

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Basic Financial Statements and Supplementary Information

June 30, 2005

(With Independent Auditors' Report Thereon)

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

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## **Financial Section**

## Independent Auditors' Report

The Board of Commissioners  
Norfolk Redevelopment and Housing Authority:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Norfolk Redevelopment and Housing Authority (the Authority), a component unit of the City of Norfolk, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Mission College Apartments, L.P., Norfolk Community College Campus Corporation, Norfolk One, L.P., and Hampton Roads Ventures, L.L.C. which together represent 100% of the assets and revenues of the aggregate component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mission College Apartments, L.P., Norfolk Community College Campus Corporation, Norfolk One, L.P., and Hampton Roads Ventures, L.L.C., is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Norfolk Redevelopment and Housing Authority as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2005 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 14 and the other required supplementary information included at Exhibits I-1 through I-5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The information listed as supplementary information and compliance section information in the accompanying table of contents, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

KPMG LLP

October 14, 2005

# NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY

(Component Unit of the City of Norfolk, Virginia)

Management's Discussion and Analysis

June 30, 2005

The management of the Norfolk Redevelopment and Housing Authority (the Authority) provides this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2005. Please read it in conjunction with the financial statements, which begin on page 15.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The financial section of this report includes the management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will have actual cash flows in future fiscal periods (e.g., uncollected rent and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the Authority that are mainly supported by intergovernmental revenues and charges for services (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Authority include the general government, community development, special city projects, urban renewal, HOME, Empowerment zone, EDA revolving loan, Pinewell by the Bay, East Ocean View note and bond initiatives, MacArthur Center, Hampton Boulevard renovations and Hampton Boulevard note, federal housing, housing choice voucher program, capital fund and comprehensive grant programs, housing opportunity, Hope VI, Broad Creek renaissance, East Beach, Section 108 loan, BEDI, drug grants, ROSS grants, Intermodal Surface Transportation Efficiencies Act (ISTEA), program income, E2F RISE center, Hampton Roads Ventures, and other grants and programs. The business-type activities of the Authority include Merrimack Landing, Park Terrace, Oakmont North and NRHA Rehabilitation activities.

The government-wide financial statements include not only the Authority itself (known as the primary government), but also the following legally separate component units for which the Authority is financially accountable: Mission College Apartments, L.P. (Mission College), Norfolk Community College Campus Corporation (NCCCC), Norfolk One, L.P. (NOLP), the City Development Corporation (CDC), and the Hampton Roads Ventures, LLC (HRV). Mission College, NCCCC, NOLP, and the CDC are discretely presented component units and their financial information is reported separately from the financial information presented for the primary government. Financial information for HRV is blended with the financial information presented

for the primary government. Also, separate audited financial statements are issued for Mission College, NCCCC, NOLP, and HRV.

***Fund Financial Statements*** – The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Authority can be divided into two categories: governmental funds and proprietary funds.

***Governmental Funds*** – The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Authority’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government’s near-term financing decisions, a reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The Authority maintains nine individual major governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for each of these funds, including the general fund. All other governmental funds (non-major funds) are presented in the aggregate.

The Authority adopts an annual budget for its general, federal housing, and housing choice voucher program funds. To demonstrate compliance with these budgets, budgetary comparison statements have been provided in the required supplementary information section of this document.

***Proprietary Funds*** – The proprietary funds provide services for which the Authority charges internal and external customers a fee. The Authority has two types of proprietary funds, enterprise and internal service. The enterprise funds of the Authority are used to report the same functions as the business-type activities in the government-wide financial statements. The four enterprise funds, Merrimack Landing, Park Terrace, Oakmont North and NRHA Rehabilitation, are presented separately in both the government-wide financial statements and the fund financial statements and are considered major funds. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. In order to provide the reader with information to better understand the long-term impact of the government’s near-term financing decisions, reconciliations between the government-wide financial statements and the fund financial statements are included as part of the basic financial statements.

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Authority or to other governments on a cost reimbursement basis. The Authority has 10 internal service funds: Granby office building, housing operations building, automotive equipment, maintenance operations, administrative equipment, data processing equipment, revolving fund, HOMENET, special city administration and management fees. Because internal service funds are mostly governmental in nature, they are included within the governmental activities in the government-wide financial statements. The 10 internal service funds are combined into a single, aggregate presentation in the proprietary fund financial statements.



**Notes to the Basic Financial Statements** are included in the basic financial statements and provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

### Government-Wide Financial Analysis

In time, net assets and the changes in net assets of a governmental entity may serve as useful indicators of the government's financial position and performance. Other indicators should be considered as well. The Authority's combined net assets increased \$24,950,029, or 19%, from a year ago—increasing from \$131,783,440 to \$156,733,469. Last year's net assets changed by \$3,863,145, or 3%. When you look at the net assets and changes in net assets of governmental and business-type activities separately, two different stories emerge. Our analysis below focuses first on the net assets and then the changes in net assets of the Authority's governmental and business-type activities.

### Net Assets

	Condensed Statements of Net Assets					
	As of June 30					
	Governmental activities		Business-type activities		Total primary government	
	2005	2004	2005	2004	2005	2004
Cash, investments and restricted assets	\$ 41,636,997	39,900,357	11,079,485	12,335,350	52,716,482	52,235,707
Current non-cash and other assets	29,141,018	15,661,766	13,114,530	11,604,553	42,255,548	27,266,319
Property held for resale	20,792,339	23,106,213	—	—	20,792,339	23,106,213
Capital assets	115,258,858	102,665,664	17,399,950	17,488,182	132,658,808	120,153,846
<b>Total assets</b>	<b>206,829,212</b>	<b>181,334,000</b>	<b>41,593,965</b>	<b>41,428,085</b>	<b>248,423,177</b>	<b>222,762,085</b>
Long-term liabilities	46,291,929	51,304,619	9,576,865	10,268,878	55,868,794	61,573,497
Other liabilities	21,958,906	15,399,608	13,862,008	14,005,540	35,820,914	29,405,148
<b>Total liabilities</b>	<b>68,250,835</b>	<b>66,704,227</b>	<b>23,438,873</b>	<b>24,274,418</b>	<b>91,689,708</b>	<b>90,978,645</b>
Net assets:						
Invested in capital assets, net of related debt	103,295,772	90,169,646	8,379,779	7,918,384	111,675,551	98,088,030
Restricted	55,552,870	48,771,610	3,724,672	3,737,118	59,277,542	52,508,728
Unrestricted	(20,270,265)	(24,311,483)	6,050,641	5,498,165	(14,219,624)	(18,813,318)
<b>Total net assets</b>	<b>\$ 138,578,377</b>	<b>114,629,773</b>	<b>18,155,092</b>	<b>17,153,667</b>	<b>156,733,469</b>	<b>131,783,440</b>

### Governmental Activities

Net assets of the Authority's governmental activities increased by 21%, or \$23,948,604 (\$114,629,773 compared to \$138,578,377). The Authority's governmental activities had an increase last year of 4%. Net assets invested in capital assets net of related debt increased by \$13,126,126, or 15%. This was the result of an increase in construction in progress in the Broad Creek neighborhood with our Section 108 loan and in the Grandy Village Community through the capital fund program. The \$13,126,126 is the major component of the \$23,948,604 increase in governmental activities' net assets. Restricted net assets—the part of net assets that has constraints established by debt covenants, enabling legislation or other legal requirements—increased 14%, or \$6,781,260 (\$55,552,870 compared to \$48,771,610). The largest component of this change results from an increase in receivables due from Hope VI/Broad Creek partnerships. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—changed from a \$24,311,483 deficit at June 30, 2004 to a \$20,270,265 deficit at June 30, 2005. This is a \$4,041,218 reduction in the deficit balance. The reduction in the deficit results from debt payments that occurred during the year. The deficit balance itself results primarily from two factors. First, the Authority has outstanding notes and bonds payable of \$32,062,194, which are the moral obligation of the City of Norfolk (the City); and must be paid by future revenue from the City. The net book value of assets used to collateralize the City's obligation totals \$6,530,879 and is carried on the books of the City, not the Authority.

Second, the Authority does not include in its annual budget nor recognize revenue (from reimbursement programs) to pay for unused employee vacation and sick days. The balance for unused employee vacation and sick days at June 30, 2005 is \$1,848,595. The Authority will need to include these amounts in future years' budgets as they come due. The following schedule provides a detail of long-term liabilities contributing to the deficit balance in unrestricted governmental net assets:

<b>Government Long-Term Liability</b>				
<b>Debt description</b>	<b>Funding source</b>	<b>2005</b>	<b>2004</b>	<b>Change</b>
Hampton Boulevard infrastructure	City	\$ 1,366,667	2,733,333	(1,366,666)
Ocean View – note	City	1,892,341	2,354,645	(462,304)
Ocean View – bonds	City	7,090,000	7,890,000	(800,000)
MacArthur Center	City	21,713,186	23,363,186	(1,650,000)
Total City moral obligation		32,062,194	36,341,164	(4,278,970)
Vested compensated absences	All programs	1,848,595	2,001,878	(153,283)
Total long-term liability (in unrestricted net assets)		<u>\$ 33,910,789</u>	<u>38,343,042</u>	<u>(4,432,253)</u>

### ***Business-Type Activities***

Net assets of the Authority's business-type activities increased by 6%, or \$1,001,425 (from \$17,153,667 to \$18,155,092). This is in contrast to the prior year's .3% decrease, or \$49,358. Unrestricted net assets for the business-type activities increased from \$5,498,165 to \$6,050,641, or \$552,476 and net assets invested in capital assets, net of related debt increased \$461,395 from \$7,918,384 to \$8,379,779.

### **Changes in Net Assets**

The following schedule provides a comparison of changes in net assets:

	<b>Summary of Changes in Net Assets</b>					
	<b>Years ended June 30</b>					
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Revenues:						
Program revenues:						
Charges for services	\$ 10,522,938	9,146,505	6,762,824	6,351,428	17,285,762	15,497,933
Grants and contributions	76,721,680	64,088,299	430,906	331,339	77,152,586	64,419,638
General revenues:						
Interest	274,187	79,598	—	—	274,187	79,598
Gain on sale of capital assets, net	280,822	—	—	—	280,822	—
Total revenues	<u>87,799,627</u>	<u>73,314,402</u>	<u>7,193,730</u>	<u>6,682,767</u>	<u>94,993,357</u>	<u>79,997,169</u>

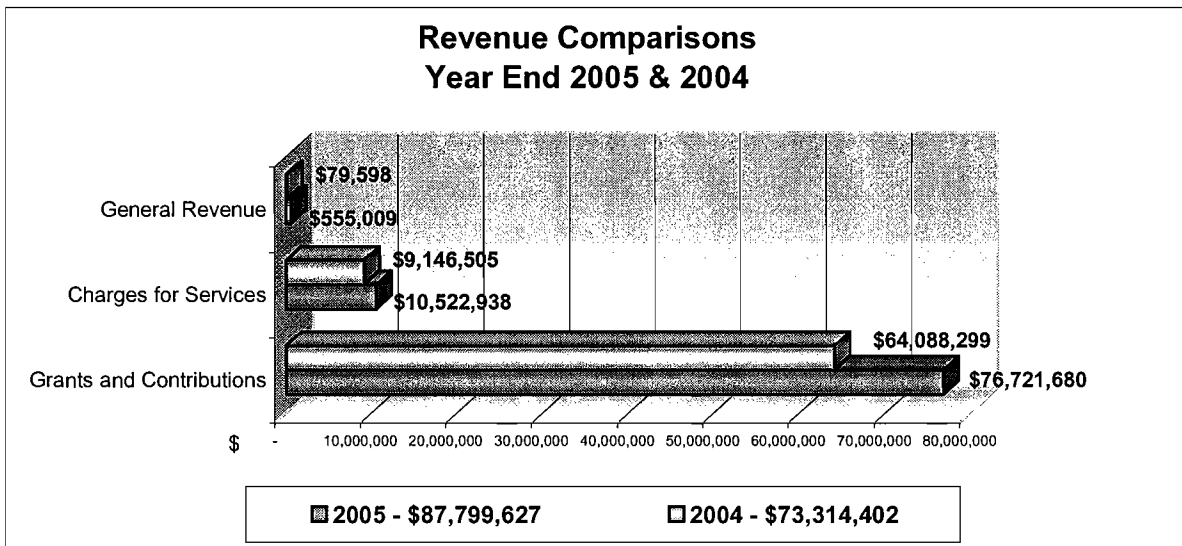
	Primary government					
	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Expenses:						
Governmental activities:						
General government	\$ 897,667	1,278,327	—	—	897,667	1,278,327
Community development	6,384,846	5,460,367	—	—	6,384,846	5,460,367
Special city projects	5,299,563	4,748,258	—	—	5,299,563	4,748,258
Urban renewal	13,803	—	—	—	13,803	—
HOME	1,999,181	1,623,648	—	—	1,999,181	1,623,648
Empowerment zone	15,499	278,312	—	—	15,499	278,312
EDA revolving loan	559	10,220	—	—	559	10,220
Pinewell by the Bay	—	1,579	—	—	—	1,579
East Ocean View note initiatives	423,946	613,829	—	—	423,946	613,829
East Ocean View bond initiatives	42,943	99,303	—	—	42,943	99,303
MacArthur Center	1,814,834	1,953,502	—	—	1,814,834	1,953,502
Hampton Boulevard renovations	—	169	—	—	—	169
Hampton Boulevard note	256,034	2,735,141	—	—	256,034	2,735,141
Federal housing	26,094,883	26,501,879	—	—	26,094,883	26,501,879
Housing choice voucher program	15,368,922	14,984,079	—	—	15,368,922	14,984,079
HRV	203,987	—	—	—	203,987	—
Capital fund/comprehensive grant	1,612,604	1,731,942	—	—	1,612,604	1,731,942
Housing opportunity	78,070	80,172	—	—	78,070	80,172
Hope VI	10,269,668	5,204,907	—	—	10,269,668	5,204,907
Broad Creek renaissance	667,654	220,084	—	—	667,654	220,084
East Beach	281,260	93,292	—	—	281,260	93,292
Drug grants	2,217	93,254	—	—	2,217	93,254
ROSS grants	151,282	149,007	—	—	151,282	149,007
Section 108 loan	192,765	220,596	—	—	192,765	220,596
BEDI	28,906	37,159	—	—	28,906	37,159
E2F RISE center	43,733	11,756	—	—	43,733	11,756
ISTEA	536,790	—	—	—	536,790	—
Other grants and programs	553	72,507	—	—	553	72,507
Interest on long-term debt	118,105	109,826	—	—	118,105	109,826
Loss on disposal of capital assets, net	—	4,577,634	—	—	—	4,577,634
Business-type activities:						
Merrimack Landing	—	—	2,274,408	2,079,712	2,274,408	2,079,712
Park Terrace	—	—	599,708	544,629	599,708	544,629
Oaknont North	—	—	2,708,199	2,251,414	2,708,199	2,251,414
NRHA Rehabilitation	—	—	609,990	532,842	609,990	532,842
Loss on disposal of capital assets	—	—	—	154,173	—	154,173
Total primary government expenses	72,800,274	72,890,749	6,192,305	5,562,770	78,992,579	78,453,519
Increase in net assets before transfers and special items	14,999,353	423,653	1,001,425	1,119,997	16,000,778	1,543,650
Transfers	—	1,169,355	—	(1,169,355)	—	—
Special items	8,949,251	2,319,495	—	—	8,949,251	2,319,495
Increase (decrease) in net assets	23,948,604	3,912,503	1,001,425	(49,358)	24,950,029	3,863,145
Net assets, beginning of year	114,629,773	110,717,270	17,153,667	17,203,025	131,783,440	127,920,295
Net assets, end of year	\$ 138,578,377	114,629,773	18,155,092	17,153,667	156,733,469	131,783,440

The Authority's total revenues, excluding special items, increased by 19%, or \$14,996,188 (from \$79,997,169 to \$94,993,357). The total cost of all programs and services increased by .7%, or \$539,060 (from \$78,453,519 to \$78,992,579). The following analysis separately considers the operations of governmental and business-type activities. The special item is discussed in the governmental activities section.

### **Governmental Activities**

Excluding the recorded special item, revenues for the Authority's governmental activities increased 20%, or \$14,485,225 (\$87,799,627 compared to \$73,314,402). Total expenses decreased .1%, or \$90,475 (\$72,800,274 compared to \$72,890,749).

The 20% increase in total revenue is attributable to grant and contribution revenues, which increased 20%, or \$12,633,381 (from \$64,088,299 to \$76,721,680). This increase was due to an increase in reimbursable expenditures in the HOPE VI, capital fund and Section 108 loan programs. Charges for services increased by \$1,376,433, or 15% (from \$9,146,505 to \$10,522,938). The increase in charges for services was due to an increase in revenue to Hampton Roads Ventures. General revenues include interest income, which increased by \$194,589 when compared to last year's amounts, and a gain on sale of capital assets of \$280,822.



While the .1% decrease in expenses of \$90,475 is not significant, there were some significant shifts in the expense levels among specific programs. Hampton Boulevard note activities had decreased expenses of \$2,479,107. Community development, special city projects, Hope VI and ISTEA had increases in expenses of \$924,479, \$551,305, \$5,064,761 and \$536,790 respectively. A loss on disposal of capital assets in fiscal year 2004 in the amount of \$4,577,634 explains the rest of the decrease in expenses.

Also included in the governmental activities is a special item of \$8,949,251 to record revenue from three long-term notes receivable issued to support the financing of the newly constructed Franklin Arms elderly apartment complex and four rental housing communities in the Hope VI and Broad Creek Renaissance projects.

Of the total governmental activities expenses of \$72,800,274, assisted housing activities, including family self-sufficiency programs, were \$43,512,518, or 60%; development activities that include neighborhood revitalization and special city projects accounted for \$17,956,855, or 25%; and Hope VI and Broad Creek Renaissance activities, which cross the spectrum of assisted housing and development activities, were \$11,158,993, or 15%. The \$171,908 balance related to expenses of the general government. The following represents the distribution of expenses for the governmental activities:

## Distribution of Governmental Activities

Year ended June 30, 2005

Activities	Expense amount	Assisted housing activities	Development activities	Hope VI and Broad Creek renaissance activities	General activities
General government	\$ 897,667	—	843,864	—	53,803
Community development	6,384,846	—	6,384,846	—	—
Special city projects	5,299,563	—	5,299,563	—	—
Urban renewal	13,803	—	13,803	—	—
HOME	1,999,181	—	1,999,181	—	—
Empowerment zone	15,499	—	15,499	—	—
EDA revolving loan	559	—	559	—	—
East Ocean View note initiatives	423,946	—	423,946	—	—
East Ocean View bond initiatives	42,943	—	42,943	—	—
MacArthur Center	1,814,834	—	1,814,834	—	—
Hampton Boulevard note	256,034	—	256,034	—	—
Federal housing	26,094,883	26,094,883	—	—	—
Housing choice voucher program	15,368,922	15,368,922	—	—	—
HRV	203,987	203,987	—	—	—
Capital fund/comprehensive grant	1,612,604	1,612,604	—	—	—
Housing opportunity	78,070	78,070	—	—	—
Hope VI	10,269,668	—	—	10,269,668	—
Broad Creek renaissance	667,654	—	—	667,654	—
East Beach	281,260	—	281,260	—	—
Drug grants	2,217	2,217	—	—	—
ROSS grants	151,282	151,282	—	—	—
Section 108 loan	192,765	—	—	192,765	—
BEDI	28,906	—	—	28,906	—
E2F RISE center	43,733	—	43,733	—	—
ISTEA	536,790	—	536,790	—	—
Other grants and programs	553	553	—	—	—
Interest on long-term debt	118,105	—	—	—	118,105
	<u>\$ 72,800,274</u>	<u>43,512,518</u>	<u>17,956,855</u>	<u>11,158,993</u>	<u>171,908</u>
Percentage - expense distribution	100%	60%	25%	15%	0%

CDC, Mission College, NCCCC, and NOLP, the discretely presented component units of the Authority, reported total net deficit of \$1,561,780 and a decrease in net assets of \$1,346,204.

### *Business-Type Activities*

Business-type activities increased the Authority's net assets by \$1,001,425. The comparable numbers for the prior year were \$1,119,997 increase before transfers and \$49,358 decrease to the net asset balance after transfers. Looking at the before-transfer net asset balance, there is a \$118,572 decrease in the net assets over last year (\$1,001,425 compared with \$1,119,997). Merrimack Landing and Oakmont North exceeded last year's amounts by \$87,563 and \$14,465, respectively, and Park Terrace and NRHA Rehabilitation decreased by \$40,816 and \$179,784, respectively. The largest change in performance was in the NRHA Rehabilitation project.

Total operating revenues and interest income for the business-type activities for the year ended June 30, 2005 were:

- Merrimack Landing – \$3,210,665 and \$183,224 (compared to \$3,007,761 and \$103,869 in 2004)
- Park Terrace – \$523,760 and \$39,311 (compared to \$517,350 and \$31,458 in 2004)

- Oakmont North – \$3,028,299 and \$27,451 (compared to \$2,724,709 and \$13,964 in 2004)
- NRHA Rehabilitation – \$100 and \$180,920 (compared to \$101,608 and \$182,048 in 2004)

Comparative total expenses for the business-type activities for the year ended June 30, 2005 were:

- Merrimack Landing – \$2,274,416 compared to \$2,079,712 in 2004
- Park Terrace – \$599,708 compared to \$544,629 in 2004
- Oakmont North – \$2,708,446 compared to \$2,251,414 in 2004
- NRHA Rehabilitation – \$609,990 compared to \$532,842 in 2004

### **Financial Analysis of the Authority's Funds**

As previously noted, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Authority's governmental funds reported combined ending fund balances of \$30,963,452, of which \$4,242,683 is reserved, \$18,617,108 is available for future spending at the Authority's discretion within program regulations, and \$8,103,661 is available for spending at management's discretion.

The Authority's discretionary governmental fund is its general fund. As a matter of policy, the Authority earmarks a portion of its unreserved general fund balance (\$4,000,000 at June 30, 2005) as a minimum amount that will remain in fund balance each year. In addition, the Authority has designated this fund as the working capital resource to facilitate the Stonebridge Crossing development project.

The Authority's general fund's fund balance increased by \$1,139,797 for the year ended June 30, 2005.

On the budgetary basis of accounting, the Authority ended the fiscal year with general fund revenues higher than projected by \$419,664. Miscellaneous income was higher than projected due to industrial development revenue bonds (IDRB) fees, Mission College fees, and Community Ventures, Inc. (CVI) fees. The sale of lots in the Stonebridge community yielded proceeds from the sale of capital assets that exceeded projections. Charges for services also exceeded projections.

General fund financial and budgetary highlights for the 2005 fiscal year are as follows:

- Land sales exceeded projections by \$164,414. Efforts to sell lots in Stonebridge were accelerated.
- Rental revenues exceeded budgetary expectations by \$8,777 due to the Marriott rent.
- Miscellaneous income exceeded budgetary expectations by \$302,257. More bond fees and management fees were collected than expected.
- Administrative costs exceeded budget by \$5,328. This shortfall is due to employee salaries and fringe benefits that were not directly funded by program revenues.

- Site improvement expenditures exceeded budget by \$46,857. This was due to the Homearama related upkeep in Stonebridge Crossing.
- The transfer in was under budget by \$1,388,000. The transfer was for a short-term loan for CVI that was not budgeted for in fiscal year 2005.
- There was a transfer out of \$1,388,553 that was not anticipated in fiscal year 2005 to cover the reimbursement for the CVI loan and the shortfall in the Micro Loan program.
- The general fund has provided working capital for many of the Authority's programs. During fiscal year 2005, \$1,351,845 was advanced to other programs and \$2,167,307 was repaid.

The fund balance for the federal housing fund is \$11,222,141. Of this amount, \$73,552 represents the amount invested in inventory, and the balance of \$11,148,589 is available for future expenditures that will support the federal housing program. During fiscal year 2005, the fund balance increased by \$615,040.

Federal housing fund financial and budgetary highlights of the 2005 fiscal year are as follows:

- Rental revenues fell \$80,270 under budget due to units being taken offline in preparation of demolition for the Hope VI project and the major modernization in Grandy Village.
- Intergovernmental revenues were \$644,186 over budget because HUD funded subsidy at 4% over the initial budget.
- Interest income was \$128,624 over budget because of higher interest rates and an increase in investment dollars.
- Miscellaneous income included \$51,000 in forfeited Family Self Sufficiency (FSS) escrow deposits as a result of tenants not completing the FSS program.
- Administrative expenditures and ordinary maintenance expenses were \$665,707 and \$477,500 less than budget, respectively, because of attrition and reduced allocated costs associated with those positions.
- Utilities were \$981,471 over budget as a result of higher natural gas, water, and sewage costs.
- Tenant services costs were \$48,555 under budget due to positions which were eliminated or not filled.
- General costs were \$98,001 under the budgeted projection. The actual amount for payments in lieu of taxes (PILOT) to the City, which are based on rental receipts minus utility costs, was less than the budget because of the increase in utility costs.
- Capital outlay expenses were under the budget projection by \$55,154. During fiscal year 2005, less equipment was needed than was budgeted for. Also, some equipment that cost less than the \$500 capitalization threshold would have an expense classified in another category rather than recorded in capital outlay.

The fund balance for the housing choice voucher program fund is \$223,096. This balance is available for future expenditures that will benefit low-income citizens. During fiscal year 2005, the fund balance for the housing choice voucher program increased by \$40,979 compared to a decrease of \$939,646 in fiscal year 2004. The decrease in fiscal year 2004 was caused by an operating transfer-out of \$469,122 to support the HOPE VI project, and an operating loss of \$470,524, due in part to new HUD regulations which resulted in a reduction of subsidy.

Housing choice voucher fund financial and budgetary highlights of the 2005 fiscal year are as follows:

- Intergovernmental revenues and housing assistance payments were under budget by \$2,734,432 and \$2,581,506, respectively. This is due to a reduction of expected HUD subsidy which resulted in fewer vouchers issued than were budgeted for. Charges for services in the amount of \$22,168 were received for processing tenants who transferred into Norfolk from other localities (port-ins).
- Administration costs were \$138,861 under budget due to the reduction of the Section 8 program. Ordinary maintenance was less than its budget projection by \$48,239 due to a decrease in Section 8 units.

**Proprietary Funds** – Except for a return of unused fees from the internal service fund of \$193,786, the Authority’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net assets (deficit) of the Merrimack Landing, Park Terrace, Oakmont North and NRHA Rehabilitation funds at year end amounted to \$7,621,199, \$666,437, \$9,987,365, and \$(313,695), respectively. The changes in net assets (after contributions and transfers) for Merrimack Landing, Park Terrace, Oakmont North and NRHA Rehabilitation funds were \$1,119,473, \$(36,637), \$347,304 and \$(428,970), respectively. Other factors concerning the finances of these four funds have already been addressed in the discussion of the Authority’s business-type activities.

#### **Capital Asset and Debt Administration**

**Capital Assets** – The Authority’s investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2005 amounts to \$132,658,808 compared to \$120,153,846 as of June 30, 2004. The investment in capital assets includes land, buildings, improvements, construction in progress, and equipment.

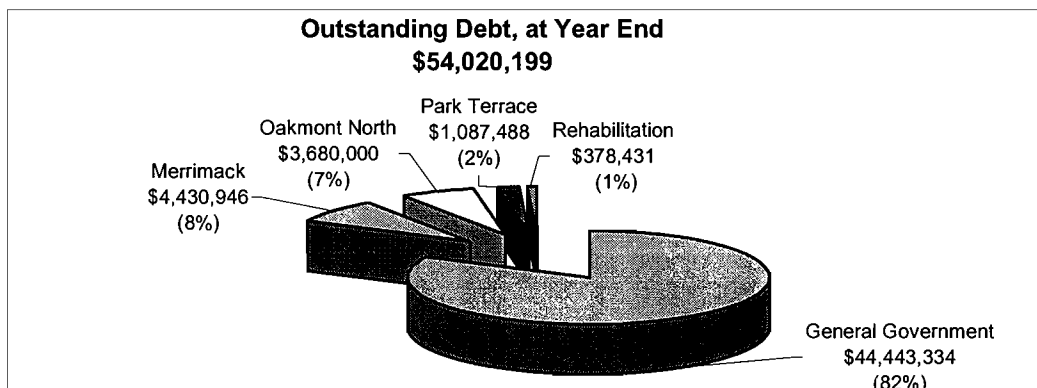
Major capital asset events during the current fiscal year include the following:

- The continuation of the Grandy Village renovations; and
- The continuation of infrastructure improvements for Broad Creek Renaissance.

**Long-Term Debt** – At June 30, 2005, the Authority (including the enterprise funds) had total debt outstanding (excluding vested compensated absences of \$1,848,595) of \$54,020,199. Of this amount, \$2,312,317 comprises debt backed by the full faith and credit of the Authority. The remainder of the Authority’s debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) or is backed by other governmental entities.



A summary of the Authority's outstanding bonded debt is as follows:



The Authority's total outstanding debt decreased \$5,551,420 from \$59,571,619 of the prior fiscal year. While a reduction occurred due to scheduled principal payments, an additional \$138,218 was drawn down on the East Ocean View line of credit to facilitate property acquisition.

#### Other Economic Factors and Next Year's Budget

**Economic Factors** – Currently NRHA faces several substantial funding issues with its major subsidized housing programs. Some have an immediate impact; others will be felt over the next couple of years.

The first is that for fiscal year 2006, HUD is funding our public housing program at only 89% of our eligible subsidy amount. We have taken actions during this last year in anticipation of funding problems, but we will need to go into reserves to fund some major repair items that are needed to maintain our housing in good condition. A related issue is that HUD has been studying alternatives to the current Performance Funding System (PFS) which provides the operating subsidy for the public housing program. Although the details have not been finalized, the new system could have a substantial adverse impact on our programs. No implementation date has been established.

A second issue is a recently issued HUD regulation that redefines the method for calculating the housing choice voucher (Section 8) subsidy and administrative fee to NRHA. If it remains in place, NRHA will have less funds to support the authorized level of vouchers, meaning fewer people will be served under the program and less money will be available to administer the program. We will be studying our staffing and delivery system for Section 8 to bring our costs in line with the anticipated income.

A third is related to Hope VI. As NRHA completes the demolition of Bowling Green and Roberts Village, we will experience corresponding losses of funding in operating and capital subsidies for units that are not replaced. When some units are replaced, the corresponding operating subsidy will be paid to limited partnerships that will own and manage the units. Although not significant in fiscal year 2006, the financial impact will become greater as the project moves forward.

These challenges in funding our programs will be monitored closely to determine the precise impact on NRHA and its operations. We will continue to make appropriate adjustments and to be innovative in searching out new funding sources and new partners to achieve our mission.

Approximately 82% of the Authority's revenues come from federal, state or city governments.

The Authority's fiscal year 2006 operating and capital budget is \$97,323,054, representing a reduction of 8% over the previous fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, 201 Granby Street, Norfolk, Virginia 23510.

## **Basic Financial Statements**

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

## Statement of Net Assets

June 30, 2005

Assets	Primary government			Component units
	Governmental activities	Business-type activities	Total	
Cash and cash equivalents (note 2)	\$ 20,063,189	4,156,261	24,219,450	454,395
Cash with fiscal agents (note 2)	877,354	2,767,126	3,644,480	—
Investments (note 2)	9,446,502	—	9,446,502	299,995
Receivables:				
Tenants	93,084	32,533	125,617	14,440
Interest	603,938	4,374	608,312	596,753
Accounts	—	216,262	216,262	—
Notes (note 3)	13,147,515	9,555,180	22,702,695	18,785,000
Restricted notes (note 3)	12,364,224	—	12,364,224	—
Other	97,239	400	97,639	—
Total receivables	26,306,000	9,808,749	36,114,749	19,396,193
Allowance for doubtful accounts (note 3)	(16,529)	(48,284)	(64,813)	—
Net receivables	26,289,471	9,760,465	36,049,936	19,396,193
Internal balances	(2,929,417)	2,929,417	—	—
Due from other governments (note 5)	3,105,948	—	3,105,948	—
Inventory	546,351	—	546,351	—
Prepaid expenses	14,712	—	14,712	—
Restricted assets (note 2)	11,249,952	4,156,098	15,406,050	9,518,811
Restricted property held for resale	20,792,339	—	20,792,339	—
Other assets	1,932,797	246,385	2,179,182	—
Unamortized bond issuance costs	181,156	178,263	359,419	781,378
Capital assets (note 6):				
Land	11,588,714	2,055,354	13,644,068	1,678,996
Construction in progress	40,228,213	—	40,228,213	—
Buildings, improvements and equipment	148,002,116	30,957,205	178,959,321	17,113,364
Less accumulated depreciation	(84,560,185)	(15,612,609)	(100,172,794)	(5,762,508)
Net capital assets	115,258,858	17,399,950	132,658,808	13,029,852
Total assets	\$ 206,829,212	41,593,965	248,423,177	43,480,624
<b>Liabilities and Net Assets</b>				
Accounts payable	\$ 2,308,079	73,448	2,381,527	94,000
Accrued expenses	9,533	97,092	106,625	767,325
Accrued interest payable	266,996	67,059	334,055	380,640
Tenant deposits	1,313,914	359,960	1,673,874	116,478
Other deposits	1,909,549	—	1,909,549	—
Due to other governments (note 5)	518,691	12,116	530,807	—
Contract retention	1,725,721	—	1,725,721	—
Deferred revenue	12,179,372	13,153,369	25,332,741	793,524
Escrow deposits	—	96,358	96,358	—
Other liabilities	1,727,051	2,606	1,729,657	8,825,232
Long-term liabilities:				
Due within one year (note 7)	6,656,852	680,311	7,337,163	9,393,841
Due in more than one year (note 7)	39,635,077	8,896,554	48,531,631	24,671,364
Total liabilities	68,250,835	23,438,873	91,689,708	45,042,404
Net assets:				
Invested in capital assets, net of related debt	103,295,772	8,379,779	111,675,551	6,259,272
Restricted net assets:				
Capital projects	6,438,173	367,022	6,805,195	—
Debt service	2,593,584	2,362,376	4,955,960	643,114
Community development projects	20,792,339	—	20,792,339	—
Other purposes	25,728,774	995,274	26,724,048	515,420
Unrestricted net assets (deficit)	(20,270,265)	6,050,641	(14,219,624)	(8,979,586)
Total net assets (deficit)	138,578,377	18,155,092	156,733,469	(1,561,780)
Commitment and contingencies (note 10)				
Total liabilities and net assets	\$ 206,829,212	41,593,965	248,423,177	43,480,624

See accompanying notes to basic financial statements.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Statement of Activities  
Year ended June 30, 2005

Functions/Programs	Expenses	Program revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 897,667	909,998	—	—
Community development	6,384,846	—	5,397,342	—
Special city projects	5,299,563	432,432	7,064,847	—
Urban renewal	13,803	10,500	—	—
HOME	1,999,181	—	1,997,635	—
Empowerment zone	15,499	—	10,323	—
EDA revolving loan	559	20,165	—	—
Pinewell by the Bay	—	500	—	—
East Ocean View note initiatives	423,946	87,361	675	—
East Ocean View bond initiatives	42,943	120,547	8,036	—
MacArthur Center	1,814,834	705,833	2,672,567	—
Hampton Boulevard note	256,034	—	594	—
Federal housing	26,094,883	7,140,210	16,474,247	—
Housing choice voucher program	15,368,922	25,203	15,388,743	—
HRV	203,987	1,020,000	—	—
Capital fund/comprehensive grant	1,612,604	1,150	756,991	7,795,036
Housing opportunity	78,070	22,226	27,755	—
Hope VI	10,269,668	—	10,251,631	784,572
Broad Creek renaissance	667,654	—	—	—
East Beach	281,260	—	6,366	—
Drug grants	2,217	—	—	—
ROSS grants	151,282	—	141,451	12,078
Section 108 loan	192,765	—	192,765	6,202,756
BEDI	28,906	—	28,906	925,841
E2F RISE Center	43,733	—	43,733	—
ISTEA	536,790	—	536,790	—
Other grants and programs	553	26,813	—	—
Interest on long-term debt excluding direct interest expense of \$2,797,719	118,105	—	—	—
Total governmental activities	<u>72,800,274</u>	<u>10,522,938</u>	<u>61,001,397</u>	<u>15,720,283</u>
Business-type activities:				
Merrimack Landing	2,274,408	3,210,665	183,224	—
Park Terrace	599,708	523,760	39,311	—
Oakmont North	2,708,199	3,028,299	27,451	—
NRHA Rehabilitation	609,990	100	180,920	—
Total business-type activities	<u>6,192,305</u>	<u>6,762,824</u>	<u>430,906</u>	<u>—</u>
Total primary government	<u>\$ 78,992,579</u>	<u>17,285,762</u>	<u>61,432,303</u>	<u>15,720,283</u>
<b>Component units:</b>				
Mission College Apartments, L.P.	\$ 1,824,129	1,836,574	—	—
NCCCC	1,525,669	1,054,652	—	—
Norfolk One, L.P.	819,818	571,216	—	—
City Development Corporation	639,031	1	—	—
Total component units	<u>\$ 4,808,647</u>	<u>3,462,443</u>	<u>—</u>	<u>—</u>
<b>General revenues:</b>				
Interest and investment earnings				
Net gain on sale of capital assets				
Special item – issuance of long-term note receivable				
Total				
Change in net assets				
Net assets (deficit) – beginning				
Net assets (deficit) – ending				

See accompanying notes to basic financial statements.

Exhibit B

Net (expenses) revenues and changes in net assets			
Primary Government			Component units
Governmental activities	Business-type activities	Total	
12,331	—	12,331	—
(987,504)	—	(987,504)	—
2,197,716	—	2,197,716	—
(3,303)	—	(3,303)	—
(1,546)	—	(1,546)	—
(5,176)	—	(5,176)	—
19,606	—	19,606	—
500	—	500	—
(335,910)	—	(335,910)	—
85,640	—	85,640	—
1,563,566	—	1,563,566	—
(255,440)	—	(255,440)	—
(2,480,426)	—	(2,480,426)	—
45,024	—	45,024	—
816,013	—	816,013	—
6,940,573	—	6,940,573	—
(28,089)	—	(28,089)	—
766,535	—	766,535	—
(667,654)	—	(667,654)	—
(274,894)	—	(274,894)	—
(2,217)	—	(2,217)	—
2,247	—	2,247	—
6,202,756	—	6,202,756	—
925,841	—	925,841	—
—	—	—	—
—	—	—	—
26,260	—	26,260	—
(118,105)	—	(118,105)	—
<u>14,444,344</u>	<u>—</u>	<u>14,444,344</u>	<u>—</u>
—	1,119,481	1,119,481	—
—	(36,637)	(36,637)	—
—	347,551	347,551	—
—	(428,970)	(428,970)	—
—	1,001,425	1,001,425	—
<u>14,444,344</u>	<u>1,001,425</u>	<u>15,445,769</u>	<u>—</u>
—	—	—	12,445
—	—	—	(471,017)
—	—	—	(248,602)
—	—	—	(639,030)
—	—	—	<u>(1,346,204)</u>
\$ 274,187	—	274,187	—
280,822	—	280,822	—
<u>8,949,251</u>	<u>—</u>	<u>8,949,251</u>	<u>—</u>
9,504,260	—	9,504,260	—
23,948,604	1,001,425	24,950,029	(1,346,204)
<u>114,629,773</u>	<u>17,153,667</u>	<u>131,783,440</u>	<u>(215,576)</u>
\$ <u>138,578,377</u>	<u>18,155,092</u>	<u>156,733,469</u>	<u>(1,561,780)</u>

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Balance Sheet  
Governmental Funds  
June 30, 2005

Assets	<u>General</u>	<u>Federal Housing</u>	<u>Capital Fund</u>	<u>Housing choice voucher program</u>
Cash and cash equivalents	\$ 5,498,619	3,722,829	—	365,053
Cash with fiscal agents	—	—	—	—
Investments	985,560	7,194,419	—	—
Receivables:				
Tenants	—	86,730	—	—
Interest	5,898	18,502	20,708	—
Notes (note 3)	5,716,440	83,376	—	—
Other	21,055	8,474	—	—
Total receivables	<u>5,743,393</u>	<u>197,082</u>	<u>20,708</u>	<u>—</u>
Allowance for doubtful accounts	—	(12,529)	—	—
Net receivables	<u>5,743,393</u>	<u>184,553</u>	<u>20,708</u>	<u>—</u>
Due from other funds (note 4)	1,758,975	134,132	—	—
Due from other governments (note 5)	—	—	563,710	75,091
Inventory	—	73,552	—	—
Restricted assets	10,000	1,180,227	7,303,193	136,837
Property held for resale	—	—	—	—
Other assets	1,651,450	—	—	—
Total assets	<u>\$ 15,647,997</u>	<u>12,489,712</u>	<u>7,887,611</u>	<u>576,981</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ —	6,312	269,485	—
Accrued expenses	—	—	—	—
Tenant deposits	—	1,082,302	—	136,837
Other deposits	252,832	—	—	—
Due to other funds (note 4)	—	—	450,849	217,048
Due to other governments (note 5)	—	—	—	—
Contract retention	—	2,275	729,104	—
Deferred revenue	5,715,957	—	—	—
Other liabilities	—	176,682	—	—
Total liabilities	<u>5,968,789</u>	<u>1,267,571</u>	<u>1,449,438</u>	<u>353,885</u>
Fund balances:				
Reserved for:				
Inventory	—	73,552	—	—
Local development	1,575,547	—	—	—
Debt service	—	—	—	—
Unreserved, reported in:				
General fund	8,103,661	—	—	—
Special revenue funds	—	11,148,589	6,438,173	223,096
Total fund balances	<u>9,679,208</u>	<u>11,222,141</u>	<u>6,438,173</u>	<u>223,096</u>
Total liabilities and fund balances	<u>\$ 15,647,997</u>	<u>12,489,712</u>	<u>7,887,611</u>	<u>576,981</u>

Community Development	Special City projects	Urban Renewal	HOME	Hope VI	Other governmental funds	Total governmental funds
—	—	—	—	127,077	3,931,952	13,645,530
—	—	—	—	—	877,354	877,354
—	—	—	—	—	—	8,179,979
—	—	—	—	—	6,354	93,084
—	—	—	—	554,574	998	600,680
—	—	—	6,463,415	12,364,224	884,284	25,511,739
—	—	—	—	—	61,380	90,909
—	—	—	6,463,415	12,918,798	953,016	26,296,412
—	—	—	—	—	(4,000)	(16,529)
—	—	—	6,463,415	12,918,798	949,016	26,279,883
237,288	—	56,707	—	—	1,220,170	3,407,272
—	822,055	—	—	133,327	1,511,765	3,105,948
—	—	—	—	—	—	73,552
—	36,023	—	—	94,775	2,471,897	11,232,952
3,746,373	8,213,466	4,506,000	—	—	4,326,500	20,792,339
—	272,196	—	—	—	—	1,923,646
<u>3,983,661</u>	<u>9,343,740</u>	<u>4,562,707</u>	<u>6,463,415</u>	<u>13,273,977</u>	<u>15,288,654</u>	<u>89,518,455</u>
—	—	—	—	—	75,097	350,894
—	—	—	—	—	9,533	9,533
—	—	—	—	94,775	—	1,313,914
—	—	—	—	—	1,656,717	1,909,549
—	1,081,548	—	—	133,327	4,096,794	5,979,566
236,672	1,203	—	—	116,200	164,616	518,691
616	47,523	—	—	—	946,203	1,725,721
3,746,373	8,213,466	4,506,000	6,463,415	12,918,798	4,326,500	45,890,509
—	—	—	—	—	679,944	856,626
<u>3,983,661</u>	<u>9,343,740</u>	<u>4,506,000</u>	<u>6,463,415</u>	<u>13,263,100</u>	<u>11,955,404</u>	<u>58,555,003</u>
—	—	—	—	—	—	73,552
—	—	—	—	—	—	1,575,547
—	—	—	—	—	2,593,584	2,593,584
—	—	—	—	—	—	8,103,661
—	—	56,707	—	10,877	739,666	18,617,108
—	—	56,707	—	10,877	3,333,250	30,963,452
<u>3,983,661</u>	<u>9,343,740</u>	<u>4,562,707</u>	<u>6,463,415</u>	<u>13,273,977</u>	<u>15,288,654</u>	<u>89,518,455</u>

(Continued)



**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Balance Sheet  
Governmental Funds

June 30, 2005

Reconciliation of the balance sheet for governmental funds  
to the statement of net assets:

Ending fund balance – governmental funds	\$ 30,963,452
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	110,389,965
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	33,711,137
Internal service funds are used by management to charge the costs of certain activities, such as car pools, centralized maintenance support and computer services. Except for \$193,786, which relates to the internal service fund support of the business-type activities, the assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	7,579,275
Governmental funds report the effect of issuance costs when the debt is issued. These costs are deferred in the statement of net assets.	181,156
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and, therefore, is not reported in the funds.	(266,996)
Long-term liabilities, including notes payable, bonds payable, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(43,979,612)</u>
Net assets of governmental activities	<u>\$ 138,578,377</u>

See accompanying notes to basic financial statements.

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**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2005

	<u>General</u>	<u>Federal Housing</u>	<u>Capital Fund</u>	<u>Housing choice voucher program</u>
<b>Revenues:</b>				
Rental revenues	\$ 83,777	6,831,027	—	—
Intergovernmental revenues	—	15,149,445	8,374,881	15,385,809
Charges for services	147,837	205,545	—	22,168
Interest and investment income	151,943	278,624	177,146	2,934
Miscellaneous	678,384	103,638	1,150	3,035
Total revenues	<u>1,061,941</u>	<u>22,568,279</u>	<u>8,553,177</u>	<u>15,413,946</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	962,441	4,402,322	756,991	1,283,134
Planning	—	—	—	—
Site acquisition	—	—	—	—
Site improvement	56,857	—	—	—
Site clearance	—	—	—	—
Building construction	—	—	—	—
Disposition	19,305	—	—	—
Rehabilitation	—	—	—	—
Relocation	—	—	—	—
Ordinary maintenance	—	7,947,554	—	145,692
Extraordinary maintenance	—	598,419	—	—
Utilities	—	6,702,472	—	—
Tenant services	—	1,681,997	—	43,464
Protective services	—	371,536	—	—
Loan gap financing	—	—	—	—
General	—	169,113	—	—
Miscellaneous	—	—	—	—
HAP payments	—	—	—	13,890,378
Loan fees	—	—	—	—
Debt forgiveness	—	—	—	—
Community organization	—	—	—	—
<b>Debt service:</b>				
Principal	—	—	—	—
Interest	—	—	—	—
Capital outlay	3,724	9,046	8,261,577	10,299
Total expenditures	<u>1,042,327</u>	<u>21,882,459</u>	<u>9,018,568</u>	<u>15,372,967</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,614</u>	<u>685,820</u>	<u>(465,391)</u>	<u>40,979</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of property	1,120,736	157,500	—	—
Proceeds from notes payable	—	—	—	—
Transfers in (note 4)	1,388,000	358,410	—	—
Transfers out (note 4)	(1,388,553)	(586,690)	—	—
Total other financing sources and uses	<u>1,120,183</u>	<u>(70,780)</u>	<u>—</u>	<u>—</u>
Net change in fund balances	1,139,797	615,040	(465,391)	40,979
Fund balances – beginning	8,539,411	10,607,101	6,903,564	182,117
Fund balances – ending	<u>\$ 9,679,208</u>	<u>11,222,141</u>	<u>6,438,173</u>	<u>223,096</u>

Exhibit D

Community Development	Special City projects	Urban Renewal	HOME	Hope VI	Other governmental funds	Total governmental funds
—	—	10,500	—	—	706,233	7,631,537
5,397,342	7,064,847	—	1,997,635	11,036,126	11,868,316	76,274,401
—	—	—	—	—	1,033,433	1,408,983
—	—	—	—	77	67,748	678,472
—	—	—	—	—	111,162	897,369
<u>5,397,342</u>	<u>7,064,847</u>	<u>10,500</u>	<u>1,997,635</u>	<u>11,036,203</u>	<u>13,786,892</u>	<u>86,890,762</u>
850,651	1,129,901	—	218,930	1,322,725	669,677	11,596,772
—	62,760	13,803	—	792,327	434,824	1,303,714
1,788,819	924,740	—	—	—	44,364	2,757,923
529,662	805,940	—	15,089	7,456,483	901,836	9,765,867
512,914	254,305	—	—	26,585	26,807	820,611
—	499,268	—	—	—	—	499,268
568,981	331,019	—	—	—	168,548	1,087,853
643,271	55,754	—	968,003	—	—	1,667,028
390,042	21,757	—	—	163,427	2,100	577,326
—	—	—	—	5,042	—	8,098,288
—	—	—	—	—	—	598,419
—	—	—	—	—	—	6,702,472
—	—	—	—	1,579	—	1,727,040
—	—	—	—	—	—	371,536
—	—	—	537,195	—	—	537,195
—	—	—	—	—	91,459	260,572
113,002	1,312,736	—	—	—	—	1,425,738
—	—	—	—	472,139	—	14,362,517
—	—	—	—	—	62,223	62,223
—	—	—	—	—	93,466	93,466
—	—	—	258,418	—	—	258,418
—	—	—	—	—	4,864,519	4,864,519
—	—	—	—	—	2,931,230	2,931,230
—	—	—	—	785,019	8,998,553	18,068,218
<u>5,397,342</u>	<u>5,398,180</u>	<u>13,803</u>	<u>1,997,635</u>	<u>11,025,326</u>	<u>19,289,606</u>	<u>90,438,213</u>
—	1,666,667	(3,303)	—	10,877	(5,502,714)	(3,547,451)
—	1,376,957	—	—	—	672,281	3,327,474
—	—	—	—	—	138,218	138,218
—	—	—	—	—	11,248,969	12,995,379
—	(3,043,624)	—	—	—	(7,976,512)	(12,995,379)
—	(1,666,667)	—	—	—	4,082,956	3,465,692
—	—	(3,303)	—	10,877	(1,419,758)	(81,759)
—	—	60,010	—	—	4,753,008	31,045,211
—	—	56,707	—	10,877	3,333,250	30,963,452

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
 (Component Unit of the City of Norfolk, Virginia)

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds

Year ended June 30, 2005

Reconciliation of the statement of revenues, expenditures and changes in  
 fund balances of governmental funds to the statement of activities:

Net change in fund balances – total governmental funds \$ (81,759)

Amounts reported for governmental activities in the statement of activities are  
 different because:

Governmental funds report capital outlays as expenditures; however, in the  
 statement of activities, the cost of those assets is allocated over their  
 estimated useful lives and reported as depreciation expense. In addition,  
 donated assets and gains and losses on disposal of assets are not reported  
 in governmental funds, but are reported as revenues (expenses) in the  
 statement of activities. This represents the net effect of the donated assets  
 plus the difference between depreciation expense and capital outlay  
 expenditures. The details of this difference are as follows:

Depreciation expense	\$ (4,344,188)	
Capital outlay expenditures	18,068,218	
Cost of assets sold	<u>(991,303)</u>	
		12,732,727

Because some revenues will not be collected for several months after the  
 Authority’s fiscal year end, they are not considered “available” revenues and  
 are deferred in the governmental funds. Deferred revenue increased by this  
 amount this year.

6,635,377

Governmental funds report debt principal payments as expenditures;  
 however, in the statement of activities, the debt service payments  
 decrease long-term debt. This is the amount of principal payments made.

4,864,519

Governmental funds report proceeds from notes payable as revenue;  
 however, in the statement of activities, the debt service proceeds increase  
 long-term debt. This is the amount of proceeds received from notes payable.

(138,218)

Some expenses reported in the statement of activities do not require the use of  
 current financial resources and, therefore, are not reported as expenditures in  
 governmental funds. The details of this difference are as follows:

A decrease in compensated absences	153,284	
An increase in accrued interest	(1,829)	
Amortization of bond issuance costs	<u>(35,062)</u>	
		116,393

Internal service funds are used by management to charge the costs of certain  
 activities, such as car pools, office building rent, and central maintenance  
 support to individual funds. The net revenue (expense) of the internal service  
 funds, less \$255 which relates to business-type activities, is reported with  
 governmental activities.

(180,435)

Change in net assets of governmental activities \$ 23,948,604

See accompanying notes to basic financial statements.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Balance Sheet  
Proprietary Funds  
June 30, 2005

Assets	Business-type activities – Enterprise Funds				Totals	Governmental activities – Internal Service Funds
	Merrimack Landing	Park Terrace	Oakmont North	NRHA Rehabilitation		
Current assets:						
Cash and cash equivalents	\$ 1,092,392	—	210,843	2,853,026	4,156,261	6,417,659
Cash with fiscal agents	1,439,456	22,655	1,305,015	—	2,767,126	—
Investments	—	—	—	—	—	1,266,523
Receivables:						
Tenants	10,217	10,493	11,123	700	32,533	—
Interest	—	—	—	4,374	4,374	3,258
Accounts	—	—	6,191	210,071	216,262	—
Notes (note 3)	—	—	—	286,787	286,787	—
Other	400	—	—	—	400	6,330
Total receivables	10,617	10,493	17,314	501,932	540,356	9,588
Due from other funds (note 4)	2,499,361	—	184,302	267,661	2,951,324	3,134,625
Inventory	—	—	—	—	—	472,799
Prepaid expenses	—	—	—	—	—	14,712
Restricted assets	2,192,526	1,451,162	199,240	313,170	4,156,098	17,000
Other assets	—	—	—	—	—	9,150
Total current assets	7,234,352	1,484,310	1,916,714	3,935,789	14,571,165	11,342,056
Noncurrent assets:						
Notes receivable (note 3)	—	—	—	9,268,393	9,268,393	—
Loan loss reserve (note 3)	—	—	—	(48,284)	(48,284)	—
Net notes receivable	—	—	—	9,220,109	9,220,109	—
Unamortized bond issuance costs	67,471	—	110,792	—	178,263	—
Capital assets (note 6):						
Land	1,200,000	54,664	800,690	—	2,055,354	188,568
Buildings, improvements and equipment	10,816,730	2,313,950	17,825,132	1,393	30,957,205	12,600,020
Less accumulated depreciation	(7,025,276)	(1,945,292)	(6,640,648)	(1,393)	(15,612,609)	(7,919,695)
Net capital assets	4,991,454	423,322	11,985,174	—	17,399,950	4,868,893
Other assets	—	—	—	246,385	246,385	—
Total noncurrent assets	5,058,925	423,322	12,095,966	9,466,494	27,044,707	4,868,893
Total assets	\$ 12,293,277	1,907,632	14,012,680	13,402,283	41,615,872	16,210,949
<b>Liabilities and Net Assets</b>						
Current liabilities:						
Accounts payable	\$ —	71,766	—	1,682	73,448	1,957,185
Accrued expenses	—	21,500	75,592	—	97,092	—
Accrued interest payable	51,503	8,133	7,423	—	67,059	—
Tenant deposits	180,931	17,100	161,629	300	359,960	—
Due to other funds (note 4)	—	35,208	92,085	88,400	215,693	3,297,962
Due to other governments (note 5)	—	—	—	12,116	12,116	—
Notes payable – current (note 7)	—	54,133	—	88,038	142,171	128,259
Bonds payable – current (note 7)	388,140	—	150,000	—	538,140	—
Other liabilities – current	—	—	2,606	—	2,606	870,425
Total current liabilities	620,574	207,840	489,335	190,536	1,508,285	6,253,831
Noncurrent liabilities:						
Notes payable (note 7)	—	1,033,355	—	290,393	1,323,748	2,184,058
Bonds payable (note 7)	4,042,806	—	3,530,000	—	7,572,806	—
Deferred revenue	8,698	—	5,980	13,138,691	13,153,369	—
Escrow deposits	—	—	—	96,358	96,358	—
Total noncurrent liabilities	4,051,504	1,033,355	3,535,980	13,525,442	22,146,281	2,184,058
Total liabilities	4,672,078	1,241,195	4,025,315	13,715,978	23,654,566	8,437,889
Net assets:						
Invested in capital assets, net of related debt	627,979	(664,166)	8,415,966	—	8,379,779	2,556,576
Restricted net assets:						
Capital projects	—	367,022	—	—	367,022	—
Debt service	2,011,595	—	37,611	313,170	2,362,376	—
Other purposes	—	995,274	—	—	995,274	—
Unrestricted net assets	4,981,625	(31,693)	1,533,788	(626,865)	5,856,855	5,216,484
Total net assets	7,621,199	666,437	9,987,365	(313,695)	17,961,306	7,773,060
Total liabilities and net assets	\$ 12,293,277	1,907,632	14,012,680	13,402,283	41,615,872	16,210,949

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
 (Component Unit of the City of Norfolk, Virginia)

Balance Sheet  
 Proprietary Funds  
 June 30, 2005

Reconciliation of the balance sheet for proprietary funds to the statement of net assets:	
Ending net assets – total proprietary funds	\$ 17,961,306
Amounts reported for business-type activities in the statement of net assets are different because:	
Internal service funds are used by management to charge the costs of certain activities related to the oversight of business-type projects. A portion of the net revenue (expense) of the internal service funds for this activity is reported with the business-type activities.	<u>193,786</u>
Net assets of business-type activities	<u>\$ 18,155,092</u>

See accompanying notes to basic financial statements.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2005

	Business-type activities Enterprise Funds				Totals	Governmental activities – Internal Service Funds
	Merrimack Landing	Park Terrace	Oakmont North	NRHA Rehabilitation		
Operating revenues:						
Rental revenues	\$ 3,074,938	518,558	2,644,593	—	6,238,089	1,019,155
Charges for services	135,727	5,202	144,146	100	285,175	9,288,364
Miscellaneous	—	—	239,560	—	239,560	88,767
Total operating revenues	<u>3,210,665</u>	<u>523,760</u>	<u>3,028,299</u>	<u>100</u>	<u>6,762,824</u>	<u>10,396,286</u>
Operating expenses:						
Administration	354,443	96,592	532,489	40,872	1,024,396	2,619,928
Ordinary maintenance	687,893	213,943	696,245	—	1,598,081	5,723,875
Extraordinary maintenance	—	—	257,852	—	257,852	—
Utilities	300,510	44,347	392,647	—	737,504	288,711
General	120,767	56,488	206,421	91,150	474,826	1,323,788
Bond and rehabilitation costs	11,596	—	31,171	438,834	481,601	—
Depreciation and amortization	513,964	84,881	491,048	—	1,089,893	593,870
Bad debt expense	21,863	3,797	29,315	—	54,975	—
Total operating expenses	<u>2,011,036</u>	<u>500,048</u>	<u>2,637,188</u>	<u>570,856</u>	<u>5,719,128</u>	<u>10,550,172</u>
Operating income (loss)	<u>1,199,629</u>	<u>23,712</u>	<u>391,111</u>	<u>(570,756)</u>	<u>1,043,696</u>	<u>(153,886)</u>
Nonoperating revenues (expenses):						
Investment income	183,224	39,311	27,451	180,920	430,906	97,922
Interest expense	(263,380)	(99,660)	(71,258)	(39,134)	(473,432)	(118,105)
Loss on sale of capital assets	—	—	—	—	—	(6,111)
Total nonoperating revenues (expenses)	<u>(80,156)</u>	<u>(60,349)</u>	<u>(43,807)</u>	<u>141,786</u>	<u>(42,526)</u>	<u>(26,294)</u>
Income (loss) before transfers	<u>1,119,473</u>	<u>(36,637)</u>	<u>347,304</u>	<u>(428,970)</u>	<u>1,001,170</u>	<u>(180,180)</u>
Increase (decrease) in net assets	<u>1,119,473</u>	<u>(36,637)</u>	<u>347,304</u>	<u>(428,970)</u>	<u>1,001,170</u>	<u>(180,180)</u>
Total fund net assets – beginning	<u>6,501,726</u>	<u>703,074</u>	<u>9,640,061</u>	<u>115,275</u>	<u>16,960,136</u>	<u>7,953,240</u>
Total fund net assets (deficit) – ending	<u>\$ 7,621,199</u>	<u>666,437</u>	<u>9,987,365</u>	<u>(313,695)</u>	<u>17,961,306</u>	<u>7,773,060</u>
Reconciliation of the statement of revenues, expenses and changes in fund net assets to the statement of activities:						
Net change in net assets – total proprietary funds						\$ 1,001,170
Amounts reported for business-type activities in the statement of activities are different because:						
Internal service funds are used by management to charge the costs of certain activities related to the oversight of business-type projects. The net revenue (expense) of the internal service fund for this activity is reported with the business-type activities.						255
Change in net assets of business-type activities						<u>\$ 1,001,425</u>

See accompanying notes to basic financial statements.



**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2005

	Business-type activities Enterprise Funds				Totals	Governmental activities – Internal Service Funds
	Merrimack Landing	Park Terrace	Oakmont North	NRHA Rehabilitation		
Cash flows from operating activities:						
Cash receipts from customers	\$ 1,033,645	194,612	2,582,116	—	3,810,373	9,380,774
Cash receipts from grants	—	314,589	—	—	314,589	—
Other operating cash receipts	137,881	23,959	140,403	100	302,343	28,073
Cash payments to suppliers of goods and services	(1,371,694)	(50,554)	(1,773,067)	(1,302,848)	(4,498,163)	(9,976,114)
Cash payments to employees for services	(103,515)	(333,367)	(101,590)	(38,396)	(576,868)	—
Other operating cash payments	—	—	—	—	—	(1,553,113)
Net cash provided by (used in) operating activities	(303,683)	149,239	847,862	(1,341,144)	(647,726)	(2,120,380)
Cash flows from capital and related financing activities:						
Proceeds from sale of capital assets	—	—	—	—	—	2,000
Purchases of capital assets	(324,586)	(87,539)	(472,895)	—	(885,020)	(462,448)
Principal payments on debt	(405,000)	(49,504)	(140,000)	(134,368)	(728,872)	(133,106)
Interest payments on debt	(265,034)	(100,030)	(67,243)	(39,134)	(471,441)	(118,105)
Net cash used in capital and related financing activities	(994,620)	(237,073)	(680,138)	(173,502)	(2,085,333)	(711,659)
Cash flows from investing activities:						
Sales of investments	1,991,250	—	—	1,104,752	3,096,002	27,469,962
Purchases of investments	—	—	—	—	—	(27,467,191)
Principal payments on notes receivable	—	—	—	1,717,904	1,717,904	—
Issuance of notes receivable	—	—	—	(666,500)	(666,500)	—
Interest received	183,224	38,569	27,451	176,546	425,790	98,294
Net cash provided by investing activities	2,174,474	38,569	27,451	2,332,702	4,573,196	101,065
Net increase (decrease) in cash and cash equivalents	876,171	(49,265)	195,175	818,056	1,840,137	(2,730,974)
Cash and cash equivalents at beginning of year	3,848,203	1,523,082	1,519,923	2,348,140	9,239,348	9,165,633
Cash and cash equivalents at end of year	\$ 4,724,374	1,473,817	1,715,098	3,166,196	11,079,485	6,434,659
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	1,199,629	23,712	391,111	(570,756)	1,043,696	(153,886)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	469,089	84,881	491,048	—	1,045,018	593,870
Bad debt expense	21,863	3,797	29,315	—	54,975	—
Amortization expense	44,875	—	—	—	44,875	—
Changes in assets and liabilities:						
Tenants receivable	(29,673)	(9,357)	(32,487)	250	(71,267)	—
Accounts receivable	2,154	18,757	(3,743)	(155,724)	(138,556)	(6,355)
Due from (to) other funds	(2,011,734)	27,449	(35,145)	(380,808)	(2,400,238)	(2,886,972)
Prepaid expenses	—	—	—	—	—	6,680
Inventory	—	—	—	—	—	(22,306)
Bond issuance costs	—	—	2	—	2	—
Other assets	—	—	—	(9,684)	(9,684)	—
Accounts payable	—	—	2,606	—	2,606	513,145
Deferred revenue	(3,566)	—	1,105	(214,479)	(216,940)	—
Due to other governments	—	—	—	6,950	6,950	—
Other liabilities	—	—	—	(500)	(500)	(164,556)
Escrow deposits	—	—	—	(16,393)	(16,393)	—
Tenant deposits	3,680	—	4,050	—	7,730	—
Net cash provided by (used in) operating activities	\$ (303,683)	149,239	847,862	(1,341,144)	(647,726)	(2,120,380)

See accompanying notes to basic financial statements.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
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**(1) Summary of Significant Accounting Policies**

The Norfolk Redevelopment and Housing Authority (the Authority), a component unit of the City of Norfolk, Virginia, was created by the City of Norfolk (the City) on July 30, 1940 under the provisions of the United States Housing Act of 1937. As a chartered political subdivision of the Commonwealth of Virginia, the Authority provides subsidized public housing and administers redevelopment and conservation projects within the City in accordance with state and federal legislation. The seven-member board of commissioners is appointed by Norfolk's City Council for staggered four-year terms. The Board, in turn, elects a chairman and appoints an executive director to administer the affairs of the Authority.

The Authority's operations and relationship with the federal government are governed by contracts allowing the Authority to construct, own and operate public housing facilities, as well as make housing assistance payments for eligible individuals and families. The board of commissioners authorizes these contracts with the United States Department of Housing and Urban Development (HUD) pursuant to the latter agency's regulations and statutory authorizations.

The accompanying financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB). The more significant of the Authority's accounting policies are described below.

**(a) The Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America and as established by the GASB, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's Board, and either: a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. The City has determined that the Authority is a component unit of the City and accordingly, the financial position and results of operations of the Authority are reflected in the financial statements included in the Comprehensive Annual Financial Report of the City.

**Component Units** – The accompanying financial statements present the Norfolk Redevelopment and Housing Authority and its component units, Mission College Apartments, L.P. (MCA), Norfolk Community College Campus Corporation (NCCCC), Norfolk One, L.P. (NOLP), City Development Corporation (CDC), and Hampton Roads Ventures, LLC (HRV). The financial data of the component units are included in the Authority's reporting entity because of the significance of their operational or financial relationships with the Authority.

Four of the Authority's component units are discretely presented. Discretely presented component units are entities that are legally separate from the Authority, but for which the Authority is financially accountable, or whose relationships with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. The component units are

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reported in a separate column in the government-wide statements to emphasize they are legally separate from the Authority. MCA, NOLP and NCCCC have December 31 year ends. CDC has a June 30 year end.

The financial information of HRV is blended with the primary government's financial information. A blended component unit is so closely related to the primary government that its funds appear as if they are integral parts of the primary government. Generally, a reader of financial statements cannot distinguish between a fund of the primary government and a blended component unit without studying the notes to the financial statements. HRV has a December 31 year end.

MCA, a Virginia limited partnership in which the Authority is a 1% general partner, was formed to develop and operate a low-income housing project located in Norfolk, Virginia. The Authority is the only general partner in the partnership and, therefore, is responsible for all business decisions of MCA. Additionally, per the partnership agreement, the Authority is required to fund all deficits of MCA, when necessary. During the year ended June 30, 2005, MCA did not make any distributions to its partners. Separate audited financial statements are available from MCA.

NCCCC, a nonstock corporation, was organized for charitable and educational purposes, including developing and maintaining a public educational facility. The Authority appoints the members of NCCCC and guarantees the payment of some revenue bonds. Separate audited financial statements are available from NCCCC.

CDC, also a nonstock corporation, purchased an 85.5% interest in the Waterside Limited Partnership on December 31, 1998. The Authority owns the other 14.5%. CDC also has a .0001% membership interest in HRV. CDC's business purpose is to oversee the management of the Waterside partnership at the direction of the Authority. The Authority appoints the members of CDC. Separate audited financial statements are not available from CDC. At June 30, 2005, CDC did not have any assets, but did receive \$639,031 of the Waterside, LP loss and \$1 of HRV income.

NOLP, a Virginia limited partnership in which the Authority is the general partner, was formed to develop and operate a low-income elderly housing complex located in Norfolk, Virginia. The Authority is the only general partner in the partnership and is also the managing agent for the partnership. It is therefore responsible for all business decisions of NOLP. Separate audited financial statements are available from NOLP.

HRV, a Virginia limited liability company, was formed on May 1, 2003. The company is a qualified community development entity that holds new market tax credits allocation authority to be used for investment in qualified active low income community businesses. The Authority has a 99.9999% membership interest, and the CDC has a .0001% interest.

**(b) Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide statement of net assets, the governmental and business-type activities columns

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1) are presented on a consolidated basis by column, and 2) are reflected, on a full accrual basis of accounting and economic resource measurement focus, which incorporates long-term assets and receivables, as well as long-term debt and obligations. The Authority generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Authority may defer the use of restricted assets based on a review of the specific transaction.

The government-wide statement of activities reflects both the gross and net cost per functional category that are otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. The program revenues must be directly associated with the function or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Items not properly included among program revenues are reported as general revenues. Administrative overhead charges are allocated to the programs and included in direct expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the Authority are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The governmental fund statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The Authority reports the following major governmental funds:

**General Fund** – The General Fund is the general operating fund of the Authority. It accounts for revenues and expenditures which are not accounted for in other funds.

**Federal Housing Fund** – This fund accounts for revenues and expenditures of the Authority's federally aided housing projects.

**Capital Fund** – This fund accounts for the revenues and expenditures of major management and capital improvement activities for federally assisted housing.

**Housing Choice Voucher Program Fund** – This fund accounts for the revenues and expenditures of the Authority's Section 8 low-income housing units rented through the voucher system.

**Community Development Fund** – This fund accounts for the revenues and expenditures of the implementation and administration of the federal Community Development Block Grant program

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and the cost associated with the delivery of financial services for the Community Development loan and grant and rental rehabilitation program.

***Special City Projects Fund*** – This fund accounts for revenues received from the City and the expenditures incurred for specific capital improvement projects identified by the City.

***Urban Renewal Fund*** – This fund accounts for the revenues and expenditures related to projects developed under the Urban Renewal program within certain targeted redevelopment and conservation areas located in the City.

***HOME Fund*** – This fund accounts for revenues and expenditures of the HOME program, which provides homeownership opportunities for first time homebuyers, as well as the rehabilitation of low-to-moderate income housing for targeted neighborhoods in the City.

***Hope VI*** – This fund accounts for the revenues and expenditures of the Urban Revitalization Program used to redevelop two of the Authority's public housing communities. Initiatives include an array of community and support services to enhance the lives of residents.

The Authority reports the following major proprietary funds:

***Merrimack Landing Fund*** – This fund accounts for revenues and expenses of the locally owned Merrimack Landing apartment project.

***Park Terrace Fund*** – This fund accounts for local and Virginia Housing Development Authority's revenues and expenses of this locally owned apartment project.

***Oakmont North Fund*** – This fund accounts for revenues and expenses of the locally owned apartment project.

***NRHA Rehabilitation Fund*** – This fund accounts for the interest income related to the loans granted to qualified borrowers for rehabilitation purposes. It also accounts for the interest expense related to the financing of such loans, as well as a Revolving Loan Fund, which has a set of accounts that are accounted for separately from other program accounts.

Additionally, the Authority reports the following fund types:

***Nonmajor Governmental Funds*** – Nonmajor governmental funds include special revenue funds which account for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities and the debt service fund which accounts for the payment of principal and interest on long-term debt of the Authority.

***Internal Service Funds*** – Internal service funds account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental units on a cost-reimbursement basis. The Authority uses the internal service funds to account for the following activities: Granby office building, housing operations building, automotive equipment, maintenance operations, administrative equipment, data processing equipment, the revolving fund, HOMENET, special city administration and management fees. The internal service fund type is included in governmental activities for government-wide reporting purposes. As a general rule, the

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effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenues or expenses for the fund type are allocated to the appropriate functional activity.

(c) ***Basis of Accounting and Measurement Focus***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The fund financial statements of the governmental funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Rental revenue is accrued based on monthly rental rates for each unit. Interest income is recorded as earned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Proceeds from current year land sales are accrued based on current year sales. All other revenue items are considered to be measurable and available only when cash is received by the Authority. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the fund liability is incurred. Interest on long-term debt is recorded when due.

The government-wide statement of net assets and statement of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, and financial statements of the proprietary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Proprietary funds distinguish operating revenues and expenses from nonoperating 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 the Authority's proprietary funds are rental revenue and charges for services. Operating expenses for the proprietary funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, proprietary fund types follow all applicable GASB pronouncements, as well as all Financial Accounting Standards

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Board (FASB) pronouncements and predecessor APB Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989. Under paragraph 7 of GASB Statement No. 20, the Authority has elected not to apply FASB pronouncements issued after November 30, 1989 that don't conflict with GASB Standards.

**(d) *Cash, Cash Equivalents, Cash with Fiscal Agents, and Investments***

Cash equivalents and investments are stated at fair value. Investments are held in certificates of deposit, U.S. Government securities, commercial paper, and repurchase agreements, as authorized by the Code of Virginia, Sections 2.1-327 and 2.1-328. The Authority's investments in U.S. Government securities and commercial paper are valued at amortized cost as they have maturity dates of less than one year. All of the Authority's other investments are also short-term in nature such that cost and fair value are the same. Securities are held in safekeeping by the respective financial institutions. Repurchase agreements are collateralized by securities at market value sufficient to cover the face values of the investments.

For purposes of the accompanying statements of cash flows, all highly liquid investments and certificates of deposit with original maturities of three months or less from date of purchase are considered to be cash equivalents. Individual fund overdrafts have been reclassified as due to other funds for financial statement purposes.

A portion of cash that is held by agents of the Authority is reported separately on the government-wide statement of net assets and in the fund financial statements as cash with fiscal agents. There are no restrictions on the use of these funds.

**(e) *Inventory***

Inventory of the Authority is valued at average cost. This inventory consists of expendable materials and supplies. The cost is recorded as an expenditure when the materials and supplies are used (consumption method of accounting). Reported inventory of the governmental fund types is equally offset by a fund balance reserve, which indicates that it does not constitute "available spendable resources" even though it is a component of net current assets.

**(f) *Restricted Assets***

A certain portion of cash is reported in a separate restricted assets account on the government-wide statement of net assets because the use of these amounts is governed by revenue bond indenture provisions or a regulatory agreement.

**(g) *Property Held For Resale***

Property held for resale is stated at acquisition cost plus improvements, but not in excess of net realizable value. Proceeds received from sales of these properties are required to be remitted to either the City or the federal government. Consequently, as a result of this restriction, net assets associated with the above assets are considered restricted in the government-wide financial statements.

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**(h) Capital Assets**

Capital outlays are recorded as expenditures of the General and Special Revenue Funds and as assets in the government-wide financial statements to the extent the Authority's capitalization threshold of \$500 is met. Depreciation is recorded on capital assets on a government-wide basis. Capital outlays of the proprietary funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Certain capital assets with an approximate book value of \$6,500,000 have been deeded to the Authority from the City solely to serve as collateral on certain loan agreements. As the Authority has no responsibility or control over the operations of these assets, they have been excluded from the Authority's basic financial statements. The City has capitalized the value of these assets on their basic financial statements.

Depreciation of capital assets is calculated on the straight-line basis over the following estimated useful lives:

Real property and improvements	20 to 40 years
Data processing equipment	3 to 7 years
Automobiles	4 to 5 years
Office furniture and equipment	2 to 5 years

**(i) Bond Premiums, Discounts, and Issuance Costs**

In the government-wide financial statements and proprietary fund types in the fund financial statements, bond premiums, and discounts, as well as issuance costs, are deferred and amortized over the terms of the related issues on a straight-line basis, which approximates the interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**(j) Deferred Loss on Refunding**

The proprietary fund types' deferred loss on refunding is being charged to operations through the year 2013 using the straight-line method.



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**(k) *Compensated Absences***

Employees earn annual vacation leave at a rate ranging from 12 days per year, up to a maximum of 24 days per year after 31 years of service. There is no requirement that annual vacation leave be taken, but the maximum permissible accumulation is 36 days. At termination, employees are paid for any accumulated annual vacation leave. Employees also earn annual sick leave at the rate of one day each month. Employees hired prior to December 31, 1997 with more than five years of service are paid for 30% of unused sick leave upon separation. The current and noncurrent portions of accumulated annual vacation leave and sick leave estimated to be paid upon separation are recorded in the government-wide financial statements.

**(l) *Interfund Transactions***

Interfund transactions are reflected as either loans, services provided reimbursements, or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

**(m) *Interest Allocation***

Interest income earned on amounts advanced from various projects to the Authority's internal service fund's revolving fund is allocated back to the funding projects on a quarterly basis. The allocation is based upon the funding projects' relative share of advances to total advances. The corresponding advances to the revolving fund are recorded as due from/to other funds.

**(n) *Income Taxes***

As a political subdivision of the State of Virginia, the Authority is exempt from federal and state income taxes.

**(o) *Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property held for resale, the carrying amount of capital assets, valuation for receivables, and obligations related to employee benefits. Actual results could differ from those estimates.

**(2) *Deposits and Investments***

The GASB issued GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which requires the Authority to address common deposit and investment risks related to credit risk, concentration of credit

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risk, interest rate risk, and foreign currency risk. The Authority was required to adopt Statement 40 this year. Disclosures required by the adoption of this statement are shown below.

At June 30, 2005, the carrying value of the Authority's deposits with banks and savings institutions was \$13,841,372 and the bank balance was \$15,158,764. Of the bank balance, \$7,742,642 was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). The remainder of the bank balance was not insured or collateralized.

***Custodial Credit Risk***

Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings institutions are required to collateralize 100% of deposits in excess of FDIC limits. If any member financial institution fails, the entire collateral becomes available to satisfy the claims of the Authority. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members (banks and savings institutions) of the pool; therefore, these deposits are considered collateralized and as a result are considered insured. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

In accordance with its investment policy, temporary cash surpluses are invested in repurchase agreements and certificates of deposit. The repurchase agreement is fully collateralized by the U.S. Government and government agency securities pledged in the Authority's name. The collateral is held by the pledging financial institution in its own name.

The investment in the repurchase agreement represents an overnight sweep investment of excess cash deposits with a bank. The amount is collateralized under the Act. The investment in commercial paper is AAA rated.

***Concentration of Credit Risk***

There are no concentrations of credit risk, other than investments in U.S. Government obligations greater than 5% of total investments.

The Code of Virginia has authorized the Authority to invest in certificates of deposit with national banks located within the Commonwealth of Virginia, obligations of the United States or its agencies, bankers' acceptances, repurchase agreements, and "prime quality" commercial paper.

***Interest Rate Risk***

In accordance with its investment policy, the Authority manages its exposure to declines in fair value by investing operating funds in securities maturing in periods of up to one year, or a lesser period that coincides with expected disbursements. Investment of reserves not needed for operations are typically held to maturity. In this period of rising interest rates, 69% of all reserves have been invested for three months or less.

***Foreign Currency Risk***

The Authority does not have any foreign investments.

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Investment type	Fair value	Investment maturities (in years)		
		Less than 1	1-2	2-4
U.S. agency and discount notes	\$ 34,058,224	25,672,499	4,448,915	3,936,810
Repurchase agreement	4,046,001	4,046,001	—	—
Commercial paper	769,060	769,060	—	—
	<u>\$ 38,873,285</u>	<u>30,487,560</u>	<u>4,448,915</u>	<u>3,936,810</u>

A reconciliation of the carrying value of deposits and investments as reported above to amounts reported in the statement of net assets for the primary government is as follows:

Deposits	\$ 13,841,372
Cash on hand	1,825
Investments	<u>38,873,285</u>
	<u>\$ 52,716,482</u>
Per exhibit A:	
Cash and cash equivalents	\$ 24,219,450
Cash with fiscal agents	3,644,480
Restricted assets	15,406,050
Investments	<u>9,446,502</u>
	<u>\$ 52,716,482</u>

The Authority also has an investment of 14.5% in the Waterside Limited Partnership in the amount of \$7,126,083. The Authority has recorded a valuation allowance equal to the investment due to uncertainties related to future cash flows of the partnership.

**(3) Receivables**

The only receivables not expected to be collected within one year are the notes receivable. A summary of notes receivable at June 30, 2005, with specific payment terms, are as follows:

**Governmental Activities:**

**(a) General Fund – Major**

1% promissory notes, due from Community Ventures Investors, L.L.C. Monthly installments of interest only. Principal to be paid in full by January 1, 2015. The purpose of the loan is for Community Ventures Investors, L.L.C. to purchase new market tax credits for the Attucks Theater. \$ 5,716,440

**(b) Federal Housing Fund – Major**

1% promissory notes receivable, due from low income public housing tenants, in monthly installments of principal and interest. The loans are made to qualifying tenants for the purpose of starting their own businesses. 83,376

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(c) **HOME Fund – Major**

0% promissory notes receivable of the HOME program, due from local citizens on a deferred basis. The loans are made to qualifying homeowners and investors to make improvements to the property located in target neighborhoods in the City. The notes are secured by deeds of trust and are forgivable at varying rates provided that the borrower complies with the terms of the deed of trust. The notes are forgiven at different rates for homeowners than for investors, with investor forgiveness also depending upon the amount of the original note. \$ 6,463,415

(d) **Hope VI Fund – Major**

Promissory note receivable due from Norfolk One, L.P. The note earns interest at the applicable federal rate on the date the funds were drawn. These rates vary between 4.36% and 4.92%. Principal and interest are due on December 31, 2042. 1,819,308

Promissory note receivable due from TCB Marshall Manor II LP. The funds were provided for the construction of 66 units of rental housing, of which 56 units will be reserved for qualified low income tenants. The note earns interest at the applicable federal rate on the date that the funds were drawn. These rates vary between 4.66% and 5.34%. Interest and principal shall be due on the date which is 40 years after the completion date. 3,868,261

Promissory note receivable due from TCB Bowling Green II LP. The funds were provided for the construction of 43 units of rental housing, of which 34 units will be reserved for qualified low income tenants. The note earns interest at the applicable federal rate on the date that the funds were drawn. These rates vary between 4.66% and 5.34%. Interest and principal shall be due on the date which is 40 years after the completion date. 2,716,384

Promissory note receivable due from TCB Marshall Manor III LP. The funds were provided for the construction of 58 units of rental housing, of which 46 units will be reserved for qualified low income tenants. The note earns interest at the applicable federal rate on the date that the funds were drawn. These rates vary between 4.52% and 5.03%. Interest and principal shall be due on the date which is 40 years after the completion date. 2,405,464

Promissory note receivable due from TCB Bowling Green III LP. The funds were provided for the construction of 45 units of rental housing, of which 35 units will be reserved for qualified low income tenants. The note earns interest at the applicable federal rate on the date that the funds were drawn. These rates vary between 4.52% and 5.03%. Interest and principal shall be due on the date which is 40 years after the completion date. 1,554,807

Total notes receivable – Hope VI fund 12,364,224

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(e) **Nonmajor Governmental Funds**

Housing Opportunity – Fixed rate 5% to 6% promissory notes receivable due from local citizens in monthly installments of principal and interest. The loans are made to qualified home buyers in Wellington Oaks and Bell Diamond for the purchase and/or improvement of property. All notes are secured by deeds of trust.	\$ 199,566
EDA Revolving Loan – Fixed rate 5% promissory notes receivable due from local citizens in monthly installments of principal and interest. The loans are made to qualifying businesses for capital improvements. An allowance of doubtful accounts of \$4,000 is recorded related to these notes.	347,720
EOV Note Initiatives – 0% promissory note for the purchase of a residence. The note is due when the signor vacates the residence or upon her death. The note is secured by a deed of trust on certain real property.	195,000
Broad Creek Renaissance – 0% promissory note due from Norfolk One, L.P. for a bridge loan. The loan will be paid in 2006 from capital contributions made by a limited partner.	24,425
Program Income – 0% to 8% fixed rate promissory notes receivable due from local citizens on a deferred basis, forgivable basis, or in monthly installments of principal and interest. Program income consists of gap financing, demo in lieu of acquisition, an ecumenical family shelter note, and other notes. Gap financing is issued to qualifying person(s) to provide second deeds of trust for down payments and closing costs. Demo in lieu of acquisition is issued to qualifying person(s) in which the Authority incurs the cost of demolition and takes a note to be paid at a future date. The ecumenical family shelter note is for the acquisition and renovation of a multiple family building, the “Dwelling Place.” Other notes are issued to nonprofit agencies for land the Authority has “donated.” The notes become payable if the use is no longer for “low to moderate income residential.”	117,573
Total notes receivable – governmental activities	<u>25,511,739</u>

**Business-Type Activities:**

**NRHA Rehabilitation Fund**

5% to 12% fixed rate promissory notes receivable, due from local citizens either on a deferred basis or in monthly installments of principal and interest. The loans are made to qualifying persons to make improvements to property located in certain redevelopment and rehabilitation areas as designated by the Authority and the City. The notes are secured by deeds of trust on the rehabilitation improvements made to the properties and serve as collateral for rehabilitation notes payable to local banks (note 7). The Authority has recorded an allowance for doubtful accounts related to these notes of \$48,284.	9,555,180
Total notes receivable	<u>\$ 35,066,919</u>

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
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***Component Units:***

NCCCC leases a facility to the State Board for Community Colleges for approximately \$2,000,000 per year until December 31, 2015, and \$750,000 thereafter until December 31, 2019. The capital lease is reflected as a sale of the facility with a note receivable and related interest equal to the debt described in note 7.

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**(4) Interfund Receivables, Payables and Transfers**

Interfund receivable and payable balances are considered short term in nature, with the exception of the general fund due to NRHA Rehabilitation of \$88,400 and the due to Oakmont North of \$92,085. All other balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. At June 30, 2005, the balances are as follows:

	<b>Due from other funds</b>									<b>Total</b>
	<b>General</b>	<b>Federal housing</b>	<b>Community development</b>	<b>Urban renewal</b>	<b>Nonmajor governmental</b>	<b>Merimack Landing</b>	<b>Oakmont North</b>	<b>NRHA Rehabilitation</b>	<b>Internal service</b>	
Due to other funds:										
Capital	\$ —	—	—	—	—	—	—	—	450,849	450,849
Housing choice voucher program	156,000	—	—	—	—	—	—	—	61,048	217,048
Special city projects	—	—	—	—	—	—	—	—	1,081,548	1,081,548
Hope VI	—	—	—	—	—	—	—	—	133,327	133,327
Nonmajor governmental funds	347,981	—	—	—	—	2,376,168	—	—	1,372,645	4,096,794
Park Terrace	—	—	—	—	—	—	—	—	35,208	35,208
Oakmont North	92,085	—	—	—	—	—	—	—	—	92,085
NRHA Rehabilitation	88,400	—	—	—	—	—	—	—	—	88,400
Internal service	1,074,509	134,132	237,288	56,707	1,220,170	123,193	184,302	267,661	—	3,297,962
	<u>\$ 1,758,975</u>	<u>134,132</u>	<u>237,288</u>	<u>56,707</u>	<u>1,220,170</u>	<u>2,499,361</u>	<u>184,302</u>	<u>267,661</u>	<u>3,134,625</u>	<u>9,493,221</u>

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Interfund transfers for the year ended June 30, 2005 consisted of the following:

	<b>Transfers in</b>			<b>Total</b>
	<b>General</b>	<b>Federal housing</b>	<b>Nonmajor governmental</b>	
Transfers out:				
General	\$ 1,388,000	—	553	1,388,553
Federal housing	—	358,410	228,280	586,690
Special city projects	—	—	3,043,624	3,043,624
Nonmajor governmental funds	—	—	7,976,512	7,976,512
Total	<u>\$ 1,388,000</u>	<u>358,410</u>	<u>11,248,969</u>	<u>12,995,379</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



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**(5) Due from/to Other Governments**

Amounts due from and due to other governments at June 30, 2005 are as follows:

	<u>Due from other governments</u>	<u>Due to other governments</u>
Governmental activities:		
Capital fund – HUD	\$ 563,710	—
Housing choice voucher program – HUD	75,091	—
Community development -		
City of Norfolk, primary government	—	236,672
Special city projects -		
City of Norfolk, primary government	822,055	1,203
HOPE VI – HUD	133,327	116,200
Other nonmajor governmental – HUD	1,511,765	164,616
Total governmental activities	<u>\$ 3,105,948</u>	<u>518,691</u>
Business-type activities -		
NRHA Rehabilitation – HUD	<u>\$ —</u>	<u>12,116</u>

All amounts due from other governments are expected to be collected within one year.

**(6) Capital Assets**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2005:

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 11,779,245	99,507	290,038	11,588,714
Construction in progress	25,605,128	17,656,863	3,033,778	40,228,213
Total capital assets not being depreciated	<u>37,384,373</u>	<u>17,756,370</u>	<u>3,323,816</u>	<u>51,816,927</u>
Other capital assets:				
Buildings and building improvements	89,193,051	2,470,577	1,693,533	89,970,095
Improvements other than buildings	51,572,234	508,247	550,000	51,530,481
Equipment	6,152,575	568,071	219,106	6,501,540
Total other capital assets	<u>146,917,860</u>	<u>3,546,895</u>	<u>2,462,639</u>	<u>148,002,116</u>
Less accumulated depreciation for:				
Buildings and building improvements	44,438,016	3,157,876	1,419,970	46,175,922
Improvements other than buildings	33,349,143	1,271,686	383,477	34,237,352
Equipment	3,849,410	508,496	210,995	4,146,911
Total accumulated depreciation	<u>81,636,569</u>	<u>4,938,058</u>	<u>2,014,442</u>	<u>84,560,185</u>
Other capital assets, net	<u>65,281,291</u>	<u>(1,391,163)</u>	<u>448,197</u>	<u>63,441,931</u>
	<u>\$ 102,665,664</u>	<u>16,365,207</u>	<u>3,772,013</u>	<u>115,258,858</u>

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	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
Business-type activities:				
Capital assets not being depreciated -				
Land	\$ 2,055,354	—	—	2,055,354
Other capital assets:				
Buildings and building improvements	27,285,786	708,129	—	27,993,915
Improvements other than buildings	2,622,817	241,797	—	2,864,614
Equipment	91,816	6,860	—	98,676
Total other capital assets	<u>30,000,419</u>	<u>956,786</u>	<u>—</u>	<u>30,957,205</u>
Less accumulated depreciation for:				
Buildings and building improvements	13,195,067	903,303	—	14,098,370
Improvements other than buildings	1,303,782	131,592	—	1,435,374
Equipment	68,742	10,123	—	78,865
Total accumulated depreciation	<u>14,567,591</u>	<u>1,045,018</u>	<u>—</u>	<u>15,612,609</u>
Other capital assets, net	<u>15,432,828</u>	<u>(88,232)</u>	<u>—</u>	<u>15,344,596</u>
	<u>\$ 17,488,182</u>	<u>(88,232)</u>	<u>—</u>	<u>17,399,950</u>
	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
Merrimack Landing:				
Capital assets not being depreciated -				
Land	\$ 1,200,000	—	—	1,200,000
Other capital assets:				
Buildings and building improvements	8,625,728	119,390	—	8,745,118
Improvements other than buildings	1,838,299	204,073	—	2,042,372
Equipment	28,117	1,123	—	29,240
Total other capital assets	<u>10,492,144</u>	<u>324,586</u>	<u>—</u>	<u>10,816,730</u>
Less accumulated depreciation for:				
Buildings and building improvements	5,727,111	378,015	—	6,105,126
Improvements other than buildings	808,848	88,489	—	897,337
Equipment	20,228	2,585	—	22,813
Total accumulated depreciation	<u>6,556,187</u>	<u>469,089</u>	<u>—</u>	<u>7,025,276</u>
Other capital assets, net	<u>3,935,957</u>	<u>(144,503)</u>	<u>—</u>	<u>3,791,454</u>
	<u>\$ 5,135,957</u>	<u>(144,503)</u>	<u>—</u>	<u>4,991,454</u>

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	<u>Balance</u> <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2005</u>
Park Terrace:				
Capital assets not being depreciated -				
Land	\$ 54,664	—	—	54,664
Other capital assets:				
Buildings and building improvements	1,640,073	115,844	—	1,755,917
Improvements other than buildings	481,598	37,724	—	519,322
Equipment	32,974	5,737	—	38,711
Total other capital assets	<u>2,154,645</u>	<u>159,305</u>	<u>—</u>	<u>2,313,950</u>
Less accumulated depreciation for:				
Buildings and building improvements	1,413,071	64,893	—	1,477,964
Improvements other than buildings	421,814	17,307	—	439,121
Equipment	25,526	2,681	—	28,207
Total accumulated depreciation	<u>1,860,411</u>	<u>84,881</u>	<u>—</u>	<u>1,945,292</u>
Other capital assets, net	294,234	74,424	—	368,658
	<u>\$ 348,898</u>	<u>74,424</u>	<u>—</u>	<u>423,322</u>
	<u>Balance</u> <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2005</u>
Oakmont North:				
Capital assets not being depreciated -				
Land	\$ 800,690	—	—	800,690
Other capital assets:				
Buildings and building improvements	17,019,985	472,895	—	17,492,880
Improvements other than buildings	302,920	—	—	302,920
Equipment	29,332	—	—	29,332
Total other capital assets	<u>17,352,237</u>	<u>472,895</u>	<u>—</u>	<u>17,825,132</u>
Less accumulated depreciation for:				
Buildings and building improvements	6,054,885	460,395	—	6,515,280
Improvements other than buildings	73,120	25,796	—	98,916
Equipment	21,595	4,857	—	26,452
Total accumulated depreciation	<u>6,149,600</u>	<u>491,048</u>	<u>—</u>	<u>6,640,648</u>
Other capital assets, net	11,202,637	(18,153)	—	11,184,484
	<u>\$ 12,003,327</u>	<u>(18,153)</u>	<u>—</u>	<u>11,985,174</u>

Governmental activities capital assets net of accumulated depreciation at June 30, 2005 are comprised of the following:

General capital assets, net	\$ 110,389,965
Internal service fund capital assets, net	<u>4,868,893</u>
Total	<u>\$ 115,258,858</u>

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**Governmental Activities:**

Depreciation was charged to governmental functions as follows:

General government	\$	32,627
Federal housing		3,409,620
Housing choice voucher program		3,644
Other grants and programs		12,048
Hope VI		30,636
Comprehensive grant and capital fund		855,613
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets		593,870
Total depreciation expense – governmental activities	\$	4,938,058

**Business-Type Activities:**

Depreciation was charged to business-type functions as follows:

Merrimack Landing	\$	469,089
Park Terrace		84,881
Oakmont North		491,048
Total depreciation expense – business-type activities	\$	1,045,018

The Authority has active construction projects as of June 30, 2005. The estimated cost to complete the construction in progress amounted to approximately \$2,307,000 at June 30, 2005.

**(7) Long-Term Debt**

A summary of the Authority's long-term liability activity for the fiscal year ended June 30, 2005 is presented below:

	Amounts payable at July 1, 2004	Additions	Retirements and reductions	Amounts payable at June 30, 2005	Amounts due within one year
Governmental activities:					
Notes payable:					
Internal service funds	\$ 2,445,423	—	133,106	2,312,317	128,259
Federal Financing Bank	10,050,594	—	399,825	9,650,769	428,031
Hampton Boulevard infrastructure	2,733,333	—	1,366,666	1,366,667	1,366,667
Renewal and replacement	2,354,645	138,218	600,522	1,892,341	1,892,341
Property construction	23,363,186	—	1,650,000	21,713,186	1,650,000
Grandy renovation	465,560	—	47,506	418,054	50,063
Bonds payable -					
Property acquisition bonds	7,890,000	—	800,000	7,090,000	935,000
Vested compensated absences	2,001,878	—	153,283	1,848,595	206,491
Governmental activities long-term liabilities	51,304,619	138,218	5,150,908	46,291,929	6,656,852

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June 30, 2005

	Amounts payable at July 1, 2004	Additions	Retirements and reductions	Amounts payable at June 30, 2005	Amounts due within one year
Business-type activities:					
Notes payable:					
Park Terrace	\$ 1,136,992	—	49,504	1,087,488	54,133
NRHA Rehabilitation	512,799	—	134,368	378,431	88,038
Bonds payable:					
Multi-family revenue bonds – Oakmont North	3,820,000	—	140,000	3,680,000	150,000
Revenue bonds – Merrimack Landing	5,120,000	—	405,000	4,715,000	425,000
Less:					
Unamortized bond discount	(100,622)	—	(10,686)	(89,936)	(10,686)
Unamortized loss on refunding	(220,291)	—	(26,173)	(194,118)	(26,174)
Business-type activities long-term liabilities	10,268,878	—	692,013	9,576,865	680,311
Total	\$ 61,573,497	138,218	5,842,921	55,868,795	7,337,163

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, for governmental activities, the general fund or the special revenue fund where the employees' salary is charged generally liquidates compensated absences.

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June 30, 2005

**(a) Governmental Activities**

The following summarizes the Authority's long-term note and bond obligations at June 30, 2005.

Notes payable:

6.6% Federal Financing Bank notes due in annual installments of principal and interest totaling \$1,064,982 through November 1, 2019. The notes are secured by three low-income housing projects.	\$ 9,650,769
Unsecured note due to a local bank for infrastructure improvements in a redevelopment project. Interest is paid monthly at 2.07% on the unpaid balance. Principal is paid in three annual installments of \$1,366,667 through August 2005.	1,366,667
Renewal and replacement note due to a local bank, interest at 0.5% over prime, accrued on the unpaid balance. Payments of interest are due monthly. The interest rate at June 30, 2005 was 6%. Full repayment of the note is due on May 1, 2006. The loan is secured by real property owned by the Authority and the City. The Authority can borrow up to \$3,000,000 under the note.	1,892,341
Revenue note due to two local banks to finance the construction of a retail outlet. Principal will be paid semiannually through September 2019. Interest is due semiannually at a rate of 7.99%. The note is secured by real property owned by the City. Payments will be made solely from receipts of a cooperation agreement between the Authority and the City. Either of the two banks may require redemption of their total individual outstanding balance in 2007 with 12 months prior notice.	21,713,186
Unsecured note due to a local bank for infrastructure improvements to a federally aided low-income public housing apartment complex. Payments of \$5,898 are paid monthly, including interest at 5.24%, through July 2012.	418,054
Tax-exempt government bond for renovation to the 201 Granby Building. Repayment of principal due in monthly installments with interest at 5.18% through 2020. The debt is secured by the building and all equipment at 201 Granby Street.	2,312,317
Total notes payable	<u>37,353,334</u>

Bonds payable -

Tax-exempt variable rate property acquisition bonds. Interest is payable monthly, principal payments are due on September 1 through 2010. These bonds are secured by a letter of credit with a local bank. Interest is variable and is reset weekly. The interest rate at June 30, 2005 was 3.34%.	7,090,000
Vested compensated absences	1,848,595
Total governmental activities	<u>\$ 46,291,929</u>

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June 30, 2005

(b) *Business-Type Activities*

Notes payable:

Note payable to VHDA, due in monthly installments of \$12,461, including interest at 8.974%, through April 2017. The note is secured by substantially all assets of the Park Terrace apartment project.	\$ 1,087,488
5.5% to 10.00% rehabilitation notes payable due to banks in various installments, including interest, through July 2021. Installment payments are based upon the amount of the proceeds the Authority has loaned to qualified borrowers for rehabilitation purposes. The notes payable are secured by related mortgage notes receivable (note 3) and compensating balances as required by lending institutions. The book value of the notes receivable which serve as collateral is \$695,999. The compensating balances maintained in noninterest bearing accounts at year end total \$313,170.	378,431
Total notes payable	<u>1,465,919</u>

Bonds payable:

Tax-exempt variable rate multi-family rental housing revenue bonds Series 1999. Interest is payable monthly, principal payments are due annually on March 1 through 2021. These bonds are secured by a letter of credit with a local bank. The interest rate at June 30, 2005 was 1.10% and is reset weekly.	3,680,000
Multi-family housing serial revenue refunding bonds issued February 1, 1997, interest from 4.1% to 5.5% payable semiannually. The bonds will be redeemed pursuant to the sinking fund provisions of the trust agreement between the Authority and the trustee, in increasing amounts each December 1 through 2013.	4,715,000

Less:

Unamortized bond discount	(89,936)
Unamortized loss on refunding	(194,118)
Net bonds payable	<u>8,110,946</u>
Total business-type activities	<u>\$ 9,576,865</u>

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June 30, 2005

(c) *Future Maturities*

Future maturities of the Authority's various debt obligations together with scheduled interest payments are as follows:

	Governmental activities				Business-type activities							
	Notes payable		Bonds payable		Park Terrace		NRHA Rehabilitation		Merrimack Landing		Oakmont North	
	Notes payable		Bonds payable		Notes payable		Notes payable		Bonds payable		Bonds payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Fiscal year ending												
June 30:												
2006	\$ 5,515,361	2,604,238	935,000	213,129	54,133	95,401	88,038	27,950	425,000	241,634	150,000	84,640
2007	2,293,299	2,316,521	1,035,000	179,435	59,196	90,338	78,897	20,956	440,000	219,690	160,000	81,190
2008	2,332,212	2,147,845	1,045,000	144,657	64,733	84,802	49,423	15,201	470,000	196,083	165,000	77,510
2009	2,372,644	1,969,843	1,270,000	104,167	70,787	78,747	34,108	11,958	495,000	185,900	175,000	73,715
2010	2,418,279	1,790,542	1,395,000	58,672	77,407	72,127	33,878	8,979	515,000	185,900	185,000	69,690
2011 - 2015	12,633,428	6,201,708	1,410,000	11,759	510,154	237,516	75,822	17,433	2,370,000	635,158	1,085,000	279,910
2016 - 2020	9,788,111	1,549,202	—	—	251,078	22,081	15,122	3,648	—	—	1,425,000	140,300
2021 - 2025	—	—	—	—	—	—	3,143	125	—	—	335,000	7,705
	<u>\$ 37,353,334</u>	<u>18,579,899</u>	<u>7,090,000</u>	<u>711,819</u>	<u>1,087,488</u>	<u>681,012</u>	<u>378,431</u>	<u>106,250</u>	<u>4,715,000</u>	<u>1,664,365</u>	<u>3,680,000</u>	<u>814,660</u>

Future maturities of vested compensated absences are not determinable.



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**(d) Component Units**

In December 2003, MCA refinanced its commercial mortgage. At December 31, 2004, the mortgage note payable had a balance of \$4,926,847, payable in monthly installments of \$30,968 until September 1, 2030. Interest is payable monthly at 5.875%. Substantially all of MCA's property is pledged under the deed of trust securing the mortgage. Principal maturities for the note are as follows: 2006, \$84,416; 2007, \$89,511; 2008, \$94,913; 2009, \$100,642; 2010, \$106,717; 2011-2015, \$638,338; 2016-2020, \$855,684; 2021-2025, \$1,147,033; 2026-2030, \$1,537,584; and 2031-2035, \$278,711.

The Authority issued Educational Facility Lease Revenue bonds dated May 1, 1995 on behalf of NCCCC in the amount of \$15,310,000. At December 31, 2004, \$10,405,000 remains outstanding. Interest at rates from 5.1% to 5.87% is payable semiannually and principal payments are due annually in November.

The Authority issued Educational Facility Revenue bonds dated September 1, 1999 for the Tidewater Community College downtown campus project in the amount of \$9,115,000. At December 31, 2004, \$7,595,000 remained outstanding. Interest at rates from 4.3% to 5.5% is payable semiannually and principal payments are due annually in November.

The Authority issued Educational Facility Revenue Refunding Bonds dated March 1, 2003 for the Tidewater Community College downtown campus project in the amount of \$8,970,000. These bonds will refund a portion of the Educational Facility Revenue bonds dated May 1, 1995. At December 31, 2004, \$8,970,000 remained outstanding. Interest at rates from 2.0% to 5.25% is payable biannually and principal payments are due annually beginning November 1, 2005. Also due is \$324,625 of unamortized bond premium.

Principal maturities at December 31, 2003 for the revenue bonds are as follows: 2006, \$9,285,000; 2007, \$1,235,000; 2008, \$1,290,000; 2009, \$1,350,000; 2010, \$1,400,000; 2011-2015, \$7,935,000; and 2016-2020, \$4,475,000.

At December 31, 2004, the NOLP partnership had a loan payable to the Authority in the amount of \$1,819,308 to construct a low-income elderly mid-rise. The entire principal and all accrued interest are payable December 31, 2042. The loan is secured by the deed of trust. NOLP also owes the Authority \$24,425 for a bridge loan to be paid in 2005 from capital contributions made by a limited partner.

**(8) Pension Plan**

**(a) Plan Description**

The Authority contributes to the Virginia Retirement System (VRS), an agent multiple-employer, defined benefit pension plan administered by the Virginia Retirement System (VRS or the System). All full-time, salaried permanent employees must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service and at age 50 with 30 years of service for participating employers, payable monthly for

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**

(Component Unit of the City of Norfolk, Virginia)

Notes to Basic Financial Statements

June 30, 2005

life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. In addition, retirees qualify for annual cost-of-living (COLA) adjustments beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, Virginia 23218-2500.

**(b) Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution has been assumed by the employer. In addition, the employer is required to contribute the remaining amounts necessary to fund its participation in the System using the actuarial basis specified by statute and approved by the VRS board of trustees. The Authority's contribution rate for the fiscal year ended June 30, 2005 was 10% of annual covered payroll, including the member contribution of 5%.

**(c) Annual Pension Cost**

For the fiscal year ended June 30, 2005, the Authority's annual pension cost of \$1,497,142 was equal to the Authority's required and actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases between 4.25% and 6.10%, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority's unfunded actuarial accrued liabilities are being amortized as a level percentage of payroll on an open basis. The amortization period is 15 years. The trend information for the Authority's employees is as follows:

<b>Three-year trend information</b>			
<b>Fiscal year ending</b>	<b>Annual pension cost (APC)</b>	<b>Percentage of APC contributed</b>	<b>Net pension obligation</b>
June 30, 2005	\$ 1,497,142	100%	none
June 30, 2004	1,222,231	100%	none
June 30, 2003	1,206,598	100%	none

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**

(Component Unit of the City of Norfolk, Virginia)

Notes to Basic Financial Statements

June 30, 2005

**(9) Deferred Compensation Plan**

The Authority offers all regular employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees or beneficiaries until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are held in an annuity contract for the participants. The contract is managed by ING Life Insurance and Annuity Company. The assets are not included in the accompanying basic financial statements as of June 30, 2005.

**(10) Commitments and Contingencies****(a) Federal Award Programs**

The Authority participates in a number of federal award programs. Although the Authority has been audited in accordance with the provisions of OMB Circular A-133, these programs are still subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the Authority believes such disallowances, if any, will not be significant.

**(b) Litigation**

Various claims and lawsuits are pending against the Authority. In the opinion of the Authority's counsel, resolution of these cases would not involve a significant liability to the Authority.

**(c) Waterside Limited Partnership**

The Authority guarantees a note payable to BB&T (Branch Banking & Trust Co.). The outstanding balance of the note at June 30, 2005 was \$5,700,486 and was with full recourse to the Authority.

**(d) Letter of Credit**

The Authority has five letters of credit with a bank for \$11,873,274. Monthly draws have been made against two of the letters of credit to pay interest on bonds issued by the bank. Those letters of credit are repaid from interest escrow accounts kept with the bank. No draws have been made against the other three letters of credit.

**(11) Conduit Debt**

Periodically, the Authority has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction and rehabilitation of industrial and commercial facilities and multi-family residential facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**

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June 30, 2005

Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2005, there were 12 issues of industrial revenue bonds outstanding, with an aggregate principal amount payable of approximately \$175,500,000.

**(12) Related Party Transactions**

The Authority has entered into contracts with The Community Builders (TCB) and various limited partnership owner entities set up by TCB, to construct, own and operate six rental housing developments in the Broad Creek section of the City of Norfolk. The construction of the six developments are funded with Hope VI funds supplied by the Authority and low income housing tax credits administered by the Virginia Housing and Development Authority. The Authority paid \$8,764,401 of Hope VI funds during the current year to the six limited partnership owner entities.

The City of Norfolk has entered into a cooperation agreement with the Authority and its wholly owned affiliate, Selden Arcade Associates, L.L.C to own, renovate and operate the historic Selden Arcade located downtown in the City of Norfolk. Under this agreement the Authority established its affiliate to pursue historic tax credits for the renovation and the City donated the property and its funds for the renovation and operation of the Arcade. The agreement is a limited liability of the Authority.

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**Required Supplementary Information Other than MD&A  
(Unaudited)**

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
 (Component Unit of the City of Norfolk, Virginia)

Statement of Revenues, Expenditures and  
 Changes in Fund Balance – Budget and Actual  
 General Fund

Year ended June 30, 2005

	Budgeted amounts		Actual amounts budgetary basis	Budget to actual differences over (under)
	Original	Final		
<b>Revenues:</b>				
Rental revenues	\$ 75,000	75,000	83,777	8,777
Charges for services	144,000	144,000	147,837	3,837
Interest and investment income	47,150	47,150	151,943	104,793
Miscellaneous	376,127	376,127	678,384	302,257
<b>Total revenues</b>	<b>642,277</b>	<b>642,277</b>	<b>1,061,941</b>	<b>419,664</b>
<b>Expenditures:</b>				
Administration	957,113	957,113	962,441	5,328
Site improvement	10,000	10,000	56,857	46,857
Disposition	23,500	23,500	19,305	(4,195)
Capital outlay	82,052	82,052	3,724	(78,328)
<b>Total expenditures</b>	<b>1,072,665</b>	<b>1,072,665</b>	<b>1,042,327</b>	<b>(30,338)</b>
Excess of revenues over expenditures	(430,388)	(430,388)	19,614	450,002
<b>Other financing sources (uses):</b>				
Proceeds from sale of property	956,322	956,322	1,120,736	164,414
Transfers in	—	—	1,388,000	1,388,000
Transfers out	—	—	(1,388,553)	(1,388,553)
<b>Total other financing sources (uses)</b>	<b>956,322</b>	<b>956,322</b>	<b>1,120,183</b>	<b>163,861</b>
<b>Net change in fund balance</b>	<b>\$ 525,934</b>	<b>525,934</b>	<b>1,139,797</b>	<b>613,863</b>
Fund balance – beginning			8,539,411	
Fund balance – ending			\$ 9,679,208	

See accompanying note to required supplementary information.

Unaudited – see accompanying independent auditors’ report.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Statement of Revenues, Expenditures and  
Changes in Fund Balance – Budget and Actual  
Federal Housing

Year ended June 30, 2005

	<b>Budgeted amounts</b>		<b>Actual amounts budgetary basis</b>	<b>Budget to actual differences over (under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Rental revenues	\$ 6,911,297	6,911,297	6,831,027	(80,270)
Intergovernmental revenues	14,505,259	14,505,259	15,149,445	644,186
Charges for services	185,000	185,000	205,545	20,545
Interest and investment income	150,000	150,000	278,624	128,624
Miscellaneous	—	—	103,638	103,638
Total revenues	<u>21,751,556</u>	<u>21,751,556</u>	<u>22,568,279</u>	<u>816,723</u>
<b>Expenditures:</b>				
Administration	5,068,029	5,068,029	4,402,322	(665,707)
Ordinary maintenance	8,425,054	8,425,054	7,947,554	(477,500)
Extraordinary maintenance	819,200	819,200	598,419	(220,781)
Utilities	5,721,001	5,721,001	6,702,472	981,471
Tenant services	1,730,552	1,730,552	1,681,997	(48,555)
Protective services	372,780	372,780	371,536	(1,244)
General	267,114	267,114	169,113	(98,001)
Capital outlay	64,200	64,200	9,046	(55,154)
Total expenditures	<u>22,467,930</u>	<u>22,467,930</u>	<u>21,882,459</u>	<u>(585,471)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(716,374)</u>	<u>(716,374)</u>	<u>685,820</u>	<u>1,402,194</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of property	—	—	157,500	157,500
Transfers in	—	—	358,410	358,410
Transfers out	—	—	(586,690)	(586,690)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(70,780)</u>	<u>(70,780)</u>
Net change in fund balance	<u>\$ (716,374)</u>	<u>(716,374)</u>	<u>615,040</u>	<u>1,331,414</u>
Fund balance – beginning			<u>10,607,101</u>	
Fund balance – ending			<u>\$ 11,222,141</u>	

See accompanying note to required supplementary information.

Unaudited – see accompanying independent auditors' report.



**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Statement of Revenues, Expenditures and  
Changes in Fund Balance – Budget and Actual  
Housing Choice Voucher Program

Year ended June 30, 2005

	<u>Budgeted amounts</u>		<u>Actual amounts budgetary basis</u>	<u>Budget to actual differences over (under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenues	\$ 18,120,241	18,120,241	15,385,809	(2,734,432)
Charges for services	—	—	22,168	22,168
Interest and investment income	5,000	5,000	2,934	(2,066)
Miscellaneous	—	—	3,035	3,035
Total revenues	<u>18,125,241</u>	<u>18,125,241</u>	<u>15,413,946</u>	<u>(2,711,295)</u>
Expenditures:				
Administration	1,421,995	1,421,995	1,283,134	(138,861)
Ordinary maintenance	193,931	193,931	145,692	(48,239)
Tenant services	48,990	48,990	43,464	(5,526)
HAP payments	16,471,884	16,471,884	13,890,378	(2,581,506)
Capital outlay	15,350	15,350	10,299	(5,051)
Total expenditures	<u>18,152,150</u>	<u>18,152,150</u>	<u>15,372,967</u>	<u>(2,779,183)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,909)</u>	<u>(26,909)</u>	<u>40,979</u>	<u>67,888</u>
Net change in fund balance	<u>\$ (26,909)</u>	<u>(26,909)</u>	<u>40,979</u>	<u>67,888</u>
Fund balance – beginning			<u>182,117</u>	
Fund balance – ending			<u>\$ 223,096</u>	

See accompanying note to required supplementary information.

Unaudited – see accompanying independent auditors' report.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
 (Component Unit of the City of Norfolk, Virginia)

Required Supplementary Information  
 Schedule of Funding Progress – VRS

June 30, 2005

<b>Actuarial valuation date</b>	<b>Actuarial value of assets</b>	<b>Actuarial accrued liability (AAL)</b>	<b>Underfunded (overfunded) actuarial accrued liability (OAAL)</b>	<b>Funded ratio</b>	<b>Covered payroll</b>	<b>OAAL as a percentage of covered payroll</b>
June 30, 2002	\$ 64,267,614	60,049,007	(4,218,607)	107.03%	14,891,188	(28.33%)
June 30, 2003	63,415,295	62,745,960	(669,335)	101.07%	14,859,081	(4.50%)
June 30, 2004	63,149,462	66,398,828	3,249,366	95.11%	14,989,479	21.68%

Unaudited – see accompanying independent auditors’ report.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Note to Required Supplementary Information

June 30, 2005

**(1) Budgeting and Budgetary Accounting**

The Authority's budgets are presented to the board of commissioners (Commissioners) by the Authority's Executive Director during public sessions. At these sessions, the Authority's Commissioners review and approve budgets on a program basis by adopted resolutions. The Authority's Commissioners may authorize amendments to budgets through the same process used in adopting original budgets, based on availability of financial resources. The legal level of budgetary control rests at the program level.

An annual operating budget is adopted on a modified accrual basis consistent with accounting principles generally accepted in the United States of America for the general fund and the federal housing special revenue fund. A program budget for the housing choice voucher program fund is approved by the Commissioners on a basis consistent with the grant applications covering the program.

The capital fund, community development, special city projects, urban renewal, HOME and Hope VI funds utilize budgets exceeding a one-year duration. Appropriations of the community development program lapse at the close of the fiscal year to the extent that they have not been expended but are reappropriated the following year under contract provisions.

Unaudited – see accompanying independent auditors' report.

**Supplementary Information -  
Combining and Individual Fund Financial Statements  
and Schedules – by Fund Type**

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

General Fund

June 30, 2005

The general fund is used to account for revenues and expenditures which are not accounted for in other funds. Revenues include items such as interest, property sales, residual transfers from other funds and charges for services. Expenditures include items such as administration and capital outlay. The Authority reports the following programs within the general fund:

*Working Fund* – accounts for the accumulation of residual receipts of closed-out local programs and projects for which no law, regulation or programs’ requirement dictate that residuals be returned to funding provider or used in any specific manner. Also, the interest income from the investment of these receipts is accumulated in this project.

*Local Development Fund* – accounts for the Authority’s bond revenue and development support activities.

*Stonebridge Crossing* – accounts for the revenues and expenditures associated with the development of Stonebridge Crossing.

*Hampton Roads Ventures Management* – accumulates the costs and reimbursement of administrative support provided by NRHA staff to Hampton Roads Ventures, L.L.C.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Combining Balance Sheet  
General Fund

June 30, 2005

<b>Assets</b>	<b>Working fund</b>	<b>Local Development fund</b>	<b>Stonebridge Crossing</b>	<b>HRV Management</b>	<b>Total</b>
Cash and cash equivalents	\$ 5,498,619	—	—	—	5,498,619
Investments	985,560	—	—	—	985,560
Receivables:					
Interest	5,898	—	—	—	5,898
Notes	5,716,440	—	—	—	5,716,440
Other	—	—	—	21,055	21,055
Total receivables	<u>5,722,338</u>	<u>—</u>	<u>—</u>	<u>21,055</u>	<u>5,743,393</u>
Due from (to) other funds	1,474,191	934,452	(628,613)	(21,055)	1,758,975
Restricted assets	10,000	—	—	—	10,000
Other assets	998,950	652,500	—	—	1,651,450
Total assets	<u>\$ 14,689,658</u>	<u>1,586,952</u>	<u>(628,613)</u>	<u>—</u>	<u>15,647,997</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Other deposits	\$ —	11,405	241,427	—	252,832
Deferred revenue	5,715,957	—	—	—	5,715,957
Total liabilities	<u>5,715,957</u>	<u>11,405</u>	<u>241,427</u>	<u>—</u>	<u>5,968,789</u>
Fund balances (deficit):					
Reserved for -					
Local development	—	1,575,547	—	—	1,575,547
Unreserved reported in -					
General fund	8,973,701	—	(870,040)	—	8,103,661
Total fund balances	<u>8,973,701</u>	<u>1,575,547</u>	<u>(870,040)</u>	<u>—</u>	<u>9,679,208</u>
Total liabilities and fund balances	<u>\$ 14,689,658</u>	<u>1,586,952</u>	<u>(628,613)</u>	<u>—</u>	<u>15,647,997</u>

See accompanying independent auditors' report.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
General Fund

Year ended June 30, 2005

	<u>Working fund</u>	<u>Local Development fund</u>	<u>Stonebridge Crossing</u>	<u>HRV Management</u>	<u>Total</u>
<b>Revenues:</b>					
Rental revenues	\$ —	83,777	—	—	83,777
Charges for services	—	147,837	—	—	147,837
Interest and investment income	149,051	2,892	—	—	151,943
Miscellaneous	115,418	489,975	—	72,991	678,384
<b>Total revenues</b>	<u>264,469</u>	<u>724,481</u>	<u>—</u>	<u>72,991</u>	<u>1,061,941</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Administration	68,282	721,168	100,000	72,991	962,441
Site improvement	—	—	56,857	—	56,857
Disposition	—	—	19,305	—	19,305
Capital outlay	—	3,724	—	—	3,724
<b>Total expenditures</b>	<u>68,282</u>	<u>724,892</u>	<u>176,162</u>	<u>72,991</u>	<u>1,042,327</u>
Excess (deficiency) of revenues over (under) expenditures	<u>196,187</u>	<u>(411)</u>	<u>(176,162)</u>	<u>—</u>	<u>19,614</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of property	—	7,636	1,113,100	—	1,120,736
Transfers in	1,388,000	—	—	—	1,388,000
Transfers out	<u>(1,388,553)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,388,553)</u>
<b>Total other financing     sources (uses)</b>	<u>(553)</u>	<u>7,636</u>	<u>1,113,100</u>	<u>—</u>	<u>1,120,183</u>
<b>Net change in fund balance</b>	<u>195,634</u>	<u>7,225</u>	<u>936,938</u>	<u>—</u>	<u>1,139,797</u>
Fund balance (deficit) – beginning	<u>8,778,067</u>	<u>1,568,322</u>	<u>(1,806,978)</u>	<u>—</u>	<u>8,539,411</u>
Fund balance (deficit) – ending	<u>\$ 8,973,701</u>	<u>1,575,547</u>	<u>(870,040)</u>	<u>—</u>	<u>9,679,208</u>

See accompanying independent auditors' report.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Nonmajor Governmental Funds

June 30, 2005

The Authority reports the following nonmajor governmental funds:

*Comprehensive Grant* – accounts for the revenues and expenditures of major management and capital improvement activities for federally assisted housing.

*Hampton Roads Ventures, L.L.C. (HRV)* – A blended component unit of the Authority. Accounts for the revenues and expenditures of this qualified community development entity.

*Housing Opportunity* – accounts for the revenues and expenditures of home improvement assistance, down payment and gap financing assistance for qualifying residents, and homeownership training to support self-sufficiency goals. Funding was derived from the Federal Turnkey III Homeownership Program that is now closed out.

*EDA Revolving Loan Fund* – accounts for the revenues received from the City of Norfolk funded by the Economic Development Administration and matching non-federal funds and expenditures incurred in the implementation of the revolving loan fund to issue gap loans to businesses for capital improvements.

*East Ocean View (EOV) Note Initiatives* – accounts for the expenditures of the Authority’s revolving loan commitment used to finance property acquisition and redevelopment in the East Ocean View area of the City of Norfolk.

*East Ocean View (EOV) Bond Initiatives* – accounts for the expenditures of the Authority’s bond issue proceeds used to finance property acquisition and redevelopment in the East Ocean View area of the City of Norfolk.

*MacArthur Center* – accounts for the revenues and expenditures related to the construction of the Nordstrom department store and the related \$33,000,000 bank note.

*Hampton Boulevard Note* – accounts for the revenue and expenditures related to the infrastructure of the second phase of the Old Dominion University campus expansion.

*Hampton Boulevard Renovations* – accounts for revenues and expenditures related to the redevelopment of the Old Dominion University campus expansion.

*Resident Opportunity and Supportive Services (ROSS) Grants* – accounts for revenues and expenditures of supportive services designed to serve public housing residents by enhancing their self-sufficiency and their employability.

*East Beach* – accounts for loan fees related to the East Ocean View bonds.

*Intermodal Surface Transportation Efficiencies Act (ISTEA)* – accounts for revenue and expenditures related to the Attucks Historic Pedestrian Walkway Project.

*Program Income* – accounts for the Authority’s program income that relates to land sales of development projects. Most of the related proceeds are remitted to the City of Norfolk.



**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Nonmajor Governmental Funds

June 30, 2005

*Pinewell by the Bay* – accounts for revenues and expenditures related to marketing efforts in this development neighborhood.

*Empowerment Zone* – accounts for revenues and expenditures related to the Empowerment Zone/Enterprise Community Initiative grant.

*Broad Creek Renaissance* – accounts for revenues and expenditures of the community development initiative to revitalize several older Norfolk East Side communities. This fund accounts for the program reserves used to support this initiative.

*Section 108 Loan and BEDI* – accounts for revenues and expenditures related to the infrastructure improvements in support of the redevelopment of Hope VI/Broad Creek Renaissance.

*E2F Rise Center* – accounts for revenues and expenditures related to the development of the Norfolk State University's Rise Center.

*Other Grants and Programs* – accounts for revenues and expenditures of various legally restricted projects.

*Debt Service Fund* – accounts for the payment of principal, interest and related costs on long-term financial debt of the Authority.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds				
	Comprehensive Grant	HRV	Housing Opportunity	EDA Revolving Loan Fund	EOV Note Initiatives
Cash and cash equivalents	\$ —	9,659	1,474,921	128,257	214,223
Cash with fiscal agents	—	877,354	—	—	—
Receivables:					
Tenants	—	—	—	—	—
Interest	—	—	998	—	—
Notes	—	—	199,566	347,720	195,000
Other	—	—	1,392	—	—
Total receivables	—	—	201,956	347,720	195,000
Allowance for doubtful accounts	—	—	—	(4,000)	—
Net receivables	—	—	201,956	343,720	195,000
Due from other funds	248,299	—	56,133	1,164	—
Due from other governments	—	—	—	—	—
Restricted assets	—	—	—	—	—
Property held for resale	—	—	—	—	2,836,334
Total assets	\$ 248,299	887,013	1,733,010	473,141	3,245,557
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ —	71,000	—	—	—
Accrued expenses	—	—	—	—	—
Other deposits	—	—	—	—	32,767
Due to other funds	—	—	—	—	213,382
Due to other governments	—	—	—	—	—
Contract retention	248,299	—	—	—	—
Deferred revenue	—	—	—	—	2,836,334
Other liabilities	—	—	16,001	515,390	—
Total liabilities	248,299	71,000	16,001	515,390	3,082,483
Fund balances:					
Reserved for -					
Debt service	—	—	—	—	—
Unreserved reported in -					
Special revenue funds	—	816,013	1,717,009	(42,249)	163,074
Total fund balances (deficit)	—	816,013	1,717,009	(42,249)	163,074
Total liabilities and fund balances	\$ 248,299	887,013	1,733,010	473,141	3,245,557

Special Revenue Funds						
EOV Bond Initiatives	MacArthur Center	Hampton Boulevard Note	Hampton Boulevard Renovations	ROSS Grants	East Beach	ISTEA
49,929	229,400	—	—	—	998,571	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
19,086	17,047	—	—	—	150,839	—
—	—	—	—	8,496	—	—
605,428	1,741,709	124,760	—	—	—	—
1,016,824	—	—	—	—	—	—
<u>1,691,267</u>	<u>1,988,156</u>	<u>124,760</u>	<u>—</u>	<u>8,496</u>	<u>1,149,410</u>	<u>—</u>
—	—	—	4,097	—	—	—
9,533	—	—	—	—	—	—
600,000	—	—	—	—	—	—
150,000	—	113,381	9,838	8,496	179,509	—
—	—	—	—	—	—	—
—	—	128,855	—	—	—	—
1,016,824	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>1,776,357</u>	<u>—</u>	<u>242,236</u>	<u>13,935</u>	<u>8,496</u>	<u>179,509</u>	<u>—</u>
605,428	1,988,156	—	—	—	—	—
(690,518)	—	(117,476)	(13,935)	—	969,901	—
(85,090)	1,988,156	(117,476)	(13,935)	—	969,901	—
<u>1,691,267</u>	<u>1,988,156</u>	<u>124,760</u>	<u>—</u>	<u>8,496</u>	<u>1,149,410</u>	<u>—</u>

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds			
	Program Income	Pinewell by the Bay	Empowerment Zone	Broad Creek Renaissance
Cash and cash equivalents	\$ 826,992	—	—	—
Cash with fiscal agents	—	—	—	—
Receivables:				
Tenants	6,354	—	—	—
Interest	—	—	—	—
Notes	117,573	—	—	24,425
Other	—	—	—	—
Total receivables	123,927	—	—	24,425
Allowance for doubtful accounts	—	—	—	—
Net receivables	123,927	—	—	24,425
Due from other funds	263,853	500	6,372	437,269
Due from other governments	—	—	—	—
Restricted assets	—	—	—	—
Property held for resale	—	—	207,075	—
Total assets	\$ 1,214,772	500	213,447	461,694
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ —	—	—	—
Accrued expenses	—	—	—	—
Other deposits	907,975	500	—	113,900
Due to other funds	—	—	—	2,376,168
Due to other governments	164,616	—	—	—
Contract retention	—	—	—	52,812
Deferred revenue	—	—	207,075	—
Other liabilities	142,181	—	6,372	—
Total liabilities	1,214,772	500	213,447	2,542,880
Fund balances:				
Reserved for -				
Debt service	—	—	—	—
Unreserved reported in -				
Special revenue funds	—	—	—	(2,081,186)
Total fund balances (deficit)	—	—	—	(2,081,186)
Total liabilities and fund balances	\$ 1,214,772	500	213,447	461,694

Special Revenue Funds					Debt Service Fund	Total nonmajor governmental funds
Section 108 Loan	BEDI	E2F Rise Center	Other Grants and Programs	Total		
—	—	—	—	3,931,952	—	3,931,952
—	—	—	—	877,354	—	877,354
—	—	—	—	6,354	—	6,354
—	—	—	—	998	—	998
—	—	—	—	884,284	—	884,284
—	—	1,734	58,254	61,380	—	61,380
—	—	1,734	58,254	953,016	—	953,016
—	—	—	—	(4,000)	—	(4,000)
—	—	1,734	58,254	949,016	—	949,016
—	—	—	19,608	1,220,170	—	1,220,170
1,307,844	195,425	—	—	1,511,765	—	1,511,765
—	—	—	—	2,471,897	—	2,471,897
—	—	—	266,267	4,326,500	—	4,326,500
<u>1,307,844</u>	<u>195,425</u>	<u>1,734</u>	<u>344,129</u>	<u>15,288,654</u>	<u>—</u>	<u>15,288,654</u>
—	—	—	—	75,097	—	75,097
—	—	—	—	9,533	—	9,533
—	—	—	1,575	1,656,717	—	1,656,717
858,718	128,314	1,734	57,254	4,096,794	—	4,096,794
—	—	—	—	164,616	—	164,616
449,126	67,111	—	—	946,203	—	946,203
—	—	—	266,267	4,326,500	—	4,326,500
—	—	—	—	679,944	—	679,944
<u>1,307,844</u>	<u>195,425</u>	<u>1,734</u>	<u>325,096</u>	<u>11,955,404</u>	<u>—</u>	<u>11,955,404</u>
—	—	—	—	2,593,584	—	2,593,584
—	—	—	19,033	739,666	—	739,666
—	—	—	19,033	3,333,250	—	3,333,250
<u>1,307,844</u>	<u>195,425</u>	<u>1,734</u>	<u>344,129</u>	<u>15,288,654</u>	<u>—</u>	<u>15,288,654</u>

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)  
Nonmajor Governmental Funds

Year ended June 30, 2005

	Special Revenue Funds				
	Comprehensive Grant	HRV	Housing Opportunity	EDA Revolving Loan Fund	EOV Note Initiatives
<b>Revenues:</b>					
Rental revenues	\$ —	—	—	—	400
Intergovernmental revenues	—	—	—	—	—
Charges for services	—	1,020,000	13,433	—	—
Interest and investment income	—	—	27,755	—	675
Miscellaneous	—	—	—	20,165	63,184
Total revenues	<u>—</u>	<u>1,020,000</u>	<u>41,188</u>	<u>20,165</u>	<u>64,259</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Administration	—	112,044	—	379	202
Planning	—	—	—	—	271,277
Site acquisition	—	—	—	—	381
Site improvement	—	—	—	—	—
Site clearance	—	—	—	—	26,807
Disposition	—	—	—	—	12,009
Relocation	—	—	—	—	2,100
General	—	91,459	—	—	—
Loan fees	—	—	2,627	180	—
Debt forgiveness	—	—	93,466	—	—
<b>Debt service:</b>					
Principal	—	—	—	—	—
Interest	—	484	—	—	—
Capital outlay	—	—	—	—	—
Total expenditures	<u>—</u>	<u>203,987</u>	<u>96,093</u>	<u>559</u>	<u>312,776</u>
Excess (deficiency) of revenues over (under) expenditures	<u>—</u>	<u>816,013</u>	<u>(54,905)</u>	<u>19,606</u>	<u>(248,517)</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of property	—	—	27,555	—	268,445
Proceeds from notes payable	—	—	—	—	138,218
Transfers in	—	—	—	—	673,382
Transfers out	—	—	—	—	(939,347)
Total other financing sources and uses	<u>—</u>	<u>—</u>	<u>27,555</u>	<u>—</u>	<u>140,698</u>
Net change in fund balances	<u>—</u>	<u>816,013</u>	<u>(27,350)</u>	<u>19,606</u>	<u>(107,819)</u>
Fund balances (deficit) – beginning	<u>—</u>	<u>—</u>	<u>1,744,359</u>	<u>(61,855)</u>	<u>270,893</u>
Fund balances (deficit) – ending	<u>\$ —</u>	<u>816,013</u>	<u>1,717,009</u>	<u>(42,249)</u>	<u>163,074</u>

Special Revenue Funds						
EOV Bond Initiatives	MacArthur Center	Hampton Boulevard Note	Hampton Boulevard Renovations	ROSS Grants	East Beach	ISTEA
—	705,833	—	—	—	—	—
—	2,708,691	—	—	153,529	—	536,790
8,036	24,322	594	—	—	6,366	—
8,036	3,438,846	594	—	153,529	6,366	536,790
—	—	4,206	—	141,451	—	—
—	—	1,797	—	—	4,706	20,000
—	—	—	—	—	250	—
—	—	217,969	—	—	—	516,790
—	—	—	—	—	—	—
—	—	—	—	—	46,657	—
—	—	—	—	—	—	—
—	—	—	—	—	59,416	—
—	—	—	—	—	—	—
7,881	—	—	—	—	—	—
—	—	—	—	12,078	—	—
7,881	—	223,972	—	153,529	111,029	536,790
155	3,438,846	(223,378)	—	—	(104,663)	—
368,781	—	—	—	—	—	—
800,000	—	1,366,667	—	—	1,600,512	—
(1,168,781)	(3,509,511)	(1,398,729)	—	—	(959,644)	—
—	(3,509,511)	(32,062)	—	—	640,868	—
155	(70,665)	(255,440)	—	—	536,205	—
(85,245)	2,058,821	137,964	(13,935)	—	433,696	—
(85,090)	1,988,156	(117,476)	(13,935)	—	969,901	—

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)  
Nonmajor Governmental Funds

Year ended June 30, 2005

	<b>Special Revenue Funds</b>			
	<b>Program Income</b>	<b>Pinewell by the Bay</b>	<b>Empowerment Zone</b>	<b>Broad Creek Renaissance</b>
<b>Revenues:</b>				
Rental revenues	\$ —	—	—	—
Intergovernmental revenues	—	—	10,323	—
Charges for services	—	—	—	—
Interest and investment income	—	—	—	—
Miscellaneous	—	—	—	—
Total revenues	<u>—</u>	<u>—</u>	<u>10,323</u>	<u>—</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	—	—	—	190,841
Planning	—	—	—	137,044
Site acquisition	—	—	—	—
Site improvement	—	—	10,323	156,754
Site clearance	—	—	—	—
Disposition	—	—	—	109,882
Relocation	—	—	—	—
General	—	—	—	—
Loan fees	—	—	—	—
Debt forgiveness	—	—	—	—
<b>Debt service:</b>				
Principal	—	—	—	—
Interest	—	—	—	72,047
Capital outlay	—	—	—	1,856,208
Total expenditures	<u>—</u>	<u>—</u>	<u>10,323</u>	<u>2,522,776</u>
Excess (deficiency) of revenues over (under) expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,522,776)</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of property	—	500	—	—
Proceeds from notes payable	—	—	—	—
Transfers in	—	—	—	157,500
Transfers out	—	(500)	—	—
Total other financing sources and uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>157,500</u>
Net change in fund balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,365,276)</u>
Fund balances (deficit) – beginning	<u>—</u>	<u>—</u>	<u>—</u>	<u>284,090</u>
Fund balances (deficit) – ending	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>(2,081,186)</u>

See accompanying independent auditors' report.



Special Revenue Funds					Debt Service Fund	Total nonmajor governmental funds
Section 108 Loan	BEDI	E2F Rise Center	Other Grants and Programs	Total		
—	—	—	—	706,233	—	706,233
6,395,521	954,747	43,733	—	10,803,334	1,064,982	11,868,316
—	—	—	—	1,033,433	—	1,033,433
—	—	—	—	67,748	—	67,748
—	—	—	27,813	111,162	—	111,162
<u>6,395,521</u>	<u>954,747</u>	<u>43,733</u>	<u>27,813</u>	<u>12,721,910</u>	<u>1,064,982</u>	<u>13,786,892</u>
191,319	28,682	—	553	669,677	—	669,677
—	—	—	—	434,824	—	434,824
—	—	43,733	—	44,364	—	44,364
—	—	—	—	901,836	—	901,836
—	—	—	—	26,807	—	26,807
—	—	—	—	168,548	—	168,548
—	—	—	—	2,100	—	2,100
—	—	—	—	91,459	—	91,459
—	—	—	—	62,223	—	62,223
—	—	—	—	93,466	—	93,466
—	—	—	—	—	4,864,519	4,864,519
—	—	—	—	80,412	2,850,818	2,931,230
<u>6,204,202</u>	<u>926,065</u>	<u>—</u>	<u>—</u>	<u>8,998,553</u>	<u>—</u>	<u>8,998,553</u>
<u>6,395,521</u>	<u>954,747</u>	<u>43,733</u>	<u>553</u>	<u>11,574,269</u>	<u>7,715,337</u>	<u>19,289,606</u>
—	—	—	27,260	1,147,641	(6,650,355)	(5,502,714)
—	—	—	7,000	672,281	—	672,281
—	—	—	—	138,218	—	138,218
—	—	—	553	4,598,614	6,650,355	11,248,969
—	—	—	—	(7,976,512)	—	(7,976,512)
—	—	—	7,553	(2,567,399)	6,650,355	4,082,956
—	—	—	34,813	(1,419,758)	—	(1,419,758)
—	—	—	(15,780)	4,753,008	—	4,753,008
<u>—</u>	<u>—</u>	<u>—</u>	<u>19,033</u>	<u>3,333,250</u>	<u>—</u>	<u>3,333,250</u>

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**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Internal Service Funds

June 30, 2005

Internal service funds are projects established to administer the provision of goods and services that benefit multiple Authority programs. Fund income is derived from service fees charged to Authority programs based on benefits received. The Authority reports ten internal service funds. They are:

*Granby Office Building Fund* – accounts for the provision of office space for Authority employees who work in the central service, development and housing areas. A number of third parties also occupy office space in this building. The project is funded by rents charged to the Authority programs and external businesses that lease building space from the Authority.

*Housing Operations Building Fund* – accounts for the provision of offices and other facility management and maintenance service to the Authority’s various federal and local programs. The housing operations building fund also provides for the warehousing of supplies and materials maintained in inventory for distribution. This fund manages the operating expenses associated with this complex. The expenses are offset by income generated through rental charges to Authority programs.

*Automotive Equipment Fund* – accounts for the purchases of motor vehicles and related equipment and the depreciation and maintenance costs associated with these purchases. The vehicles and equipment owned by this fund are leased to the Authority to generate enough income to cover expenses.

*Maintenance Operations Fund* – accounts for shops that perform services that maintain or improve the physical environment of our housing communities and programs. These services include ground maintenance, electrical work, extermination, painting, plastering, plumbing and heating and other specialized maintenance services. These shops contract their services to the housing communities and programs generating income to offset expenses.

*Administrative Equipment Fund* – accounts for the pooled resources used to purchase and maintain copiers, telephones and related equipment. The operating expenses are charged to this fund and offset with income generated as “user fees” to various Authority projects based on the benefits received.

*Data Processing Equipment Fund* – accounts for data processing equipment purchases and the related depreciation and maintenance. The costs charged to this fund are offset with income generated by “user fees” charged to various Authority projects based on the benefits received.

*Revolving Fund* – serves as the central disbursement fund and accounts for receipts and disbursements of the Authority.

*HOMENET Fund* – accounts for revenue and expenses related to services provided to promote and support homeownership opportunities.

*Special City Administration Fund* – accounts for the management fees received from the City of Norfolk to cover administrative costs incurred in the administration of the capital improvement contract.

*Management Fees Fund* – accounts for fees received to cover costs that the Authority staff encounters in the administration of contracts for the management of Merrimack Landing, Park Terrace and Mission College Apartments, L.P.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Combining Statement of Net Assets  
Internal Service Funds

June 30, 2005

Assets	<u>Granby office building</u>	<u>Housing operations building</u>	<u>Automotive equipment</u>	<u>Maintenance operations</u>
Current assets:				
Cash and cash equivalents	\$ 680,647	325,928	593,299	—
Investments	527,773	325,050	265,950	—
Receivables:				
Interest	2,685	252	206	—
Other	6,330	—	—	—
Total receivables	9,015	252	206	—
Due from other funds	66,186	17,310	80,610	1,119,388
Inventory	—	—	2,394	118,107
Prepaid expenses	—	—	—	—
Restricted assets	—	—	—	—
Other assets	—	—	—	—
Total current assets	1,283,621	668,540	942,459	1,237,495
Capital assets:				
Land	73,000	115,568	—	—
Building, improvements and equipment	6,197,854	2,854,718	2,311,720	149,823
Less accumulated depreciation	(3,161,328)	(2,049,189)	(1,879,625)	(67,641)
Net capital assets	3,109,526	921,097	432,095	82,182
Total assets	\$ 4,393,147	1,589,637	1,374,554	1,319,677
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable	\$ —	—	—	—
Due to other funds	—	—	—	—
Notes payable – current	128,259	—	—	—
Other liabilities – current	—	—	—	—
Total current liabilities	128,259	—	—	—
Noncurrent liabilities -				
Notes payable	2,184,058	—	—	—
Total liabilities	2,312,317	—	—	—
Net assets:				
Invested in capital assets, net of related debt	797,209	921,097	432,095	82,182
Unrestricted net assets	1,283,621	668,540	942,459	1,237,495
Total net assets	2,080,830	1,589,637	1,374,554	1,319,677
Total liabilities and net assets	\$ 4,393,147	1,589,637	1,374,554	1,319,677

See accompanying independent auditors' report.

Exhibit L-1

Administrative equipment	Data processing equipment	Revolving fund	HOMENET	Special city administration	Management fees	Total
76,129	253,601	4,019,074	—	—	468,981	6,417,659
—	147,750	—	—	—	—	1,266,523
—	115	—	—	—	—	3,258
—	—	—	—	—	—	6,330
—	115	—	—	—	—	9,588
59,566	21,725	1,720,130	—	26,546	23,164	3,134,625
—	—	352,298	—	—	—	472,799
—	—	14,712	—	—	—	14,712
—	—	17,000	—	—	—	17,000
—	—	—	—	9,150	—	9,150
135,695	423,191	6,123,214	—	35,696	492,145	11,342,056
—	—	—	—	—	—	188,568
466,998	616,461	—	2,446	—	—	12,600,020
(214,345)	(546,742)	—	(825)	—	—	(7,919,695)
252,653	69,719	—	1,621	—	—	4,868,893
388,348	492,910	6,123,214	1,621	35,696	492,145	16,210,949
—	—	1,957,185	—	—	—	1,957,185
—	—	3,297,962	—	—	—	3,297,962
—	—	—	—	—	—	128,259
—	—	868,067	—	—	2,358	870,425
—	—	6,123,214	—	—	2,358	6,253,831
—	—	—	—	—	—	2,184,058
—	—	6,123,214	—	—	2,358	8,437,889
252,653	69,719	—	1,621	—	—	2,556,576
135,695	423,191	—	—	35,696	489,787	5,216,484
388,348	492,910	—	1,621	35,696	489,787	7,773,060
388,348	492,910	6,123,214	1,621	35,696	492,145	16,210,949

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Internal Service Funds

Year ended June 30, 2005

	<u>Granby office building</u>	<u>Housing operations building</u>	<u>Automotive equipment</u>	<u>Maintenance operations</u>
Operating revenues:				
Rental revenues	\$ 721,555	297,600	—	—
Charges for services	—	—	1,060,823	6,804,035
Miscellaneous	—	8,553	1,939	—
Total operating revenues	<u>721,555</u>	<u>306,153</u>	<u>1,062,762</u>	<u>6,804,035</u>
Operating expenses:				
Administration	953	1,045	96,785	1,074,512
Ordinary maintenance	228,479	139,080	522,552	4,790,033
Utilities	195,703	93,008	—	—
General	138,570	2,085	164,703	994,731
Depreciation and amortization	214,235	109,359	184,870	26,606
Total operating expenses	<u>777,940</u>	<u>344,577</u>	<u>968,910</u>	<u>6,885,882</u>
Operating income (loss)	<u>(56,385)</u>	<u>(38,424)</u>	<u>93,852</u>	<u>(81,847)</u>
Nonoperating revenues (expenses):				
Investment income	29,023	14,773	18,811	16,943
Interest expense	(118,105)	—	—	—
Loss on sale of capital assets	—	—	—	(1,563)
Total nonoperating revenues (expenses)	<u>(89,082)</u>	<u>14,773</u>	<u>18,811</u>	<u>15,380</u>
Income (loss)	<u>(145,467)</u>	<u>(23,651)</u>	<u>112,663</u>	<u>(66,467)</u>
Total fund net assets – beginning	<u>2,226,297</u>	<u>1,613,288</u>	<u>1,261,891</u>	<u>1,386,144</u>
Total fund net assets – ending	<u>\$ 2,080,830</u>	<u>1,589,637</u>	<u>1,374,554</u>	<u>1,319,677</u>

See accompanying independent auditors' report.

Exhibit L-2

<b>Administrative equipment</b>	<b>Data processing equipment</b>	<b>Revolving fund</b>	<b>HOMENET</b>	<b>Special city administration</b>	<b>Management fees</b>	<b>Total</b>
—	—	—	—	—	—	1,019,155
166,311	—	—	—	1,137,195	120,000	9,288,364
—	—	—	72,960	—	5,315	88,767
<u>166,311</u>	<u>—</u>	<u>—</u>	<u>72,960</u>	<u>1,137,195</u>	<u>125,315</u>	<u>10,396,286</u>
43,285	126,965	—	74,065	1,101,499	100,819	2,619,928
43,731	—	—	—	—	—	5,723,875
—	—	—	—	—	—	288,711
—	—	—	—	—	23,699	1,323,788
<u>26,892</u>	<u>31,511</u>	<u>—</u>	<u>397</u>	<u>—</u>	<u>—</u>	<u>593,870</u>
<u>113,908</u>	<u>158,476</u>	<u>—</u>	<u>74,462</u>	<u>1,101,499</u>	<u>124,518</u>	<u>10,550,172</u>
<u>52,403</u>	<u>(158,476)</u>	<u>—</u>	<u>(1,502)</u>	<u>35,696</u>	<u>797</u>	<u>(153,886)</u>
—	10,554	—	—	—	7,818	97,922
—	—	—	—	—	—	(118,105)
<u>(4,548)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,111)</u>
<u>(4,548)</u>	<u>10,554</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,818</u>	<u>(26,294)</u>
47,855	(147,922)	—	(1,502)	35,696	8,615	(180,180)
340,493	640,832	—	3,123	—	481,172	7,953,240
<u>388,348</u>	<u>492,910</u>	<u>—</u>	<u>1,621</u>	<u>35,696</u>	<u>489,787</u>	<u>7,773,060</u>

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Combining Statement of Cash Flows  
Internal Service Funds

Year ended June 30, 2005

	<b>Granby office building</b>	<b>Housing operations building</b>	<b>Automotive equipment</b>	<b>Maintenance operations</b>
<b>Cash flows from operating activities:</b>				
Cash receipts from customers	\$ 697,380	284,958	1,044,633	5,910,865
Other operating cash receipts	—	8,553	2,449	—
Cash payments to suppliers of goods and services	(563,705)	(235,218)	(779,084)	(6,874,616)
Other operating cash payments	—	—	—	—
Net cash provided by (used in) operating activities	<u>133,675</u>	<u>58,293</u>	<u>267,998</u>	<u>(963,751)</u>
<b>Cash flows from capital and related financing activities:</b>				
Proceeds from sale of capital assets	—	—	—	2,000
Purchases of capital assets	(132,738)	(72,783)	(209,191)	(35,129)
Principal payments on debt	(133,106)	—	—	—
Interest payments on debt	(118,105)	—	—	—
Net cash used in capital and related financing activities	<u>(383,949)</u>	<u>(72,783)</u>	<u>(209,191)</u>	<u>(33,129)</u>
<b>Cash flows from investing activities:</b>				
Sales of investments	7,136,978	2,851,753	4,460,388	4,146,540
Purchases of investments	(7,136,082)	(2,850,928)	(4,459,713)	(4,146,540)
Interest received	29,280	14,823	18,853	16,943
Net cash provided by investing activities	<u>30,176</u>	<u>15,648</u>	<u>19,528</u>	<u>16,943</u>
Net increase (decrease) in cash and cash equivalents	(220,098)	1,158	78,335	(979,937)
Cash and cash equivalents at beginning of year	900,745	324,770	514,964	979,937
Cash and cash equivalents at end of year	<u>\$ 680,647</u>	<u>325,928</u>	<u>593,299</u>	<u>—</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (56,385)	(38,424)	93,852	(81,847)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	214,235	109,359	184,870	26,606
Changes in assets and liabilities:				
Accounts receivable	(6,355)	—	—	—
Prepaid expenses	—	—	—	—
Inventory	—	—	4,956	(15,340)
Accounts payable	—	—	—	—
Due to other funds	(17,820)	(12,642)	(15,680)	(893,170)
Other liabilities	—	—	—	—
Net cash provided by (used in) operating activities	<u>\$ 133,675</u>	<u>58,293</u>	<u>267,998</u>	<u>(963,751)</u>

See accompanying independent auditors' report.



<u>Administrative equipment</u>	<u>Data processing equipment</u>	<u>Revolving fund</u>	<u>HOMENET</u>	<u>Special city administration</u>	<u>Management fees</u>	<u>Total</u>
164,072	(5,631)	—	57,683	1,101,499	125,315	9,380,774
—	—	—	17,071	—	—	28,073
(87,016)	(126,965)	—	(74,065)	(1,101,499)	(133,946)	(9,976,114)
—	—	(1,553,113)	—	—	—	(1,553,113)
<u>77,056</u>	<u>(132,596)</u>	<u>(1,553,113)</u>	<u>689</u>	<u>—</u>	<u>(8,631)</u>	<u>(2,120,380)</u>
—	—	—	—	—	—	2,000
(927)	(10,991)	—	(689)	—	—	(462,448)
—	—	—	—	—	—	(133,106)
—	—	—	—	—	—	(118,105)
<u>(927)</u>	<u>(10,991)</u>	<u>—</u>	<u>(689)</u>	<u>—</u>	<u>—</u>	<u>(711,659)</u>
224,481	2,784,599	—	—	—	5,865,223	27,469,962
(224,481)	(2,784,224)	—	—	—	(5,865,223)	(27,467,191)
—	10,577	—	—	—	7,818	98,294
—	10,952	—	—	—	7,818	101,065
<u>76,129</u>	<u>(132,635)</u>	<u>(1,553,113)</u>	<u>—</u>	<u>—</u>	<u>(813)</u>	<u>(2,730,974)</u>
—	386,236	5,589,187	—	—	469,794	9,165,633
<u>76,129</u>	<u>253,601</u>	<u>4,036,074</u>	<u>—</u>	<u>—</u>	<u>468,981</u>	<u>6,434,659</u>
52,403	(158,476)	—	(1,502)	35,696	797	(153,886)
26,892	31,511	—	397	—	—	593,870
—	—	—	—	—	—	(6,355)
—	—	6,680	—	—	—	6,680
—	—	(11,922)	—	—	—	(22,306)
—	—	513,145	—	—	—	513,145
(2,239)	(5,631)	(1,897,461)	1,794	(35,696)	(8,427)	(2,886,972)
—	—	(163,555)	—	—	(1,001)	(164,556)
<u>77,056</u>	<u>(132,596)</u>	<u>(1,553,113)</u>	<u>689</u>	<u>—</u>	<u>(8,631)</u>	<u>(2,120,380)</u>

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## **Statistical Section**

**Table 1**

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Schedule of Community Development Fund Expenditures by Program Year – Unaudited  
Year ended June 30, 2005

	<u>Site clearance</u>	<u>Administration</u>	<u>Site improvement</u>	<u>Site acquisition</u>	<u>Site disposition</u>	<u>Rehabilitation</u>	<u>Relocation</u>	<u>Miscellaneous</u>	<u>Total</u>
CD:									
Program year 1996	\$ 9,517	—	—	10,665	—	—	14,197	—	34,379
Program year 1997	2,025	—	—	36,006	—	—	18,436	—	56,467
Program year 1998	—	—	—	—	504	—	6,653	—	7,157
Program year 1999	17,665	—	—	—	9,382	15,000	57,500	—	99,547
Program year 2000	7,528	—	—	1,969	653	—	15,260	—	25,410
Program year 2001	81,852	—	260,000	352,732	6,022	4,038	33,960	—	738,604
Program year 2002	128,447	—	—	363,162	(255)	3,270	5,585	38,002	538,211
Program year 2003	95,437	—	16,955	879,166	23,402	94,609	—	75,000	1,184,569
Program year 2004	170,443	850,651	252,707	145,119	529,273	526,354	238,451	—	2,712,998
Total CD	\$ <u>512,914</u>	<u>850,651</u>	<u>529,662</u>	<u>1,788,819</u>	<u>568,981</u>	<u>643,271</u>	<u>390,042</u>	<u>113,002</u>	<u>5,397,342</u>

Table 2

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)  
Schedule of Urban Renewal Fund Expenditures by Project – Unaudited  
Year ended June 30, 2005

	Atlantic City VA R-1	Downtown North VA R-8	Downtown South VA R-9	Rosemont VA R-25	Ghent Neighborhood Conservation VA R-43	Huntersville VA R-70	Total
Classification of expenditures:							
Administrative costs	\$ 5,124	6,564,299	14,684	10,797	929,917	18,027	7,542,848
Legal services	26,512	374,316	66,185	27,170	9,023	2,229	505,435
Survey and planning	9,950	735,757	39,533	—	5,084	—	790,324
Acquisition expense	—	10,228	—	—	823	1,610	12,661
Operation of acquired property	(513,164)	(60,545)	(15,881)	(13,823)	7,373	(878)	(596,918)
Relocation costs	—	20,942	—	—	205,629	22,596	249,167
Site clearance	935	16,597	—	2,583	66,917	43,663	130,695
Project or site improvements	11,040	3,457,056	119,555	1,272,591	135,129	11,125	5,006,496
Project or site improvements/transfer to Waterside	—	—	3,100,000	—	—	—	3,100,000
Disposal, lease and retention costs	58,010	293,291	29,545	246,056	34,426	63,685	725,013
Other income, primarily interest	(79,361)	(7,101,784)	(16,771)	(81,839)	(67,794)	(26,270)	(7,373,819)
Real estate purchases	—	183,000	—	—	30,000	30,000	243,000
Rehabilitation	—	367,948	—	—	—	—	367,948
Net cumulative project costs at June 30, 2005	(480,954)	4,861,105	3,336,850	1,463,535	1,356,527	165,787	10,702,850
Net cumulative project costs at June 30, 2004	(470,454)	4,847,302	3,336,850	1,463,535	1,356,527	165,787	10,699,547
Net project costs incurred during year ended June 30, 2005	(10,500)	13,803	—	—	—	—	3,303
Revenue earned during year ended June 30, 2005	10,500	—	—	—	—	—	10,500
Gross project costs incurred during year ended June 30, 2005	\$ —	13,803	—	—	—	—	13,803

Table 3

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Summary Schedule of Comprehensive Grant Program and Capital Fund Program Expenditures – Unaudited

Year ended June 30, 2005

	Program year							Total	
	1998	1999	2000	2001	2002	2003	BONUS 2003		2004
Classification of expenditures:									
Management improvements	\$ 450,839	350,305	201,609	330,807	221,423	266,025	—	73,584	1,894,592
Administration	549,873	473,212	490,002	539,604	490,196	481,179	—	398,192	3,422,258
Fees and costs	493,439	580,970	106,454	355,681	124,830	106,987	10,125	74,682	1,853,168
Site improvements	1,933,135	585,506	501,429	659,611	309,186	604,808	—	80,258	4,673,933
Dwelling structures	2,642,750	4,132,695	6,533,198	5,294,935	4,511,226	408,362	318,267	402,454	24,243,887
Dwelling equipment – nonexpendable	61,391	—	—	—	—	—	—	—	61,391
Nondwelling structures	286,889	729,977	16,779	159,672	1,631,204	149,204	306,912	—	3,280,637
Nondwelling equipment	345	14,109	208,055	560,183	239,573	505,294	—	158,315	1,685,874
Relocation costs	—	17,985	12,883	116,212	—	—	—	—	147,080
Cumulative project costs at June 30, 2005	6,418,661	6,884,759	8,070,409	8,016,705	7,527,638	2,521,859	635,304	1,187,485	41,262,820
Cumulative project costs at June 30, 2004	6,418,661	6,884,759	8,062,680	7,630,155	2,236,530	1,011,467	—	—	32,244,252
Project costs incurred during year ended June 30, 2005	\$ —	—	7,729	386,550	5,291,108	1,510,392	635,304	1,187,485	9,018,568

**Table 4**

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
 (Component Unit of the City of Norfolk, Virginia)

Summary Schedule of ROSS Grants Program Expenditures – Unaudited

Year ended June 30, 2005

	<b>Program year</b>			<b>Total</b>
	<b>2001</b>	<b>2002</b>	<b>2003</b>	
Classification of expenditures:				
Program coordinator	\$ 81,000	—	44,242	125,242
Revolving loan program	60,000	—	—	60,000
Employment and job readiness	12,500	—	—	12,500
Job training	14,928	—	131,041	145,969
Vocational training	14,525	—	—	14,525
Family support service	48,971	—	—	48,971
Travel costs	1,557	1,250	998	3,805
Administrative costs	5,000	4,600	30,947	40,547
Capacity building activities	—	—	42,560	42,560
Market analysis	68	—	—	68
Program expenses	—	40,619	83,401	124,020
Salaries	—	32,482	—	32,482
Fringe benefits	—	9,419	16,835	26,254
	<u>238,549</u>	<u>88,370</u>	<u>350,024</u>	<u>676,943</u>
Cumulative project costs at June 30, 2005				
Cumulative project costs at June 30, 2004	<u>238,549</u>	<u>88,370</u>	<u>196,495</u>	<u>523,414</u>
Project costs incurred during the year ended June 30, 2005	<u>\$ —</u>	<u>—</u>	<u>153,529</u>	<u>153,529</u>

Table 5

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)

Summary Schedule of Urban Revitalization Program (Hope VI) Expenditures – Unaudited  
Year ended June 30, 2005

	<u>Program year 2001</u>	<u>Total</u>
Classification of expenditures:		
Management improvements	\$ 2,516,461	2,516,461
Administration	2,039,648	2,039,648
Fees and costs	3,777,618	3,777,618
Site acquisition	13,020	13,020
Site improvement	1,102,854	1,102,854
Dwelling structures	9,117,633	9,117,633
Demolition	2,208,723	2,208,723
Relocation costs	1,403,662	1,403,662
Hope VI Section 8	<u>520,181</u>	<u>520,181</u>
Cumulative project costs at June 30, 2005	22,699,800	22,699,800
Cumulative project costs at June 30, 2004	<u>11,674,474</u>	<u>11,674,474</u>
Project costs incurred during year ended June 30, 2005	<u>\$ 11,025,326</u>	<u>11,025,326</u>



**Table 6**

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
 (Component Unit of the City of Norfolk, Virginia)

Summary Schedule of Empowerment Zone Program Expenditures – Unaudited  
 Year ended June 30, 2005

	<u>Program year 2002</u>	<u>Total</u>
Classification of expenditures:		
Administration	\$ 511,454	511,454
Planning	30,198	30,198
Site acquisition	1,191,018	1,191,018
Site improvement	692,019	692,019
Demolition	22,938	22,938
Rehabilitation	150,000	150,000
Nondwelling equipment	<u>765</u>	<u>765</u>
Cumulative project costs at June 30, 2005	2,598,392	2,598,392
Cumulative project costs at June 30, 2004	<u>2,588,069</u>	<u>2,588,069</u>
Project costs incurred during year ended June 30, 2005	\$ <u>10,323</u>	<u>10,323</u>

## **Compliance Section**

## NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY

(Component Unit of the City of Norfolk, Virginia)

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Agency/program grant title	Pass-through agency	Federal CFDA number	Expenditures
Department of Housing and Urban Development:			
Low-income Housing:			
Local housing authority:			
Public Housing Program (contract P-5540)			
VA6-2 through VA6-12 and VA6-18 through VA6-22 and VA6-24			
Annual subsidy		14.850	\$ 16,195,623
Federal Financing Bank note outstanding principal balance		14.850	9,650,769
Subtotal – Public Housing Program			<u>25,846,392</u>
Section 8 Housing Assistance Payments Program:			
Housing Choice Vouchers (contract P-5523V) VA36-V006-001/4		14.871	15,385,809
New construction – Park Terrace Program (Contract P-5512)	VHDA	14.182	314,589
Subtotal – Section 8 Housing Assistance Payments Program			<u>15,700,398</u>
Capital Fund Program:			
VA-36-P006-501 (2001)		14.872	261,614
VA-36-P006-501 (2002)		14.872	2,077,224
VA-36-P006-501 (2003)		14.872	871,076
VA-36-P006-502 (2003) – Bonus		14.872	635,304
VA-36-P006-501 (2004)		14.872	1,186,594
VA-36-P006-501 (2004) – Replacement reserves		14.872	3,343,069
Subtotal – Capital Fund Program			<u>8,374,881</u>
Resident Opportunity and Supportive Services (ROSS) Program:			
VA99RSFOO6P0176		14.870	—
VA02RSVOO6P0043		14.870	21,066
VA02RNNOO6P0016		14.870	132,463
Subtotal – ROSS Program			<u>153,529</u>
Community Development Block Grant:			
	City of Norfolk		
Program year 1996 (CDBG No. B96-MC-510016)		14.218	34,379
Program year 1997 (CDBG No. B97-MC-510016)		14.218	56,467
Program year 1998 (CDBG No. B98-MC-510016)		14.218	7,157
Program year 1999 (CDBG No. B99-MC-510016)		14.218	99,547
Program year 2000 (CDBG No. B00-MC-510016)		14.218	25,410
Program year 2001 (CDBG No. B01-MC-510016)		14.218	738,604
Program year 2002 (CDBG No. B02-MC-510016)		14.218	500,209
Program year 2003 (CDBG No. B03-MC-510016)		14.218	1,147,571
Program year 2004 (CDBG No. B03-MC-510016)		14.218	2,787,998
Subtotal – Community Development Block Grant			<u>5,397,342</u>
Section 108 -			
Program year 2002 (CDBG No. B02-MC-510016)	City of Norfolk	14.248	6,395,521
BEDI -			
Program year 2002 (No. B02-BD-510025)	City of Norfolk	14.246	954,747
Home Investment Partnerships:			
	City of Norfolk		
Program year 1996 (HOME No. M96-MC-510203)		14.239	180
Program year 1997 (HOME No. M97-MC-510203)		14.239	200
Program year 1998 (HOME No. M98-MC-510203)		14.239	8,540
Program year 1999 (HOME No. M99-MC-510203)		14.239	—
Program year 2000 (HOME No. M00-MC-510203)		14.239	23,425
Program year 2001 (HOME No. M01-MC-510203)		14.239	216,877
Program year 2002 (HOME No. M02-MC-510203)		14.239	642,674
Program year 2003 (HOME No. M03-MC-510203)		14.239	635,773
Program year 2004 (HOME No. M03-MC-510203)		14.239	469,966
Subtotal – Home Investment Partnerships			<u>1,997,635</u>
Empowerment Zone/Enterprise Community Initiative (EZ-99-VA-0014)	E 2010	14.244	10,323
Urban Revitalization Program (HOPE VI) (VA-36-URD006-1100)		14.866	11,036,126
ISTEA - Historic Preservation Grant (EN-01-122-121)	City of Norfolk	15.904	536,790
Total expenditures of federal awards			<u>\$ 76,403,684</u>

See accompanying notes to schedule of expenditures of federal awards.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**

(Component Unit of the City of Norfolk, Virginia)

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

**(1) General**

The schedule of expenditures of federal awards (exhibit M-1) presents the activity of all federal awards programs of the Authority. The Authority's reporting entity is defined in note 1 to the Authority's basic financial statements. The component units did not receive any federal awards. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

**(2) Basis of Accounting**

The schedule of expenditures of federal awards is presented using the full accrual basis of accounting, which is described in note 1 to the Authority's basic financial statements.

**(3) Amounts Provided to Subrecipients**

Total amounts provided to subrecipients from the HOME Investment Partnerships program were:

Park Place Redevelopment Foundation, Inc.	\$ 46,670
Plumb Line Ministries	186,189
Beacon Light Civic League	<u>25,559</u>
	<u>\$ 258,418</u>

**(4) Loans Outstanding**

The Authority had \$9,650,769 outstanding at June 30, 2005 under the Low-Income Housing Program. This loan balance outstanding is included in the federal expenditures presented in the schedule.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
(Component Unit of the City of Norfolk, Virginia)  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

**(1) Summary of Auditors' Results**

- (a) The type of report issued on the basic financial statements: **unqualified opinion**
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **no**  
Material weaknesses: **no**
- (c) Noncompliance which is material to the basic financial statements: **no**
- (d) Reportable conditions in internal control over major programs: **no**  
Material weaknesses: **no**
- (e) The type of report issued on compliance for major programs: **unqualified opinion**
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **no**
- (g) Major programs: **Capital Fund Program; CFDA: 14.872**  
**Urban Revitalization Program (Hope VI); CFDA 14.866**
- (h) Dollar threshold used to determine Type A programs: **\$1,980,088**
- (i) Auditee qualified as low-risk auditee under Section 530 of OMB Circular A-133: **yes**

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*: none noted**

**(3) Findings and Questioned Costs Relating to Federal Awards: none noted**

## **Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters**

The Board of Commissioners  
Norfolk Redevelopment and Housing Authority:

We have audited the financial statements of the Norfolk Redevelopment and Housing Authority (the Authority) as of and for the year ended June 30, 2005, and have issued our report dated October 14, 2005. 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. We did not audit the financial statements of the Mission College Apartments, L.P., Norfolk Community College Campus Corporation, Norfolk One, L.P., and Hampton Roads Ventures, L.L.C., which represent 100% of the assets and revenues of the aggregate component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mission College Apartments, L.P., Norfolk Community College Campus Corporation, Norfolk One, L.P., and Hampton Roads Ventures, L.L.C. is based on the reports of the other auditors.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the board of commissioners, management of the Authority, the City of Norfolk, the Virginia Housing Development Authority, the Department of Housing and Urban Development and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 14, 2005

**Independent Auditors' Report on Compliance with  
Requirements Applicable to Each Major Program  
and on Internal Control over Compliance**

The Board of Commissioners  
Norfolk Redevelopment and Housing Authority:

**Compliance**

We have audited the compliance of the Norfolk Redevelopment and Housing Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

**Internal Control over Compliance**

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and



grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of commissioners and management of the Authority, the City of Norfolk, the Virginia Housing Development Authority, the Department of Housing and Urban Development and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 14, 2005