

**HARRISONBURG REDEVELOPMENT
AND HOUSING AUTHORITY**

**AUDITED
FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED
DECEMBER 31, 2020**

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

Daniel J. Dooley, C.P.A.
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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, 2020, 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, 2020, 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 9 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 October 15, 2021, 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.

Richmond, Virginia
October 15, 2021

Management Discussion and Analysis (MD&A)

Harrisonburg Redevelopment and Housing Authority December 31, 2020

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, 2020. 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)**
- **Mainstream Voucher Program (MS5)**
- **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 Grant Funds (FSS)**
- **Continuum of Care (COC), HMIS/COC Planning 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**
- **The CARES Act 2020 Funds-Multi-family, Housing Choice and Mainstream Vouchers, COVID-19 ESO Grant**

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 \$7.8M.**
- **The Authority's net position decreased by 10%.**
- **The revenue income increased more than 9%.**
- **The expenses of the Authority increased less than 10%.**

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 the uncertainty of federal support from HUD for the Housing Choice Voucher Program, it continues to be a challenge to manage the program with the necessary staff the appropriate financial support.

Condensed Comparative Financial Statements

	2020	2019	2018
Total Assets	\$19,096,899	\$20,627,230	\$22,030,368
Total Liabilities	\$11,287,529	\$11,953,240	\$12,954,577
Total Net Positon	<u>\$7,809,370</u>	<u>\$8,673,990</u>	<u>\$9,075,791</u>
Total Liabilities & Net Position	\$19,096,899	\$20,627,230	\$22,030,368
Total Revenue	\$10,270,960	\$9,354,404	\$9,376,819
Total Expenses	<u>\$11,135,581</u>	<u>\$9,758,033</u>	<u>\$9,641,006</u>
Net Income (Loss)	-\$864,621	-\$403,629	-\$264,187

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 net position
- 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	2020	2019	Net Change
Housing Choice Voucher	\$837,733	\$383,366	\$454,367
JR "Polly" Lineweaver Apts./S8NC	\$1,033,255	\$1,243,235	(\$209,980)
Local Comm Dev/Bus Activities	\$3,971,277	\$3,659,062	\$312,215
Component Units-Franklin Heights	\$9,516,959	\$10,246,585	(\$729,626)

Component Units-Discretely Presented	<u>\$3,737,675</u>	<u>\$5,094,982</u>	<u>(\$1,357,307)</u>
<i>Total Assets</i>	\$19,096,899	\$20,627,230	(\$1,530,331)
<i>Liabilities</i>			
Housing Choice Voucher	\$242,522	\$128,086	\$114,436
JR "Polly" Lineweaver Apts./S8NC	\$1,421,407	\$1,508,505	(\$87,098)
Local Comm Dev/Bus Activities	\$519,512	\$699,836	(\$180,324)
Component Units-Franklin Heights	\$7,451,294	\$7,892,683	(\$441,389)
Component Units-Discretely Presented	<u>\$1,652,794</u>	<u>\$1,724,130</u>	<u>(\$71,336)</u>
<i>Total Liabilities</i>	\$11,287,529	\$11,953,240	(\$665,711)
<i>Net Position</i>			
Housing Choice Voucher	\$595,211	\$255,280	\$339,931
JR "Polly" Lineweaver Apts./S8NC	(\$388,152)	(\$352,542)	(\$35,610)
Local Comm Dev/Bus Activities	\$3,451,765	\$3,391,555	\$60,210
Component Units-Franklin Heights	\$2,065,665	\$2,008,845	\$56,820
Component Units-Discretely Presented	<u>\$2,084,881</u>	<u>\$3,370,852</u>	<u>(\$1,285,971)</u>
<i>Total Net Position</i>	\$7,809,370	\$8,673,990	(\$864,620)
<i>Total Liabilities & Net Position</i>	\$19,096,899	\$20,627,230	(\$1,530,331)

The assets increased in the Housing Choice Voucher Program due to the receipt of CARES Act funds for HAP that was not spent by the end of 2020.

The assets increased in the Local Community Development Program due to the transfer of funds from Shenandoah Housing Corporation and entrance improvements to the Bridgeport Building.

The assets decreased in JR "Polly" Lineweaver Apartments and Franklin Heights due to accumulated depreciation.

The decrease in assets in Component Units-Discretely Presented was due to the gifting of ownership of the Harrisonburg Children's Museum to HCM, Inc. from 150 S Main, LLC and the sale of ownership for Shenandoah Housing Corporation in DP Apartments, LP.

The liabilities in the Housing Choice Voucher Program increased due to the accounts payable that had to be set up for unspent CARES Act funds for administration costs.

The liabilities decreased in Franklin Heights AND JR "Polly" Lineweaver Apartments due to paying down debt.

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.

<i>Revenue</i>	2020	2019	Net Change
Housing Choice Voucher (14.871)	\$6,916,290	\$6,056,717	\$859,573
JR "Polly" Lineweaver/S8NC (14.182)	\$445,134	\$440,823	\$4,311
Service Coordinator Grant (14.191)	\$66,683	\$58,776	\$7,907
Local Community Dev/Bus Activities/State Grants	\$950,774	\$611,576	\$339,198
Supportive Housing for Persons with Disabilities (14.181)/VHSP	\$108,173	\$158,849	(\$50,676)
Component Units-Franklin Heights	\$1,354,343	\$1,490,262	(\$135,919)
Component Units-Discretely Presented	\$283,352	\$393,401	(\$110,049)
Community Development Block Grant	<u>\$146,211</u>	<u>\$144,000</u>	<u>\$2,211</u>
<i>Total Revenue</i>	\$10,270,960	\$9,354,404	\$916,556
<i>Expenses</i>			
Housing Choice Voucher (14.871)	\$6,576,359	\$6,137,553	\$438,806
JR "Polly" Lineweaver/S8NC (14.182)	\$486,094	\$464,486	\$21,608
Service Coordinator Grant (14.191)	\$61,333	\$64,127	(\$2,794)
Local Community Dev/Bus Activities	\$1,173,917	\$932,268	\$241,649
Supportive Housing/VHSP Grant	\$108,173	\$158,848	(\$50,675)
Component Units-Franklin Heights	\$1,297,523	\$1,522,489	(\$224,966)
Component Units-Discretely Presented	\$1,285,971	\$334,262	\$951,709
Community Development Block Grant	<u>\$146,211</u>	<u>\$144,000</u>	<u>\$2,211</u>
<i>Total Expenses</i>	\$11,135,581	\$9,758,033	\$1,377,548
<i>Excess of Revenue Over Expenses</i>	(\$864,621)	(\$403,629)	(\$460,992)

The revenue increased in the Housing Choice Voucher Program was due to the receipt of CARES Act funds for COVID-19 expenditures. The increase of income in the Local Community Development Program was due to grants from COVID-19 funds received and then distributed to community organizations to assist in homelessness prevention.

The increase in expenses for the Housing Choice Voucher Program was due to purchasing computer equipment for staff to work from home during the pandemic and cleaning supplies to comply with COVID-19 protocols.

The decrease in expenses for Franklin Heights was due to the lowering of administration and maintenance expenses.

The increase in expenses for Component Units-Discretely Presented was due a Loss on the Sale of Real Estate which was due to the property and ownership transfers in 150 S. Main Street and Shenandoah Housing Corporation.

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 Budget Programs

	Housing Choice Voucher		JR Polly Lineweaver		Local Community Development		Component Units-Blended (FH)		Component Units-Discretely Presented	
	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget
Income										
Rent	\$0	\$0	\$173,962	\$174,758	\$545,953	\$548,857	\$1,482,330	\$1,461,560	\$201,579	\$188,892
HAP	\$6,531,491	\$6,054,013	\$261,334	\$262,137	\$0	\$0	\$0	\$0	\$0	\$0
Grants	\$368,837	\$28,444	\$66,683	\$66,107	\$447,530	\$184,956	\$0	\$0	\$0	\$0
CDBG Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$146,211	\$140,000	\$0	\$0
Investment Inc	\$0	\$0	\$0	\$0	\$134	\$0	\$849	\$800	\$307	\$2,000
Other/Misc.	\$15,962	\$18,000	\$9,838	\$15,800	\$65,330	\$185,300	\$18,674	\$25,000	(\$889,312)	\$7,800
Total	\$6,916,290	\$6,100,457	\$511,517	\$518,802	\$1,058,947	\$919,113	\$1,648,064	\$1,627,360	(\$687,426)	\$198,692
Expenses										
Administration	\$507,451	\$491,870	\$105,631	\$170,984	\$750,316	\$552,294	\$281,350	\$326,263	\$53,216	\$47,605
Tenant Services	\$124,708	\$0	\$68,019	\$67,107	\$562	\$1,000	\$324	\$1,000	\$14,929	\$18,000
Utilities	\$3,656	\$5,000	\$79,269	\$103,000	\$84,226	\$105,600	(\$3,385)	\$17,500	\$30,398	\$38,100
Maintenance	\$0	\$0	\$103,497	\$115,517	\$192,507	\$217,091	\$223,542	\$285,906	\$25,221	\$32,619
General	11,521	\$7,400	\$15,427	\$12,000	\$63,431	\$15,600	\$62,090	\$57,000	\$5,785	\$2,624
Interest	\$0	\$0	\$42,868	\$35,888	\$17,855	\$17,574	\$274,072	\$282,170	\$26,925	\$16,380
Depreciation	\$0	\$0	\$132,716	\$132,716	\$188,388	\$188,388	\$753,251	\$753,251	\$143,524	\$143,524
HAP Expenses	\$5,929,023	\$5,595,682	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$6,576,359	\$6,099,952	\$547,427	\$637,212	\$1,297,285	\$1,097,547	\$1,591,244	\$1,723,090	\$299,998	\$298,852

For the Housing Choice Voucher Program, the income and expenses were not within budget. This was due to funds received from the CARES Act for COVID-19. When the funds were received, HRHA used those funds for COVID-19 related expenses that were not in the original budget.

The income and expenses for JR "Polly" Lineweaver Apartments was within budget on all categories except insurance and interest. This was due to not including the flood insurance in the budget and not using the correct amortization table for the interest.

The Local Community Development shows that the program was not within budget in most categories. This was due to state funds received for COVID-19 expenses. Due to the receipt of these funds, HRHA used those funds for COVID-19 related expenses that were not in the original budget.

The income and expense for Component Units-Blended-Franklin Heights was within budget in most categories.

Component Units-Discretely Presented did show a negative in Miscellaneous-Gain/Loss on Sale of Capital Assets. This was due to the gifting of ownership of the Harrisonburg Children's Museum from component unit-150 S Main, LLC to Harrisonburg Children's Museum, Inc. This was also due to component unit-Shenandoah Housing Corporation selling its ownership/partnership in DP Apartments, LP.

Capital Asset and Long-Term Debt Activity

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

- Continuation of an affordable homeownership program
- Develop permanent supportive housing units specifically targeted for the veterans, homeless, aging out foster youth, victims of domestic violence and Developmental Disabled and Intellectual Disabled within the Department of Justice settlement with the Commonwealth
- Replace roofs on Franklin Heights housing units (10-15 units per year)
- Upgrade Lineweaver Apartments security system through replacement of new security cameras
- Development of an exterior renovation and new roof plan to replace exterior Fascia siding and address the need for roof replacement for the Lineweaver Annex Apartments
- Pavement of parking lots behind the Lineweaver Annex Apartments

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, 2020

ASSETS	Enterprise Fund	Component Units
Current Assets		
Cash and Cash Equivalents	\$ 744,836	\$ 160,992
Restricted Cash, Cash Equivalents	807,415	15,346
Investments	-	175,513
Replacement Reserve	-	-
Receivables, Net	203,433	1,822
Inventories - Net of Allowance	7,715	-
Prepaid Charges and Other Assets	27,998	3,826
Interprogram Due From	42,935	-
Total Current Assets	1,834,332	357,499
Non-current Assets		
Capital Assets		
Land	1,644,886	300,000
Buildings	17,614,510	3,159,823
Furniture Equipment & Machinery- Dwellings	326,822	53,339
Furniture Equipment & Machinery- Admin	387,479	42,518
Leasehold Improvements	8,375,642	425,796
Less: Accumulated Depreciation	(15,416,732)	(601,392)
Fixed Assets - Net	12,932,607	3,380,084
Notes, Loans, & Mortgages Receivable	451,685	-
Other Assets	140,600	92
Total Non-current Assets	13,524,892	3,380,176
Deferred Outflow of Resources		
Deferred Outflow of Resources	-	-
Total Assets and Deferred Outflow of Resources	\$ 15,359,224	\$ 3,737,675

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

Harrisonburg Redevelopment and Housing Authority

Statement of Net Position December 31, 2020

LIABILITIES	Enterprise Fund	Component Units
Current Liabilities		
Accounts Payable	\$ 103,172	\$ 3,228
Accrued Liabilities	135,622	57,762
Tenant Security Deposits	162,874	15,346
Current Portion Long-term Debt	770,898	-
Unearned Revenue and Other Liabilities	94,949	1,087
Interprogram Due To	-	42,935
Total Current Liabilities	1,267,515	120,358
Noncurrent Liabilities		
Long-term Debt	8,075,120	1,150,000
Accrued Absences - Long-term	61,801	1,903
Non-current Other	230,300	380,533
Total Non-current Liabilities	8,367,221	1,532,436
Total Liabilities	9,634,736	1,652,794
Deferred Inflow of Resources		
Deferred Inflow of Resources	-	-
Net Position		
Invested in Capital Assets, Net of Related Debt	4,086,589	2,230,084
Restricted Net Position	431,877	-
Unrestricted Net Position	1,206,022	(145,203)
Total Net Position	5,724,488	2,084,881
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 15,359,224	\$ 3,737,675

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, 2020

	Enterprise Fund	Component Units
Revenues		
Tenant Revenue	\$ 2,238,485	\$ 205,721
Program Grants/Subsidies	7,336,518	-
Other Governmental Grants	339,357	-
Other Income	73,564	77,314
Total Revenues	<u>9,987,924</u>	<u>283,035</u>
Expenses		
Administrative	1,644,748	53,216
Tenant Services	193,613	14,929
Utilities	163,766	30,398
Maintenance	519,546	25,221
General	152,469	5,785
Housing Assistance Payments	5,929,023	-
Depreciation	1,074,355	143,524
Total Expenses	<u>9,677,520</u>	<u>273,073</u>
Net Income (Loss)	<u>310,404</u>	<u>9,962</u>
Non-Operating Revenues (Expenses)		
Capital Grant	146,211	-
Interest Expense	(334,795)	(26,925)
Gain/(Loss) on Sale of Fixed Assets	-	(970,768)
Interest and Investment Revenue	983	307
Total Nonoperating Revenues (Expenses)	<u>(187,601)</u>	<u>(997,386)</u>
Income (Loss) before Contributions and Transfers	<u>122,803</u>	<u>(987,424)</u>
Operating Transfers	298,547	(298,547)
Change in Net Position	<u>421,350</u>	<u>(1,285,971)</u>
Beginning of Year Net Position	<u>5,303,138</u>	<u>3,370,852</u>
Total Ending Net Position	<u>\$ 5,724,488</u>	<u>\$ 2,084,881</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, 2020

	Enterprise Fund	Component Units
	<u> </u>	<u> </u>
Cash Flows from Operating Activities:		
Cash Received from Tenants	\$ 2,369,335	\$ 204,781
Cash Received from Operating Grants	7,336,518	-
Cash Received from Other Sources	519,259	77,479
Cash Paid for Goods and Services	(574,263)	(101,161)
Cash Paid for Employees and Administrative Housing Assistance Payments	(1,838,361)	(68,145)
Cash Paid for Other	(5,929,023)	-
Cash Paid for Other	(113,341)	(5,639)
Net Cash Provided (Used) By Operating Activities	<u>1,770,124</u>	<u>107,315</u>
Cash Flows from Noncapital Financing Activities:		
Operating Transfers	<u>298,547</u>	<u>(298,547)</u>
Total Cash Flows from Noncapital Financing Activities	<u>298,547</u>	<u>(298,547)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital Grants received	146,211	-
Purchases, Sales, and Construction of Capital Assets	(219,128)	-
Principal Paid on Capital Debt	(742,194)	(33,064)
Interest Paid on Capital Debt	(334,795)	(26,925)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(1,149,906)</u>	<u>(59,989)</u>
Cash Flows from Investing Activities:		
Interest and Dividends	983	307
Purchase/Sale of investments	-	302,940
Net Cash Provided (Used) By Investing Activities	<u>983</u>	<u>303,247</u>
Net Increase (Decrease) in Cash and Cash Equivalents	919,748	52,026
Cash and Cash Equivalents at Beginning of Year	632,503	124,312
Cash and Cash Equivalents at End of Year	<u>\$ 1,552,251</u>	<u>\$ 176,338</u>
Cash and Cash Equivalents:		
Unrestricted	\$ 744,836	\$ 160,992
Restricted	807,415	15,346
Total Cash and Cash Equivalents	<u>\$ 1,552,251</u>	<u>\$ 176,338</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, 2020

	Enterprise Fund	Component Units
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:		
Operating Income (Loss)	\$ 310,404	\$ 9,962
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:		
Depreciation Expense	1,074,355	143,524
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	130,850	(940)
(Increase) Decrease in Inventories	357	-
(Increase) Decrease in Prepaid Expenses	59,118	165
(Increase) Decrease in Interprogram Due From	45,248	-
(Increase) Decrease in Notes Receivable	1,972	-
Increase (Decrease) in Accounts Payable	41,677	(1,951)
Increase (Decrease) in Accrued Expenses	(26,502)	8,800
Increase (Decrease) in Tenant Security Deposits	4,951	146
Increase (Decrease) in Unearned Revenue	93,517	277
Increase (Decrease) in Interprogram Due To	(1)	(52,371)
Increase (Decrease) in Non-current Liabilities	34,178	(297)
Net Cash Provided (Used) By Operating Activities	<u>\$ 1,770,124</u>	<u>\$ 107,315</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, 2020

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, 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. 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, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

b. Component Units - continued

3. 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. During 2020, the Authority gifted its interest in the Harrisonburg Children's Museum to the Museum.
4. 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.
5. 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.
6. 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.

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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:

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, 2020

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, 2020, 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, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- l. 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, 2020; December 31, 2019; and December 31, 2018 were \$78,843 \$70,284, and \$74,189 respectively. As of December 31, 2020, 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. 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.
- q. 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, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- r. 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 no items that meet the criterion for this category.

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

At December 31, 2020, the carrying amount of the Authority's deposits was \$1,728,590 and the bank balance was \$1,835,571. Of the bank balance, \$1,835,571 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, 2020, Commerce Village, L.L.C., part of the discretely presented component unit, had investments in restricted reserve accounts totaling \$175,513.

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, 2020.

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, 2020, 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, 2020

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	\$ 163,951
HCV - CARES Act	91,042
HCV - Mainstream Vouchers	69,690
HCV - Restricted Net Position	362,187
FSS Escrows	120,545
	<u>\$ 807,415</u>
Component Units	
Security Deposits	<u>\$ 15,346</u>
Total	<u><u>\$ 822,761</u></u>

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	\$ 144,362	\$ 1,946
Gross Receivables	<u>144,362</u>	<u>1,946</u>
Other Receivables		
HUD - Other Projects	12,320	-
Miscellaneous	108,222	-
Fraud Recovery	31,431	-
Current Notes & Mortgages Receivable	<u>1,972</u>	<u>-</u>
Less: Allowance for Uncollectibles	<u>(94,874)</u>	<u>(124)</u>
Total Receivables	<u>\$ 203,433</u>	<u>\$ 1,822</u>
L/T Notes and Mortgage Receivables	<u>\$ 451,685</u>	<u>\$ -</u>

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in the Capital Assets during the fiscal year ended December 31, 2020:

Enterprise Fund	<u>1/1/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2020</u>
Land	\$ 1,644,886	\$ -	\$ -	\$ 1,644,886
Buildings	17,614,510	-	-	17,614,510
Equipment - Dwelling	205,553	122,284	(1,015)	326,822
Equipment - Administration	384,681	4,665	(1,867)	387,479
Leasehold Improvements	8,287,789	87,853	-	8,375,642
Accumulated Depreciation	(14,355,585)	(1,074,355)	13,208	(15,416,732)
	<u>\$ 13,781,834</u>	<u>\$ (859,553)</u>	<u>\$ 10,326</u>	<u>\$ 12,932,607</u>
Comp Unit - Discretely Presented	<u>1/1/2020</u>	<u>Increases</u>	<u>Transfers</u>	<u>12/31/2020</u>
Land	\$ 376,000	\$ -	\$ (76,000)	\$ 300,000
Building	3,583,015	-	(423,192)	3,159,823
Equipment - Dwelling	53,339	-	-	53,339
Equipment - Administration	42,518	-	-	42,518
Leasehold Improvements	711,216	-	(285,420)	425,796
Accumulated Depreciation	(831,814)	(143,524)	373,946	(601,392)
	<u>\$ 3,934,274</u>	<u>\$ (143,524)</u>	<u>\$ (410,666)</u>	<u>\$ 3,380,084</u>

NOTE 6: PREPAID CHARGES

Prepaid charges at December 31, 2020, consisted of the following:

	<u>Enterprise Fund</u>	<u>Component Units</u>
Prepaid Insurance	\$ 27,998	\$ 3,826
Total Prepaid Charges	<u>\$ 27,998</u>	<u>\$ 3,826</u>

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 7: OTHER ASSETS

On November 6, 2020, the Authority, through Shenandoah Housing Corporation, sold its investment in DP Apartments, L.P. to LMC Delmont, L.L.C. The Authority recognized a \$560,100 loss on the sale.

NOTE 8: CURRENT LIABILITIES

Current liabilities at December 31, 2020, consisted of the following:

<u>Totals Primary Government</u>		<u>Discretely Presented Component Unit</u>	
Accounts Payable	\$ 103,172	Accounts Payable	\$ 3,228
Current Portion - Long Term Debt	770,898	Current Portion - Long Term Debt	-
Due to Affiliates	-	Due to Affiliates	42,935
Accrued Liabilities	135,622	Accrued Liabilities	57,762
Unearned Revenue	94,949	Unearned Revenue	1,087
Tenant Security Deposits	162,874	Tenant Security Deposits	15,346
	<u> </u>		<u> </u>
Total Current Liabilities	<u>\$ 1,267,515</u>	Total Current Liabilities	<u>\$ 120,358</u>

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's 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.

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 11: 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 12: 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 13: INTERFUND RECEIVABLES AND PAYABLES

The following interfund activity was incurred during normal operating activities:

	<u>Due To</u>	<u>Due From</u>
Business Activities	\$ -	\$ 226,807
N/C S/R Section 8 Programs	63,854	
Component Units	162,953	-
Interfund Eliminations	<u>(226,807)</u>	<u>(226,807)</u>
	<u>\$ -</u>	<u>\$ -</u>

NOTE 14: DEFINED CONTRIBUTION PENSION PLAN

The Authority offers a defined contribution pension plan for eligible employees administered by the John Hancock Retirement Plan Services. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individuals' account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and the forfeitures of other participants' benefits that may be allocated to such participant's account. All "full-time Employees" shall participate in the Plan on the first day of the month after attaining age 21 and completing one year of continuous and uninterrupted employment. All "part-time" employees are eligible to participate in the Plan once they work 1,000 hours. Participating employees shall vest in the employer's contributions at the rate of twenty percent for each full year of continuous employment.

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14: DEFINED CONTRIBUTION PENSION PLAN – Continued

Forfeitures of the accounts of partially vested terminated participants in excess of plan expenses shall be reallocated among the accounts of remaining participants. There were no forfeitures during fiscal year ended December 31, 2020, and no outstanding liability due to the plan. The Authority contributes an amount equal to 7.5% of each participating employee's annual compensation to the plan. Pension costs are expensed as incurred and the Authority recognized total pension expense of \$78,844 for the year ended December 31, 2020. The total covered payroll for the year ended December 31, 2020, was \$1,216,946.

NOTE 15: NONCURRENT LIABILITIES

Noncurrent liabilities at December 31, 2020, consisted of the following:

	Balance 12/31/2019	Increases	Decreases	Long-Term Balance 12/31/2020	Current Portion
Long-Term Debt, Net of Current	\$ 10,058,320	\$ -	\$ (833,200)	\$ 9,225,120	\$ 770,898
Long-Term Compensated Absences	59,124	4,580	-	63,704	6,570
Non-Current Liabilities - Other	581,532	29,301	-	610,833	-
Total Non-Current Liabilities	<u>\$ 10,698,976</u>	<u>\$ 33,881</u>	<u>\$ (833,200)</u>	<u>\$ 9,899,657</u>	<u>\$ 777,468</u>

Notes Payable: Section 8 New Construction/Substantial Rehabilitation

On December 31, 2020, the Authority received a promissory note payable to Virginia Community Capital, Inc. (VCC) in the amount of 200,000. Principal and interest (4.25% per annum) in the form of payments of \$5,932 is due monthly beginning January 31, 2020 and ending December 31, 2022, when the note is due in full. As of December 31, 2020, the Authority owes VCC \$136,075.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 66,912	\$ 4,494	\$ 71,189
2022	69,163	1,604	70,984
	<u>136,075</u>	<u>6,098</u>	<u>142,173</u>

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 15: NONCURRENT LIABILITIES – Continued

Notes Payable: Section 8 New Construction/Substantial Rehabilitation

The Authority originally issued a Renovation and Refinancing Project Revenue bond in 2011, in the amount of \$1,730,000 to finance the complete renovations and refinance debt on the 61-unit JR Polly Lineweaver building. The bonds are payable through United Bank. The bond was refinanced in 2017 in the amount of \$1,347,171. The first principal and interest payment (3.10% per annum) is due monthly beginning August 21, 2017, and ends October 21, 2031. As of December 31, 2020, the balance on the bond was \$1,081,531.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 83,698	\$ 32,297	\$ 115,995
2022	86,330	29,665	115,995
2023	89,045	26,951	115,996
2024	91,845	24,151	115,996
2025	94,978	21,018	115,996
2026 to 2030	530,936	60,253	591,189
2031	104,699	1,630	106,329
	<u>\$ 1,081,531</u>	<u>\$ 195,965</u>	<u>\$ 1,277,496</u>

Notes Payable: Blended Component Unit

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, 2020, the Authority owes \$2,055,000 to the City of Harrisonburg on the bonds.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 135,000	\$ 84,600	\$ 219,600
2022	140,000	77,850	217,850
2023	150,000	70,850	220,850
2024	150,000	63,350	213,350
2025	165,000	55,850	220,850
2026 to 2030	900,000	191,900	1,091,900
2031 to 2033	415,000	25,000	440,000
	<u>\$ 2,055,000</u>	<u>\$ 569,400</u>	<u>\$ 2,624,400</u>

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 15: NONCURRENT LIABILITIES – Continued

Notes Payable: Blended Component Unit – Continued

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, 2020, the Authority owes \$3,435,000 to the City of Harrisonburg on the bonds.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 335,000	\$ 104,925	\$ 439,925
2022	345,000	93,050	438,050
2023	360,000	82,475	442,475
2024	370,000	77,075	447,075
2025	380,000	65,975	445,975
2026 to 2029	1,645,000	102,700	1,747,700
	<u>\$ 3,435,000</u>	<u>\$ 526,200</u>	<u>\$ 3,961,200</u>

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, 2020, the Authority owes the Forkovitch Family \$809,424.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 64,038	\$ 38,915	\$ 102,953
2022	67,234	35,719	102,953
2023	70,674	32,279	102,953
2024	74,290	28,663	102,953
2025	78,090	24,863	102,953
2026 to 2030	455,098	59,668	514,766
	<u>\$ 809,424</u>	<u>\$ 220,107</u>	<u>\$ 1,029,531</u>

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 15: NONCURRENT LIABILITIES – Continued

Notes Payable: Blended Component Unit - Continued

The Authority originally issued Acquisition and Renovation Revenue bonds in 2011 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 bonds were refinanced in 2017 in the amount of \$946,675. The first principal and interest payment (3.10% per annum) is due monthly beginning August 21, 2017, and ends January 21, 2031. As of December 31, 2020, the balance on the loan was \$759,467.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 58,893	\$ 22,619	\$ 81,512
2022	60,665	20,847	81,512
2023	62,573	18,939	81,512
2024	64,541	16,971	81,512
2025	66,570	14,942	81,512
2026 to 2030	366,065	41,495	407,560
2031	80,160	1,352	81,512
	<u>\$ 759,467</u>	<u>\$ 137,165</u>	<u>\$ 896,632</u>

Notes Payable: Business Activities

On September 21, 2017, The Authority issued a Bank Qualified Series 2017 Revenue bond in the amount of \$650,000 at 3.02% to finance the renovation of the basement of the Bridgeport Building in order to lease such space to the Harrisonburg Rockingham Social Services District. The bonds are payable through Bank of the James, with principal and interest being payable in 240 monthly installments commencing on October 21, 2017. As of December 31, 2020, the balance on the bond was \$569,239.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 27,357	\$ 15,941	\$ 43,298
2022	27,521	15,777	43,298
2023	28,157	15,141	43,298
2024	29,017	14,281	43,298
2025	29,905	13,393	43,298
2026 to 2030	156,733	59,755	216,488
2031 to 2035	193,702	22,786	216,488
2036 to 2037	77,129	2,109	79,238
	<u>\$ 569,521</u>	<u>\$ 159,183</u>	<u>\$ 728,704</u>

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 15: NONCURRENT LIABILITIES – Continued

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, 2020, the balance of accrued interest is \$3,406. The note is administered by the Virginia Department of Housing and Community Development (DHCD) through the Permanent Supportive Housing grant program.

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.

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.

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 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>
New Bridge Village Apts.	2/27/2020	\$ 15,000,000	\$ 14,794,808
Oakemeade Apts.	2/9/2012	4,700,000	4,195,000
TOTAL		<u>\$ 19,700,000</u>	<u>\$ 18,989,808</u>

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 16: COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact to the Authority, and governmental, regulatory and private sector responses. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

On March 27, 2020, Congress passed the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the COVID-19 Pandemic. The CARES Act provided additional funding for the Public Housing, Mod Rehab, Mainstream Voucher, and Housing Choice Voucher programs to “prevent, prepare for, and respond to coronavirus, including to provide additional funds for public housing agencies to maintain normal operations and take other necessary actions during the period that the program is impacted by coronavirus.” As of December 31, 2020, the Authority was allocated \$431,436 in CARES Act funding. Of this amount, \$91,042 of CARES Act Funding had been received and none had been spent.

NOTE 17: 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, 2020

NOTE 17: COMPONENT UNITS – Continued

	Shenandoah Housing Corp	Lineweaver Annex Corp	Commerce Village Mgt, LLC	150 South Main, LLC	Commerce Village, LLC	Discretely Presented Component Units TOTAL
<u>Statement of Net Assets- Balance Sheet</u>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 176,338	\$ 176,338
Other Current Assets	785	785	-	-	179,591	181,161
Noncurrent Assets	-	-	92	-	3,380,084	3,380,176
Total Assets	785	785	92	-	3,736,013	3,737,675
<u>Liabilities</u>						
Current Liabilities	-	40,414	2,495	-	77,449	120,358
Long Term Liabilities	-	-	-	-	1,532,436	1,532,436
Total Liabilities	-	40,414	2,495	-	1,609,885	1,652,794
<u>Net Assets - Equity</u>						
Net Assets	\$ 785	\$ (39,629)	\$ (2,403)	\$ -	\$ 2,126,128	\$ 2,084,881
<u>Statement of Activities - Income Statement</u>						
Revenues	\$ -	\$ -	\$ -	\$ -	\$ 205,721	\$ 205,721
Other	-	-	-	77,264	50	77,314
Total Revenue	-	-	-	77,264	205,771	283,035
<u>Expenses</u>						
Administrative	1,955	425	450	50	65,265	68,145
Maintenance and Operations	-	-	-	-	55,619	55,619
General	995	996	-	-	3,794	5,785
Depreciation	-	-	-	16,970	126,554	143,524
Total Expenses	2,950	1,421	450	17,020	251,232	273,073
Operating Income <Loss>	(2,950)	(1,421)	(450)	60,244	(45,461)	9,962
Investment Revenue	-	-	-	-	307	307
Gain/(Loss) on Sale of Fixed Assets	(560,101)	-	-	(410,667)	-	(970,768)
Less: Interest Expense	-	-	-	(266)	(26,659)	(26,925)
Income <Loss>	(563,051)	(1,421)	(450)	(350,689)	(71,813)	(987,424)
Beginning Net Assets (Equity)	862,383	(38,208)	(1,953)	350,689	2,197,941	3,370,852
Equity Transfer/Prior Year Adjustment	(298,547)	-	-	-	-	(298,547)
Ending Net Assets (Equity)	\$ 785	\$ (39,629)	\$ (2,403)	\$ -	\$ 2,126,128	\$ 2,084,881

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17: COMPONENT UNITS – Continued

	Shenandoah Housing Corp	Lineweaver Annex Corp	Commerce Village Mgt, LLC	150 South Main, L.L.C.	Commerce Village, L.L.C.	Discretely Presented Component Units
Cash flows from operating activities:						
Cash received from tenants	\$ -	\$ -	\$ -	\$ -	\$ 204,781	\$ 204,781
Cash received from other sources	(1,582)	1,282	450	23,455	53,874	77,479
Cash paid for goods and services	-	-	-	-	(101,161)	(101,161)
Cash paid for employees and administrative	(2,811)	(1,282)	(450)	9,875	(73,477)	(68,145)
Cash paid for other	-	-	-	-	(5,639)	(5,639)
Net cash provided (used) by operating activities	(4,393)	-	-	33,330	78,378	107,315
Cash flows from noncapital financing activities:						
Operating transfers	(298,547)	-	-	-	-	(298,547)
Total cash flows from noncapital financing activities	(298,547)	-	-	-	-	(298,547)
Cash flows from capital and related financing activities:						
Principal paid on capital debt	-	-	-	(33,064)	-	(33,064)
Interest Paid on Capital Debt	-	-	-	(266)	(26,659)	(26,925)
Net cash (used) for capital and related financing activities	-	-	-	(33,330)	(26,659)	(59,989)
Cash flows from investing activities:						
Interest and dividends	-	-	-	-	307	307
(Increase) Decrease in Investments	302,940	-	-	-	-	302,940
Net cash provided by investing activities	302,940	-	-	-	307	303,247
Net increase (decrease) in cash and cash equivalents	-	-	-	-	52,026	52,026
Cash and cash equivalents at beginning of year	-	-	-	-	124,312	124,312
Cash and cash equivalents at end of year	\$ -	\$ -	\$ -	\$ -	\$ 176,338	\$ 176,338
Cash and Cash Equivalents:						
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ 160,992	\$ 160,992
Restricted	-	-	-	-	15,346	15,346
Total Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 176,338	\$ 176,338
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)	\$ (2,950)	\$ (1,421)	\$ (450)	\$ 60,244	\$ (45,461)	\$ 9,962
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	-	-	-	16,970	126,554	143,524
(Increase) Decrease in Receivables	-	-	-	-	(940)	(940)
(Increase) Decrease in Prepaid Expenses	139	139	-	(2)	(111)	165
Increase (Decrease) in Accounts payable	-	-	-	-	(1,951)	(1,951)
Increase (Decrease) in Accrued expenses	-	-	-	9,927	(1,127)	8,800
Increase (Decrease) in Tenant Security Deposits	-	-	-	-	146	146
Increase (Decrease) in Other liabilities	-	-	-	-	277	277
Increase (Decrease) in Interprogram due to	(1,582)	1,282	450	(53,809)	1,288	(52,371)
Increase (Decrease) in Noncurrent liabilities	-	-	-	-	(297)	(297)
Net cash provided (used) by operating activities	\$ (4,393)	\$ -	\$ -	\$ 33,330	\$ 78,378	\$ 107,315

SUPPLEMENTAL INFORMATION

Harrisonburg Redevelopment & Housing Authority (VA014)
Harrisonburg, VA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Fiscal Year End: 12/31/2020

	14.871 Housing Choice Vouchers	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	14.182 NIC S/R Section 8 Programs	1 Business Activities	2 State/Local	14.879 Mainstream Vouchers	14.HCC HCV CARES Act Funding	14.MRC Moderate Rehabilitation CARES Act Funding	14.191 Multifamily Housing Service Coordinators	14.267 Continuum of Care Program	14.219 Community Development Block Grants/Small	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$190,654		\$160,992				\$354,192								\$905,828		\$905,828
112 Cash - Restricted - Modernization and Development																	
113 Cash - Other Restricted	\$482,732								\$69,690	\$91,042					\$643,464		\$643,464
114 Cash - Tenant Security Deposits			\$15,346	\$119,201		\$15,734	\$29,016								\$179,297		\$179,297
115 Cash - Restricted for Payment of Current Liabilities																	
100 Total Cash	\$673,386	\$0	\$176,338	\$119,201	\$0	\$15,734	\$83,198	\$0	\$69,690	\$91,042	\$0	\$0	\$0	\$0	\$1,728,589	\$0	\$1,728,589
121 Accounts Receivable - PHA Projects																	
122 Accounts Receivable - HUD Other Projects													\$12,320		\$12,320		\$12,320
124 Accounts Receivable - Other Government																	
125 Accounts Receivable - Miscellaneous							\$62,163	\$46,059							\$108,222		\$108,222
126 Accounts Receivable - Tenants			\$1,946	\$97,439		\$20,156	\$26,767								\$146,308		\$146,308
126.1 Allowance for Doubtful Accounts - Tenants			\$124	\$43,327		\$8,117	\$11,959								\$83,567		\$83,567
126.2 Allowance for Doubtful Accounts - Other								\$0					\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current							\$1,972								\$1,972		\$1,972
128 Fraud Recovery	\$31,431														\$31,431		\$31,431
128.1 Allowance for Doubtful Accounts - Fraud	-\$31,431														-\$31,431		-\$31,431
129 Accrued Interest Receivable																	
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$1,822	\$54,112	\$0	\$12,039	\$78,903	\$46,059	\$0	\$0	\$0	\$0	\$12,320	\$0	\$205,255	\$0	\$205,255
131 Investments - Unrestricted																	
132 Investments - Restricted			\$175,513												\$175,513		\$175,513
135 Investments - Restricted for Payment of Current Liability																	
142 Prepaid Expenses and Other Assets	\$3,615		\$3,826	\$11,897		\$4,179	\$8,307								\$31,824		\$31,824
143 Inventories				\$8,572											\$8,572		\$8,572
143.1 Allowance for Obsolete Inventories				-\$857											-\$857		-\$857
144 Inter Program Due From							\$226,807	\$0							\$226,807	-\$226,807	\$0
145 Assets Held for Sale																	
150 Total Current Assets	\$677,001	\$0	\$357,499	\$192,925	\$0	\$31,952	\$897,215	\$46,059	\$69,690	\$91,042	\$0	\$0	\$12,320	\$0	\$2,375,703	-\$226,807	\$2,148,896
161 Land			\$300,000	\$900,064		\$225,580	\$519,242								\$1,944,886		\$1,944,886
162 Buildings			\$3,159,823	\$10,741,570		\$1,853,881	\$5,019,059								\$20,774,333		\$20,774,333
163 Furniture, Equipment & Machinery - Dwellings	\$60,773		\$53,339	\$107,838		\$158,211									\$380,161		\$380,161
164 Furniture, Equipment & Machinery - Administration	\$404		\$42,518	\$78,842		\$5,238	\$302,995								\$429,997		\$429,997
165 Leasehold Improvements			\$425,796	\$6,631,073		\$1,143,959	\$600,610								\$8,801,438		\$8,801,438
166 Accumulated Depreciation	-\$61,177		-\$601,392	-\$9,135,353		-\$2,385,566	-\$3,834,636								-\$16,018,124		-\$16,018,124
167 Construction in Progress																	
168 Infrastructure																	
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$3,380,084	\$9,324,034	\$0	\$1,001,303	\$2,607,270	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,312,691	\$0	\$16,312,691
171 Notes, Loans and Mortgages Receivable - Non-Current							\$451,685								\$451,685		\$451,685
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due																	
173 Grants Receivable - Non Current																	
174 Other Assets			\$92				\$140,600								\$140,692		\$140,692
176 Investments in Joint Ventures																	
180 Total Non-Current Assets	\$0	\$0	\$3,380,176	\$9,324,034	\$0	\$1,001,303	\$3,199,555	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,905,068	\$0	\$16,905,068
200 Deferred Outflow of Resources																	
290 Total Assets and Deferred Outflow of Resources	\$677,001	\$0	\$3,737,675	\$9,516,959	\$0	\$1,033,255	\$4,096,770	\$46,059	\$69,690	\$91,042	\$0	\$0	\$12,320	\$0	\$19,280,771	-\$226,807	\$19,053,964

Harrisonburg Redevelopment & Housing Authority (VA014)
Harrisonburg, VA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Fiscal Year End: 12/31/2020

	14.871 Housing Choice Vouchers	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	14.182 N/C S/R Section 8 Programs	1 Business Activities	2 State/Local	14.879 Mainstream Vouchers	14.HCC HCV CARES Act Funding	14.MRC Moderate Rehabilitation CARES Act Funding	14.191 Multifamily Housing Service Coordinators	14.267 Continuum of Care Program	14.219 Community Development Block Grants/Small	Subtotal	ELIM	Total
311 Bank Overdraft																	
312 Accounts Payable <= 90 Days	\$1,699		\$3,228	\$19,746		\$6,842	\$16,506	\$46,059					\$12,320		\$106,400		\$106,400
313 Accounts Payable >90 Days Past Due																	
321 Accrued Wage/Payroll Taxes Payable	\$5,895		\$449	\$22,395		\$1,283	\$4,959								\$34,981		\$34,981
322 Accrued Compensated Absences - Current Portion	\$2,334		\$211	\$1,361		\$695	\$2,478								\$7,079		\$7,079
324 Accrued Contingency Liability																	
325 Accrued Interest Payable			\$57,102	\$94,222											\$151,324		\$151,324
331 Accounts Payable - HUD PHA Programs																	
332 Account Payable - PHA Projects																	
333 Accounts Payable - Other Government																	
341 Tenant Security Deposits			\$15,346	\$118,739		\$15,119	\$29,016								\$178,220		\$178,220
342 Unearned Revenue			\$1,087	\$3,671			\$236			\$91,042					\$96,036		\$96,036
343 Current Portion of Long-term Debt - Capital Projects/mortgage				\$592,931		\$150,610	\$27,357								\$770,898		\$770,898
344 Current Portion of Long-term Debt - Operating Borrowings																	
345 Other Current Liabilities																	
346 Accrued Liabilities - Other																	
347 Inter Program - Due To			\$42,935	\$120,018		\$63,654									\$226,607	-\$226,607	\$0
348 Loan Liability - Current																	
310 Total Current Liabilities	\$9,928	\$0	\$120,358	\$973,083	\$0	\$238,403	\$80,552	\$46,059	\$0	\$91,042	\$0	\$0	\$12,320	\$0	\$1,571,745	-\$226,607	\$1,344,938
349 Long-term Debt, Net of Current - Capital Projects/mortgage				\$1,150,000	\$6,465,960		\$1,066,996	\$542,164							\$9,225,120		\$9,225,120
352 Long-term Debt, Net of Current - Operating Borrowings																	
353 Non-current Liabilities - Other	\$120,545		\$380,533			\$109,755									\$610,833		\$610,833
354 Accrued Compensated Absences - Non Current	\$21,007		\$1,903	\$12,251		\$6,253	\$22,290								\$63,704		\$63,704
355 Loan Liability - Non Current																	
356 FASB 5 Liabilities																	
357 Accrued Pension and OPEB Liabilities																	
350 Total Non-Current Liabilities	\$141,552	\$0	\$1,532,436	\$6,478,211	\$0	\$1,183,004	\$564,454	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,899,657	\$0	\$9,899,657
300 Total Liabilities	\$151,480	\$0	\$1,652,794	\$7,451,294	\$0	\$1,421,407	\$645,006	\$46,059	\$0	\$91,042	\$0	\$0	\$12,320	\$0	\$11,471,402	-\$226,607	\$11,244,595
400 Deferred Inflow of Resources																	
508.4 Net Investment in Capital Assets	\$0	\$0	\$2,230,084	\$2,265,143	\$0	-\$216,303	\$2,037,749		\$0				\$0	\$0	\$6,316,673		\$6,316,673
511.4 Restricted Net Position	\$362,187	\$0	\$0	\$0		\$0	\$0	\$69,690		\$0	\$0	\$0	\$0	\$0	\$431,877		\$431,877
FDS B	\$163,334	\$0	-\$145,203	-\$199,478	\$0	-\$171,849	\$1,414,015	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,060,819		\$1,060,819
513 Total Equity - Net Assets / Position	\$525,521	\$0	\$2,084,881	\$2,065,665	\$0	-\$388,152	\$3,451,764	\$0	\$69,690	\$0	\$0	\$0	\$0	\$0	\$7,809,369	\$0	\$7,809,369
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$677,001	\$0	\$3,737,675	\$9,516,959	\$0	\$1,033,255	\$4,066,770	\$46,059	\$69,690	\$91,042	\$0	\$0	\$12,320	\$0	\$19,280,771	-\$226,607	\$19,053,964

Harrisonburg Redevelopment & Housing Authority (VA014)
Harrisonburg, VA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2020

	14.871 Housing Choice Vouchers	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	14.182 N/C S/R Section 8 Programs	1 Business Activities	2 State/Local	14.879 Mainstream Vouchers	14.HCC HCV CARES Act Funding	14.MRC Moderate Rehabilitation CARES Act Funding	14.191 Multifamily Housing Service Coordinators	14.267 Continuum of Care Program	14.219 Community Development Block Grants/Small	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue			\$201,579	\$1,482,330		\$173,962	\$545,953								\$2,403,824		\$2,403,824
70400 Tenant Revenue - Other			\$4,142	\$18,674		\$9,838	\$7,728								\$40,382		\$40,382
70500 Total Tenant Revenue	\$0	\$0	\$205,721	\$1,501,004	\$0	\$183,800	\$553,681	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,444,206	\$0	\$2,444,206
70600 HUD PHA Operating Grants	\$6,335,359	\$5,498			\$35,103	\$254,674			\$196,132	\$328,236	\$6,660	\$66,683	\$108,173		\$7,336,518		\$7,336,518
70610 Capital Grants														\$146,211	\$146,211		\$146,211
70710 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							\$125,000	\$214,357							\$339,357		\$339,357
71100 Investment Income - Unrestricted				\$849			\$134								\$983		\$983
71200 Mortgage Interest Income																	
71300 Proceeds from Disposition of Assets Held for Sale																	
71310 Cost of Sale of Assets																	
71400 Fraud Recovery	\$15,962														\$15,962		\$15,962
71500 Other Revenue			\$77,314				\$57,602								\$134,916		\$134,916
71600 Gain or Loss on Sale of Capital Assets			-\$970,768												-\$970,768		-\$970,768
72000 Investment Income - Restricted			\$307												\$307		\$307
70000 Total Revenue	\$6,351,321	\$5,498	-\$687,426	\$1,501,853	\$35,103	\$438,474	\$736,417	\$214,357	\$196,132	\$328,236	\$6,660	\$66,683	\$108,173	\$146,211	\$9,447,692	\$0	\$9,447,692
91100 Administrative Salaries	\$285,544		\$19,825	\$178,595	\$35,103	\$62,267	\$213,087	\$32,703	\$18,618				\$63,606		\$909,348		\$909,348
91200 Auditing Fees	\$6,940		\$1,200	\$1,800		\$1,200	\$5,200								\$16,340		\$16,340
91300 Management Fee																	
91310 Book-keeping Fee																	
91400 Advertising and Marketing																	
91500 Employee Benefit Contributions - Administrative	\$99,863		\$6,542	\$66,032		\$21,682	\$66,205	\$7,353					\$17,717		\$285,394		\$285,394
91600 Office Expenses	\$9,956		\$699	\$2,761		\$2,415	\$7,159	\$300							\$23,290		\$23,290
91700 Legal Expense	\$255		\$1,104	\$1,383		\$7,782	\$9,949								\$20,473		\$20,473
91800 Travel	\$4,560		\$1,927			\$90	\$5,331						\$706		\$12,614		\$12,614
91810 Allocated Overhead																	
91900 Other	\$45,229		\$23,846	\$28,852		\$9,659	\$120,855	\$174,001	\$1,383		\$536		\$26,144		\$430,505		\$430,505
91000 Total Operating - Administrative	\$452,347	\$0	\$53,216	\$281,350	\$35,103	\$105,095	\$427,786	\$214,357	\$20,001	\$0	\$536	\$0	\$108,173	\$0	\$1,697,964	\$0	\$1,697,964
92000 Asset Management Fee																	
92100 Tenant Services - Salaries		\$1,248	\$12,328							\$52,859	\$2,576	\$42,803			\$111,814		\$111,814
92200 Relocation Costs																	
92300 Employee Benefit Contributions - Tenant Services			\$40								\$84	\$12,040			\$12,164		\$12,164
92400 Tenant Services - Other		\$4,250	\$2,561	\$324		\$562	\$562			\$66,351	\$3,464	\$6,490			\$84,564		\$84,564
92500 Total Tenant Services	\$0	\$5,498	\$14,929	\$324	\$0	\$562	\$562	\$0	\$0	\$119,210	\$6,124	\$61,333	\$0	\$0	\$208,542	\$0	\$208,542
93100 Water			\$3,951	-\$3,363		\$7,795	\$10,346								\$18,729		\$18,729
93200 Electricity	\$2,277		\$14,852	\$6,236		\$49,438	\$48,931								\$121,734		\$121,734
93300 Gas	\$1,379		\$933	\$720			\$609								\$3,641		\$3,641
93500 Labor																	
93600 Sewer			\$10,662	-\$6,978		\$22,036	\$24,340								\$50,060		\$50,060
93700 Employee Benefit Contributions - Utilities																	
93800 Other Utilities Expense																	
93000 Total Utilities	\$3,656	\$0	\$30,398	-\$3,385	\$0	\$79,269	\$84,226	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$194,164	\$0	\$194,164
94100 Ordinary Maintenance and Operations - Labor			\$9,887	\$124,395		\$44,447	\$102,063								\$280,792		\$280,792
94200 Ordinary Maintenance and Operations - Materials and Other			\$1,865	\$29,067		\$11,129	\$17,937								\$59,998		\$59,998
94300 Ordinary Maintenance and Operations Contracts			\$11,285	\$48,111		\$40,548	\$52,244								\$152,188		\$152,188
94500 Employee Benefit Contributions - Ordinary Maintenance			\$2,184	\$21,969		\$7,373	\$20,263								\$51,789		\$51,789
94000 Total Maintenance	\$0	\$0	\$25,221	\$223,542	\$0	\$103,497	\$192,507	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$544,767	\$0	\$544,767

Harrisonburg Redevelopment & Housing Authority (VA014)
Harrisonburg, VA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2020

	14.871 Housing Choice Vouchers	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	14.182 N/C S/R Section 8 Programs	1 Business Activities	2 State/Local	14.879 Mainstream Vouchers	14.HCC HCV CARES Act Funding	14.MRC Moderate Rehabilitation CARES Act Funding	14.191 Multifamily Housing Service Coordinators	14.267 Continuum of Care Program	14.219 Community Development Block Grants/Small	Subtotal	ELIM	Total
95100 Protective Services - Labor																	
95200 Protective Services - Other Contract Costs																	
95300 Protective Services - Other																	
95500 Employee Benefit Contributions - Protective Services																	
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$370		\$1,409	\$11,223		\$4,017	\$4,137								\$21,156		\$21,156
96120 Liability Insurance	\$154		\$653	\$3,994		\$1,591	\$1,137								\$7,425		\$7,425
96130 Workmen's Compensation	\$4,936		\$538	\$3,992		\$1,701	\$3,618								\$14,785		\$14,785
96140 All Other Insurance	\$1,516		\$2,156	\$1,620		\$2,485	\$2,858								\$10,635		\$10,635
96100 Total Insurance Premiums	\$6,976	\$0	\$4,666	\$20,829	\$0	\$9,784	\$11,750	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$54,005	\$0	\$54,005
96200 Other General Expenses	\$1,180		\$12	\$24,431			\$6,367		\$382						\$32,372		\$32,372
96210 Compensated Absences																	
96300 Payments in Lieu of Taxes																	
96400 Bad debt - Tenant Rents			\$1,107	\$16,830		\$5,643	\$2,027								\$25,607		\$25,607
96500 Bad debt - Mortgages																	
96600 Bad debt - Other	\$2,983						\$43,287								\$46,270		\$46,270
96800 Severance Expense																	
96000 Total Other General Expenses	\$4,163	\$0	\$1,119	\$41,261	\$0	\$5,643	\$51,681	\$0	\$382	\$0	\$0	\$0	\$0	\$0	\$104,249		\$104,249
96710 Interest of Mortgage (or Bonds) Payable			\$26,925	\$274,072		\$42,868	\$17,855								\$361,720		\$361,720
96720 Interest on Notes Payable (Short and Long Term)																	
96730 Amortization of Bond Issue Costs																	
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$26,925	\$274,072	\$0	\$42,868	\$17,855	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$361,720	\$0	\$361,720
96900 Total Operating Expenses	\$467,142	\$5,498	\$156,474	\$837,993	\$35,103	\$346,718	\$786,367	\$214,357	\$20,383	\$119,210	\$6,660	\$61,333	\$108,173	\$0	\$3,165,411	\$0	\$3,165,411
97000 Excess of Operating Revenue over Operating Expenses	\$5,884,179	\$0	-\$843,900	\$663,860	\$0	\$91,756	-\$49,950	\$0	\$175,749	\$209,026	\$0	\$5,350	\$0	\$146,211	\$6,282,281	\$0	\$6,282,281
97100 Extraordinary Maintenance																	
97200 Casualty Losses - Non-capitalized																	
97300 Housing Assistance Payments	\$5,537,996								\$182,001	\$209,026					\$5,929,023		\$5,929,023
97350 HAP Portability-In																	
97400 Depreciation Expense	\$0		\$143,524	\$753,251		\$132,716	\$188,388								\$1,217,879		\$1,217,879
97500 Fraud Losses																	
97600 Capital Outlays - Governmental Funds																	
97700 Debt Principal Payment - Governmental Funds																	
97800 Dwelling Units Rent Expense																	
90000 Total Expenses	\$6,005,138	\$5,498	\$299,998	\$1,591,244	\$35,103	\$479,434	\$974,755	\$214,357	\$202,384	\$328,236	\$6,660	\$61,333	\$108,173	\$0	\$10,312,313	\$0	\$10,312,313
10010 Operating Transfer In				\$146,211		\$5,350									\$151,561		\$151,561
10020 Operating transfer Out																	
10030 Operating Transfers from/to Primary Government			-\$298,547				\$298,547					-\$5,350		-\$146,211	-\$151,561		-\$151,561
10040 Operating Transfers from/to Component Unit															\$0		\$0
10050 Proceeds from Notes, Loans and Bonds																	
10060 Proceeds from Property Sales																	
10070 Extraordinary Items, Net Gain/Loss																	
10080 Special Items (Net Gain/Loss)																	
10091 Inter Project Excess Cash Transfer In																	
10092 Inter Project Excess Cash Transfer Out																	
10093 Transfers between Program and Project - In																	
10094 Transfers between Project and Program - Out																	
10100 Total Other financing Sources (Uses)	\$0	\$0	-\$298,547	\$146,211	\$0	\$5,350	\$298,547	\$0	\$0	\$0	\$0	-\$5,350	\$0	-\$146,211	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$346,183	\$0	-\$1,285,971	\$56,820	\$0	-\$35,610	\$60,209	\$0	-\$6,252	\$0	\$0	\$0	\$0	\$0	-\$864,621	\$0	-\$864,621

Harrisonburg Redevelopment & Housing Authority (VA014)
 Harrisonburg, VA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single
 Audit

Fiscal Year End: 12/31/2020

	14.871 Housing Choice Vouchers	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.896 PIH Family Self- Sufficiency Program	14.182 N/C S/R Section 8 Programs	1 Business Activities	2 State/Local	14.879 Mainstream Vouchers	14.HCC HCV CARES Act Funding	14.MRC Moderate Rehabilitation CARES Act Funding	14.191 Multifamily Housing Service Coordinators	14.267 Continuum of Care Program	14.219 Community Development Block Grants/Small	Subtotal	ELIM	Total
11020 Required Annual Debt Principal Payments	\$0	\$0	\$33,064	\$592,930	\$0	\$145,282	\$26,618	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$797,894		\$797,894
11030 Beginning Equity	\$179,338	\$0	\$3,370,852	\$2,008,845	\$0	-\$352,542	\$3,391,555	\$0	\$75,942	\$0	\$0	\$0	\$0	\$0	\$8,673,990		\$8,673,990
11040 Prior period adjustments; equity transfers and correction of Errors			\$0												\$0		\$0
11050 Changes in Compensated Absence Balance																	
11060 Changes in Contingent Liability Balance																	
11070 Changes in Unrecognized Pension Transition Liability																	
11080 Changes in Special Term/Severance Benefits Liability																	
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents																	
11100 Changes in Allowance for Doubtful Accounts - Other																	
11170 Administrative Fee Equity	\$163,334														\$163,334		\$163,334
11180 Housing Assistance Payments Equity	\$362,187														\$362,187		\$362,187
11190 Unit Months Available	10295		360	1548		732	720		1015	0					14671		14671
11210 Number of Unit Months Leased	9212		355	1477		692	702		409	0					12847		12847
11270 Excess Cash																	
11610 Land Purchases																	
11620 Building Purchases																	
11630 Furniture & Equipment - Dwelling Purchases																	
11640 Furniture & Equipment - Administrative Purchases																	
11650 Leasehold Improvements Purchases																	
13510 CFFP Debt Service Payments																	
13901 Replacement Housing Factor Funds																	

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

DIRECT FEDERAL ASSISTANCE		
<u>FEDERAL GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Grant Passthrough Identification		
<u>U.S. DEPARTMENT OF HUD</u>		
Housing Choice Vouchers	14.871*	\$ 6,005,138
CARES Act – Housing Choice Vouchers	14.871*	<u>328,236</u>
Subtotal for Housing Choice Voucher		6,333,374
Mainstream Vouchers	14.879*	202,384
CARES Act – Mainstream Vouchers	14.879*	<u>5,498</u>
Subtotal for Mainstream Voucher		<u>207,882</u>
Housing Voucher Cluster		6,541,256
N/C S/R Section 8 Programs	14.182	254,674
CARES Act – Moderate Rehab	14.182	<u>6,660</u>
Subtotal for N/C S/R Section 8 Programs		261,334
Multifamily Housing Coordinator	14.191	66,683
PIH Family Self-Sufficiency Program	14.896	35,103
Continuum of Care Program	14.267	<u>108,173</u>
TOTAL DIRECT U.S. DEPARTMENT OF HUD		<u>\$ 7,012,549</u>
Pass-Through from the City of Harrisonburg		
Community Development Block Grants # - 19CDBG01 & 18CDBG01	14.219	<u>\$ 146,211</u>
TOTAL CITY OF HARRISONBURG		<u>\$ 146,211</u>
TOTAL FEDERAL ASSISTANCE		<u>\$ 7,158,760</u>

*Major program

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020. 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, 2020.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as finding 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Response to Findings

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

Report on Internal Control Over Compliance

Management of 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

Richmond, Virginia
October 15, 2021



**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, 2020, 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 October 15, 2021.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2020-001.

**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)**

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as finding 2020-001. Our opinion on the major federal program is not modified with respect to these matters.

Response to Findings

Harrisonburg Redevelopment and Housing Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Harrisonburg Redevelopment and Housing Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Richmond, Virginia
October 15, 2021

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

No prior year audit findings.

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020
(CONTINUED)

Identification of major programs:

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

HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(CONTINUED)

Section III -- Federal Awards Findings and Questioned Costs

Finding No. 2020-001 Section 8 Housing Choice Vouchers (CFDA 14.871)**Type: Federal Award Compliance - Eligibility: Enterprise Income Verification; Significant Deficiency**

CONDITION: The Authority's Housing Choice Voucher program had several participant new admission files missing income verification checks using the Enterprise Income Verification system (EIV) within the required performance time period.

CRITERIA: Participants in the Housing Choice Voucher program are required to be certified on admission and recertified annually in accordance with HUD regulations. Certification guidelines require tenants reported incomes to be reconciled to the EIV system. EIV checks are required to be performed within 120 days of admission or recertification per 24 CFR 5.233(a)(2)(i) and detailed in PIH Notice 2018-18.

QUESTIONED COSTS: The amount of questioned costs could not be determined.

CONTEXT: Forty participant files were chosen using a statically valid sample. Of the forty participant files examined, four files failed to have EIV checks done within 120 days as specified by regulation. All files missing the EIV checks were new admissions to the program during 2020. All files did have EIV checks, but were performed outside of the 120 day compliance window.

EFFECT: The Authority could be accepting participants who are not properly certified in accordance with HUD regulations and may not be paying the appropriate amount of rent.

CAUSE: The overall cause was a lack of management oversight combined with Authority staff being required to work from home during COVID. During 2020, the Authority staff were required to work from home for a majority of the year and lacked immediate access to the EIV system at home. The lack of EIV access combined with changes in the Authority's usual internal control and monitor activities during COVID caused the failure to timely perform the EIV checks.

RECOMMENDATION: The Housing Authority should revise monitoring procedures over the Housing Choice Voucher program and implement additional tracking for tenant income verification and annual recertification while employees are working in a remote environment.



Harrisonburg Redevelopment & Housing Authority

P.O. BOX 1071 ✦ HARRISONBURG, VA 22803
Phone/VTDD 540-434-7386 ✦ Fax 540-432-1113

Harrisonburg Redevelopment & Housing Authority
Corrective Action Plan
For the Fiscal Year Ended December 31, 2020

AUDIT FINDINGS

Finding No. 2020-001 Section 8 Housing Choice Vouchers (CFDA 14.871)
Type: Federal Award Compliance - Eligibility: Enterprise Income Verification; Significant Deficiency

Description of Finding:

The 2020 audit reviewed 40 participant files. This included ten new admissions files, of which four contained EIV Income Reports that were generated more than 120 days after submission of the PIC admission record.

Statement of Concurrence or Non-Concurrence:

EIV reports were completed late for four of ten new admissions files in the audited sample.

Corrective Action:

HRHA policy, aligned to HUD guidelines, is to print the report within 120 days of the PIC record submission, and resolve discrepancies within 60 days. HCV Specialists are expected to review EIV admissions and incoming portable actions on a monthly basis.

EIV Reports have been generated for all 2020 admissions, and for all admissions through June 2021 (for which PIC records were submitted on July 2). Telework has been discontinued, and all staff are working in the office, except when flexibility is requested and approved for extenuating circumstances. Additional tracking and monitoring will be automated in 2022 as part of the software conversion to Yardi, which will flag files and push staff notifications 90 days after new admissions are completed.

Staff will continue to complete paper checklists that align with workflows for new admissions, as well as other required certifications. Checklist forms will be updated to include staff signature certification of completeness. Procedures will be modified such that all completed checklists will be submitted to the HCV Manager, so that the sample of certifications is reviewed in a timely manner. Performance standards and job descriptions will be updated to reflect these expectations, which will be part of regular reviews of performance and compensation.

Status of Corrective Action: Ongoing

Name of Contact Person: Liz Webb, HCV Manager, 540-434-7386, liz@harrisonburgrha.com

Projected Completion Date: 2022, with quarterly monitoring of status and implementation.