



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

Basic Financial Statements and Supplementary Information

June 30, 2007

(With Independent Auditors' Reports Thereon)

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

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## **FINANCIAL SECTION**

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**KPMG LLP**  
2100 Dominion Tower  
999 Waterside Drive  
Norfolk, VA 23510

## Independent Auditors' Report

The Board of Commissioners  
Norfolk Redevelopment and Housing Authority:

We have audited the accompanying financial statements of the business-type activities 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, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Norfolk Community College Campus Corporation, Mission College Apartments, L.P. and Hampton Roads Ventures, L.L.C. Norfolk Community College Campus Corporation, a discretely presented component unit represents 99.8% of the assets and revenues of the aggregate discretely presented component units; while Mission College Apartments, L.P. and Hampton Roads Ventures, L.L.C. together represent approximately 1% and 5% of the total assets and total revenues, respectively, of the primary government. 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, 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. The financial statements of Hampton Roads Ventures, L.L.C. were not audited in accordance with *Government Auditing Standards*. 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 business-type activities of the Authority as of June 30, 2007, and the changes in financial position and cash flows, and of its discretely presented component units where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in notes 1 and 10, during 2007, the Authority changed its reporting of two of its component units.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2007 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 18 and the Schedule of Funding Progress – VRS on page 46 are not a required part of the financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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 the 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. The accompanying financial data schedules on pages 47 through 55 are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development. Both the schedule of expenditures of federal awards and the financial data schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

KPMG LLP

December 27, 2007

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
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Management's Discussion and Analysis

June 30, 2007

**Introduction**

The Norfolk Redevelopment and Housing Authority (the Authority or NRHA), a component unit of the City of Norfolk (the City), is a political subdivision of the Commonwealth of Virginia and is empowered to implement housing, community development, redevelopment, and revitalization programs within the City. The City created the Authority in 1940 under the provisions of the United States Housing Act of 1937. Under title 36 of the Code of Virginia, the Authority has the power to acquire, lease, and improve property; to acquire via eminent domain; to make loans or grants; to investigate and determine whether an area is blighted; and to carry out a redevelopment plan in cooperation with local government.

The management of the Authority provides this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2007. Please read it in conjunction with the financial statements, which begin on page 19.

**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 other supplementary information. The basic financial statements are comprised of two components: 1) the financial statements, and 2) the notes to these financial statements. The other supplementary information included in the financial section of the report presents required information as well as some information which is not required yet considered areas of interest to readers of the report.

While included in the financial statements, the financial results of the discretely presented component units are not addressed in this discussion and analysis.

**Financial Highlights for 2007**

The Authority's 2007 major financial highlights included the following:

- Total assets and liabilities of the Authority were approximately \$243.2 million and \$76.2 million, respectively; thus, total net assets were approximately \$167.0 million at June 30, 2007.
- Total revenues (including capital contributions) and expenses were approximately \$92.8 million and \$95.9 million, respectively; thus, net assets decreased by approximately \$3.0 million during the fiscal year.
- Revenues are derived from various sources with approximately 14% from the City and 57% received either directly or indirectly (through the City) from the U.S. Department of Housing and Urban Development (HUD). Rental revenues account for an additional 20% of total revenue; 9% of the rental revenue is from Authority-owned federally assisted housing, 10% of the rental revenue is from Authority-owned nonassisted affordable housing units and 1% is from other miscellaneous rental sources (i.e., ground rent). The 9% revenue balance is derived from miscellaneous fees for services or nonoperating sources (i.e., investment income and bond fees).
- Cash flows from operating activities were a positive \$17.4 million. The net decrease in cash and cash equivalents for the year was approximately \$3.5 million, primarily due to the use of cash for capital activity and a decrease in investing activities.



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- The net assets of the Authority includes notes and interest receivable related to the Hope VI Broad Creek Renaissance (BCR) tax credit project totaling \$17.7 million, which is due after 40 years, beginning in 2042.
- Streets in the BCR and Grandy Village communities with a book value of \$13.9 million were dedicated to the City to establish public right of ways and for future maintenance of infrastructure. This accounts for 96% of the loss on disposal of fixed assets.
- A buyout of the limited partner interest of Mission College Apartments, L.P. (MCA) – formerly presented as a discretely presented component unit – occurred during the current fiscal year. The new partnership relationship is presented as a blended component unit of the Authority; its \$1.9 million in net assets is included in the primary government financial statements. See further discussion in the summary of significant accounting policies on page 23.

### Authority Financial Statements

The Authority's mission focuses on the planning, design, construction, preservation, rehabilitation, financing, and management of housing, primarily for low- and moderate-income households, assisting in the revitalization of neighborhoods, and redevelopment of commercial and industrial areas in the City. As of June 30, 2007, the Authority owned over 4,500 residential units that are owned and leased to low-income families and individuals. Another 254 units, while not owned, were governed and partially funded through the Authority's contract with HUD. In addition, housing assistance was being paid to over 2,100 households under the Federal Housing Choice Voucher program for privately owned existing housing.

In view of this mission, the Authority's financial reporting objective focuses on the financial activities of the Authority as a whole.

### Basic Financial Statements

The Authority is presenting its 2007 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows.

The statement of net assets (similar to a balance sheet) reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus 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. Net assets are broken down into the following three categories.

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

The statement of revenues, expenses and changes in net assets (similar to an income statement) includes operating revenues, such as tenant revenue: operating expenses, such as administrative, utilities, maintenance,

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and depreciation; and nonoperating revenues and expenses, such as investment income, interest expense, and capital contributions. The statement's focus is the change in net assets during the most recent fiscal year.

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

In addition to the three financial statements, notes to the financial statements are also included in the basic financial statements and provide additional information that is essential for a full understanding of the data provided in the Authority's financial statements.

The basic financial statements utilize the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period when they are incurred. This means 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 the statement for some items that will have actual cash flows in future fiscal periods (e.g., uncollected rent and earned but unused vacation leave).

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

**Financial Analysis**

The Authority's financial statements are presented as a single enterprise fund. The enterprise fund accounts for the Authority's operations of property development and management concerns similar to private sector counterparts. Some reclassifications of the 2006 financial information are being presented to facilitate comparisons of prior year and current year financial information.

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**Condensed Financial Information**

The following table reflects the condensed Statement of Net Assets compared with the prior year. Total assets and liabilities of the Authority were approximately \$243.2 million and \$76.2 million, respectively; thus, total net assets were approximately \$167.0 million at June 30, 2007.

**Table 1**  
**Condensed Statements of Net Assets**  
June 30, 2007 and 2006  
(In millions)

Description	2007	2006	Change	Percentage change
Current assets:				
Cash and investments	\$ 53.2	44.2	9.0	20%
Assets held for sale	14.6	17.6	(3.0)	(17)
Noncurrent assets:				
Restricted cash	10.9	11.8	(0.9)	(8)
Capital assets, net	131.2	140.0	(8.8)	(6)
Other current and noncurrent assets	33.3	31.1	2.2	7
Total assets	<u>243.2</u>	<u>244.7</u>	<u>(1.5)</u>	<u>(1)</u>
Current liabilities	20.0	17.4	2.6	15
Noncurrent liabilities	56.2	57.2	(1.0)	(2)
Total liabilities	<u>76.2</u>	<u>74.6</u>	<u>1.6</u>	<u>2</u>
Net assets:				
Invested in capital assets, net of related debt	107.5	119.8	(12.3)	(10)
Restricted	16.9	22.0	(5.1)	(23)
Unrestricted	42.6	28.3	14.3	51
Total net assets	<u>\$ 167.0</u>	<u>170.1</u>	<u>(3.1)</u>	<u>(2)%</u>

Of the Authority's \$243.2 million in assets, \$131.2 million or 54% is invested in capital assets, net of accumulated depreciation, \$64.1 million or 26% is cash and investments and restricted cash, \$14.6 million or 6% is invested in assets held for sale, and \$33.3 million or 14% is other current and noncurrent assets; of which \$17.7 million or 7% is receivables due in 40 years (starting in 2042) related to the Broad Creek Renaissance mixed finance project and \$7.9 million or 3% are receivables of the rehabilitation revolving loan fund.

Of the \$76.2 million of liabilities, \$53.2 million or 70% is debt, \$11.2 million or 15% are amounts under the rehabilitation revolving loan program requiring reappropriation by another government before reuse, the \$11.8 million balance (15%) consists of various obligations of the Authority including tenant escrow deposit accounts, vested compensated absences and payments due to third parties for services.

The net asset balance of \$167.0 million is the difference between the \$243.2 million in assets and the \$76.2 million in liabilities. Ideally, the breakout of the net assets balance allows financial statement users to

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identify resources that are available to finance the activities, programs, or projects with which they are most concerned, whether it be making debt service payments, reducing taxes, or beginning a new service or expanding an existing one.

Referring back to table 1, the Authority's net assets decreased \$3.1 million, or 2%, including a \$1.9 million or 1% increase related to the blending of MCA as of December 31, 2006. Last year's net assets increased by \$12.3 million, or 8% – \$4.9 million or 3% of last year's increase resulted from blending a former discretely presented component unit that year.

Net assets invested in capital assets net of related debt – the largest part (64%) of the net asset balance – decreased by \$12.3 million or 10%. The decrease results from changes in two components, an \$8.8 million decrease in capital assets, which went from \$140.0 million as of June 30, 2006 to \$131.2 million as of June 30, 2007 and, a \$3.5 million increase in the debt related to the capital assets, which went from \$20.4 million to \$23.9 million.

Restricted net assets—the part of net assets that has constraints established by debt covenants, enabling legislation or other legal requirements—decreased 23% or \$5.1 million (\$16.9 million at June 30, 2007 compared to \$22.0 million at June 30, 2006). The largest component of this decrease results from a \$3.0 million net reduction in land held for resale. Proceeds from land sales must be returned to the City as program income unless explicitly earmarked for debt service. Another \$2.8 million reduction in restricted net assets results from the net use of capital fund program replacement reserves—capital fund replacement reserves are drawn down and accumulated in anticipation of major projects requiring multiple-year funding to complete; the use of the replacement reserve funding is more limited than the traditional reimbursement funding from this program. The offsetting \$0.7 million increase in restricted net assets related to the net changes in amounts (\$0.4 million) held by trustees for debt covenants for financed projects—East Ocean View, MacArthur Center, Oakmont North and Park Terrace—as well as the offset of the land held for resale whose proceeds are approved for debt service (\$0.3 million).

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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 \$28.3 million at June 30, 2006 to \$42.6 million at June 30, 2007, an increase of \$14.3 million or 51%. Table 2 identifies programs impacting the Authority's unrestricted net assets.

**Table 2**  
**Unrestricted Net Assets by Program**

<u>Program</u>		<u>2007</u>	<u>2006</u>	<u>Change</u>
Broad Creek Renaissance	\$	(197,396)	(2,418,580)	2,221,184
Brownfield Economic Development Initiative (BEDI)		229	229	—
Community Development		180,115	165,594	14,521
East Beach	(1)	1,136,188	2,829,446	(1,693,258)
East Ocean View Bonds	(1)	(3,153,826)	(5,743,772)	2,589,946
East Ocean View & Other Projects Note	(1)	(2,703,864)	(2,525,068)	(178,796)
EDA Revolving Loan		—	(20,658)	20,658
Empowerment Zone		47,420	38,250	9,170
Federal Housing		9,839,193	8,786,865	1,052,328
General Fund		8,215,775	8,061,186	154,589
Grandy Development	new	(199,533)	—	(199,533)
Hampton Boulevard Administration	new	(2,088)	—	(2,088)
Hampton Boulevard Note		10,760	10,487	273
Hampton Boulevard Renovations		(2,873)	(13,935)	11,062
Hampton Roads Ventures		2,113,409	640,141	1,473,268
HOME		15,524	14,126	1,398
Hope VI		19,959,328	17,511,425	2,447,903
Housing Choice Voucher		9,377,892	4,519,959	4,857,933
Housing Opportunity		1,823,580	1,734,133	89,447
Internal Service		5,145,018	4,869,315	275,703
MacArthur Center		(16,790,481)	(18,377,018)	1,586,537
Merrimack Landing		4,583,841	6,065,544	(1,481,703)
Mission College Apartments (MCA)	new	1,119,394	—	1,119,394
Oakmont Apartments		2,388,188	1,762,469	625,719
Other Grants		18,033	18,033	—
Park Terrace		4,966	7,452	(2,486)
Rehabilitation Program		—	526,929	(526,929)
Renovation Rehabilitation		(232,455)	(50,731)	(181,724)
Section 108 Loan		1,250	1,250	—
Special City Programs		(191,207)	(200,607)	9,400
Urban Renewal		83,362	69,207	14,155
Youth Workforce Development		16,428	2,400	14,028
	\$	<u>42,606,170</u>	<u>28,284,071</u>	<u>14,322,099</u>

(1) Projects are related, and should be reviewed together.

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Unrestricted net assets for each of these programs would include the net of cash in the bank, receivables net of allowances, and other assets less all other liabilities not previously applied. While included as unrestricted balances, program eligibility rules apply when considering the use of these pools of funding. Significant observations about the unrestricted net assets follow:

- The unrestricted net assets of the Broad Creek Renaissance project increased \$2.2 million resulting from \$0.5 million in additional development costs and a \$2.7 million transfer from the Merrimack Landing project to provide permanent financing for current and prior year expenditures.
- At June 30, 2007, the unrestricted net assets of the three East Ocean View projects had an aggregate deficit of \$4.7 million, which included East Beach, East Ocean View Bonds, and East Ocean View and Other Projects Note. Balances were a surplus of \$1.1 million, a \$3.2 million deficit, and a \$2.7 million deficit, respectively. The redevelopment of the East Ocean View neighborhood is being accomplished using multiple financing vehicles in addition to direct subsidy contributions from the City for debt service and development activities; thus, these projects are more appropriately reviewed in the aggregate. In addition to the East Ocean View neighborhood, funding from the East Ocean View and Other Projects Note is also used to finance activity for Chesapeake Streets, Pretty Lakes Dunes, Broad Creek and Renovation Rehabilitation.

**Table 3**

**East Ocean View Projects**

**Unrestricted Net Asset Balance**

<u>Project</u>	<u>FY2007</u>	<u>FY2006</u>	<u>Change</u>
East Beach	\$ 1,136,188	2,829,446	(1,693,258)
East Ocean View Bonds	(3,153,826)	(5,743,772)	2,589,946
East Ocean View and Other Projects Note	(2,703,864)	(2,525,068)	(178,796)
Total	<u>\$ (4,721,502)</u>	<u>(5,439,394)</u>	<u>717,892</u>

The City has explicitly earmarked proceeds from the sale of the Ocean View neighborhood's land held for sale to make debt service payments on loan balances related to Ocean View projects; such proceeds serve as offsets of the outstanding debt of \$10.8 million and are included in the aggregate \$4.7 million deficit unrestricted net asset balance. During the year, total unrestricted net assets for these projects decreased \$0.7 million (\$4.7 million deficit as of June 30, 2007 compared to a \$5.4 million deficit as of June 30, 2006).

- The unrestricted net assets of Federal Housing increased \$1.0 million primarily due to a \$0.8 million increase in tenant income and \$0.3 million increase in interest income. Other significant, but offsetting, fluctuations occurred among the operating expenses.
- The unrestricted net assets of the Hampton Roads Ventures, a blended component with a December 31, 2006 year, increased \$1.5 million from a \$0.6 million surplus as of December 31, 2005 to a \$2.1 million surplus as of December 31, 2006. This resulted from the successful efforts to obtain a new round of New Market Tax Credits during the year.
- The unrestricted net assets of the Hope VI program increased \$2.4 million (\$20 million compared to \$17.5 million). The major component of the balances and the change in the balances relate to note and

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interest receivable amounts (\$15.6 million and \$2.1 million, respectively) which are a part of the project's mixed finance tax credit arrangement. The receivables and interest are due 40 years after inception (beginning in 2042).

- The unrestricted net assets for the Housing Choice Voucher program increased \$4.9 million (\$9.4 million compared to \$4.5 million). The funding received for Housing Voucher payments and program administration exceeded the payments made during the year. Of the \$9.4 million unrestricted reserve balance, \$8.8 million can only be used for Housing Assistance Payments (HAP) and the \$0.6 million balance is the maximum amount that can be used for administrative expenses.
- The unrestricted net assets for one of the Authority's unassisted affordable housing rental projects, Merrimack Landing, changed from \$6.1 million at June 30, 2006 to \$4.6 million at June 30, 2007, or a decrease of \$1.5 million. Merrimack Landing's reduction resulted from a \$2.7 million transfer of funds to provide permanent financing to the Broad Creek Renaissance project.
- The unrestricted net assets for another one of the Authority's unassisted affordable housing rental projects, Oakmont Apartments, changed from \$1.8 million at June 30, 2006 to \$2.4 million at June 30, 2007, an increase of \$0.6 million. The increase is consistent with the project's performance pattern.
- MCA is blended with the primary government for the first time in 2007. The unrestricted net assets of the Authority reflect a \$1.1 million increase from this change in presentation.
- The unrestricted net assets of the MacArthur Center project increased \$1.6 million resulting from regular debt service payments funded by the City; the City has a moral obligation to pay all future debt service requirements through annual appropriations.
- 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 both June 30, 2007 and 2006 is \$1.7 million and is included in the unrestricted net assets reflected in the General Fund program. The Authority will need to include this amount in future years' budgets as they come due.

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**Revenues, Expenses and Changes in Net Assets**

The results of the Authority's operations are reported in the statement of revenues, expenses and changes in net assets. In 2007, the Authority realized a decrease in net assets of \$3.1 million. Table 4 below presents a condensed summary from the Authority's statement of revenues, expenses and changes in net assets.

**Table 4**  
**Summary of Statement of Revenues, Expenses and Changes in Net Assets**

Years ended June 30, 2007 and 2006

(In millions)

<b>Description</b>	<b>2007</b>	<b>2006</b>	<b>Change</b>	<b>Percentage change</b>
Total operating revenues	\$ 83.6	80.0	3.6	5%
Total operating expenses	77.4	76.7	0.7	1
Operating income	6.2	3.3	2.9	88
Total nonoperating revenues	3.6	2.7	0.9	33
Total nonoperating expenses	(18.4)	(4.1)	(14.3)	349
Total nonoperating expenses, net	(14.8)	(1.4)	(13.4)	957
Income (loss) before capital grants	(8.6)	1.9	(10.5)	(553)
Governmental capital grants	5.5	5.5	—	—
Change in net assets	(3.1)	7.4	(10.5)	(142)
Total net assets – beginning	170.1	157.8	12.3	8
Change in reporting component unit	—	4.9	(4.9)	(100)
Total net assets – ending	\$ 167.0	170.1	(3.1)	(2)%

Net assets increased \$6.2 million from operating activity, but decreased \$14.8 million from nonoperating activity, resulting in a net \$8.6 million decrease in net assets before recognizing the receipt of grant revenue for capital expenditures. Capital grant revenue of \$5.5 million reduced the decrease in total net assets from an \$8.6 million decrease to a \$3.1 million decrease.



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The following sections discuss revenues and expenses separately.

**Revenues**

Table 5 provides an excerpt of revenues from the statement of revenues, expenses and changes in net assets and shows that total revenues increased 5% or \$4.6 million (\$92.8 million compared to \$88.2 million).

**Table 5**  
**Excerpt of Revenues from the Statement of Revenues, Expenses and Changes in Net Assets**

Years ended June 30, 2007 and 2006

(In millions)

Description	2007	2006	Change	Percentage change
Operating revenues:				
Tenant revenue – rents and other	\$ 18.5	15.3	3.2	21%
Operating grants and subsidies	60.5	63.2	(2.7)	(4)
Other revenue, net	4.6	1.5	3.1	207
Total operating revenues	83.6	80.0	3.6	5
Nonoperating revenues:				
Capital grants	5.5	5.5	—	—
Interest and investment revenue	3.7	2.7	1.0	37
Total nonoperating revenues	9.2	8.2	1.0	12
Total revenues	\$ 92.8	88.2	4.6	5%

The \$4.6 million (5%) increase in total revenues is attributable to an increase in tenant revenue, which increased \$3.2 million (from \$15.3 million to \$18.5 million); an increase in other revenue; which increased \$3.1 million (from \$1.5 million to \$4.6 million); and an increase in interest and investment revenue, which increased \$1.0 million (from \$2.7 million to \$3.7 million).

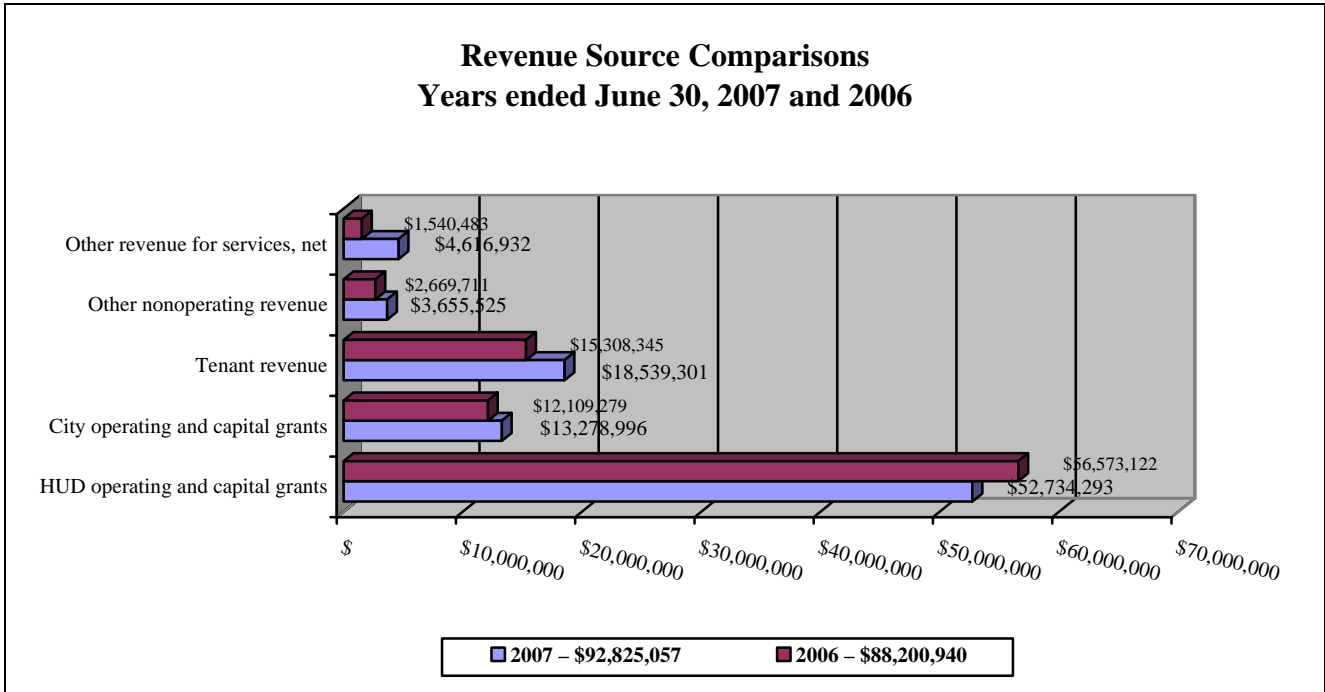
As reflected in the following graph, revenues were derived from various providers with approximately 14% or \$13.3 million from the City and 57% or \$52.7 million received either directly or indirectly (through the City – 10% in addition to the previous 14%) from the U.S. Department of Housing and Urban Development (HUD). Rental revenues accounted for an additional 20% or \$18.5 million of total revenue; 9% or \$8.7 million was from over 3,400 units of Authority-owned federally assisted housing—Federal Housing and Park Terrace; 10% or \$8.9 million is from 1,160 units of Authority-owned nonassisted affordable housing—Merrimac Landing, Oakmont North, and Mission College; and 1% or \$0.9 million tenant revenue was from a variety of other commercial or resident customers. The balance of 9% or \$8.3 million is derived from miscellaneous fees for services or nonoperating sources (i.e., investment income).

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Significant changes in revenue by provider were a \$3.8 million decrease in HUD operating and capital grants and a \$1.2 million increase in City operating and capital grants.



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**Expenses**

Table 6 provides an excerpt of expenses from the statement of revenues, expenses and changes in net assets and shows that total expenses increased 19% or \$15.0 million (\$95.8 million compared to \$80.8 million).

**Table 6**

**Excerpt of Expenses from the Statement of Revenues, Expenses and Changes in Net Assets**

Years ended June 30, 2007 and 2006

(In millions)

	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>Percentage change</u>
Operating expenses:				
Administrative	\$ 13.9	13.2	0.7	5%
Housing assistance payments (HAP)	13.4	13.9	(0.5)	(4)
Extraordinary maintenance	13.0	17.0	(4.0)	(24)
Maintenance – routine	10.9	9.7	1.2	12
Depreciation	8.4	6.1	2.3	38
Utilities	8.1	8.4	(0.3)	(4)
General	6.0	5.2	0.8	15
Tenant services	2.1	2.3	(0.2)	(9)
Loss on the sale of land inventory	1.4	0.7	0.7	100
Protective services	0.2	0.2	—	—
Total operating expenses	<u>77.4</u>	<u>76.7</u>	<u>0.7</u>	<u>1</u>
Nonoperating expenses:				
Interest expense	3.9	3.6	0.3	8
Loss on disposal of capital assets	14.5	0.5	14.0	2800
Total nonoperating expenses	<u>18.4</u>	<u>4.1</u>	<u>14.3</u>	<u>349</u>
Total expenses	<u>\$ 95.8</u>	<u>80.8</u>	<u>15.0</u>	<u>19%</u>

The most significant increase in expenses was the loss on disposal of fixed assets. During the current year the Authority reduced capital assets by \$13.9 million to record the dedication of streets to the City for maintenance of infrastructure and public right of ways in the BCR and Grandy Village projects. An additional \$0.1 million in loss on disposal of capital assets resulted from the sale of Federal Housing land as part of the BCR initiative. Also significant, is the impact of MCA as a new blended component unit, which accounts for \$1.9 million increase in expenses.

Other expenses that increased follow:

- A \$0.7 million (5%) increase occurred in administrative expenses (\$13.9 million compared to \$13.2 million). In addition to a \$0.2 million increase from MCA, staffing increases in the Housing Choice Voucher and the HOMENET programs account for a significant portion of this increase.

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- A \$1.2 million (12%) increase occurred in routine maintenance expense (\$10.9 million compared to \$9.7 million). In addition to a \$0.6 million increase from MCA, there was a quality control staffing increase in the Housing Choice Voucher program as well as the normal rise in maintenance cost due to inflation (\$0.3 million and \$0.1 million for Federal Aided Housing and Merrimack Landing respectively).
- A \$2.3 million (38%) increase in depreciation expense (\$8.4 million compared to \$6.1 million) resulted from the transfer of \$7.0 million in assets from construction in progress to operations as well as \$17 million transfer from the capital fund in the prior fiscal year.
- A \$0.8 million (15%) increase occurred in general expense (\$6.0 million compared to \$5.2 million). In addition to a \$0.3 million increase from MCA, a \$0.4 million increase in support for Waterside, and a net \$0.3 million increase in Federal Housing program for PILOT payments, losses on bad debt and increase insurance premiums were among the many changes in general expense.
- A \$0.7 million (100%) increase occurred in loss on the sale of land inventory, net (\$1.4 million compared to \$0.7 million). Land with a book value of \$3.4 million was removed from land inventory; \$2.0 million of this was deeded to the City and \$1.4 million was sold at a \$0.6 million profit.
- A \$0.3 million (8%) increase occurred in interest expense (\$3.9 million compared to \$3.6 million). A \$0.3 million increase from MCA is the major component of the change for the current year.

Expenses that decreased follow:

- A \$0.5 million (4%) decrease occurred in HAP expense (\$13.4 million compared to \$13.9 million). Factors contributing to this decrease include, turnover in key staff positions, significant time diverted to HUD audits. A depleted wait list, time spent processing a significant number of applicants who did not meet eligibility requirements and the number of landlords willing to participate in the program which did not meet the need.
- A \$4.0 million (24%) decrease in extraordinary maintenance (\$13.0 million compared to \$17.0 million). In addition to the preventive maintenance work performed on our properties, extraordinary maintenance also includes those costs associated with the acquisition of, and improvements to property held for resale that exceed the projected resale value, and infrastructure costs for streets dedicated to the City.
- A \$0.3 million (4%) decrease in utility expense (\$8.1 million compared to 8.4 million). A mild winter accounts for reduced utility costs despite increases in rates across the board.
- A \$0.2 million (9%) decrease in tenant services expense (\$2.1 million compared to \$2.3 million) occurred due to staff focus on improving administrative operations and training. Also, program focus on job readiness initiatives accomplished through direct staff support and partnering with other supportive service agencies to accomplish decreased expenditures to third parties.

### *Capital Assets*

The Authority's capital assets as of June 30, 2007, included land, buildings, improvements, construction in progress, and equipment that totaled \$131.2 million (net of depreciation). Most of the capital assets (105.1 million or 80%) is comprised of public housing units available for lease to low- and moderate-income residents or construction of communities for mixed income residents that include those eligible for public

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housing. Another 16% or \$21.5 million is invested in Authority-owned, nonassisted multifamily affordable housing units. A breakdown of the Authority's assets is shown in Table 7 below.

**Table 7**  
**Composition of Capital Assets of the Authority**  
June 30, 2007 and 2006

(In millions)

	<u>Balance 2007</u>	<u>Balance 2006</u>	<u>Change</u>	<u>Percentage change</u>
Nondepreciable assets:				
Land	\$ 18.7	14.2	4.5	32%
Construction in progress	11.0	27.9	(16.9)	(61)
Other capital assets:				
Buildings and building improvements	153.7	139.9	13.8	10
Improvements other than buildings	60.4	57.6	2.8	5
Equipment	8.2	7.2	1.0	14
Accumulated depreciation	(120.8)	(106.8)	(14.0)	13
Totals	<u>\$ 131.2</u>	<u>140.0</u>	<u>(8.8)</u>	<u>(6)%</u>

The Authority had \$8.8 million in net additions to capital assets in 2007. Table 8 details the components of the change.

**Table 8**  
**Change in Capital Assets of the Authority**

June 30, 2007

(In millions)

	<u>Nondepreciable assets</u>	<u>Other capital assets</u>	<u>Totals</u>
July 1, 2006 beginning balance, net	\$ 42.1	97.9	140.0
Transfers	(6.3)	6.3	—
Transfer from component unit, net	1.1	4.2	5.3
Purchases	8.2	1.4	9.6
Depreciation	—	(8.3)	(8.3)
Retirements, net	(1.6)	—	(1.6)
Transfers to the City	(13.8)	—	(13.8)
Ending balance	<u>\$ 29.7</u>	<u>101.5</u>	<u>131.2</u>

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

- Construction in progress totaling \$6.3 million, primarily capital improvements in our public housing communities, was completed and transferred to the operating project.
- As a result of MCA's presentation as a blended component unit in the current year, \$5.3 million of capital assets, net were transferred to the Authority from the discretely presented component units. The Authority bought out the limited partner's interest of this component unit.
- Additions to capital assets of \$9.6 million included the following: continuation of Grandy duplexes, Grandy Air Conditioner Prototype Unit, Grandy renovations, Digg's Gym renovation, and window replacement in various communities.
- Streets in the BCR and Grandy Village communities with a book value of \$13.9 million (\$13.8 related to new infrastructure and \$0.1 million in book value of land) were dedicated to the City to establish public right of ways and for future maintenance of infrastructure.

**Long-Term Debt**

At June 30, 2007, the Authority had total debt outstanding of \$53.1 million (excluding vested compensated absences). Of this amount, \$2 million of debt for the Granby Street Office building is 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), the associated project property or is backed by other governmental entities.

A summary of the Authority's outstanding debt is presented in table 9.

**Table 9**  
**Long-Term Debt Summary**

Fiscal year 2007

Description	Amounts payable at July 1, 2006	Additions	Retirements and reductions	Amounts payable at June 30, 2007	Future debt service commitment	Scheduled final payment
Granby Street Office building	\$ 2,183,605	—	(134,691)	2,048,914	The Authority	December 2020
Park Terrace	1,033,355	—	(59,196)	974,159	Revenue bond	April 2017
Oakmont North	3,530,000	—	(160,000)	3,370,000	Revenue bond	March 2021
Merrimack Landing	4,042,804	—	(403,141)	3,639,663	Revenue bond	December 2010
Grandy Village	367,992	—	(52,749)	315,243	Project revenue	July 2012
NRHA Rehabilitation	239,454	—	(239,454)	—	Revolving Loan Fund	July 2021
Federal Financing Bank	9,222,739	—	(456,281)	8,766,458	HUD pays directly	November 2019
Mission College Apartments	4,842,432	—	(89,511)	4,752,921	Project revenue	September 2030
East Ocean View Note	6,956,399	1,431,735	(1,594,467)	6,793,667	Obligation of the City	May 2007
Property Acquisition	6,155,000	—	(2,080,000)	4,075,000	Obligation of the City	September 2010
MacArthur	20,063,286	—	(1,650,000)	18,413,286	Obligation of the City	September 2019
Total bank financing	<u>\$ 58,637,066</u>	<u>1,431,735</u>	<u>(6,919,490)</u>	<u>53,149,311</u>		

The Authority's total outstanding debt retirements and reductions totaled \$6.9 million and an additional \$1.4 million was drawn down on the East Ocean View line of credit to facilitate property acquisition.

- The Authority has outstanding notes and bonds payable of \$29.3 million, which are the moral obligation of 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 \$6.2 million and is carried on the books of the City, not the Authority. Also, specific land proceeds are held for debt service of the Ocean View debt.

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- The Authority has outstanding debt with the Federal Financing Bank, which is the sole responsibility of the Department of Housing and Urban Development.
- During the current fiscal year, the Authority paid all outstanding balances with a local bank used to partially finance rehabilitation loans to local citizens. The line of credit is still open for future drawdowns.

### **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.

Under HUD's new operating formula, the Authority is a "stop-loss agency"; our eligible subsidy amount reflects a \$600,000 reduction from the benchmark year (2004) when compared to the old formula computation. The phase-in of the loss began in January 2007 when the Authority's subsidy was reduced by 5% of the \$600,000 loss. HUD has established compliance steps (early transition to a new asset management model) that if met within established timeframes, will minimize the future phase in of the loss. The Authority has submitted a stop-loss package to HUD and awaits a response, which will be a first indicator of the level of flexibility in implementing the guidelines, and HUD's interpretation of compliance.

In addition to a reduction in the computed eligible funding level, the public housing operating fund is projected to receive a significant reduction of the eligible funding in 2008. The Authority is receiving 83.5% of its eligible funding for calendar year 2007.

Appropriation of funds by Congress and the Administration for the capital fund program is substantially less than the current year. The specific impact, while not defined, is sure to have an adverse impact on our programs.

Unpredictability of funding levels for the Authority's Housing Choice Voucher (Section 8) program also exists. Two different methodologies were used for computing the subsidy and administrative fee paid to NRHA for calendar years 2005 and 2006; drastically different funding levels occurred; 2007 mirrored the 2006 formula. The methodology and level of funding for calendar year 2008 has not been communicated.

As a part on the Hope VI program, NRHA demolished two public communities; as a result, we are experiencing corresponding losses of funding in operating and capital subsidies for units that are not replaced. Replaced units are coming on line, however, the corresponding operating subsidy is paid to the limited partnerships that own and manage the new units. The financial impact is growing as the project continues to move 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 79% of the Authority's revenues come from federal, state or city governments. The Authority's 2008 operating and capital budget is \$106.5 million, representing an increase of 4% over the previous fiscal year.

### **Contacting Authority Management**

This financial report is designed to provide the citizens of the City, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Assistant Executive Director of Finance and Administration, Norfolk Redevelopment and Housing Authority, 201 Granby Street, Norfolk VA 23510 or visit our website at [www.nrha.norfolk.va.us](http://www.nrha.norfolk.va.us).

## **BASIC FINANCIAL STATEMENTS**



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

Statement of Net Assets

June 30, 2007

Assets	Primary government	Component units	Total
<b>Current assets:</b>			
Cash and cash equivalents (note 2)	\$ 24,904,048	7,751	24,911,799
Cash with fiscal agents (note 2)	5,687,221	—	5,687,221
Investments (note 2)	22,575,651	—	22,575,651
<b>Receivables:</b>			
Due from HUD	2,778,829	—	2,778,829
Due from City of Norfolk	1,308,414	—	1,308,414
Tenants rent, net	153,986	—	153,986
Notes (note 3)	219,036	1,290,000	1,509,036
Interest	142,294	337,846	480,140
Other, net	719,836	—	719,836
Total receivables	5,322,395	1,627,846	6,950,241
Inventories, net	383,849	—	383,849
Assets held for sale	14,560,285	—	14,560,285
Prepaid expenses and other assets	667,860	—	667,860
Total current assets	74,101,309	1,635,597	75,736,906
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents (note 2)	10,904,026	411,567	11,315,593
<b>Capital assets:</b>			
Land	18,676,474	—	18,676,474
Buildings and equipment	222,297,385	—	222,297,385
Construction in progress	11,028,859	—	11,028,859
Less accumulated depreciation	(120,797,543)	—	(120,797,543)
Capital assets, net (note 4)	131,205,175	—	131,205,175
Notes receivable, net – noncurrent portion (note 3)	24,042,706	15,160,000	39,202,706
Other noncurrent assets	2,973,976	474,953	3,448,929
Total noncurrent assets	169,125,883	16,046,520	185,172,403
Total assets	\$ 243,227,192	17,682,117	260,909,309
<b>Liabilities and Net Assets</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 3,618,494	—	3,618,494
Accrued salaries and benefits	328,001	—	328,001
Accrued compensated absences (note 5)	192,580	—	192,580
Due to HUD and the City of Norfolk	321,218	—	321,218
Tenant security deposits	1,027,534	—	1,027,534
Deferred revenue	323,813	600,000	923,813
Bonds, notes, and loans payable (note 5)	10,928,666	1,290,000	12,218,666
Other current liabilities	3,223,042	127,945	3,350,987
Total current liabilities	19,963,348	2,017,945	21,981,293
<b>Noncurrent liabilities:</b>			
Bonds, notes, and loans payable (note 5)	42,220,646	15,424,866	57,645,512
Accrued compensated absences – noncurrent (note 5)	1,491,077	—	1,491,077
Noncurrent liabilities – other	12,537,879	—	12,537,879
Total noncurrent liabilities	56,249,602	15,424,866	71,674,468
Total liabilities	76,212,950	17,442,811	93,655,761
<b>Net assets:</b>			
Invested in capital assets, net of related debt	107,500,052	—	107,500,052
Restricted net assets	16,908,020	283,622	17,191,642
Unrestricted net assets (deficit)	42,606,170	(44,316)	42,561,854
Total net assets	167,014,242	239,306	167,253,548
Total liabilities and net assets	\$ 243,227,192	17,682,117	260,909,309

See accompanying notes to basic financial statements.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
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Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2007

	<u>Primary government</u>	<u>Component units</u>	<u>Total</u>
Operating revenues:			
Tenant revenue	\$ 18,539,301	—	18,539,301
Government operating grants	60,482,365	—	60,482,365
Other revenue, net	4,616,932	147,540	4,764,472
Total operating revenues	<u>83,638,598</u>	<u>147,540</u>	<u>83,786,138</u>
Operating expenses:			
Administrative	13,916,193	25,052	13,941,245
Tenant services	2,091,367	—	2,091,367
Utilities	8,116,570	—	8,116,570
Maintenance	10,906,564	—	10,906,564
Protective services	199,765	—	199,765
General	6,023,582	—	6,023,582
Extraordinary maintenance	12,996,894	—	12,996,894
Housing assistance payments (HAP)	13,348,955	—	13,348,955
Depreciation and amortization	8,418,008	44,113	8,462,121
Loss on sale of land inventory, net	1,427,805	—	1,427,805
Total operating expenses	<u>77,445,703</u>	<u>69,165</u>	<u>77,514,868</u>
Operating income	<u>6,192,895</u>	<u>78,375</u>	<u>6,271,270</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	3,655,525	780,002	4,435,527
Loss on disposal and donations of fixed assets (note 4)	(14,514,880)	—	(14,514,880)
Interest expense	(3,906,225)	(779,819)	(4,686,044)
Total nonoperating expenses, net	<u>(14,765,580)</u>	<u>183</u>	<u>(14,765,397)</u>
Income (loss) before capital grants	<u>(8,572,685)</u>	<u>78,558</u>	<u>(8,494,127)</u>
Government capital grants	5,530,934	—	5,530,934
Change in net assets	<u>(3,041,751)</u>	<u>78,558</u>	<u>(2,963,193)</u>
Total net assets (deficit) – beginning	170,055,993	(7,334,124)	162,721,869
Change in reporting component unit (notes 1 and 10)	—	7,494,872	7,494,872
Total net assets – ending	<u>\$ 167,014,242</u>	<u>239,306</u>	<u>167,253,548</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 – Primary Government

Year ended June 30, 2007

Cash flows from operating activities:	
Cash receipts from customers	\$ 16,633,089
Cash receipts from grants	59,344,254
Other operating cash receipts	4,513,399
Cash payments to employees for services	(10,396,984)
Cash payments to suppliers of goods and services	(25,967,542)
Other operating cash payments	(13,333,611)
Cash payments to landlords – HAP	(13,348,955)
	<u>17,443,650</u>
Net cash provided by operating activities	<u>17,443,650</u>
Cash flows from capital and related financing activities:	
Proceeds from disposal of capital assets	943,071
Proceeds from issuance of debt	1,431,735
Purchases of capital assets	(8,075,973)
Capital grants received	4,310,531
Payments on loan liabilities	(239,454)
Principal payments on debt	(6,652,449)
Interest payments on debt	(3,505,241)
	<u>(11,787,780)</u>
Net cash used in capital and related financing activities	<u>(11,787,780)</u>
Cash flows from investing activities:	
Sales of investments	18,128,658
Purchases of investments	(28,935,047)
Issuance of notes receivable	(2,027,703)
Principal receipts on notes receivable	1,390,084
Interest received	3,361,571
Purchase of equity in component unit (note 1)	(1,052,907)
	<u>(9,135,344)</u>
Net cash used in investing activities	<u>(9,135,344)</u>
Net decrease in cash and cash equivalents	(3,479,474)
Cash and cash equivalents at beginning of year	<u>44,974,769</u>
Cash and cash equivalents at end of year	<u>\$ 41,495,295</u>
Reconciliation to balance sheet of primary government:	
Current unrestricted cash and cash equivalents	\$ 24,904,048
Current cash with fiscal agents	5,687,221
Noncurrent restricted cash and cash equivalents	10,904,026
	<u>41,495,295</u>
Cash and cash equivalents	<u>\$ 41,495,295</u>

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

Statement of Cash Flows – Primary Government

Year ended June 30, 2007

Reconciliation of operating income to net cash provided by operating activities:	
Operating income:	\$ 6,192,895
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	8,418,008
Bad debt expense	556,729
Loss on disposal of assets held for sale	1,427,805
Changes in assets and liabilities:	
Change in receivables due from HUD	(1,085,439)
Change in receivables due from City of Norfolk	(52,672)
Change in receivables from tenants rent, net	(229,302)
Change in receivables from other, net	(447,670)
Change in inventories	161,871
Change in assets held for resale	1,600,523
Change in prepaid expenses and other assets	2,036,985
Change in other noncurrent assets	(1,351,216)
Change in accounts payable	314,167
Change in accrued salaries and benefits	8,695
Change in accrued compensated absences	(33,444)
Change in due to other governments	181,272
Change in tenant security deposits	95,032
Change in deferred revenue	208,210
Change in other current and noncurrent liabilities	(558,799)
Net cash provided by operating activities	<u>\$ 17,443,650</u>

Supplementary disclosures of noncash transactions:

Effective July 1, 2006, the Authority began reporting Mission College Apartments, L.P. as a blended component unit while it had previously been a discretely presented component unit. This resulted in the Authority recording \$5,347,526 in net capital assets.

The Authority forgave notes receivable under the Hope VI, Federal Housing, Program Income, Home Partnership Investment Program (HOME), and Rehabilitation programs in the amount of \$452,289. In addition, \$64,445 of notes payable were retired.

Effective July 1, 2006, the Authority began reporting as an allowance for doubtful accounts a deferred credit equal to a \$5,688,000 note receivable.

The Authority deeded \$13,939,778 of fixed assets to the City of Norfolk.

The Authority had \$1,564,588 in accounts payable related to the acquisition of fixed assets.

See accompanying notes to basic financial statements.

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

Notes to Financial Statements

June 30, 2007

**(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 U.S. 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 U.S. generally accepted accounting principles as specified by the Governmental Accounting Standards Board (GASB). The Authority's significant accounting policies are described below.

**(a) *The Financial Reporting Entity***

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 Authority and its component units, Mission College Apartments, L.P. (MCA), Norfolk Community College Campus Corporation (NCCCC), Norfolk One, L.P. (NOLP), Hampton Roads Ventures, L.L.C. (HRV), and NRHA Grandy Village, L.P. (GVLP). 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.

NCCCC is a discretely presented component unit. 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 unit is reported in a separate column in the financial statements to emphasize that they are legally separate from the Authority. NCCCC has a December 31 year-end.

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The financial information of NOLP, MCA, GVLP and HRV are 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. These four component units have December 31 year-ends.

MCA, a Virginia limited partnership was formed to develop and operate a low-income housing project located in Norfolk, Virginia. In previous years it was reported separately as a discretely presented component unit. On December 31, 2006, the Authority purchased the 99% limited partnership interest and assigned its previously existing 1% general partnership to Hampton Roads Ventures Investors, L.L.C. (HRVI). HRVI is the only general partner in the partnership. NRHA owns a 99.9999% interest in HRVI 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. MCA made total distributions of \$629,516 to its partners through June 30, 2007. 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 certain revenue bonds. Separate audited financial statements are available from NCCCC.

NOLP, a Virginia limited partnership, was formed to develop and operate a low-income public housing complex for the elderly, which is located in Norfolk, Virginia. The Authority is the sole general partner in the partnership. The Authority is also the managing agent for the partnership. NOLP is an intricate part of the daily operation of the Authority, as the two entities share personnel for daily operations and administrative support, they serve the same clientele, and also share in subsidy funding received from HUD under a single annual contributions contract (ACC). The Authority is not only responsible for all day-to-day business decisions of NOLP, but is also responsible for funding any deficit via an operating loan that will not bear interest and is non-recourse to the other partners. Fees to the Authority are limited to reimbursement for actual costs incurred for the management of the complex, unless there is an operating surplus in which case the Authority will receive an oversight fee. Any excess subsidy given to NOLP must be returned to the Authority.

HRV, a Virginia limited liability company, was formed on May 1, 2003. HRV is a qualified community development entity that holds new market tax credit allocation authority to be used for investment in qualified active low income community businesses. The Authority has a 99.9999% membership interest, and CDC has a 0.0001% interest.

CDC, a nonstock corporation, is 100% owned by the Authority. Beginning in 2007, CDC is no longer considered to be a component unit of the Authority (see note 10).

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**(b) Basis of Presentation**

All of the Authority's programs are accounted for as business-type activities for financial reporting purposes. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. The Authority has elected not to follow Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989.

The Authority follows all applicable GASB pronouncements and FASB pronouncements issued prior to November 30, 1989, unless they conflict with GASB pronouncements.

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

The Authority's financial statements 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. The Authority's operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

The statement of net assets and statement of activities of the Authority 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. The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are rental revenue, charges for services and intergovernmental operating grants. Operating expenses for the Authority include the cost of services, administrative expenses, housing assistance payments and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**(d) Revenue Recognition**

Tenant revenues are recognized as rentals become due. Rental payments received in advance, if any, are deferred until earned.

The Authority has entered into annual contributions contracts with HUD to develop, manage, and own public housing projects and to administer the federal Section 8 housing programs, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income tenants.

Intergovernmental revenues are recognized in the period in which all grant requirements are satisfied, which is typically when the Authority has expended the funds on allowable costs. Grant funds received in advance of satisfying all requirements are recorded as deferred revenue. Effective in fiscal year 2006, HUD has mandated that Authorities who administer the Housing Choice Voucher (HCV) program should recognize revenue for Housing Assistance Payments (HAP) based on the current year's budget received, rather than the methodology used in previous years of recognizing revenue based on expenditures incurred.



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**(e) *Cash and 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 statement 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.

A portion of cash that is held by agents of the Authority is reported separately as cash with fiscal agents. There are no restrictions on the use of these funds.

**(f) *Inventories***

Inventories of the Authority are valued at average cost. This inventory consists of expendable materials and supplies. The cost is expensed when the materials and supplies are used (consumption method of accounting).

**(g) *Restricted Cash and Cash Equivalents***

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

**(h) *Assets Held For Sale and Extraordinary Maintenance***

Assets held for sale are 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 and, with the approval of the grantors, can be reprogrammed by the Authority or be used to reduce outstanding indebtedness. Consequently, as a result of this restriction, net assets associated with the above assets are considered restricted in the accompanying financial statements.

Extraordinary maintenance expenses include losses incurred to record assets held for sale at net realizable value, capital outlay purchases on behalf of the City and capital outlays with an acquisition cost less than \$500.

**(i) *Capital Assets***

Capital outlays are recorded as assets in the financial statements if the acquisition cost is greater than \$500 and they have a useful life of two years or more. Capital outlays of the Authority are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis. All capital

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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 expensed when incurred. Amounts 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 \$6,169,940 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:

Buildings 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

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

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.

**(k) Deferred Loss on Refunding**

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

**(l) 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 Authority's financial statements.

**(m) Income Taxes**

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

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**(n) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the carrying amount of property held for sale, the carrying amount of capital assets, valuation of receivables, net realizable value of the Authority's investment in Waterside and obligations related to employee benefits. Actual results could differ from those estimates.

**(o) Self Insurance**

The Authority participates in a self-insurance program with the City for Commissioners' Liability Insurance. There are no limits set in a self-insurance program. All personal assets of the Board would be defended in civil actions arising from their duties. At June 30, 2007, there are no liabilities for unpaid claims.

**(p) Other Post Employment Benefits**

The Authority provides postretirement health and dental care benefits, in accordance with the federal COBRA law which requires the Authority to extend access to healthcare benefits for eighteen months after termination to any employee participating in the health and dental plan. The Authority has elected to provide access to health care for retirees until age 65 or until they are eligible for Medicare. There are 41 retirees participating at 100% of their own cost. The Authority's regular health care provider underwrites the retiree's policies.

**(2) Deposits and Investments**

At June 30, 2007, the carrying value of the Authority's deposits with banks and savings institutions was \$18,590,434 and the bank balance was \$19,483,859 which was either covered by federal depository insurance corporation (FDIC), collateralized in accordance with the Virginia Security for Public Deposits Act (the Act), or held in Trust Accounts.

***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

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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.

<u>Investment type</u>	<u>Investment maturities (in years)</u>		
	<u>Fair value</u>	<u>Less than 1</u>	<u>1-2</u>
U.S. agency and discount notes	\$ 40,280,064	31,336,044	8,944,020
Repurchase agreement	2,015,570	2,015,570	—
Commercial paper	2,490,097	2,490,097	—
Certificates of deposit	693,711	693,711	—
	<u>\$ 45,479,442</u>	<u>36,535,422</u>	<u>8,944,020</u>

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

Deposits	\$ 18,590,434
Cash on hand	1,070
Investments	45,479,442
	<u>\$ 64,070,946</u>
Per exhibit A:	
Cash and cash equivalents	\$ 24,904,048
Cash with fiscal agents	5,687,221
Restricted cash and cash equivalents	10,904,026
Investments	22,575,651
	<u>\$ 64,070,946</u>

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The Authority also has an investment of 14.5% in Waterside in the amount of \$8,801,290. As discussed in note 1, the Authority has recorded a valuation allowance equal to the investment due to uncertainties related to future cash flows of the partnership.

**Foreign Currency Risk**

The Authority does not have any foreign investments.

(a) **Component Units**

*Norfolk Community College Campus Corporation*

**Credit Risk**

Financial instruments which potentially subject the Corporation to credit risk consist principally of cash and bond escrow funds. The Corporation places its cash with high credit quality financial institutions and balances may, at times, exceed the FDIC insured limits. At December 31, 2006, the Corporation had \$7,751 in cash and \$411,567 invested by the Trustee in short-term money market instruments.

**Investments**

Corporate investments are stated at fair value.

(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, 2007, with specific payment terms, are as follows:

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.	\$ 5,688,000
Allowance for doubtful accounts	(5,688,000)
	<hr/>
	—
	<hr/>
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.	64,445
Allowance for doubtful accounts	(64,445)
	<hr/>
	—
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**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
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Notes to Financial Statements

June 30, 2007

Notes receivable – Hope VI

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. The notes are fully reserved based on the history of forgiveness of the notes.

	\$ 10,055,144
	(10,055,144)

Allowance for doubtful accounts —

0% promissory notes receivable of the Hope VI 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. The notes are fully reserved based on the history of forgiveness of the notes.

	786,335
	(786,335)

Allowance for doubtful accounts —

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 5.85%. Interest and principal shall be due in full 40 years after the completion date.

	3,885,753
--	-----------

Promissory note receivable due from TCB. The funds were provided for approved costs of the Marshall Manor II development. The note bears no interest, principal payments to be made from cash flow and/or net proceeds of TCB Marshall Manor II that TCB receives.

	51,370
--	--------

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 5.85%. Interest and principal shall be due in full 40 years after the completion date.

	2,754,168
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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 5.85%. Interest and principal shall be due in full 40 years after the completion date.

	2,509,099
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**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
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Promissory note receivable due from TCB. The funds were provided for approved costs of the Marshall Manor III development. The note bears no interest, principal payments to be made from cash flow and/or net proceeds of TCB Marshall Manor III that TCB receives.	\$ 131,211
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 5.85%. Interest and principal shall be due in full 40 years after the completion date.	2,012,289
Promissory note receivable due from TCB Marshall Manor IV LP. The funds were provided for the construction of 38 units of rental housing, of which 38 units will be reserved for qualified low income tenants. The note earns interest at 5.85%. Interest and principal shall be due in full 40 years after the completion date.	1,373,092
Promissory note receivable due from TCB Marshall Manor IV LP. The funds were provided for the construction of 38 units of rental housing, of which 38 units will be reserved for qualified low income tenants. The note earns interest at 5.36%. Interest and principal shall be due in full 40 years after the completion date.	650,000
Promissory note receivable due from TCB Bowling Green IV 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 5.85%. Interest and principal shall be due in full 40 years after the completion date.	1,575,651
Promissory note receivable due from TCB Bowling Green IV 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 5.36%. Interest and principal shall be due in full 40 years after the completion date.	650,000
Total notes receivable – Hope VI	<u>15,592,633</u>
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.	94,038
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.	288,951

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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
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.”	212,480
Rehabilitation Loans - 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.	<u>7,878,640</u>
Total notes receivable	24,261,742
Less current portion	<u>219,036</u>
	<u>\$ 24,042,706</u>

***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 \$2,000,000 annual rent payment consists of principal repayments on the current notes receivable in the amount of \$1,290,000 and \$710,000 in interest and fees. The capital lease is reflected as a sale of the facility with a note receivable of \$16,450,000 equal to the debt described in note 6.



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**(4) Capital Assets**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2007:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2007</u>
Capital assets not being depreciated:				
Land	\$ 14,171,589	4,936,840	(431,955)	18,676,474
Construction in progress	27,968,732	8,001,436	(24,941,309)	11,028,859
Total capital assets not being depreciated	<u>42,140,321</u>	<u>12,938,276</u>	<u>(25,373,264)</u>	<u>29,705,333</u>
Other capital assets:				
Buildings and building improvements	139,865,276	13,896,616	(57,289)	153,704,603
Improvements other than buildings	57,576,168	2,789,478	(5,287)	60,360,359
Equipment	7,268,936	1,040,491	(77,004)	8,232,423
Total other capital assets	<u>204,710,380</u>	<u>17,726,585</u>	<u>(139,580)</u>	<u>222,297,385</u>
Less accumulated depreciation for:				
Buildings and building improvements	64,869,772	11,220,510	(13,009)	76,077,273
Improvements other than buildings	37,215,766	1,679,514	(1,311)	38,893,969
Equipment	4,761,314	1,140,934	(75,947)	5,826,301
Total accumulated depreciation	<u>106,846,852</u>	<u>14,040,958</u>	<u>(90,267)</u>	<u>120,797,543</u>
Other capital assets, net	<u>97,863,528</u>	<u>3,685,627</u>	<u>(49,313)</u>	<u>101,499,842</u>
	<u>\$ 140,003,849</u>	<u>16,623,903</u>	<u>(25,422,577)</u>	<u>131,205,175</u>

The Authority has active construction projects as of June 30, 2007. Outstanding commitments related to construction in progress amounted to approximately \$2,816,662 at June 30, 2007.

Included in the decreases above is \$13,939,778 of construction in progress and land that was donated to the City of Norfolk. These amounts are reflected in the accompanying basic financial statements as loss on disposal and donations of fixed assets. The remaining \$575,102 of losses related to the disposal of fixed assets.

Included in the increases are approximately \$11,061,204 and \$5,711,818 in capital assets and accumulated depreciation, respectively, related to the transfer of MCA from a discretely presented component unit to a blended component unit, effective December 31, 2006. The following is a reconciliation of depreciation expense per the statement of revenues, expenses, and changes in net assets to the chart above:

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Depreciation and amortization expense	\$	8,418,008
Transfer of MCA accumulated depreciation and amortization		5,711,818
Less amortization expense		<u>(88,868)</u>
Increase in accumulated depreciation	\$	<u><u>14,040,958</u></u>

**(5) Long-Term Debt**

A summary of the Authority's long-term liability activity for the fiscal year ended June 30, 2007 is presented below:

	<u>Amounts payable at July 1, 2006</u>	<u>Additions</u>	<u>Retirements and reductions</u>	<u>Amounts payable at June 30, 2007</u>	<u>Amounts due within one year</u>
Notes payable:					
Equipment financing	\$ 2,183,605	—	134,691	2,048,914	140,276
Federal Financing Bank Renewal and replacement (line of credit)	9,222,739	—	456,281	8,766,458	486,395
Property construction	6,956,399	1,431,735	1,594,466	6,793,668	6,793,668
Grandy renovation	20,063,286	—	1,650,000	18,413,286	1,650,000
Park Terrace	367,992	—	52,749	315,243	55,540
Mission College Apartments	1,033,355	—	59,196	974,159	64,733
NRHA Rehabilitation	4,842,432	—	89,511	4,752,921	94,913
	239,454	—	239,454	—	—
	<u>44,909,262</u>	<u>1,431,735</u>	<u>4,276,348</u>	<u>42,064,649</u>	<u>9,285,525</u>
Bonds payable:					
Property acquisition bonds	6,155,000	—	2,080,000	4,075,000	1,045,000
Multi-family revenue bonds – Oakmont North	3,530,000	—	160,000	3,370,000	165,000
Revenue bonds – Merrimack Landing	4,290,000	—	440,000	3,850,000	470,000
Less:					
Unamortized bond discount	(79,251)	—	(10,686)	(68,565)	(10,686)
Unamortized loss on refunding	(167,945)	—	(26,173)	(141,772)	(26,173)
Accrued compensated absences	<u>1,717,101</u>	<u>—</u>	<u>33,444</u>	<u>1,683,657</u>	<u>192,580</u>
Total long-term liabilities	<u>\$ 60,354,167</u>	<u>1,431,735</u>	<u>6,952,933</u>	<u>54,832,969</u>	<u>11,121,246</u>

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

Notes to Financial Statements

June 30, 2007

The following summarizes the Authority's long-term note and bond obligations at June 30, 2007.

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.	\$ 8,766,458
Renewal and replacement (line of credit) note due to a local bank, interest at 0.5% over prime (6.82% at June 30, 2007). Payments of interest are due monthly. Full repayment of the note is due on May 1, 2008. The loan is secured by real property owned by the Authority and the City. The Authority can borrow up to \$8,000,000 under the note.	6,793,668
Revenue note due to two local banks to finance the construction of a retail outlet. Principal of \$1,650,000 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.	18,413,286
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.	315,243
Tax-exempt government bond for renovation to the 201 Granby Building. Repayment of yearly principal and interest of \$231,887 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.	2,048,914
Mortgage note insured by the Federal Housing Administration for a 260 unit apartment complex in Norfolk, Virginia. Bearing interest at the rate of 5.875%. Principal and interest are paid in monthly installments of \$30,968.	4,752,921
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.	974,159
Total notes payable	42,064,649

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

Notes to Financial Statements

June 30, 2007

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. The interest rate at June 30, 2007 was 5.30% and is reset weekly based on LIBOR. \$ 4,075,000

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, 2007 was 3.77% and is reset weekly based on LIBOR. 3,370,000

Multi-family housing serial revenue refunding bonds issued February 1, 1997, interest from 4.1% to 5.5% payable semiannually. The bonds are secured by a lien on the property and a security interest in the leases and rents of the property. 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. 3,850,000

11,295,000

Less:

Unamortized bond discount (68,565)

Unamortized loss on refunding (141,772)

Total bonds payable 11,084,663

Accrued compensated absences 1,683,657

Total long-term liabilities \$ 54,832,969

(a) *Future Maturities*

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

	Note payable		Bonds payable	
	Principal	Interest	Principal	Interest
Fiscal year ending June 30:				
2008	\$ 9,285,525	2,895,469	1,680,000	443,757
2009	2,544,072	2,319,577	1,940,000	348,231
2010	2,602,403	2,127,580	2,095,000	243,509
2011	2,663,062	1,933,255	1,110,000	181,363
2012	2,727,534	1,737,555	780,000	142,602
2013-2017	14,343,882	5,593,748	2,455,000	292,351
2018-2022	5,360,485	1,295,634	1,235,000	72,910
2023-2027	1,289,678	568,416	—	—
2028-2032	1,248,008	145,560	—	—
	<u>\$ 42,064,649</u>	<u>18,616,794</u>	<u>11,295,000</u>	<u>1,724,723</u>

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
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Notes to Financial Statements

June 30, 2007

Future maturities of accrued compensated absences are not determinable.

**(b) Component Units**

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, 2006, \$780,000 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, 2006, \$6,885,000 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 refunded a portion of the Educational Facility Revenue bonds dated May 1, 1995. At December 31, 2006, \$8,785,000 remained outstanding. Interest at rates from 2.0% to 5.25% is payable semiannually and principal payments are due annually in November. Also due is \$264,866 of unamortized bond premium.

Principal maturities for the revenue bonds are as follows: 2008, \$1,290,000; 2009, \$1,350,000; 2010, \$1,400,000; 2011, \$1,455,000; 2012, \$1,515,000; 2013-2017, \$7,395,000; and 2018-2022, \$2,045,000.

**(6) 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 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.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
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Notes to Financial Statements

June 30, 2007

**(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, 2007 was 16.6% of annual covered payroll, including the member contribution of 5%.

**(c) Annual Pension Cost**

For the fiscal year ended June 30, 2007, the Authority's annual pension cost of \$2,270,239 was equal to the Authority's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases between 3.75% and 5.60%, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. 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 21 years. The trend information for the Authority's employees is as follows:

	<b>Three-year trend information</b>		
	<b>Annual pension cost (APC)</b>	<b>Percentage of APC contributed</b>	<b>Net pension obligation</b>
Fiscal year ending:			
June 30, 2007	\$ 2,270,239	100%	none
June 30, 2006	1,432,444	100%	none
June 30, 2005	1,497,142	100%	none

**(7) 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, 2007.

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

Notes to Financial Statements

June 30, 2007

**(8) 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, 2007 was \$5,877,302 and was with full recourse to the Authority.

**(d) Letters of Credit**

The Authority has seven letters of credit with a bank for \$9,186,490. 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 five letters of credit.

**(9) 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.

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, 2007, there were 11 issues of industrial revenue bonds outstanding, with an aggregate principal amount payable of approximately \$185,881,676.

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

Notes to Financial Statements

June 30, 2007

**(10) 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. 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. During the current year, the Authority loaned \$109,787 of Hope VI funds and \$1,300,000 of City funds to the Phase 4 limited partnership owner entities. The Authority also loaned \$182,581 of Hope VI funds to TCB during the current year.

The City 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. 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.

The Authority owns 100% of CDC, a nonstock corporation that purchased an 85.5% interest in the Waterside Limited Partnership (Waterside) on December 31, 1998. The Authority owns the other 14.5%, which has been fully reserved due to the uncertainty surrounding ultimate recovery based on historical performance of the retail property. CDC also has a 0.0001% membership interest in HRV, and a 0.0001% membership interest in HRVI. 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. Beginning in 2007, CDC has changed its accounting for its investment in the Waterside partnership for financial reporting purposes and will no longer report a negative investment on its balance sheet and will also no longer recognize its annual allocated tax losses since it is not at risk for funding operating deficits of Waterside. The City has historically funded all operating deficits of Waterside and has agreed to continue doing so in the future. Consequently, effective July 1, 2006, CDC is no longer considered to be a component unit 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)

Required Supplementary Information Other than MD&A  
 Schedule of Funding Progress – VRS (Unaudited)

Year ended June 30, 2007

<u>Actuarial valuation date</u>		<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Underfunded actuarial accrued liability (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
June 30, 2004	\$	63,149,462	66,398,828	3,249,366	95.11%	\$ 14,989,479	21.68%
June 30, 2005		63,189,946	78,147,194	14,957,248	80.86	14,768,978	101.27
June 30, 2006		65,055,152	73,377,992	8,322,840	88.66	14,013,401	59.39

See accompanying independent auditors' report.

## **FINANCIAL DATA SCHEDULES**

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**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
 (Component Unit of the City of Norfolk, Virginia)  
 Financial Data Schedule – Balance Sheet Information  
 June 30, 2007

FDS item number	Description	Business activities	Section 8 Program (Park Terrace)	Community Development Block Grants/Entitlement Grants (CDBG)	Home Partnership Investment Program (HOME)	Empowerment Zones Program	Community Development Block Grants/Economic Brownfield Development Initiative (BED)	Community Development Block Grant – Section 108 Loan Guarantees	Low Rent Public Housing (LIPH)	HUD – Guaranteed Debt Entry	Combined Low Rent Public Housing (LIPH)	Public and Indian Housing Drug Elimination Program	Public Housing – Comprehensive Grant Program
<b>Assets</b>													
<b>Current assets:</b>													
<b>Cash:</b>													
111	Unrestricted	\$ 8,621,729	46,135	—	—	—	—	—	4,444,152	—	4,444,152	—	—
112	Restricted – modernization and development	—	—	—	—	—	—	—	—	—	—	—	—
113	Other restricted	2,401,458	1,344,630	—	—	—	—	—	361,606	—	361,606	—	—
114	Tenant security deposits	548,002	19,159	—	—	—	—	—	460,373	—	460,373	—	—
115	Restricted for payment of current liabilities	450,672	—	—	—	—	—	—	146,061	—	146,061	—	—
100	<b>Total cash</b>	<b>12,021,861</b>	<b>1,409,924</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,412,192</b>	<b>—</b>	<b>5,412,192</b>	<b>—</b>	<b>—</b>
<b>Receivables:</b>													
121	Accounts receivable – PHA projects	—	—	—	—	—	—	—	—	—	—	—	—
122	Accounts receivable – HUD other projects	—	—	—	—	—	—	—	385,724	—	385,724	—	—
124	Accounts receivable – other governments	—	—	151,131	126,456	—	—	—	—	—	—	—	—
125	Accounts receivable – miscellaneous	79	—	—	—	244,800	—	—	7,744	—	7,744	—	—
126	Accounts receivable – tenants – dwelling rents	25,693	8,005	—	—	—	—	—	99,132	—	99,132	—	—
126	Allowance for doubtful accounts – dwelling rents	(1,966)	(804)	—	—	—	—	—	(36,957)	—	(36,957)	—	—
126	Allowance for doubtful accounts – other	—	—	—	—	—	—	—	—	—	—	—	—
127	Notes and mortgages receivable – current	170,826	—	—	—	—	—	—	—	—	—	—	—
128	Fraud recovery	—	—	—	—	—	—	—	4,285	—	4,285	—	—
128	Allowance for doubtful accounts – fraud	—	—	—	—	—	—	—	—	—	—	—	—
129	Accrued interest receivable	15,090	6,109	—	—	—	—	—	114,912	—	114,912	—	—
120	<b>Total receivables, net of allowances for doubtful accounts</b>	<b>209,722</b>	<b>13,310</b>	<b>151,131</b>	<b>126,456</b>	<b>244,800</b>	<b>—</b>	<b>—</b>	<b>574,840</b>	<b>—</b>	<b>574,840</b>	<b>—</b>	<b>—</b>
<b>Current investments:</b>													
131	Investments – unrestricted	2,263,672	—	—	—	—	—	—	7,959,690	—	7,959,690	—	—
132	Investments – restricted	—	—	—	—	—	—	—	—	—	—	—	—
135	Investments – restricted for payment of current liabilities	—	—	—	—	—	—	—	—	—	—	—	—
142	Prepaid expenses and other assets	—	—	—	—	—	—	—	128,761	—	128,761	—	—
143	Inventories	—	—	—	—	—	—	—	208,910	—	208,910	—	—
143	Allowance for obsolete inventories	—	—	—	—	—	—	—	—	—	—	—	—
144	Interprogram due from	693,253	1,645	66,150	—	—	229	1,250	—	—	—	—	—
145	Assets held for sale	—	—	2,309,382	—	153,750	—	—	—	—	—	—	—
146	Amounts to be provided	—	—	—	—	—	—	—	—	—	—	—	—
150	<b>Total current assets</b>	<b>15,188,508</b>	<b>1,424,879</b>	<b>2,526,663</b>	<b>126,456</b>	<b>398,550</b>	<b>229</b>	<b>1,250</b>	<b>14,284,393</b>	<b>—</b>	<b>14,284,393</b>	<b>—</b>	<b>—</b>
<b>Noncurrent assets:</b>													
<b>Fixed assets:</b>													
161	Land	3,129,086	54,664	—	—	—	—	—	7,582,804	—	7,582,804	—	—
162	Buildings	37,019,427	1,802,594	—	—	15,356	—	—	99,396,787	—	99,396,787	—	—
163	Furniture, equipment and machinery – dwellings	—	—	—	—	—	—	—	—	—	—	—	—
164	Furniture, equipment and machinery – administration	643,915	140,597	—	—	10,528	—	—	1,622,511	—	1,622,511	9,271	—
165	Leasehold improvements	2,490,979	520,022	—	—	—	—	—	53,945,168	—	53,945,168	—	—
166	Accumulated depreciation	(21,826,515)	(2,123,456)	—	—	(24,972)	—	—	(86,306,336)	—	(86,306,336)	(9,225)	—
167	Construction in progress	—	—	—	—	—	—	—	9,393	—	9,393	—	—
168	Infrastructure	—	—	—	—	—	—	—	—	—	—	—	—
160	<b>Total fixed assets, net of accumulated depreciation</b>	<b>21,456,892</b>	<b>394,421</b>	<b>—</b>	<b>—</b>	<b>912</b>	<b>—</b>	<b>—</b>	<b>76,250,327</b>	<b>—</b>	<b>76,250,327</b>	<b>46</b>	<b>—</b>
<b>Other noncurrent assets:</b>													
171	Notes, loans, and mortgages receivable – noncurrent	7,700,964	—	—	—	—	—	—	—	—	—	—	—
172	Notes, loans, and mortgages receivable – noncurrent – past due	—	—	—	—	—	—	—	—	—	—	—	—
173	Grants receivable – noncurrent	—	—	—	—	—	—	—	—	—	—	—	—
174	Other assets	301,032	—	—	—	—	—	—	—	—	—	—	—
176	Investments in joint ventures	—	—	—	—	—	—	—	—	—	—	—	—
180	<b>Total noncurrent assets</b>	<b>29,458,888</b>	<b>394,421</b>	<b>—</b>	<b>—</b>	<b>912</b>	<b>—</b>	<b>—</b>	<b>76,250,327</b>	<b>—</b>	<b>76,250,327</b>	<b>46</b>	<b>—</b>
190	<b>Total assets</b>	<b>\$ 44,647,396</b>	<b>1,819,300</b>	<b>2,526,663</b>	<b>126,456</b>	<b>399,462</b>	<b>229</b>	<b>1,250</b>	<b>90,534,720</b>	<b>—</b>	<b>90,534,720</b>	<b>46</b>	<b>—</b>

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
 (Component Unit of the City of Norfolk, Virginia)  
 Financial Data Schedule – Balance Sheet Information  
 June 30, 2007

FDS item number	Description	Revitalization of Severely Distressed Public Housing (Hope VI)	Resident Opportunity and Supportive Services	Housing Choice Voucher	Public Housing Capital Fund Program	Historic Preservation Fund Grants-in-Aid (ISTEA)	State/local	Other Federal Program 2 (HSG opportunity)	Other Federal Program 2 (Urban renewal)	NRHA total	Component units	PHAS grand total
<b>Assets</b>												
Current assets:												
Cash:												
111	Unrestricted	\$ —	—	1,294,471	—	—	15,445,095	670,020	69,667	30,591,269	7,751	30,599,020
112	Restricted – modernization and development	—	—	—	1,765,796	—	—	—	—	1,765,796	—	1,765,796
113	Other restricted	—	—	100,979	—	—	2,074,032	—	—	6,282,705	283,622	6,566,327
114	Tenant security deposits	—	—	—	—	—	—	—	—	1,027,534	—	1,027,534
115	Restricted for payment of current liabilities	—	—	69,008	1,101,602	—	60,648	—	—	1,827,991	127,945	1,955,936
100	Total cash	—	—	1,464,458	2,867,398	—	17,579,775	670,020	69,667	41,495,295	419,318	41,914,613
Receivables:												
121	Accounts receivable – PHA projects	—	—	—	—	—	—	—	—	—	—	—
122	Accounts receivable – HUD other projects	820,080	40,215	—	1,532,810	—	—	—	—	2,778,829	—	2,778,829
124	Accounts receivable – other governments	—	—	—	—	6,527	1,024,300	—	—	1,308,414	—	1,308,414
125	Accounts receivable – miscellaneous	—	—	—	—	—	469,980	1,233	—	723,836	—	723,836
126	Accounts receivable – tenants – dwelling rents	—	—	—	—	—	26,868	—	—	159,698	—	159,698
126	Allowance for doubtful accounts – dwelling rents	—	—	—	—	—	—	—	—	(39,727)	—	(39,727)
126	Allowance for doubtful accounts – other	—	—	—	—	—	(4,000)	—	—	(4,000)	—	(4,000)
127	Notes and mortgages receivable – current	—	—	—	—	—	31,659	16,551	—	219,036	1,290,000	1,509,036
128	Fraud recovery	—	—	33,761	—	—	—	—	—	38,046	—	38,046
128	Allowance for doubtful accounts – fraud	—	—	(4,031)	—	—	—	—	—	(4,031)	—	(4,031)
129	Accrued interest receivable	—	—	—	—	—	5,710	473	—	142,294	337,846	480,140
120	Total receivables, net of allowances for doubtful accounts	820,080	40,215	29,730	1,532,810	6,527	1,554,517	18,257	—	5,322,395	1,627,846	6,950,241
Current investments:												
131	Investments – unrestricted	—	—	8,020,024	—	—	3,302,291	1,029,974	—	22,575,651	—	22,575,651
132	Investments – restricted	—	—	—	—	—	—	—	—	—	—	—
135	Investments – restricted for payment of current liabilities	—	—	—	—	—	—	—	—	—	—	—
142	Prepaid expenses and other assets	—	—	—	—	—	539,099	—	—	667,860	—	667,860
143	Inventories	—	—	—	—	—	174,939	—	—	383,849	—	383,849
143	Allowance for obsolete inventories	—	—	—	—	—	—	—	—	—	—	—
144	Interprogram due from	1,442,607	—	35,438	—	—	5,764,665	43,843	13,695	8,062,775	—	8,062,775
145	Assets held for sale	—	—	—	—	—	10,469,153	—	1,628,000	14,560,285	—	14,560,285
146	Amounts to be provided	—	—	—	—	—	—	—	—	—	—	—
150	Total current assets	2,262,687	40,215	9,549,650	4,400,208	6,527	39,384,439	1,762,094	1,711,362	93,068,110	2,047,164	95,115,274
Noncurrent assets:												
Fixed assets:												
161	Land	1,892,383	—	—	—	—	6,017,537	—	—	18,676,474	—	18,676,474
162	Buildings	100,329	5,533	—	6,290,705	—	9,061,642	12,230	—	153,704,603	—	153,704,603
163	Furniture, equipment, and machinery – dwellings	—	—	—	—	—	—	—	—	—	—	—
164	Furniture, equipment, and machinery – administration	46,175	47,315	85,403	1,703,551	—	3,908,591	—	14,566	8,232,423	—	8,232,423
165	Leasehold improvements	—	—	—	3,199,323	—	204,867	—	—	60,360,359	—	60,360,359
166	Accumulated depreciation	(127,999)	(40,535)	(67,033)	(1,298,926)	—	(8,951,406)	(6,574)	(14,566)	(120,797,543)	—	(120,797,543)
167	Construction in progress	—	—	—	10,823,724	—	195,742	—	—	11,028,859	—	11,028,859
168	Infrastructure	—	—	—	—	—	—	—	—	—	—	—
160	Total fixed assets, net of accumulated depreciation	1,910,888	12,313	18,370	20,718,377	—	10,436,973	5,656	—	131,205,175	—	131,205,175
Other noncurrent assets:												
171	Notes, loans, and mortgages receivable – noncurrent	15,592,633	—	—	—	—	671,622	77,487	—	24,042,706	15,160,000	39,202,706
172	Notes, loans, and mortgages receivable – noncurrent – past due	—	—	—	—	—	—	—	—	—	—	—
173	Grants receivable – noncurrent	—	—	—	—	—	—	—	—	—	—	—
174	Other assets	2,138,790	—	—	—	—	530,905	—	—	2,970,727	474,953	3,445,680
176	Investments in joint ventures	—	—	—	—	—	3,249	—	—	3,249	—	3,249
180	Total noncurrent assets	19,642,311	12,313	18,370	20,718,377	—	11,642,749	83,143	—	158,221,857	15,634,953	173,856,810
190	Total assets	\$ 21,904,998	52,528	9,568,020	25,118,585	6,527	51,027,188	1,845,237	1,711,362	251,289,967	17,682,117	268,972,084

NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY  
 (Component Unit of the City of Norfolk, Virginia)  
 Financial Data Schedule – Balance Sheet Information  
 June 30, 2007

FDS item number	Description	Business activities	Section 8 Program (Park Terrace)	Community Development Block Grants/Entitlement (CDBG)	Home Partnership Investment Program (HOME)	Empowerment Zones Program	Community Development Block Grants/Economic Brownfield Development Initiative (BED)	Community Development Block Grant – Section 108 Loan Guarantees	Low Rent Public Housing (LIPH)	HUD – Guaranteed Debt Entry	Combined Low Rent Public Housing (LIPH)	Public and Indian Housing Drug Elimination Program	Public Housing – Comprehensive Grant Program
<b>Liabilities and Equity</b>													
Current liabilities:													
311	Bank overdrafts	\$ —	—	—	—	—	—	—	—	—	—	—	—
312	Accounts payable <= 90 days	54,476	8,583	36,550	—	—	—	—	231,263	—	231,263	—	—
313	Accounts payable > 90 days	—	—	—	—	—	—	—	—	—	—	—	—
321	Accrued wage/payroll taxes payable	30,558	3,475	—	—	—	—	—	—	—	—	—	—
322	Accrued compensated absences – current portion	—	—	—	—	—	—	—	—	—	—	—	—
324	Accrued contingency liability	—	—	—	—	—	—	—	—	—	—	—	—
325	Accrued interest payable	51,156	7,285	—	—	—	—	—	387,082	—	387,082	—	—
331	Accounts payable – HUD PHA programs	—	—	—	—	—	—	—	48,143	—	48,143	—	—
332	Accounts payable – PHA projects	—	—	—	—	—	—	—	—	—	—	—	—
333	Accounts payable – other governments	116,467	21,500	—	—	—	—	—	95,097	—	95,097	—	—
341	Tenant security deposits	548,002	19,159	—	—	—	—	—	460,373	—	460,373	—	—
342	Deferred revenues	43,288	—	—	—	—	—	—	—	—	—	—	—
343	Current portion of long-term debt – capital projects/mortgage revenue bonds	693,054	64,733	—	—	—	—	—	55,540	486,395	541,935	—	—
344	Current portion of long-term debt – operating borrowings	—	—	—	—	—	—	—	—	—	—	—	—
345	Other current liabilities	—	—	616	—	900	—	—	158,845	—	158,845	—	—
346	Accrued liabilities – other	—	—	—	—	—	—	—	—	—	—	—	—
347	Interprogram due to	20,515	—	—	110,932	196,480	—	—	2,654,435	—	2,654,435	—	—
348	Loan liability – current	—	—	—	—	—	—	—	—	—	—	—	—
310	Total current liabilities	1,557,516	136,314	37,166	110,932	197,380	—	—	4,090,778	486,395	4,577,173	—	—
Noncurrent liabilities:													
351	Long-term debt, net of current – capital projects/mortgage revenue bonds	11,069,530	909,426	—	—	—	—	—	259,703	8,280,063	8,539,766	—	—
352	Long-term debt, net of current – operating borrowings	—	—	—	—	—	—	—	—	—	—	—	—
353	Noncurrent liabilities – other	11,255,588	—	—	—	—	—	—	409,959	—	409,959	—	—
354	Accrued compensated absences – noncurrent	—	—	—	—	—	—	—	—	—	—	—	—
355	Loan liability – noncurrent	—	—	—	—	—	—	—	—	—	—	—	—
350	Total noncurrent liabilities	22,325,118	909,426	—	—	—	—	—	669,662	8,280,063	8,949,725	—	—
300	Total liabilities	23,882,634	1,045,740	37,166	110,932	197,380	—	—	4,760,440	8,766,458	13,526,898	—	—
Equity:													
501	Investment in general fixed assets	—	—	—	—	—	—	—	—	—	—	—	—
Contributed capital:													
502	Project notes (HUD)	—	—	—	—	—	—	—	—	—	—	—	—
503	Long-term debt – HUD guaranteed	—	—	—	—	—	—	—	—	—	—	—	—
504	Net HUD PHA contributions	—	—	—	—	—	—	—	—	—	—	—	—
505	Other HUD contributions	—	—	—	—	—	—	—	—	—	—	—	—
507	Other contributions	—	—	—	—	—	—	—	—	—	—	—	—
508	Total contributed capital	—	—	—	—	—	—	—	—	—	—	—	—
508.1	Invested in capital assets, net of related debt	9,856,540	(579,738)	—	—	912	—	—	75,935,087	(8,766,458)	67,168,629	46	—
Reserved fund balance:													
509	Fund balance reserved for encumbrances/designated fund balance	—	—	—	—	—	—	—	—	—	—	—	—
510	Fund balance reserved for capital activities	—	—	—	—	—	—	—	—	—	—	—	—
511	Total reserved fund balance	—	—	—	—	—	—	—	—	—	—	—	—
511.1	Restricted net assets	2,816,799	1,348,332	2,309,382	—	153,750	—	—	—	—	—	—	—
512	Undesignated fund balance/retained earnings	—	—	—	—	—	—	—	—	—	—	—	—
512.1	Unrestricted net assets	8,091,423	4,966	180,115	15,524	47,420	229	1,250	9,839,193	—	9,839,193	—	—
513	Total equity/net assets	20,764,762	773,560	2,489,497	15,524	202,082	229	1,250	85,774,280	(8,766,458)	77,007,822	46	—
600	Total liabilities and equity/net assets	\$ 44,647,396	1,819,300	2,526,663	126,456	399,462	229	1,250	90,534,720	—	90,534,720	46	—



**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
 (Component Unit of the City of Norfolk, Virginia)  
 Financial Data Schedule – Balance Sheet Information  
 June 30, 2007

FDS item number	Description	Revitalization of Severely Distressed Public Housing (Hope VI)	Resident Opportunity and Supportive Services	Housing Choice Voucher	Public Housing Capital Fund Program	Historic Preservation Fund Grants-in-Aid (ISTEA)	State/local	Other Federal Program 2 (HSG opportunity)	Other Federal Program 2 (Urban renewal)	NRHA total	Component units	PHAS grand total
<b>Liabilities and Equity</b>												
Current liabilities:												
311	Bank overdrafts	\$ —	—	—	—	—	—	—	—	—	—	—
312	Accounts payable <= 90 days	34,782	—	1,771	1,812,870	—	1,395,302	—	—	3,575,597	—	3,575,597
313	Accounts payable > 90 days	—	—	—	—	—	42,897	—	—	42,897	—	42,897
321	Accrued wage/payroll taxes payable	—	—	—	—	—	293,968	—	—	328,001	—	328,001
322	Accrued compensated absences – current portion	—	—	—	—	—	192,580	—	—	192,580	—	192,580
324	Accrued contingency liability	—	—	—	—	—	—	—	—	—	—	—
325	Accrued interest payable	—	—	—	—	—	288,610	—	—	734,133	127,945	862,078
331	Accounts payable – HUD PHA programs	—	—	—	—	—	—	—	—	48,143	—	48,143
332	Accounts payable – PHA projects	—	—	—	—	—	—	—	—	—	—	—
333	Accounts payable – other governments	—	—	—	—	—	40,011	—	—	273,075	—	273,075
341	Tenant security deposits	—	—	—	—	—	—	—	—	1,027,534	—	1,027,534
342	Deferred revenues	—	—	—	—	—	268,946	—	—	323,813	600,000	923,813
343	Current portion of long-term debt – capital projects/mortgage revenue bonds	—	—	—	—	—	9,628,944	—	—	10,928,666	1,290,000	12,218,666
344	Current portion of long-term debt – operating borrowings	—	—	—	—	—	—	—	—	—	—	—
345	Other current liabilities	—	—	69,008	222,173	—	2,021,366	16,001	—	2,488,909	—	2,488,909
346	Accrued liabilities – other	—	—	—	—	—	—	—	—	—	—	—
347	Interprogram due to	—	40,215	—	154,871	6,527	4,878,800	—	—	8,062,775	—	8,062,775
348	Loan liability – current	—	—	—	—	—	—	—	—	—	—	—
310	Total current liabilities	34,782	40,215	70,779	2,189,914	6,527	19,051,424	16,001	—	28,026,123	2,017,945	30,044,068
Noncurrent liabilities:												
351	Long-term debt, net of current – capital projects/mortgage revenue bonds	—	—	—	—	—	21,701,924	—	—	42,220,646	15,424,866	57,645,512
352	Long-term debt, net of current – operating borrowings	—	—	—	—	—	—	—	—	—	—	—
353	Noncurrent liabilities – other	—	—	100,979	—	—	771,353	—	—	12,537,879	—	12,537,879
354	Accrued compensated absences – noncurrent	—	—	—	—	—	1,491,077	—	—	1,491,077	—	1,491,077
355	Loan liability – noncurrent	—	—	—	—	—	—	—	—	—	—	—
350	Total noncurrent liabilities	—	—	100,979	—	—	23,964,354	—	—	56,249,602	15,424,866	71,674,468
300	Total liabilities	34,782	40,215	171,758	2,189,914	6,527	43,015,778	16,001	—	84,275,725	17,442,811	101,718,536
Equity:												
501	Investment in general fixed assets	—	—	—	—	—	—	—	—	—	—	—
Contributed capital:												
502	Project notes (HUD)	—	—	—	—	—	—	—	—	—	—	—
503	Long-term debt – HUD guaranteed	—	—	—	—	—	—	—	—	—	—	—
504	Net HUD PHA contributions	—	—	—	—	—	—	—	—	—	—	—
505	Other HUD contributions	—	—	—	—	—	—	—	—	—	—	—
507	Other contributions	—	—	—	—	—	—	—	—	—	—	—
508	Total contributed capital	—	—	—	—	—	—	—	—	—	—	—
508.1	Invested in capital assets, net of related debt	1,910,888	12,313	18,370	20,718,377	—	8,388,059	5,656	—	107,500,052	—	107,500,052
Reserved fund balance:												
509	Fund balance reserved for encumbrances/designated fund balance	—	—	—	—	—	—	—	—	—	—	—
510	Fund balance reserved for capital activities	—	—	—	—	—	—	—	—	—	—	—
511	Total reserved fund balance	—	—	—	—	—	—	—	—	—	—	—
511.1	Restricted net assets	—	—	—	2,210,294	—	6,441,463	—	1,628,000	16,908,020	283,622	17,191,642
512	Undesignated fund balance/retained earnings	—	—	—	—	—	—	—	—	—	—	—
512.1	Unrestricted net assets	19,959,328	—	9,377,892	—	—	(6,818,112)	1,823,580	83,362	42,606,170	(44,316)	42,561,854
513	Total equity/net assets	21,870,216	12,313	9,396,262	22,928,671	—	8,011,410	1,829,236	1,711,362	167,014,242	239,306	167,253,548
600	Total liabilities and equity/net assets	\$ 21,904,998	52,528	9,568,020	25,118,585	6,527	51,027,188	1,845,237	1,711,362	251,289,967	17,682,117	268,972,084

See accompanying notes to Financial Data Schedule.

See accompanying independent auditors' report.

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
 (Component Unit of the City of Norfolk, Virginia)  
 Financial Data Schedule – Statement of Revenue and Expense Information  
 Year ended June 30, 2007

FDS item number	Description	Business activities	Section 8 Program (Park Terrace)	Community Development Block Grants/Entitlements (CDBG)	Home Partnership Investment Program (HOME)	Empowerment Zones Program	Community Development Block Grants/Economic Brownfield Initiative (BEDI)	Community Development Block Grant – Section 108 Loan Guarantees	Low Rent Public Housing (LIPH)	HUD – Guaranteed Debt Entry	Combined Low Rent Public Housing (LIPH)	Public and Indian Housing Drug Elimination Program	Public Housing – Comprehensive Grant Program
Revenues:													
703	Net tenant rental revenue	\$ 8,535,743	206,193	—	—	—	—	—	7,939,552	—	7,939,552	—	—
704	Tenant revenue – other	329,151	1,787	—	—	—	—	—	585,286	—	585,286	—	—
705	Total tenant revenue	8,864,894	207,980	—	—	—	—	—	8,524,838	—	8,524,838	—	—
706	HUD PHA grants (plus FFB principal and interest payment)	—	326,777	5,794,397	3,092,713	—	—	—	14,496,187	1,044,905	15,541,092	—	—
706.1	Capital grants	—	—	—	—	—	—	—	—	—	—	—	—
708	Other government grants	—	—	—	—	—	—	—	—	—	—	—	—
711	Investment income – unrestricted	417,762	297	—	—	—	—	—	664,366	—	664,366	—	—
712	Mortgage interest income	—	—	—	—	—	—	—	—	—	—	—	—
713	Proceeds from disposition of assets held for sale	—	—	482,880	—	9,170	—	—	—	—	—	—	—
713.1	Cost of sale of assets	—	—	(338,027)	—	(23,475)	—	—	—	—	—	—	—
714	Fraud recovery	—	—	—	—	—	—	—	—	—	—	—	—
715	Other revenue	110,162	1,144	—	—	—	—	—	4,285	—	4,285	—	—
716	Gain/loss on sale of fixed assets	—	—	—	—	—	(1,672,344)	(10,835,408)	187,223	—	187,223	—	—
720	Investment income – restricted	6,758	59,561	—	—	—	—	—	524,945	—	524,945	—	—
700	Total revenue	9,399,576	595,759	5,939,250	3,092,713	(14,305)	(1,672,344)	(10,835,408)	24,401,844	1,044,905	25,446,749	—	—
Expenses:													
Administrative:													
911	Administrative salaries	329,716	56,812	143,162	104,891	—	—	—	1,394,715	—	1,394,715	—	—
912	Auditing fees	13,340	6,851	11,891	3,559	—	—	—	85,304	—	85,304	—	—
913	Outside management fees	302,322	25,943	—	—	—	—	—	—	—	—	—	—
914	Compensated absences	—	—	—	—	—	—	—	—	—	—	—	—
915	Employee benefit contributions – administrative	46,065	8,793	40,605	34,909	—	—	—	496,310	—	496,310	—	—
916	Other operating – administrative	512,972	10,069	410,992	168,142	—	—	—	2,154,238	—	2,154,238	—	—
Tenant services:													
921	Tenant services – salaries	—	—	—	—	—	—	—	636,411	—	636,411	—	—
922	Relocation costs	—	—	—	—	—	—	—	—	—	—	—	—
923	Employee benefit contributions – tenant services	—	—	—	—	—	—	—	226,467	—	226,467	—	—
924	Tenant services – other	—	—	165,171	—	—	—	—	367,320	—	367,320	—	—
931	Water	441,962	39,097	—	—	—	—	—	2,674,448	—	2,674,448	—	—
932	Electricity	87,350	3,589	—	—	—	—	—	1,635,757	—	1,635,757	—	—
933	Gas	197,328	—	—	—	—	—	—	1,930,554	—	1,930,554	—	—
934	Fuel	—	—	—	—	—	—	—	—	—	—	—	—
935	Labor	—	—	—	—	—	—	—	—	—	—	—	—
937	Employee benefit contributions – utilities	—	—	—	—	—	—	—	—	—	—	—	—
938	Other utilities expense	157,411	4,415	—	—	—	—	—	944,439	—	944,439	—	—
Ordinary maintenance and operations:													
941	Ordinary maintenance and operations – labor	691,276	33,236	—	—	—	—	—	1,420,648	—	1,420,648	—	—
942	Ordinary maintenance and operations – materials and other	353,138	89,465	—	—	—	—	—	556,693	—	556,693	—	—
943	Ordinary maintenance and operations – contract costs	1,221,598	27,034	—	—	—	—	—	5,620,711	—	5,620,711	—	—
945	Employee benefit contributions – ordinary maintenance	104,260	5,272	—	—	—	—	—	505,537	—	505,537	—	—
951	Protective services – labor	—	—	—	—	—	—	—	66,963	—	66,963	—	—
952	Protective services – other contract costs	—	—	—	—	—	—	—	103,172	—	103,172	—	—
953	Protective services – other	—	—	—	—	—	—	—	5,801	—	5,801	—	—
955	Employee benefit contributions – protective services	—	—	—	—	—	—	—	23,829	—	23,829	—	—
General expenses:													
961	Insurance premiums	111,549	29,318	—	—	—	—	—	303,166	—	303,166	—	—
962	Other general expenses	344,377	—	733,305	1,956,562	—	—	—	23,073	—	23,073	—	—
963	Payments in lieu of taxes	75,392	21,500	—	—	—	—	—	95,097	—	95,097	—	—
964	Bad debt – tenant rents	112,206	5,329	—	—	—	—	—	104,089	—	104,089	—	—
965	Bad debt – mortgages	—	—	—	—	—	—	—	—	—	—	—	—
966	Bad debt – other	—	—	—	—	—	—	—	—	—	—	—	—
967	Interest expense	684,680	89,895	—	—	—	—	—	103,091	588,624	691,715	—	—
968	Severance expense	—	—	—	—	—	—	—	—	—	—	—	—
969	Total operating expenses	5,787,342	456,618	1,505,126	2,268,063	—	—	—	21,477,833	588,624	22,066,457	—	—
970	Excess (deficiency) of revenue over (under) operating expenses	3,612,234	139,141	4,434,124	824,650	(14,305)	(1,672,344)	(10,835,408)	2,924,011	456,281	3,380,292	—	—

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
 (Component Unit of the City of Norfolk, Virginia)  
 Financial Data Schedule - Statement of Revenue and Expense Information  
 Year ended June 30, 2007

FDS item number	Description	Revitalization of Severely Distressed Public Housing (Hope VI)	Resident Opportunity and Supportive Services	Housing Choice Voucher	Public Housing Capital Fund Program	Historic Preservation Fund Grants-In-Aid (ISTEA)	State/local	Other Federal Program 2 (HSG Opportunity)	Other Federal Program 2 (Urban Renewal)	NRHA total	Component units	PHAS grand total
Revenues:												
703	Net tenant rental revenue	\$ —	—	—	—	—	85,871	—	—	16,767,359	—	16,767,359
704	Tenant revenue – other	—	—	—	—	—	792,920	—	10,750	1,719,894	—	1,719,894
705	Total tenant revenue	—	—	—	—	—	878,791	—	10,750	18,487,253	—	18,487,253
706	HUD PHA grants (plus FFB principal and interest payment)	2,023,313	369,292	19,333,517	708,632	13,636	—	—	—	47,203,369	—	47,203,369
706.1	Capital grants	206,254	—	—	5,324,680	—	—	—	—	5,530,934	—	5,530,934
708	Other government grants	—	—	—	—	—	13,278,996	—	—	13,278,996	—	13,278,996
711	Investment income – unrestricted	—	—	362,951	—	—	698,061	84,941	3,405	2,231,783	—	2,231,783
712	Mortgage interest income	1,032,381	—	—	—	—	11,682	6,586	—	1,050,649	780,002	1,830,651
713	Proceeds from disposition of assets held for sale	—	—	—	—	—	1,469,907	—	—	1,961,957	—	1,961,957
713.1	Cost of sale of assets	—	—	—	—	—	(1,013,260)	—	(2,015,000)	(3,389,762)	—	(3,389,762)
714	Fraud recovery	—	—	47,763	—	—	—	—	—	52,048	—	52,048
715	Other revenue	2,401	—	23,760	1,262	—	4,290,049	931	—	4,616,932	147,540	4,764,472
716	Gain/loss on sale of fixed assets	(846,499)	—	—	(718,963)	—	(966,611)	—	—	(14,514,880)	—	(14,514,880)
720	Investment income – restricted	—	—	—	219,284	—	87,490	—	—	373,093	—	373,093
700	Total revenue	2,417,850	369,292	19,767,991	5,534,895	13,636	18,735,105	92,458	(2,000,845)	76,882,372	927,542	77,809,914
Expenses:												
Administrative:												
911	Administrative salaries	413,092	—	716,471	420,726	—	911,835	—	—	4,491,420	—	4,491,420
912	Auditing fees	4,448	—	3,000	—	—	4,180	978	—	133,551	—	133,551
913	Outside management fees	—	—	—	—	—	—	—	—	328,265	—	328,265
914	Compensated absences	—	—	—	—	—	135,028	—	—	135,028	—	135,028
915	Employee benefit contributions – administrative	148,157	53,488	241,355	162,060	—	317,340	27	—	1,549,109	—	1,549,109
916	Other operating – administrative	346,518	60,659	676,358	19,987	—	2,918,245	640	—	7,278,820	25,052	7,303,872
Tenant services:												
921	Tenant services – salaries	17,428	—	70,168	—	—	85,863	—	—	809,870	—	809,870
922	Relocation costs	9,572	—	—	559	—	105,353	—	—	115,484	—	115,484
923	Employee benefit contributions – tenant services	4,809	—	23,637	—	—	13,209	—	—	268,122	—	268,122
924	Tenant services – other	—	255,145	149	105,859	—	4,247	—	—	897,891	—	897,891
931	Water	—	—	—	—	—	—	—	—	3,155,507	—	3,155,507
932	Electricity	—	—	—	—	—	—	—	—	1,726,696	—	1,726,696
933	Gas	—	—	—	—	—	—	—	—	2,127,882	—	2,127,882
934	Fuel	—	—	—	—	—	—	—	—	—	—	—
935	Labor	—	—	—	—	—	—	—	—	—	—	—
937	Employee benefit contributions – utilities	—	—	—	—	—	—	—	—	—	—	—
938	Other utilities expense	—	—	—	—	—	220	—	—	1,106,485	—	1,106,485
Ordinary maintenance and operations:												
941	Ordinary maintenance and operations – labor	—	—	200,218	—	—	—	—	—	2,345,378	—	2,345,378
942	Ordinary maintenance and operations – materials and other	—	—	—	—	—	10,031	—	—	1,009,327	—	1,009,327
943	Ordinary maintenance and operations – contract costs	—	—	—	—	—	—	—	—	6,869,343	—	6,869,343
945	Employee benefit contributions – ordinary maintenance	—	—	67,447	—	—	—	—	—	682,516	—	682,516
951	Protective services – labor	—	—	—	—	—	—	—	—	66,963	—	66,963
952	Protective services – other contract costs	—	—	—	—	—	—	—	—	103,172	—	103,172
953	Protective services – other	—	—	—	—	—	—	—	—	5,801	—	5,801
955	Employee benefit contributions – protective services	—	—	—	—	—	—	—	—	23,829	—	23,829
General expenses:												
961	Insurance premiums	—	—	—	—	—	—	—	—	444,033	—	444,033
962	Other general expenses	—	—	—	—	—	1,771,692	1,422	—	4,830,631	—	4,830,631
963	Payments in lieu of taxes	—	—	—	—	—	—	—	—	192,189	—	192,189
964	Bad debt – tenant rents	—	—	—	—	—	—	—	—	221,624	—	221,624
965	Bad debt – mortgages	—	—	—	—	—	—	—	—	—	—	—
966	Bad debt – other	—	—	5,969	—	—	329,136	—	—	335,105	—	335,105
967	Interest expense	—	—	—	—	—	2,439,935	—	—	3,906,225	779,819	4,686,044
968	Severance expense	—	—	—	—	—	—	—	—	—	—	—
969	Total operating expenses	944,024	369,292	2,004,772	709,191	—	9,046,314	3,067	—	45,160,266	804,871	45,965,137
970	Excess (deficiency) of revenue over (under) operating expenses	1,473,826	—	17,763,219	4,825,704	13,636	9,688,791	89,391	(2,000,845)	31,722,106	122,671	31,844,777

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
 (Component Unit of the City of Norfolk, Virginia)  
 Financial Data Schedule – Statement of Revenue and Expense Information  
 Year ended June 30, 2007

FDS item number	Description	Business activities	Section 8 Program (Park Terrace)	Community Development Block Grants/Entitlements (CDBG)	Home Partnership Investment Program (HOME)	Empowerment Zones Program	Community Development Block Grants/Economic Brownfield Development Initiative (BEDDI)	Community Development Block Grant – Section 108 Loan Guarantees	Low Rent Public Housing (LIPH)	HUD – Guaranteed Debt Entry	Combined Low Rent Public Housing (LIPH)	Public and Indian Housing Drug Elimination Program	Public Housing – Comprehensive Grant Program
Other expenses:													
971	Extraordinary maintenance	\$ 741	—	4,496,577	810,726	—	—	—	405,303	—	405,303	—	—
972	Casualty losses – noncapitalized	—	—	—	—	—	—	—	—	—	—	—	—
973	Housing assistance payments	—	—	—	—	—	—	—	456,787	—	456,787	—	—
974	Depreciation expense	1,493,873	93,881	—	—	3,898	—	—	5,448,469	—	5,448,469	274	—
975	Fraud losses	—	—	—	—	—	—	—	—	—	—	—	—
976	Capital outlays – governmental funds	—	—	—	—	—	—	—	—	—	—	—	—
977	Debt principal payment – governmental funds	—	—	—	—	—	—	—	—	—	—	—	—
978	Dwelling units rent expense	—	—	—	—	—	—	—	—	—	—	—	—
900	Total expenses	7,281,956	550,499	6,001,703	3,078,789	3,898	—	—	27,788,392	588,624	28,377,016	274	—
Other financing sources (uses):													
1001	Operating transfers in	—	—	—	—	—	—	—	—	—	—	—	—
1002	Operating transfers out	(2,790,490)	—	(130,133)	(12,526)	—	—	—	(1,047,615)	—	(1,047,615)	—	—
1003	Operating transfers from/to primary government	(201,136)	—	—	—	—	—	—	—	—	—	—	—
1004	Operating transfers from/to component unit	1,887,266	—	—	—	—	—	—	—	—	—	—	—
1005	Proceeds from notes, loans, and bonds	—	—	—	—	—	—	—	—	—	—	—	—
1006	Proceeds from property sales	—	—	—	—	—	—	—	—	—	—	—	—
1007	Extraordinary items (net gain/loss)	—	—	—	—	—	—	—	—	—	—	—	—
1008	Special items (net gain/loss)	—	—	—	—	—	—	—	—	—	—	—	—
1010	Total other financing sources (uses)	(1,104,360)	—	(130,133)	(12,526)	—	—	—	(1,047,615)	—	(1,047,615)	—	—
1000	Excess (deficiency) of revenue over (under) expenses	\$ 1,013,260	45,260	(192,586)	1,398	(18,203)	(1,672,344)	(10,835,408)	(4,434,163)	456,281	(3,977,882)	(274)	—
Memo account information:													
1101	Capital outlays enterprise fund	\$ —	—	—	—	—	—	—	—	—	—	—	—
1102	Debt principal payments – enterprise funds	—	—	—	—	—	—	—	—	—	—	—	—
1103	Beginning equity	20,185,297	728,300	2,682,083	14,126	220,285	1,672,573	10,836,658	90,208,443	(9,222,739)	80,985,704	320	—
1104	Prior period adjust, equity transfers and correction of errors	(433,795)	—	—	—	—	—	—	—	—	—	—	—
1105	Changes in compensated absence balance	—	—	—	—	—	—	—	—	—	—	—	—
1106	Changes in contingent liability balance	—	—	—	—	—	—	—	—	—	—	—	—
1107	Changes in unrecognized pension transition liability	—	—	—	—	—	—	—	—	—	—	—	—
1108	Changes in special term/severance benefits liability	—	—	—	—	—	—	—	—	—	—	—	—
1109	Changes in allowance for doubtful accounts – dwelling rents	—	—	—	—	—	—	—	—	—	—	—	—
1110	Changes in allowance for doubtful accounts – other	—	—	—	—	—	—	—	—	—	—	—	—
1112	Depreciation add back	—	—	—	—	—	—	—	—	—	—	—	—
1113	Maximum annual contributions commitment (per ACC)	—	—	—	—	—	—	—	—	—	—	—	—
1114	Prorata max annual contributions applicable to a period of less than 12 months	—	—	—	—	—	—	—	—	—	—	—	—
1115	Contingency reserve, ACC program reserve	—	—	—	—	—	—	—	—	—	—	—	—
1116	Total annual contributions available	\$ —	—	—	—	—	—	—	—	—	—	—	—
1117	Administrative fee equity	\$ —	—	—	—	—	—	—	—	—	—	—	—
1118	Housing assistance payments equity	—	—	—	—	—	—	—	—	—	—	—	—
1120	Unit months available (per 6/1/2007 PIC report)	13,908	972	—	—	—	—	—	40,272	—	40,272	—	—
1121	Number of unit months leased (per FY2007 rent runs)	13,538	965	—	—	—	—	—	39,119	—	39,119	—	—

**NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY**  
 (Component Unit of the City of Norfolk, Virginia)  
 Financial Data Schedule – Statement of Revenue and Expense Information  
 Year ended June 30, 2007

FDS item number	Description	Revitalization of Severely Distressed Public Housing (Hope VI)	Resident Opportunity and Supportive Services	Housing Choice Voucher	Public Housing Capital Fund Program	Historic Preservation Fund Grants-In-Aid (ISTEA)	State/local	Other Federal Program 2 (HSG opportunity)	Other Federal Program 3 (Urban renewal)	NRHA total	Component units	PHAS grand total
	Other expenses:											
971	Extraordinary maintenance	\$ 889,770	—	—	—	13,636	6,380,141	—	—	12,996,894	—	12,996,894
972	Casualty losses – noncapitalized	—	—	—	—	—	—	—	—	—	—	—
973	Housing assistance payments:	—	—	12,892,168	—	—	—	—	—	13,348,955	—	13,348,955
974	Depreciation expense	14,727	9,682	2,610	741,411	—	608,571	612	—	8,418,008	44,113	8,462,121
975	Fraud losses	—	—	—	—	—	—	—	—	—	—	—
976	Capital outlays – governmental fund	—	—	—	—	—	—	—	—	—	—	—
977	Debt principal payment – governmental fund	—	—	—	—	—	—	—	—	—	—	—
978	Dwelling units rent expense	—	—	—	—	—	—	—	—	—	—	—
900	Total expenses	1,848,521	378,974	14,899,550	1,450,602	13,636	16,035,026	3,679	—	79,924,123	848,984	80,773,107
	Other financing sources (uses):											
1001	Operating transfers in	1,299,999	—	—	—	—	10,352,818	—	—	11,652,817	—	11,652,817
1002	Operating transfers out	(76,397)	—	—	—	—	(7,595,712)	56	—	(11,652,817)	—	(11,652,817)
1003	Operating transfers from/to primary government	—	—	—	—	—	—	—	—	(201,136)	(1,887,266)	(2,088,402)
1004	Operating transfers from/to component unit	—	—	—	—	—	(1,686,130)	—	—	201,136	—	201,136
1005	Proceeds from notes, loans, and bond	—	—	—	—	—	—	—	—	—	—	—
1006	Proceeds from property sale	—	—	—	—	—	—	—	—	—	—	—
1007	Extraordinary items (net gain/loss)	—	—	—	—	—	—	—	—	—	—	—
1008	Special items (net gain/loss)	—	—	—	—	—	—	—	—	—	—	—
1010	Total other financing sources (uses)	1,223,602	—	—	—	—	1,070,976	56	—	—	(1,887,266)	(1,887,266)
1000	Excess (deficiency) of revenue over (under) expenses	\$ 1,792,931	(9,682)	4,868,441	4,084,293	—	3,771,055	88,835	(2,000,845)	(3,041,751)	(1,038,282)	78,885,841
	Memo account information:											
1101	Capital outlays enterprise fund	\$ —	—	—	—	—	—	—	—	—	—	—
1102	Debt principal payments – enterprise fund	—	—	—	—	—	—	—	—	—	—	—
1103	Beginning equity	20,077,285	21,995	4,527,821	18,844,378	—	3,806,560	1,740,401	3,712,207	170,055,993	(7,334,124)	162,721,869
1104	Prior period adjust, equity transfers, and correction of errors	—	—	—	—	—	433,795	—	—	—	9,382,138	9,382,138
1105	Changes in compensated absence balance	—	—	—	—	—	—	—	—	—	—	—
1106	Changes in contingent liability balance	—	—	—	—	—	—	—	—	—	—	—
1107	Changes in unrecognized pension transition liability	—	—	—	—	—	—	—	—	—	—	—
1108	Changes in special term/severance benefits liability	—	—	—	—	—	—	—	—	—	—	—
1109	Changes in allowance for doubtful accounts – dwelling rents	—	—	—	—	—	—	—	—	—	—	—
1110	Changes in allowance for doubtful accounts – other	—	—	—	—	—	—	—	—	—	—	—
1112	Depreciation add back	—	—	—	—	—	—	—	—	—	—	—
1113	Maximum annual contributions commitment (per ACC)	—	—	—	—	—	—	—	—	—	—	—
1114	Prorata max annual contributions applicable to a period of less than 12 months	—	—	—	—	—	—	—	—	—	—	—
1115	Contingency reserve, ACC program reserve	—	—	—	—	—	—	—	—	—	—	—
1116	Total annual contributions available	\$ —	—	—	—	—	—	—	—	—	—	—
1117	Administrative fee equity	\$ —	—	579,882	—	—	—	—	—	579,882	—	579,882
1118	Housing assistance payments equity	—	—	8,816,380	—	—	—	—	—	8,816,380	—	8,816,380
1120	Unit months available (per 6/1/2007 PIC report)	—	—	31,584	—	—	12	—	12	86,760	—	86,760
1121	Number of unit months leased (per FY2007 rent runs)	—	—	24,500	—	—	12	—	12	78,146	—	78,146

See accompanying notes to financial data schedule.

See accompanying independent auditors' report.

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

Notes to Financial Data Schedules

Year ended June 30, 2007

**(1) Basis of Presentation**

The Financial Data Schedules have been prepared using the basis of accounting required by HUD's Real Estate Assessment Center (REAC).

**(2) Reconciliation to Financial Statements**

The following reconciles combined balances for NRHA (primary government) of total assets, total liabilities, total equity (net assets) and net income (changes in net assets) per the Financial Data Schedule to the financial statements:

	<u>Total assets</u>	<u>Total liabilities</u>	<u>Total equity</u>	<u>Change in net assets</u>
Balances per financial data schedule	\$ 251,289,967	84,275,725	167,014,242	(3,041,751)
Elimination of interprogram balances	<u>(8,062,775)</u>	<u>(8,062,775)</u>	<u>—</u>	<u>—</u>
Balance per basic financial statements	<u>\$ 243,227,192</u>	<u>76,212,950</u>	<u>167,014,242</u>	<u>(3,041,751)</u>

**SUPPLEMENTARY INFORMATION (UNAUDITED)**

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

Statement of Net Assets (Unaudited)

June 30, 2007

Assets	Abandoned Housing	Administrative Equipment	Automotive Equipment	Broad Creek Renaissance	Brownfield Economic Development Initiative (BEDI)	Capital Fund
<b>Current assets:</b>						
Cash and cash equivalents (note 2)	\$ —	145,568	149,763	—	—	—
Cash with fiscal agents (note 2)	—	—	—	—	—	—
Investments (note 2)	—	19,796	617,605	—	—	—
<b>Receivables:</b>						
Due from HUD	—	—	—	—	—	1,532,810
Due from City of Norfolk	—	—	—	—	—	—
Tenants rent, net	—	—	—	—	—	—
Notes (note 3)	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Other, net	—	—	—	63,500	—	—
Total receivables	—	—	—	63,500	—	1,532,810
Due from/(to) other funds	18,033	(26,394)	126,868	(140,662)	229	(154,871)
Inventories, net	—	—	4,859	—	—	—
Assets held for sale	—	—	—	—	—	—
Prepaid expenses and other assets	—	—	—	325	—	—
Total current assets	<u>18,033</u>	<u>138,970</u>	<u>899,095</u>	<u>(76,837)</u>	<u>229</u>	<u>1,377,939</u>
<b>Noncurrent assets:</b>						
Restricted cash and cash equivalents (note 2)	—	—	—	—	—	2,867,398
<b>Capital assets:</b>						
Land	—	—	—	5,828,969	—	—
Buildings and equipment	—	441,667	2,369,320	235,922	—	11,193,579
Construction in progress	—	—	—	—	—	10,823,724
Less accumulated depreciation	—	(213,208)	(1,981,580)	(17,160)	—	(1,298,926)
Capital assets, net (note 4)	—	228,459	387,740	6,047,731	—	20,718,377
Notes receivable, net – noncurrent portion (note 3)	—	—	—	—	—	—
Other noncurrent assets	—	—	—	—	—	—
Total noncurrent assets	—	228,459	387,740	6,047,731	—	23,585,775
Total assets	<u>\$ 18,033</u>	<u>367,429</u>	<u>1,286,835</u>	<u>5,970,894</u>	<u>229</u>	<u>24,963,714</u>
<b>Liabilities and Net Assets</b>						
<b>Current liabilities:</b>						
Accounts payable	\$ —	—	11,024	31,334	—	1,812,870
Accrued salaries and benefits	—	—	—	—	—	—
Accrued compensated absences (note 5)	—	—	—	—	—	—
Due to HUD and City of Norfolk	—	—	—	—	—	—
Tenant security deposits	—	—	—	—	—	—
Deferred revenue	—	—	—	—	—	—
Bonds, notes, and loans payable (note 5)	—	—	—	—	—	—
Other current liabilities	—	—	—	89,225	—	222,173
Total current liabilities	—	—	11,024	120,559	—	2,035,043
<b>Noncurrent liabilities:</b>						
Bonds, notes, and loans payable (note 5)	—	—	—	—	—	—
Accrued compensated absences – noncurrent (note 5)	—	—	—	—	—	—
Noncurrent liabilities – other	—	—	—	—	—	—
Total noncurrent liabilities	—	—	—	—	—	—
Total liabilities	—	—	11,024	120,559	—	2,035,043
<b>Net assets:</b>						
Invested in capital assets, net of related debt	—	228,459	387,740	6,047,731	—	20,718,377
Restricted net assets	—	—	—	—	—	2,210,294
Unrestricted net assets (deficit)	18,033	138,970	888,071	(197,396)	229	—
Total net assets	<u>18,033</u>	<u>367,429</u>	<u>1,275,811</u>	<u>5,850,335</u>	<u>229</u>	<u>22,928,671</u>
Total liabilities and net assets	<u>\$ 18,033</u>	<u>367,429</u>	<u>1,286,835</u>	<u>5,970,894</u>	<u>229</u>	<u>24,963,714</u>

Unaudited – see accompanying independent auditors' report.



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

Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)

Year ended June 30, 2007

	<b>Abandoned Housing</b>	<b>Administrative Equipment</b>	<b>Automotive Equipment</b>	<b>Broad Creek Renaissance</b>	<b>Brownfield Economic Development Initiative (BEDI)</b>	<b>Capital Fund</b>
Operating revenues:						
Tenant revenue	\$ —	—	—	—	—	—
Government operating grants	—	—	—	—	—	708,632
Other revenue, net	—	—	—	4	—	1,262
Total operating revenues	—	—	—	4	—	709,894
Operating expenses:						
Administrative	—	—	—	362,622	—	602,773
Tenant services	—	—	—	—	—	106,418
Utilities	—	—	—	—	—	—
Maintenance	—	—	—	—	—	—
Protective services	—	—	—	—	—	—
General	—	—	—	50	—	—
Extraordinary maintenance	—	—	—	425,206	—	—
Housing assistance payments (HAP)	—	—	—	—	—	—
Depreciation and amortization	—	27,445	162,284	11,440	—	741,411
Loss on sale of land inventory, net	—	—	—	—	—	—
Total operating expenses	—	27,445	162,284	799,318	—	1,450,602
Operating income (loss)	—	(27,445)	(162,284)	(799,314)	—	(740,708)
Nonoperating revenues (expenses):						
Interest and investment revenue	—	7,828	51,662	—	—	219,284
Loss on disposal and donations of fixed assets (note 4)	—	—	—	(1,098,772)	(1,672,344)	(718,963)
Interest expense	—	—	—	—	—	—
Total nonoperating expenses, net	—	7,828	51,662	(1,098,772)	(1,672,344)	(499,679)
Income (loss) before capital grants and distributions	—	(19,617)	(110,622)	(1,898,086)	(1,672,344)	(1,240,387)
Government capital grants	—	—	—	—	—	5,324,680
Operating transfers in/out	—	27,445	162,284	3,277,780	—	—
Distributions to partners	—	—	—	—	—	—
Change in net assets	—	7,828	51,662	1,379,694	(1,672,344)	4,084,293
Total net assets (deficit) – beginning	18,033	359,601	1,224,149	4,470,641	1,672,573	18,844,378
Change in reporting component unit (notes 1 and 10)	—	—	—	—	—	—
Total net assets – ending	\$ 18,033	367,429	1,275,811	5,850,335	229	22,928,671

Unaudited – see accompanying independent auditors' report.

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

Statement of Net Assets (Unaudited)

June 30, 2007

Assets	Capital Improvement Program (CIP) Administration	Capital Improvement Program (CIP)	Community Development Block Grant (CDBG)	Compensated Absences	Data Processing Equipment	Downtown Trade Center
Current assets:						
Cash and cash equivalents (note 2)	\$	—	—	—	136,084	—
Cash with fiscal agents (note 2)		—	—	—	—	—
Investments (note 2)		—	—	—	278,017	—
Receivables:						
Due from HUD		—	—	—	—	—
Due from City of Norfolk		1,019,569	151,131	—	—	—
Tenants rent, net		—	—	—	—	—
Notes (notes 3)		—	—	—	—	—
Interest		—	—	—	—	—
Other, net		—	—	—	—	—
Total receivables		1,019,569	151,131	—	—	—
Due from/(to) other funds	296,769	(1,174,724)	66,150	—	65,861	—
Inventories, net		—	—	—	—	—
Assets held for sale		6,223,553	2,309,382	—	—	—
Prepaid expenses and other assets		—	—	—	—	—
Total current assets	296,769	6,068,398	2,526,663	—	479,962	—
Noncurrent assets:						
Restricted cash and cash equivalents (note 2)		—	—	—	—	—
Capital assets:						
Land		—	—	—	—	—
Buildings and equipment		—	—	—	645,975	—
Construction in progress		—	—	—	—	—
Less accumulated depreciation		—	—	—	(587,393)	—
Capital assets, net (note 4)		—	—	—	58,582	—
Notes receivable, net – noncurrent portion (note 3)		—	—	—	—	—
Other noncurrent assets		—	—	—	—	—
Total noncurrent assets		—	—	—	58,582	—
Total assets	\$ 296,769	6,068,398	2,526,663	—	538,544	—
<b>Liabilities and Net Assets</b>						
Current liabilities:						
Accounts payable	\$	34,037	36,550	—	—	—
Accrued salaries and benefits		—	—	—	—	—
Accrued compensated absences (note 5)		—	—	192,580	—	—
Due to HUD and City of Norfolk		1,202	—	—	—	—
Tenant security deposits		—	—	—	—	—
Deferred revenue		—	—	—	—	—
Bonds, notes, and loans payable (note 5)		—	—	—	—	—
Other current liabilities		813	616	—	—	—
Total current liabilities		36,052	37,166	192,580	—	—
Noncurrent liabilities:						
Bonds, notes, and loans payable (note 5)		—	—	—	—	—
Accrued compensated absences – noncurrent (note 5)		—	—	1,491,077	—	—
Noncurrent liabilities – other		—	—	—	—	—
Total noncurrent liabilities		—	—	1,491,077	—	—
Total liabilities		36,052	37,166	1,683,657	—	—
Net assets:						
Invested in capital assets, net of related debt		—	—	—	58,582	—
Restricted net assets		6,223,553	2,309,382	—	—	—
Unrestricted net assets (deficit)	296,769	(191,207)	180,115	(1,683,657)	479,962	—
Total net assets	296,769	6,032,346	2,489,497	(1,683,657)	538,544	—
Total liabilities and net assets	\$ 296,769	6,068,398	2,526,663	—	538,544	—

Unaudited – see accompanying independent auditors' report.

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

Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)

Year ended June 30, 2007

	<u>Capital Improvement Program (CIP) Administration</u>	<u>Capital Improvement Program (CIP)</u>	<u>Community Development Block Grant (CDBG)</u>	<u>Compensated Absences</u>	<u>Data Processing Equipment</u>	<u>Downtown Trade Center</u>
Operating revenues:						
Tenant revenue	\$ —	—	—	—	—	—
Government operating grants	—	10,959,183	5,794,397	—	—	—
Other revenue, net	—	—	—	—	—	—
Total operating revenues	—	10,959,183	5,794,397	—	—	—
Operating expenses:						
Administrative	—	1,285,411	606,650	(33,444)	—	—
Tenant services	—	82,141	165,171	—	—	—
Utilities	—	—	—	—	—	—
Maintenance	—	—	—	—	—	—
Protective services	—	—	—	—	—	—
General	—	1,725,450	733,305	—	—	—
Extraordinary maintenance	—	4,581,549	4,496,577	—	—	—
Housing assistance payments (HAP)	—	—	—	—	—	—
Depreciation and amortization	—	—	—	—	25,729	—
Loss on sale of land inventory, net	—	(297,540)	(144,853)	—	—	—
Total operating expenses	—	7,377,011	5,856,850	(33,444)	25,729	—
Operating income (loss)	—	3,582,172	(62,453)	33,444	(25,729)	—
Nonoperating revenues (expenses):						
Interest and investment revenue	—	—	—	—	21,418	—
Loss on disposal and donations of fixed assets (note 4)	—	—	—	—	—	—
Interest expense	—	—	—	—	—	—
Total nonoperating expenses, net	—	—	—	—	21,418	—
Income (loss) before capital grants and distributions	—	3,582,172	(62,453)	33,444	(4,311)	—
Government capital grants	—	—	—	—	—	—
Operating transfers in/out	—	(4,038,740)	(130,133)	—	25,728	—
Distributions to partners	—	—	—	—	—	—
Change in net assets	—	(456,568)	(192,586)	33,444	21,417	—
Total net assets (deficit) – beginning	296,769	6,488,914	2,682,083	(1,717,101)	517,127	—
Change in reporting component unit (notes 1 and 10)	—	—	—	—	—	—
Total net assets – ending	\$ 296,769	6,032,346	2,489,497	(1,683,657)	538,544	—

Unaudited – see accompanying independent auditors' report.

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

Statement of Net Assets (Unaudited)

June 30, 2007

Assets	Drug Grants	East Beach	East Ocean View (EOV) Bond Initiatives	East Ocean View (EOV) Note Initiatives	Economic Development and Equal Opportunity	Empowerment 2010
Current assets:						
Cash and cash equivalents (note 2)	\$ —	1,777,089	—	131,695	—	—
Cash with fiscal agents (note 2)	—	—	—	—	—	—
Investments (note 2)	—	—	—	—	—	—
Receivables:						
Due from HUD	—	—	—	—	—	—
Due from City of Norfolk	—	—	—	—	—	—
Tenants rent, net	—	—	—	—	—	—
Notes (note 3)	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Other, net	—	—	—	—	—	30,342
Total receivables	—	—	—	—	—	30,342
Due from/(to) other funds	—	(27,596)	22,387	119,080	—	(30,253)
Inventories, net	—	—	—	—	—	—
Assets held for sale	—	—	367,439	3,674,161	—	—
Prepaid expenses and other assets	—	—	—	—	—	—
Total current assets	—	1,749,493	389,826	3,924,936	—	89
Noncurrent assets:						
Restricted cash and cash equivalents (note 2)	—	—	438,068	—	—	—
Capital assets:						
Land	—	—	—	—	—	—
Buildings and equipment	9,271	—	—	—	—	—
Construction in progress	—	—	—	—	—	—
Less accumulated depreciation	(9,225)	—	—	—	—	—
Capital assets, net (note 4)	46	—	—	—	—	—
Notes receivable, net – noncurrent portion (note 3)	—	—	—	195,000	—	—
Other noncurrent assets	—	—	111,031	—	—	—
Total noncurrent assets	46	—	549,099	195,000	—	—
Total assets	\$ 46	1,749,493	938,925	4,119,936	—	89
<b>Liabilities and Net Assets</b>						
Current liabilities:						
Accounts payable	\$ —	—	—	357	—	89
Accrued salaries and benefits	—	—	—	—	—	—
Accrued compensated absences (note 5)	—	—	—	—	—	—
Due to HUD and City of Norfolk	—	—	—	—	—	—
Tenant security deposits	—	—	—	—	—	—
Deferred revenue	—	—	—	—	—	—
Bonds, notes, and loans payable (note 5)	—	—	1,045,000	6,793,668	—	—
Other current liabilities	—	613,305	17,751	29,775	—	—
Total current liabilities	—	613,305	1,062,751	6,823,800	—	89
Noncurrent liabilities:						
Bonds, notes, and loans payable (note 5)	—	—	3,030,000	—	—	—
Accrued compensated absences – noncurrent (note 5)	—	—	—	—	—	—
Noncurrent liabilities – other	—	—	—	—	—	—
Total noncurrent liabilities	—	—	3,030,000	—	—	—
Total liabilities	—	613,305	4,092,751	6,823,800	—	89
Net assets:						
Invested in capital assets, net of related debt	46	—	—	—	—	—
Restricted net assets	—	—	—	—	—	—
Unrestricted net assets (deficit)	—	1,136,188	(3,153,826)	(2,703,864)	—	—
Total net assets	46	1,136,188	(3,153,826)	(2,703,864)	—	—
Total liabilities and net assets	\$ 46	1,749,493	938,925	4,119,936	—	89

Unaudited – see accompanying independent auditors' report.

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

Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)

Year ended June 30, 2007

	<b>Drug Grants</b>	<b>East Beach</b>	<b>East Ocean View (EOV) Bond Initiatives</b>	<b>East Ocean View (EOV) Note Initiatives</b>	<b>Economic Development and Equal Opportunity</b>	<b>Empowerment 2010</b>
Operating revenues:						
Tenant revenue	\$ —	—	—	—	—	—
Government operating grants	—	—	—	—	—	—
Other revenue, net	—	—	—	—	—	—
Total operating revenues	—	—	—	—	—	—
Operating expenses:						
Administrative	—	120,843	—	239,782	—	—
Tenant services	—	—	—	—	—	—
Utilities	—	—	—	—	—	—
Maintenance	—	—	—	—	—	—
Protective services	—	—	—	—	—	—
General	—	41,804	—	—	—	—
Extraordinary maintenance	—	14,425	—	1,115,471	—	—
Housing assistance payments (HAP)	—	—	—	—	—	—
Depreciation and amortization	274	—	35,062	—	—	—
Loss on sale of land inventory, net	—	—	(135,666)	(31,441)	—	—
Total operating expenses	274	177,072	(100,604)	1,323,812	—	—
Operating loss	(274)	(177,072)	100,604	(1,323,812)	—	—
Nonoperating revenues (expenses):						
Interest and investment revenue	—	66,802	11,062	5,406	—	—
Loss on disposal and donations of fixed assets (note 4)	—	—	—	—	—	—
Interest expense	—	(13,305)	(265,219)	(510,974)	—	—
Total nonoperating expense, net	—	53,497	(254,157)	(505,568)	—	—
Loss before capital grants and distributions	(274)	(123,575)	(153,553)	(1,829,380)	—	—
Government capital grants	—	—	—	—	—	—
Operating transfers in/out	—	(1,569,683)	2,549,412	1,650,584	—	—
Distributions to partners	—	—	—	—	—	—
Change in net assets	(274)	(1,693,258)	2,395,859	(178,796)	—	—
Total net assets (deficit) – beginning	320	2,829,446	(5,549,685)	(2,525,068)	—	—
Change in reporting component unit (notes 1 and 10)	—	—	—	—	—	—
Total net assets – ending	\$ 46	1,136,188	(3,153,826)	(2,703,864)	—	—

Unaudited – see accompanying independent auditors' report.

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

Statement of Net Assets (Unaudited)

June 30, 2007

Assets	Empowerment Zone	Federal Housing	Granby Office Building	Grandy Development	Hampton Boulevard Administration	Hampton Boulevard Note
Current assets:						
Cash and cash equivalents (note 2)	\$ —	4,444,152	643,762	—	—	6,621
Cash with fiscal agents (note 2)	—	—	—	—	—	—
Investments (note 2)	—	7,959,690	791,125	—	—	—
Receivables:						
Due from HUD	—	385,724	—	—	—	—
Due from City of Norfolk	—	—	—	—	—	—
Tenants rent, net	—	66,460	—	—	—	—
Notes (note 3)	—	—	—	—	—	—
Interest	—	114,912	—	—	—	—
Other, net	244,800	7,744	28,892	—	—	—
Total receivables	244,800	574,840	28,892	—	—	—
Due from (to) other funds	(196,480)	(2,654,435)	(498,691)	(109,778)	(1,582)	4,139
Inventories, net	—	208,910	—	—	—	—
Assets held for sale	153,750	—	—	—	—	—
Prepaid expenses and other assets	—	128,761	—	—	—	—
Total current assets	202,070	10,661,918	965,088	(109,778)	(1,582)	10,760
Noncurrent assets:						
Restricted cash and cash equivalents (note 2)	—	968,040	—	—	—	—
Capital assets:						
Land	—	7,582,804	73,000	—	—	—
Buildings and equipment	25,884	154,964,466	6,204,951	—	—	—
Construction in progress	—	9,393	—	195,742	—	—
Less accumulated depreciation	(24,972)	(86,306,336)	(3,588,884)	—	—	—
Capital assets, net (note 4)	912	76,250,327	2,689,067	195,742	—	—
Notes receivable, net – noncurrent portion (note 3)	—	—	—	—	—	—
Other noncurrent assets	—	—	—	—	—	—
Total noncurrent assets	912	77,218,367	2,689,067	195,742	—	—
Total assets	\$ 202,982	87,880,285	3,654,155	85,964	(1,582)	10,760
<b>Liabilities and Net Assets</b>						
Current liabilities:						
Accounts payable	\$ —	231,263	—	89,755	506	—
Accrued salaries and benefits	—	—	—	—	—	—
Accrued compensated absences (note 5)	—	—	—	—	—	—
Due to HUD and City of Norfolk	—	143,240	—	—	—	—
Tenant security deposits	—	460,373	—	—	—	—
Deferred revenue	—	—	—	—	—	—
Bonds, notes, and loans payable (note 5)	—	541,935	140,276	—	—	—
Other current liabilities	900	545,927	—	—	—	—
Total current liabilities	900	1,922,738	140,276	89,755	506	—
Noncurrent liabilities:						
Bonds, notes, and loans payable (note 5)	—	8,539,766	1,908,638	—	—	—
Accrued compensated absences – noncurrent (note 5)	—	—	—	—	—	—
Noncurrent liabilities – other	—	409,959	—	—	—	—
Total noncurrent liabilities	—	8,949,725	1,908,638	—	—	—
Total liabilities	900	10,872,463	2,048,914	89,755	506	—
Net assets:						
Invested in capital assets, net of related debt	912	67,168,629	640,153	195,742	—	—
Restricted net assets	153,750	—	—	—	—	—
Unrestricted net assets (deficit)	47,420	9,839,193	965,088	(199,533)	(2,088)	10,760
Total net assets	202,082	77,007,822	1,605,241	(3,791)	(2,088)	10,760
Total liabilities and net assets	\$ 202,982	87,880,285	3,654,155	85,964	(1,582)	10,760

Unaudited – see accompanying independent auditors' report.

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

Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)

Year ended June 30, 2007

	<b>Empowerment Zone</b>	<b>Federal Housing</b>	<b>Granby Office Building</b>	<b>Grandy Development</b>	<b>Hampton Boulevard Administration</b>	<b>Hampton Boulevard Note</b>
Operating revenues:						
Tenant revenue	\$ —	8,529,123	—	—	—	—
Government operating grants	—	15,541,092	—	—	—	—
Other revenue, net	—	187,223	—	—	—	—
Total operating revenues	—	24,257,438	—	—	—	—
Operating expenses:						
Administrative	—	4,130,567	—	3,791	2,229	—
Tenant services	—	1,230,198	—	—	—	—
Utilities	—	7,185,198	—	—	—	—
Maintenance	—	8,103,589	—	—	—	—
Protective services	—	199,765	—	—	—	—
General	—	525,425	—	—	—	—
Extraordinary maintenance	—	405,303	—	—	—	—
Housing assistance payments (HAP)	—	456,787	—	—	—	—
Depreciation and amortization	3,898	5,448,469	213,609	—	—	—
Loss on sale of land inventory, net	14,305	—	—	—	—	—
Total operating expenses	18,203	27,685,301	213,609	3,791	2,229	—
Operating loss	(18,203)	(3,427,863)	(213,609)	(3,791)	(2,229)	—
Nonoperating revenues (expenses):						
Interest and investment revenue	—	664,366	73,063	—	—	273
Loss on disposal and donations of fixed assets (note 4)	—	524,945	—	—	—	—
Interest expense	—	(691,715)	(97,196)	—	—	—
Total nonoperating expenses, net	—	497,596	(24,133)	—	—	273
Income (loss) before capital grants and distributions	(18,203)	(2,930,267)	(237,742)	(3,791)	(2,229)	273
Government capital grants	—	—	—	—	—	—
Operating transfers in/out	—	(1,047,615)	213,609	—	141	—
Distributions to partners	—	—	—	—	—	—
Change in net assets	(18,203)	(3,977,882)	(24,133)	(3,791)	(2,088)	273
Total net assets (deficit) – beginning	220,285	80,985,704	1,629,374	—	—	10,487
Change in reporting component unit (notes 1 and 10)	—	—	—	—	—	—
Total net assets – ending	\$ 202,082	77,007,822	1,605,241	(3,791)	(2,088)	10,760

Unaudited – see accompanying independent auditors' report.

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

Statement of Net Assets (Unaudited)

June 30, 2007

Assets	Hampton Boulevard Renovations	Hampton Boulevard Renovations Phase IV	Hampton Roads Ventures (HRV) Management	Home Roads Ventures, LLC (HRV)	Home Partnership Investment Program (HOME)	HOMENET
Current assets:						
Cash and cash equivalents (note 2)	\$ —	—	—	2,133,537	—	—
Cash with fiscal agents (note 2)	—	—	—	—	—	—
Investments (note 2)	—	—	—	—	—	—
Receivables:						
Due from HUD	—	—	—	—	—	—
Due from City of Norfolk	—	—	—	—	126,456	—
Tenants rent, net	—	—	—	—	—	—
Notes (note 3)	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Other, net	—	—	32,105	11,796	—	—
Total receivables	—	—	32,105	11,796	126,456	—
Due from (to) other funds	(2,873)	116,344	(22,105)	—	(110,932)	(3,034)
Inventories, net	—	—	—	—	—	—
Assets held for sale	—	—	—	—	—	—
Prepaid expenses and other assets	—	—	—	68,500	—	—
Total current assets	(2,873)	116,344	10,000	2,213,833	15,524	(3,034)
Noncurrent assets:						
Restricted cash and cash equivalents (note 2)	—	—	—	—	—	—
Capital assets:						
Land	—	—	—	—	—	—
Buildings and equipment	—	—	—	—	—	6,946
Construction in progress	—	—	—	—	—	—
Less accumulated depreciation	—	—	—	—	—	(1,953)
Capital assets, net (note 4)	—	—	—	—	—	4,993
Notes receivable, net – noncurrent portion (note 3)	—	—	—	—	—	—
Other noncurrent assets	—	—	—	26,977	—	—
Total noncurrent assets	—	—	—	26,977	—	4,993
Total assets	\$ (2,873)	116,344	10,000	2,240,810	15,524	1,959
<b>Liabilities and Net Assets</b>						
Current liabilities:						
Accounts payable	\$ —	23,776	—	24,563	—	449
Accrued salaries and benefits	—	—	—	—	—	—
Accrued compensated absences (note 5)	—	—	—	—	—	—
Due to HUD and City of Norfolk	—	—	—	—	—	—
Tenant security deposits	—	—	—	—	—	—
Deferred revenue	—	92,568	—	102,838	—	—
Bonds, notes, and loans payable (note 5)	—	—	—	—	—	—
Other current liabilities	—	—	10,000	—	—	—
Total current liabilities	—	116,344	10,000	127,401	—	449
Noncurrent liabilities:						
Bonds, notes, and loans payable (note 5)	—	—	—	—	—	—
Accrued compensated absences – noncurrent (note 5)	—	—	—	—	—	—
Noncurrent liabilities – other	—	—	—	—	—	—
Total noncurrent liabilities	—	—	—	—	—	—
Total liabilities	—	116,344	10,000	127,401	—	449
Net assets:						
Invested in capital assets, net of related debt	—	—	—	—	—	4,993
Restricted net assets	—	—	—	—	—	—
Unrestricted net assets (deficit)	(2,873)	—	—	2,113,409	15,524	(3,483)
Total net assets	(2,873)	—	—	2,113,409	15,524	1,510
Total liabilities and net assets	\$ (2,873)	116,344	10,000	2,240,810	15,524	1,959

Unaudited – see accompanying independent auditors' report.



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

Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)

Year ended June 30, 2007

	<b>Hampton Boulevard Renovations</b>	<b>Hampton Boulevard Renovations Phase IV</b>	<b>Hampton Roads Ventures (HRV) Management</b>	<b>Home Roads Ventures, LLC (HRV)</b>	<b>Home Partnership Investment Program (HOME)</b>	<b>HOMENET</b>
Operating revenues:						
Tenant revenue	\$ —	—	—	—	—	—
Government operating grants	—	—	—	—	3,092,713	—
Other revenue, net	63,552	27,432	152,586	2,096,289	—	82,704
Total operating revenues	63,552	27,432	152,586	2,096,289	3,092,713	82,704
Operating expenses:						
Administrative	—	—	153,294	629,267	311,501	215,766
Tenant services	23,212	—	—	—	—	—
Utilities	—	—	—	220	—	—
Maintenance	—	—	—	—	—	—
Protective services	—	—	—	—	—	—
General	—	—	—	17	1,956,562	—
Extraordinary maintenance	29,278	27,291	—	—	810,726	—
Housing assistance payments (HAP)	—	—	—	—	—	—
Depreciation and amortization	—	—	—	—	—	639
Loss on sale of land inventory, net	—	—	—	—	—	—
Total operating expenses	52,490	27,291	153,294	629,504	3,078,789	216,405
Operating income (loss)	11,062	141	(708)	1,466,785	13,924	(133,701)
Nonoperating revenues (expenses):						
Interest and investment revenue	—	—	708	6,483	—	—
Loss on disposal and donations of fixed assets (note 4)	—	—	—	—	—	—
Interest expense	—	—	—	—	—	—
Total nonoperating expenses, net	—	—	708	6,483	—	—
Income (loss) before capital grants and distributions	11,062	141	—	1,473,268	13,924	(133,701)
Government capital grants	—	—	—	—	—	—
Operating transfers in/out	—	(141)	—	—	(12,526)	133,565
Distributions to partners	—	—	—	—	—	—
Change in net assets	11,062	—	—	1,473,268	1,398	(136)
Total net assets (deficit) – beginning	(13,935)	—	—	640,141	14,126	1,646
Change in reporting component unit (notes 1 and 10)	—	—	—	—	—	—
Total net assets – ending	\$ (2,873)	—	—	2,113,409	15,524	1,510

Unaudited – see accompanying independent auditors' report.

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

Statement of Net Assets (Unaudited)

June 30, 2007

Assets	Hope VI	Housing Choice Voucher Program	Housing Operations Building	Housing Opportunity	Intermodal Surface Transportation Efficiencies Act (ISTEA)	Local Development Fund
<b>Current assets:</b>						
Cash and cash equivalents (note 2)	\$ —	1,294,471	295,454	670,020	—	697,746
Cash with fiscal agents (note 2)	—	—	—	—	—	—
Investments (note 2)	—	8,020,024	531,420	1,029,974	—	—
Receivables:						
Due from HUD	820,080	—	—	—	—	—
Due from City of Norfolk	—	—	—	—	6,527	—
Tenants rent, net	—	29,730	—	—	—	—
Notes (note 3)	—	—	—	16,551	—	—
Interest	—	—	—	473	—	—
Other, net	—	—	—	1,233	—	—
Total receivables	820,080	29,730	—	18,257	6,527	—
Due from (to) other funds	1,442,607	35,438	107,344	43,843	(6,527)	492,801
Inventories, net	—	—	—	—	—	—
Assets held for sale	—	—	—	—	—	—
Prepaid expenses and other assets	—	—	—	—	—	—
Total current assets	2,262,687	9,379,663	934,218	1,762,094	—	1,190,547
<b>Noncurrent assets:</b>						
Restricted cash and cash equivalents (note 2)	—	169,987	—	—	—	—
Capital assets:						
Land	1,892,383	—	115,568	—	—	—
Buildings and equipment	146,504	85,403	2,894,399	12,230	—	196,303
Construction in progress	—	—	—	—	—	—
Less accumulated depreciation	(127,999)	(67,033)	(2,256,426)	(6,574)	—	(170,480)
Capital assets, net (note 4)	1,910,888	18,370	753,541	5,656	—	25,823
Notes receivable, net – noncurrent portion (note 3)	15,592,633	—	—	77,487	—	—
Other noncurrent assets	2,138,790	—	—	—	—	—
Total noncurrent assets	19,642,311	188,357	753,541	83,143	—	25,823
Total assets	\$ 21,904,998	9,568,020	1,687,759	1,845,237	—	1,216,370
<b>Liabilities and Net Assets</b>						
<b>Current liabilities:</b>						
Accounts payable	\$ 34,782	1,771	1,726	—	—	106
Accrued salaries and benefits	—	—	—	—	—	—
Accrued compensated absences (note 5)	—	—	—	—	—	—
Due to HUD and City of Norfolk	—	—	—	—	—	—
Tenant security deposits	—	—	—	—	—	—
Deferred revenue	—	—	—	—	—	—
Bonds, notes, and loans payable (note 5)	—	—	—	—	—	—
Other current liabilities	—	69,008	—	16,001	—	11,405
Total current liabilities	34,782	70,779	1,726	16,001	—	11,511
<b>Noncurrent liabilities:</b>						
Bonds, notes, and loans payable (note 5)	—	—	—	—	—	—
Accrued compensated absences – noncurrent (note 5)	—	—	—	—	—	—
Noncurrent liabilities – other	—	100,979	—	—	—	—
Total noncurrent liabilities	—	100,979	—	—	—	—
Total liabilities	34,782	171,758	1,726	16,001	—	11,511
<b>Net assets:</b>						
Invested in capital assets, net of related debt	1,910,888	18,370	753,541	5,656	—	25,823
Restricted net assets	—	—	—	—	—	—
Unrestricted net assets	19,959,328	9,377,892	932,492	1,823,580	—	1,179,036
Total net assets	21,870,216	9,396,262	1,686,033	1,829,236	—	1,204,859
Total liabilities and net assets	\$ 21,904,998	9,568,020	1,687,759	1,845,237	—	1,216,370

Unaudited – see accompanying independent auditors' report.

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

Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)

Year ended June 30, 2007

	Hope VI	Housing Choice Voucher Program	Housing Operations Building	Housing Opportunity	Intermodal Surface Transportation Efficiencies Act (ISTEA)	Local Development Fund
Operating revenues:						
Tenant revenue	\$ —	47,763	—	—	—	142,958
Government operating grants	2,023,313	19,333,517	—	—	13,636	—
Other revenue, net	2,401	23,760	—	931	—	246,633
Total operating revenues	2,025,714	19,405,040	—	931	13,636	389,591
Operating expenses:						
Administrative	912,215	1,637,184	—	1,645	—	571,056
Tenant services	31,809	93,954	—	—	—	—
Utilities	—	—	—	—	—	—
Maintenance	—	267,665	—	—	—	—
Protective services	—	—	—	—	—	—
General	—	5,969	—	1,422	—	138,948
Extraordinary maintenance	889,770	—	—	—	13,636	3,776
Housing assistance payments (HAP)	—	12,892,168	—	—	—	—
Depreciation and amortization	14,727	2,610	96,290	612	—	12,561
Loss on sale of land inventory, net	—	—	—	—	—	—
Total operating expenses	1,848,521	14,899,550	96,290	3,679	13,636	726,341
Operating income (loss)	177,193	4,505,490	(96,290)	(2,748)	—	(336,750)
Nonoperating revenues (expenses):						
Interest and investment revenue	1,032,381	362,951	40,790	91,527	—	15,177
Loss on disposal and donations of fixed assets (note 4)	(846,499)	—	—	—	—	(617)
Interest expense	—	—	—	—	—	—
Total nonoperating expenses, net	185,882	362,951	40,790	91,527	—	14,560
Income (loss) before capital grants and distributions	363,075	4,868,441	(55,500)	88,779	—	(322,190)
Government capital grants	206,254	—	—	—	—	—
Operating transfers in/out	1,223,602	—	96,290	56	—	143,725
Distributions to partners	—	—	—	—	—	—
Change in net assets	1,792,931	4,868,441	40,790	88,835	—	(178,465)
Total net assets – beginning	20,077,285	4,527,821	1,645,243	1,740,401	—	1,383,324
Change in reporting component unit (notes 1 and 10)	—	—	—	—	—	—
Total net assets – ending	\$ 21,870,216	9,396,262	1,686,033	1,829,236	—	1,204,859

Unaudited – see accompanying independent auditors' report.

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

Statement of Net Assets (Unaudited)

June 30, 2007

Assets	MacArthur Center	Maintenance operations	Management fees	Merrimack Landing	Mission College	Neighborhood Development Projects (NDP)
Current assets:						
Cash and cash equivalents (note 2)	\$ 179,001	—	598,428	998,369	300,175	—
Cash with fiscal agents (note 2)	—	—	—	3,660,060	—	—
Investments (note 2)	—	—	—	—	693,711	—
Receivables:						
Due from HUD	—	—	—	—	—	—
Due from City of Norfolk	—	—	—	—	—	—
Tenants rent, net	—	—	—	4,784	7,700	—
Notes (note 3)	—	—	—	—	—	—
Interest	—	—	—	—	12,781	—
Other, net	—	—	15,000	—	—	—
Total receivables	—	—	15,000	4,784	20,481	—
Due from (to) other funds	78,478	1,093,206	(385,540)	(20,515)	—	—
Inventories, net	—	166,230	—	—	—	—
Assets held for sale	—	—	—	—	—	204,000
Prepaid expenses and other assets	—	—	—	—	—	—
Total current assets	<u>257,479</u>	<u>1,259,436</u>	<u>227,888</u>	<u>4,642,698</u>	<u>1,014,367</u>	<u>204,000</u>
Noncurrent assets:						
Restricted cash and cash equivalents (note 2)	1,622,805	—	—	2,596,964	571,589	—
Capital assets:						
Land	—	—	—	1,200,000	1,128,396	—
Buildings and equipment	—	165,729	—	11,231,323	10,057,214	—
Construction in progress	—	—	—	—	—	—
Less accumulated depreciation	—	(120,434)	—	(7,993,038)	(6,104,510)	—
Capital assets, net (note 4)	—	45,295	—	4,438,285	5,081,100	—
Notes receivable, net – noncurrent portion (note 3)	—	—	—	—	—	—
Other noncurrent assets	—	—	—	51,439	138,800	—
Total noncurrent assets	<u>1,622,805</u>	<u>45,295</u>	<u>—</u>	<u>7,086,688</u>	<u>5,791,489</u>	<u>—</u>
Total assets	<u>\$ 1,880,284</u>	<u>1,304,731</u>	<u>227,888</u>	<u>11,729,386</u>	<u>6,805,856</u>	<u>204,000</u>
<b>Liabilities and Net Assets</b>						
Current liabilities:						
Accounts payable	\$ —	2,009	—	16,028	1,027	—
Accrued salaries and benefits	—	—	—	16,329	—	—
Accrued compensated absences (note 5)	—	—	—	—	—	—
Due to HUD and City of Norfolk	—	—	—	—	—	—
Tenant security deposits	—	—	—	249,830	121,332	—
Deferred revenue	—	—	—	26,500	9,476	—
Bonds, notes, and loans payable (note 5)	1,650,000	—	—	433,141	94,913	—
Other current liabilities	257,479	—	38,166	17,531	23,270	—
Total current liabilities	<u>1,907,479</u>	<u>2,009</u>	<u>38,166</u>	<u>759,359</u>	<u>250,018</u>	<u>—</u>
Noncurrent liabilities:						
Bonds, notes, and loans payable (note 5)	16,763,286	—	—	3,206,522	4,658,008	—
Accrued compensated absences – noncurrent (note 5)	—	—	—	—	—	—
Noncurrent liabilities – other	—	—	—	—	—	—
Total noncurrent liabilities	<u>16,763,286</u>	<u>—</u>	<u>—</u>	<u>3,206,522</u>	<u>4,658,008</u>	<u>—</u>
Total liabilities	<u>18,670,765</u>	<u>2,009</u>	<u>38,166</u>	<u>3,965,881</u>	<u>4,908,026</u>	<u>—</u>
Net assets:						
Invested in capital assets, net of related debt	—	45,295	—	850,061	328,179	—
Restricted net assets	—	—	—	2,329,603	450,257	204,000
Unrestricted net assets (deficit)	(16,790,481)	1,257,427	189,722	4,583,841	1,119,394	—
Total net assets	<u>(16,790,481)</u>	<u>1,302,722</u>	<u>189,722</u>	<u>7,763,505</u>	<u>1,897,830</u>	<u>204,000</u>
Total liabilities and net assets	<u>\$ 1,880,284</u>	<u>1,304,731</u>	<u>227,888</u>	<u>11,729,386</u>	<u>6,805,856</u>	<u>204,000</u>

Unaudited – see accompanying independent auditors' report.

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

Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)  
Year ended June 30, 2007

	MacArthur Center	Maintenance operations	Management fees	Merrimack Landing	Mission College	Neighborhood Development Projects (NDP)
Operating revenues:						
Tenant revenue	\$ 735,833	—	—	3,589,776	2,152,460	—
Government operating grants	2,315,082	—	—	—	—	—
Other revenue, net	—	—	—	51,386	3,277	—
Total operating revenues	3,050,915	—	—	3,641,162	2,155,737	—
Operating expenses:						
Administrative	—	—	—	401,195	218,260	—
Tenant services	—	—	—	—	—	—
Utilities	—	—	—	313,317	143,328	—
Maintenance	—	—	—	839,049	609,495	—
Protective services	—	—	—	—	—	—
General	—	—	—	93,179	273,080	—
Extraordinary maintenance	—	—	—	—	—	—
Housing assistance payments (HAP)	—	—	—	—	—	—
Depreciation and amortization	—	23,512	—	532,917	401,624	—
Loss on sale of land inventory, net	—	—	—	—	—	8,000
Total operating expenses	—	23,512	—	2,179,657	1,645,787	8,000
Operating income (loss)	3,050,915	(23,512)	—	1,461,505	509,950	(8,000)
Nonoperating revenues (expenses):						
Interest and investment revenue	83,124	22,606	26,685	300,151	32,806	—
Loss on disposal and donations of fixed assets (note 4)	—	—	—	—	—	—
Interest expense	(1,547,502)	—	—	(224,023)	(331,056)	—
Total nonoperating expenses, net	(1,464,378)	22,606	26,685	76,128	(298,250)	—
Income (loss) before capital grants and distributions	1,586,537	(906)	26,685	1,537,633	211,700	(8,000)
Government capital grants	—	—	—	—	—	—
Operating transfers in/out	—	23,512	(84,000)	(2,697,356)	—	—
Distributions to partners	—	—	—	—	(201,136)	—
Change in net assets	1,586,537	22,606	(57,315)	(1,159,723)	10,564	(8,000)
Total net assets (deficit) – beginning	(18,377,018)	1,280,116	247,037	8,923,228	—	212,000
Change in reporting component unit (notes 1 and 10)	—	—	—	—	1,887,266	—
Total net assets – ending	\$ (16,790,481)	1,302,722	189,722	7,763,505	1,897,830	204,000

Unaudited – see accompanying independent auditors' report.

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

Statement of Net Assets (Unaudited)

June 30, 2007

Assets	Norfolk Enterprise Community Grant (EDA RLF)	Oakmont North	Park Terrace	Prepare Until Success Happens (PUSH)	Program Income	Rehabilitation Emergency Reserve Account (RERA)
<b>Current assets:</b>						
Cash and cash equivalents (note 2)	\$ 214,425	339,060	—	—	1,053,617	1,448
Cash with fiscal agents (note 2)	—	1,981,026	46,135	—	—	—
Investments (note 2)	—	—	—	—	—	79,998
<b>Receivables:</b>						
Due from HUD	—	—	—	—	—	—
Due from City of Norfolk	—	—	—	4,731	—	—
Tenants rent, net	—	11,243	7,201	—	26,868	—
Notes (note 3)	31,659	—	—	—	—	—
Interest	—	—	6,109	—	—	—
Other, net	(4,000)	79	—	—	—	288,345
Total receivables	27,659	11,322	13,310	4,731	26,868	288,345
Due from (to) other funds	19,602	199,255	1,645	(4,731)	195,300	80,995
Inventories, net	—	—	—	—	—	—
Assets held for sale	—	—	—	—	—	—
Prepaid expenses and other assets	—	—	—	—	—	—
Total current assets	261,686	2,530,663	61,090	—	1,275,785	450,786
<b>Noncurrent assets:</b>						
Restricted cash and cash equivalents (note 2)	—	231,579	1,363,789	—	—	—
<b>Capital assets:</b>						
Land	—	800,690	54,664	—	—	—
Buildings and equipment	—	18,865,784	2,463,213	—	—	1,393
Construction in progress	—	—	—	—	—	—
Less accumulated depreciation	—	(7,728,967)	(2,123,456)	—	—	(1,393)
Capital assets, net (note 4)	—	11,937,507	394,421	—	—	—
Notes receivable, net – noncurrent portion (note 3)	257,292	—	—	—	212,480	6,850
Other noncurrent assets	—	110,793	—	—	—	—
Total noncurrent assets	257,292	12,279,879	1,758,210	—	212,480	6,850
Total assets	\$ 518,978	14,810,542	1,819,300	—	1,488,265	457,636
<b>Liabilities and Net Assets</b>						
<b>Current liabilities:</b>						
Accounts payable	\$ —	34,987	8,583	—	—	1,682
Accrued salaries and benefits	—	14,229	3,475	—	—	—
Accrued compensated absences (note 5)	—	—	—	—	—	—
Due to HUD and City of Norfolk	—	75,592	21,500	—	38,809	—
Tenant security deposits	—	176,840	19,159	—	—	—
Deferred revenue	—	7,312	11,579	—	—	—
Bonds, notes, and loans payable (note 5)	—	165,000	64,733	—	—	—
Other current liabilities	—	10,355	7,285	—	1,197,081	—
Total current liabilities	—	484,315	136,314	—	1,235,890	1,682
<b>Noncurrent liabilities:</b>						
Bonds, notes, and loans payable (note 5)	—	3,205,000	909,426	—	—	—
Accrued compensated absences – noncurrent (note 5)	—	—	—	—	—	—
Noncurrent liabilities – other	518,978	17,800	—	—	252,375	—
Total noncurrent liabilities	518,978	3,222,800	909,426	—	252,375	—
Total liabilities	518,978	3,707,115	1,045,740	—	1,488,265	1,682
<b>Net assets:</b>						
Invested in capital assets, net of related debt	—	8,678,300	(579,738)	—	—	—
Restricted net assets	—	36,939	1,348,332	—	—	—
Unrestricted net assets	—	2,388,188	4,966	—	—	455,954
Total net assets	—	11,103,427	773,560	—	—	455,954
Total liabilities and net assets	\$ 518,978	14,810,542	1,819,300	—	1,488,265	457,636

Unaudited – see accompanying independent auditors' report.

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

Statement of Revenues, Expenses and Changes in Net Assets (Unaudited)

Year ended June 30, 2007

	<b>Norfolk Enterprise Community Grant (EDA RLF)</b>	<b>Oakmont North</b>	<b>Park Terrace</b>	<b>Prepare Until Success Happens (PUSH)</b>	<b>Program Income</b>	<b>Rehabilitation Emergency Reserve Account (RERA)</b>
Operating revenues:						
Tenant revenue	\$ —	3,122,658	207,980	—	—	—
Government operating grants	—	—	326,777	4,731	—	—
Other revenue, net	—	55,499	1,144	—	—	5,725
Total operating revenues	—	3,178,157	535,901	4,731	—	5,725
Operating expenses:						
Administrative	356	584,960	108,468	484	—	36,032
Tenant services	—	—	—	4,247	—	—
Utilities	—	427,406	47,101	—	—	—
Maintenance	—	921,728	155,007	—	—	10,031
Protective services	—	—	—	—	—	—
General	180	277,665	56,147	—	—	42,278
Extraordinary maintenance	—	741	—	—	—	—
Housing assistance payments (HAP)	—	—	—	—	—	—
Depreciation and amortization	—	559,332	93,881	—	—	—
Loss on sale of land inventory, net	—	—	—	—	—	—
Total operating expenses	536	2,771,832	460,604	4,731	—	88,341
Operating income (loss)	(536)	406,325	75,297	—	—	(82,616)
Nonoperating revenues (expenses):						
Interest and investment revenue	21,194	91,563	59,858	—	—	13,392
Loss on disposal and donations of fixed assets (note 4)	—	—	—	—	—	—
Interest expense	—	(129,601)	(89,895)	—	—	—
Total nonoperating expenses, net	21,194	(38,038)	(30,037)	—	—	13,392
Income (loss) before capital grants and distributions	20,658	368,287	45,260	—	—	(69,224)
Government capital grants	—	—	—	—	—	—
Operating transfers in/out	—	—	—	—	—	91,383
Distributions to partners	—	—	—	—	—	—
Change in net assets	20,658	368,287	45,260	—	—	22,159
Total net assets (deficit) – beginning	(20,658)	10,735,140	728,300	—	—	433,795
Change in reporting component unit (notes 1 and 10)	—	—	—	—	—	—
Total net assets – ending	\$ —	11,103,427	773,560	—	—	455,954

Unaudited – see accompanying independent auditors' report.

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

Statement of Net Assets (Unaudited)

June 30, 2007

Assets	Rehab Rental Properties	Rehabilitation	Renovation Rehabilitation	Revolving Fund	Resident Opportunity & Supportive Services (ROSS) Grants	Section 108 Loan Guarantee Program
Current assets:						
Cash and cash equivalents (note 2)	\$ 81,931	1,343,039	—	3,283,964	—	—
Cash with fiscal agents (note 2)	—	—	—	—	—	—
Investments (note 2)	—	1,569,961	—	—	—	—
Receivables:						
Due from HUD	—	—	—	—	40,215	—
Due from City of Norfolk	—	—	—	—	—	—
Tenants rent, net	—	—	—	—	—	—
Notes (note 3)	—	170,826	—	—	—	—
Interest	—	2,309	—	—	—	—
Other, net	—	—	—	—	—	—
Total receivables	—	173,135	—	—	40,215	—
Due from (to) other funds	11,043	493,998	(209,284)	(1,897,225)	(40,215)	1,250
Inventories, net	—	—	—	3,850	—	—
Assets held for sale	—	—	—	—	—	—
Prepaid expenses and other assets	—	—	—	61,818	—	—
Total current assets	92,974	3,580,133	(209,284)	1,452,407	—	1,250
Noncurrent assets:						
Restricted cash and cash equivalents (note 2)	—	—	—	59,897	—	—
Capital assets:						
Land	—	—	—	—	—	—
Buildings and equipment	—	—	—	—	52,848	—
Construction in progress	—	—	—	—	—	—
Less accumulated depreciation	—	—	—	—	(40,535)	—
Capital assets, net (note 4)	—	—	—	—	12,313	—
Notes receivable, net – noncurrent portion (note 3)	—	7,700,964	—	—	—	—
Other noncurrent assets	—	—	—	—	—	—
Total noncurrent assets	—	7,700,964	—	59,897	12,313	—
Total assets	\$ 92,974	11,281,097	(209,284)	1,512,304	12,313	1,250
<b>Liabilities and Net Assets</b>						
Current liabilities:						
Accounts payable	\$ —	2,434	—	1,216,386	—	—
Accrued salaries and benefits	—	—	—	293,968	—	—
Accrued compensated absences (note 5)	—	—	—	—	—	—
Due to HUD and City of Norfolk	—	40,875	—	—	—	—
Tenant security deposits	—	—	—	—	—	—
Deferred revenue	73,540	—	—	—	—	—
Bonds, notes, and loans payable (note 5)	—	—	—	—	—	—
Other current liabilities	—	—	23,171	1,950	—	—
Total current liabilities	73,540	43,309	23,171	1,512,304	—	—
Noncurrent liabilities:						
Bonds, notes, and loans payable (note 5)	—	—	—	—	—	—
Accrued compensated absences – noncurrent (note 5)	—	—	—	—	—	—
Noncurrent liabilities – other	—	11,237,788	—	—	—	—
Total noncurrent liabilities	—	11,237,788	—	—	—	—
Total liabilities	73,540	11,281,097	23,171	1,512,304	—	—
Net assets:						
Invested in capital assets, net of related debt	—	—	—	—	12,313	—
Restricted net assets	—	—	—	—	—	—
Unrestricted net assets (deficit)	19,434	—	(232,455)	—	—	1,250
Total net assets	19,434	—	(232,455)	—	12,313	1,250
Total liabilities and net assets	\$ 92,974	11,281,097	(209,284)	1,512,304	12,313	1,250

Unaudited – see accompanying independent auditors' report.



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

Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)

Year ended June 30, 2007

	Rehab Rental Properties	Rehabilitation	Renovation Rehabilitation	Revolving Fund	Resident Opportunity & Supportive Services (ROSS) Grants	Section 108 Loan Guarantee Program
Operating revenues:						
Tenant revenue	\$ —	—	—	—	—	—
Government operating grants	—	—	—	—	369,292	—
Other revenue, net	13,000	—	—	—	—	—
Total operating revenues	13,000	—	—	—	369,292	—
Operating expenses:						
Administrative	—	—	—	—	114,147	—
Tenant services	—	—	—	—	255,145	—
Utilities	—	—	—	—	—	—
Maintenance	—	—	—	—	—	—
Protective services	—	—	—	—	—	—
General	—	—	—	—	—	—
Extraordinary maintenance	—	—	175,985	—	—	—
Housing assistance payments (HAP)	—	—	—	—	—	—
Depreciation and amortization	—	—	—	—	9,682	—
Loss on sale of land inventory, net	—	—	—	—	—	—
Total operating expenses	—	—	175,985	—	378,974	—
Operating income (loss)	13,000	—	(175,985)	—	(9,682)	—
Nonoperating revenues (expenses):						
Interest and investment revenue	6,434	—	—	—	—	—
Loss on disposal and donations of fixed assets (note 4)	—	—	—	—	—	(10,835,408)
Interest expense	—	—	(5,739)	—	—	—
Total nonoperating expenses, net	6,434	—	(5,739)	—	—	(10,835,408)
Income (loss) before capital grants and distributions	19,434	—	(181,724)	—	(9,682)	(10,835,408)
Government capital grants	—	—	—	—	—	—
Operating transfers in/out	—	(93,134)	—	—	—	—
Distributions to partners	—	—	—	—	—	—
Change in net assets	19,434	(93,134)	(181,724)	—	(9,682)	(10,835,408)
Total net assets (deficit) – beginning	—	93,134	(50,731)	—	21,995	10,836,658
Change in reporting component unit (notes 1 and 10)	—	—	—	—	—	—
Total net assets – ending	\$ 19,434	—	(232,455)	—	12,313	1,250

Unaudited – see accompanying independent auditors' report.

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

Statement of Net Assets (Unaudited)

June 30, 2007

Assets	Stonebridge Crossing (SBC)	Urban Renewal	Working Fund	Youth Workforce	Total primary government
<b>Current assets:</b>					
Cash and cash equivalents (note 2)	\$ —	69,667	3,914,962	—	24,904,048
Cash with fiscal agents (note 2)	—	—	—	—	5,687,221
Investments (note 2)	—	—	984,330	—	22,575,651
<b>Receivables:</b>					
Due from HUD	—	—	—	—	2,778,829
Due from City of Norfolk	—	—	—	—	1,308,414
Tenants rent, net	—	—	—	—	153,986
Notes (note 3)	—	—	—	—	219,036
Interest	—	—	5,710	—	142,294
Other, net	—	—	—	—	719,836
Total receivables	—	—	5,710	—	5,322,395
Due from (to) other funds	(344,328)	13,695	2,899,987	16,428	—
Inventories, net	—	—	—	—	383,849
Assets held for sale	—	1,628,000	—	—	14,560,285
Prepaid expenses and other assets	—	—	408,456	—	667,860
Total current assets	(344,328)	1,711,362	8,213,445	16,428	74,101,309
<b>Noncurrent assets:</b>					
Restricted cash and cash equivalents (note 2)	—	—	13,910	—	10,904,026
<b>Capital assets:</b>					
Land	—	—	—	—	18,676,474
Buildings and equipment	2,308	14,566	10,187	—	222,297,385
Construction in progress	—	—	—	—	11,028,859
Less accumulated depreciation	(2,308)	(14,566)	(10,187)	—	(120,797,543)
Capital assets, net (note 4)	—	—	—	—	131,205,175
Notes receivable, net – noncurrent portion (note 3)	—	—	—	—	24,042,706
Other noncurrent assets	—	—	396,146	—	2,973,976
Total noncurrent assets	—	—	410,056	—	169,125,883
Total assets	\$ (344,328)	1,711,362	8,623,501	16,428	243,227,192
<b>Liabilities and Net Assets</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ —	—	400	—	3,618,494
Accrued salaries and benefits	—	—	—	—	328,001
Accrued compensated absences (note 5)	—	—	—	—	192,580
Due to HUD and City of Norfolk	—	—	—	—	321,218
Tenant security deposits	—	—	—	—	1,027,534
Deferred revenue	—	—	—	—	323,813
Bonds, notes, and loans payable (note 5)	—	—	—	—	10,928,666
Other current liabilities	17,905	—	1,950	—	3,223,042
Total current liabilities	17,905	—	2,350	—	19,963,348
<b>Noncurrent liabilities:</b>					
Bonds, notes, and loans payable (note 5)	—	—	—	—	42,220,646
Accrued compensated absences – noncurrent (note 5)	—	—	—	—	1,491,077
Noncurrent liabilities – other	—	—	—	—	12,537,879
Total noncurrent liabilities	—	—	—	—	56,249,602
Total liabilities	17,905	—	2,350	—	76,212,950
<b>Net assets:</b>					
Invested in capital assets, net of related debt	—	—	—	—	107,500,052
Restricted net assets	—	1,628,000	13,910	—	16,908,020
Unrestricted net assets (deficit)	(362,233)	83,362	8,607,241	16,428	42,606,170
Total net assets	(362,233)	1,711,362	8,621,151	16,428	167,014,242
Total liabilities and net assets	\$ (344,328)	1,711,362	8,623,501	16,428	243,227,192

Unaudited – see accompanying independent auditors' report.

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

Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)  
Year ended June 30, 2007

	<b>Stonebridge Crossing (SBC)</b>	<b>Urban Renewal</b>	<b>Working Fund</b>	<b>Youth Workforce</b>	<b>Total primary government</b>
Operating revenues:					
Tenant revenue	\$ —	10,750	—	—	18,539,301
Government operating grants	—	—	—	—	60,482,365
Other revenue, net	—	—	1,536,722	65,402	4,616,932
<b>Total operating revenues</b>	<b>—</b>	<b>10,750</b>	<b>1,536,722</b>	<b>65,402</b>	<b>83,638,598</b>
Operating expenses:					
Administrative	23,324	—	673,513	2,302	13,916,193
Tenant services	—	—	—	99,072	2,091,367
Utilities	—	—	—	—	8,116,570
Maintenance	—	—	—	—	10,906,564
Protective services	—	—	—	—	199,765
General	—	—	152,101	—	6,023,582
Extraordinary maintenance	7,160	—	—	—	12,996,894
Housing assistance payments (HAP)	—	—	—	—	13,348,955
Depreciation and amortization	—	—	—	—	8,418,008
Loss on sale of land inventory, net	—	2,015,000	—	—	1,427,805
<b>Total operating expenses</b>	<b>30,484</b>	<b>2,015,000</b>	<b>825,614</b>	<b>101,374</b>	<b>77,445,703</b>
<b>Operating income (loss)</b>	<b>(30,484)</b>	<b>(2,004,250)</b>	<b>711,108</b>	<b>(35,972)</b>	<b>6,192,895</b>
Nonoperating revenues (expenses):					
Interest and investment revenue	—	3,405	323,126	—	3,655,525
Loss on disposal and donations of fixed assets (note 4)	132,778	—	—	—	(14,514,880)
Interest expense	—	—	—	—	(3,906,225)
<b>Total nonoperating expenses, net</b>	<b>132,778</b>	<b>3,405</b>	<b>323,126</b>	<b>—</b>	<b>(14,765,580)</b>
<b>Income (loss) before capital grants and distributions</b>	<b>102,294</b>	<b>(2,000,845)</b>	<b>1,034,234</b>	<b>(35,972)</b>	<b>(8,572,685)</b>
Government capital grants	—	—	—	—	5,530,934
Operating transfers in/out	(1,508)	—	5,720	50,000	—
Distributions to partners	—	—	201,136	—	—
<b>Change in net assets</b>	<b>100,786</b>	<b>(2,000,845)</b>	<b>1,241,090</b>	<b>14,028</b>	<b>(3,041,751)</b>
Total net assets (deficit) – beginning	(463,019)	3,712,207	9,267,327	2,400	170,055,993
Change in reporting component unit (notes 1 and 10)	—	—	(1,887,266)	—	—
<b>Total net assets – ending</b>	<b>\$ (362,233)</b>	<b>1,711,362</b>	<b>8,621,151</b>	<b>16,428</b>	<b>167,014,242</b>

Unaudited – see accompanying independent auditors' report.

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

Statement of Net Assets (Unaudited)

June 30, 2007

Assets	Mission College	Norfolk Community College Campus Corp (NCCCC)	Community Development Corporation (CDC)	Total component units
<b>Current assets:</b>				
Cash and cash equivalents (note 2)	\$ —	7,751	—	7,751
Cash with fiscal agents (note 2)	—	—	—	—
Investments (note 2)	—	—	—	—
Receivables:				
Due from HUD	—	—	—	—
Due from City of Norfolk	—	—	—	—
Tenants rent, net	—	—	—	—
Notes (note 3)	—	1,290,000	—	1,290,000
Interest	—	337,846	—	337,846
Other, net	—	—	—	—
Total receivables	—	1,627,846	—	1,627,846
Due from (to) other funds	—	—	—	—
Inventories, net	—	—	—	—
Assets held for sale	—	—	—	—
Prepaid expenses and other assets	—	—	—	—
Total current assets	—	1,635,597	—	1,635,597
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents (note 2)	—	411,567	—	411,567
Capital assets:				
Land	—	—	—	—
Buildings and equipment	—	—	—	—
Construction in progress	—	—	—	—
Less accumulated depreciation	—	—	—	—
Capital assets, net (note 4)	—	—	—	—
Notes receivable, net – noncurrent portion (note 3)	—	15,160,000	—	15,160,000
Other noncurrent assets	—	474,953	—	474,953
Total noncurrent assets	—	16,046,520	—	16,046,520
Total assets	\$ —	17,682,117	—	17,682,117
<b>Liabilities and Net Assets</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ —	—	—	—
Accrued salaries and benefits	—	—	—	—
Accrued compensated absences (note 5)	—	—	—	—
Due to HUD and City of Norfolk	—	—	—	—
Tenant security deposits	—	—	—	—
Deferred revenue	—	600,000	—	600,000
Bonds, notes, and loans payable (note 5)	—	1,290,000	—	1,290,000
Other current liabilities	—	127,945	—	127,945
Total current liabilities	—	2,017,945	—	2,017,945
<b>Noncurrent liabilities:</b>				
Bonds, notes, and loans payable (note 5)	—	15,424,866	—	15,424,866
Accrued compensated absences – noncurrent (note 5)	—	—	—	—
Noncurrent liabilities – other	—	—	—	—
Total noncurrent liabilities	—	15,424,866	—	15,424,866
Total liabilities	—	17,442,811	—	17,442,811
<b>Net assets:</b>				
Invested in capital assets, net of related debt	—	—	—	—
Restricted net assets	—	283,622	—	283,622
Unrestricted net assets (deficit)	—	(44,316)	—	(44,316)
Total net assets	—	239,306	—	239,306
Total liabilities and net assets	\$ —	17,682,117	—	17,682,117

Unaudited – see accompanying independent auditors' report.

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

Statement of Revenues, Expenses and Changes in Net Assets (Unaudited)

Year ended June 30, 2007

	<u>Mission College</u>	<u>Norfolk Community College Campus Corp (NCCCC)</u>	<u>Community Development Corporation (CDC)</u>	<u>Total component units</u>
Operating revenues:				
Tenant revenue	\$ —	—	—	—
Government operating grants	—	—	—	—
Other revenue, net	—	147,540	—	147,540
Total operating revenues	<u>—</u>	<u>147,540</u>	<u>—</u>	<u>147,540</u>
Operating expenses:				
Administrative	—	25,052	—	25,052
Tenant services	—	—	—	—
Utilities	—	—	—	—
Maintenance	—	—	—	—
Protective services	—	—	—	—
General	—	—	—	—
Extraordinary maintenance	—	—	—	—
Housing assistance payments (HAP)	—	—	—	—
Depreciation and amortization	—	44,113	—	44,113
Loss on sale of land inventory, net	—	—	—	—
Total operating expenses	<u>—</u>	<u>69,165</u>	<u>—</u>	<u>69,165</u>
Operating income	<u>—</u>	<u>78,375</u>	<u>—</u>	<u>78,375</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	—	780,002	—	780,002
Loss on disposal and donations of fixed assets (note 4)	—	—	—	—
Interest expense	—	(779,819)	—	(779,819)
Total nonoperating expenses, net	<u>—</u>	<u>183</u>	<u>—</u>	<u>183</u>
Income (loss) before capital grants and distributions	<u>—</u>	<u>78,558</u>	<u>—</u>	<u>78,558</u>
Government capital grants	—	—	—	—
Operating transfers in/out	—	—	—	—
Distributions to partners	—	—	—	—
Change in net assets	<u>—</u>	<u>78,558</u>	<u>—</u>	<u>78,558</u>
Total net assets (deficit) – beginning	1,887,266	160,748	(9,382,138)	(7,334,124)
Change in reporting component unit (notes 1 and 10)	(1,887,266)	—	9,382,138	7,494,872
Total net assets – ending	<u>\$ —</u>	<u>239,306</u>	<u>—</u>	<u>239,306</u>

Unaudited – see accompanying independent auditors' report.

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

Schedule of Community Development Block Grant Fund Expenditures by Program Year (Unaudited)  
Year ended June 30, 2007

	<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>
Community Development Block Grant Fund:									
Program year 1997	\$ —	—	—	—	—	—	3,280	—	3,280
Program year 1998	—	—	—	—	—	—	—	—	—
Program year 1999	—	—	—	—	10	—	11,898	—	11,908
Program year 2000	—	—	52,596	—	1,646	—	3,650	—	57,892
Program year 2001	—	—	222,763	(12,708)	—	72,665	—	—	282,720
Program year 2002	25,713	—	—	176,555	242	—	24,699	—	227,209
Program year 2003	24,456	—	263,046	182,468	2,396	697	—	—	473,063
Program year 2004	25,838	—	263,673	148,920	174	2,611	46,887	—	488,103
Program year 2005	15,542	—	170,000	393,044	1,316	74,364	12,162	—	666,428
Program year 2006	83,081	735,387	308,233	497,289	435,654	1,288,170	160,980	75,000	3,583,794
Total CD	\$ 174,630	735,387	1,280,311	1,385,568	441,438	1,438,507	263,556	75,000	5,794,397
Reconciliation to operating expenses:									
Project costs incurred	\$ 174,630	735,387	1,280,311	1,385,568	441,438	1,438,507	263,556	75,000	5,794,397
Land held for resale									319,864
Loss on sale of land inventory									(144,853)
Prior year accruals									(4,454)
Current year accruals									36,550
Internal service eliminations									(144,654)
Operating expenses									\$ 5,856,850

Unaudited – see accompanying independent auditors' report.

**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, 2007

	<b>Atlantic City VA R-1</b>	<b>Downtown North VA R-8</b>	<b>Downtown South VA R-9</b>	<b>Rosemont VA R-25</b>	<b>Ghent Neighborhood Conservation VA R-43</b>	<b>Huntersville VA R-70</b>	<b>Total</b>
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	(534,414)	(60,545)	(15,881)	(13,823)	7,373	(878)	(618,168)
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)	(7,107,016)	(16,771)	(81,839)	(67,794)	(26,270)	(7,379,051)
Real estate purchases	—	183,000	—	—	30,000	30,000	243,000
Rehabilitation	—	367,948	—	—	—	—	367,948
Net cumulative project costs at June 30, 2007	(502,204)	4,855,873	3,336,850	1,463,535	1,356,527	165,787	10,676,368
Net cumulative project costs at June 30, 2006	(491,454)	4,859,278	3,336,850	1,463,535	1,356,527	165,787	10,690,523
Net project costs incurred during year ended June 30, 2007	(10,750)	(3,405)	—	—	—	—	(14,155)
Revenue earned during year ended June 30, 2007	10,750	3,405	—	—	—	—	14,155
Gross project costs incurred during year ended June 30, 2007	\$ —	—	—	—	—	—	—
Reconciliation to operating expenses:							
Loss on sale of land inventory							2,015,000
Operating expenses							\$ 2,015,000

Unaudited – see accompanying independent auditors' report.

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, 2007

	Program year									Total
	1998-1999	2000	2001	2002	2003	Bonus 2003	2004	2005	2006	
Classification of expenditures:										
Management improvements	\$ 801,144	201,609	330,807	221,423	283,618	—	95,905	120,877	40,430	2,095,813
Administration	1,023,085	490,002	539,604	490,196	481,625	—	517,183	674,274	431,443	4,647,412
Fees and costs	1,074,409	106,454	304,562	135,353	258,103	74,311	242,894	355,396	13,465	2,564,947
Site improvements	2,518,641	501,429	659,611	338,422	1,728,574	—	1,690,916	148,679	—	7,586,272
Dwelling structures	6,775,445	6,525,469	5,294,935	4,567,633	2,355,249	331,633	2,774,868	2,818,739	330,751	31,774,722
Dwelling equipment – nonexpendable	61,391	—	—	—	—	—	9,250	204,176	10,657	285,474
Nondwelling structures	1,016,866	16,779	159,672	1,631,204	312,853	826,005	611,841	273,485	—	4,848,705
Nondwelling equipment	14,454	208,055	560,183	239,573	509,295	—	183,219	—	—	1,714,779
Relocation costs	17,985	12,883	116,212	—	559	—	—	—	—	147,639
Replacement Housing Factor Funds	—	—	7,481	15,752	12,229	—	359,885	6,440	—	401,787
Cumulative project costs at June 30, 2007	13,303,420	8,062,680	7,973,067	7,639,556	5,942,105	1,231,949	6,485,961	4,602,066	826,746	56,067,550
Cumulative project costs at June 30, 2006	13,303,420	8,062,680	7,965,586	7,623,804	4,272,708	869,709	3,491,966	1,038,506	—	46,628,379
Project costs incurred during year ended June 30, 2007	\$ —	—	7,481	15,752	1,669,397	362,240	2,993,995	3,563,560	826,746	9,439,171
Reconciliation to operating expenses:										
Project costs incurred	\$ —	—	7,481	15,752	1,669,397	362,240	2,993,995	3,563,560	826,746	9,439,171
Increase in fixed assets:										
Ending balance	—	—	2,754,577	2,881,880	4,371,933	1,231,949	5,328,064	3,795,457	354,517	20,718,377
Surveys	—	—	—	—	554,460	—	164,503	—	—	718,963
Current year depreciation	—	—	202,465	345,494	153,400	—	28,238	11,459	355	741,411
Beginning balance	—	—	(2,949,561)	(3,211,622)	(3,410,956)	(869,709)	(2,862,600)	(480,113)	—	(13,784,561)
Prior year accrual	—	—	—	—	—	—	335,790	—	—	335,790
Increase in fixed assets	—	—	7,481	15,752	1,668,837	362,240	2,993,995	3,326,803	354,872	8,729,980
Management improvements and administration	—	—	—	—	560	—	—	236,757	471,874	709,191
Depreciation	—	—	202,465	345,494	153,400	—	28,238	11,459	355	741,411
Operating expenses	\$ —	—	202,465	345,494	153,960	—	28,238	248,216	472,229	1,450,602

Unaudited – see accompanying independent auditors' report.



**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, 2007

	Program year						Total
	2001	2002	2003	2005	2006	2007	
Classification of expenditures:							
Program coordinator	\$ 81,000	—	44,242	—	—	—	125,242
Revolving loan program	60,000	—	—	—	—	—	60,000
Employment and job readiness	12,500	—	—	12,250	—	—	24,750
Job training	14,928	—	131,041	161,408	—	—	307,377
Vocational training	14,525	—	—	—	—	—	14,525
Family support service	48,971	—	—	1,000	—	—	49,971
Travel costs	1,557	1,250	998	4,856	—	—	8,661
Administrative costs	5,000	4,600	31,120	12,370	—	—	53,090
Capacity building activities	—	—	42,560	—	—	—	42,560
Market analysis	68	—	—	—	—	—	68
Program expenses	—	40,619	83,401	180,483	101,281	3,232	409,016
Salaries	—	32,482	—	—	—	—	32,482
Fringe benefits	—	9,419	16,835	33,720	28,719	381	89,074
Cumulative project costs at June 30, 2007	238,549	88,370	350,197	406,087	130,000	3,613	1,216,816
Cumulative project costs at June 30, 2006	238,549	88,370	350,197	170,408	—	—	847,524
Project costs incurred during year ended June 30, 2007	\$ —	—	—	235,679	130,000	3,613	369,292
Schedule of expenditures of federal awards	\$ —	—	—	235,679	130,000	3,613	369,292
Current year depreciation							9,682
Operating expenses							\$ 378,974

Unaudited – see accompanying independent auditors' report.

**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, 2007

	<u>Program year 2000</u>	<u>Total</u>
Classification of expenditures:		
Management improvements	\$ 3,459,080	3,459,080
Administration	2,992,237	2,992,237
Fees and costs	4,417,128	4,417,128
Site acquisition	68,475	68,475
Site improvement	1,818,474	1,818,474
Dwelling structures	12,748,802	12,748,802
Nondwelling equipment	25,000	25,000
Demolition	2,158,723	2,158,723
Relocation costs	1,536,011	1,536,011
Hope VI Section 8	<u>2,059,099</u>	<u>2,059,099</u>
Cumulative project costs at June 30, 2007	31,283,029	31,283,029
Cumulative project costs at June 30, 2006	<u>29,053,462</u>	<u>29,053,462</u>
Project costs incurred during year ended June 30, 2007	<u>\$ 2,229,567</u>	<u>2,229,567</u>
Reconciliation to operating expenses:		
Project costs incurred		\$ 2,229,567
Increase in fixed assets:		
Ending balance		1,910,888
Depreciation		14,727
Surveys		846,499
Beginning balance		<u>(2,565,860)</u>
Increase in fixed assets		<u>(206,254)</u>
Increase in notes receivable:		
Ending balance		15,592,633
Operating transfer in		(1,299,999)
Payment		(2,400)
Beginning balance		<u>(14,182,847)</u>
Increase in notes receivable		(107,387)
Operating transfers out		(76,397)
Internal service eliminations to admin		(5,735)
Depreciation		<u>14,727</u>
Operating expenses		<u>\$ 1,848,521</u>

Unaudited – see accompanying independent auditors’ report.

**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, 2007

	<b>Program year 2002</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>
Classification of expenditures:		
Administration	\$ 486,334	486,334
Planning	30,478	30,478
Site acquisition	678,018	678,018
Site improvement	1,154,019	1,154,019
Demolition	22,938	22,938
Rehabilitation	150,000	150,000
Tenant services	6,242	6,242
Operating transfer out	513,000	513,000
Nondwelling equipment	25,885	25,885
	<u>                    </u>	<u>                    </u>
Cumulative project costs at June 30, 2007	3,066,914	3,066,914
Cumulative project costs at June 30, 2006	3,066,914	3,066,914
	<u>                    </u>	<u>                    </u>
Project costs incurred during year ended June 30, 2007	\$ —	—
	<u>                    </u>	<u>                    </u>
Reconciliation to operating expenses:		
FY 07 project costs incurred	\$ —	—
Current year depreciation	3,898	3,898
Loss on sale of land inventory	14,305	14,305
	<u>                    </u>	<u>                    </u>
FY 07 operating expenses	\$ 18,203	18,203
	<u>                    </u>	<u>                    </u>

Unaudited – see accompanying independent auditors’ report.

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

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		14.850	\$ 14,496,187
Annual subsidy		14.850	1,044,905
Annual contributions for Federal Financing Bank Note			<u>15,541,092</u>
Subtotal – Public Housing Program			
Section 8 Housing Assistance Payments Program:			
Housing Choice Vouchers (contract P-5523V) VA36-V006-001/4		14.871	14,757,910
New construction – Park Terrace Program (contract P-5512)	VHDA	14.182	326,777
Subtotal – Section 8 Housing Assistance Payments Program			<u>15,084,687</u>
Capital Fund Program:			
VA-36-P006-502 (2003) – Bonus		14.872	362,240
VA-36-P006-501 (2003)		14.872	1,657,168
VA-36-P006-501 (2004)		14.872	2,634,110
VA-36-P006-501(2005)		14.872	3,557,120
VA-36-P006-501 (2006)		14.872	826,746
VA-36-R006-501-01		14.872	7,481
VA-36-R006-501-02		14.872	15,752
VA-36-R006-501-03		14.872	12,229
VA-36-R006-501-04		14.872	359,885
VA-36-R006-501-05		14.872	6,440
Subtotal – Capital Fund Program			<u>9,439,171</u>
Resident Opportunity and Supportive Services (ROSS) Program:			
VA006REF046A004		14.870	235,679
VA006RFS091A005		14.870	130,000
VA006RFS158A006		14.870	3,613
Subtotal – ROSS Program			<u>369,292</u>
Community Development Block Grant:			
	City of Norfolk		
Program year 1997 (CDBG No. B97-MC-510016)		14.218	3,280
Program year 1999 (CDBG No. B99-MC-510016)		14.218	11,908
Program year 2000 (CDBG No. B00-MC-510016)		14.218	57,892
Program year 2001 (CDBG No. B01-MC-510016)		14.218	282,720
Program year 2002 (CDBG No. B02-MC-510016)		14.218	227,209
Program year 2003 (CDBG No. B03-MC-510016)		14.218	473,063
Program year 2004 (CDBG No. B04-MC-510016)		14.218	488,103
Program year 2005 (CDBG No. B05-MC-510016)		14.218	666,428
Program year 2006 (CDBG No. B06-MC-510016)		14.218	3,583,794
Subtotal – Community Development Block Grant			<u>5,794,397</u>
Home Investment Partnerships:			
	City of Norfolk		
Program year 2000 (HOME No. M00-MC-510203)		14.239	2,500
Program year 2002 (HOME No. M02-MC-510203)		14.239	(56,143)
Program year 2003 (HOME No. M03-MC-510203)		14.239	331,975
Program year 2004 (HOME No. M03-MC-510203)		14.239	327,256
Program year 2005 (HOME No. M03-MC-510203)		14.239	1,408,301
Program year 2006 (HOME No. M03-MC-510203)		14.239	1,078,824
Subtotal – Home Investment Partnerships			<u>3,092,713</u>
Urban Revitalization Program (HOPE VI) (VA-36-URD006-1100)		14.866	2,229,567
ISTEA – Historic Preservation Grant (EN-01-122-121)	City of Norfolk	15.904	13,636
Total expenditures of federal awards			<u>\$ 51,564,555</u>

Unaudited – see accompanying independent auditors' report.

## **COMPLIANCE SECTION**

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**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, 2007

**(1) General**

The schedule of expenditures of federal awards (Exhibit L-1) presents the activity of all federal awards programs of the Authority. The Authority's reporting entity is defined in note I 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.	\$ 238,603
Plumb Line Ministries	43,665
Beacon Light Civic League	<u>79,624</u>
	<u>\$ 361,892</u>

**(4) Loans Outstanding**

The Authority had \$8,766,458 outstanding at June 30, 2007 under the Low-Income Housing program.

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

- (a) The type of report issued on the basic financial statements: **unqualified opinion**
- (b) Significant deficiencies in internal control were disclosed by the audit of the financial statements: **yes, finding 07-1, and 07-2**  
 Material weaknesses: **Yes, finding 07-2**
- (c) Noncompliance which is material to the basic financial statements: **no**
- (d) Significant deficiencies in internal control over major programs: **yes, finding 07-3**  
 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: **yes**
- (g) Major programs: **Section 8 Housing Assistance Payments Program, Housing Choice Vouchers; CFDA 14.871**
- (h) Dollar threshold used to determine Type A programs: **\$1,546,937**
- (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*:**

**Finding 07-1: Controls over the Selection and Application of Accounting Principles**

The Authority had \$11,546,219 of fixed assets classified as construction in progress even though the assets had been placed in service. It had been the Authority's practice to obtain approved cost certifications by HUD officials prior to the Authority recognizing depreciation expense on those assets. The Authority had not obtained approved cost certifications on the fixed assets in question as of year-end. Management of the Authority has made the necessary corrections in the accompanying basic financial statements.

We recommend the Authority consider HUD's compliance requirements separately from the selection of its accounting principles to ensure the use of U.S. generally accepted accounting principles (GAAP) in its financial statements. The selection and application of non-GAAP accounting principles could result in a material misstatement to the financial statements.



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

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

***Management response:***

The Authority will begin transferring assets from construction in progress and calculating depreciation at the time the asset is placed in service. Multiple building projects will be phased in as operating assets on a reasonable basis. A system will be implemented that tracks target completion dates and the review process will include regular feedback from program staff to monitor the status of construction in process. Implementation will be completed by February 2008.

**Finding 07-2: Controls over Non-Routine Transactions**

In August 2006, land and infrastructure with a book value of \$13,939,778 were accepted by the City for future maintenance; however, those assets were not removed from the Authority's books and records. This appeared to be a result of a management oversight. We recommend that the Authority establish adequate controls to monitor the real estate actions approved by Authority management to ensure activities impacting the disposition of fixed assets are captured in the Authority's books and records. Management of the Authority has made the necessary corrections in the accompanying basic financial statements.

***Management response:***

The Authority will establish a written policy (with City input) to clarify the accounting policy to be followed for fixed assets earmarked for donation to the City that are:

- Acquired or constructed with funding that passes through or originates from the City
- Acquired or constructed with funding from the Authority or other sources.

The written policy will require the notification of appropriate Authority staff of all conveyances of property to the City.

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

**(3) Findings and Questioned Costs Relating to Federal Awards:**

**Department of Housing and Urban Development**

**Section 8 Housing Assistance Payments Program, Housing Choice Vouchers; CFDA # 14.871; Contract P-5523V; Virginia Housing Development Authority – VA36-V006-001/4; Program Year 2007**

**Finding 07-3: Special Test; Utility Allowance**

In accordance with the federal regulations governing the special test over the utility allowance schedule (the schedule), the Authority is required to maintain an up-to-date utility allowance schedule. The Authority must review utility rate data for each utility category and must adjust its utility allowance schedule if there has been a rate change of 10 percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised. During our testwork, we noted that the utility allowance schedule was not updated in the sewer category for a 23% change in the sewer rate and in addition, no review or other form of internal control over the accuracy of the schedule was performed. The error in the utility allowance schedule caused the calculation of all housing assistance payments with sewer costs included to be understated from a range of \$24 per year to \$84 per year depending on the number of bedrooms in the dwelling. Known questioned costs associated with the error over the schedule totaled \$5,452.

We recommend that the Authority implement internal control procedures over the accuracy of the utility allowance schedule to ensure that housing assistance payments to tenants are accurately calculated.

***Management's Response:***

For calendar year 2008, NRHA will contract the annual utility allowance update to an outside contractor. The Housing Choice Voucher Program Manager, Housing Resource Administrator, and a member of maintenance engineering staff will review the allowances submitted by the contractor for accuracy prior to submission to HUD and implementation. In addition to contracting the annual utility allowance update, an internal quality control process will be developed to ensure that the appropriate allowances are applied.



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**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

The Board of Commissioners  
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, 2007, and have issued our report thereon dated December 27, 2007. Our report was modified to include a reference to other auditors and for a change in the reporting of one of the component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Mission College Apartments, L.P., Norfolk Community College Campus Corporation, and Hampton Roads Ventures, L.L.C., as described in our report on the Authority's financial statements. The financial statements of Hampton Roads Ventures, L.L.C. were not audited in accordance with *Government Auditing Standards*. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the schedule of findings and questioned costs as items 07-1 and 07-2 to be significant deficiencies in internal control over financial reporting.



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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 07-2 to be a material weakness.

### **Compliance and Other Matters**

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

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

This report is intended solely for the information and use of management, the board of commissioners, others within 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*

December 27, 2007



**KPMG LLP**  
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Norfolk, VA 23510

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

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 its major federal program for the year ended June 30, 2007. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the 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 its major federal program for the year ended June 30, 2007. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-3.



## Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Authority's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-3 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

This report is intended solely for the information and use of management, the board of commissioners, others within 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*

December 27, 2007