

**PETERSBURG REDEVELOPMENT
AND HOUSING AUTHORITY**

**AUDITED
FINANCIAL STATEMENTS**

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

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

**INDEPENDENT AUDITORS' REPORT
(CONTINUED)**

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11, the Schedule of Net Pension Liability on page 58, and the Schedule of Employer Contributions to the Virginia Retirement System on page 59, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017, on our consideration of the Petersburg Redevelopment and Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Petersburg Redevelopment and Housing Authority's internal control over financial reporting and compliance.



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

September 25, 2017

**PETERSBURG REDEVELOPMENT & HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED DECEMBER 31, 2016**

The Petersburg Redevelopment & Housing Authority's ("the Authority") Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual program issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's net position increased by \$325,874 during 2016, from \$9,084,910 in 2015 to \$9,410,784 in 2016.
- Revenues increased \$610,404 during 2016. Revenues were \$8,416,738 and \$7,806,334 for 2016 and 2015, respectively.
- The total expenses of all Authority programs increased \$263,168 during 2016. Total expenses were \$8,091,646 and \$7,828,478 for 2016 and 2015, respectively.

USING THIS ANNUAL REPORT

The Report includes three major sections, the “Management’s Discussion and Analysis (MD&A)”, “Basic Financial Statements”, and “Other Required Supplementary Information”:

MD&A

~ Management’s Discussion
and Analysis ~

Basic Financial Statements

~ Authority-wide Financial Statements ~
~ Notes to Financial Statements ~

Other Required Supplementary Information

~ Required Supplementary Information ~
(Other than the MD&A)

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Authority.

Statement of Net Position

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals "Net Position", formerly known as equity or net assets. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity or net assets) are reported in three broad categories:

Investment in Capital Assets, Net of Related Debt: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: This component of Net Position consists of assets that do not meet the definition of Investment in Capital Assets, Net of Related Debt" or "Restricted Net Position".

Statement of Revenues, Expenses, and Changes in Net Position

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Statement of Cash Flows

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, from capital and related financing activities and from investing activities.

The Authority's Main Programs

Significant Programs -The focus of the Authority's Financial Statements should be on the significant programs of the Authority. The following are considered significant programs of the Authority.

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Other Non-Significant Programs – In addition to the significant programs above, the Authority also maintains non-significant programs:

- HOME Investment Partnership
- Business Activities
- Component Unit

AUTHORITY-WIDE FINANCIAL STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to the prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1
STATEMENT OF NET POSITION

	<u>2016</u>	<u>2015</u>	<u>Variance</u>
Assets:			
Current & Restricted Assets	\$ 3,691,926	\$ 3,019,360	\$ 672,566
Fixed Assets	7,032,993	6,879,129	153,864
Non-current Assets	<u>197,260</u>	<u>193,760</u>	<u>3,500</u>
Total Assets	\$ 10,922,179	\$ 10,092,249	\$ 829,930
Deferred Outflow of Resources	<u>218,159</u>	<u>153,645</u>	<u>64,514</u>
Total Assets and Deferred Outflow of Resources	\$ 11,140,338	\$ 10,245,894	\$ 894,444
Liabilities:			
Current Liabilities	\$ 337,064	\$ 233,852	\$ 103,212
Non Current Liabilities	<u>911,710</u>	<u>806,788</u>	<u>104,922</u>
Total Liabilities	\$ 1,248,774	\$ 1,040,640	\$ 208,134
Deferred Inflow of Resources	<u>480,780</u>	<u>120,344</u>	<u>360,436</u>
Total Liabilities and Deferred Inflow of Resources	\$ 1,729,554	\$ 1,160,984	\$ 568,570
Net Position:			
Investment in Capital Assets	\$ 7,032,993	\$ 6,879,129	\$ 153,864
Restricted Net Position	813,339	1,009,728	(196,389)
Unrestricted Net Position	<u>1,564,452</u>	<u>1,196,053</u>	<u>368,399</u>
Total Net Position	\$ 9,410,784	\$ 9,084,910	\$ 325,874

Major Factors Affecting the Statement of Net Position

The overall net position of the Authority grew by approximately \$0.3 million in 2016 from \$9.1 million to \$9.4 million. In 2015, net position was negatively impacted by the adoption of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* which resulted in the recording of over \$0.5 million in net pension liability to the financial statements. In addition, operating and capital fund revenue increased by approximately \$0.6 million in 2016.

Table 2 presents details on the change in Unrestricted Net Position

TABLE 2
CHANGES IN UNRESTRICTED NET POSITION

Unrestricted Net Position, December 31, 2015	\$ 1,196,053
Results of Operations	509,901
Prior Period Adjustments	782
Capital Expenditures from Operations	(539,875)
Loss on Disposal of Capital Assets	7,273
Transfer from Restricted Net Position	13,429
Investment Income Restricted	(1,849)
Depreciation Expense	<u>378,738</u>
Unrestricted Net Position, December 31, 2016	<u><u>\$ 1,564,452</u></u>

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Position provides a clearer summary of change in financial well-being.

TABLE 3
STATEMENT OF REVENUES AND EXPENSES

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	2016	2015	Variance
Revenue:			
Tenant Rental Revenue	\$ 1,018,482	\$ 1,024,229	\$ (5,747)
Operating Grants and Capital Subsidy	7,224,972	6,630,698	594,274
Gain (Loss) Disposition of Assets	(7,273)	(13,483)	6,210
Investment Income	5,714	4,472	1,242
Other Revenue	174,843	160,418	14,425
 Total Revenue	 \$ 8,416,738	 \$ 7,806,334	 \$ 610,404
Expenses:			
Administrative Expenses	\$ 1,457,500	\$ 1,227,049	\$ 230,451
Tenant Services	939	4,120	(3,181)
Utilities	698,663	742,033	(43,370)
Maintenance & Operations	945,311	1,018,315	(73,004)
Protective Services	1,794	1,908	(114)
Insurance Premiums	144,024	136,863	7,161
General Expense	131,014	156,467	(25,453)
HAP Payments	4,333,663	4,164,617	169,046
Depreciation	378,738	377,106	1,632
 Total Expenses	 \$ 8,091,646	 \$ 7,828,478	 \$ 263,168
 Excess (Deficiency) Revenue Over Expense	 \$ 325,092	 \$ (22,144)	 \$ 347,236

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE AND EXPENSES

During 2016, operating and capital fund revenue increased by nearly \$0.6 million and expenses increased by approximately \$0.3 million from the prior year. Administrative expenses increased due to legal cost to settle a dispute with a local homeowners' association (see Note 14 to the audited financial statements). Housing Assistance Payments increased \$0.2 million due to lease up in the Housing Choice Voucher Program.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$7 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of \$153,864 or 2% from the end of last year.

**TABLE 4
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	2016	2015	Variance	% Change
Land	\$ 383,834	\$ 383,834	\$ -	0%
Buildings	20,791,390	20,172,944	618,446	3%
Furniture & Equipment	1,931,547	1,819,834	111,713	6%
Construction in Process	453,709	673,562	(219,853)	-33%
Accumulated Depreciation	(16,527,487)	(16,171,045)	(356,442)	2%
Net Capital Assets	<u>\$ 7,032,993</u>	<u>\$ 6,879,129</u>	<u>\$ 153,864</u>	<u>2%</u>

**TABLE 5
CHANGE IN CAPITAL ASSETS**

The following reconciliation summarizes the change in Capital Assets.

	Business Type Activities
Beginning Balance, December 31, 2015	\$ 6,879,129
Additions	
Capital Fund Improvements	539,875
Other Additions	-
Disposals	
Capital Assets, Net of Depreciation	(7,273)
Depreciation Expense	(378,738)
Ending Balance, December 31, 2016	<u>\$ 7,032,993</u>

The Authority has no outstanding debt at December 31, 2016.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the US Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on supplies and other costs.

FINANCIAL CONTACT

This financial report is designed to provide our residents, the citizens of the Petersburg area, all federal and state regulatory bodies, and any creditors with a general overview of the Authority's finances. If you have any questions regarding these financial statements or supplemental information, you may contact Nathaniel Pride, Executive Director, Petersburg Redevelopment & Housing Authority, 128 South Sycamore Street, Petersburg, VA, 23803.

Petersburg Redevelopment and Housing Authority

Statement of Net Position December 31, 2016

ASSETS	Enterprise Fund
Current Assets	
Cash and Cash Equivalents	\$ 1,622,072
Restricted Cash and Cash Equivalents	736,013
Investments	295,971
Receivables - Net of Allowance	305,161
Inventories - Net of Allowance	42,396
Assets Held for Sale	116,377
Prepaid Expenses and Other Assets	19,907
Total Current Assets	3,137,897
Noncurrent Assets	
Restricted Investments	554,029
Capital assets:	
Land	383,834
Buildings	20,791,390
Furniture, Equipment & Machinery - Dwellings	1,420,848
Furniture, Equipment & Machinery - Admin	510,699
Less: Accumulated Depreciation	(16,527,487)
Construction in Progress	453,709
Capital assets, net	7,032,993
Notes, Loans, & Mortgages Receivable	197,260
Total Noncurrent Assets	7,784,282
Total Assets	\$ 10,922,179
Deferred Outflow of Resources	
Deferred Outflow of Resources	218,159
Total Assets and Deferred Outflow of Resources	11,140,338

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

Petersburg Redevelopment and Housing Authority

Statement of Net Position December 31, 2016

LIABILITIES	Enterprise Fund
Current Liabilities	
Accounts Payable	\$ 135,787
Accrued Liabilities	82,909
Intergovernmental	37,015
Tenant Security Deposits	45,026
Unearned Revenue	36,327
Total Current Liabilities	<u>337,064</u>
Noncurrent liabilities	
Accrued Absences - Long-Term	52,464
Other Liabilities	859,246
Total Noncurrent Liabilities	<u>911,710</u>
Total Liabilities	<u>1,248,774</u>
Deferred Inflow of Resources	
Deferred Inflow of Resources	<u>480,780</u>
NET POSITION	
Investment in Capital Assets - Net of Related Debt	7,032,993
Restricted Net Position	813,339
Unrestricted Net Position	1,564,452
Total Net Position	<u>9,410,784</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u><u>\$ 11,140,338</u></u>

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

Petersburg Redevelopment and Housing Authority

Statement of Revenues, Expenses, and Changes in Net Position For the year ended December 31, 2016

	Enterprise Fund
Operating Revenues	
Tenant Revenue	\$ 1,018,482
Government Grants/Subsidies	6,779,351
Other Government Grants	29,523
Other Revenue	145,320
Total operating revenues	<u>7,972,676</u>
Operating Expenses	
Administrative	1,457,500
Tenant Services	939
Utilities	698,663
Maintenance	945,311
Protective Services	1,794
Insurance Premiums	144,024
General	131,014
Housing Assistance Payment	4,333,663
Depreciation	378,738
Total operating expenses	<u>8,091,646</u>
Operating income (loss)	<u>(118,970)</u>
Non-Operating Revenues (Expenses)	
Gain/Loss on Sale of Fixed Assets	(7,273)
Interest and Investment Revenue	5,714
Total Nonoperating Revenues (Expenses)	<u>(1,559)</u>
Income (Loss) Before Contributions and Transfers	<u>(120,529)</u>
Capital Grants	445,621
Change in Net Position	<u>325,092</u>
Total Beginning Net Position	9,084,910
Transfers, Prior Period Adjustments	782
Total Ending Net Position	<u><u>\$ 9,410,784</u></u>

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

Petersburg Redevelopment and Housing Authority

Statement of Cash Flows

For the year ended December 31, 2016

	Enterprise Fund
Cash flows from operating activities:	
Cash received from tenants	\$ 1,024,712
Cash received from operating grants	7,195,749
Cash received from other sources	754,582
Cash paid for goods and services	(1,751,398)
Cash paid for employees and administrative	(2,052,866)
Housing Assistance payments	(4,333,663)
Cash paid for other	(39,971)
Net cash provided (used) by operating activities	<u>797,145</u>
Cash flows from noncapital financing activities:	
Equity transfers	<u>782</u>
Cash flows from capital and related financing activities:	
Capital Grants received	242,119
Purchases, Sales and construction of capital assets	(532,567)
Net cash provided (used) for capital and related financing activities	<u>(290,448)</u>
Cash flows from investing activities:	
Interest and dividends	5,714
Proceed from assets held for sale	(7,273)
Net cash provided (used) by investing activities	<u>(1,559)</u>
Net increase (decrease) in cash and cash equivalents	505,920
Cash and cash equivalents at beginning of year	<u>1,852,165</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,358,085</u></u>
Unrestricted Cash	\$ 1,622,072
Restricted Cash	<u>736,013</u>
Total Cash	<u><u>\$ 2,358,085</u></u>

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

Petersburg Redevelopment and Housing Authority
Statement of Cash Flows - All funds
For the year ended December 31, 2016

	Enterprise Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (118,970)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	378,738
Changes in assets and liabilities:	
(Increase) Decrease in Receivables - net	13,906
(Increase) Decrease in Note Receivables	(3,500)
(Increase) Decrease in Inventory	4,491
(Increase) Decrease in Prepaid expenses	18,424
(Increase) Decrease in Interprogram due from	(1,291)
(Increase) Decrease in Deferred Outflow of Resources	(64,514)
Increase (Decrease) in Deferred Inflow of Resources	360,436
Increase (Decrease) in Accounts payable	58,648
Increase (Decrease) in Accrued expenses	6,154
Increase (Decrease) in Other liabilities	36,340
Increase (Decrease) in Intergovernmental payables	2,070
Increase (Decrease) in Interprogram due to	1,291
Increase (Decrease) in Noncurrent liabilities	104,922
Net cash provided (used) by operating activities	<u>\$ 797,145</u>

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

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

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

NOTE 1: ORGANIZATION AND REPORTING ENTITY

- A. Reporting Entity – The Petersburg Redevelopment and Housing Authority (PRHA) is a non-profit organization with a Board of Commissioners. PRHA was organized under the laws of the Commonwealth of Virginia to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal Agencies. PRHA is responsible for operating a low-rent housing program which provides housing for eligible families, for operating redevelopment and conservation programs and for the delivery of services to citizens of low-rent housing and urban renewal areas through the encouragement and development of social and economic opportunities.

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 was made by applying the criteria set forth in *Section 2100 and 2500 of the Codification of Governmental Accounting and Financial Reporting Standards and Statement No. 61, of the Governmental Accounting Standards Board: The Financial Reporting Entity*. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Based upon the application of these criteria, the reporting entity includes the following blended component unit:

Petersburg Housing Corporation is a Virginia not for profit Corporation under Section 115 of the Internal Revenue Code of 1986, and is exempt from Federal income tax. The Corporation is organized and is operated exclusively as a subsidiary of Petersburg Redevelopment and Housing Authority. Petersburg Housing Corporation was organized to develop, sell, finance, purchase, manage, maintain, construct, rehabilitate or rent housing exclusively for low income persons or for low and moderate income persons within the City of Petersburg, Virginia. The Authority approves all nominees for the Board of Directors of the Corporation. Financial statements for Petersburg Housing Corporation are reflected in supplementary schedules, pages 37 to 41.

- B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The financial statements of the Housing Authority have been prepared in conformity with generally accepted accounting principals (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority is a Special Purpose Government entity engaged only in business-type activities and therefore, presents only the financial statements required for the enterprise fund, in accordance with GASB 34.

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

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

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 1: ORGANIZATION AND REPORTING ENTITY – (Cont.)**

- B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – (Cont.)
Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the Authority's enterprise funds are governmental grants used for maintaining and operating low income housing assistance programs. Operating expenses for these enterprise funds include administrative expenses, utilities and maintenance of housing units and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.
- When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.
- C. Use of Estimates – The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.
- D. Cash and Cash Equivalents – Highly liquid investments with initial maturities of three months or less from date of purchase are considered cash equivalents.
- E. Investments – Investments are carried at fair value, with changes in fair value recognized as a component of investment income. Fair value is determined by reference to quoted market prices.
- F. Land, Structures and Equipment – Land, structures and equipment are capitalized at cost with depreciation calculated on the straight-line basis over the following estimated useful lives:
- | | |
|--------------------------------|------------|
| Real Property | 30 years |
| Real Property Improvements | 15 years |
| Office Furniture and Equipment | 3-10 years |
- When assets are retired, demolished, or sold, their costs are removed from the accounts and the proceeds, if any, are reflected in revenues currently.
- G. Inventory – Inventories consist of supplies that have not been used or consumed. Inventories are recorded at cost, cost being determined on the first-in first-out basis. The perpetual system is used to account for inventories. Under this method, inventory records are maintained and updated based on individual transactions. An annual physical count is made to reconcile the perpetual records to actual.
- H. Annual Contributions and Operating Subsidies – In accordance with the annual contributions contracts, PRHA receives operating subsidies from HUD. Such amounts are included as grant revenues from the federal government in the financial statements. The Component Unit does not participate in any grant programs at this time.
- I. Prepaid Items – Prepaid Items consist of payments made to vendors for services that will benefit future periods.
- J. Assets Held for Resale – Assets held for resale are carried on the statement of net assets at the lower of cost or resale market value.

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 1: ORGANIZATION AND REPORTING ENTITY – (Cont.)**

- K. Compensated Absences – Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts - Accumulated unpaid vacation and other employee benefit amounts are accrued when incurred in the applicable fund. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.
- L. Costs Allocation Plan – In accordance with OMB Uniform Guidance, the Authority utilizes a Cost Allocation Plan. The Authority allocates indirect costs to programs on the basis of one of the following methods: direct salaries and wages, number of vouchers and/or units, estimated/actual time spent, number of checks processed or the allotment stipulated in contractual agreements.
- M. Restricted Net Position – Restricted Net Position balances are designated by the Low Rent Fund, Section 8 Fund, Other Federal Grants Fund, Business Activities and State/Local Fund for future expenses, or must be returned to the grantor, and generally may not be used in any manner by PRHA except as specified under their respective contracts. The Restricted Net Position balance of the Business Activities Fund and of the Component Units is designated to provide for financial resource utilization in future periods.
- N. Pension Plans – PRHA participates in a defined benefit pension plan administered by the Virginia Retirement System (VRS). For purposes of measuring net pension liability, deferred inflows/outflows of resources related to pensions, and pension expense, information about the fiduciary net position of PRHA's retirement plan and the additions to/deductions from the plan's net fiduciary position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- O. Income Taxes – As a political subdivision of the State of Virginia, PRHA is exempt from Federal and State income taxes. The Component Unit is a non-profit, tax exempt entity and as such any tax liabilities or benefits flow through to the Authority. The Corporation has no material uncertain tax positions requiring disclosure. Fiscal years ending on or after December 31, 2013, remain subject to examination by federal and state tax authorities.
- P. Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resource*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense of expenditure until then. The Authority has one item that meets the criterion for this category, deferrals of pension expense that result from the implementation of GASB Statement 68. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has two items that meet the criterion for this category, deferrals of earnings on pension plan investments that result from the implementation of GASB Statements 68 and 71; and the deferral of the January 2017 Federal program funding for the Housing Choice Voucher Program.

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 2: DEPOSITS & INVESTMENTS**

Deposits – At year end, the carrying amount of deposits with banks and savings institutions was \$2,358,085. Of the bank balance, \$2,358,085 was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act) and HUD requirements. Under the Act, banks holding public deposits in excess of the amounts insured by federal depository insurance must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of federal depository insurance limits under the Act, while HUD requires collateralization of 100% of deposits in excess of federal depository insurance from all banks, savings and loan, and investment institutions for all cash deposits and for investment vehicles not directly held. The State Treasury Board requires PRHA to obtain additional collateral from participating financial institutions to cover collateral shortfalls in the event of default and is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of noncompliance by banks and savings and loan institutions. PRHA follows HUD's guidelines for investments policy.

Investments – As of December 31, 2016, the Authority has \$850,000 in investments.

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

Concentration of Credit Risk – The Authority places no limit on the amount the Authority may invest in any one issuer. All of the Authority's investments are in certificates of deposit.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2016, the Authority does not consider custodial credit risk.

Restricted Cash – Restricted cash is made up of FSS escrow funds, proceeds from sale of public housing units, tenant security deposits and HAP funds. They are restricted by HUD for the purposes stated above.

NOTE 3: RELATED PARTY TRANSACTIONS**Washington Columns, L.P.**

The Petersburg Redevelopment and Housing Authority has a developer fee receivable from Washington Columns, L.P. in the amount of \$341,286. The development fee accrues interest at a rate of 6.00% annually. The current balance of the development fee including accrued interest is \$676,978. The developer fee is to be paid from cash flows and has been partially allowed for. This fee is for the acquisition and development of the Washington Columns apartments. The Petersburg Redevelopment and Housing Authority is also due \$678 in interfund borrowings and a management fee payable in the amount of \$739. The Partnership also paid the PRHA a management fee in 2016 of \$8,703.

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 3: RELATED PARTY TRANSACTIONS (Cont.)****Wythe Row, L.P.**

The Petersburg Redevelopment and Housing Authority has a developer fee receivable from Wythe Row, L.P. in the amount of \$203,823. The development fee accrues interest at a rate of 6.50% annually. The current balance of the development fee including accrued interest is \$589,122. This fee is for the acquisition and development of the Wythe Row apartments. The developer fee is to be paid from cash flows and has been partially allowed for. The Petersburg Redevelopment and Housing Authority is also due a note receivable in the amount of \$187,000. The note receivable is to be paid back out of cash flow and has been fully allowed for. The Authority was paid a management fee of \$4,981 during 2016 and is also due \$1,176 in interfund borrowings and management fees at December 31, 2016.

NOTE 4: NOTES RECEIVABLE

At December 31, 2016, the Authority had notes receivable balances related to notes from Wythe Row, Washington Columns, and Petersburg Community Development Corporation. The amounts due are as follows:

Petersburg Community Development Corporation	\$ 164,792
Washington Columns, L.P.	<u>32,468</u>
Total Notes Receivable	<u>\$ 197,260</u>

Petersburg Community Development Corporation

PRHA had made several loans to PCDC and had incurred significant cost related to predevelopment of PCDC's Van Buren Estates housing development. In September of 2009, a separation agreement was executed between PRHA and PCDC and it was agreed that only \$140,000 of the amounts owed by PCDC would be repaid. A new promissory note was executed for \$140,000 at 2.5% interest over a 20-year term. As such at 12/31/2008, PRHA recorded an allowance for all but the \$140,000, which is believed to be collectible from PCDC. At December 31, 2016, the outstanding balance including all accrued interest is \$164,792.

Wythe Row, L.P.

This loan, in the amount of \$187,000, is to be paid from future cash flows and has been fully allowed for.

Washington Columns, L.P.

Petersburg Housing Corporation (PHC) has a note receivable from Washington Columns, L.P. in the amount of \$195,468. The Authority has recorded an allowance for all but \$32,468 of this note.

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 5: PREPAID CHARGES**

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

Prepaid Expenses	\$ 2,241
Prepaid Insurance	17,666
	<u>\$ 19,907</u>

NOTE 6: RECEIVABLES

Receivables as of December 31, 2016, for the Authority's individual programs, including the applicable allowance for uncollectible accounts, are as follows:

	Low Rent	Section 8	Business Activities	HOME Investment	COCC	Component Unit	Total
Receivables							
Tenants	\$ 47,311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,311
Intergovernmental							
Accounts	203,502	-	-	-	-	-	203,502
Miscellaneous	67,990	1,091	4,747	-	9,530	-	83,358
Gross Receivables	318,803	1,091	4,747	-	9,530	-	334,171
Less: Allowance for Uncollectables	(25,598)	-	(3,412)	-	-	-	(29,010)
Net Total Receivables	<u>\$ 293,205</u>	<u>\$ 1,091</u>	<u>\$ 1,335</u>	<u>\$ -</u>	<u>\$ 9,530</u>	<u>\$ -</u>	<u>\$ 305,161</u>

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 7: PROPERTY AND EQUIPMENT**

Land, structures and equipment consist of the following at December 31, 2016:

	Low Rent	HCV	Business Activities	COCC	Component Unit	Total
Land	\$ 371,834	\$ -	\$ -	\$ 12,000	\$ -	\$ 383,834
Buildings and Improvements	20,395,349	-	-	396,041	-	20,791,390
Furniture, Fixtures, and Equipment	1,782,142	70,054	-	79,351	-	1,931,547
Construction in Progress	453,709	-	-	-	-	453,709
Less: Accumulated Depreciation	(16,132,046)	(49,532)	-	(345,909)	-	(16,527,487)
Total	<u>\$ 6,870,988</u>	<u>\$ 20,522</u>	<u>\$ -</u>	<u>\$ 141,483</u>	<u>\$ -</u>	<u>\$ 7,032,993</u>

	Prior Year Balance	Additions	Transfers & Deletion	Year End Balance
Land	\$ 383,834	\$ -	\$ -	\$ 383,834
Buildings and Improvements	20,172,944	8,105	610,341	20,791,390
Furniture, Fixtures, and Equipment	1,819,834	94,254	17,459	1,931,547
Construction in Progress	673,562	437,517	(657,370)	453,709
Total Property and Equipment	23,050,174	539,876	(29,570)	23,560,480
Less: Accumulated Depreciation	(16,171,045)	(378,738)	22,296	(16,527,487)
Net Book Value	<u>\$ 6,879,129</u>	<u>\$ 161,138</u>	<u>\$ (7,274)</u>	<u>\$ 7,032,993</u>

NOTE 8: ACCOUNTS PAYABLE

Accounts payable at December 31, 2016, consisted of the following:

Vendors & contractors	<u>\$ 135,787</u>
	<u>\$ 135,787</u>

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 9: ACCRUED EXPENSES AND OTHER ACCRUED LIABILITIES**

Accrued expenses and other current liabilities at December 31, 2016, consisted of the following:

Accrued salary and payroll taxes payable	\$ 19,792
Accrued compensated Absences - current portion	13,117
Tenant security deposits	45,026
Accrued Contingency Liability	50,000
PILOT	31,520
Accounts payable - HUD	5,495
Unearned Revenue	36,327
	<u>\$ 201,277</u>

NOTE 10: NONCURRENT LIABILITIES

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

	Balance 12/31/2015	Increases	Decreases	Balance 12/31/2016	Long-Term Portion	Current Portion of Balance
Long-Term Compensated Absences	\$ 65,619	\$ 102,802	\$ (102,840)	\$ 65,581	\$ 52,464	\$ 13,117
Non-Current Liabilities-Other	754,279	110,462	(5,495)	859,246	859,246	-
Total Non-Curent Liabilities	<u>\$ 819,898</u>	<u>\$ 213,264</u>	<u>\$ (108,335)</u>	<u>\$ 924,827</u>	<u>\$ 911,710</u>	<u>\$ 13,117</u>

*Non-Current Liabilities – Other is comprised of amounts payable to HUD, FSS escrow amounts, and liabilities related to pension and OPEB.

NOTE 11: INTERFUND ACTIVITY

Other programs that the housing authority manages may incur costs that are either accrued or paid for by other funds, such as, payroll and other bills. The due to/from account has been set up to keep track of monies owed to or from other funds. Interfunds as of December 31, 2016, had the following balances:

Business Activities	\$ 648,081
COCC	70,887
Low-Rent Housing	(34,542)
HOME Investment Partnership Program	1,168
Housing Choice Voucher	(19,833)
Component Units	(665,761)
	<u>\$ -</u>

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 12: DEFINED BENEFIT PENSION PLAN**

The Authority contributes to the Virginia Retirement System (VRS), a Cost-Sharing multiple employer defined benefit public employee retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia.

a. Plan Description

All full-time, salaried employees of Petersburg Redevelopment and Housing Authority are automatically covered by the VRS Retirement System upon employment. Benefits vest after five (5) years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service.

The VRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by visiting the VRS website at <http://varetire.org/pdf/publications/2016-annual-report.pdf> or by writing the System's CFO at P.O. Box 2500, Richmond, VA 23218-2500.

b. Employees Covered by Benefit Terms

As of June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive Members or Their Beneficiaries Currently Receiving Benefits	26
Inactive Members:	
Vested	5
Non-Vested	9
Active Elsewhere in VRS	<u>10</u>
Total Inactive Members	24
Active Members	27
Total Covered Employees	<u><u>77</u></u>

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 12: DEFINED BENEFIT PENSION PLAN - (Cont.)**c. Contributions

The contribution requirement for active employees is governed by Title 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensations toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees; employers were responsible to require employees to pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. PRHA's contractually required contribution rate for the year ended June 30, 2016 was 9.77% of covered employee compensation. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from PRHA to the pension plan were \$114,125 and \$108,517 for the years ended June 30, 2016 and June 30, 2015, respectively.

Liabilities, expenses and deferred outflows/inflows of resources related to pensionsa. Actuarial Assumptions

The total pension liability for General Employees in PRHA's retirement plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.50%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7% net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7%. Since the difference was minimal, a more conservative 7% investment return assumption was used for preparation of pension liabilities.

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 12: DEFINED BENEFIT PENSION PLAN - (Cont.)****b. Net Pension Liability**

The Authority's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. The following table summarizes the changes in the Net Position Liability which resulted in \$614,136 being reported as a pension liability as of December 31, 2016.

	Total Pension	Plan	Net
Balance at June 30, 2015	\$ 5,052,204	\$ 4,512,960	\$539,244
Changes for the year:			
Service Cost	113,285	-	113,285
Interest	345,359	-	345,359
Changes of assumptions	-	-	-
Difference between expected and actual experience	(136,977)	-	(136,977)
Contributions-employer	-	114,125	(114,125)
Contributions-employee	-	57,645	(57,645)
Net Investment Income	-	77,856	(77,856)
Benefit payments, including refunds of employee contributions	(237,008)	(237,008)	-
Administrative expense	-	(2,818)	2,818
Other changes	-	(33)	33
Net Changes	84,659	9,767	74,892
Balance at June 30, 2016	5,136,863	4,522,727	614,136

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 12: DEFINED BENEFIT PENSION PLAN - (Cont.)****c. Sensitivity of the Net Position Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Authority using the discount rate of 7%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
Plan's Net Pension Liability	\$ 1,213,239	\$ 614,136	\$ 110,405

d. Pension Expense (Income)

For the year ended December 31, 2016, the Authority recognized pension expense of \$97,147. The components of pension expense are as follows:

Service Costs	\$ 113,285
Interest on total pensions liability	345,359
Current-period benefit changes	-
Expensed portion of current-period difference between expected and actual experience in the total pension liability	(46,433)
Expensed portion of current-period changes of assumptions	-
Member contributions	(57,645)
Projected earnings on plan investments	(313,524)
Expensed portion of current-period difference between actual and projected earnings on plan investments	47,134
Administrative expense	2,818
Other	33
Recognition of beginning deferred outflows of resources as pension expense	74,343
Recognition of beginning deferred inflows of resources as pension expense	(68,223)
Pension Expense (Income)	\$ 97,147

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 12: DEFINED BENEFIT PENSION PLAN - (Cont.)**e. Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,153	\$ 90,544
Employer contributions subsequent to the measurement date	67,674	-
Net difference between projected and actual earnings on plan investments	115,332	-
Total	<u>\$ 218,159</u>	<u>\$ 90,544</u>

\$67,674 reported as deferred outflows of resources related to pensions, resulting from the Authority's contributions subsequent to the measurement date, will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	(11,288)
2019	(44,120)
2020	68,217
2021	47,132
Thereafter	-

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 13: POST RETIREMENT HEALTH CARE BENEFITS**

Beginning in fiscal year 2008, the reporting entity is required to implement Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) including health care benefits offered to retirees. This standard addresses how the reporting entity should account for and report its costs related to post-employment health care. GASB 45 requires that PRHA recognize the cost of the retiree health benefit during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on PRHA.

Plan Description:

In addition to the pension benefits described in Note 12, PRHA provides post-retirement medical/dental health care benefits, in accordance with PRHA's Personnel Policies and Procedures to all regular full-time employees who are eligible to retire in the Virginia Retirement System with either 10 years of service and age 50, 5 years of service and age 55, or under disability. 28 retirees meet these requirements.

Funding Policy:

The PRHA Board of Commissioners has the authority to establish and amend the funding policy of their plan. The employer contributions are financed on a pay-as-you-go basis. An additional amount is deposited in a designated, non-trust fund, investment for future benefits. GASB Statement No. 45 requires recognition of the current expense of OPEB based on the annual required contribution, but does not require funding of the related liability.

Annual OPEB Cost and Net OPEB Obligation:

PRHA's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 13: POST RETIREMENT HEALTH CARE BENEFITS – (Cont.)**Breakout of OPEB Liability:

	Low Rent	HCV	HOME	COCC	Total
Net OPEB Obligation	17,723	3,630	109	12,006	33,468

Funded Status and Funding Progress:

Based on the most recent actuarial valuation for fiscal year ended December 31, 2016, the funded status of the plan was as follows:

	2016
Actuarial Accrued Liability (AAL)	56,637
Actuarial Value of Plan Assets	23,169
Unfunded Actuarial Accrued Liability (UAAL)	33,468
Funded Ratio (Actuarial Value of Plan Assets/AAL)	41%
Covered Payroll (Active Plan Members)	1,213,500
UAAL as a Percentage of Covered Payroll	3%

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

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

NOTE 13: POST RETIREMENT HEALTH CARE BENEFITS - Continued

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below as required supplementary information, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation for Year Ending December 31, 2016, the entry age normal cost method was used. This method is known as a projected benefits method. The chief characteristic of projected benefits methods is that the actuarial present value of benefits is determined as of the valuation date and then allocated between the period before and after the valuation date. The unfunded actuarial accrued liability is paid over 30 years in level percentage of payroll payments, with payroll assumed to increase 3.75% per year. Healthcare cost trend rates ranged from an initial rate of 9.00% for 2015 to a rate of 5% for 2023. Retiree premium contributions are assumed to increase at the same rate as the cost of healthcare.

GASB 45 Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability	Accrued (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
6/30/2016	\$23,169	\$	56,637	\$ 33,468	40.91%	\$ 1,213,500	2.76%
6/30/2015	\$23,132	\$	55,093	\$ 31,961	41.99%	\$ 1,165,930	2.74%
6/30/2014	\$22,460	\$	53,293	\$ 30,833	42.14%	\$ 1,114,495	2.77%
6/30/2013	\$20,233	\$	46,903	\$ 26,670	43.14%	\$ 849,876	3.14%
6/30/2012	\$18,805	\$	48,634	\$ 29,829	38.67%	\$ 834,236	3.58%
6/30/2011	\$18,982	\$	47,124	\$ 28,143	40.28%	\$ 1,123,863	2.50%

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

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

NOTE 14: CONTINGENCIES AND OTHER MATTERS

a. Litigation and Other Matters

On or about July 24, 2014, the Authority was served with a Complaint filed by the Cedar Lawn Homeowners Association, Inc. (the "HOA") in the Circuit Court of the City of Petersburg. Cedar Lawn is a forty-six (46) unit townhome community formerly owned by the Authority as low income public housing. The Authority renovated and sold the units at Cedar Lawn in connection with a HOPE I implementation grant aimed at promoting affordable homeownership opportunities in the City of Petersburg. The Complaint alleges, among other things, that the Authority and those persons formerly serving on the HOA's governing Board of Directors failed to construct, maintain and manage the HOA property in accordance with the terms of the HOA's Declaration of Covenants, Conditions and Restrictions (the "Declaration").

In sum, the lawsuit is predicated on the notion that the Authority, in its capacity as the HOA's Declarant, failed to uphold its obligations under the Declaration during the time period in which the HOA Board was "Declarant controlled." The Authority's Executive Director served on the HOA Board, along with a number of other former Authority employees during the time period in which the Board was purportedly under the Authority's control. As such, these employees have also been named in this lawsuit. The Authority has agreed to defend and indemnify the current Executive Director against any liability arising from this lawsuit to the extent allowed by law.

The Authority and the HOA reached an agreement on June 27, 2016. Terms of the agreement require The Authority to pay, within ten days of the executed agreement, \$150,000 to the HOA to defray routine property management and maintenance costs. The Authority must also pay the HOA up to \$50,000 for repairs and restorations to the Cedar Lawn property. To determine the liability of the Authority, the parties shall obtain an estimate, from a licensed and bonded general contractor of their preference. One estimate shall also be obtained from a mutually agreed upon contractor. The Authority's liability, up to \$50,000, will be limited to the average of the three estimates obtained and is due within thirty days of the date on which PRHA receives the last of the three estimates. Within sixty days of the executed agreement, the Authority must also convey, by way of Special Warranty Deed, title to the townhome at 14 Kennedy Court located in the Cedar Lawn community. The unit shall be immediately ready for occupancy, in compliance with all applicable federal, state and local standards, upon conveyance of title to the HOA. Fair value of the townhome, at the date of conveyance, was \$80,680. In July of 2016, PRHA paid \$150,000 to the HOA under the executed settlement agreement. As of December 31, 2016, a liability of \$50,000 was recorded for the repairs and restoration to the Cedar Lawn property.

Certain other claims, suits and complaints may arise in the ordinary course of business. Except as noted above, none have been filed and none are pending against the Authority. The Authority's management is reasonably optimistic that all such matters are adequately covered by insurance; or, if not so covered, are without merit or involve such amounts as would not have a material adverse effect on the Authority's financial statements.

b. Grants

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

The Component Unit has received no grant funds.

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 15: IMPAIRMENT OF CAPITAL ASSETS**

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

NOTE 16: INVESTMENT IN OPERATING PARTNERSHIPS

The Authority, through its component unit, formed two Limited Partnerships, Washington Columns L.P. and Wythe Row, L.P. The component unit has a .009% general partner interest in Washington Columns, L.P., which is a 26 unit project. The Component Unit has a .01% general partner interest in Wythe Row, L.P., which is a 12 unit project. Condensed information on the component unit at December 31, 2016 is as follows:

	<u>Washington Columns, L.P.</u>	<u>Wythe Row, L.P.</u>
<u>Balance Sheet</u>		
Total Current Assets	\$ 27,720	\$ 71,100
Total Net Fixed Assets	3,333,965	912,657
Total Other Assets	<u>68,586</u>	<u>26,172</u>
 TOTAL Assets	 <u>\$ 3,430,271</u>	 <u>\$1,009,929</u>
 Total Current Liabilities	 \$ 38,263	 \$ 177,544
Total Other Liabilities	902,182	778,702
Total Partners' Capital	<u>2,489,826</u>	<u>53,683</u>
 TOTAL Liabilities & Partners' Capital	 <u>\$ 3,430,271</u>	 <u>\$1,009,929</u>

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 16: INVESTMENT IN OPERATING PARTNERSHIPS (Cont.)**

	<u>Washington Columns, L.P.</u>	<u>Wythe Row, L.P.</u>
<u>Income Statement</u>		
Rental Income	\$ 175,450	\$ 100,366
Other Income	<u>1,527</u>	<u>551</u>
TOTAL Income	176,977	100,917
TOTAL Expenses	<u>(315,665)</u>	<u>(175,574)</u>
Net Income (Loss)	(138,688)	(74,657)
Beginning Capital	<u>2,628,514</u>	<u>128,340</u>
TOTAL CAPITAL	<u>\$ 2,489,826</u>	<u>\$ 53,683</u>

NOTE 17: GUARANTEED DEBT

The Authority pledged assets to guarantee debt by Wythe Row Limited Partnership and Washington Columns Limited Partnership. The loan deficit guarantee is limited to \$300,000 for Wythe Row and \$200,000 for Washington Columns. Only \$50,000 for Wythe Row would be required to be collateralized with cash specifically earmarked to come from the Home Sales accounts which is non-federal funds. The remaining \$250,000 guaranteed for Wythe Row is not a cash guarantee, but a pledge of future development fees not yet paid to the Housing Authority. The \$200,000 for Washington Columns is an unsecured obligation for operating deficit loan obligation. There has been no financial default involving either partnership, accordingly, no call has been made upon the guarantees. Of these amounts \$13,429 is shown as restricted investments on the financial statements.

NOTE 18: ECONOMIC DEPENDENCY

Both the PHA Owned Housing Program and the Section 8 Program are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

NOTE 19: CONTINGENCIES:

The entity is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to federal grantors and/or program beneficiaries.

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**NOTE 20: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 25, 2017, the date on which the financial statements were available to be issued. On August 23, 2017, PRHA purchased the mortgage note on the Wythe Row Apartments from the Virginia Housing Development Authority (VHDA) for \$138,581. The mortgage was in default and in jeopardy of foreclosure by VHDA. Wythe Row Apartments is a 12-unit townhome community owned by Wythe Row, L.P. PRHA shall move forward in determining the most viable and effective methodology to service and/or liquidate the distressed mortgage in a timely manner.

NOTE 21: SUPPLEMENTAL INFORMATION

The supplemental information has been included in order to show the financial statements of the Housing Authority on the GAAP basis of accounting but in the format of the HUD Handbook 7476.3, Audit Guide. This is due to the fact that some supplemental information is reviewed by the field office and provides greater detail concerning the operations of the Housing Authority.

NOTE 22: PRIOR PERIOD ADJUSTMENT

The Authority has adjusted its beginning net position in the amount of \$782, to correctly recognize revenue earned in the year ended December 31, 2015. Of this amount, \$31 is attributable to an FSS correction in the HCV Fund and the remaining \$751 to an adjustment in the Business Activities Fund.

SUPPORTING SCHEDULES

Petersburg Redevelopment and Housing Authority

Statement of Net Position - All Programs December 31, 2016

	Business Activities	Low-Rent Housing Fund	HOME Investment Partnership	Housing Choice Voucher	COCC	Component Unit	Interfund Eliminations	Total
ASSETS								
Current Assets								
Cash and Cash Equivalents	\$ 148,712	\$ 1,097,380	\$ 10,765	\$ 161,608	\$ 203,554	\$ 53	\$ -	\$ 1,622,072
Restricted Cash and Cash Equivalents	-	303,264	-	432,749	-	-	-	736,013
Investments	95,971	200,000	-	-	-	-	-	295,971
Receivables - Net of Allowance	1,335	293,205	-	1,091	9,530	-	-	305,161
Interprogram Due From	648,081	-	1,168	-	72,213	-	(721,462)	-
Inventories - Net of Allowance	-	42,396	-	-	-	-	-	42,396
Assets Held for Sale	80,644	35,733	-	-	-	-	-	116,377
Prepaid Expenses and Other Assets	26	15,497	11	2,538	1,835	-	-	19,907
Total Current Assets	974,769	1,987,475	11,944	597,986	287,132	53	(721,462)	3,137,897
Noncurrent Assets								
Restricted Investments	13,429	540,600	-	-	-	-	-	554,029
Capital Assets								
Land	-	371,834	-	-	12,000	-	-	383,834
Buildings	-	20,395,349	-	-	396,041	-	-	20,791,390
Furniture Equipment & Machinery- Dwelling	-	1,420,848	-	-	-	-	-	1,420,848
Furniture Equipment & Machinery- Admin	-	361,294	-	70,054	79,351	-	-	510,699
Less: Accumulated Depreciation	-	(16,132,046)	-	(49,532)	(345,909)	-	-	(16,527,487)
Construction in Progress	-	453,709	-	-	-	-	-	453,709
Fixed Assets - Net	-	6,870,988	-	20,522	141,483	-	-	7,032,993
Notes, Loans, & Mortgages Receivable	164,792	-	-	-	-	32,468	-	197,260
Total Noncurrent Assets	178,221	7,411,588	-	20,522	141,483	32,468	-	7,784,282
Total Assets	1,152,990	9,399,063	11,944	618,508	428,615	32,521	(721,462)	10,922,179
Deferred Outflow of Resources								
Deferred Outflow of Resources	-	123,380	697	24,468	69,614	-	-	218,159
Total Assets and Deferred Outflow of Resources	\$ 1,152,990	\$ 9,522,443	\$ 12,641	\$ 642,976	\$ 498,229	\$ 32,521	\$ (721,462)	\$ 11,140,338

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

Petersburg Redevelopment and Housing Authority

Statement of Net Position - All Programs December 31, 2016

	Business Activities	Low-Rent Housing Fund	HOME Investment Partnership	Housing Choice Voucher	COCC	Component Unit	Interfund Eliminations	Total
LIABILITIES								
Accounts Payable	\$ 35	\$ 130,843	\$ -	\$ 1,064	\$ 3,845	\$ -	\$ -	\$ 135,787
Accrued Liabilities	-	64,470	290	5,203	12,946	-	-	82,909
Interprogram Due To	-	34,542	-	19,833	1,326	665,761	(721,462)	-
Intergovernmental	-	31,520	-	-	5,495	-	-	37,015
Tenant Security Deposits	-	45,026	-	-	-	-	-	45,026
Unearned Revenue	-	-	-	36,327	-	-	-	36,327
Total Current Liabilities	35	306,401	290	62,427	23,612	665,761	(721,462)	337,064
Noncurrent Liabilities								
Accrued Absences - Long-Term	-	14,178	74	9,528	28,684	-	-	52,464
Other Liabilities	-	370,504	2,061	75,905	410,776	-	-	859,246
Total Noncurrent Liabilities	-	384,682	2,135	85,433	439,460	-	-	911,710
Total Liabilities	35	691,083	2,425	147,860	463,072	665,761	(721,462)	1,248,774
Deferred Inflow of Resources								
Deferred Inflow of Resources	-	54,101	284	400,686	25,709	-	-	480,780
Net Position								
Invested in Capital Assets, Net of Related Debt	-	6,870,988	-	20,522	141,483	-	-	7,032,993
Restricted Net Position	13,429	760,235	-	39,675	-	-	-	813,339
Unrestricted Net Position	1,139,526	1,146,036	9,932	34,233	(132,035)	(633,240)	-	1,564,452
Total Net Position	1,152,955	8,777,259	9,932	94,430	9,448	(633,240)	-	9,410,784
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 1,152,990	\$ 9,522,443	\$ 12,641	\$ 642,976	\$ 498,229	\$ 32,521	\$ (721,462)	\$ 11,140,338

Petersburg Redevelopment and Housing Authority

Statement of Revenues, Expenses, and Changes in Fund Net Position - All Programs For the year ended December 31, 2016

	Business Activities	Low-Rent Housing Fund	HOME Investment Partnership	Housing Choice Voucher	COCC	Component Unit	Interfund Eliminations	Total
Operating Revenues								
Tenant Revenue	\$ -	\$ 1,018,482	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,018,482
Program Grants/Subsidies	-	2,012,843	-	4,766,508	-	-	-	6,779,351
Other Government Grants	-	-	29,523	-	-	-	-	29,523
Other Income	5,394	12,168	-	43,855	696,665	-	(612,762)	145,320
Total Operating Revenues	5,394	3,043,493	29,523	4,810,363	696,665	-	(612,762)	7,972,676
Operating Expenses								
Administrative	6,513	1,023,007	5,978	414,212	568,251	1,345	(561,806)	1,457,500
Asset Management Fee	-	49,080	-	-	-	-	(49,080)	-
Tenant Services	-	939	-	-	-	-	-	939
Utilities	738	687,565	-	-	10,360	-	-	698,663
Maintenance	8,914	909,422	-	7,887	19,088	-	-	945,311
Protective Services	-	1,464	-	-	330	-	-	1,794
Insurance Premiums	454	118,265	53	19,004	6,248	-	-	144,024
General	660	69,269	23,877	10,233	26,975	-	-	131,014
Housing Assistance Payments	-	-	-	4,333,663	-	-	-	4,333,663
Depreciation	-	361,979	-	2,280	14,479	-	-	378,738
Total Operating Expenses	17,279	3,220,990	29,908	4,787,279	645,731	1,345	(610,886)	8,091,646
Operating Income (Loss)	(11,885)	(177,497)	(385)	23,084	50,934	(1,345)	(1,876)	(118,970)
Non-Operating Revenues (Expenses)								
Interest Expense	-	-	-	-	-	(1,876)	1,876	-
Gain/(Loss) on Sale of Fixed Assets	-	(7,273)	-	-	-	-	-	(7,273)
Interest and Investment Revenue	3,479	2,235	-	-	-	-	-	5,714
Total Nonoperating Revenues (Expenses)	3,479	(5,038)	-	-	-	(1,876)	1,876	(1,559)
Income (Loss) Before Contributions and Transfers	(8,406)	(182,535)	(385)	23,084	50,934	(3,221)	-	(120,529)
Capital Grants	-	437,516	-	-	8,105	-	-	445,621
Change in Net Assets	(8,406)	254,981	(385)	23,084	59,039	(3,221)	-	325,092
Beginning of Year Net Assets	1,160,610	8,522,278	10,317	71,315	(49,591)	(630,019)	-	9,084,910
Transfers, Prior Period Adjustments	751	-	-	31	-	-	-	782
Total Ending Net Assets	\$ 1,152,955	\$ 8,777,259	\$ 9,932	\$ 94,430	\$ 9,448	\$ (633,240)	\$ -	\$ 9,410,784

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

Petersburg Redevelopment and Housing Authority

**Statement of Cash Flows - All Programs
For the year ended December 31, 2016**

	Business Activities	Low-Rent Housing Fund	HOME Investment Partnership	Housing Choice Voucher	COCC	Component Unit	Total
Cash flows from operating activities:							
Cash received from tenants	\$ 2,843	\$ 1,015,917	\$ 5,952	\$ -	\$ -	\$ -	\$ 1,024,712
Cash received from operating grants	-	2,012,843	29,523	5,153,383	-	-	7,195,749
Cash received from other sources	1,894	12,168	-	43,855	696,665	-	754,582
Cash paid for goods and services	(12,203)	(1,696,630)	(981)	(25,099)	(16,485)	-	(1,751,398)
Cash paid for employees and administrative	(6,513)	(1,072,951)	(6,285)	(398,323)	(567,449)	(1,345)	(2,052,866)
Housing Assistance Payments	-	-	-	(4,333,663)	-	-	(4,333,663)
Cash paid for other	(660)	(10,133)	(23,877)	20,467	(26,975)	1,207	(39,971)
Net cash provided (used) by operating activities	(14,639)	261,214	4,332	460,620	85,756	(138)	797,145
Cash flows from noncapital financing activities:							
Transfers	751	-	-	31	-	-	782
Net cash from noncapital financing activities	751	-	-	31	-	-	782
Cash flows from capital and related financing activities:							
Capital Grants received	-	234,014	-	-	8,105	-	242,119
Purchases, Sales and construction of capital assets	36	(491,443)	-	(22,803)	(18,357)	-	(532,567)
Net cash (used) for capital and related financing activities	36	(257,429)	-	(22,803)	(10,252)	-	(290,448)
Cash flows from investing activities:							
Interest and dividends	3,479	2,235	-	-	-	-	5,714
Proceeds/(Losses) from Assets held for resale	-	(7,273)	-	-	-	-	(7,273)
Net cash provided by investing activities	3,479	(5,038)	-	-	-	-	(1,559)
Net increase (decrease) in cash and cash equivalents	(10,373)	(1,253)	4,332	437,848	75,504	(138)	505,920
Cash and cash equivalents at beginning of year	159,085	1,401,897	6,433	156,509	128,050	191	1,852,165
Cash and cash equivalents at end of year	148,712	1,400,644	10,765	594,357	203,554	53	2,358,085
Unrestricted Cash	148,712	1,097,380	10,765	161,608	203,554	53	1,622,072
Restricted Cash	-	303,264	-	432,749	-	-	736,013
Total Cash	\$ 148,712	\$ 1,400,644	\$ 10,765	\$ 594,357	\$ 203,554	\$ 53	\$ 2,358,085

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

Petersburg Redevelopment and Housing Authority

**Statement of Cash Flows - All Programs
For the year ended December 31, 2016**

	Business Activities	Low-Rent Housing Fund	HOME Investment Partnership	Housing Choice Voucher	COCC	Component Unit	Total
Reconciliation of operating income (loss) to net cash provided							
(used) by operating activities:							
Operating income (loss)	\$ (11,885)	\$ (177,497)	\$ (385)	\$ 23,084	\$ 50,934	\$ (3,221)	\$ (118,970)
Adjustments to reconcile operating income to net cash provided							
(used) by operating activities:							
Depreciation expense	-	361,979	-	2,280	14,479	-	378,738
Changes in assets and liabilities:							
(Increase) Decrease in Receivables - Net	2,843	(2,565)	5,952	(128)	7,804	-	13,906
(Increase) Decrease in Note Receivables	(3,500)	-	-	-	-	-	(3,500)
(Increase) Decrease in Inventory	-	4,491	-	-	-	-	4,491
(Increase) Decrease in Prepaid Expenses	91	7,607	6	3,452	7,268	-	18,424
(Increase) Decrease in Interprogram Due From	(1,481)	-	(1,168)	-	1,358	-	(1,291)
(Increase) Decrease in Deferred Outflow of Resources	-	(34,164)	(210)	(6,998)	(23,142)	-	(64,514)
Increase (Decrease) in Deferred Inflow of Resources	-	(15,780)	(97)	387,003	(10,690)	-	360,436
Increase (Decrease) in Accounts Payable	(707)	57,675	-	502	1,178	-	58,648
Increase (Decrease) in Accrued Expenses	-	2,988	285	1,371	1,510	-	6,154
Increase (Decrease) in Other Liabilities	-	13	-	36,327	-	-	36,340
Increase (Decrease) in Intergovernmental Payables	-	2,070	-	-	-	-	2,070
Increase (Decrease) in Interprogram Due To	-	332	(385)	(2,162)	423	3,083	1,291
Increase (Decrease) in Noncurrent Liabilities	-	54,065	334	15,889	34,634	-	104,922
Net cash provided (used) by operating activities	<u>\$ (14,639)</u>	<u>\$ 261,214</u>	<u>\$ 4,332</u>	<u>\$ 460,620</u>	<u>\$ 85,756</u>	<u>\$ (138)</u>	<u>\$ 797,145</u>

Petersburg Redevelopment & Housing Authority (VA020)

PETERSBURG, VA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2016

	Project Total	14,871 Housing Choice Vouchers	6.2 Component Unit- Blended	14,239 HOME Investment Partnerships Program	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$1,097,380	\$161,608	\$53	\$10,765	\$148,712	\$203,554	\$1,622,072		\$1,622,072
112 Cash - Restricted - Modernization and Development	\$258,238						\$258,238		\$258,238
113 Cash - Other Restricted		\$432,749					\$432,749		\$432,749
114 Cash - Tenant Security Deposits	\$45,026						\$45,026		\$45,026
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash	\$1,400,644	\$594,357	\$53	\$10,765	\$148,712	\$203,554	\$2,358,085	\$0	\$2,358,085
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects	\$203,502						\$203,502		\$203,502
124 Accounts Receivable - Other Government									
125 Accounts Receivable - Miscellaneous	\$67,990	\$1,091			\$4,747	\$9,530	\$83,358		\$83,358
126 Accounts Receivable - Tenants	\$47,311						\$47,311		\$47,311
126.1 Allowance for Doubtful Accounts - Tenants	-\$16,098						-\$16,098		-\$16,098
126.2 Allowance for Doubtful Accounts - Other	-\$9,500	\$0			-\$3,412	\$0	-\$12,912		-\$12,912
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery		\$64,888					\$64,888		\$64,888
128.1 Allowance for Doubtful Accounts - Fraud		-\$64,888					-\$64,888		-\$64,888
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$293,205	\$1,091	\$0	\$0	\$1,335	\$9,530	\$305,161	\$0	\$305,161
131 Investments - Unrestricted	\$200,000				\$95,971		\$295,971		\$295,971
132 Investments - Restricted	\$540,600				\$13,429		\$554,029		\$554,029
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$15,497	\$2,538		\$11	\$26	\$1,835	\$19,907		\$19,907
143 Inventories	\$42,396						\$42,396		\$42,396
143.1 Allowance for Obsolete Inventories	\$0						\$0		\$0
144 Inter Program Due From				\$1,168	\$648,081	\$72,213	\$721,462	-\$721,462	\$0
145 Assets Held for Sale	\$35,733				\$80,644		\$116,377		\$116,377
150 Total Current Assets	\$2,528,075	\$597,986	\$53	\$11,944	\$988,198	\$287,132	\$4,413,388	-\$721,462	\$3,691,926
161 Land	\$371,834					\$12,000	\$383,834		\$383,834
162 Buildings	\$20,395,349					\$396,041	\$20,791,390		\$20,791,390
163 Furniture, Equipment & Machinery - Dwellings	\$1,420,848						\$1,420,848		\$1,420,848
164 Furniture, Equipment & Machinery - Administration	\$361,294	\$70,054				\$79,351	\$510,699		\$510,699
165 Leasehold Improvements									
165 Accumulated Depreciation	-\$16,132,046	-\$49,532				-\$345,909	-\$16,527,487		-\$16,527,487
167 Construction in Progress	\$453,709						\$453,709		\$453,709

Petersburg Redevelopment & Housing Authority (VA020)

PETERSBURG, VA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2016

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit Blended	14.239 HOME Investment Partnerships Program	1 Business Activities	COCC	Subtotal	ELIM	Total
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,870,988	\$20,522	\$0	\$0	\$0	\$141,483	\$7,032,993	\$0	\$7,032,993
171 Notes, Loans and Mortgages Receivable - Non-Current			\$32,468		\$164,792		\$197,260		\$197,260
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current									
174 Other Assets									
176 Investments in Joint Ventures									
180 Total Non-Current Assets	\$6,870,988	\$20,522	\$32,468	\$0	\$164,792	\$141,483	\$7,230,253	\$0	\$7,230,253
200 Deferred Outflow of Resources	\$123,380	\$24,468		\$697		\$69,614	\$218,159		\$218,159
290 Total Assets and Deferred Outflow of Resources	\$9,522,443	\$642,976	\$32,521	\$12,641	\$1,152,990	\$498,229	\$11,861,800	-\$721,462	\$11,140,338
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$130,843	\$1,064			\$35	\$3,845	\$135,787		\$135,787
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$10,925	\$2,821		\$271		\$5,775	\$19,792		\$19,792
322 Accrued Compensated Absences - Current Portion	\$3,545	\$2,382		\$19		\$7,171	\$13,117		\$13,117
324 Accrued Contingency Liability	\$50,000						\$50,000		\$50,000
325 Accrued Interest Payable									
331 Accounts Payable - HUD PHA Programs						\$5,495	\$5,495		\$5,495
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government	\$31,520						\$31,520		\$31,520
341 Tenant Security Deposits	\$45,026						\$45,026		\$45,026
342 Unearned Revenue	\$0	\$36,327					\$36,327		\$36,327
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue									
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities									
346 Accrued Liabilities - Other									
347 Inter Program - Due To	\$34,542	\$19,833	\$665,761			\$1,326	\$721,462	-\$721,462	\$0
348 Loan Liability - Current									
310 Total Current Liabilities	\$306,401	\$62,427	\$665,761	\$290	\$35	\$23,612	\$1,058,526	-\$721,462	\$337,064
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue									
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other		\$2,838				\$208,804	\$211,642		\$211,642

Petersburg Redevelopment & Housing Authority (VA020)

PETERSBURG, VA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2016

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit Blended	14.239 HOME Investment Partnerships Program	1 Business Activities	COCC	Subtotal	ELIM	Total
354 Accrued Compensated Absences - Non Current	\$14,178	\$9,528		\$74		\$28,684	\$52,464		\$52,464
355 Loan Liability - Non Current									
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities	\$370,504	\$73,067		\$2,061	\$0	\$201,972	\$647,604		\$647,604
350 Total Non-Current Liabilities	\$384,682	\$85,433	\$0	\$2,135	\$0	\$439,460	\$911,710	\$0	\$911,710
300 Total Liabilities	\$691,083	\$147,860	\$665,761	\$2,425	\$35	\$463,072	\$1,970,236	-\$721,462	\$1,248,774
400 Deferred Inflow of Resources	\$54,101	\$400,686		\$284		\$25,709	\$480,780		\$480,780
508.4 Net Investment in Capital Assets	\$6,870,988	\$20,522				\$141,483	\$7,032,993		\$7,032,993
511.4 Restricted Net Position	\$760,235	\$39,675			\$13,429		\$813,339		\$813,339
512.4 Unrestricted Net Position	\$1,146,036	\$34,233	-\$633,240	\$9,932	\$1,139,526	-\$132,035	\$1,564,452		\$1,564,452
513 Total Equity - Net Assets / Position	\$8,777,259	\$94,430	-\$633,240	\$9,932	\$1,152,955	\$9,448	\$9,410,784	\$0	\$9,410,784
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$9,522,443	\$642,976	\$32,521	\$12,641	\$1,152,990	\$498,229	\$11,861,800	-\$721,462	\$11,140,338

Petersburg Redevelopment & Housing Authority (VA020)
PETERSBURG, VA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2016

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit Blended	14.239 HOME Investment Partnerships Program	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,011,962						\$1,011,962		\$1,011,962
70400 Tenant Revenue - Other	\$6,520						\$6,520		\$6,520
70500 Total Tenant Revenue	\$1,018,482	\$0	\$0	\$0	\$0	\$0	\$1,018,482	\$0	\$1,018,482
70600 HUD PHA Operating Grants	\$2,012,843	\$4,766,508					\$6,779,351		\$6,779,351
70610 Capital Grants	\$437,516					\$8,105	\$445,621		\$445,621
70710 Management Fee						\$462,249	\$462,249	-\$462,249	\$0
70720 Asset Management Fee						\$49,080	\$49,080	-\$49,080	\$0
70730 Book Keeping Fee						\$99,557	\$99,557	-\$99,557	\$0
70740 Front Line Service Fee									
70750 Other Fees						\$78,854	\$78,854		\$78,854
70700 Total Fee Revenue						\$689,740	\$689,740	-\$610,886	\$78,854
70800 Other Government Grants				\$29,523			\$29,523		\$29,523
71100 Investment Income - Unrestricted	\$560				\$3,305		\$3,865		\$3,865
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery		\$42,339					\$42,339		\$42,339
71500 Other Revenue	\$12,168	\$1,516			\$5,394	\$6,925	\$26,003	-\$1,876	\$24,127
71600 Gain or Loss on Sale of Capital Assets	-\$7,273						-\$7,273		-\$7,273
72000 Investment Income - Restricted	\$1,675				\$174		\$1,849		\$1,849
70000 Total Revenue	\$3,475,971	\$4,810,363	\$0	\$29,523	\$8,873	\$704,770	\$9,029,500	-\$612,762	\$8,416,738
91100 Administrative Salaries	\$202,573	\$127,312		\$4,182		\$346,463	\$680,530		\$680,530
91200 Auditing Fees	\$15,960	\$10,647		\$150	\$500	\$5,003	\$32,260		\$32,260
91300 Management Fee	\$359,037	\$103,212					\$462,249	-\$462,249	\$0
91310 Book-keeping Fee	\$35,050	\$64,507					\$99,557	-\$99,557	\$0
91400 Advertising and Marketing	\$674	\$142					\$816		\$816
91500 Employee Benefit contributions - Administrative	\$56,743	\$44,777		\$1,319		\$115,012	\$217,851		\$217,851
91600 Office Expenses	\$45,690	\$17,512				\$17,309	\$80,511		\$80,511
91700 Legal Expense	\$220,503				\$5,785	\$9,983	\$236,271		\$236,271
91800 Travel	\$104	\$411				\$625	\$1,140		\$1,140
91810 Allocated Overhead									
91900 Other	\$86,673	\$45,692	\$1,345	\$327	\$228	\$73,856	\$208,121		\$208,121
91000 Total Operating - Administrative	\$1,023,007	\$414,212	\$1,345	\$5,978	\$6,513	\$568,251	\$2,019,306	-\$561,806	\$1,457,500
92000 Asset Management Fee	\$49,080						\$49,080	-\$49,080	\$0

Petersburg Redevelopment & Housing Authority (VA020)
PETERSBURG, VA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2016

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit Blended	14.239 HOME Investment Partnerships Program	1 Business Activities	COCC	Subtotal	ELIM	Total
92100 Tenant Services - Salaries									
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services									
92400 Tenant Services - Other	\$939						\$939		\$939
92500 Total Tenant Services	\$939	\$0	\$0	\$0	\$0	\$0	\$939	\$0	\$939
93100 Water	\$62,300						\$62,300		\$62,300
93200 Electricity	\$307,826				\$482	\$6,704	\$315,012		\$315,012
93300 Gas	\$158,352				\$256	\$3,656	\$162,264		\$162,264
93400 Fuel									
93500 Labor									
93600 Sewer	\$159,087						\$159,087		\$159,087
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93000 Total Utilities	\$687,565	\$0	\$0	\$0	\$738	\$10,360	\$698,663	\$0	\$698,663
94100 Ordinary Maintenance and Operations - Labor	\$351,494					\$3,350	\$354,844		\$354,844
94200 Ordinary Maintenance and Operations - Materials and Other	\$109,530	\$903			\$1,287	\$2,026	\$113,746		\$113,746
94300 Ordinary Maintenance and Operations Contracts	\$336,909	\$6,984			\$7,627	\$12,778	\$364,298		\$364,298
94500 Employee Benefit Contributions - Ordinary Maintenance	\$111,489					\$934	\$112,423		\$112,423
94000 Total Maintenance	\$909,422	\$7,887	\$0	\$0	\$8,914	\$19,088	\$945,311	\$0	\$945,311
95100 Protective Services - Labor									
95200 Protective Services - Other Contract Costs	\$1,464					\$330	\$1,794		\$1,794
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services									
95000 Total Protective Services	\$1,464	\$0	\$0	\$0	\$0	\$330	\$1,794	\$0	\$1,794
96110 Property Insurance	\$71,877				\$381	\$866	\$73,124		\$73,124
96120 Liability Insurance	\$20,803	\$14,908			\$73		\$35,784		\$35,784
96130 Workmen's Compensation	\$8,960	\$2,073		\$53		\$4,423	\$15,509		\$15,509
96140 All Other Insurance	\$16,625	\$2,023				\$959	\$19,607		\$19,607
96100 Total Insurance Premiums	\$118,265	\$19,004	\$0	\$53	\$454	\$6,248	\$144,024	\$0	\$144,024
96200 Other General Expenses	\$660			\$23,523	\$660		\$24,843		\$24,843
96210 Compensated Absences	\$21,456	\$10,233		\$354		\$26,975	\$59,018		\$59,018
96300 Payments in Lieu of Taxes	\$31,520						\$31,520		\$31,520
96400 Bad debt - Tenant Rents	\$15,633						\$15,633		\$15,633

Petersburg Redevelopment & Housing Authority (VA020)
PETERSBURG, VA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2016

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit Blended	14.239 HOME Investment Partnerships Program	1 Business Activities	COCC	Subtotal	ELIM	Total
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96000 Total Other General Expenses	\$69,269	\$10,233	\$0	\$23,877	\$660	\$26,975	\$131,014	\$0	\$131,014
96710 Interest of Mortgage (or Bonds) Payable									
96720 Interest on Notes Payable (Short and Long Term)			\$1,876				\$1,876	-\$1,876	\$0
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$1,876	\$0	\$0	\$0	\$1,876	-\$1,876	\$0
96900 Total Operating Expenses	\$2,859,011	\$451,336	\$3,221	\$29,908	\$17,279	\$631,252	\$3,992,007	-\$612,762	\$3,379,245
97000 Excess of Operating Revenue over Operating Expenses	\$616,960	\$4,359,027	-\$3,221	-\$385	-\$8,406	\$73,518	\$5,037,493	\$0	\$5,037,493
97100 Extraordinary Maintenance									
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments		\$4,332,304					\$4,332,304		\$4,332,304
97350 HAP Portability-In		\$1,359					\$1,359		\$1,359
97400 Depreciation Expense	\$361,979	\$2,280				\$14,479	\$378,738		\$378,738
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$3,220,990	\$4,787,279	\$3,221	\$29,908	\$17,279	\$645,731	\$8,704,408	-\$612,762	\$8,091,646
10010 Operating Transfer In	\$265,859						\$265,859		\$265,859
10020 Operating transfer Out	-\$265,859						-\$265,859		-\$265,859
10030 Operating Transfers from/to Primary Government									
10040 Operating Transfers from/to Component Unit									
10050 Proceeds from Notes, Loans and Bonds									
10060 Proceeds from Property Sales									
10070 Extraordinary Items, Net Gain/Loss									
10080 Special Items (Net Gain/Loss)									
10091 Inter Project Excess Cash Transfer In									
10092 Inter Project Excess Cash Transfer Out									
10093 Transfers between Program and Project - In									
10094 Transfers between Project and Program - Out									
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Petersburg Redevelopment & Housing Authority (VA020)
PETERSBURG, VA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2016

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit Blended	14.239 HOME Investment Partnerships Program	1 Business Activities	COCC	Subtotal	ELIM	Total
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$254,981	\$23,084	-\$3,221	-\$385	-\$8,406	\$59,039	\$325,092	\$0	\$325,092
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$8,522,278	\$71,315	-\$630,019	\$10,317	\$1,160,610	-\$49,591	\$9,084,910		\$9,084,910
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		\$31			\$751		\$782		\$782
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Special Term/Severance Benefits Liability									
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity		\$54,755					\$54,755		\$54,755
11180 Housing Assistance Payments Equity		\$39,675					\$39,675		\$39,675
11190 Unit Months Available	4873	8844					13717		13717
11210 Number of Unit Months Leased	4672	8601					13273		13273
11270 Excess Cash	\$1,091,769						\$1,091,769		\$1,091,769
11610 Land Purchases	\$0					\$0	\$0		\$0
11620 Building Purchases	\$390,488					\$8,105	\$398,593		\$398,593
11630 Furniture & Equipment - Dwelling Purchases	\$34,943					\$0	\$34,943		\$34,943
11640 Furniture & Equipment - Administrative Purchases	\$73,286					\$10,250	\$83,536		\$83,536
11650 Leasehold Improvements Purchases	\$0					\$0	\$0		\$0
11660 Infrastructure Purchases	\$0					\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0					\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0					\$0	\$0		\$0

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

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

<u>CFDA TITLE ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>PASS THRU ENTITY</u>	<u>FEDERAL EXPENDITURES</u>
<u>FEDERAL GRANTOR: U.S. DEPARTMENT OF</u>			
<u>HOUSING AND URBAN DEVELOPMENT</u>			
Low-Rent Public Housing	14.850a*	N/A	\$ 1,746,984
HOME Investment Partnership	14.239	DHCD	35,475
Public Housing Capital Fund Program	14.872	N/A	711,480
Housing Choice Voucher Program 14.871*		N/A	<u>4,766,508</u>
TOTAL U.S. DEPARTMENT OF HUD			<u>7,260,447</u>
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 7,260,447</u>

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

Note 1: Basis of Accounting

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

Note 2: Major Programs

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

Note 3: Award Balance

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

Note 4: Program Costs

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

Note 5: Indirect Cost Allocation

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

**FINANCIAL COMPLIANCE REPORTS
FOR
FEDERAL FUNDS**



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

Board of Commissioners
Petersburg Redevelopment
and Housing Authority
Petersburg, Virginia

Report on Compliance for Each Major Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Petersburg Redevelopment and Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above.

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

We believe that our audit provides a reasonable basis for our opinion on compliance with each major program. However, our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each Major Program

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

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

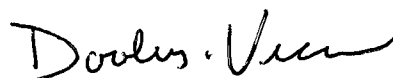
Report on Internal Control Over Compliance

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

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

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

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



Dooley & Vicars
Certified Public Accountants

September 25, 2017



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

Board of Commissioners
Petersburg Redevelopment
and Housing Authority
Petersburg, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Petersburg Redevelopment and Housing Authority, which comprise the balance sheet as of December 31, 2016, and the related statements of income (loss), and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon September 25, 2017.

Internal Control over Financial Reporting

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

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

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

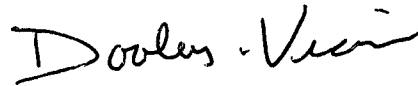
Compliance and Other Matters

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

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

Purpose of this Report

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



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

September 25, 2017

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

STATUS OF PRIOR AUDIT FINDINGS
AT DECEMBER 31, 2016

There were no audit findings in the prior audit report.

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**Section I -- Summary of Auditor's Results***Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified: ☐ yes ☒ no
- Significant deficiency(ies) identified
that are not considered to be
material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to financial
statements noted? ☐ yes ☒ no*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified: ☐ yes ☒ no
- Significant deficiency(ies) identified
that are not considered to be
material weakness(es)? ☐ yes ☒ none reported

Type of auditor's report issued on
compliance for major programs: UnmodifiedAny audit findings disclosed that are
required to be reported in accordance
with section 2, Part 200 (Uniform Guidance) : ☐ yes ☒ no

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.850a	Low-Rent Public Housing
14.871	Section 8 Housing Choice Vouchers

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

Auditee qualified as low-risk auditee? x yes no

Section II -- Financial Statement Findings

There are no financial statement findings.

Section III – Federal Awards Findings and Questioned Costs

There were no financial awards findings or questioned costs.

REQUIRED SUPPLEMENTAL INFORMATION

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION RELATED TO PENSIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule of changes in PRHA's Net Pension Liability and related ratios:

	2016	2015
Total pension liability		
Service Cost	113,285	111,646
Interest	345,359	322,980
Changes of benefit terms	-	-
Differences between expected and actual experience	(136,977)	141,677
Changes in assumptions	-	-
Benefit Payments, including refunds of employee contributions	(237,008)	(276,189)
Net change in total pension liability	84,659	300,114
Total pension liability - beginning	5,052,204	4,752,090
Total pension liability - ending (a)	<u>\$5,136,863</u>	<u>\$5,052,204</u>
Plan fiduciary net position		
Contributions - employer	\$ 114,125	\$ 108,517
Contributions - employee	57,645	56,879
Net investment income	77,856	200,446
Benefit payments, including refunds of employee contributions	(237,008)	(276,189)
Administrative expense	(2,818)	(2,814)
Other	(33)	(42)
Net change in plan fiduciary net position	9,767	86,797
Plan fiduciary net position - beginning	4,512,960	4,426,163
Plan fiduciary net position - ending (b)	<u>\$4,522,727</u>	<u>\$4,512,960</u>
PRHA's net pension liability (asset) - ending (a) - (b)	<u>\$ 614,136</u>	<u>\$ 539,244</u>
Plan fiduciary net position as a percentage of the total Pension liability	88%	89%
Covered employee payroll	\$ 1,213,500	\$ 1,165,930
PRHA's net pension liability as a percentage of covered-employee payroll	51%	46%

Totals, with the exception of the covered payroll, are from Schedule E - Total Pension Liability and Fiduciary Net Position on pages 182-216 and the Summary of Collective Amounts on page 3 of the GASB Statement No. 68 Report.

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION RELATED TO PENSIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule of Employer Contributions to the VRS For the Years Ended June 30, 2007 through 2016:

Date	Employer's Contribution Rate	Contractually Required Contribution (1)	Contribution Relation to		Contributions Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
			Contractually Required Contribution (2)				
2016	9.77%	\$ 118,559	\$ 114,125	\$ 4,434	\$ 1,213,500	9.40%	
2015	9.77%	\$ 113,911	\$ 108,517	\$ 5,394	\$ 1,165,930	9.31%	
2014	9.77%	\$ 108,886	\$ 104,342	\$ 4,544	\$ 1,114,495	9.36%	
2013	10.34%	\$ 87,877	\$ 77,246	\$ 10,631	\$ 849,876	9.09%	
2012	10.34%	\$ 86,260	\$ 81,021	\$ 5,239	\$ 834,236	9.71%	
2011	5.00%	\$ 56,193	\$ 122,156	\$ (65,963)	\$ 1,123,863	10.87%	
2010	5.00%	\$ 53,405	\$ 118,682	\$ (65,277)	\$ 1,068,098	11.11%	
2009	5.00%	\$ 56,904	\$ 124,292	\$ (67,388)	\$ 1,138,085	10.92%	
2008	5.00%	\$ 62,463	\$ 150,078	\$ (87,615)	\$ 1,249,264	12.01%	
2007	5.00%	\$ 53,896	\$ 120,164	\$ (66,268)	\$ 1,077,919	11.15%	

PETERSBURG REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION RELATED TO PENSIONS
FOR THE YEAR ENDED DECEMBER 31, 2016Note 1: Changes of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

Update mortality table

Decrease in rates of service retirement

Decrease in rates of disability retirement

Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

Update mortality table

Decrease in male rates of disability

All Others (Non-10 Largest) – Non-LEOS:

Update mortality table

Decrease in rates of service retirement

Decrease in rates of disability retirement

Reduce rates of salary increase by 0.25% per year

All Others (Non-10 Largest) – LEOS:

Update mortality table

Adjustments to rates of service retirement for females

Increase in rates of withdrawal

Decrease in male and female rates of disability