

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Basic Financial Statements, Management's Discussion and Analysis,
and Audit of Federal Awards Performed in Accordance with
U.S. Office of Management and Budget Circular A-133

September 30, 2003

(With Independent Auditors' Reports Thereon)

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

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Independent Auditors' Report on Financial Statements and Supplementary Schedules

The Board of Commissioners
Roanoke Redevelopment and Housing Authority:

We have audited the accompanying basic financial statements of the Roanoke Redevelopment and Housing Authority (the Authority or RRHA) and its discretely presented component unit as of and for the year ended September 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Roanoke Redevelopment and Housing Authority and of its discretely presented component unit as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the basic financial statements, the Authority has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, No. 38, *Certain Financial Statement Note Disclosures*, and No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)* effective October 1, 2002.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.





In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Financial Data Schedule and notes on pages 31 through 43 are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development. These Schedules are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

December 12, 2003

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Management's Discussion and Analysis (MD&A)

September 30, 2003

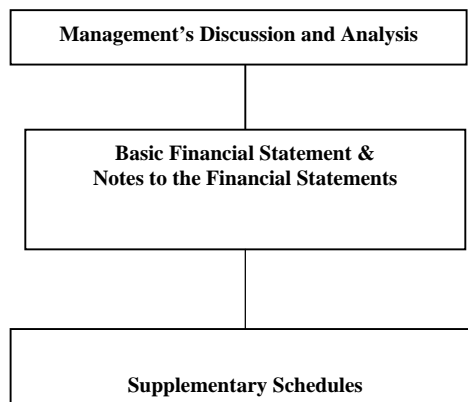
INTRODUCTION

The Roanoke Redevelopment and Housing Authority (the Authority) is a political subdivision of the Commonwealth of Virginia and is empowered to implement housing, community development, redevelopment, and revitalization programs within Roanoke City (the City). The City of Roanoke created the Authority in 1949 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 Authority presents this discussion and analysis of its financial performance during the fiscal year (FY) ended September 30, 2003, to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999.

GASB 34 permits the omission of comparative data in the MD&A in the first year of implementing the new reporting model. As such, the Authority has chosen to omit financial data for FY2002 from the MD&A. However, in subsequent years when prior year information is available, the Authority will present certain comparative data between the current year and the prior year in its MD&A because a comparative analysis of financial data helps the reader of these financial statements ascertain the reasons for changes in assets, liabilities, expenses, revenues, and net asset balances from the previous year.

The Authority's FY2003 annual financial report consists of two parts – the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information that was sent to the U.S. Department of Housing and Urban Development (HUD) related to our basic financial statements.



The primary focus of the Authority's financial statements is on the financial statements of a single business-type activity that combines all programs administered by the Authority. A separate column in the financial statements also shows the transactions of the Authority's real estate limited partnership component unit.

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This discussion and analysis is focused on the primary activities of the Authority. The financial results of the discretely presented component unit are not addressed in this discussion and analysis. A copy of the most recently issued financial statements for the real estate limited partnership component unit can be obtained by contacting the Roanoke Redevelopment and Housing Authority Office of Finance, 2624 Salem Turnpike N.W., Roanoke, VA 24017.

FINANCIAL HIGHLIGHTS FOR FY2003

Under GASB 34, the Authority's single business-type activities financial statements for FY2003 report on all of the Authority's assets, liabilities, revenues, expenses, and net assets under the programs it administers. In summary, the Authority's FY2003 financial highlights included the following:

- Total assets and liabilities of the Authority were approximately \$60.6 million and \$17.0 million, respectively; thus total net assets were approximately \$43.6 million at September 30, 2003.
- Total revenues (including capital contributions) and expenses were approximately \$23.7 million and \$22.1 million, respectively; thus net assets increased by approximately \$1.6 million during the fiscal year.
- Revenues are derived from various sources with approximately 18% from City sources and 69% received either directly or indirectly (through the City) from the U.S. Department of Housing and Urban Development (HUD). For example, approximately 48%, or \$11.5 million of the \$23.7 million in total revenues, are derived from the Low Rent Public Housing and Housing Choice Voucher (and related Section 8 Mod Rehab) HUD grants. Rental revenues from Authority-owned properties were approximately \$2.5 million, or 11% of total revenues.
- Cash flows from operating activities were a positive \$5.6 million. Furthermore, after considering investing and capital financing activities, the increase in cash and cash equivalents for the year was approximately \$3.6 million.
- HUD Public Housing Assessment System financial indicators show that the Authority is a high performer this year. The current ratio that measures the Authority's liquidity is 2.2, in the ideal range for large size public housing authorities as determined by HUD.

AUTHORITY FINANCIAL STATEMENTS

The Authority's mission in the City 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 of Roanoke. The Authority, as of September 30, 2003, owned almost 1,400 residential units that are leased to low-income families and individuals. In addition, housing assistance was being paid to over 1,400 households under the Federal Housing Choice Voucher and Mod Rehab programs for privately-owned existing housing.

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In view of this mission, the Authority's financial reporting objective under GASB 34 in FY2003 focuses on the financial activities of the Authority as a whole.

Financial Statements Used in FY2003

The Authority is presenting its FY2003 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the balance sheet; the statement of revenues, expenses and changes in net assets; and the statement of cash flows. The balance sheet reports all financial and capital assets of the Authority and is presented in a format where assets equals liabilities plus net assets, formerly known as fund equity. 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 rental income; operating expenses, such as administrative, utilities, maintenance, depreciation; and nonoperating revenues and expenses, such as non-program grant revenue, investment income, interest expense, and capital contributions. The statement's focus is the change in net assets, which is similar to net income or loss.

Finally, a statement of cash flows is included, which discloses net cash provided by or used for operating activities, capital and related financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Authority's net assets and changes in net assets in full compliance with GASB 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period when they are incurred.

This entity-wide presentation represents over a dozen programs and activities. Most of these programs are financed by federal grants from HUD, rents, and other user charges resulting from operations of subsidized housing, by development and financing fees, and by investment income and loan proceeds. The Authority also administers housing and community development activities in which funding is controlled at the City level.

In FY2003, the following programs (seen in the supplementary Financial Data Schedule starting on page 31) make up the Authority's single business-type activities financial statements:

- *Low Rent Public Housing Program* – Funding is from federal grants from HUD, rents, and other user charges and provides essential affordable housing for low-income families, disabled persons, and the elderly.

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- *Housing Choice Voucher and Section 8 Mod Rehab Programs* – These programs are funded by HUD and are subsidy programs for low- and moderate-income families seeking housing in the private rental market.
- *Grant Programs* – These programs account for HUD grant funds received for the following activities: House Counseling Assistance, HOPE VI, Resident Opportunity and Self Sufficiency, Drug Elimination, and Shelter Plus Care.
- *Community Development Block Grant and HOME Programs* – These programs are funded from HUD, via City-administered CDBG and HOME grants. The Authority makes loans and grants to rehabilitate substandard residential properties in targeted revitalization areas for current or future low-income homeowners.
- *City Activities and Cooperation Agreements* – The City funds project costs in targeted areas that enhance its competitive edge through commercial and industrial redevelopment. The Authority also borrows money from banks and makes loans to supplement the CDBG/HOME loans to low-income homeowners.
- *Non-publicly Funded Programs* – These programs engage in a number of private revenue-generating activities.
- *Capital Fund Program* – This program uses HUD capital contributions to fund new construction and major improvements to existing properties.

Net Assets

The following table reflects the Authority’s condensed summary of the balance sheet as of September 30, 2003.

Table 1
Summary of Balance Sheet
As of September 30, 2003
(in millions)

<u>Description</u>	
Current and other assets	\$ 15.3
Capital assets, net of accumulated depreciation	45.3
Total assets	<u>60.6</u>
Current liabilities	3.8
Long-term liabilities	13.2
Total liabilities	<u>17.0</u>
Net assets:	
Invested in capital assets, net of related debt	37.4
Restricted for capital projects	0.1
Unrestricted	6.1
Total net assets	\$ <u><u>43.6</u></u>

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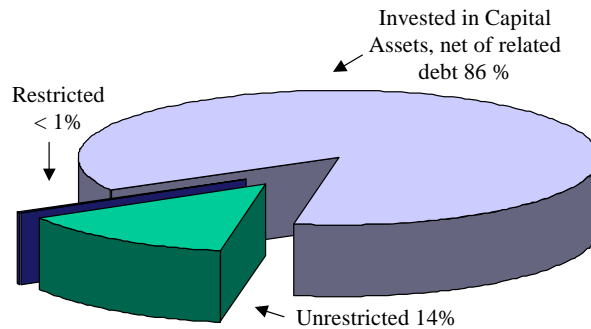
Management's Discussion and Analysis (MD&A)

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Investments in capital assets comprise about 75% of the Authority's total assets, while these assets carry related current and long-term debt of approximately \$8 million that is about 47% of its total liabilities. However, the amount invested in capital assets, net of related debt, amounts to about 86% of total net assets.

The Authority's net assets also consist of restricted and unrestricted net assets. Restricted net assets include cash and investments restricted for loan loss and future capital projects less liabilities that will be paid from these restricted assets. Unrestricted net assets would include cash in the bank, receivables net of allowances, and other assets less all other liabilities not previously applied. The following graph illustrates the relative percentage of the Authority's net assets invested in capital assets, net of related debt and net assets that are restricted and unrestricted.

**Authority's Net Assets
as of September 30, 2003**



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Revenues, Expenses and Changes In Net Assets

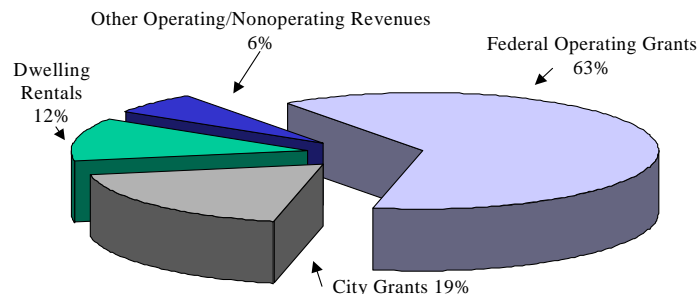
The results of the Authority's operations are reported in the statement of revenues, expenses and changes in net assets. In FY2003, the Authority realized an increase in net assets of approximately \$1.6 million. Table 2 presents a condensed summary of data from the Authority's statement of revenues, expenses and changes in net assets.

Table 2
Summary of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2003
(in millions)

<u>Description</u>	
Revenues:	
Operating revenues	
Dwelling rentals	\$ 2.5
Federal operating grants	13.7
City of Roanoke grants	4.2
Fees and mortgage loan interest	0.5
Nonoperating revenues	0.8
Total revenues	<u>21.7</u>
Expenses:	
Operating expenses	
Housing assistance payments	5.6
Administration	3.8
Utilities/maintenance	4.4
General and other expenses	5.8
Depreciation	1.9
Nonoperating expenses	0.6
Total expenses	<u>22.1</u>
Loss before capital contributions	(0.4)
Capital contributions	<u>2.0</u>
Increase in net assets	1.6
Net Assets 10/1/2002	<u>42.0</u>
Net Assets 9/30/2003	<u>\$ 43.6</u>

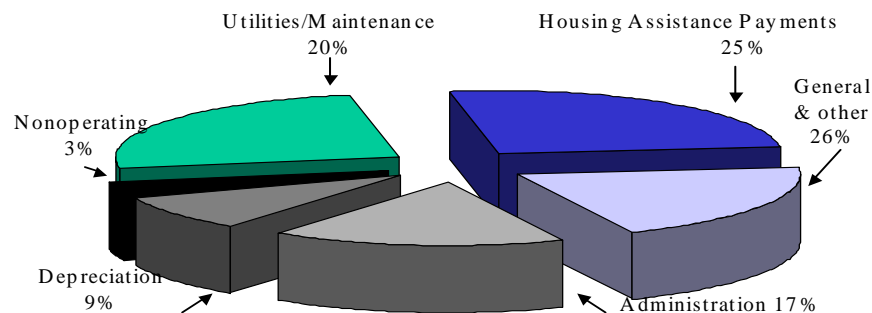
About 4% of the Authority's total revenues (without the capital contributions) in FY2003 were nonoperating revenues that are derived from HUD debt service contributions and miscellaneous nonoperating income. The remaining 96% were operating revenues derived from intergovernmental operating grants, rents and other user charges, and mortgage loan interest. The following graph illustrates the major sources of these revenues and related percentages.

Revenues Received in Fiscal Year 2003



In FY2003, the Authority incurred expenses totaling \$22.1 million that are operating expenses related to its role as a housing authority. About \$5.6 million, or 25%, of these operating expenses are housing assistance payments made in the Housing Choice Voucher and Mod Rehab programs. General and other program expenses include costs related to tenant and protective services, loans receivable bad debt, and redevelopment and rehabilitation expenses. The following graph illustrates these major expense groups and the percent of the total expense each represent.

Expenses Incurred in Fiscal Year 2003



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The Authority’s FY2003 Financial Data Schedule, included with these financial statements, supplies activity detail for the Statement of Revenues, Expenses and Change in Net Assets and shows noteworthy transactions that influenced financial results of its rental assistance programs – the Low Rent Public Housing Program and Housing Choice Voucher and Mod Rehab Programs. These transactions include:

- *The Low Rent Public Housing Program* had total revenues and expenses of approximately \$7.5 million and \$8.7 million.
- *The Housing Choice Voucher and Mod Rehab Programs* had revenues totaling approximately \$6.3 million and expenses (mainly housing assistance payments) of approximately \$6.1 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Authority’s capital assets as of September 30, 2003, included land, buildings and improvements, equipment, and construction in progress that totaled \$88.0 million (without accumulated depreciation), most of which is comprised of Public Housing units available for lease to low- and moderate-income residents, construction in these Public Housing areas and business property for redevelopment in the City of Roanoke. A breakdown of these assets is shown in Table 3.

**Table 3
Change in Capital Assets of the Authority
(in millions)**

<u>Description</u>	<u>Beginning balance</u>	<u>Net additions/ (deletions)</u>	<u>Ending balance</u>
Nondepreciable assets:			
Land	\$ 16.5	3.0	19.5
Construction in progress	18.0	(2.0)	16.0
Other capital assets:			
Buildings and improvements	44.7	3.6	48.3
Equipment	3.0	(0.1)	2.9
Infrastructure	1.1	0.2	1.3
Accumulated depreciation on Other capital assets	<u>(41.1)</u>	<u>(1.6)</u>	<u>(42.7)</u>
Totals	\$ <u>42.2</u>	<u>3.1</u>	<u>45.3</u>

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The Authority had approximately \$3.1 million in net additions to capital assets in FY2003. The additions to Land were redevelopment acquisitions under a City cooperation agreement. The balance of the capital asset changes are due to HOPE VI funded buildings and infrastructure.

The Authority's FY2003 financial statements include long-term debt, consisting of loans, notes, and bonds payable, of approximately \$11 million.

- *Public Housing Loans and Bonds* – In prior years, the Authority issued notes and bonds to permanently finance certain Public Housing projects. HUD pays the debt service on the outstanding \$5.1 million of these notes and bonds annually. In FY2003, the Authority issued additional bonds for \$3.3 million. The principal balance is \$8.2 million as of September 30, 2003.
- *Dual-funded Mortgage Loans* – In FY2003, the Authority has borrowed approximately \$350,000 for a dual-funded loan program that allows low- to moderate-income homeowners to refinance or purchase homes and rehabilitate them to HUD standards. The Authority also reduced the principal on older loans in this program by \$230,000 for an outstanding balance of \$1.7 million.
- *Non-publicly Funded Activities Loans* – The Authority paid off a \$2.2 million bank note in February 2003. They also refinanced a mortgage payable by paying off the outstanding \$500,000 balance for a new balance of \$850,000.

CONTACTING AUTHORITY MANAGEMENT

This financial report is designed to provide the citizens of the City of Roanoke, taxpayers, customers, and 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 Director of Administration, Roanoke Redevelopment and Housing Authority, 2624 Salem Turnpike N.W., Roanoke, VA 24017 or visit our website at www.rkeauthority.org.

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Balance Sheet – Primary Government and Discretely Presented Component Unit

September 30, 2003

Assets	<u>RRHA</u>	<u>Real estate limited partnership – component unit (note 1(b))</u>	<u>Total reporting entity</u>
Current assets:			
Cash and cash equivalents	\$ 3,093,318	47,467	3,140,785
Receivables:			
Due from HUD	1,738,197	—	1,738,197
Due from City of Roanoke	188,595	—	188,595
Tenant rents, net of allowance for doubtful accounts of \$8,939	45,937	—	45,937
Interest	15,479	—	15,479
Other	49,959	5,917	55,876
Total receivables	2,038,167	5,917	2,044,084
Investments – unrestricted	2,000,000	—	2,000,000
Mortgage loans – current portion	292,390	—	292,390
Inventory – supplies	128,459	—	128,459
Inventory – houses	226,531	—	226,531
Other	162,825	104,597	267,422
Total current assets	7,941,690	157,981	8,099,671
Noncurrent assets:			
Capital assets, net of depreciation	45,326,818	11,923,760	57,250,578
Mortgage loans – noncurrent portion	4,913,894	—	4,913,894
Notes receivable from component unit	724,279	—	724,279
Other	188,340	207,563	395,903
Total noncurrent assets, other than restricted	51,153,331	12,131,323	63,284,654
Restricted assets:			
Restricted cash and cash equivalents	1,416,074	—	1,416,074
Restricted short-term investments	104,468	—	104,468
Deposits	—	—	—
Total restricted assets	1,520,542	—	1,520,542
Total noncurrent assets	52,673,873	12,131,323	64,805,196
Total assets	<u>\$ 60,615,563</u>	<u>12,289,304</u>	<u>72,904,867</u>

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Balance Sheet – Primary Government and Discretely Presented Component Unit

September 30, 2003

Liabilities	RRHA	Real estate limited partnership – component unit (note 1(b))	Total reporting entity
	<u> </u>	<u> </u>	<u> </u>
Current liabilities:			
Accounts payable	\$ 666,468	4,000	670,468
Accrued salaries and benefits	213,743	—	213,743
Due to HUD	359,712	—	359,712
Due to City of Roanoke – current portion	131,811	—	131,811
Trust and deposit liabilities	160,976	46,900	207,876
Accrued interest payable	125,837	179,654	305,491
Mortgages payable – current portion	42,500	25,644	68,144
Home owners’ mortgages payable – current portion	108,637	—	108,637
Bonds payable – current portion	645,000	—	645,000
Permanent notes – current portion	121,439	—	121,439
Accrued compensated absences	179,133	—	179,133
Deferred revenue	796,493	—	796,493
Other current liabilities	269,924	2,875	272,799
	<u>3,821,673</u>	<u>259,073</u>	<u>4,080,746</u>
Total current liabilities			
Noncurrent liabilities:			
Due to City of Roanoke – noncurrent portion	2,016,492	—	2,016,492
Mortgages payable – noncurrent portion	807,500	5,162,503	5,970,003
Homeowners’ mortgages payable – noncurrent portion	1,549,421	—	1,549,421
Bonds payable – noncurrent portion	5,925,000	—	5,925,000
Permanent notes – noncurrent portion	1,496,084	1,721,869	3,217,953
Notes payable to primary government	—	1,314,279	1,314,279
Accrued developer’s fees payable to primary government	—	1,300,000	1,300,000
Accrued compensated absences – noncurrent portion	166,447	—	166,447
Other	1,271,196	204,854	1,476,050
	<u>13,232,140</u>	<u>9,703,505</u>	<u>22,935,645</u>
Total noncurrent liabilities			
Total liabilities	<u>17,053,813</u>	<u>9,962,578</u>	<u>27,016,391</u>
Net Assets			
Invested in capital assets, net of related debt	37,359,295	3,699,465	41,058,760
Restricted net assets:			
Capital projects	121,074	—	121,074
Unrestricted net assets	6,081,381	(1,372,739)	4,708,642
	<u>43,561,750</u>	<u>2,326,726</u>	<u>45,888,476</u>
Total net assets			
Total liabilities and net assets	<u>\$ 60,615,563</u>	<u>12,289,304</u>	<u>72,904,867</u>

See accompanying notes to basic financial statements.

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Statement of Revenues, Expenses and Changes in Net Assets –
Primary Government and Discretely Presented Component Unit

Year ended September 30, 2003

	<u>RRHA</u>	<u>Real estate limited partnership – component unit (note 1(b))</u>	<u>Total reporting entity</u>
Operating revenues:			
Dwelling rentals	\$ 2,501,147	487,661	2,988,808
Intergovernmental	17,915,516	—	17,915,516
Interest on mortgage loans receivable	123,934	—	123,934
Home sales	72,792	—	72,792
Other income	335,568	32,674	368,242
	<hr/>	<hr/>	<hr/>
Total operating revenues	20,948,957	520,335	21,469,292
Operating expenses:			
Administration	3,767,180	128,714	3,895,894
Tenant services	755,614	—	755,614
Utilities	1,653,551	90,283	1,743,834
Ordinary maintenance and operation	2,375,844	75,038	2,450,882
Protective services	66,153	—	66,153
General	4,828,108	127,592	4,955,700
Extraordinary maintenance	338,215	—	338,215
Housing assistance payments	5,639,574	—	5,639,574
Cost of homes sold	77,210	—	77,210
Depreciation and amortization	1,877,818	315,238	2,193,056
Interest expense	105,570	546,937	652,507
	<hr/>	<hr/>	<hr/>
Total operating expenses	21,484,837	1,283,802	22,768,639
Operating loss	(535,880)	(763,467)	(1,299,347)
Nonoperating revenues (expenses):			
Interest income	33,178	—	33,178
Interest expense	(372,623)	—	(372,623)
Loss on disposition of capital assets	(286,246)	—	(286,246)
HUD debt service contributions	795,194	—	795,194
Other	3,545	—	3,545
	<hr/>	<hr/>	<hr/>
Nonoperating revenues, net	173,048	—	173,048
Loss before capital contributions	(362,832)	(763,467)	(1,126,299)
Capital contributions	1,967,673	3,070,631	5,038,304
Change in net assets	1,604,841	2,307,164	3,912,005
Net assets, beginning of year	41,956,909	19,562	41,976,471
Net assets, end of year	\$ <u>43,561,750</u>	<u>2,326,726</u>	<u>45,888,476</u>

See accompanying notes to basic financial statements.

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Statement of Cash Flows

Year ended September 30, 2003

Cash flows from operating activities:	
Rental receipts	\$ 2,510,029
Intergovernmental receipts	19,428,470
Homeowner mortgage proceeds	126,657
Payments to suppliers for goods and services	(6,114,249)
Payments to employees for services	(4,535,925)
Payments to landlords – housing assistance payments	(5,639,574)
Other operating cash payments	<u>(163,309)</u>
Net cash provided by operating activities	<u>5,612,099</u>
Cash flows from capital and related financing activities:	
Payments for capital improvements, including capitalized interest	(5,700,024)
Cash received for infrastructure	796,493
Payments for notes payable	(2,200,000)
Proceeds from mortgages payable and bonds	4,165,000
Interest payments	(371,537)
Debt principal payments	(1,234,207)
Capital contributions	<u>1,967,673</u>
Net cash used in capital and related financing activities	<u>(2,576,602)</u>
Cash flows from investing activities:	
Purchase of investments	(2,000,945)
Interest received on investments	169,796
Receipts from component unit on notes receivable	<u>1,576,277</u>
Net cash used in investing activities	<u>(254,872)</u>
Cash flows from noncapital activities:	
HUD debt service contributions	<u>795,194</u>
Net increase in cash and cash equivalents	3,575,819
Cash and cash equivalents, beginning of year	<u>933,573</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,509,392</u></u>
Reconciliation to balance sheet:	
Current unrestricted cash and cash equivalents	\$ 3,093,318
Noncurrent restricted cash and cash equivalents	<u>1,416,074</u>
Cash and cash equivalents	<u><u>\$ 4,509,392</u></u>

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Statement of Cash Flows

Year ended September 30, 2003

Reconciliation of operating loss to net cash provided by operating activities:

Operating loss	\$	(535,880)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		1,877,818
Provision for bad debts		3,095,898
Change in assets and liabilities:		
Decrease in receivables		1,530,720
Increase in mortgage loans		(1,804,486)
Decrease in inventory – supplies		14,450
Increase in inventory – houses		(76,863)
Decrease in developer’s fees receivable from component unit		1,300,000
Increase in other assets		(263,054)
Increase in accounts payable		229,886
Increase in due to HUD		39,177
Increase in due to City of Roanoke		175,011
Decrease in due to component unit		(15,860)
Decrease in accrued salaries and benefits		(5,114)
Increase in trust and deposit liabilities		12,468
Decrease in accrued compensated absences		(5,208)
Increase in other liabilities		189,396
Decrease in homeowner mortgages payable		(146,260)
Net cash provided by operating activities	\$	<u>5,612,099</u>

Supplemental disclosure of cash flow information:

Noncash investing and financing activities:

Included in accounts payable at September 30, 2003 for the Primary Government is \$397,038 of capital assets purchased.

See accompanying notes to basic financial statements.

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Notes to Basic Financial Statements

September 30, 2003

(1) Summary of Significant Accounting Policies

The Roanoke Redevelopment and Housing Authority (the Authority) was created by the City of Roanoke (the City) in 1949 under the provisions of the United States Housing Act of 1937. The Authority is governed by a seven-member board of commissioners which is appointed by Roanoke's City Council for staggered four-year terms. The Board, in turn, elects a Chairman and employs an Executive Director to administer the affairs of the Authority.

The Authority uses available federal, state, and local resources to serve the residents of the City of Roanoke, Virginia by (a) upgrading and maintaining the existing housing stock; (b) encouraging the construction of new housing affordable to low and moderate income households; (c) promoting economic development efforts and providing assistance to communities in the City through community development programs; and (d) providing low and moderate income families and senior households with decent, safe, and affordable rental housing opportunities.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the Authority's more significant accounting policies:

(a) *Financial Reporting Model*

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments and had no impact on beginning net assets. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

- **Management's Discussion and Analysis (new in current year)** – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports and is included as required supplementary information.
- **Balance Sheet** – The Balance Sheet is designed to display the financial position of the primary government (business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Balance Sheet and report depreciation expense – the cost of "using up" capital assets – in the Statement of Revenues, Expenses and Changes in Net Assets. The net assets of the Authority will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted for capital projects; and 3) unrestricted.
- **Statement of Cash Flows** – The direct method is required by GASB Statement No. 34.

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Notes to Basic Financial Statements

September 30, 2003

Additionally, the GASB has issued the following pronouncements, the provisions of which have been implemented effective October 1, 2002:

- **GASB** Statement No. 37 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus* amends Statement No. 21, *Accounting for Escheat Property*, and Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. The amendments to GASB Statement No. 34 either (1) clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent application or (2) modify other provisions that the GASB believes may have unintended consequences in some circumstances.
- **GASB** Statement No. 38 *Certain Financial Statement Disclosures* requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of GASB Statement No. 34. While this Statement did not affect amounts reported in the financial statements of the Authority, certain note disclosures have been added and/or amended including future debt service and lease obligations in five year increments, short-term obligations, and interest rates.
- **GASB** Statement No. 40 *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)* establishes and modifies disclosure requirements related to investment risks (credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk while also establishing and modifying disclosure requirements for deposit risks.

(b) **Reporting Entity**

As required by GAAP, the accompanying financial statements present the financial data of the Authority (the primary government) and its discretely presented component unit. The financial data of the discretely presented component unit is included in the Authority’s financial statements because of the significance of its operational or financial relationships with the Authority. The Authority and its component unit are together referred to herein as the reporting entity.

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity is governed by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. These criteria state that the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on these criteria, the following entity has been identified as a component unit:

Discretely Presented Component Unit

The Authority has significant influence over the general partner (Shenandoah Crossings, Inc.) of a real estate limited partnership (Shenandoah Crossings, Limited Partnership) that has significant financial relationships with the Authority. The limited partnership interests are held by third parties unrelated to the Authority. The Authority has certain rights and responsibilities which enable it to

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Notes to Basic Financial Statements

September 30, 2003

impose its will on the limited partnership due to the significant influence over the general partner and financial relationships with the partnership.

The limited partnership was formed for the purpose of renovating an office building of historical and architectural significance into a luxury apartment complex. On May 24, 2001, the limited partnership acquired the vacant Norfolk & Western General Office Building South (historic name) located at 8 Jefferson Street, NW, Roanoke Virginia (the Office Building). The Office Building is an architectural landmark of Roanoke and is located in the commercial area north of the downtown business district. The limited partnership renovated the Office Building into an 87-unit apartment complex known as Eight Jefferson Place. Marketing activities of Eight Jefferson Place began July 2002 and rental of apartments to tenants began in September of 2002.

The responsibility for management of the affairs of the limited partnership, and the ongoing management of Shenandoah Crossing Apartments is vested with the general partner, Shenandoah Crossings, Inc. The limited partnership's December 31, 2003 year-end financial statements are included within the Authority's basic financial statements. Complete financial statements of the limited partnership can be obtained from Director of Administration of Roanoke Redevelopment and Housing Authority, 2624 Salem Turnpike N.W., Roanoke, VA 24017.

(c) Basis of Presentation

All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. Enterprise designations are used to account for activities (a) which are financed with debt that is solely secured by a pledge of the net revenues from fees and charges of the activity; (b) which are governed by laws or regulations that require that the activity's costs of providing services be recovered with fees and charges, rather than taxes or similar revenues; or (c) that the pricing policies of the activity establish fees and charges designed to recover its costs. 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.

(d) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are dwelling rentals, management and developer fees, intergovernmental revenues, interest on homeowner mortgage receivables, and proceeds from the sale of rehabilitated homes or newly-constructed homes in economically depressed areas. Operating expenses include administration, maintenance, insurance, payments in lieu of taxes, depreciation, amortization, and utilities as well as interest expense on low-interest

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Notes to Basic Financial Statements

September 30, 2003

homeowner loans, housing assistance payments, and rehabilitation and construction costs on homes for resale. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. This includes HUD debt service contributions, interest income and interest expense amounts, not discussed above.

(e) ***Revenue Recognition***

Dwelling rental revenues are recorded 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 individuals and families. HUD makes annual debt service contributions and monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments and administration fees for the Section 8 program. Such contributions are reflected as intergovernmental revenue in the accompanying financial statements, except for annual debt service contributions, which are recorded as nonoperating revenues.

Other intergovernmental revenues, which are primarily derived from the City, are reported under the legal contractual requirements of the individual programs.

(f) ***Cash and Cash Equivalents – Unrestricted and Restricted***

Cash and cash equivalents, including cash and cash equivalents – restricted, are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents – restricted consists of restricted deposits required to be maintained in accordance with mortgage note debt agreements. When an expense is incurred for which both restricted and unrestricted net assets are available, restricted assets are applied first.

(g) ***Investments – Restricted***

Investments – restricted are carried at fair value, with changes in fair value recognized as a component of investment income. Fair value is determined by reference to quoted market prices. Investments – restricted consists of funds pending the United States Department of Housing and Urban Development (HUD) approval for usage by the Authority.

(h) ***Mortgage Loans Receivable***

Mortgage loans are carried at their unpaid principal balance, net of any allowance for doubtful accounts determined by management.

(i) ***Inventory – Supplies and Inventory – Houses***

Inventory – supplies is valued at actual cost using first-in, first-out (FIFO) and consists of expendable materials and supplies. Inventory – houses is valued at actual cost and consists of homes constructed or renovated for sale to private homeowners.

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Notes to Basic Financial Statements

September 30, 2003

(j) Capital Assets

Capital assets are stated at historical cost or estimated historical cost. Contributed capital assets are valued at their estimated fair value on the date donated. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life of more than one year. Depreciation has been provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives using the straight-line method. The estimated useful lives are:

Dwellings and improvements	15 to 40 years
Furniture, equipment, and machinery	5 years
Infrastructure	30 years

Interest is normally expensed as incurred, except when it is incurred in conjunction with major capital additions, and then it is capitalized as part of the asset cost. The amounts of interest capitalized are determined by applying current interest rates to the funds required to finance the construction. Interest capitalized by the component unit as of the year ended December 31, 2003 totaled \$306,950.

(k) Compensated Absences

Authority employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation in full up to 45 days. Sick leave is not vested and is not paid to an employee upon separation. Vested or accumulated vacation is recorded as an expense and liability as the benefits accrue to employees. Sick leave is recorded as an expense as the employee utilizes it.

In accordance with GAAP, the liability calculations include an accrual at the current rate of ancillary salary-related payments (i.e., the employer's share of social security and Medicare taxes) associated with its ultimate liquidation.

(l) Debt Obligations

Notes payable, mortgages payable, bonds payable, and permanent notes are carried at the outstanding face amount.

(m) Income Taxes

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

(n) Use of Estimates

Management of the Authority has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Notes to Basic Financial Statements

September 30, 2003

(2) Cash and Investments

The Authority's cash and investments may be invested in the following HUD-approved vehicles:

- Direct obligations of the federal government backed by the full faith and credit of the United States;
- Obligations of government agencies;
- Securities of government sponsored agencies;
- Demand and savings deposits; and,
- Time deposits and repurchase agreements.

At September 30, 2003, the Authority's cash (both restricted and unrestricted) were in bank deposits or a money market fund that were insured or collateralized with securities held by the Authority or by its agent in the Authority's name. The Authority's investments were in short-term U.S. Government agency securities.

(3) Due From/To Other Governments

Amounts due from and due to other governments at September 30, 2003 were as follows:

	<u>Amounts due from other governments</u>	<u>Amounts due to other governments</u>
HUD	\$ 1,738,197	359,712
City of Roanoke	188,595	2,148,303
	<u>\$ 1,926,792</u>	<u>2,508,015</u>

(4) Mortgage Loans Receivable

Under one of the Authority's programs, qualified residents who are unable to obtain financing from commercial sources may be loaned funds by the Authority. The Authority has borrowed \$1,658,058 of the funds used in the program from SunTrust Bank (SunTrust), with the mortgage loans pledged as security (see note 6(a)). There is a required reserve for loan losses of \$225,000 in SunTrust's \$2,250,000 Note Purchase agreement to cover these loans. As of September 30, 2003, the Loan Loss Reserve balance was \$225,074. The remaining portion of the funds have been obtained from the City of Roanoke. Repayment of principal and interest to the City is deferred, without interest, for periods of up to fifteen years.

Mortgage loans held by the Authority are collateralized by single-family residences. The following is the risk profile of the Authority's loan portfolio as of September 30, 2003:

Mortgage loans guaranteed by the City	\$ 2,058,009
Mortgage loans for which the Authority bears risk of loss	<u>3,148,275</u>
Total mortgage loans	5,206,284
Less current portion	<u>292,390</u>
Mortgage loans – noncurrent portion	<u>\$ 4,913,894</u>

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Notes to Basic Financial Statements

September 30, 2003

(5) Capital Assets

Capital asset activity for the year ended September 30, 2003, is as follows:

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>
Capital assets, not being depreciated:				
Land	\$ 16,475,397	3,716,842	661,898	19,530,341
Construction in progress	<u>17,963,373</u>	<u>2,179,702</u>	<u>4,118,753</u>	<u>16,024,322</u>
Total capital assets, not being depreciated	<u>34,438,770</u>	<u>5,896,544</u>	<u>4,780,651</u>	<u>35,554,663</u>
Capital assets, being depreciated:				
Dwelling and improvements	44,748,236	5,449,179	1,823,670	48,373,745
Furniture, equipment and machinery	3,032,610	132,819	266,589	2,898,840
Infrastructure	<u>1,107,722</u>	<u>160,104</u>	<u>—</u>	<u>1,267,826</u>
Total capital assets being depreciated	<u>48,888,568</u>	<u>5,742,102</u>	<u>2,090,259</u>	<u>52,540,411</u>
Less accumulated depreciation for:				
Dwelling and improvements	33,760,524	1,386,206	—	35,146,730
Furniture, equipment and machinery	2,324,500	305,471	240,915	2,389,056
Infrastructure	<u>5,046,329</u>	<u>186,141</u>	<u>—</u>	<u>5,232,470</u>
Total accumulated depreciation	<u>41,131,353</u>	<u>1,877,818</u>	<u>240,915</u>	<u>42,768,256</u>
Total capital assets being depreciated, net	<u>7,757,215</u>	<u>3,864,284</u>	<u>1,849,344</u>	<u>9,772,155</u>
Total capital assets, net	\$ <u><u>42,195,985</u></u>	<u><u>9,760,828</u></u>	<u><u>6,629,995</u></u>	<u><u>45,326,818</u></u>

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Notes to Basic Financial Statements

September 30, 2003

Real estate limited partnership (component unit) capital asset activity for the year ended December 31, 2003, is as follows:

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>
Capital assets, being depreciated:				
Land improvements	\$ 236,851	—	—	236,851
Dwelling and improvements	12,010,170	19,135	—	12,029,305
Furniture, equipment and machinery	<u>15,854</u>	<u>—</u>	<u>—</u>	<u>15,854</u>
Total capital assets, being depreciated	<u>12,262,875</u>	<u>19,135</u>	<u>—</u>	<u>12,282,010</u>
Less accumulated depreciation for:				
Land improvements	1,185	7,111	—	8,296
Dwelling and improvements	49,386	296,869	—	346,255
Furniture, equipment and machinery	<u>528</u>	<u>3,171</u>	<u>—</u>	<u>3,699</u>
Total accumulated depreciation	<u>51,099</u>	<u>307,151</u>	<u>—</u>	<u>358,250</u>
Component unit capital assets, net	<u>\$ 12,211,776</u>	<u>(288,016)</u>	<u>—</u>	<u>11,923,760</u>

(6) Note Payable and Long-Term Debt

(a) Home Owners' Mortgages Payable

Mortgages payable at September 30, 2003 consisted of the following:

6.71% mortgage payable to SunTrust Bank. Principal and interest due in monthly installments of \$9,820 through April 1, 2014. Refinanced December 31, 2002 with SunTrust Bank: principal and interest due in monthly installments of \$4,438 through April 15, 2014. Note collateralized by deeds of trust on various single-family residences. \$ 318,360

Mortgages payable to SunTrust Bank at rates ranging from 4.70% to 8.13%. Principal and interest due in monthly installments of varying amounts through April 1, 2017. Notes collateralized by deeds of trust on various single-family residences. 1,339,698

(b) Mortgages Payable

Mortgage payable to SunTrust Bank with principal of \$3,542 due in monthly installments and interest adjusted monthly at LIBOR plus 1%. The remaining balance due on September 1, 2008. Note collateralized by deeds of trust on various residential properties. 850,000

Total mortgages payable \$ 2,508,058

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Notes to Basic Financial Statements

September 30, 2003

Aggregate annual debt service requirements to maturity for mortgages payable are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended September 30:		
2004	\$ 151,137	126,232
2005	158,817	117,476
2006	166,796	108,475
2007	175,333	98,917
2008	819,014	88,886
2009 – 2013	717,084	217,117
2014 – 2017	319,877	27,823
	<u>\$ 2,508,058</u>	<u>784,926</u>

(c) Bonds Payable and Permanent Notes

To permanently finance certain public housing projects, the Authority issued bonds in the original principal amount of \$10,035,000 with interest at 4.375% and 4.875% maturing in September 2008 and 2011. The bonds are secured by the projects' land, structures, and equipment. Debt service on the bonds (principal and interest) is paid annually by HUD under an annual contributions contract. As of September 30, 2003, the outstanding principal balance of these bonds payable was \$3,500,000, the current portion of which totaled \$405,000.

During fiscal year 2003, to permanently finance certain public housing projects, the Authority issued bonds in the original principal amount of \$3,315,000 with interest rates from 1.60% to 4.50% maturing in September 2014. The bonds are secured by the projects' land, structures, and equipment. As of September 30, 2003, the outstanding principal balance of these bonds payable was \$3,070,000, the current portion of which totaled \$240,000.

To permanently finance certain public housing projects, the Authority issued notes to the Federal Financing Bank in the original principal amount of \$3,042,616. These notes are payable in annual installments each November 1 until maturity in 2011 and 2013, with interest at 6.6% and are secured by the projects' land, structures, and equipment. Debt service on the notes (principal and interest) is paid annually by HUD under an annual contributions contract. As of September 30, 2003, the outstanding principal balance of these permanent notes was \$1,617,523, the current portion of which totaled \$121,439.

Aggregate annual debt service requirements to maturity for bonds payable and permanent notes are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended September 30:		
2004	\$ 766,439	666,195
2005	799,184	651,810
2006	827,981	635,724
2007	872,087	619,154
2008	906,795	1,240,715
2009 – 2013	3,685,037	2,493,828
2014	330,000	649,876
	<u>\$ 8,187,523</u>	<u>6,957,302</u>

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Notes to Basic Financial Statements

September 30, 2003

(d) Note Payable to Bank

During prior fiscal years, the Authority entered into a note payable with a commercial bank that permits the Authority to borrow up to \$2.2 million, bearing interest of LIBOR plus 1.8% with interest payments due monthly. The principal balance of \$2.2 million and unpaid interest were due and paid in full in February 2003.

(e) Other

The Authority has two standby letters of credit to support the operations of an apartment complex owned by the component unit. The standby letters of credit of \$108,102 and \$195,000 mature October 29, 2003 and November 27, 2004, respectively. There were no amounts outstanding on the standby letters of credit as of September 30, 2003.

(f) Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2003 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Mortgages payable	\$ 495,287	850,000	495,287	850,000	42,500
Homeowners' mortgages payable	1,531,401	354,450	227,793	1,658,058	108,637
Bonds and permanent notes payable	5,611,443	3,315,000	738,920	8,187,523	766,439
Bank note payable	2,200,000	—	2,200,000	—	—
Due to City of Roanoke	1,973,292	281,565	106,554	2,148,303	131,811
Vested compensated absences	350,788	215,612	220,820	345,580	179,133
	<u>\$ 12,162,211</u>	<u>5,016,627</u>	<u>3,989,374</u>	<u>13,189,464</u>	<u>1,228,520</u>

(7) Notes Payable and Long-Term Debt – Component Unit

(a) Mortgage Loan

In May 2001, the Partnership entered into a building loan with a mortgage company to fund the renovation and construction activities of the Project until the closing of permanent financing was obtained in the form of a mortgage loan. On May 12, 2003, such permanent financing was closed, and the building loan was converted to a mortgage loan totaling \$5,223,300. The mortgage loan is collateralized by the land and structures of the Project. The interest rate of the mortgage loan is 7.25% with payments of principal and interest due in monthly installments of \$33,412. The remaining balance, if any, is due in full on June 1, 2042. The outstanding balance on the mortgage loan at December 31, 2003 was \$5,188,147, the current portion of which totaled \$25,644.

Under the terms of the building loan, the Partnership was required to fund change orders, upon their completion, through a construction escrow account held by the mortgage company. These funds were released for payment upon final inspection of the related change order construction.

In connection with obtaining the mortgage loan described above, the component unit incurred financing costs totaling \$213,550. These financing costs have been deferred by the component unit

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

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September 30, 2003

and are included in other assets of the component unit. These deferred financing costs are amortizing on the straight-line method over the life of the mortgage loan.

(b) Notes Payable

Notes payable at December 31, 2003 consist of the following:

<u>Note holder(s)</u>	<u>Terms</u>	<u>Outstanding balance</u>
<u>Permanent notes</u>		
Shenandoah Crossings, Inc. – a related party	Unsecured promissory note for an amount up to \$501,290 bearing interest at 4% annually with interest payments due monthly, any outstanding principal is due May 1, 2042.	\$ 501,290
Shenandoah Crossings, Inc. – a related party	Unsecured promissory note for an amount up to \$695,164 bearing interest at 4% annually with interest payments due monthly, any outstanding principal is due May 1, 2042.	695,164
Shenandoah Crossings, Inc. – a related party	Unsecured promissory note for an amount up to \$207,849 bearing interest at 4% annually with interest payments due monthly, any outstanding principal is due May 1, 2042.	207,849
Shenandoah Crossings, Inc. – a related party	Unsecured promissory note for an amount up to \$278,566 bearing interest at 4% annually with interest payments due monthly, any outstanding principal is due May 1, 2042.	278,566
Shenandoah Crossings, Inc. – a related party	Unsecured promissory note for an amount up to \$39,000 bearing interest at 4% annually with interest payments due monthly, any outstanding principal is due May 1, 2042.	39,000
Subtotal		<u>1,721,869</u>
<u>Primary Government</u>		
Roanoke Redevelopment and Housing Authority – a related party	Unsecured promissory note for an amount up to \$1,200,000 bearing interest at 4% annually with interest payments due monthly, any outstanding principal is due May 1, 2042 (see note 11).	1,200,000
Roanoke Redevelopment and Housing Authority – a related party	Unsecured promissory note for an amount up to \$3,000,000 bearing interest at 4% annually with interest payments due monthly, any outstanding principal is due May 1, 2042 (see note 11).	114,279
Subtotal		<u>1,314,279</u>
Total		<u>\$ 3,036,148</u>

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Notes to Basic Financial Statements

September 30, 2003

(c) Debt Service Requirements to Maturity

Debt service requirements to maturity for component unit mortgages and notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended December 31:		
2004	\$ 25,644	496,746
2005	27,566	494,823
2006	29,633	492,757
2007	31,854	490,536
2008	34,242	488,148
2009 – 2013	213,779	2,398,170
2014 – 2018	306,848	2,305,100
2019 – 2023	440,435	2,171,514
2024 – 2028	632,179	1,979,770
2029 – 2033	907,398	1,704,550
2034 – 2038	1,302,435	1,309,514
2039 – 2042	4,272,282	571,991
	<u>\$ 8,224,295</u>	<u>14,903,619</u>

(d) Changes in Long-Term Liabilities

Long-term liability activity for the component unit for the year ended December 31, 2003 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Mortgage loan	\$ 4,837,393	385,907	35,153	5,188,147	25,644
Notes payable	5,604,303	317,566	2,885,721	3,036,148	—
Developer's fee payable	1,300,000	—	—	1,300,000	—
	<u>\$ 11,741,696</u>	<u>703,473</u>	<u>2,920,874</u>	<u>9,524,295</u>	<u>25,644</u>

(8) Conduit Debt

The Authority, with the approval of the City or other Commonwealth of Virginia local governmental entities, may issue and sell debt to finance the acquisition, development, construction and/or rehabilitation of mixed-use and/or multi-family housing projects and commercial facilities deemed to be in the public interest. Such debt is payable solely from the revenue of the projects, which are owned by the developers, and does not constitute a debt or pledge of the full faith and credit of the Authority, the Commonwealth of Virginia or any political subdivision thereof. Accordingly, such debt and related assets are not presented in the basic financial statements. The aggregate amount of all conduit debt obligations outstanding was approximately \$10,555,840 as of September 30, 2003. No debt of this type was issued for the year ended September 30, 2003.

(9) Pension Plan

The Authority maintains a defined contribution retirement plan and a 401(k) plan for its employees. Contributions are paid to Citistreet, which invests the funds through a group annuity contract.

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Notes to Basic Financial Statements

September 30, 2003

The Authority contributes a total of 16% of each participant’s compensation for the plan year (calendar year), 14% is allocated to the individual’s retirement account and 2% is allocated to the individual’s 401(k) account. Effective April 2003, the 401(k) plan was amended eliminating the 2% contribution allocated to the individual’s account. All employees whose customary employment is or is reasonably expected to be for at least 20 hours per week for 5 months per year are eligible. A participant may contribute up to 9% of his or her compensation per plan year to the plans.

Employees are fully vested as of the contribution date for amounts allocated to 401(k) accounts. Employees who retire at or after age 55 or 20 years of credited service are fully vested and receive a 100% distribution of their retirement account balances. Upon termination of the employee for any reason other than retirement, death, or total and permanent disability, the employee is entitled to benefits based on the following vesting percentages for the individual’s retirement account:

<u>Completed years of credited service</u>	<u>Vested percentage</u>
0	0%
1	20%
2	40%
3	60%
4	80%
5-more	100%

Employer contributions are paid to Citistreet biweekly. Total current year payroll for all Authority employees were \$3,157,929 and contributions by the Authority were \$503,091 for the year ended September 30, 2003. All contributions were fully funded at September 30, 2003.

(10) Risk Management

The Authority is exposed to various risks of loss from torts, theft of, damage to, or destruction of assets, business interruption, errors or omissions, job-related illnesses or injuries to employees, and natural disasters. The Authority has purchased commercial insurance to mitigate its exposure for such losses. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductibles and maximums are exceeded, this could cause the Authority to suffer losses if a loss is incurred from any such incidents. The ultimate outcome of uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. Settled claims to date have not exceeded coverage levels, and insurance coverage, by major categories of risk, is consistent with coverage in the prior year.

(11) Intra-reporting Entity Balances

As the Authority and its component unit are presented with differing fiscal year ends within the basic financial statements, transactions occurring between the two parties and between the two fiscal year ends cause intra-reporting entity balances presented to be different. Specifically, at September 30, 2003 the Authority was owed \$724,279 for a note receivable from the component unit. In December 2003, the component unit paid \$610,000 of its payable to the Authority, leaving an outstanding obligation to the Authority at December 31, 2003 of \$114,279 which is included as part of the component unit’s \$1,314,279 notes payable balance per the balance sheet.

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Notes to Basic Financial Statements

September 30, 2003

(12) Contingencies and Other Matters

(a) Grants

The Authority receives grant funds, principally from HUD and the City, for various programs. Monies from HUD are both received directly from the federal agency as well as passed through the City. Certain expenditures of these funds are subject to audit by HUD or the City, and the Authority is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the Authority, no material refunds will be required as a result of expenditures disallowed by HUD or the City.

During the fiscal year ended September 30, 2003, the Authority closed out one capital fund grant. The following schedule summarizes the grant closed during 2003:

<u>Grant Description</u>	<u>Expenditures prior to fiscal year 2003</u>	<u>Expenditures for fiscal year 2003</u>	<u>Total expenditures</u>
Grant 501	\$ 2,371,423	105,693	2,477,116

(b) Cooperation Agreements with the City of Roanoke

The Authority is a party to a number of cooperation agreements involving the City of Roanoke. In the current year, such agreements with the City have included the Lincoln Infrastructure Agreement, the Shenandoah's Crossing Agreement, the Greater Gainsboro Redevelopment Area Cooperation Agreement, and the South Jefferson Agreement. Expenses related to these cooperation agreements totaled \$5,657,055 and have been recorded in operating expenses for the year ended September 30, 2003. Authority management is not aware of any circumstances currently existing which exposes the Authority to any significant financial risks related to these cooperation agreements.

(c) Agreements with the Component Unit

On May 18, 2001, the Authority entered into a development agreement with the component unit whereby the Authority agreed to perform certain services relating to planning activities, coordination and arrangement of financing and administrative services of an apartment complex for the component unit. In return for the services provided in the agreement, the Authority is entitled to receive a developer's fee. As of and for the year ended September 30, 2003, \$1,300,000 in development fees have been recorded by the Authority and the component unit under this agreement. Payment is to be made with future contributions from limited partners of the component unit and cash flows of the apartment complex no later than January 1, 2009 in accordance with the development agreement. However, based on current forecasts, the Authority established a 100% reserve related to the \$1,300,000 accrued developer's fee for the current fiscal year.

Also on May 18, 2001, the Authority entered into a supervisory management and incentive agreement with the component unit. Under the agreement, the Authority provides consulting services regarding compliance with historical tax credits, assistance in developing a marketing program and asset management services. As of and for the year ended September 30, 2003, no fees or revenues have been recorded by the Authority or component unit under this agreement as payment is contingent upon future cash flows of the apartment complex which cannot be readily determined.

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Financial Data Schedule – Balance Sheet Information

September 30, 2003

FDS Item #	Account Description	Low Rent Public Housing 14.850	Housing Choice Vouchers Program 14.871	Section 8 Mod. Rehab. Program 14.856 004	Section 8 Mod. Rehab. Program 14.856 005	Section 8 Mod. Rehab. Program 14.856 006
Current assets:						
111	Cash – unrestricted	\$ 400	—	—	—	—
113	Cash – other restricted	1,191,074	—	—	—	—
114	Cash – tenant security deposits	155,214	—	—	—	—
100	Total cash	1,346,688	—	—	—	—
122	Accounts receivable – HUD other projects	—	7,977	—	—	9,454
124	Accounts receivable – other government	—	—	—	—	—
125	Accounts receivable – miscellaneous	1,608	—	—	—	—
126	Accounts receivable – tenants – dwelling rents	43,935	—	—	—	—
126.1	Allowance for doubtful accounts – dwelling rents	(8,939)	—	—	—	—
127	Notes and mortgages receivable – current	—	—	—	—	—
129	Accrued interest receivable	14,213	—	—	—	—
120	Total receivables, net of allowances for uncollectibles	50,817	7,977	—	—	9,454
131	Investments	2,000,000	—	—	—	—
132	Investments – restricted	104,468	—	—	—	—
142	Prepaid expenses and other assets	162,825	—	—	—	—
143	Inventories	128,459	—	—	—	—
144	Interprogram – due from	2,585,491	585,451	48,615	234,638	62,652
145	Assets held for sale	—	—	—	—	—
150	Total current assets	6,378,748	593,428	48,615	234,638	72,106
Fixed assets:						
161	Land	7,673,920	—	—	—	—
162	Buildings	46,809,179	233,250	—	—	—
163	Furniture, equipment and machinery – dwellings	631,585	—	—	—	—
164	Furniture, equipment and machinery – administration	2,012,865	153,163	—	—	—
166	Accumulated depreciation	(41,634,738)	(326,232)	—	—	—
167	Construction in progress	—	—	—	—	—
168	Infrastructure	—	—	—	—	—
160	Total fixed assets, net of accumulated depreciation	15,492,811	60,181	—	—	—
171	Notes and mortgages receivable – noncurrent	—	—	—	—	—
173	Grants receivable – noncurrent	—	—	—	—	—
174	Other assets	24,865	—	—	—	—
180	Total noncurrent assets	15,517,676	60,181	—	—	—
190	Total assets	\$ 21,896,424	653,609	48,615	234,638	72,106

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Financial Data Schedule – Balance Sheet Information

September 30, 2003

FDS Item #	Account Description	House Counseling Assistance Program 14.169	Comprehensive Grant Program 14.859	HOPE VI 14.866	Resident Opportunity and Self Sufficiency 14.870	Drug Elimination Program 14.854	Community Development Block Grant 14.218	HOME 14.239
	Current assets:							
111	Cash – unrestricted	\$ —	—	—	—	—	—	—
113	Cash – other restricted	—	—	—	—	—	—	—
114	Cash – tenant security deposits	—	—	—	—	—	—	—
100	Total cash	—	—	—	—	—	—	—
122	Accounts receivable – HUD other projects	3,897	—	983,225	46,154	15,624	—	—
124	Accounts receivable – other government	—	—	—	—	—	37,062	5,521
125	Accounts receivable – miscellaneous	—	—	—	—	—	48,351	—
126	Accounts receivable – tenants – dwelling rents	—	—	—	—	—	—	—
126.1	Allowance for doubtful accounts – dwelling rents	—	—	—	—	—	—	—
127	Notes and mortgages receivable – current	—	—	—	—	—	70,011	66,638
129	Accrued interest receivable	—	—	—	—	—	—	—
	Total receivables, net of allowances for uncollectibles	3,897	—	983,225	46,154	15,624	155,424	72,159
131	Investments	—	—	—	—	—	—	—
132	Investments – restricted	—	—	—	—	—	—	—
142	Prepaid expenses and other assets	—	—	—	—	—	—	—
143	Inventories	—	—	—	—	—	—	—
144	Interprogram – due from	—	—	—	—	—	—	—
145	Assets held for sale	—	—	—	—	—	37,150	113,183
150	Total current assets	3,897	—	983,225	46,154	15,624	192,574	185,342
	Fixed assets:							
161	Land	—	—	—	—	—	4,144,209	—
162	Buildings	—	—	—	—	88,973	—	—
163	Furniture, equipment and machinery – dwellings	—	—	—	—	—	—	—
164	Furniture, equipment and machinery – administration	—	—	—	—	2,100	—	—
166	Accumulated depreciation	—	—	—	—	(119,202)	(22,320)	—
167	Construction in progress	—	—	11,568,056	—	—	—	—
168	Infrastructure	—	—	—	—	107,715	669,604	—
160	Total fixed assets, net of accumulated depreciation	—	—	11,568,056	—	79,586	4,791,493	—
171	Notes and mortgages receivable – noncurrent	—	—	—	—	—	336,785	1,584,576
173	Grants receivable – noncurrent	—	—	—	—	—	—	—
174	Other assets	—	—	—	—	—	4,451	2,870
180	Total noncurrent assets	—	—	11,568,056	—	79,586	5,132,729	1,587,446
190	Total assets	\$ 3,897	—	12,551,281	46,154	95,210	5,325,303	1,772,788

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Financial Data Schedule – Balance Sheet Information

September 30, 2003

FDS Item #	Account Description	City Activities and Cooperation Agreements	HOP	Revolving Fund	Shelter Plus Care 14.238	Non-publicly Funded Activities	Capital Fund Program 14.872	Total Primary Government	Component Unit
	Current assets:								
111	Cash – unrestricted	\$ 17,169	—	2,920,535	—	—	—	2,938,104	567
113	Cash – other restricted	225,000	—	—	—	—	—	1,416,074	46,900
114	Cash – tenant security deposits	—	—	—	—	—	—	155,214	—
100	Total cash	242,169	—	2,920,535	—	—	—	4,509,392	47,467
122	Accounts receivable – HUD other projects	—	—	—	—	—	414,912	1,481,243	—
124	Accounts receivable – other government	146,012	—	—	—	—	—	188,595	—
125	Accounts receivable – miscellaneous	—	—	—	—	—	—	49,959	5,917
126	Accounts receivable – tenants – dwelling rents	—	—	—	—	10,941	—	54,876	—
126.1	Allowance for doubtful accounts – dwelling rents	—	—	—	—	—	—	(8,939)	—
127	Notes and mortgages receivable – current	129,514	1,290	—	—	24,937	—	292,390	—
129	Accrued interest receivable	—	—	1,266	—	—	—	15,479	—
120	Total receivables, net of allowances for uncollectibles	275,526	1,290	1,266	—	35,878	414,912	2,073,603	5,917
131	Investments – restricted	—	—	—	—	—	—	2,000,000	—
132	Investments – restricted	—	—	—	—	—	—	104,468	—
142	Prepaid expenses and other assets	—	—	—	—	—	—	162,825	104,597
143	Inventories	—	—	—	—	—	—	128,459	—
144	Interprogram – due from	1,056,595	634,567	2,284,276	—	—	—	7,492,285	—
145	Assets held for sale	21,124	55,074	—	—	—	—	226,531	—
150	Total current assets	1,595,414	690,931	5,206,077	—	35,878	414,912	16,697,563	157,981
	Fixed assets:								
161	Land	7,465,118	—	—	—	247,094	—	19,530,341	236,851
162	Buildings	—	—	—	—	1,242,343	—	48,373,745	12,029,305
163	Furniture, equipment and machinery – dwellings	—	—	—	—	86,618	—	718,203	15,854
164	Furniture, equipment and machinery – administration	—	—	—	—	12,509	—	2,180,637	—
166	Accumulated depreciation	(16,350)	—	—	—	(649,414)	—	(42,768,256)	(358,250)
167	Construction in progress	—	—	—	—	—	4,456,266	16,024,322	—
168	Infrastructure	490,507	—	—	—	—	—	1,267,826	—
160	Total fixed assets, net of accumulated depreciation	7,939,275	—	—	—	939,150	4,456,266	45,326,818	11,923,760
171	Notes and mortgages receivable – noncurrent	2,695,366	24,000	—	—	997,446	—	5,638,173	—
173	Grants receivable – noncurrent	—	—	—	—	—	82,031	82,031	—
174	Other assets	—	—	—	—	74,123	—	106,309	207,563
180	Total noncurrent assets	10,634,641	24,000	—	—	2,010,719	4,538,297	51,153,331	12,131,323
190	Total assets	\$ 12,230,055	714,931	5,206,077	—	2,046,597	4,953,209	67,850,894	12,289,304

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Financial Data Schedule – Balance Sheet Information

September 30, 2003

FDS Item #	Account Description	Low Rent Public Housing 14.850	Housing Choice Vouchers Program 14.871	Section 8 Mod. Rehab. Program 14.856 004	Section 8 Mod. Rehab. Program 14.856 005	Section 8 Mod. Rehab. Program 14.856 006
Current liabilities:						
312	Accounts payable < 90 days	\$ 156,415	22,222	19	—	—
321	Accrued wage/payroll taxes payable	153,340	21,586	—	—	—
322	Accrued compensated absences	124,862	16,298	—	—	—
325	Accrued interest payable	9,108	—	—	—	—
331	Accounts payable – HUD PHA programs	104,468	66,589	27,992	148,082	12,581
333	Accounts payable – other government	65,346	—	—	—	—
341	Tenant security deposits	155,180	—	—	—	—
342	Deferred revenue	—	—	—	—	—
343	Current portion of long-term debt – capital projects	240,000	—	—	—	—
345	Other current liabilities	—	—	—	—	—
346	Accrued liabilities – other	—	—	—	—	—
347	Interprogram – due to	—	—	—	—	—
310	Total current liabilities	<u>1,008,719</u>	<u>126,695</u>	<u>28,011</u>	<u>148,082</u>	<u>12,581</u>
Noncurrent liabilities:						
351	Long-term debt, net of current – capital projects	2,830,000	—	—	—	—
353	Noncurrent liabilities – other	—	—	—	—	—
354	Accrued compensated absences – noncurrent	113,232	11,052	—	—	—
350	Total noncurrent liabilities	<u>2,943,232</u>	<u>11,052</u>	<u>—</u>	<u>—</u>	<u>—</u>
300	Total liabilities	<u>3,951,951</u>	<u>137,747</u>	<u>28,011</u>	<u>148,082</u>	<u>12,581</u>
Net assets:						
511.1	Restricted Net Assets	121,074	—	—	—	—
512.1	Unrestricted Net Assets	4,330,588	455,681	20,604	86,556	59,525
508.1	Invested in Capital Assets, net of related debt	13,492,811	60,181	—	—	—
513	Total net assets	<u>17,944,473</u>	<u>515,862</u>	<u>20,604</u>	<u>86,556</u>	<u>59,525</u>
600	Total liabilities and net assets	<u>\$ 21,896,424</u>	<u>653,609</u>	<u>48,615</u>	<u>234,638</u>	<u>72,106</u>

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Financial Data Schedule – Balance Sheet Information

September 30, 2003

FDS Item #	Account Description	House Counseling Assistance Program 14.169	Comprehensive Grant Program 14.859	HOPE VI 14.866	Resident Opportunity and Self Sufficiency 14.870	Drug Elimination Program 14.854	Community Development Block Grant 14.218	HOME 14.239
	Current liabilities:							
312	Accounts payable < 90 days	\$ —	—	70,935	46,154	7,481	32,403	406
321	Accrued wage/payroll taxes payable	—	—	3,768	—	—	10,755	1,121
322	Accrued compensated absences	—	—	2,494	—	—	7,695	1,725
325	Accrued interest payable	—	—	—	—	—	—	—
331	Accounts payable – HUD PHA programs	—	—	—	—	—	—	—
333	Accounts payable – other government	—	—	—	—	—	49,609	16,856
341	Tenant security deposits	—	—	—	—	—	—	—
342	Deferred revenue	—	—	—	—	—	—	—
343	Current portion of long-term debt – capital projects	—	—	—	—	—	—	—
345	Other current liabilities	—	—	5,663	—	—	58,517	163,673
346	Accrued liabilities – other	—	—	—	—	—	8,260	—
347	Interprogram – due to	3,897	—	900,365	—	8,143	25,335	1,561
310	Total current liabilities	<u>3,897</u>	<u>—</u>	<u>983,225</u>	<u>46,154</u>	<u>15,624</u>	<u>192,574</u>	<u>185,342</u>
	Noncurrent liabilities:							
351	Long-term debt, net of current – capital projects	—	—	—	—	—	—	—
353	Noncurrent liabilities – other	—	—	—	—	—	336,785	1,584,576
354	Accrued compensated absences – noncurrent	—	—	—	—	—	4,451	2,870
350	Total noncurrent liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>341,236</u>	<u>1,587,446</u>
300	Total liabilities	<u>3,897</u>	<u>—</u>	<u>983,225</u>	<u>46,154</u>	<u>15,624</u>	<u>533,810</u>	<u>1,772,788</u>
	Net assets:							
511.1	Restricted Net Assets	—	—	—	—	—	—	—
512.1	Unrestricted Net Assets	—	—	—	—	—	—	—
508.1	Invested in Capital Assets, net of related debt	—	—	11,568,056	—	79,586	4,791,493	—
513	Total net assets	<u>—</u>	<u>—</u>	<u>11,568,056</u>	<u>—</u>	<u>79,586</u>	<u>4,791,493</u>	<u>—</u>
600	Total liabilities and net assets	<u>\$ 3,897</u>	<u>—</u>	<u>12,551,281</u>	<u>46,154</u>	<u>95,210</u>	<u>5,325,303</u>	<u>1,772,788</u>

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Financial Data Schedule – Balance Sheet Information

September 30, 2003

FDS Item #	Account Description	City Activities and Cooperation Agreements	HOP	Revolving Fund	Shelter Plus Care 14.238	Non-publicly Funded Activities	Capital Fund Program 14.872	Total Primary Government	Component Unit
Current liabilities:									
312	Accounts payable < 90 days	\$ 11,389	366	—	—	3,964	314,714	666,468	4,000
321	Accrued wage/payroll taxes payable	5,280	453	(1,932)	—	3,221	16,151	213,743	—
322	Accrued compensated absences	9,173	323	—	—	2,670	13,893	179,133	—
325	Accrued interest payable	4,552	—	—	—	—	—	13,660	179,654
331	Accounts payable – HUD PHA programs	—	—	—	—	—	—	359,712	—
333	Accounts payable – other government	—	—	—	—	—	—	131,811	—
341	Tenant security deposits	—	—	—	—	5,796	—	160,976	46,900
342	Deferred revenue	796,493	—	—	—	—	—	796,493	—
343	Current portion of long-term debt – capital projects	—	—	—	—	42,500	—	282,500	25,644
345	Other current liabilities	127,738	—	—	—	2,104	11,998	369,693	—
346	Accrued liabilities – other	—	—	—	—	608	—	8,868	2,875
347	Interprogram – due to	—	—	5,208,009	—	1,286,819	58,156	7,492,285	—
310	Total current liabilities	954,625	1,142	5,206,077	—	1,347,682	414,912	10,675,342	259,073
Noncurrent liabilities:									
351	Long-term debt, net of current – capital projects	—	—	—	—	807,500	—	3,637,500	8,198,651
353	Noncurrent liabilities – other	2,844,551	—	—	—	—	71,197	4,837,109	1,504,854
354	Accrued compensated absences – noncurrent	21,720	—	—	—	2,288	10,834	166,447	—
350	Total noncurrent liabilities	2,866,271	—	—	—	809,788	82,031	8,641,056	9,703,505
300	Total liabilities	3,820,896	1,142	5,206,077	—	2,157,470	496,943	19,316,398	9,962,578
Net assets:									
511.1	Restricted Net Assets	—	—	—	—	—	—	121,074	—
512.1	Unrestricted Net Assets	469,884	713,789	—	—	(200,023)	—	5,936,604	(1,372,739)
508.1	Invested in Capital Assets, net of related debt	7,939,275	—	—	—	89,150	4,456,266	42,476,818	3,699,465
513	Total net assets	8,409,159	713,789	—	—	(110,873)	4,456,266	48,534,496	2,326,726
600	Total liabilities and net assets	\$ 12,230,055	714,931	5,206,077	—	2,046,597	4,953,209	67,850,894	12,289,304

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY
 Financial Data Schedule – Statement of Revenue and Expenses Information
 Year Ended September 30, 2003

FDS Item #	Account Description	Low Rent Public Housing 14.850	Housing Choice Vouchers Program 14.871	Section 8 Mod. Rehab. Program 14.856 004	Section 8 Mod. Rehab. Program 14.856 005	Section 8 Mod. Rehab. Program 14.856 006
Revenue:						
703	Net tenant rental revenue	\$ 2,189,060	—	—	—	—
704	Tenant revenue – other	83,424	—	—	—	—
705	Total tenant revenue	<u>2,272,484</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
706	HUD PHA grants	5,156,907	5,746,515	69,673	370,851	114,760
706.1	Capital grants	—	—	—	—	—
708	Other government grants	—	—	—	—	—
711	Investment income – unrestricted	24,215	2,002	13	137	35
712	Mortgage interest income	—	—	—	—	—
713	Proceeds from disposition of assets held for sale	—	—	—	—	—
713.1	Cost of sale of assets	—	—	—	—	—
714	Fraud recovery	—	1,004	—	—	—
715	Other revenue	46,497	151	—	—	—
716	Gain or loss on the sale of capital assets	15,990	3,705	—	—	—
720	Investment income – restricted	945	—	—	—	—
700	Total revenue	<u>7,517,038</u>	<u>5,753,377</u>	<u>69,686</u>	<u>370,988</u>	<u>114,795</u>
Expenses:						
911	Administrative salaries	1,090,169	272,549	322	1,259	580
912	Auditing fees	64,250	18,296	181	1,045	477
914	Compensated absences	159,731	20,028	—	—	—
915	Employee benefit contributions – administrative	408,040	101,506	165	649	301
916	Other operating – administrative	415,427	95,491	—	—	—
	Administration	<u>2,137,617</u>	<u>507,870</u>	<u>668</u>	<u>2,953</u>	<u>1,358</u>
921	Tenant service – salaries	74,959	—	—	—	—
922	Relocation costs	—	—	—	—	—
923	Employee benefit contributions – tenant services	27,946	—	—	—	—
924	Tenant service – other	52,945	—	—	—	—
	Tenant services	<u>155,850</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
931	Water	236,650	—	—	—	—
932	Electricity	457,010	—	—	—	—
933	Gas	733,137	—	—	—	—
938	Other utilities expense	199,855	—	—	—	—
	Utilities	<u>1,626,652</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY
Financial Data Schedule – Statement of Revenue and Expenses Information
Year Ended September 30, 2003

FDS Item #	Account Description	House Counseling Assistance Program 14.169	Comprehensive Grant Program 14.859	HOPE VI 14.866	Resident Opportunity and Self Sufficiency 14.870	Drug Elimination Program 14.854	Community Development Block Grant 14.218	HOME 14.239
Revenue:								
703	Net tenant rental revenue	\$ —	—	—	—	—	—	—
704	Tenant revenue – other	—	—	—	—	—	—	—
705	Total tenant revenue	—	—	—	—	—	—	—
706	HUD PHA grants	8,688	—	345,839	117,357	296,892	407,106	441,260
706.1	Capital grants	—	—	427,627	—	—	160,104	—
708	Other government grants	—	—	—	—	—	—	—
711	Investment income – unrestricted	—	—	—	—	—	—	—
712	Mortgage interest income	—	—	—	—	—	1,274	—
713	Proceeds from disposition of assets held for sale	—	—	—	—	—	—	—
713.1	Cost of sale of assets	—	—	—	—	—	—	—
714	Fraud recovery	—	—	—	—	—	—	—
715	Other revenue	—	—	—	—	—	8,515	736
716	Gain or loss on the sale of capital assets	—	—	—	—	—	(56,166)	—
720	Investment income – restricted	—	—	—	—	—	—	—
700	Total revenue	8,688	—	773,466	117,357	296,892	520,833	441,996
Expenses:								
911	Administrative salaries	6,010	—	21,530	—	—	153,117	14,432
912	Auditing fees	—	—	—	—	—	1,125	1,125
914	Compensated absences	433	—	4,201	—	552	10,625	1,051
915	Employee benefit contributions – administrative	2,245	—	20,157	—	—	50,651	4,468
916	Other operating – administrative	—	—	85,281	—	—	16,780	6,154
	Administration	8,688	—	131,169	—	552	232,298	27,230
921	Tenant service – salaries	—	—	47,600	—	7,439	—	—
922	Relocation costs	—	—	—	—	—	—	—
923	Employee benefit contributions – tenant services	—	—	24,521	—	5,625	—	—
924	Tenant service – other	—	—	119,420	117,357	277,802	—	—
	Tenant services	—	—	191,541	117,357	290,866	—	—
931	Water	—	—	—	—	—	—	—
932	Electricity	—	—	—	—	—	—	—
933	Gas	—	—	—	—	—	—	—
938	Other utilities expense	—	—	—	—	—	—	—
	Utilities	—	—	—	—	—	—	—

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY
Financial Data Schedule – Statement of Revenue and Expenses Information
Year Ended September 30, 2003

FDS Item #	Account Description	City Activities and Cooperation Agreements	HOP	Revolving Fund	Shelter Plus Care 14.238	Non-publicly Funded Activities	Capital Fund Program 14.872	Total Primary Government	Component Unit
Revenue:									
703	Net tenant rental revenue	\$ —	—	—	—	228,663	—	2,417,723	487,661
704	Tenant revenue – other	—	—	—	—	—	—	83,424	—
705	Total tenant revenue	—	—	—	—	228,663	—	2,501,147	487,661
706	HUD PHA grants	—	—	—	57,740	—	581,659	13,715,247	—
706.1	Capital grants	—	—	—	—	—	1,379,942	1,967,673	—
708	Other government grants	4,200,269	—	—	—	—	—	4,200,269	—
711	Investment income – unrestricted	4,225	1,606	—	—	—	—	32,233	—
712	Mortgage interest income	118,242	—	—	—	4,418	—	123,934	—
713	Proceeds from disposition of assets held for sale	—	72,792	—	—	—	—	72,792	—
713.1	Cost of sale of assets	—	(77,210)	—	—	—	—	(77,210)	—
714	Fraud recovery	—	—	—	—	—	—	1,004	—
715	Other revenue	14,300	10,000	—	—	255,369	—	335,568	32,674
716	Gain or loss on the sale of capital assets	(240,375)	—	—	—	(9,400)	—	(286,246)	—
720	Investment income – restricted	—	—	—	—	—	—	945	—
700	Total revenue	4,096,661	7,188	—	57,740	479,050	1,961,601	22,587,356	520,335
Expenses:									
911	Administrative salaries	85,363	—	—	4,592	21,922	144,592	1,816,437	—
912	Auditing fees	—	—	—	—	900	5,000	92,399	11,500
914	Compensated absences	10,171	—	—	—	4,051	654	211,497	—
915	Employee benefit contributions – administrative	27,654	1,299	—	—	12,221	47,231	676,587	—
916	Other operating – administrative	45,649	31	—	—	213,439	92,008	970,260	117,339
	Administration	168,837	1,330	—	4,592	252,533	289,485	3,767,180	128,839
921	Tenant service – salaries	—	—	—	—	—	—	129,998	—
922	Relocation costs	—	—	—	—	—	—	—	—
923	Employee benefit contributions – tenant services	—	—	—	—	—	—	58,092	—
924	Tenant service – other	—	—	—	—	—	—	567,524	—
	Tenant services	—	—	—	—	—	—	755,614	—
931	Water	—	—	—	—	2,889	—	239,539	11,259
932	Electricity	—	—	—	—	5,392	—	462,402	79,024
933	Gas	—	—	—	—	15,710	—	748,847	—
938	Other utilities expense	—	—	—	—	2,908	—	202,763	—
	Utilities	—	—	—	—	26,899	—	1,653,551	90,283

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY
Financial Data Schedule – Statement of Revenue and Expenses Information
Year Ended September 30, 2003

FDS Item #	Account Description	Low Rent Public Housing 14.850	Housing Choice Vouchers Program 14.871	Section 8 Mod. Rehab. Program 14.856 004	Section 8 Mod. Rehab. Program 14.856 005	Section 8 Mod. Rehab. Program 14.856 006
	Expenses (continued):					
941	Ordinary maintenance and operations – labor	\$ 1,111,478	—	—	—	—
942	Ordinary maintenance and operations – materials and other	370,128	37	—	—	—
943	Ordinary maintenance and operations – contract costs	415,123	542	—	—	—
945	Employee benefit contributions – ordinary maintenance	411,472	—	—	—	—
	Ordinary maintenance	<u>2,308,201</u>	<u>579</u>	<u>—</u>	<u>—</u>	<u>—</u>
952	Protective services – other contract costs	66,153	—	—	—	—
	Protective services	<u>66,153</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
961	Insurance premiums	248,005	8,810	8	57	24
962	Other general expenses	6,086	—	—	—	—
963	Payments in lieu of taxes	65,345	—	—	—	—
964	Bad debt – tenant rents	16,048	—	—	—	—
966	Bad debt – other	—	—	—	—	—
967	Interest expense	53,766	—	—	—	—
968	Severance expense	39,246	—	—	—	—
	General	<u>428,496</u>	<u>8,810</u>	<u>8</u>	<u>57</u>	<u>24</u>
971	Extraordinary maintenance	303,970	—	—	—	—
972	Casualty losses – noncapitalized	(2,539)	—	—	—	—
973	Housing assistance payments	—	5,109,723	59,496	324,406	92,801
974	Depreciation expense	1,731,226	17,328	—	—	—
900	Total expenses	<u>8,755,626</u>	<u>5,644,310</u>	<u>60,172</u>	<u>327,416</u>	<u>94,183</u>
1001	Operating transfers in	292,174	—	—	—	—
1002	Operating transfers out	—	—	—	—	—
1010	Total other financing sources (uses)	<u>292,174</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
1000	Excess (deficiency) of revenue over expenses	\$ <u>(946,414)</u>	<u>109,067</u>	<u>9,514</u>	<u>43,572</u>	<u>20,612</u>
1102	Debt principal payments – enterprise funds	\$ 245,000	—	—	—	—
1103	Beginning equity	17,098,665	581,773	11,090	42,984	38,913
1104	Equity transfer – changes in contributed capital	1,792,222	(174,978)	—	—	—
1113	Maximum annual contribution commitment (per ACC)	—	2,915,377	92,951	415,367	105,306
1114	Prorata maximum annual cont. app. to periods less than 12 mo.	—	2,699,496	—	—	—
1115	Contingency reserve, ACC program reserve	—	779,542	1,161,275	3,108,188	708,181
1116	Total annual contributions available	—	6,394,415	1,254,226	3,523,555	813,487
1120	Unit months available	14,592	15,528	240	1,092	516
1121	Number of units months leased	14,147	15,112	174	884	476

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY
Financial Data Schedule – Statement of Revenue and Expenses Information
Year Ended September 30, 2003

FDS Item #	Account Description	House Counseling Assistance Program 14.169	Comprehensive Grant Program 14.859	HOPE VI 14.866	Resident Opportunity and Self Sufficiency 14.870	Drug Elimination Program 14.854	Community Development Block Grant 14.218	HOME 14.239
	Expenses (continued):							
941	Ordinary maintenance and operations – labor	\$ —	—	—	—	—	—	—
942	Ordinary maintenance and operations – materials and other	—	—	—	—	—	185	177
943	Ordinary maintenance and operations – contract costs	—	—	—	—	—	—	—
945	Employee benefit contributions – ordinary maintenance	—	—	—	—	—	—	—
	Ordinary maintenance	—	—	—	—	—	185	177
952	Protective services – other contract costs	—	—	—	—	—	—	—
	Protective services	—	—	—	—	—	—	—
961	Insurance premiums	—	—	—	—	—	2,191	2,092
962	Other general expenses	—	—	—	—	—	182,221	412,497
963	Payments in lieu of taxes	—	—	—	—	—	—	—
964	Bad debt – tenant rents	—	—	—	—	—	—	—
966	Bad debt – other	—	—	—	—	—	—	—
967	Interest expense	—	—	—	—	—	—	—
968	Severance expense	—	—	23,129	—	5,474	—	—
	General	—	—	23,129	—	5,474	184,412	414,589
971	Extraordinary maintenance	—	—	—	—	—	—	—
972	Casualty losses – noncapitalized	—	—	—	—	—	—	—
973	Housing assistance payments	—	—	—	—	—	—	—
974	Depreciation expense	—	—	—	—	13,113	22,320	—
900	Total expenses	8,688	—	345,839	117,357	310,005	439,215	441,996
1001	Operating transfers in	—	—	—	—	—	—	—
1002	Operating transfers out	—	—	—	—	—	—	—
1010	Total other financing sources (uses)	—	—	—	—	—	—	—
1000	Excess of revenue over expenses	\$ —	—	427,627	—	(13,113)	81,618	—
1102	Debt principal payments – enterprise funds	\$ —	—	—	—	—	—	—
1103	Beginning equity	—	1,617,244	11,140,429	—	92,699	4,709,875	—
1104	Equity transfer – changes in contributed capital	—	(1,617,244)	—	—	—	—	—
1113	Maximum annual contribution commitment (per ACC)	—	—	—	—	—	—	—
1114	Prorata maximum annual cont. app. to less than 12 mo.	—	—	—	—	—	—	—
1115	Contingency reserve, ACC program reserve	—	—	—	—	—	—	—
1116	Total annual contributions available	—	—	—	—	—	—	—
1120	Unit months available	—	—	—	—	—	—	—
1121	Number of units months leased	—	—	—	—	—	—	—

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY
Financial Data Schedule – Statement of Revenue and Expenses Information
Year Ended September 30, 2003

FDS Item #	Account Description	City Activities and Cooperation Agreements	HOP	Revolving Fund	Shelter Plus Care 14,238	Non-publicly Funded Activities	Capital Fund Program 14,872	Total Primary Government	Component Unit
	Expenses (continued):								
941	Ordinary maintenance and operations – labor	\$ —	—	—	—	29,005	—	1,140,483	—
942	Ordinary maintenance and operations – materials and other	—	319	—	—	19,828	—	390,674	75,038
943	Ordinary maintenance and operations – contract costs	—	—	—	—	7,526	—	423,191	—
945	Employee benefit contributions – ordinary maintenance	—	—	—	—	10,024	—	421,496	—
	Ordinary maintenance	—	319	—	—	66,383	—	2,375,844	75,038
952	Protective services – other contract costs	—	—	—	—	—	—	66,153	—
	Protective services	—	—	—	—	—	—	66,153	—
961	Insurance premiums	—	—	—	—	14,158	—	275,345	48,823
962	Other general expenses	719,702	—	—	—	—	—	1,320,506	78,644
963	Payments in lieu of taxes	—	—	—	—	—	—	65,345	—
964	Bad debt – tenant rents	—	—	—	—	9,538	—	25,586	—
966	Bad debt – other	—	—	—	—	3,070,313	—	3,070,313	—
967	Interest expense	105,570	—	—	—	26,266	—	185,602	555,024
968	Severance expense	3,162	—	—	—	—	—	71,011	—
	General	828,434	—	—	—	3,120,275	—	5,013,708	682,491
971	Extraordinary maintenance	—	—	—	—	34,245	—	338,215	—
972	Casualty losses – noncapitalized	—	—	—	—	—	—	(2,539)	—
973	Housing assistance payments	—	—	—	53,148	—	—	5,639,574	—
974	Depreciation expense	16,350	—	—	—	77,481	—	1,877,818	307,151
900	Total expenses	1,013,621	1,649	—	57,740	3,577,816	289,485	21,485,118	1,283,802
1001	Operating transfers in	—	—	—	—	—	—	292,174	—
1002	Operating transfers out	—	—	—	—	—	(292,174)	(292,174)	—
1010	Total other financing sources (uses)	—	—	—	—	—	(292,174)	—	—
1000	Excess of revenue over expenses	\$ 3,083,040	5,539	—	—	(3,098,766)	1,379,942	1,102,238	(763,467)
1102	Debt principal payments – enterprise funds	\$ 227,793	—	—	—	850,000	—	1,322,793	—
1103	Beginning equity	5,326,119	708,250	—	—	2,987,893	3,076,324	47,432,258	200,100
1104	Equity transfer – changes in contributed capital	—	—	—	—	—	—	—	2,890,094
1113	Maximum annual contribution commitment (per ACC)	—	—	—	—	—	—	3,529,001	—
1114	Prorata maximum annual cont. app. to less than 12 mo.	—	—	—	—	—	—	2,699,496	—
1115	Contingency reserve, ACC program reserve	—	—	—	—	—	—	5,757,186	—
1116	Total annual contributions available	—	—	—	—	—	—	11,985,683	—
1120	Unit months available	—	—	—	—	—	—	31,968	—
1121	Number of units months leased	—	—	—	—	—	—	30,793	—

See accompanying notes to Financial Data Schedule.

See accompanying independent auditors' report on financial statements and supplementary schedules.

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Notes to Financial Data Schedule

Year ended September 30, 2003

(1) Basis of Presentation

The Financial Data Schedule has been prepared using the basis of accounting required by HUD's Real Estate Assessment Center.

(2) Reconciliation to Financial Statements

The following reconciles combined balances for the 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>Net income</u>
Balances per Financial Data Schedule	\$ 67,850,894	19,316,398	48,534,496	1,102,238
Elimination of interprogram balances	(7,492,285)	(7,492,285)	—	—
HUD guaranteed debt and related accrued interest receivable, accrued interest payable, interest income and interest expense amounts not required by HUD to be reported on the financial data schedule	<u>256,954</u>	<u>5,229,700</u>	<u>(4,972,746)</u>	<u>502,603</u>
Balances per basic financial statements	<u><u>\$ 60,615,563</u></u>	<u><u>17,053,813</u></u>	<u><u>43,561,750</u></u>	<u><u>1,604,841</u></u>

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Schedule of Expenditures of Federal Awards

Year ended September 30, 2003

Federal grant/program or cluster	Federal CFDA number	Federal expenditures
U.S. Department of Housing and Urban Development: Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	14.856	\$ 555,284
Public and Indian Housing:		
Annual contributions for debt service	14.850	795,194
Operating subsidy	14.850	5,156,907
Drug Elimination Program	14.854	296,892
Comprehensive Grant Program	14.859	—
Resident Opportunity and Self Sufficiency	14.870	117,357
Capital Fund Program	14.872	<u>1,961,601</u>
Total Public and Indian Housing		<u>8,327,951</u>
Section 8 Tenant-Based Cluster – Rental Voucher Program	14.855	5,746,515
Demolition and Revitalization of Severely Distressed Public Housing (HOPE VI)	14.866	773,466
Housing Counseling Assistance Program	14.169	8,688
Passed Through from the City of Roanoke:		
Community Development Block Grant	14.218	416,895
Shelter Plus Care	14.238	57,740
HOME Investment Partnerships Program	14.239	<u>441,996</u>
Total pass through		<u>916,631</u>
Total federal awards expended		<u>\$ 16,328,535</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

See accompanying independent auditors' report on financial statements and supplementary schedules.

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Notes to Schedule of Expenditure of Federal Awards

Year ended September 30, 2003

(1) Scope of Audit Pursuant to OMB Circular A-133

The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Authority. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies or other entities are included in the Schedule.

(2) Basis of Presentation

The Authority's Schedule of Expenditures of Federal Awards has been prepared using the same basis of accounting as the September 30, 2003 financial statements of the Authority. The Authority reports to HUD using the accrual basis of accounting. A complete description of the basis of accounting is included in note 1 to those financial statements.

(3) Bonds Outstanding

Various bonds were issued by the Authority to finance projects for which the annual debt service payments are paid by annual contributions from HUD. At September 30, 2003, the outstanding balance of such debt was \$5,117,523. This loan program is not considered a federal award because there are no continuing compliance requirements under CFDA #14.850, Public and Indian Housing. This outstanding balance has not been included in the schedule.

(4) Contingencies

In connection with various federal grant programs, the Authority is obligated to administer related programs and spend the funds in accordance with regulatory restrictions, and is subject to audit by grantor agencies and other auditors. In cases of noncompliance, the agencies involved may require the Authority to refund program funds.



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

The Board of Commissioners
Roanoke Redevelopment and Housing Authority:

We have audited the financial statements of the Roanoke Redevelopment and Housing Authority (the Authority) as of and for the year ended September 30, 2003, and have issued our report thereon dated December 12, 2003. That report noted that the Authority implemented Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, No. 38, *Certain Financial Statement Note Disclosures* and No. 40, *Deposit and Investment Risk Disclosures (an amendment to GASB Statement No. 3)* for the year ended September 30, 2003.

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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

This report is intended solely for the information and use of the board of commissioners and management of the Authority, its cognizant audit agency, and other state and federal audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 12, 2003



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Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

The Board of Commissioners
Roanoke Redevelopment and Housing Authority:

Compliance

We have audited the compliance of the Roanoke Redevelopment and Housing Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 03-1 and 03-2.

Internal Control Over Compliance

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





Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of commissioners and management of the Authority, its cognizant audit agency, and other state and federal audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 12, 2003

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Schedule of Findings and Questioned Costs

September 30, 2003

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: unqualified opinion.
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: no. Material weaknesses: none.
- (c) Noncompliance which is material to the financial statements: none.
- (d) Reportable conditions in internal control over major programs: no. Material weaknesses: none.
- (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:	<u>Program</u>	<u>CFDA Number</u>
	Section 8 Moderate Rehabilitation	14.856
	Public and Indian Housing	14.850

- (h) Dollar threshold used to distinguish between Type A Programs and Type B Programs: \$489,856.
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: yes.

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

none.

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

03-1 Finding – Eligibility

Program – Public Housing Operating Subsidy (CFDA #14.850)

Condition – Per participant case files reviewed for re-examination eligibility compliance and internal controls, KPMG noted the following items:

- For seven of 30 participant files, the Authority did not retain adequate documentation for a participant's declaration of citizenship in the participant's individual eligibility folder.
- For two of 30 participant files, the Authority did not retain adequate documentation for verification of a participant's income in the participant's individual eligibility folder.
- For six of 30 participant files, adequate documentation for the completion of form 50058, the Authority did not retain Family Report in the participant's individual eligibility folder.

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Schedule of Findings and Questioned Costs

September 30, 2003

- For seven of 30 participant files, the Authority did not retain adequate documentation for a participant's consent for release of information in the participant's individual eligibility folder.
- For one of 30 participant files, adequate documentation for a participant's birthday date was not retained in the participant's individual eligibility folder by the Authority.
- For five of 30 participant files tested, the Authority did not retain adequate documentation for a participant's identification information in the participant's individual eligibility folder.
- For three of 30 participant files tested, the Authority did not retain adequate documentation for a participant's social security documentation in the participant's individual eligibility folder.

In all instances, the Authority obtained compliant documentation subsequently from the property managers.

Of the participant case files reviewed for initial eligibility compliance and internal controls, KPMG noted the following items:

- For four of 30 participant files tested, adequate documentation for the completion of form 50058, Family Report, the Authority did not retain the Family Report in the participant's individual eligibility folder.
- For one of 30 participant files tested, the Authority did not retain adequate documentation for a participant's consent for release of information in the participant's individual eligibility folder.
- For one of 30 participant files tested, the Authority did not retain adequate documentation for verification of a participant's income in the participant's individual eligibility folder.

In all instances, the Authority obtained compliant documentation subsequently from the property managers.

Criteria – Per 24 CFR sections 5.508 and 960.202, the PHA must maintain adequate documentation for the acceptance or rejection of an applicant, including documentation and verification of citizenship and eligible immigration status.

Effect – Non-compliance with HUD requirements may result in reduced funding for these programs.

Questioned Cost – None, as compliant documentation was obtained from the property managers.

Recommendation – The Authority should maintain adequate documentation and verification of a participant's eligibility criteria. This information should be contained in each participant's file based on HUD guidelines.

ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

Schedule of Findings and Questioned Costs

September 30, 2003

03-2 Finding – Special Tests and Provisions – Waiting List

Program – Public Housing Operating Subsidy (CFDA #14.850)

Condition – Per participant case files reviewed for waiting list provisions compliance, KPMG noted the following items:

- For three of 30 participants tested, the Authority did not retain adequate documentation supporting the participant's waiting list eligibility determination with respect as to why the individual was selected for placement when that participant was not ranked at the top of the waiting list when placed.
- For seven of 30 participants tested, the Authority did not retain adequate documentation regarding waiting list placement in the participant's individual eligibility folder.

In all instances, the Authority obtained compliant documentation subsequently from the property managers.

Criteria – Per 24 CFR sections 5.508 and 960.202, the PHA must maintain adequate documentation for the acceptance or rejection of an applicant, including documentation and verification of citizenship and eligible immigration status.

Effect – Non-compliance with HUD requirements may result in reduced funding for these programs.

Questioned Cost – None, as compliant documentation was obtained from the property managers.

Recommendation – The Authority should maintain adequate documentation and verification of a participant's waiting list admissions and selection criteria. This information should be contained in each participant's file based on HUD guidelines.