
- The expenses of the Authority increased by less than 1%.

Our analysis begins by determining if the Authority is financially better or worse off as a result of this year's activities. We believe that improvements made through purchasing and renovating our assets and the overall operations of the Authority in general do show that we are better off than we were a year ago. However, with continued uncertainty of federal support from HUD for the Housing Choice Voucher Program, it continues to be a challenge to continue to house as many clients as possible without overspending the allocation of funds.

Management Discussion and Analysis (MD&A)
Harrisonburg Redevelopment and Housing Authority
December 31, 2016

Condensed Comparative Financial Statements

	2016	2015	2014
Total Assets	\$23,654,403	\$22,807,330	\$24,309,331
Total Liabilities	13,741,797	13,935,398	13,269,429
Total Net Position	<u>9,912,606</u>	<u>8,871,932</u>	<u>11,039,902</u>
Total Liabilities & Net Position	\$23,654,403	\$22,807,330	\$24,309,331
Total Revenue	9,392,725	5,635,656	8,169,218
Total Expenses	<u>9,227,218</u>	<u>9,150,491</u>	<u>8,265,887</u>
Net Income (Loss)	\$ 165,507	\$(3,514,835)	\$(96,669)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's annual financial report. The financial report consists of the management's discussion and analysis, the basic financial statements, notes to financial statement, and other supplemental information. The financial statements in this annual report are presented on a full accrual basis of accounting and it is based on an Enterprise Method presentation. There are three types of financial statements used to help analyze the financial status of the Authority as one entity-wide organization

- **Statement of Net Position** - reports the assets and liabilities, with the difference between the two reported as netposition
- **Statement of Revenue, Expenses and Changes in Fund Net Position** - reports the operating and non-operating revenue by major source along with operating and non-operating expenses, with the difference between the two reported as a profit/loss
- **Comparison of Budget versus Actual** - reports the actual operating revenues and expenses versus the budgeted amounts

Statement of Net Position

The following table shows you the breakdown of assets, liabilities, and net position in all the program areas and how they changed from the prior year.

Assets	2016	2015	Net Change
Housing Choice Voucher	1,025,439	332,987	692,452
JR "Polly" Lineweaver Apts./S8NC	1,307,148	1,406,669	(99,521)
Local Comm Dev/Bus Activities	3,825,423	3,987,857	(162,434)
Component Units-Franklin Heights	12,204,483	12,628,419	(423,936)
Component Units-Discretely Presented	<u>5,291,910</u>	<u>4,451,399</u>	<u>840,511</u>
Total Assets	\$23,654,403	\$22,807,330	\$847,073
Liabilities			
Housing Choice Voucher	628,548	161,302	467,245
JR "Polly" Lineweaver Apts./S8NC	1,552,923	1,632,219	(79,296)
Local Comm Dev/Bus Activities	54,445	208,872	(154,427)
Component Units-Franklin Heights	9,468,124	9,991,763	(523,639)
Component Units-Discretely Presented	<u>2,037,757</u>	<u>1,941,242</u>	<u>96,515</u>
Total Liabilities	\$13,741,797	\$13,935,398	\$(193,601)

Management Discussion and Analysis (MD&A)
Harrisonburg Redevelopment and Housing Authority
December 31, 2016

Net Position

Housing Choice Voucher	396,891	171,684	225,207
JR "Polly" Lineweaver Apts./S8NC	(245,775)	(225,549)	(20,226)
Local Comm Dev/Bus Activities	4,295,823	4,257,310	38,513
Component Units-Franklin Heights	2,211,514	2,158,332	53,182
Component Units-Discretely Presented	<u>3,254,153</u>	<u>2,510,155</u>	<u>743,998</u>
Total Net Position	9,912,606	8,871,932	1,040,674
Total Liabilities & Net Position	\$23,654,403	\$22,807,330	\$847,073

The assets increased in the Housing Choice Voucher Program due to HUD paying HAP in December for January. In Component Units-Discretely Presented the increase was due to the completion of the construction of the 30 unit development. The assets decreased in Local Community Development, JR "Polly" Lineweaver and Franklin Heights due to accumulated depreciation.

The liabilities increased in the Housing Choice Voucher Program due to the prepaid contributions that HUD paid in December for January. The Component Units-Discretely Presented increased due to the construction financing and accounts payables set up for funds due to Local Community Development. The liabilities decreased for Local Community Development due to the accounts payables paid to the Housing Choice Voucher Program and HUD as a result of the 2015 Financial Management Review.

The net position decreased in JR "Polly" Lineweaver Apartments due to the debt servicing payments. The net position increased in the Housing Choice Voucher Program due to the January HAP funds received in December. The increase in Component Units-Discretely Presented is due to the completion of the 30 unit development.

Statement of Revenue, Expenses and Changes in Fund Net Position

The following table shows you an overview of all the programs' revenue and expenses as compared to the previous year.

Revenue	2016	2015	Net Change
Housing Choice Voucher (14.871)	6,229,821	6,046,788	183,033
JR "Polly" Lineweaver/S8NC (14.182)	422,170	417,561	4,609
Service Coordinator Grant (14.191)	69,718	49,880	19,838
Local Community Dev/Bus Activities	808,643	356,037	452,606
Supportive Housing for Persons with Disabilities (14.181)	84,072	94,263	(10,191)
Component Units-Franklin Heights	1,418,195	1,368,719	49,476
Component Units-Discretely Presented	220,106	(2,837,592)	3,057,698
Community Development Block Grant/Small Cities (14.219)	140,000	140,000	0
Total Revenue	<u>\$ 9,392,726</u>	<u>\$ 5,635,656</u>	<u>\$ 3,757,070</u>
Expenses			
Housing Choice Voucher (14.871)	6,004,614	5,939,168	65,446
JR "Polly" Lineweaver/S8NC (14.182)	442,396	451,735	(9,339)
Service Coordinator Grant (14.191)	69,718	49,880	19,838
Local Community Dev/Bus Activities	761,197	980,386	(219,189)
Supportive Housing for Persons With Disabilities (14.181)	93,001	94,263	(1,262)
Component Units-Franklin Heights	1,365,014	1,338,988	26,025
Component Units-Discretely Presented	351,278	156,071	195,207
Community Development Block Grant/Small Cities (14.219)	140,000	140,000	0
Total Expenses	<u>\$ 9,227,218</u>	<u>\$ 9,150,491</u>	<u>\$ 76,727</u>
Excess of Revenue Over Expenses	165,507	(3,514,835)	(3,349,328)

Management Discussion and Analysis (MD&A)

Harrisonburg Redevelopment and Housing Authority December 31, 2016

The Authority's revenue increased in Housing Choice Voucher program due to increased HAP funds, JR "Polly" Lineweaver and Franklin Heights due to Other Income category, Component Units due to the leasing of Commerce Village, and Local Community Development increased due to developer's fees earned from the completion of Commerce Village.

The expenses have increased this year in Housing Choice Voucher due to receiving more funds which allowed for an increase in spending for HAP payments that directly assisted clients. The expenses decreased in Local Community Development in Administration and Maintenance. The expenses increased in Component Units-Discretely Presented due to the closing settlement entries and finalizing of construction costs, and overall operating costs due to Commerce Village being ready for occupancy/lease up.

The Authority continues to make significant efforts to analyze all expenditures and make changes to continue to operate in the most efficient manner possible.

Overview of Program Budgets

The budget was maintained in most areas. The income was lower than expected in some programs, but decreasing expenses allowed us to keep within allowable budget constraints overall. The tables below show the breakdown of all the budget categories for each major program.

	HCV		JR "Polly" LW Apts.		Local Comm Dev		Component Units	
	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actual	Budgets
Rent	\$ 0	0	160,768	164,957	447,413	467,718	1,543,641	1,736,159
HAP Pymts	6,141,459	6,113,965	239,247	247,436	0	0	0	0
Grants	24,019	24,019	69,718	63,359	141,435	147,736	140,000	140,000
Investment	0	25	0	0	0	0	0	50
Other/Misc	64,343	12,500	22,155	6,000	303,867	214,503	94,661	145,336
Total	\$6,229,821	6,150,509	491,888	481,752	892,715	829,957	1,778,302	2,021,545
Expenses								
Administration	\$ 343,847	430,469	83,858	75,524	421,438	488,422	345,274	296,175
Tenant Services	0	0	70,433	64,359	982	1,000	25,847	16,000
Utilities	809	5,500	93,857	119,100	89,513	113,300	53,265	94,230
Maintenance	26,333	30,136	87,875	90,405	155,996	173,720	324,674	327,496
General	34,106	10,000	10,484	10,200	36,901	20,222	119,141	94,645
Interest	0	0	54,416	54,416	0	0	392,917	546,555
Depreciation	2,999	2,999	110,959	110,959	149,368	149,368	595,174	595,174
HAP Expenses	5,597,520	5,039,996	0	0	0	0	0	0
Total	\$6,004,614	5,519,100	511,882	524,963	854,198	946,032	1,856,292	1,970,275

The Housing Choice Voucher Program received more HAP funds than was budgeted. However, due to the decrease in HUD funding of administration fees, expenses were down in all categories, except General, which increased due to a bad debt write-off entry.

The JR "Polly" Lineweaver Apartments shows an under budget in rent and HAP due to the high number of move-outs this year. The amount increased in administration due to the reallocation of salaries and software costs.

Management Discussion and Analysis (MD&A)

Harrisonburg Redevelopment and Housing Authority December 31, 2016

The Local Community Development shows an over budget amount in Other/Miscellaneous Income due to the receipt of developer's fees. The over budget for general expenses was due to a GAAP entry for bad debt.

The income for Component Units shows an under budget in rent due to lower fair market rents, high number of move-outs, and the initial lease up of Commerce Village. The over budget increase in administration was due to reallocation of salaries and software costs. The over budget increase in Tenant Services was due to the hiring of a Coordinator for Commerce Village.

Capital Asset and Long-Term Debt Activity

Planned initiatives which will impact the Authority's financial status include:

- Initiation of an affordable homeownership and blighted property removal program
- Develop (4) one or two bedroom units specifically targeted for the Developmental Disabled and Intellectual Disabled within the Department of Justice settlement with the Commonwealth.
- Replace roofs on project based housing units (10-15 units per year)
- Renovation of approximately 4,765 square feet in the Bridgeport Building

The Authority will continue to seek grant funds in partnership with other community agencies to address gaps and needs in our local community and to identify additional resources that will assist Authority's residents in becoming more financially self-sufficient.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is to provide users with a general overview of the Authority's finances, and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Executive Director at PO Box 1071, Harrisonburg, VA 22803, by telephone 540-434- 7386, or by fax at 540-432-1113.

Harrisonburg Redevelopment and Housing Authority

Statement of Net Position

December 31, 2016

ASSETS	Enterprise Fund	Component Units
Current Assets		
Cash and Cash Equivalents	\$ 361,195	\$ -
Restricted Cash, Cash Equivalents	1,100,357	29,771
Investments	-	7,511
Receivables, Net	83,828	771
Inventories - Net of Allowance	2,631	-
Prepaid Charges and Other Assets	77,202	5,688
Interprogram Due From	75,699	-
Total Current Assets	1,700,912	43,741
Non-current Assets		
Capital Assets		
Land	1,719,886	376,000
Buildings	17,623,280	3,583,015
Furniture Equipment & Machinery- Dwellings	200,671	53,339
Furniture Equipment & Machinery- Admin	359,586	42,518
Leasehold Improvements	7,639,799	711,216
Less: Accumulated Depreciation	(11,510,558)	(391,474)
Fixed Assets - Net	16,032,664	4,374,614
Notes, Loans, & Mortgages Receivable	464,317	-
Other Assets	164,600	873,555
Total Non-current Assets	16,661,581	5,248,169
Deferred Outflow of Resources		
Deferred Outflow of Resources	-	-
Total Assets and Deferred Outflow of Resources	\$ 18,362,493	\$ 5,291,910

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

Harrisonburg Redevelopment and Housing Authority

Statement of Net Position December 31, 2016

LIABILITIES	Enterprise Fund	Component Units
Current Liabilities		
Accounts Payable	\$ 35,883	\$ 1,759
Accrued Liabilities	145,937	20,418
Tenant Security Deposits	145,572	14,771
Other Current Liabilities	21,225	175,000
Current Portion Long-term Debt	568,592	59,214
Unearned Revenue and Other Liabilities	35,907	10,513
Interprogram Due To	-	75,699
Total Current Liabilities	953,116	357,374
Noncurrent Liabilities		
Long-term Debt	10,021,241	1,308,982
Accrued Absences - Long-term	52,742	868
Non-current Other	193,979	370,533
Total Non-current Liabilities	10,267,962	1,680,383
Total Liabilities	11,221,078	2,037,757
Deferred Inflow of Resources		
Deferred Inflow of Resources	482,962	-
Net Position		
Invested in Capital Assets, Net of Related Debt	5,442,831	3,006,419
Restricted Net Position	386,530	-
Unrestricted Net Position	829,092	247,734
Total Net Position	6,658,453	3,254,153
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 18,362,493	\$ 5,291,910

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

Harrisonburg Redevelopment and Housing Authority

Statement of Revenues, Expenses, and Changes in Fund Net Position For The Year Ended December 31, 2016

	Enterprise Fund	Component Units
Revenues		
Tenant Revenue	\$ 2,058,208	\$ 148,057
Program Grants/Subsidies	6,558,515	-
Other Governmental Grants	57,363	-
Other Income	358,533	72,049
Total Revenues	<u>9,032,619</u>	<u>220,106</u>
Expenses		
Administrative	1,150,891	42,525
Tenant Services	72,821	24,441
Utilities	207,045	30,129
Maintenance	566,675	28,202
General	146,964	54,172
Housing Assistance Payments	5,597,520	-
Depreciation	722,178	136,322
Total Expenses	<u>8,464,094</u>	<u>315,791</u>
Net Income (Loss)	<u>568,525</u>	<u>(95,685)</u>
Non-Operating Revenues (Expenses)		
Capital Grant	140,000	-
Interest Expense	(411,846)	(35,487)
Total Nonoperating Revenues (Expenses)	<u>(271,846)</u>	<u>(35,487)</u>
Income (Loss) before Contributions and Transfers	<u>296,679</u>	<u>(131,172)</u>
Capital Grants		
Change in Net Position	<u>296,679</u>	<u>(131,172)</u>
Beginning of Year Net Position	6,361,774	2,510,158
Capital Contribution	<u>-</u>	<u>875,167</u>
Total Ending Net Position	<u><u>\$ 6,658,453</u></u>	<u><u>\$ 3,254,153</u></u>

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

Harrisonburg Redevelopment and Housing Authority

Statement of Cash Flows For The Year Ended December 31, 2016

	Enterprise Fund	Component Units
Cash Flows from Operating Activities:		
Cash Received from Tenants	\$ 2,032,549	\$ 147,286
Cash Received from Operating Grants	7,005,103	-
Cash Received from Other Sources	330,352	66,361
Cash Paid for Goods and Services	(840,490)	146,226
Cash Paid for Employees and Administrative	(1,129,975)	(66,966)
Housing Assistance Payments	(5,597,520)	-
Cash Paid for Other	(140,647)	(7,782)
Net Cash Provided (Used) By Operating Activities	<u>1,659,372</u>	<u>285,125</u>
Cash Flows from Capital and Related Financing Activities:		
Capital Grants received	140,000	-
Purchases, Sales, and Construction of Capital Assets	(90,519)	(947,990)
Principal Paid on Capital Debt	(666,595)	(154,431)
Proceeds from Capital Debt	-	875,167
Interest Paid on Capital Debt	(411,846)	(35,487)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(1,028,960)</u>	<u>(262,741)</u>
Cash Flows from Investing Activities:		
Purchase/Sale of investments	-	(7,603)
Net Cash Provided (Used) By Investing Activities	<u>-</u>	<u>(7,603)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	630,412	14,781
Cash and Cash Equivalents at Beginning of Year	831,140	14,990
Cash and Cash Equivalents at End of Year	<u>\$ 1,461,552</u>	<u>\$ 29,771</u>
Cash and Cash Equivalents:		
Unrestricted	\$ 361,195	\$ -
Restricted	1,100,357	29,771
Total Cash and Cash Equivalents	<u>\$ 1,461,552</u>	<u>\$ 29,771</u>

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

Harrisonburg Redevelopment and Housing Authority

Statement of Cash Flows For The Year Ended December 31, 2016

	Enterprise Fund	Component Units
Reconciliation of Operating Income (Loss) to Net Cash Provided		
(Used) By Operating Activities:		
Operating Income (Loss)	\$ 568,525	\$ (95,685)
Adjustments to Reconcile Operating Income to Net Cash Provided		
(Used) By Operating Activities:		
Depreciation Expense	722,178	136,322
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(25,659)	(771)
(Increase) Decrease in Inventories	(493)	-
(Increase) Decrease in Prepaid Expenses	(5,024)	(5,688)
(Increase) Decrease in Interprogram Due From	293,259	-
(Increase) Decrease in Notes Receivable	(316,416)	-
Increase (Decrease) in Accounts Payable	(15,556)	1,759
Increase (Decrease) in Accrued Expenses	(107,853)	17,285
Increase (Decrease) in Tenant Security Deposits	2,233	14,771
Increase (Decrease) in Other Liabilities	21,225	175,000
Increase (Decrease) in Unearned Revenue	35,907	10,513
Increase (Decrease) in Deferred Inflows	482,962	-
Increase (Decrease) in Interprogram Due To	(541)	(339,782)
Increase (Decrease) in Non-current Liabilities	4,625	371,401
Net Cash Provided (Used) By Operating Activities	<u>\$ 1,659,372</u>	<u>\$ 285,125</u>

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

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Reporting Entity - The Harrisonburg Redevelopment and Housing Authority (HRHA) was established by the Council of the City of Harrisonburg (City) as a political subdivision of the Commonwealth of Virginia. HRHA is responsible for operating a low rent housing program which provides housing for eligible families, for operating redevelopment and conservation programs and for the delivery of services to citizens of low rent housing and urban renewal areas through the encouragement and development of social and economic opportunities. The Commissioners of HRHA are appointed by City Council. As required by GAAP, these statements present the programs, activities and functions of HRHA (the primary government) and its component units. The component units discussed below are included in HRHA's reporting entity because of the significance of its operational and financial relationship with HRHA.
- b. Component Units -- The Component Units purpose is to provide housing and social and economic opportunities for the benefit of low to moderate income people. They are component units of HRHA because of the significance of their operational and financial relationships with HRHA. A copy of the separately issued audited financial statements for the component units may be obtained at the main office of HRHA. The disclosure requirements of GASB 61 are met by the combined financial statement presentation of the sole Component Unit. Footnotes regarding the policies of HRHA apply to the Component Unit unless otherwise noted. The Component Units consist of:
 1. Lineweaver Annex Corporation is a nonstock nonprofit Virginia corporation organized in 1991. The corporation is controlled by one member, the Shenandoah Housing Corporation. The Directors of the Lineweaver Annex Corporation and the Shenandoah Housing Corporation are the same as the Harrisonburg Redevelopment and Housing Authority's Board of Commissioners. Complete financial statements of the Lineweaver Annex Corporation are included in this report.
 2. Shenandoah Housing Corporation is a non-stock, non-membership Virginia corporation organized in 1991. The principal activity of the corporation is being the controlling member of the Lineweaver Annex Corporation. The Directors of the Shenandoah Housing Corporation are the same as the Harrisonburg Redevelopment and Housing Authority's Board of Commissioners. Complete financial statements of the Shenandoah Housing Corporation are included in this report.

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

b. Component Units - continued

4. One Fifty South Main, L.L.C. is a limited liability company organized on April 7, 2005. The company is controlled by the Harrisonburg Redevelopment and Housing Authority. The principal activity of the company is to purchase and renovate property in Harrisonburg, Virginia for the purpose of establishing the Harrisonburg Children's Museum. Complete financial statements of the One Fifty South Main, L.L.C. are included in this report.
5. Franklin Heights, L.L.C. is a limited liability company organized on October 17, 2008. The company is controlled by the Harrisonburg Redevelopment and Housing Authority. The principal activity of the company is to provide housing to low and moderate income individuals. Complete financial statements of Franklin Heights, L.L.C. are included in this report.
6. Commerce Village, L.L.C. is a limited liability company organized on March 5, 2013. The company is controlled by the Harrisonburg Redevelopment and Housing Authority. The principal activity of the company is to provide housing to low and moderate income individuals. Complete financial statements of Commerce Village, L.L.C. are included in this report.
7. Commerce Village Management, L.L.C. is a limited liability company organized on October 24, 2014. The company is controlled by the Harrisonburg Redevelopment and Housing Authority. The principal activity of the company is owning a managing interest in Commerce Village, L.L.C. Complete financial statements of Commerce Village Management, L.L.C. are included in this report.

All the component units are discretely presented, except for Franklin Heights, L.L.C., which is blended due to HRHA management having operational responsibility for Franklin Heights, L.L.C.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The financial statements of the 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. The Authority is a Special Purpose Government entity engaged only in business-type activities and therefore, presents only the financial statements required for the enterprise fund, in accordance with GASB 34.

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the "enterprise fund" in the basic financial statements as follows:

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

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

Enterprise 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 of all the Authority's enterprise funds are governmental grants used for maintaining and operating low income housing assistance programs. Operating expenses for these enterprise funds include administrative expenses, utilities and maintenance of housing units and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 of all the Authority's enterprise funds are governmental grants used for maintaining and operating low income housing assistance programs. Operating expenses for these enterprise funds include administrative expenses, utilities and maintenance of housing units and depreciation on capital assets. All revenues and expenses 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.

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- d. Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.
- e. Cash and Cash Equivalents - Highly liquid investments with initial maturities of three months or less from date of purchase are considered cash equivalents.
- f. Investments - Investments are carried at fair value, with changes in fair value recognized as a component of investment income. Fair value is determined by reference to quoted market prices.
- g. Notes Receivable - Deed of Trust and rental rehabilitation loans are carried at their unpaid principal balance. No allowance for loan losses is considered necessary.
- h. Due from/Due to Other Programs - During the course of its operations, HRHA has numerous transactions between funds to finance operations and provide services, and the Component Unit may or may not have such transactions. To the extent that certain transactions between funds had not been paid or received as of December 31, 2016, balances of inter-programs amounts receivable and payable have been recorded.
- i. Land, Structures, and Equipment - Land, structures, and equipment are capitalized at cost with depreciation calculated on the straight-line basis over the following estimated useful lives:

Real Property	40 years
Site Improvement	15 years
Office Furniture and Equipment	5 years
Data Processing Equipment	5 years
Automobiles	5 years
Maintenance Equipment	3 years

When assets are retired, demolished, or sold, their costs are removed from the accounts and the proceeds, if any, are reflected in revenues currently.

- j. Other Assets - Buildings held for resale are listed as "Other Assets," and are stated at the lower of cost or fair market value as of the acquisition or renovation completion date. Total land and redevelopment costs, where applicable, are allocated to total salable acreage under redevelopment, and are charged to the expense of sale on a prorated basis when the property is sold.
- k. Annual Contributions and Operating Subsidies - In accordance with the annual contributions contracts, HRHA receives operating subsidies from HUD. Such amounts are included as grant revenues from the federal government in the financial statements.

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- i. **Compensated Absences** - Employees earn annual vacation leave at a rate ranging from 12 days per year, up to a maximum of 18 days per year after 20 years of service. Vacation leave shall be approved in advance by the Executive Director and shall be taken within one year after its accrual. The maximum carryover per year shall be 30 days. At termination, employees are paid for any accumulated annual vacation leave. The amount is included in the accrued liabilities of the Authority.
- m. **Pension Plans** - HRHA participates in a defined contribution plan administered John Hancock Retirement Plan Services. All Employees are vested at 20% after the first year of service and an additional 20% each year up to five years. The Authority contributes 7.5% of each eligible employee's salary. The Authority's contribution and pension expense for the year ending December 31, 2016; December 31, 2015; and December 31, 2014 were \$59,708; \$59,672; and \$57,963 respectively. As of December 31, 2016, the Authority had no liability related to the defined contribution plan.

The Authority also maintains a 457-deferred compensation plan administered by the ICMA retirement Corporation. The Authority does not contribute to this plan. Contributions are voluntary.

- n. **Income Taxes** - As a political subdivision of the State of Virginia, HRHA is exempt from Federal and State income taxes. The Component Units are exempt from Federal and State income tax under Internal Revenue Code Section 501(c)(3).
- o. **Indirect Costs** - Certain indirect costs are allocated to expenses in the various programs in accordance with cost allocation plans. These plans were approved by the appropriate grantors as of HRHA's overall operations budget for the fiscal year.
- p. **Subsequent Events** – Management has evaluated subsequent events through September 12, 2017, the date on which the financial statements were available to be issued.
- q. **Inventories** - The inventories consist principally of maintenance supplies and are valued at cost (first-in, first-out). Inventories are recognized as expenditures when consumed or sold. Franklin Heights, a Blended Component Unit, maintains an inventory balance.
- r. **Net Position** - Net Position balances are designated by the Housing Choice Voucher program and Non-Major program for future expenses, or must be returned to the grantor, and generally may not be used in any manner by HRHA except as specified under their respective contracts. The Net Position balance of the Business Activities program, and of the Component Unit are designated to provide for financial resource utilization in future periods. Deficit balances in net assets are primarily attributable to accumulated depreciation charges on fixed assets.

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- s. Deferred outflows/inflows of resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has no items that meet the criterion for this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has one item that meets the criterion for this category, deferral of January 2017 Federal program funding for the Housing Choice Voucher program.

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

At December 31, 2016, the carrying amount of the Authority's deposits was \$1,491,323 and the bank balance was \$1,440,744. Of the bank balance, \$1,440,744 was covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act) and HUD requirements. Under the Act, banks holding public deposits in excess of the amounts insured by federal depository insurance must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of federal depository insurance limits under the Act, while HUD requires collateralization of 100% of deposits in excess of federal depository insurance from all banks, savings and loan, and investment institutions for all cash deposits and for investment vehicles not directly held. The State Treasury Board requires HRHA to obtain additional collateral from participating financial institutions to cover collateral shortfalls in the event of default and is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of noncompliance by banks and savings and loan institutions. HRHA follows HUD's guidelines for investment policy.

Investments - As of December 31, 2016, the Authority had no investments.

Interest Rate Risk - The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk - The Authority places no limit on the amount the Authority may invest in any one issuer. The Authority had no investments at December 31, 2016.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2016, all of the Authority's investments were in U.S. Government Securities held in the Authority's name.

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 3: RESTRICTED CASH

The following is a summary of the portion of the cash referred to in Note 2 which is classified as restricted:

Enterprise Fund	
Security Deposits	\$ 146,642
Restricted Net Position	<u>953,715</u>
	<u>\$ 1,100,357</u>
Component Units	
Development	\$ 29,771

NOTE 4: RECEIVABLES

Receivables as of year-end for the Authority and Component Units, including the applicable allowances for uncollectible accounts, are as follows:

	Enterprise Fund	Component Units
Receivables		
Tenants	\$ 121,901	\$ 2,481
Gross Receivables	<u>121,901</u>	<u>2,481</u>
Other Receivables		
Miscellaneous	6,184	-
Fraud Recovery	43,661	-
Current Notes & Mortgages Receivable	<u>50,499</u>	<u>-</u>
Less: Allowance for Uncollectibles	<u>(138,417)</u>	<u>(1,710)</u>
Total Receivables	<u>\$ 83,828</u>	<u>\$ 771</u>
L/T Notes and Mortgage Receivables	<u>\$ 464,317</u>	<u>\$ -</u>

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in the Capital Assets during the fiscal year ended December 31, 2016:

Enterprise Fund	<u>1/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2016</u>
Land	\$ 1,680,486	\$ 39,400	\$ -	\$ 1,719,886
Buildings	17,607,976	15,304	-	17,623,280
Equipment - Dwelling	199,971	700	-	200,671
Equipment - Administration	380,059	-	(20,473)	359,586
Leasehold Improvements	7,601,013	38,786	-	7,639,799
Accumulated Depreciation	(10,811,182)	(722,178)	22,802	(11,510,558)
	<u>\$ 16,658,323</u>	<u>\$ (627,988)</u>	<u>\$ 2,329</u>	<u>\$ 16,032,664</u>
Component Units	<u>1/1/2016</u>	<u>Increases</u>	<u>Transfers</u>	<u>12/31/2016</u>
Land	\$ 376,000	\$ -	\$ -	\$ 376,000
Building	423,192	426,338	2,733,485	3,583,015
Equipment - Dwelling	-	53,339	-	53,339
Equipment - Administration	-	42,518	-	42,518
Leasehold Improvements	285,421	425,795	-	711,216
Construction in Progress	2,733,485	-	(2,733,485)	-
Accumulated Depreciation	(255,152)	(136,322)	-	(391,474)
	<u>\$ 3,562,946</u>	<u>\$ 811,668</u>	<u>\$ -</u>	<u>\$ 4,374,614</u>

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 6: PREPAID CHARGES

Prepaid charges at December 31, 2016 consisted of the following:

	Enterprise Fund	Component Units
Prepaid Insurance	\$ 6,586	\$ 5,668
Prepaid Expense - Other	70,636	-
Total Prepaid Charges	\$ 77,222	\$ 5,668

NOTE 7: OTHER ASSETS

Other Assets as of December 31, 2016 consisted of the investment in DP Apartments, L.P. by Shenandoah Housing Corporation for the purpose of assisting and developing in low income housing. As of December 31, 2016, the value of the investment was \$873,555. The Authority entered into a capital lease agreement during 2010 in the amount of \$200,000. As of December 31, 2016, the balance remaining on the capital lease was \$164,600. The Authority also has an \$7,511 investment in Lineweaver Annex Corporation, as of December 31, 2016.

NOTE 8: CURRENT LIABILITIES

Current liabilities at December 31, 2016, consisted of the following:

Totals Primary Government		Component Units	
Accounts Payable	\$ 35,883	Accounts Payable	\$ 1,759
Other Current Liabilities	21,225	Other Current Liabilities	175,000
Current Portion - Long Term Debt	568,592	Current Portion - Long Term Debt	59,214
Due to Affiliates	-	Due to Affiliate	75,699
Accrued Liabilities	145,937	Accrued Liabilities	28,132
Unearned Revenue	35,907	Unearned Revenue	2,799
Tenant Security Deposits	145,572	Tenant Security Deposits	14,771
Total Current Liabilities	\$ 953,116	Total Current Liabilities	\$ 357,374

Interfund accounts of \$524,845 have been eliminated from the consolidated financial statements.

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 9: CONTINGENCIES AND OTHER MATTERS

a. Litigation and Other Matters

Certain claims, suits and complaints may arise in the ordinary course of business. In the opinion of the Authority's management, any such matters are adequately covered by insurance.

b. Grants

The Authority has received various other grants for specific purposes. These grants are subject to financial and compliance audits. Such audits could result in requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The Authority management is of the opinion that disallowances, if any, will not be material.

NOTE 10: INSURANCE AND RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased commercial insurance for all claims.

NOTE 11: LEASES

Capital Leases – The \$2,665,000 Public Facility lease Revenue Bond was used to finance the purchase and renovation of property in the City of Harrisonburg and is payable to Wells Fargo. These funds represent the cost of the property and construction and equipping of a social services and health department building for the benefit of Rockingham County and City of Harrisonburg. The building is called the Social Service Center. The Bonds are dated August 24, 1995 and mature on February 24, 2016, and bears interest of 6.08% per year. The Bond payment will come from lease payments, to be made by the County and the City, pursuant to a lease agreement. The Authority receives no income and incurs no expenses on this facility and the terms call for the Authority to transfer ownership at the end of the term. As of December 31, 2016 the bonds were fully repaid and the transfer of the building to the County and City was in process.

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 11: LEASES – Continued

The Capital Lease Bonds and Bank financing, issued to date, which are not part of these financial statements, are as follows:

<u>Revenue Bonds</u>	<u>Date Issued</u>	<u>Amount of Issue</u>	<u>Balance Outstanding</u>
Social Service Building	8/24/1995	\$ 2,665,000	\$ -
TOTAL		<u>\$ 2,665,000</u>	<u>\$ -</u>

NOTE 12: ECONOMIC DEPENDENCY

The Housing Choice Voucher Program is economically dependent on annual contributions and grants from HUD. The program operates at a loss prior to receiving the contributions and grants.

NOTE 13: IMPAIRMENT OF CAPITAL ASSETS

In accordance with new financial reporting standards issued by the Government Accounting Standards Board's, "Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" requires certain note disclosures. There were no permanent impairments experienced by the Authority that required material adjustments to the Statement of Net Assets.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund activity was incurred during normal operating activities:

	<u>Due To</u>	<u>Due From</u>
Business Activities	\$ 524,845	\$ 600,544
Component Units	75,699	-
Interfund Eliminations	<u>(524,845)</u>	<u>(524,845)</u>
	<u>\$ 75,699</u>	<u>\$ 75,699</u>

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15: NONCURRENT LIABILITIES

Noncurrent liabilities at December 31, 2016 consisted of the following:

	Balance 12/31/2015	Increases	Decreases	Long-Term Balance 12/31/2016	Current Portion
Long-Term Debt, Net of Current	\$ 11,900,991	\$ -	\$ (570,768)	11,330,223	\$ 627,806
Long-Term Compensated Absences	56,612	59,500	(62,502)	53,610	5,956
Non-Current Liabilities - Other	185,484	379,028	-	564,512	-
Total Non-Current Liabilities	<u>\$ 12,185,456</u>	<u>\$ 438,528</u>	<u>\$ (633,270)</u>	<u>\$ 11,948,345</u>	<u>\$ 633,762</u>

Notes Payable: Section 8 New

The \$1,730,000 Renovation and Refinancing Project Revenue bond was issued to finance the complete renovations and refinance debt on the 61 units JR Polly Lineweaver building. The bonds are payable through United Bank, at 3.75% interest, with principal and interest being payable in 240 monthly installments commencing on December 21, 2011. As of December 31, 2016, the balance on the bond was \$1,389,144.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 72,224	\$ 50,860	\$ 123,084
2018	74,979	48,105	123,084
2019	77,840	45,244	123,084
2020	80,809	42,274	123,083
2021	83,892	39,191	123,083
2022 to 2026	469,984	145,435	615,419
2027 to 2031	529,416	48,832	578,248
	<u>\$ 1,389,144</u>	<u>\$ 419,941</u>	<u>\$ 419,941</u>

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15: NONCURRENT LIABILITIES – Continued

Notes Payable: Business Activities

Franklin Heights: The \$3,500,000 General Obligation Public Improvement Bonds, Series 2006, will be used to renovate certain housing units that it owns and to refinance loans in the Local Community Development Fund. The Bond was issued by the City of Harrisonburg. The bond is payable through Davenport & Company, L.L.C., and principal payments start February 2010 and end February 2033 with an average interest cost of 4.3%. As of December 31, 2016, the Authority owes \$2,530,000 to the City of Harrisonburg on the bonds.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 118,234	\$ 106,282	\$ 224,516
2018	123,313	101,204	224,517
2019	128,609	95,907	224,516
2020	134,133	90,383	224,516
2021	139,894	84,622	224,516
2022 to 2026	794,933	327,649	1,122,582
2027 to 2031	980,960	141,622	1,122,582
2032 to 2036	109,924	2,336	112,260
	<u>\$ 2,530,000</u>	<u>\$ 950,005</u>	<u>\$ 3,480,005</u>

The \$6,436,515 General Obligation Public Improvement Bonds, Series 2009A-2, will be used to renovate certain housing units that it owns and to refinance the Authority's outstanding Revenue Note issued to Newbridge Bank in the original principal amount of \$2,000,000. The Bond was issued by the City Of Harrisonburg. The bond is payable through Davenport & Company, L.L.C., and principal payments start February 2010 and end August 2029 with an average interest cost of 4.5%. As of December 31, 2016, the Authority owes \$4,660,000 to the City of Harrisonburg on the bonds.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 280,304	\$ 203,966	\$ 484,270
2018	293,181	191,089	484,270
2019	306,650	177,620	484,270
2020	320,737	163,532	484,269
2021	335,472	148,798	484,270
2022 to 2026	1,923,190	498,159	2,421,349
2027 to 2031	1,200,466	74,797	1,275,263
	<u>\$ 4,660,000</u>	<u>\$ 1,457,961</u>	<u>\$ 6,117,961</u>

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15: NONCURRENT LIABILITIES – Continued

Notes Payable: Business Activities – Continued

On December 21, 2010, Franklin Heights, L.L.C. purchased property for the purpose of renovating 25 affordable housing units. The property was purchased for \$1,700,000 of which Franklin Heights has a seller financed note payable to Forkovitch Family in the amount of \$1,300,000. Principal and interest (5.0% per annum) is due monthly beginning January 21, 2011 and ending December 21, 2030. As of December 31, 2016, the Authority owes the Forkovitch Family \$1,035,074.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 52,389	\$ 50,564	\$ 102,953
2018	55,069	47,884	102,953
2019	57,887	45,066	102,953
2020	60,848	42,105	102,953
2021	63,962	38,991	102,953
2022 to 2026	372,374	142,392	514,766
2027 to 2031	<u>372,545</u>	<u>39,269</u>	<u>411,814</u>
	<u>\$ 1,035,074</u>	<u>\$ 406,271</u>	<u>\$ 1,441,345</u>

Notes Payable: Business Activities - Continued

The Authority issued Acquisition and Renovation Revenue bonds in the amount of \$1,200,000 to finance the remainder of Franklin Heights, L.L.C.'s property purchase price and the cost of renovations. The bonds are payable through United Bank. The first principal and interest payment (3.75% per annum) is due monthly beginning January 21, 2012 and ends December 21, 2031. As of December 31, 2016, the balance on the loan was \$975,615.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 49,397	\$ 35,743	\$ 85,140
2018	51,282	33,858	85,140
2019	53,238	31,902	85,140
2020	55,269	29,871	85,140
2021	57,378	27,762	85,140
2022 to 2026	321,443	104,256	425,699
2027 to 2031	<u>387,608</u>	<u>38,078</u>	<u>425,686</u>
	<u>\$ 975,615</u>	<u>\$ 301,470</u>	<u>\$ 1,277,085</u>

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15: NONCURRENT LIABILITIES – Continued

Notes Payable: Component Units

On April 22, 2005, One Fifty South Main L.L.C. issued a Bank Qualified Series 2005 Bonds in the amount of \$750,000 at 4.14% interest in order to acquire and renovate a building for the purpose of opening a children's museum. The bonds will be paid in full in 2020. The property deed of trust and revenues generated from the property serve as security for the bonds. The City of Harrisonburg has pledged a non-binding moral obligation pledge to pay costs of operating; insuring and maintaining the property, including debt service on the borrowed funds, to the extent revenues are insufficient to pay such costs. The loan calls for semi-annual payments to SunTrust Bank in the amount of \$33,834. As of December 31, 2016, the balance of the bond was \$218,196

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 59,243	\$ 8,425	\$ 67,668
2018	61,722	5,946	67,668
2019	64,303	3,365	67,668
2020	32,928	681	33,609
	<u>\$ 218,196</u>	<u>\$ 18,417</u>	<u>\$ 236,613</u>

Commerce Village, L.L.C.

HRHA is owed a note payable by CV in the amount of \$58,000 for the permanent financing of the project. The note is secured by a deed of trust in the project and accrues interest at 1.50% per annum. At December 31, 2016, the balance of accrued interest is \$797. The note is administered by the Virginia Department of Housing and Community Development (DHCD) through the Permanent Supportive Housing grant program.

CV has another DHCD Housing Trust Fund loan in the amount of \$750,000 and is secured by a deed of trust and has a stated interest rate of 1.50%. Interest only payments of \$938 are due monthly and the mortgage is due and payable in full on March 1, 2036.

CV also has a DHCD HOME loan in the amount of \$342,000 and is secured by a deed of trust. The loan has a stated interest rate of 1.50% and Interest only payments of \$428 are due monthly and the mortgage is due and payable in full on March 1, 2036.

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15: NONCURRENT LIABILITIES – Continued

Conduit Debt:

HRHA serves as a financing conduit for the issuance of Tax Exempt Revenue Bonds used for the development of various Housing Projects. HRHA receives an origination fee as well as yearly administration fees for performing this service. The respective properties are used as collateral for payment of these bonds and HRHA is not liable for payment in the event of default. All principal is guaranteed, as to principal payment, through Governmental insurance (ex. FHA) or private insurance. All projects are for 103b(4)A Housing projects. The Bonds issued to date, which are not part of these financial statements, are as follows:

<u>Revenue Bonds</u>	<u>Date Issued</u>	<u>Amount of Issue</u>	<u>Balance Outstanding</u>
Huntington Village	6/1/2001	\$ 10,400,000	\$ 8,215,000
Williamsburg Village	12/1/2001	4,850,000	3,310,000
Cold Harbor Garden	12/13/2004	8,800,000	7,050,106
Woodman West Apts.	2/12/2008	9,950,000	9,950,000
Oakemeade Apts.	2/9/2012	<u>4,700,000</u>	<u>4,455,000</u>
 TOTAL		 <u>\$ 38,700,000</u>	 <u>\$ 32,980,106</u>

NOTE 16: COMPONENT UNITS

A condensed presentation of the component units financial statements can be found on the following page.

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 16: COMPONENT UNITS – Continued

	Shenandoah Housing Corp		Lineweaver Annex Corp		Commerce Village Mgt, LLC		150 South Main, LLC		Commerce Village, LLC		Discretely Presented Component Units		Blended Component - Franklin Heights, LLC		Component Units Total	
											TOTAL					
<u>Statement of Net Assets- Balance Sheet</u>																
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,771	\$ -	\$ 29,771	\$ -	\$ 105,514	\$ -	\$ 135,285	
Other Current Assets	-	-	92	-	13,970	-	-	-	14,062	-	14,062	-	50,933	-	64,995	
Noncurrent Assets	865,225	8,238	-	504,004	3,870,610	-	504,004	3,914,351	5,248,077	-	5,248,077	12,048,036	17,296,113	-	17,296,113	
Total Assets	865,225	8,238	92	504,004	3,914,351	92	504,004	3,914,351	5,291,910	5,291,910	12,204,483	17,496,393	17,496,393	-	17,496,393	
<u>Liabilities</u>																
Current Liabilities	(52)	43,174	685	102,312	211,255	685	102,312	211,255	357,374	357,374	1,269,573	1,626,947	1,626,947	-	1,626,947	
Long Term Liabilities	-	-	-	158,982	1,521,401	-	158,982	1,521,401	1,680,393	1,680,393	8,723,396	10,403,779	10,403,779	-	10,403,779	
Total Liabilities	(52)	43,174	685	261,294	1,732,656	685	261,294	1,732,656	2,037,757	2,037,757	9,992,969	12,030,726	12,030,726	-	12,030,726	
<u>Net Assets - Equity</u>	\$ 865,277	\$ (34,936)	\$ (593)	\$ 242,710	\$ 2,181,695	\$ (593)	\$ 242,710	\$ 2,181,695	\$ 3,254,153	\$ 3,254,153	\$ 2,211,514	\$ 5,465,667	\$ 5,465,667	-	\$ 5,465,667	
<u>Statement of Activities - Income Statement</u>																
Revenues	\$ -	\$ -	\$ 8	\$ -	\$ 148,049	\$ -	\$ -	\$ 148,049	\$ 148,057	\$ 148,057	\$ 1,418,195	\$ 1,566,252	\$ 1,566,252	-	\$ 1,566,252	
Investment	-	-	-	-	-	-	-	-	-	-	140,000	140,000	140,000	-	140,000	
Other	3,032	-	-	67,667	1,350	-	67,667	1,350	72,049	72,049	-	72,049	72,049	-	72,049	
Total Revenue	3,032	-	8	67,667	149,399	8	67,667	149,399	220,106	220,106	1,558,195	1,778,301	1,778,301	-	1,778,301	
<u>Expenses</u>																
Administrative	735	825	685	510	39,770	685	510	39,770	42,525	42,525	302,748	345,273	345,273	-	345,273	
Maintenance and Operations	-	-	-	-	87,329	-	-	87,329	87,329	87,329	356,590	443,919	443,919	-	443,919	
General	-	-	-	10,281	74,821	-	10,281	74,821	85,102	85,102	386,823	471,925	471,925	-	471,925	
Depreciation	-	-	-	25,455	110,867	-	25,455	110,867	136,322	136,322	458,852	595,174	595,174	-	595,174	
Total Expenses	735	825	685	36,246	312,787	685	36,246	312,787	351,278	351,278	1,505,013	1,856,291	1,856,291	-	1,856,291	
Income <Loss>	2,297	(825)	(677)	31,421	(163,388)	(677)	31,421	(163,388)	(131,172)	(131,172)	53,182	(77,990)	(77,990)	-	(77,990)	
Beginning Net Assets (Equity)	862,980	(34,111)	-	211,289	1,470,000	-	211,289	1,470,000	2,510,158	2,510,158	2,158,332	4,668,490	4,668,490	-	4,668,490	
Equity Transfer/Prior Year Adjustment	-	-	84	-	875,083	84	-	875,083	875,167	875,167	-	875,167	875,167	-	875,167	
Ending Net Assets (Equity)	\$ 865,277	\$ (34,936)	\$ (593)	\$ 242,710	\$ 2,181,695	\$ (593)	\$ 242,710	\$ 2,181,695	\$ 3,254,153	\$ 3,254,153	\$ 2,211,514	\$ 5,465,667	\$ 5,465,667	-	\$ 5,465,667	

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 16: COMPONENT UNITS – Continued

	Shenandoah Housing Corp	Lineweaver Annex Corp	One Court Square, L.L.C.	150 South Main, L.L.C.	Commerce Village, L.L.C.	Discretely Presented Component Units	Blended Component - Franklin Heights, L.L.C.	Component Units Total
Cash flows from operating activities:								
Cash received from tenants	\$ -	\$ -	\$ -	\$ -	\$ 148,049	\$ 148,049	\$ 1,405,820	\$ 1,553,869
Cash received from other sources	735	-	8	68,177	1,350	70,270	140,000	210,270
Cash paid for goods and services	-	-	-	-	-	-	1,199	1,199
Cash paid for employees and administrative	(735)	-	(8)	(11,360)	(225,842)	(237,945)	(1,024,812)	(1,262,757)
Net cash provided (used) by operating activities	-	-	-	56,817	(76,443)	(19,626)	522,207	502,581
Cash flows from capital and related financing activities:								
Purchases, sales and construction of capital assets	-	-	-	-	(654,746)	(654,746)	(48,540)	(703,286)
Principal paid on capital debt	-	-	-	(56,817)	(273,790)	(330,607)	(478,116)	(808,723)
Proceeds from capital debt	-	-	-	-	1,027,270	1,027,270	-	1,027,270
Net cash (used) for capital and related financing activities	-	-	-	(56,817)	98,734	41,917	(526,656)	(484,739)
Cash flows from investing activities:								
(Increase) Decrease in Investments	-	-	-	-	(7,510)	(7,510)	-	(7,510)
Net cash provided by investing activities	-	-	-	-	(7,510)	(7,510)	-	(7,510)
Net increase (decrease) in cash and cash equivalents	-	-	-	-	14,781	14,781	(4,449)	10,332
Cash and cash equivalents at beginning of year	-	-	-	-	14,990	14,990	109,963	124,953
Cash and cash equivalents at end of year	\$ -	\$ -	\$ -	\$ -	\$ 29,771	\$ 29,771	\$ 105,514	\$ 135,285
Cash and Cash Equivalents:								
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	29,771	29,771	105,514	135,285
Total Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 29,771	\$ 29,771	\$ 105,514	\$ 135,285
Noncash Investing, Capital, and Financing Activities								
Accrued Contingent liability								
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 2,297	\$ (825)	\$ (677)	\$ 31,421	\$ (163,388)	\$ (131,172)	\$ 53,182	\$ (77,990)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:								
Depreciation expense	-	-	-	25,455	110,867	136,322	458,852	595,174
(Increase) Decrease in Receivables	-	-	-	-	(771)	(771)	(13,171)	(13,942)
(Increase) Decrease in Inventories	-	-	-	-	-	-	1,199	1,199
(Increase) Decrease in Deferred Charges	-	-	-	-	(5,688)	(5,688)	-	(5,688)
Increase (Decrease) in Accounts payable	-	-	-	-	-	-	7,606	7,606
Increase (Decrease) in Accrued expenses	-	-	-	(569)	(17,463)	(18,032)	(3,039)	(21,071)
Increase (Decrease) in Tenant Security Deposits	-	-	-	-	-	-	796	796
Increase (Decrease) in Interprogram due to	(2,297)	825	677	510	-	(285)	16,782	16,497
Net cash provided (used) by operating activities	\$ -	\$ -	\$ -	\$ 56,817	\$ (76,443)	\$ (19,626)	\$ 522,207	\$ 502,581

SUPPLEMENTAL INFORMATION

Harrisonburg Redevelopment & Housing Authority (VA014)
Harrisonburg, VA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2016

Account Description	14,181 Supportive Housing for Persons with Disabilities	14,191 Multifamily Housing Service Coordinators	Community Development Block Grants/Entitlement Programs	14,871 Housing Choice Vouchers	6.1 Component Unit - Discreetly Presented	6.2 Component Unit - Blended	14,182 N/C S/R Section 8 Programs	2 State/Local	1 Business Activities	14,896 PIH Family Self-Sufficiency Program	Subtotal	ELIM	Total
111 Cash - Unrestricted				\$80,596	\$0	\$0	\$19,301		\$281,298		\$361,195		\$361,195
112 Cash - Restricted - Modernization and Development				\$963,715	\$15,000						\$968,715		\$968,715
113 Cash - Other Restricted				\$14,771			\$15,603		\$25,525		\$161,413		\$161,413
114 Cash - Tenant Security Deposits						\$105,514							
115 Cash - Restricted for Payment of Current Liabilities				\$1,014,311	\$29,771	\$105,514	\$34,904	\$0	\$306,823	\$0	\$1,491,323	\$0	\$1,491,323
100 Total Cash	\$0	\$0	\$0	\$1,808,622	\$44,771	\$211,028	\$58,809	\$0	\$613,646	\$0	\$2,431,976	\$0	\$2,431,976
121 Accounts Receivable - PHA Projects													
122 Accounts Receivable - HUD Other Projects													
124 Accounts Receivable - Other Government													
125 Accounts Receivable - Miscellaneous				\$6,164	\$2,481	\$88,471	\$11,883		\$21,547		\$6,164		\$6,164
126 Accounts Receivable - Tenants					\$-1,710	\$-42,054	\$-5,445		\$-10,149		\$-124,382		\$-124,382
126.1 Allowance for Doubtful Accounts - Tenants					\$0				\$-37,108		\$-37,108		\$-37,108
126.2 Allowance for Doubtful Accounts - Other									\$50,499		\$50,499		\$50,499
127 Notes, Loans, & Mortgages Receivable - Current													
128 Fraud Recovery				\$43,661							\$43,661		\$43,661
128.1 Allowance for Doubtful Accounts - Fraud				\$43,661							\$43,661		\$43,661
129 Accrued Interest Receivable													
129 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$0	\$6,164	\$771	\$46,417	\$6,438	\$0	\$24,789	\$0	\$84,599	\$0	\$84,599
131 Investments - Unrestricted													
132 Investments - Restricted													
135 Investments - Restricted for Payment of Current Liability					\$7,511						\$7,511		\$7,511
142 Prepaid Expenses and Other Assets				\$1,945	\$5,688	\$1,885	\$71,086		\$2,286		\$82,850		\$82,850
143 Inventories						\$2,923					\$2,923		\$2,923
143.1 Allowance for Obsolete Inventories						\$-292					\$-292		\$-292
144 Inter Program Due From									\$800,544		\$800,544		\$800,544
145 Assets Held for Sale													
150 Total Current Assets	\$0	\$0	\$0	\$1,822,440	\$43,741	\$46,417	\$112,428	\$0	\$934,442	\$0	\$2,269,498	\$-524,845	\$1,744,653
161 Land													
162 Buildings					\$376,000	\$900,064	\$225,580		\$594,242		\$2,095,886		\$2,095,886
163 Furniture, Equipment & Machinery - Dwellings					\$3,583,015	\$10,741,570	\$1,853,881		\$5,027,829		\$21,206,295		\$21,206,295
164 Furniture, Equipment & Machinery - Administration				\$60,773	\$53,339	\$89,799	\$40,099				\$254,010		\$254,010
165 Leasehold Improvements				\$1,610	\$42,518	\$80,132	\$8,845		\$268,989		\$402,104		\$402,104
166 Accumulated Depreciation				\$-59,384	\$711,216	\$-6,625,023	\$-1,014,776		\$-3,104,161		\$8,351,015		\$8,351,015
167 Construction in Progress					\$-391,474	\$-6,398,552	\$-1,948,461				\$-11,902,032		\$-11,902,032
168 Infrastructure													
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$2,989	\$4,374,614	\$12,048,036	\$1,194,720	\$0	\$2,785,909	\$0	\$20,407,278	\$0	\$20,407,278
171 Notes, Loans, and Mortgages Receivable - Non-Current									\$464,317		\$464,317		\$464,317
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due									\$0		\$0		\$0
173 Grants Receivable - Non-Current					\$873,555				\$164,600		\$1,038,155		\$1,038,155
174 Other Assets													
176 Investments in Joint Ventures				\$2,989	\$5,248,169	\$12,048,036	\$1,194,720	\$0	\$3,415,826	\$0	\$21,909,750	\$0	\$21,909,750
160 Total Non-Current Assets	\$0	\$0	\$0	\$2,989	\$5,248,169	\$12,048,036	\$1,194,720	\$0	\$3,415,826	\$0	\$21,909,750	\$0	\$21,909,750
200 Deferred Outflow of Resources													
290 Total Assets and Deferred Outflow of Resources	\$0	\$0	\$0	\$1,822,440	\$43,741	\$46,417	\$112,428	\$0	\$934,442	\$0	\$2,269,498	\$-524,845	\$1,744,653
311 Bank Overdraft													
312 Accounts Payable <= 90 Days				\$1,556	\$1,759	\$10,916	\$11,508		\$11,903		\$37,642		\$37,642
313 Accounts Payable >90 Days Past Due													

321	Accrued Wage/Payroll Taxes Payable				\$5,511	\$295	\$4,922	\$1,192	\$3,603	\$15,523	\$15,523	\$15,523
322	Accrued Compensated Absences - Current Portion				\$1,838	\$97	\$2,230	\$450	\$1,341	\$5,956	\$5,956	\$5,956
324	Accrued Contingency Liability											
325	Accrued Interest Payable				\$0	\$20,026	\$124,850			\$144,876	\$144,876	\$144,876
331	Accounts Payable - HUD PHA Programs									\$0	\$0	\$0
332	Account Payable - PHA Projects											
333	Accounts Payable - Other Government				\$35,507	\$14,771	\$104,444	\$15,603	\$25,625	\$160,343	\$160,343	\$160,343
341	Tenant Security Deposits					\$2,799				\$36,706	\$36,706	\$36,706
342	Unearned Revenue					\$69,214	\$497,366	\$71,226		\$627,806	\$627,806	\$627,806
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue											
344	Current Portion of Long-term Debt - Operating Borrowings											
345	Other Current Liabilities				\$175,000			\$21,225		\$196,225	\$196,225	\$196,225
346	Accrued Liabilities - Other				\$7,714					\$7,714	\$7,714	\$7,714
347	Inter Program - Due To				\$0	\$75,699	\$524,845	\$0		\$600,544	\$600,544	\$600,544
348	Loan Liability - Current											
310	Total Current Liabilities	\$0	\$0	\$0	\$44,812	\$357,374	\$1,269,573	\$121,204	\$42,372	\$1,835,335	\$1,835,335	\$1,835,335
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					\$1,308,982	\$6,703,323	\$1,317,918		\$11,330,223	\$11,330,223	\$11,330,223
352	Long-term Debt, Net of Current - Operating Borrowings											
353	Non-current Liabilities - Other				\$84,224	\$370,533		\$109,755		\$564,512	\$564,512	\$564,512
354	Accrued Compensated Absences - Non Current				\$16,550	\$668	\$20,073	\$4,046	\$12,073	\$33,610	\$33,610	\$33,610
355	Loan Liability - Non Current											
356	FASB 5 Liabilities											
357	Accrued Pension and OPEB Liabilities											
300	Total Liabilities	\$0	\$0	\$0	\$100,774	\$1,680,383	\$8,723,396	\$1,431,719	\$12,073	\$11,948,345	\$11,948,345	\$11,948,345
400	Deferred Inflow of Resources				\$145,586	\$2,037,757	\$9,992,969	\$1,552,923	\$54,445	\$13,783,660	\$13,256,835	\$13,256,835
508.4	Net Investment in Capital Assets				\$482,962					\$482,962	\$482,962	\$482,962
511.4	Restricted Net Position				\$2,999	\$3,006,419	\$2,847,347	-\$194,424	\$2,786,903	\$6,449,250	\$9,449,250	\$9,449,250
512.4	Unrestricted Net Position				\$386,530					\$386,530	\$386,530	\$386,530
513	Total Equity - Net Assets / Position	\$0	\$0	\$0	\$7,362	\$247,734	-\$635,833	-\$81,351	\$1,508,914	\$1,076,826	\$1,076,826	\$1,076,826
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$0	\$0	\$0	\$1,025,439	\$5,291,910	\$12,204,483	\$1,307,148	\$4,350,268	\$24,179,248	\$24,179,248	\$24,179,248

Harrisonburg Redevelopment & Housing Authority (VA014)
Harrisonburg, VA

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2016

Submission Type: Audited/Single Audit

	14,181 Supportive Housing for Persons with Disabilities	14,191 Multifamily Housing Service Coordinators	14,218 Community Development Block Grants/Entitlement Grants	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14,182 N/C S/R Section 8 Programs	2 State/Local	1 Business Activities	14,896 PH Family Self-Sufficiency Program	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue					\$146,657	\$1,396,983	\$160,768		\$447,413		\$2,151,821		\$2,151,821
70400 Tenant Revenue - Other					\$1,400	\$21,212	\$18,362		\$13,470		\$54,444		\$54,444
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$148,057	\$1,418,195	\$179,130	\$0	\$460,883	\$0	\$2,206,265	\$0	\$2,206,265
70600 HUD PHA Operating Grants	\$84,072	\$69,718	\$140,000	\$6,141,459			\$239,247			\$24,019	\$6,558,515		\$6,558,515
70610 Capital Grants											\$140,000		\$140,000
70700 Management Fee													
70720 Asset Management Fee													
70730 Book Keeping Fee													
70740 Front Line Service Fee													
70750 Other Fees													
70700 Total Fee Revenue											\$0	\$0	\$0
70800 Other Government Grants								\$57,363			\$57,363		\$57,363
71100 Investment Income - Unrestricted											\$1		\$1
71200 Mortgage Interest Income													
71300 Proceeds from Disposition of Assets Held for Sale													
71310 Cost of Sale of Assets													
71400 Fraud Recovery				\$49,492							\$49,492		\$49,492
71500 Other Revenue				\$14,851	\$72,038		\$3,793		\$290,386		\$361,078		\$361,078
71600 Gain or Loss on Sale of Capital Assets					\$11						\$11		\$11
72000 Investment Income - Restricted													
70000 Total Revenue	\$84,072	\$69,718	\$140,000	\$6,205,802	\$220,106	\$1,418,195	\$222,170	\$57,363	\$751,280	\$24,019	\$9,392,725	\$0	\$9,392,725
91100 Administrative Salaries	\$48,827			\$212,736	\$10,014	\$202,453	\$47,636	\$47,474	\$118,860	\$24,019	\$712,019		\$712,019
91200 Auditing Fees				\$7,340	\$2,800	\$2,000	\$1,500		\$3,245		\$16,885		\$16,885
91300 Management Fee													
91400 Advertising and Marketing													
91500 Employee Benefit Contributions - Administrative	\$16,149			\$59,348	\$2,852	\$68,561	\$14,422	\$16,309	\$45,573		\$225,214		\$225,214
91600 Office Expenses				\$6,201	\$1,838	\$4,699	\$3,058		\$9,927		\$25,723		\$25,723
91700 Legal Expense				\$946	\$1,444	\$4,754	\$1,191		\$5,222		\$13,557		\$13,557
91800 Travel	\$9,002			\$6,797	\$677	\$1,466	\$1,804	\$3,941	\$22,456		\$46,163		\$46,163
91810 Allocated Overhead													
91900 Other	\$18,210			\$25,460	\$23,100	\$18,795	\$14,247		\$54,243		\$154,055		\$154,055
91000 Total Operating - Administrative	\$52,168	\$0	\$0	\$318,628	\$42,525	\$302,748	\$63,858	\$69,724	\$259,526	\$24,019	\$1,193,416	\$0	\$1,193,416
92000 Asset Management Fee													
92100 Tenant Services - Salaries		\$50,758			\$15,130						\$65,888		\$65,888
92200 Recreation Costs													
92300 Employee Benefit Contributions - Tenant Services		\$12,937			\$73						\$13,010		\$13,010
92400 Tenant Services - Other		\$6,023			\$9,238	\$1,406	\$715		\$982		\$18,364		\$18,364
92500 Total Tenant Services	\$0	\$65,718	\$0	\$0	\$24,441	\$1,406	\$715	\$0	\$982	\$0	\$97,262	\$0	\$97,262
93100 Water				\$50	\$5,638	\$6,066	\$7,202		\$5,429		\$27,882		\$27,882
93200 Electricity				\$460	\$13,291	\$12,782	\$62,626		\$55,429		\$144,588		\$144,588
93300 Gas				\$214	\$1,456	\$2,111	\$2,647		\$2,647		\$6,420		\$6,420
93400 Fuel													
93500 Labor													
93600 Sewer				\$85	\$9,744	\$2,177	\$23,759		\$22,511		\$56,276		\$56,276
93700 Employee Benefit Contributions - Utilities													

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

DIRECT FEDERAL ASSISTANCE

<u>FEDERAL GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Grant Pass Thru Identification		
<u>U.S. DEPARTMENT OF HUD</u>		
Housing Choice Vouchers	14.871*	\$ 6,141,459
N/C S/R Section 8 Programs	14.182	239,249
Multifamily Housing Coordinator	14.191	69,718
Family Self-Sufficiency Program	14.896	24,019
Supportive Housing for Persons with Disabilities	14.181	<u>84,072</u>
TOTAL U.S. DEPARTMENT OF HUD		<u>\$ 6,558,517</u>
Pass-Through from the City of Harrisonburg		
Community Development Block Grants # - 16CDBG01 & 147CDBG01	14.218	<u>\$ 140,000</u>
TOTAL CITY OF HARRISONBURG		<u>\$ 140,000</u>
TOTAL FEDERAL ASSISTANCE		<u><u>\$ 6,698,517</u></u>

*Major program

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1: Basis of Accounting

The accompanying Schedule of Financial Assistance is prepared on the accrual basis of accounting. The information on this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2: Major Programs

The (*) to the right of a CFDA number identifies the grant as a major federal program as defined by the Uniform Guidance.

Note 3: Award Balance

On the Section 8 Vouchers/Certificate programs, the Authority receives annual funds based on an annual estimate of need. Unexpended grant funds are available to meet subsequent year HAP shortfalls.

Note 4: Program Costs

The amounts shown as current year expenditures represent only the federal portion of the actual program costs. Actual program costs, including the housing Authority's portion, may be more than shown.

Note 5: Indirect Cost Allocation

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

**FINANCIAL COMPLIANCE REPORTS
FOR
FEDERAL FUNDS**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners
Harrisonburg Redevelopment
and Housing Authority
Harrisonburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited Harrisonburg Redevelopment and Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Harrisonburg Redevelopment and Housing Authority's major federal programs for the year ended December 31, 2016. Harrisonburg Redevelopment and Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Harrisonburg Redevelopment and Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Harrisonburg Redevelopment and Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Harrisonburg Redevelopment and Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified above for the year ended December 31, 2016.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Dooley & Vicars
Certified Public Accountants

September 12, 2017



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

Board of Commissioners
Harrisonburg Redevelopment
and Housing Authority
Harrisonburg, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Harrisonburg Redevelopment and Housing Authority, which comprise the balance sheet as of December 31, 2016, and the related statements of income (loss) and cash flows to the year then ended, and the related notes to the financial statements and have issued our report thereon on September 12, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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



Dooley & Vicars
Certified Public Accountants, L.L.P.

September 12, 2017

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**Finding No. 2015-001 – Incorrect Presentation of Restricted Net Position**

CONDITION: The HRHA used \$100,862 in HAP funds to cover non-HAP related expenses and also used \$47,064 in current administrative funds to cover expenses other than current year administrative costs; for a total cash shortfall of \$147,962.

STATUS: Resolved - The HRHA has repaid funds to cover the non-HAP and non-current administrative expenses.

Finding No. 2015-02 – Housing Choice Voucher Program Reporting

CONDITION: The HRHA miscalculated and misreported the RNP, UNP, and cash balances.

STATUS: Resolved - The HRHA has agreed to the HUD stipulated balances and made the appropriate entries to reflect the revised balances.

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified: yes no• significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reportedNoncompliance material to financial statements noted? yes no*Federal Awards*

Internal control over major programs:

• Material weakness(es) identified: yes no• Reportable condition(s) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section Title 2, Part 200 (Uniform Guidance): yes no

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.871	Housing Choice Vouchers

Dollar threshold used to distinguish
between type A and B programs:\$ 750,000

Auditee qualified as low-risk auditee?

 yes no

Section II -- Financial Statement Findings

There were no Financial Statement findings.

Section III -- Federal Awards Findings and Questioned Costs

There were no Federal Award findings or Questioned costs.