

**ALEXANDRIA REDEVELOPMENT
AND HOUSING AUTHORITY**

**AUDITED
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information and blended component units of the Alexandria Redevelopment and Housing Authority as of and for the year ended December 31, 2012, 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 Alexandria Redevelopment and Housing Authority at December 31, 2012, 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 12 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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the U.S. Department of Housing and Urban Development, and is not a required part of the financial statements. The other supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other information is fairly stated in all material respects in relation to the basic 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 30, 2013, on our consideration of the Alexandria 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 Alexandria Redevelopment and Housing Authority's internal control over financial reporting and compliance.



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

**ALEXANDRIA REDEVELOPMENT &
HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDED DECEMBER 31, 2012**

This section of the Authority's annual financial report presents Management's analysis of the Authority's financial performance during the Fiscal Year Ended December 31, 2012.

FINANCIAL HIGHLIGHTS AND CONCLUSIONS:

The Alexandria Redevelopment & Housing Authority ("ARHA") had a relatively good year as illustrated by the net increase in net position. The PHA has continued the move toward rehabbing older economically depressed developments where continued maintenance and minor capital projects are not sufficient in neither meeting the goals and objectives of the PHA nor meeting the PHA's obligation to its residents and community in providing affordable quality housing. James Bland II and III were in process during the year and ARHA continues to look toward joint partnerships with City, State and Developers to transition ARHA into a more viable economic organization as well as providing increased housing opportunities in a changing economic environment.

Total Net Position increased by \$7.02 million which was mainly capital projects, including the completion of the Quaker Hill redevelopment and new development projects as well as the residual equity transfer from the old Quaker Hill development.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Authority report information using accounting methods similar to those used by private sector companies (Enterprise Fund).

The Statement of Net Position (Balance Sheet) includes all of the Authority's assets and liabilities and provides information about the amounts and investments in assets and the obligations to Authority creditors. It also provides a basis of assessing the liquidity and financial flexibility of the Authority. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial health of the Authority is improving or deteriorating.

The current year's revenues, expenses, and changes in net position are accounted for in the Statement of Revenues, Expenses and Net Position. This statement measures the success of the Authority's operations over the past fiscal year.

The Statement of Cash Flows is to provide information about the Authority's cash receipts and disbursements during the reporting period. The statement reports net changes in cash resulting from operations.

FINANCIAL ANALYSIS OF THE AUTHORITY

One question frequently asked about an Authority's finances is "Did the Authority's operations and financial position improve or deteriorate over the previous fiscal year?" The Statement of Net Position and the Statement of Revenues, Expenses and Net Position report information about the Authority's activities and are summarized in the following sections.

To begin our analysis, a summary of the Authority's Statement of Net Position is presented in Table I.

Alexandria Redvelopment & Housing Authority
Combined Statement of Net Position
TABLE I

<u>Account Descriptions</u>	<u>2012</u>	<u>2011</u>	<u>Total Change</u>	<u>% Change</u>
Current Assets	16,605,428	15,101,795	1,503,633	9.96%
Noncurrent Assets	35,482,309	29,575,989	5,906,320	19.97%
Capital Assets	47,494,133	51,401,141	(3,907,008)	-7.60%
Total Assets	99,581,870	96,078,925	3,502,945	3.65%
Current Liabilities	8,530,761	10,698,400	(2,167,639)	-20.26%
Noncurrent Liabilities	22,091,921	23,444,454	(1,352,533)	-5.77%
Total Liabilities	30,622,682	34,142,854	(3,520,172)	-10.31%
Investment in Capital Assets	25,969,276	28,555,095	(2,585,819)	-9.06%
Restricted Net Position	31,447,306	18,886,169	12,561,137	66.51%
Unrestricted Net Position	11,542,606	14,494,807	(2,952,201)	-20.37%
Total Net Assets	68,959,188	61,936,071	7,023,117	11.34%
Total Liabilities & Net Position	99,581,870	96,078,925	3,502,945	3.65%

Current Assets:

Current assets are made up of cash, receivables and prepaid expenses. Current assets increased by \$1,503,633 due to several factors. Overall unrestricted cash and cash equivalents increased by \$1,754,485 due to improved operations and management. Accounts Receivables increased by \$633,603 due to increased miscellaneous accounts receivable, \$1,224,851, and HUD A/R balances of \$313,467. Prepaid assets decreased by \$(884,455) due utilization of prepaid HAP in the Voucher program

Non-current Assets

Non-current assets are made up of notes receivable and other assets. Non-current assets increased by \$5,906,320. Notes receivable balances increased by \$12,723,544 due to the sold of the James Bland property and receipt of a long-term note. Restricted cash and cash equivalents decreased by \$(6,660,656) due to utilization of development funds and voucher HAP reserves during the current year. The increase is due to James Bland IV notes receivable activity, interest earned on the cumulative prior and current year notes as well as a prior period adjustment to the Chatman Square loan in the amount of \$5,054,643.

Current Liabilities

Current liabilities are made of accounts payable, accrued liabilities, unearned revenue and security deposits. Current liabilities decreased by \$(2,167,639) mainly due to deferred revenue decreases, \$(1,114,225) related to TCAP funding amortization and prior period adjustments for the Quaker Hill Development. Accrued liabilities decreased by \$(988,019) due to changes in the State/Local and Business Activity funds. Other changes were due to timing differences from year to year.

Non-current Liabilities

Non-current liabilities are made up of long-term debt, family self-sufficiency escrow accounts, accrued compensated absences and other accrued liabilities that are long term in nature. Non-current liabilities decreased by \$(1,352,533) due to normal amortization of long-term debt. See Note 15 in the Notes to the Financial Statements for a full description of the activity. Minimal decreases in accrued compensated absences and in FSS Escrow also occurred during the year but were not the material reason the non-current liabilities increased during the year.

Net Position

As illustrated in the Combined Statement of Net Position, the overall Net Position of the Authority increased by \$8.05 million. The "Investment in Capital Assets" decreased by \$(2,585,819) or (9.06) % due to depreciation expense and the disposition of the James Bland II property.

The Restricted Net Position account is made up of a HOPE VI notes receivable, reserve accounts for long-term debt and capital funding as well as Housing Choice Voucher reserves. Restricted Net Position increased by \$12,561,137, or 66.51 %. The

increase was due to Notes Receivable activity related to redevelopment programs and long-term investments in those projects

The Unrestricted Net Position decreased by \$(2,952,201) or (20.37)% due to operational losses and sequester cuts put in place by Congress mid-year.

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses, and Net Position breaks down our revenues and expenses further. Table III, which follows, provides a combined statement of these changes in Net Position. Table III provides a Statement of Revenues, Expenses and Net Position by Revenue Source.

Alexandria Redevelopment & Housing Authority
Combined Statement of Revenues, Expenses and Change in Net Position
TABLE II

<u>Account Descriptions</u>	<u>2012</u>	<u>2011</u>	<u>Total Change</u>	<u>% Change</u>
Tenant Revenue	5,180,705	4,700,921	479,784	10.21%
Grant Funding	23,482,106	31,844,720	(8,362,614)	-26.26%
Capital Grant Funding	503,151	613,055	(109,904)	-17.93%
Interest Income	440,027	272,016	168,011	61.77%
Gain/(Loss) on sale of assets	(2,844,992)	4,143,711	(6,988,703)	100.00%
Other Income	10,908,699	5,612,755	5,295,944	94.36%
Total Revenue	37,669,696	47,187,178	(9,517,482)	-20.17%
Administration	5,549,111	5,697,611	(148,500)	-2.61%
Tenant Services	504,331	388,365	115,966	29.86%
Utilities	1,332,542	1,289,058	43,484	3.37%
Maintenance	2,085,212	1,880,295	204,917	10.90%
Protective services	23,968	22,746	1,222	5.37%
General expense	1,641,229	1,864,460	(223,231)	-11.97%
Housing Assistance Payments	22,017,595	20,500,942	1,516,653	7.40%
Interest expense	799,383	1,101,504	(302,121)	-27.43%
Depreciation	2,142,164	2,040,627	101,537	4.98%
Amortization	47,930	-	47,930	100.00%
Total Expenses	36,143,465	36,826,235	(682,770)	-1.85%
Prior year adjustments	5,496,886	(2,254,592)	7,751,478	-100.00%
Change in Net Position	7,023,117	10,146,978	(3,123,861)	-30.79%
Beginning Net Position	61,936,071	51,789,093	10,146,978	19.59%
Ending Net Position	68,959,188	61,936,071	7,023,117	11.34%

REVENUES

In reviewing the Statement of Revenues, Expenses, and Net Position, you will find that 63% of the Authority's revenues are derived from grants from the Department of Housing and Urban Development and other Governmental subsidies. The Authority receives revenue from tenants for dwelling rental charges, excess utilities, and miscellaneous charges of 7% of total revenue. Other Revenue comprises the remaining 29% and Interest income represents roughly 1%. Compared to the Fiscal Year Ended December 31, 2012, revenues had an overall decrease of \$(9.52) million or (20.17) %.

Tenant Revenue - Tenant Revenue had an increase from \$4,700,921 to \$5,180,705 or an increase of \$479,784 or 10.21%. The increase was due to new units coming online during the fiscal year.

Program Grants/Subsidies – Federal and State subsidies for the year decreased by \$(8,472,518) or (26.1) % from \$32,457,775, operational and capital, in fiscal year 2011 to \$23,985,257, combination of operating and capital grants, in fiscal year 2012. The decrease was the completion of the TCAP funding for the Quaker Hill program and ARRA grant. Additional reduction came from sequester cuts in Public Housing, Vouchers and CFP programs. See Table IV for the comparative funding schedule:

Table III
HUD Funding Comparative

<u>Year</u>	<u>Public Housing</u>	<u>Mod Rehab</u>	<u>CFP</u>
2012	3,955,124.00	1,336,516.00	922,007.00
2011	4,881,989.00	1,220,210.00	1,015,185.00
Net Change	(926,865.00)	116,306.00	(93,178.00)
% Change	-18.99%	9.53%	0.00%

<u>Year</u>	<u>Vouchers</u>	<u>ROSS</u>	<u>Totals</u>
2012	17,098,368.00	122,456.00	23,434,471.00
2011	21,017,926.00	131,084.00	28,266,394.00
Net Change	(3,919,558.00)	(8,628.00)	(4,831,923.00)
% Change	-18.65%	-6.58%	-17.09%

Other Income/Interest Income – Other income increased by \$5.30 million. The increase was mainly due to receipts from the sale of James Bland property to the James Bland II LLC for redevelopment purposes. A loan was received in connection with the sold of property to the LLC. See Note 5, Mortgages and Notes Receivable and Noncurrent Assets, for further explanation of the notes receivable related revenue.

Interest income increased by \$201,204 or 73.97%, due to increased notes receivable activity during the fiscal year.

The loss of disposition of assets, \$(2,844,992), relates to the final demolition and disposition of the James Bland property for revitalization.

EXPENSES

The Alexandria Redevelopment & Housing Authority experienced a decrease in operating expenses for the current year from \$36,826,235 or a net decrease of \$(682,770) or (30.28)%. The highlights of the expenses for the current year are as follows:

Administrative – Administrative costs include all non-maintenance and non-resident service personnel costs (including benefits and accrued leave), legal costs, auditing costs, travel and training costs, and other administrative costs such as supplies, telephone expense, etc. Compared to 2011, administrative costs decreased by \$(148,500) or (2.61)%. The main reason for the decrease was reduced miscellaneous administrative costs and training reductions.

Tenant Services – Tenant Services costs include all costs incurred by the Authority to provide social services to the residents. The ARC and Ladrey Advisory Boards receive funding for board meetings, training costs, and other items to assist them in staying informed on its role in the Authority's operations. Tenant Services costs increased from \$388,365 to \$504,331 or an increase of \$115,966 or 29.86%. The increase was due to ROSS program funding and expenditures as well as operational expenditures for the betterment of ARHA's residents.

Utilities - The total utilities expense for the Authority increased by \$43,484 or 3.37%. The increase was immaterial even with increased units leased and available during the year. ARHA continues to work to improve the energy efficiency of our portfolio

Maintenance – Maintenance costs are all costs incurred by the Authority for the 889 Public Housing units, which are owned by the Authority in a safe and sanitary manner. Costs include personnel costs, materials used to maintain the units, contracts for waste management, vehicle costs and maintenance, and telephone/radio service, etc. The Maintenance Expense for the Authority increased from \$1,880,295 to \$2,085,212 for an

increase of \$204,917 or 10.9%. Increases were driven by increased benefit and salary costs. Benefit costs continue to rise due to health care insurance cost increases.

Protective Services – Protective services costs were used for police and fire services. The total expense for the year was \$23,968 or an increase of \$1,222. The Authority utilizes police and fire monitoring services for the security and protection for elderly, disabled and other residents. The services helped reduce crime and protect the Authority's assets.

General Expenses – General Expenses include insurance costs (property, auto, liability, workers' compensation, public officials' liability, lead based paint insurance, etc.), collection losses, and payment in lieu of taxes to the City of Alexandria. General expenses for the Authority decreased from \$1,864,460 to \$1,641,229 or a decrease of \$(223,231) or (11.97)%. The main reason for this decrease is related to decreased bad debt write-offs and PILOT payments. The bad debt expense decrease is directly related to improved collection policies and the decrease in PILOT expenses relates to the disposition of the James Bland properties over the past two years.

Housing Assistance Payments Program – HAP payments consist of rental payments to owners of private property for which the housing authority has a HAP agreement with the tenant and the owner for the difference between the tenant's rent and the applicable payment standard. HAP payments for the Authority increased from \$20,500,942 to \$22,017,595 or an overall increase of \$1,516,653 or 7.4%. The increase was due to increase in units, lease-up activity related to redevelopment activity and increased FMR rates.

Depreciation – Because the costs of all capitalized additions are spread over the estimated useful life of an asset, the estimated current year costs of capitalized items is recorded as depreciation. Depreciation Expense for the current year increased by \$101,537 or 4.98%.

Other Non-Operating Expenses – The Authority had other non-operating revenues/expenditures related to interest expense and amortization. Interest expense decreased by \$(302,121) or (27.43)% due to amortization of capital debt principal balances. Amortization expense increased by \$47,930 due to fully amortizing of completed financing projects during the fiscal year.

Prior Period Adjustments

The PHA had \$5,496,886 in prior period adjustments due to properly stating the HOPE VI tax credit notes receivable accrued interest receivable balances per the Tax Credit Properties FY 2012 audit reports. The net adjustment was \$5,054,643. There was a \$442,243 adjustment in the State/Local fund due to proper adjustment of the net amortized TCAP deferred revenue balance due to an error in amortizing the balance in the prior year.

CAPITAL ASSETS

At the end of fiscal year 2011 the Authority had invested in Capital Assets of \$51,401,141, net of depreciation. As of December 31, 2012, the Authority had a net decrease in net capital assets of \$(3.9) million to \$47,494,133 million or (7.6)%. The following illustrates the Capital Asset values for 2012 and 2011.

Alexandria Redevelopment & Housing Authority
Combined Statement of Capital Assets
TABLE IV

<u>Account Descriptions</u>	<u>2012</u>	<u>2011</u>	<u>Total Change</u>	<u>% Change</u>
Land	11,857,671	6,350,735	5,506,936	86.71%
Buildings & improvements	67,146,190	79,090,801	(11,944,611)	-15.10%
Equipment	559,376	412,801	146,575	35.51%
	79,563,237	85,854,337	(6,291,100)	-7.33%
Accumulated Depreciation	(32,069,104)	(34,453,196)	2,384,092	-6.92%
Total Capital Assets	47,494,133	51,401,141	(3,907,008)	-7.60%

The Authority has five ongoing HUD Capital Fund grants. The total capital improvement for the year was \$1.08 million, \$503,151 for CFP and \$576,995 in other capital projects. PHA demolished the remaining James Bland AMP 2 program units including the sale of the property to a tax credit investor. The total write-off for the property, not including sales proceeds from the land, was \$2,844,991. Depreciation expense for the year ended December 31, 2012 was \$2,142,164.

The Authority is aggressively working to improve the overall quality of their housing stock and have used the programs for that purpose. The Authority expects continued increases in capital expenditures for the upcoming years to continue the upgrade of the Authority's housing stock.

LONG TERM DEBT

Noted in the State/Local fund, the PHA has four funds with long-term capital debt financing. These entities, Quaker Hill, Glebe Park, Jefferson Village, and Hopkins Tancil, provide low-income rental housing, under the Public Housing and Multi-family HUD funding systems, for the residents of the City of Alexandria. Table V gives us an analysis of debt activity from FY 2011 to FY 2012.

The long-term debt balance decreased by \$(1.32) million. The decrease was due to amortization of cumulative debt during the current year, see note 15.

Table V
Outstanding Debt Schedule

	<u>2012</u>	<u>2011</u>	<u>Net Change</u>
Current Portion of Long Term Debt	\$ 313,520	232,206	81,314
Long Term Debt, Net of	\$ <u>21,486,927</u>	<u>22,889,430</u>	<u>(1,402,503)</u>
Totals	\$ <u>21,800,447</u>	<u>23,121,636</u>	<u>(1,321,189)</u>

ECONOMIC FACTORS AND EVENTS AFFECTING OPERATIONS:

Several factors may affect the financial position of the authority in the subsequent fiscal year. These factors include:

- (1) The population of the City of Alexandria was 139,966 per the 2010 census figures.¹
- (2) The City of Alexandria, per the 2010 census, had 8% of the city's population under the poverty level.²
- (3) As described in the Authority's Five-Year Plan, the Authority is working to increase the number of quality properties and units available for low-income residents of the City of Alexandria. Included in this plan is to revitalize current housing stock with innovative funding methods to accomplish these goals.
- (4) The Authority is actively working to improve the Authority's image within the community of the City of Alexandria through increased public relation efforts. This will provide a higher visibility of the Authority and its goals so that the community will understand the vision of the Authority. This will provide a working relationship between the community and Authority in providing safe, decent, and affordable housing opportunities.

CONCLUSIONS:

Overall, the Alexandria Redevelopment & Housing Authority had a good year financially which is consistent with prior year's performance. ARHA's management is committed to staying abreast of regulations and appropriations as well as maintains an ongoing analysis of all budgets and expenses to ensure that the Authority continues to operate at the highest standards established by the Real Estate Assessment Center and the Department of Housing and Urban Development.

¹<http://alexandriava.gov/uploadedFiles/planning/info/StatisticsDemographics/Alex2011DataProfileWeb.pdf>
²<http://alexandriava.gov/uploadedFiles/planning/info/StatisticsDemographics/Alex2011DataProfileWeb.pdf>

This financial report is designed to provide our AHRA residents, the citizens of Alexandria, Virginia, 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 Derek McDaniel, Finance Director at (703) 549-7115 Ext 220, or by writing: Alexandria Redevelopment Housing Authority, 600 North Fairfax Street, Alexandria, Va. 22314.

Alexandria Redevelopment & Housing Authority

Statement of Net Position - All Funds December 31, 2012

<u>ASSETS</u>	Totals Primary Government	Component Units	Totals Reporting Entity
Current Assets			
Cash and cash equivalents	\$ 11,208,799	\$ 2,946,103	\$ 14,154,902
Restricted Cash	4,337,651	4,057,574	8,395,225
Receivables, net	2,557,295	80,970	2,638,265
Prepaid Expense and Other Assets	117,953	65,966	183,919
Interprogram due from	-	-	-
Total current assets	<u>18,221,698</u>	<u>7,150,613</u>	<u>25,372,311</u>
Noncurrent Assets			
Capital assets:			
Land	11,857,671	9,099,029	20,956,700
Buildings	64,873,339	39,060,774	103,934,113
Furniture, Equipment & Machinery - Admin	559,376	682,227	1,241,603
Construction in Progress	2,272,851	3,608,995	5,881,846
Less: accumulated depreciation	<u>(32,069,104)</u>	<u>(5,664,534)</u>	<u>(37,733,638)</u>
Capital assets, net	47,494,133	46,786,491	94,280,624
Noncurrent Notes, Loans & Mortgages Receivable	<u>33,866,039</u>	<u>650,288</u>	<u>34,516,327</u>
Total noncurrent assets	<u>81,360,172</u>	<u>47,436,779</u>	<u>128,796,951</u>
Total Assets	<u>\$ 99,581,870</u>	<u>\$ 54,587,392</u>	<u>\$ 154,169,262</u>

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

Alexandria Redevelopment & Housing Authority

Statement of Net Position - All Funds December 31, 2012

<u>LIABILITIES</u>	Totals Primary Government	Component Units	Totals Reporting Entity
Current Liabilities			
Accounts Payable	\$ 299,804	\$ 157,523	\$ 457,327
Accrued Liabilities	691,495	97,860	789,355
Intergovernmental payables	355,074	-	355,074
Tenant security deposits	557,723	119,769	677,492
Deferred revenue	6,001,032	10,001	6,011,033
Current portion of long-term debt	313,520	-	313,520
Other current liabilities	312,113	2,014,760	2,326,873
Interprogram due to	-	-	-
Total current liabilities	<u>8,530,761</u>	<u>\$ 2,399,913</u>	<u>10,930,674</u>
Noncurrent liabilities			
Long-term debt, net of current	21,486,927	35,754,387	57,241,314
Noncurrent liabilities - other	604,994	81,704	686,698
Total noncurrent liabilities	<u>22,091,921</u>	<u>35,836,091</u>	<u>57,928,012</u>
	-		
Total Liabilities	<u>30,622,682</u>	<u>38,236,004</u>	<u>68,858,686</u>
Net Position			
Investment in Capital Assets - Net of Related Debt	25,969,276	11,032,104	37,001,380
Restricted Net Position	31,447,306	-	31,447,306
Unrestricted Net Position	11,542,606	5,319,284	16,861,890
Total Net Position	<u>68,959,188</u>	<u>16,351,388</u>	<u>85,310,576</u>
Total Liabilities and Net Position	<u>\$ 99,581,870</u>	<u>\$ 54,587,392</u>	<u>\$ 154,169,262</u>

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

Alexandria Redevelopment & Housing Authority

Statement of Revenues, Expenses and Changes in Fund Net Position - All Funds For the year ended December 31, 2012

	Totals Primary Government	Component Units	Totals Reporting Entity
Operating Revenues			
Tenant revenue	\$ 5,180,705	\$ 1,624,314	\$ 6,805,019
Government operating grants	20,607,702	-	20,607,702
Other Government Grants	550,786	-	550,786
Other revenue	14,227,848	85,527	14,313,375
Total operating revenues	<u>40,567,041</u>	<u>1,709,841</u>	<u>42,276,882</u>
Operating Expenses			
Administrative	5,549,111	915,739	6,464,850
Tenant services	504,331	-	504,331
Utilities	1,332,542	87,563	1,420,105
Maintenance	2,085,212	412,232	2,497,444
Protective services	23,968	-	23,968
General	1,641,229	142,837	1,784,066
Housing assistance payment	22,017,595	-	22,017,595
Depreciation	2,142,164	1,392,788	3,534,952
Total operating expenses	<u>35,296,152</u>	<u>2,951,159</u>	<u>38,247,311</u>
Operating income (loss)	<u>5,270,889</u>	<u>(1,241,318)</u>	<u>4,029,571</u>
Non-Operating Revenues (Expenses)			
Interest Expense	(881,748)	(455,732)	(1,337,480)
Gain/Loss on sale of fixed assets	(2,844,992)	-	(2,844,992)
Interest and investment revenue	507,655	24,619	532,274
Total nonoperating revenues (expenses)	<u>(3,219,085)</u>	<u>(431,113)</u>	<u>(3,650,198)</u>
Income (loss) before contributions and transfers	2,051,804	(1,672,431)	379,373
Capital Grants - Federal Government	503,151	-	503,151
Change in Net Position	2,554,955	(1,672,431)	882,524
Total Beginning Net Position	61,936,071	13,798,180	75,734,251
Prior Period Adjustments/Equity Transfers	5,496,886	4,225,639	9,722,525
Total Ending Net Position	<u>\$ 69,987,912</u>	<u>\$16,351,388</u>	<u>\$ 86,339,300</u>

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

Alexandria Redevelopment & Housing Authority

Statement of Cash Flows - All funds For the year ended December 31, 2012

	Totals Primary Government	Component Units	Totals Reporting Entity
Cash flows from operating activities:			
Cash received from tenants	\$ (806,526)	\$ 1,557,499	\$ 750,973
Cash received from operating grants	22,969,218	-	22,969,218
Cash received from other government grants	550,786	-	550,786
Cash received from other sources	14,895,258	99,468	14,994,726
Cash paid for goods and services	(3,904,997)	(499,795)	(4,404,792)
Cash paid for employees and administrative	(7,150,213)	(294,432)	(7,444,645)
Housing Assistance payments	(22,029,537)	-	(22,029,537)
Cash paid for other	(1,733,692)	(142,837)	(1,876,529)
Net cash provided (used) by operating activities	<u>2,790,297</u>	<u>719,903</u>	<u>3,510,200</u>
Cash flows from noncapital financing activities:			
Transfers	<u>8,818,011</u>	<u>4,225,639</u>	<u>13,043,650</u>
Cash flows from capital and related financing activities:			
Capital Grants received - Federal Government	503,151	-	503,151
Purchases, Sales and construction of capital assets	(1,080,148)	(3,831,016)	(4,911,164)
Principal paid on capital debt	(713,645)	-	(713,645)
Proceeds from capital debt and equity	-	6,194,313	6,194,313
Interest paid on capital debt	(881,748)	(455,732)	(1,337,480)
Net cash (used) for capital and related financing activities	<u>(6,003,406)</u>	<u>5,738,581</u>	<u>(264,825)</u>
Cash flows from investing activities:			
Notes receivable advances	(12,819,979)	(4,157,614)	(16,977,593)
Interest and dividends	474,462	24,619	499,081
Net cash provided by investing activities	<u>(12,345,517)</u>	<u>(4,132,995)</u>	<u>(16,478,512)</u>
	-		
Net increase (decrease) in cash and cash equivalents	(2,909,599)	2,720,112	(189,487)
Cash and cash equivalents at beginning of year	18,456,049	4,283,565	22,739,614
Cash and cash equivalents at end of year	<u>\$ 15,546,450</u>	<u>\$ 7,003,677</u>	<u>\$ 22,550,127</u>
Reconciliation of cash and restricted cash			
Cash and cash equivalents	\$ 11,208,799	\$ 2,946,103	\$ 14,154,902
Restricted Cash and cash equivalents	4,337,651	4,057,574	8,395,225
Total Cash and cash equivalents	<u>\$ 15,546,450</u>	<u>\$ 7,003,677</u>	<u>\$ 22,550,127</u>

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

Alexandria Redevelopment & Housing Authority

Statement of Cash Flows - All funds For the year ended December 31, 2012

	Totals Primary Government	Component Units	Totals Reporting Entity
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 4,275,358	\$ (1,216,699)	\$ 3,058,659
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	2,142,164	1,392,788	3,534,952
Changes in assets and liabilities:			
(Increase) Decrease in Receivables - net	(1,760,785)	(64,228)	(1,825,013)
(Increase) Decrease in Prepaid expenses	884,351	(10,678)	873,673
(Increase) Decrease in Interprogram due from	(3,813)	-	(3,813)
Increase (Decrease) in Accounts payable	94,691	104,721	199,412
Increase (Decrease) in Accrued expenses	(1,451,521)	516,586	(934,935)
Increase (Decrease) in Other liabilities	(242,503)	-	(242,503)
Increase (Decrease) in Unearned revenue	(1,117,146)	(2,587)	(1,119,733)
Increase (Decrease) in Intergovernmental payables	(78,936)	-	(78,936)
Increase (Decrease) in Interprogram due to	(25,255)	-	(25,255)
Increase (Decrease) in Noncurrent liabilities	73,692	-	73,692
Net cash provided (used) by operating activities	<u>\$ 2,790,297</u>	<u>\$ 719,903</u>	<u>\$ 3,510,200</u>

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

Alexandria Redevelopment & Housing Authority

Statement of Net Position - Proprietary Funds December 31, 2012

ASSETS	Business Activities	Low Rent Public Housing	Revitalization of Severely Distressed Public Housing	Housing Choice Vouchers	State/Local	Nonmajor Proprietary Funds	Total Before Eliminations	Inter-entity Eliminations	Totals Primary Government	Component Units	Totals Reporting Entity
Cash and cash equivalents	\$ 3,597,462	\$ 3,467,151	\$ -	\$ 2,505,083	\$ 988,144	\$ 650,859	\$ 11,208,799	\$ -	\$ 11,208,799	\$ 2,946,103	\$ 14,154,902
Restricted Cash	-	316,080	-	155,568	1,144,602	-	4,337,651	-	4,337,651	4,057,574	8,395,225
Receivables, net	612,717	797,092	-	132,911	988,630	25,945	2,557,295	-	2,557,295	80,970	2,638,265
Prepaid Expense and Other Assets	-	31,720	-	17,441	67,151	1,641	117,953	-	117,953	65,966	183,919
Interprogram due from	-	-	-	-	-	75,310	75,310	(75,310)	-	-	-
Total current assets	4,210,179	4,612,043	2,721,381	2,811,023	3,188,527	753,855	18,297,008	(75,310)	18,221,698	7,150,613	25,372,311
Land	-	3,855,621	-	-	-	-	11,857,671	-	11,857,671	9,099,029	20,956,700
Buildings	1,992,318	32,618,481	-	-	8,002,050	-	64,873,339	-	64,873,339	39,060,774	103,934,113
Furniture, Equipment & Machinery - Admin	-	68,311	-	-	29,193,691	1,068,849	559,376	-	559,376	682,227	1,241,603
Construction in Progress	-	2,139,053	-	206,475	125,856	158,732	2,272,851	-	2,272,851	3,608,995	5,881,846
Less: accumulated depreciation	(1,498,575)	(21,508,179)	-	(204,975)	(7,949,676)	(907,699)	(32,069,104)	-	(32,069,104)	(5,664,534)	(37,733,638)
Capital assets, net	493,743	17,173,287	-	1,500	29,371,923	453,680	47,494,133	-	47,494,133	46,786,491	94,280,624
Noncurrent Notes, Loans & Mortgages Receivable	10,847,543	9,413,472	15,050,645	-	6,048,939	-	41,360,599	(7,494,560)	33,866,039	650,288	34,516,327
Total noncurrent assets	11,341,286	26,586,759	15,050,645	1,500	35,420,862	453,680	88,854,732	(7,494,560)	81,360,172	47,436,719	128,796,951
Total Assets	\$ 15,551,465	\$ 31,198,802	\$ 17,772,026	\$ 2,812,523	\$ 38,609,389	\$ 1,207,535	\$ 107,151,740	\$ (7,569,870)	\$ 99,581,870	\$ 54,587,392	\$ 154,169,262

Alexandria Redevelopment & Housing Authority

Statement of Net Position - Proprietary Funds December 31, 2012

LIABILITIES	Business Activities	Low Rent Public Housing	Revitalization of Severely Distressed Public Housing	Housing Choice Vouchers	State/Local	Nonmajor Proprietary Funds	Total Before Eliminations	Inter-entity Eliminations	Totals		Reporting Entity
									Primary Government	Component Units	
Current Liabilities											
Accounts Payable	\$ 9,580	\$ 221,287	\$ -	\$ 15,843	\$ 31,585	\$ 21,409	\$ 299,804	\$ -	\$ 299,804	\$ 157,523	\$ 457,327
Accrued Liabilities	349,260	108,788	-	40,686	78,415	114,346	691,495	-	691,495	97,860	789,355
Intergovernmental payables	-	48,474	-	-	306,600	-	355,074	-	355,074	-	355,074
Tenant security deposits	-	316,080	-	-	241,643	-	557,723	-	557,723	119,769	677,492
Deferred revenue	-	17,764	-	-	5,980,347	2,821	6,001,032	-	6,001,032	10,001	6,011,033
Current portion of long-term debt	-	-	-	-	313,520	-	313,520	-	313,520	-	313,520
Other current liabilities	-	-	-	-	876	57,397	312,113	-	312,113	2,014,760	2,326,873
Interprogram due to	60,562	-	-	253,840	-	14,748	75,310	(75,310)	-	-	-
Total current liabilities	419,402	712,393	-	310,469	6,952,986	210,821	8,606,071	(75,310)	8,530,761	2,399,913	10,930,674
Noncurrent liabilities											
Long-term debt, net of current	275,590	-	-	-	28,705,887	-	28,981,487	(7,494,560)	21,486,927	35,754,387	57,241,314
Noncurrent liabilities - other	-	152,207	-	206,870	75,819	170,098	604,994	-	604,994	81,704	686,698
Total noncurrent liabilities	275,590	152,207	-	206,870	28,781,716	170,098	29,586,481	(7,494,560)	22,091,921	35,836,091	57,928,012
Total Liabilities	\$ 694,992	\$ 864,600	\$ -	\$ 517,339	\$ 35,734,702	\$ 380,919	\$ 38,192,552	\$ (7,569,870)	\$ 30,622,682	\$ 38,236,004	\$ 68,858,686
Net Position											
Investment in Capital Assets - Net of Related Debt	\$ 483,743	\$ 17,173,287	\$ -	\$ 1,500	\$ 352,506	\$ 453,680	\$ 18,474,716	\$ 7,494,560	\$ 25,969,276	\$ 11,032,104	\$ 37,001,380
Restricted Net Position	3,352,963	9,413,472	17,772,026	5,866	902,959	-	31,447,306	-	31,447,306	-	31,447,306
Unrestricted Net Position	11,099,747	3,747,443	-	2,287,818	1,619,222	372,936	19,037,166	(7,494,560)	11,542,606	5,319,284	16,861,890
Total Net Position	14,856,473	30,334,202	17,772,026	2,295,184	2,874,687	826,616	68,959,188	-	68,959,188	16,351,388	85,310,576
Total Liabilities and Net Position	\$ 15,551,465	\$ 31,198,802	\$ 17,772,026	\$ 2,812,523	\$ 38,609,389	\$ 1,207,535	\$ 107,151,740	\$ (7,569,870)	\$ 99,581,870	\$ 54,587,392	\$ 154,169,262

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

Alexandria Redevelopment & Housing Authority

Statement of Revenues, Expenses and Changes in Net Position - Proprietary funds For the year ended December 31, 2012

	Revitalization of Severely Distressed Public Housing				Housing Choice Vouchers		State/Local		Nonmajor Proprietary Funds		Inter-Entity Eliminations		Totals Primary Government		Totals Reporting Entity	
	Business Activities	Low Rent Public Housing	Public	Distressed	Housing Choice Vouchers	State/Local	Proprietary Funds	Eliminations	Government	Units	Government	Government	Government	Government	Reporting Entity	
Operating Revenues																
Tenant revenue	\$ -	\$ 1,340,008	\$ -	\$ -	\$ -	\$ 3,840,697	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,180,705	\$ 1,624,314	\$ 6,805,019
Government operating grants	-	4,268,891	-	-	17,098,368	-	1,564,061	(2,323,618)	20,607,702	-	-	-	-	20,607,702	-	20,607,702
Other Government Grants	-	90,312	-	-	-	460,474	-	-	550,786	-	-	-	-	550,786	-	550,786
Other revenue	3,493,522	5,139,637	-	-	401,297	1,378,776	2,819,085	-	13,232,317	85,527	-	-	-	13,232,317	85,527	13,317,844
Total operating revenues	3,493,522	10,838,848	-	-	17,499,665	5,679,947	4,383,146	(2,323,618)	39,571,510	1,709,841	-	-	-	39,571,510	1,709,841	41,281,351
Operating Expenses																
Administrative	31,297	1,601,864	-	-	1,485,905	1,755,738	2,275,409	(1,601,102)	5,549,111	915,739	-	-	-	5,549,111	915,739	6,464,850
Tenant services	26,830	290,753	-	-	11,158	145,667	125,653	(95,730)	504,331	-	-	-	-	504,331	-	504,331
Utilities	-	997,789	-	-	2,061	303,055	29,637	-	1,332,542	87,563	-	-	-	1,332,542	87,563	1,420,105
Maintenance	117	1,382,511	-	-	15,172	709,140	605,058	(626,786)	2,085,212	412,232	-	-	-	2,085,212	412,232	2,497,444
Protective services	-	8,758	-	-	1,433	1,104	12,673	-	23,968	-	-	-	-	23,968	-	23,968
General	-	1,197,985	-	-	193,870	194,390	54,984	-	1,641,229	142,837	-	-	-	1,641,229	142,837	1,784,066
Housing assistance payment	57,849	1,068,368	-	-	20,809,060	984,918	1,208,535	-	22,017,595	1,392,788	-	-	-	22,017,595	1,392,788	22,017,595
Depreciation	116,093	6,548,028	-	-	22,520,159	4,094,012	4,341,478	(2,323,618)	35,296,152	2,951,159	-	-	-	35,296,152	2,951,159	35,334,952
Total operating expenses	3,377,429	4,290,820	-	-	(5,020,494)	1,585,935	41,668	-	4,275,358	(1,241,318)	-	-	-	4,275,358	(1,241,318)	3,034,040
Operating Transfers In/(Out)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating income (loss)																
Non-Operating Revenues (Expenses)																
Interest Expense	-	-	-	-	-	(881,748)	-	-	(881,748)	(455,732)	-	-	-	(881,748)	(455,732)	(1,337,480)
Gain/Loss on sale of fixed assets	-	(2,844,992)	-	-	-	-	-	-	(2,844,992)	-	-	-	-	(2,844,992)	-	(2,844,992)
Interest and investment revenue	34,782	97,750	313,330	313,330	505	27,865	230	-	474,462	24,819	-	-	-	474,462	24,819	499,281
Total nonoperating revenues (expenses)	34,782	(2,747,242)	313,330	313,330	505	(853,883)	230	-	(3,252,278)	(430,913)	-	-	-	(3,252,278)	(430,913)	(3,683,191)
Income (loss) before contributions and transfers	3,412,211	1,543,578	313,330	313,330	(5,019,989)	732,052	41,898	-	1,023,080	(1,672,231)	-	-	-	1,023,080	(1,672,231)	(649,151)
Capital Grants - Federal	-	336,605	-	-	-	-	166,546	-	503,151	-	-	-	-	503,151	-	503,151
Changes in Net Position	3,412,211	1,880,183	313,330	313,330	(5,019,989)	732,052	208,444	-	1,526,231	(1,672,231)	-	-	-	1,526,231	(1,672,231)	(146,000)
Total Beginning Net Position	11,444,262	28,454,019	12,404,053	12,404,053	7,315,173	(1,620,733)	618,172	-	58,614,946	13,798,180	-	-	-	58,614,946	13,798,180	72,413,126
Prior Period Adjustments/Equity Transfers	-	-	5,054,643	-	-	3,763,368	-	-	8,818,011	4,225,639	-	-	-	8,818,011	4,225,639	13,043,650
Total Ending Net Position	\$ 14,856,473	\$ 30,334,202	\$ 17,772,026	\$ 17,772,026	\$ 2,295,184	\$ 2,874,687	\$ 826,616	\$ -	\$ 68,959,188	\$ 16,351,588	\$ -	\$ -	\$ -	\$ 68,959,188	\$ 16,351,588	\$ 85,310,776

Alexandria Redevelopment & Housing Authority
Statement of Cash Flows - Proprietary Funds
For the year ended December 31, 2012

	Business Activities	Low Rent Public Housing	Distressed Housing	Severely Distressed Housing	Revitalization of Severely Distressed Housing	Housing Choice Vouchers	State/Local	Nonmajor Proprietary Funds	Totals Primary Government	Component Units	Totals Reporting Entity
Cash flows from operating activities:											
Cash received from tenants	\$ (683,140)	\$ 1,013,280	\$ -	\$ -	\$ (1,136,666)	\$ -	\$ -	\$ -	\$ (806,526)	\$ 1,557,499	\$ 750,973
Cash received from operating grants	-	4,268,891	-	-	-	17,111,089	-	1,589,238	22,969,218	-	22,969,218
Cash received from other government grants	-	90,312	-	-	460,474	-	-	550,786	-	-	550,786
Cash received from other sources	3,493,522	5,139,637	-	-	3,048,557	401,297	-	2,812,245	14,895,258	-	14,994,726
Cash Transferred in/out	-	-	-	-	-	-	-	-	-	99,468	-
Cash paid for goods and services	(220,736)	(2,623,571)	-	-	(1,162,138)	875,158	-	(773,710)	(3,904,997)	(499,795)	(4,404,792)
Cash paid for employees and administrative	(31,297)	(1,601,964)	-	-	(1,755,738)	(1,485,905)	-	(2,275,409)	(7,150,213)	(294,432)	(7,444,645)
Housing Assistance payments	-	-	-	-	(20,809,060)	(1,220,477)	-	(1,220,477)	(22,029,537)	-	(22,029,537)
Cash paid for other	15,002	(1,201,375)	-	-	(255,636)	(193,870)	-	(97,613)	(1,733,692)	(142,637)	(1,876,529)
Net cash provided (used) by operating activities	2,573,351	5,095,310	-	-	(801,347)	(4,101,291)	-	34,274	2,790,297	719,903	3,510,200
Cash flows from noncapital financing activities:											
Equity transfers and prior year adjustments	-	-	5,054,643	-	3,763,368	-	-	-	8,818,011	4,225,639	13,043,650
Net cash (used) for noncapital financing activities	-	-	5,054,643	-	3,763,368	-	-	-	8,818,011	4,225,639	13,043,650
Cash flows from capital and related financing activities:											
Capital Grants received - Federal Government	-	336,605	-	-	-	-	-	166,546	503,151	-	503,151
Purchases, Sales and construction of capital assets	-	(336,607)	-	-	(576,995)	-	-	(166,546)	(1,080,148)	(3,631,016)	(4,911,164)
Principal paid on capital debt	-	-	-	-	(713,645)	-	-	-	(713,645)	-	(713,645)
Proceeds (payments of) from capital debt and equity	-	-	-	-	-	-	-	-	-	6,194,313	6,194,313
Interest paid on capital debt	-	-	-	-	(881,748)	-	-	-	(881,748)	(455,732)	(1,337,480)
Net cash (used) for capital and related financing activities	-	(2)	-	-	(2,172,388)	-	-	-	(2,172,390)	1,907,565	(284,825)
Cash flows from investing activities:											
Notes Receivable Advances	(3,387,419)	(5,174,881)	(5,367,888)	-	1,110,209	-	-	-	(12,819,979)	-	(12,819,979)
Interest and dividends	34,782	97,750	313,330	-	27,865	505	-	230	474,462	24,619	499,081
Purchase/Sale of investments	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by investing activities	(3,352,637)	(5,077,131)	(5,054,558)	-	1,138,074	505	-	230	(12,345,517)	24,619	(12,320,898)
Net increase (decrease) in cash and cash equivalents	(779,286)	8,177	85	85	(4,100,786)	(4,100,786)	-	34,504	(2,909,599)	2,720,112	(189,487)
Cash and cash equivalents at beginning of year	4,376,748	3,775,054	2,721,296	2,721,361	2,050,039	6,761,457	-	616,455	18,456,049	4,283,565	22,739,614
Cash and cash equivalents at end of year	\$ 3,597,462	\$ 3,783,231	\$ 2,721,381	\$ 2,721,381	\$ 2,132,746	\$ 2,660,671	\$ -	\$ 650,959	\$ 15,546,450	\$ 7,003,677	\$ 22,550,127
Reconciliation of Unrestricted Cash and Restricted Cash											
Cash and Cash Equivalents	\$ 3,597,462	\$ 3,467,151	\$ -	\$ -	\$ 988,144	\$ 2,505,083	\$ -	\$ 650,959	\$ 11,208,799	\$ 2,946,103	\$ 14,154,902
Restricted Cash and Cash Equivalents	-	316,080	2,721,381	155,888	1,144,602	1,144,602	-	-	4,337,651	4,057,574	8,395,225
Total Cash and Cash Equivalents	\$ 3,597,462	\$ 3,783,231	\$ 2,721,381	\$ 2,721,381	\$ 2,132,746	\$ 2,660,671	\$ -	\$ 650,959	\$ 15,546,450	\$ 7,003,677	\$ 22,550,127

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

Alexandria Redevelopment & Housing Authority

**Statement of Cash Flows - Proprietary Funds
For the year ended December 31, 2012**

	Business Activities	Low Rent Public Housing	Revitalization of Severely Distressed Public Housing			Housing Choice Vouchers	State/Local	Nonmajor Proprietary Funds	Totals Primary Government	Component Units	Totals Reporting Entity
			Public Housing	Distressed Public Housing	Housing Choice Vouchers						
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	\$ 3,377,429	\$ 4,290,820	\$ -	\$ -	\$ (5,020,494)	\$ 1,565,935	\$ 41,668	\$ 4,275,358	\$ (1,216,699)	\$ 3,058,659	
Adjustments to reconcile operating income to net cash provided (used) by operating activities:											
Depreciation expense	57,849	1,068,368	-	-	1,500	984,918	29,529	2,142,164	1,392,788	3,534,952	
Changes in assets and liabilities:	(612,717)	(328,995)	-	-	12,721	(880,536)	48,742	(1,760,795)	(64,228)	(1,825,013)	
(Increase) Decrease in Receivables - net	949	3,774	-	-	861,596	(3,172)	1,202	884,351	(10,678)	873,673	
(Increase) Decrease in Prepaid expenses	-	-	-	-	-	-	(3,813)	(3,813)	-	(3,813)	
(Increase) Decrease in Interprogram due from	(942)	131,004	-	-	8,421	(23,010)	(20,724)	94,749	104,721	199,470	
Increase (Decrease) in Accounts payable	(193,796)	(60,911)	-	-	(248,352)	(907,092)	(39,839)	(1,449,990)	516,586	(933,404)	
Increase (Decrease) in Accrued expenses	-	3,016	-	-	253,840	(502,280)	(1,589)	(247,013)	-	(247,013)	
Increase (Decrease) in Other liabilities	(70,423)	2,267	-	-	-	(1,048,990)	2,921	(1,114,225)	(2,987)	(1,116,812)	
Increase (Decrease) in Unearned revenue	-	(3,390)	-	-	-	(61,446)	(14,100)	(78,936)	-	(93,036)	
Increase (Decrease) in Intergovernmental payables	15,002	-	-	-	-	-	(40,257)	(25,255)	-	(14,253)	
Increase (Decrease) in Interprogram due to	-	(20,643)	-	-	9,475	54,326	30,534	73,692	-	83,477	
Increase (Decrease) in Noncurrent liabilities	-	-	-	-	-	-	-	-	-	-	
Net cash provided (used) by operating activities	\$ 2,573,351	\$ 5,065,310	\$ -	\$ -	\$ (4,101,291)	\$ (801,347)	\$ 34,274	\$ 2,790,297	\$ 719,903	\$ 3,510,200	

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**NOTE 1: ORGANIZATION AND REPORTING ENTITY**

- A. Reporting Entity - The Alexandria Redevelopment and Housing Authority (ARHA) is a non-profit organization which 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. ARHA 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. As required by GAAP, these statements present the funds, activities and functions of ARHA (the primary government). ARHA is not a component unit of the City of Alexandria.

Component units are reported as part of the reporting entity under either the blended or discrete method of presentation. Blended involves merging the component unit data with the primary government. The discrete method presents the financial statements of the component unit outside of the basic financial statement totals of the primary government.

In determining how to define the reporting entity, management has considered all potential component units. The decision to include component units in the reporting entity is 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. 14 (amended)*, of the *Governmental Accounting Standards Board: The Financial Reporting Entity and Statement No. 61 of the Governmental Accounting Standards Board: The Financial Reporting Entity: Omnibus*. These criteria include manifestation of oversight responsibility including financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organization included in the reporting entity although the primary organization is not financially accountable. The Authority has two blended component units under the State and Local section of the HUD REAC Financial Data Schedule, Virginia Housing Development, LLC and Quaker Hill Limited Partnership and eight discretely presented component units, West Glebe, LP, Braddock Whiting Reynolds, LP, Madden AUOE, LP, Old Dominion, LP, James Bland I, LP, James Bland II, LP and James Bland IV, LP. Condensed financial information of the discretely presented component units is reflected in Note 24. Separate audited financials for the discretely presented component units are available at the ARHA offices at 600 North Fairfax Street, Alexandria, VA. 22314.

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**NOTE 1: ORGANIZATION AND REPORTING ENTITY (Cont'd)**

- B. Government-Wide and Fund Financial Statements - The government-wide fund financial statements report information on all of the activities of the Authority. For the most part, the effect of inter-fund activity has been removed from these statements. The Authority's activities are entirely business-type activities, which rely to a significant extent on fees and charges for support.

Major individual enterprise funds are reported as separate columns in the fund financial statements.

All the funds of the Authority are proprietary funds. They are described below:

Proprietary Funds - are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the Authority's proprietary funds:

Enterprise Funds - account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general of the Authority is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

- C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The government wide fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority has no governmental funds.

The Authority reports the following major proprietary funds:

Low-Rent Housing Fund - The Low-Rent Housing Fund includes the Housing Operations Programs. These funds are used to account for housing operations primarily funded by the annual contributions contract with the Department of Housing and Urban Development (HUD).

Housing Choice Voucher Fund - Under this program, rental assistance payments are made by the Authority primarily to landlords on behalf of eligible families. These programs are funded by the annual contributions contract with HUD.

State Fund - The State/Local Fund includes Jefferson Village as well as the Security Deposit Loan Fund, Donations Fund, Miller Homes, Quaker Hill and Hopkins Tancil.

Revitalization of Severely Distressed Public Housing - This program provides a portion of mixed use financing to demolish severely distressed public housing and replace with projects that include market rent units, low income tax credit units, and public housing units.

Business Activities - The business activities fund provides loans for other programs to invest in affordable housing and also invests directly in affordable housing.

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**NOTE 1: ORGANIZATION AND REPORTING ENTITY (Cont.)****C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Cont.)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide fund financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between certain Authority's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the Authority's enterprise funds are governmental grants used for maintaining and operating low income housing assistance programs. Operating expenses for these enterprise funds include administrative expenses, utilities and maintenance of housing units and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

- D. Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.
- E. Cash and Cash Equivalents - Highly liquid investments with initial maturities of three months or less from date of purchase are considered cash equivalents.
- F. Investments - Investments are carried at fair value, with changes in fair value recognized as a component of investment income. Fair value is determined by reference to quoted market prices.

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2012**NOTE 1: ORGANIZATION AND REPORTING ENTITY (Cont.)**

- G. 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	20 years
Office Furniture and Equipment	7 years
Data Processing Equipment and Automobiles	5 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.

H. Impairment of Long-Lived Assets

GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, establishes accounting and financial reporting standards for impairment of capital assets. Under the provisions of the statement, prominent events or changes in circumstances affecting capital assets are required to be evaluated to determine whether impairment of a capital asset has occurred. Impaired capital assets that will no longer be used should be reported at the lower of carrying value or fair value. Impairment of capital assets with physical damage generally should be measured using the restoration cost approach, which uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written-off. No such impairment loss was incurred during the current year.

I. Intangible Assets

Bond financing costs on the capital program revenue bonds are amortized over the life of the issue using the straight-line method, which approximates the effective-interest method.

- I. Annual Contributions and Operating Subsidies - In accordance with the annual contributions contracts, ARHA 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
- J. 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.
- K. Indirect Costs - Certain indirect costs are funded on a fee-for-services basis. These fees were approved by the appropriate grantors as of ARHA's overall operations budget for the fiscal year.

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2012

- L. Net Position - Net Position balances are designated by the Low Rent Fund, Section 8 Housing Choice Voucher 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 ARHA except as specified under their respective contracts. The Net Position balance of the Business Activities Fund are designated to provide for financial resource utilization in future periods. Deficit balances in net assets are primarily attributable to accumulated depreciation charges on fixed assets.
- M. Pension Plans - ARHA participates in a defined benefit pension plan administered by the Virginia Retirement System. It is ARHA's policy to fund the normal cost and amortization of unfunded prior service cost (over 30 years). Expenses are recognized as incurred.
- N. Income Taxes - As a political subdivision of the State of Virginia, ARHA is exempt from Federal and State income taxes.
- O. New Accounting Pronouncements - In fiscal year 2012, the Authority implemented GASB No. 61, The Financial Reporting Entity, which amends certain requirements for the inclusion and reporting component units in a government's financial statements. This Statement will require new blending criteria, clarification of reporting equity interests in legally separate organizations, expanded note disclosures explaining the rationale for component unit classification, as well as additional requirements beyond "Fiscal Dependency" and having the same common board. The provisions of the Statement are effective for financial statements for periods beginning after June 30, 2012.

During fiscal year 2012, the Authority has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. As of December 31, 2012, the Authority had no deferred inflows or outflows to be reported.

NOTE 2: DEPOSITS & INVESTMENTS

Deposits - At year end, the carrying amount of deposits with banks and savings institutions was \$11,241,657 unrestricted and \$4,337,651 restricted. Of the bank balance, \$15,815,231 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 ARHA to obtain additional collateral from participating financial institutions to cover collateral shortfalls in the event of default and is responsible

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2012**NOTE 2: DEPOSITS & INVESTMENTS (Cont'd)**

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. ARHA follows HUD's guidelines for investments policy. The PHA had \$260 in petty cash funds at December 31, 2012.

Investments – As of December 31, 2012, the Authority had no investment balances.

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 U.S. Government Securities.

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, 2012, all of the Authority's investments were in U.S. Government Securities held in the Authority's name.

Restricted Cash – Restricted cash is made up of HOPE VI non-federal modernization funds, restricted HAP Funds, security deposit, FSS escrow funds and restricted cash for replacement reserve, residual receipts and taxes and insurance needs. They are restricted by HUD for the purposes stated above.

NOTE 3: RECEIVABLES

Receivables as of December 31, 2012, for the Authority's individual major funds and other proprietary funds in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

	Business Activities	Low Rent Public Housing	Revitalization of Severely Distressed Public Housing	Housing Choice Vouchers	State/ Local Funds	Component Units	Nonmajor Proprietary Funds	Total
Receivables								
Tenants	\$ -	62,650	\$ -	\$ -	\$ 94,125	\$ -	\$ -	156,775
Intergovernmental	-	695,452	-	132,911	37,642	-	25,945	891,950
Miscellaneous	612,717	64,987	-	-	46,689	858,092	-	1,582,485
Notes, Loans and Mortgages - Curr.	-	-	-	-	-	-	-	-
Gross Receivables	612,717	823,089	0	132,911	178,456	858,092	25,945	2,631,210
Less: Allowance for Uncollectibles	-	(25,997)	-	-	(42,715)	-	-	(68,712)
Net Total Receivables	\$612,717	\$797,092	\$0	\$132,911	\$135,741	\$858,092	\$25,945	\$2,562,498

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2012**NOTE 5: MORTGAGES AND NOTES RECEIVABLE AND NONCURRENT ASSETS**

At December 31, 2012 the Authority had various notes receivable balance related to HOPE VI loans, Turnkey III and Development Ventures Inc. loans. The amounts due are as follows:

HOPE VI	\$ 15,050,645
Business Activities	10,847,543
State/Local – Old Dominion	5,858,702
Low Rent Public Housing	<u>9,413,472</u>
Total Mortgages and Notes Receivable	41,170,362
Other Noncurrent Assets	190,237
Elimination Entry – Quaker Hill Loan	<u>(7,494,560)</u>
Total Noncurrent assets	<u>\$ 33,866,039</u>

HOPE VI:

The HOPE VI program has various loans with the HOPE VI partnerships which are considered to be related entities but not component units. The loans outstanding at December 31, 2012 were \$12,508,440 with accrued interest of \$2,542,205 for a total of \$15,050,645. There were no amounts considered to be currently receivable due to the nature of the arrangements. All accrued interest is considered long-term due to the fact that the notes will be collected off of future cash flows from operations and then the accrued interest will be due from the partnerships.

These notes receivable consist of the following:

- Note Receivable from Braddock Whiting Reynolds, LLC issued on December 16, 2004 in the amount up to \$3,862,330 at 4.68% interest with an outstanding balance. The balance on the Authority HOPE VI loan at December 31, 2012 was \$3,714,528 with accrued interest of \$1,246,064 for a total Authority HOPE VI loan in the amount of \$4,960,592 at December 31, 2012. Current interest income on the loan was \$173,839 for the year. The loan carries a 40 year term and matures on December 16, 2044. This loan is secured by a second deed of trust which covers three (3) parcels of real property, assignment of rents and lease, security agreement and fixture filing.
- Note Receivable from Braddock Whiting Reynolds, LLC issued on December 16, 2004 in the amount up to \$3,050,814. Prior to construction completion, interest is payable at a variable rate based upon three month LIBOR plus 225 basis points. Upon construction completion, the rate of interest is converted to a fixed rate of .25%. At the end of construction the loan converted to permanent financing. The balance on the Authority loan at December 31, 2012 was \$2,772,370 with accrued interest of \$141,502 for a total Authority loan in the amount of \$2,906,940 at December 31, 2012. Interest earned in the current year was \$6,932. The loan carries a 40 year term and matures on December 16, 2044. This loan is secured by a second deed of trust which covers three (3) parcels of real property, assignment of rents and lease, security agreement and fixture filing. This loan is first in line between the respective loans with the LLC.
- Notes Receivable from Chatham Square, LLC - \$6,021,542 loan with accrued interest of \$1,154,639 for a total Authority loan in the amount of \$7,176,181 at December 31, 2012. The loan bears a 2.2% interest rate with \$132,474 earned in the current year. The loan has fifty year term, due on January 20, 2054. We had a prior period correction in the amount of \$5,054,643 in relation to properly stating this loan's and interest earned in the prior year.

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2012**NOTE 5: MORTGAGES AND NOTES RECEIVABLE AND NONCURRENT ASSETS - (Cont.)**

Business Activities:

ARHA entered into an agreement with the Cameron Valley Limited Partnership to fund operating deficits for the partnerships 60 unit condominium and townhouses.

This note receivable consists of the following:

Note Receivable from the Cameron Valley Limited Partnership issued on April 12, 1991 in the amount \$6,887,016 represents an operating deficit loan between ARHA and Cameron Valley Limited Partnership. ARHA has agreed to fund the operating deficits with security in the 60 unit condominium and townhouses owned by the Partnership. The stated interest rate is .5% per annum on the outstanding balance at December 31, 2009. The total accrued interest at December 31, 2009 was \$512,848, for a total long-term notes receivable balance of \$7,399,863. The Alexandria Redevelopment & Housing Authority bought out the limited partner in the Cameron Valley Limited Partnership on April 1, 2010 and the note receivable was transferred to Quaker Hill Limited Partnership. At December 31, 2012 the note receivable had a balance of \$6,887,016 with accrued interest of \$607,544. This loan was eliminated for reporting purposes.

State/Local:

ARHA entered into various agreements via the Glebe Park revitalization project and loaned \$4,024,107 to the Old Dominion Limited Partnership. There is an additional loan in the amount of \$3,006,804 due from Old Dominion Partnership, \$2,615,893 and \$390,911 in interest that will be paid back from future equity. The loan is for the Developer, EYA, and will be paid off through cash flows according to the loan documents. The note matures on June 1, 2039. The additional loan's balance is \$271,343. The loan was paid off, \$2,622,749, as well as \$153,911 of the total accrued interest balance. The net loan value is \$271,343 of which \$41,200 was earned in the current year.

Low Rent Public Housing:

ARHA entered into a construction loan agreement with James Bland Housing I, L.P. in the maximum amount of \$2,200,000 for a 50 year term. The loan is secured by a deed of trust on the project and interest compounds annually at a rate of 1% per annum, maturing on January 28, 2050. As of December 31, 2012, the note receivable had a balance of \$2,200,000. Total interest earned on the loan is \$64,608 with \$54,400 earned in the current year. The cumulative value of the loan as of December 31, 2012 is \$2,264,608.

ARHA entered into a construction loan agreement with James Bland Housing II, L.P. in the maximum amount of \$3,681,181 for a 50 year term. The loan is secured by a deed of trust on the project and interest compounds annually at a rate of 1% per annum, maturing on December 17, 2050. The loan will be paid back from capital contributions and residual receipts. As of December 31, 2012, the note receivable had a balance of \$3,681,181 of which \$1,689,610 was distributed to the partnership during the current year. Total interest earned on the loan is \$73,624 with \$36,812 earned in the current year. The cumulative value of the loan as of December 31, 2012 is \$3,754,805.

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2012**NOTE 5: MORTGAGES AND NOTES RECEIVABLE AND NONCURRENT ASSETS - (Cont.)**

ARHA entered into a construction loan agreement with James Bland Housing IV, L.P. in the maximum amount of \$4,389,590 for a 50 year term. The loan is secured by a deed of trust on the project and interest compounds annually at a rate of 1% per annum, maturing on March 31, 2052. The loan will be paid back from capital contributions and residual receipts. As of December 31, 2012, the note receivable had a balance of \$3,394,059. No interest had been earned on the loan as of December 31, 2012. The cumulative value of the loan as of December 31, 2012 is \$3,394,059.

ARHA entered into excess loan proceeds agreement with James Bland I & II for the reinvestment of home sale proceeds. As of December 31, 2012 ARHA had earned \$3,352,984 in cumulative excess proceeds. The funds are controlled by the development partner and will be distributed after the final phase of the James Bland development project is completed. If funds are needed for cost overruns or additional development activities related to the James Bland redevelopment the excess proceeds from the development partner and ARHA will be utilized for those purposes. All remaining funds will be distributed to ARHA at completion of the overall James Bland redevelopment and as there are available cash flows and capital contributions.

Component Units:

ARHA entered into a construction loan agreement with Pendleton Park LLC in the maximum amount of \$1,563,002 for a 50 year term. The loan is secured by a deed of trust on the project and interest compounds annually at a rate of 3% per annum, maturing on April 26, 2052. As of December 31, 2012, the note receivable had a balance of \$1,536,002. Total interest earned on the loan is 27,249. The cumulative value of the loan as of December 31, 2012 is \$1,563,251.

NOTE 6: CAPITAL ASSETS

Land, structures and equipment consist of the following at December 31, 2012:

	Beginning Balances	Increases	Decreases	Ending Balances
Enterprise Activities				
Capital Assets not being depreciated				
Land	\$ 6,350,735	\$5,506,936	\$ -	\$11,857,671
Construction in progress	2,701,476	503,151	(931,776)	2,272,851
Total capital assets not being depreciated	<u>9,052,211</u>	<u>6,010,087</u>	<u>(931,776)</u>	<u>14,130,522</u>
Buildings & improvements	76,389,325	576,995	(12,092,981)	64,873,339
Furniture & equipment	412,801	146,575	-	559,376
Total capital assets being depreciated	<u>76,802,126</u>	<u>723,570</u>	<u>(12,092,981)</u>	<u>65,432,715</u>
Less accumulated depreciation:				-
Buildings, Improvements, Furniture & Equipment	<u>34,453,196</u>	<u>2,142,164</u>	<u>(4,526,256)</u>	<u>32,069,104</u>
Total accumulated depreciation	<u>34,453,196</u>	<u>2,142,164</u>	<u>(4,526,256)</u>	<u>32,069,104</u>
Total capital assets being depreciated	<u>42,348,930</u>			<u>33,363,611</u>
Enterprise activity capital assets, net	<u>\$51,401,141</u>			<u>\$47,494,133</u>

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 7: ACCOUNTS PAYABLE

Accounts payable at December 31, 2012, consisted of the following:

Vendors & contractors	\$ 299,804
Payments in lieu of taxes – City of Alexandria	64,747
Accounts payable – HUD	290,327
Tenant security deposits	<u>557,723</u>
	<u>\$ 1,212,601</u>

NOTE 8: ACCRUED EXPENSES AND OTHER ACCRUED LIABILITIES

Accrued expenses and other current liabilities at December 31, 2012, consisted of the following:

Accrued salary payable	\$ 380,753
Accrued compensated absences – current portion	297,748
Accrued interest payable	0
Unearned revenue – prepaid rents	17,764
Unearned revenue – exchange credits	5,983,268
Current portion of long-term debt	318,454
Other current liabilities	0
Accrued liabilities – other	<u>312,113</u>
	<u>\$ 7,310,100</u>

NOTE 9: DEFINED BENEFIT PENSION PLAN

a. Plan Description

All full-time, salaried employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employers (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report is available on the VRS website at <http://www.varetire.org/Pdf/Publications/2012-Annual-Report.pdf> or obtained by writing the System’s Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2012**NOTE 9: DEFINED BENEFIT PENSION PLAN - (Cont.)**b. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer assumed the 5% member contribution. In addition, ARHA is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. ARHA's contribution rate for the fiscal year ended December 31, 2012, was 5% of annual covered payroll.

c. Annual Pension Cost

For 2012, ARHA's annual pension cost of \$508,209 was equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age normal cost method. The actual assumptions included (a) 7.0% investment rate of return, (b) projected salary increases of 3.75% to 5.6% per year for employees depending on position (c) 2.5% per year cost-of-living adjustments.

Both (a) and (b) included an inflation component of 2.5%. The actuarial value of ARHA's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. ARHA's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

Three-Year Trend information for Alexandria Redevelopment and Housing Authority:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2010	\$ 449,478	100%	None
December 31, 2011	508,209	100%	None
December 31, 2012	467,420	100%	None

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2012**NOTE 9: DEFINED BENEFIT PENSION PLAN - (Cont.)**d. Schedule of Funding Progress (Unaudited)

Historical trend information is not available for the years prior to June 30, 1996.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2009	10,142,890	10,118,379	< 24,511>	100.24%	3,417,232	< .72%>
June 30, 2010	10,154,109	11,619,990	1,465,881	87.38%	3,971,713	36.91%
June 30, 2011	10,307,935	12,026,489	1,718,554	85.71%	4,459,639	38.54%
June 30, 2012	10,269,272	12,595,993	2,326,721	81.53%	4,393,255	52.96%

Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing net assets as a percentage of the actuarial accrued liability provides one indication of ARHA's funding status on a going-concern basis. Analysis of this percentage over time, indicates whether ARHA is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the company. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of ARHA's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger ARHA.

NOTE 10: CONTINGENCIES AND OTHER MATTERSa. Litigation and Other Matters

Certain claims, suits and complaints arising in the ordinary course of business have been filed and are pending against ARHA and the Component Unit. In the opinion of management, all such matters are adequately covered by insurance, or, if not so covered, are without merit or are of such kind or involve such amounts as would not have a material adverse effect on the financial statements of ARHA or the Component Unit.

b. Grants

ARHA 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. ARHA management is of the opinion that disallowances, if any, will not be material.

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11: IMPAIRMENT OF CAPITAL ASSETS

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

Note 12: DEFERRED COMPENSATION PLAN

ARHA provides an approved deferred compensation plan under Section 457 of the Internal Revenue Service which is administered by Mutual of America Life Insurance Company. All regular full-time HRHA employees are eligible to participate. The Internal Revenue Code requires that the plan assets and income attributed to the assets be held in trust for the exclusive benefit of the participants and/or beneficiaries. All amounts of employees' compensation deferred under the plan are deposited with the plan trustee, Mutual of America Life Insurance Company, for management and investment. The plan trustee holds all assets of the plan, maintains accounting of each plan participant's accumulated assets, and makes distributions to participants in accordance with the plan document.

NOTE 14: NET POSITION

Net Position includes HUD grants for development and modernization projects of ARHA's low-income housing units.

NOTE 15: LONG TERM DEBT AND NONCURRENT LIABILITIES

Noncurrent liabilities at December 31, 2012 consisted of the following:

	Balance 01/01/12	Increases	Decreases	Balance 12/31/12	Current Portion of Balance
Notes payable - capital	\$ 22,846,046	\$ 0	\$ 1,321,189	\$ 21,524,857	\$ 313,520
Notes payable - operations	275,590	0	0	275,590	0
Compensated absences	395,528	51,096	0	446,624	395,528
Other noncurrent liabilities	159,496	0	1,126	158,370	0
Total long-term liabilities	\$ 23,676,660	\$ 51,096	\$ 1,322,315	\$ 22,405,441	\$ 709,048

Hopkins/Tancil Courts - The mortgage note is insured by the Federal Housing Administration (FHA) and collateralized by a deed of trust on the rental property. The note bears interest at the rate of 10%. Principal and interest are payable by the Authority in monthly installments of \$26,056.89 through November 2025. The balance of the mortgage note payable was paid off on November 1, 2010.

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2012

The project entered an agreement with Burke & Herbert on November 1, 2010 in the amount of \$3,000,000. The terms of the loan were 5.25 percent per annum with a balloon payment due on November 1, 2015 for all interest and principal due as of that date. The monthly payments for the new loan are \$18,115. Total interest paid for the fiscal year was \$196,141.

Maturities of long-term debt are as follows:

Year	Principal	Interest	Totals
2013	68,116.00	149,259.00	217,375.00
2014	71,780.00	145,595.00	217,375.00
2015	2,734,053.00	118,389.00	2,852,442.00
Totals	2,873,949.00	413,243.00	3,287,192.00

Jefferson Village – The project entered an agreement with Burke & Herbert on June 30, 2009 in the amount of \$5.2 million. The terms of the loan were 6 percent per annum with a balloon payment due on June 3, 2014 for all interest and principal due as of that date. The monthly payments for the new loan are \$33,783. Total interest paid for the fiscal year was \$278,461.

Principal payments required:

Year	Principal	Interest	Totals
2013	113,224.00	292,171.00	405,395.00
2014	4,741,800.00	121,168.00	4,862,968.00
Totals	4,855,024.00	413,339.00	5,268,363.00

Quaker Hill – Quaker Hill was sold by Cameron Valley Limited Partnership to the Quaker Hill Limited Partnership. In order for Quaker Hill Limited Partnership to acquire the property, its General Partner, Alexandria Redevelopment and Housing Authority entered into an agreement to transfer the loan obligations related to the operating deficits of the Cameron Valley Limited Partnership, over to the new owner, the Quaker Hill Limited Partnership in the amount of \$6,887,016 with accrued interest of \$512,847 on April 1, 2010. The interest rate on the loan is .5% per annum. Accrued interest at December 31, 2012 was \$607,544. This loan is eliminated on the upper level financial statements.

The Project also entered into an agreement with the City of Alexandria in the amount of \$4,704,600 on April 1, 2010. The interest rate on the loan is 2.0% per annum. Cumulative interest payable is \$440. Cumulative owed on this loan is \$5,144,855 as of December 31, 2012.

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2012**NOTE 15: LONG-TERM DEBT – (Cont'd)**

The payments due under this note shall be made from Borrower to lender as follows: commencing on or before March 31, 2023 in an amount equal to one hundred percent (100%) of the Borrowers' Residual Receipts, if any, as that term is defined in the Loan Agreement entered into in conjunction with this note, along with the first annual payment of interest. Subsequent annual payments of the remaining interest and principal shall be made at the same rate of one hundred percent (100%) of the Borrower's Residual Receipts, if any. Notwithstanding any other provisions to the contrary, if the City loan is not fully paid in thirty (30) years of the date hereof, the Terms of the Agreement shall be renegotiated, giving to the City reasonable opportunity to revisit the conditions and to request any adjustments it considers warranted at that time, contingent on the approval of the Senior Debt Lender. Borrower shall not pay a penalty if the loan is not repaid in thirty (30) years, and payment of one hundred percent (100%) of Borrower's Residual Receipts shall continue to be made until the loan is paid in full.

Total interest charged to the loans as of December 31, 2012 was \$34,435 and \$100,879, respectively.

ARHA entered into a loan agreement on June 30, 2008 with the VHDA for the redevelopment of the Quaker Hill project. The total loan proceeds as of December 31, 2012 are \$4,704,600 with cumulative interest of \$10,164. ARHA makes monthly payments in the amount of \$18,237, as of December 31, 2012 but subject to annual adjustment per the terms of the amortization schedule, and will be due in full on April 1, 2034. The interest rate is 2% per annum.

Principal payments required:

Year	Principal	Interest	Totals
2013	45,844	121,147	166,991
2014	47,669	119,322	166,991
2015	49,566	117,425	166,991
2016	51,539	115,453	166,992
2017	53,590	113,401	166,991
2018-2022	301,689	53,267	354,956
2023-2027	366,695	468,261	834,956
2028-2022	445,707	389,249	834,956
2033-2037	541,744	293,212	834,956
2038-2042	658,475	176,481	834,956
2043-2047	557,525	40,865	598,390
	<u>3,120,043</u>	<u>2,008,083</u>	<u>5,128,126</u>

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY
ALEXANDRIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
TWELVE MONTHS ENDED DECEMBER 31, 2012

NOTE 15: LONG-TERM DEBT – (Cont'd)

Glebe Park Apartments - The City of Alexandria loaned the ARHA \$5,600,000 for the purpose of paying off the Glebe Park loan on March 1, 2010. The funds are to be repaid from escrow funds from the prior Glebe Park HUD insured loan, sale of Glebe Park and James Bland and/or James Bland Addition properties, from future Glebe Park HOPE VI grants and residual receipts from the redeveloped Glebe Park property. The loan bears an interest rate of 2% per annum. Due to the terms of the loan and volatility of the market we are unsure as to when the various terms of repayment of the loan will be met and do not believe that any portion of the loan will be due in fiscal year 2010. The loan value as of December 31, 2012 is \$5,007,000 with cumulative accrued interest of \$513,814, \$101,141 earned in the current year.

The Project entered into a loan with City of Alexandria for \$1,440,000 in 2009. The loan was in conjunction with the Old Dominion Limited Partnership and there is an offsetting receivable due from the developer for that project. At December 31, 2012 \$440,000 remains payable to the City of Alexandria.

Jefferson Village Bridge Loan – Jefferson Village entered into a loan with Burke and Herbert to invest in the Old Dominion redevelopment in the amount of \$2,622,749. The loan was in conjunction with the Old Dominion Notes Receivable loan, \$3,006,804, and matures on June 1, 2039. No repayment aside from interest on the note, 2% per annum, is made on a monthly basis. In June 2012 \$1,667,614 was paid on the loan leaving a balance of \$0 at December 31, 2012.

NOTE 16: INTERFUND BALANCES

Interfund balances have been eliminated in the combined financial statements.

NOTE 17: 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 18: RELATED PARTY TRANSACTIONS

ARHA has entered into two financing arrangements with the City of Alexandria to fund the revitalizing of the Glebe Park property and the Cameron Valley LP properties. The debt proceeds for each property was \$5,600,000 and \$4,704,600, respectively. The Glebe Park loan net loan balance as of December 31, 2012 was \$5,007,000. The loan for the Cameron Valley LP property was a pass through to the entity and is now completely controlled by ARHA.

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY
ALEXANDRIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
TWELVE MONTHS ENDED DECEMBER 31, 2012

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. There are currently lawsuits ongoing; however, there are no amounts which are deemed as contingent liabilities which should be disclosed or accrued in the financial statements. Subsequent to the balance sheet date the PHA was in the process of settling a lawsuit with a prior Executive Secretary but the amount and date of the final resolution were not known as of the management representation letter. The amount of the settlement is not considered material by management or legal counsel.

NOTE 20: RISK MANAGEMENT

The Authority is exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, casualty, employee dishonesty and public official's liability forms are used to cover the respective perils.

Our search for contingent liabilities revealed no liabilities that required disclosure against the ARHA as of December 31, 2012.

NOTE 21: PRIOR PERIOD ADJUSTMENTS

During fiscal year 2012 ARHA noted that the Chatham Square notes receivable loan and accrued interest wasn't stated properly and the amortization of the Quaker Hill TCAP loans was not accurate. We restated the HOPE VI loans related to Chatham Square's note receivable and accrued interest receivable balance in the amount of \$5,054,643, \$4,032,478 in notes receivable and \$1,022,165 in accrued interest. In the prior year we recorded the incorrect amount that amortized for the Quaker Hill TCAP Deferred revenue and corrected the balance in the amount of \$442,243 in the current year. The total deferred revenue related to TCAP funding is \$5,970,285.

NOTE 22: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2013, the date on which the financial statements were available to be issued.

NOTE 23: 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 24: COMPONENT UNITS FINANCIALS

Statement of Net Assets--Balance Sheet	Statement of Net Assets--Balance Sheet					Discretely Presented Component Units			
	Pendleton Park, L.L.C.	Old Dominion Housing, L.P.	West Glebe Housing, L.P.	Braddock Whiting Reynolds, L.P.	James Bland Housing I, L.P.	James Bland Housing II, L.P.	James Bland Housing IV, L.P.	Madden AUOE, L.P.	TOTAL
Cash	\$ 81,500	\$ 1,075	\$ 69,853	\$ 604,189	\$ 99,349	\$ 1,664,081	\$ 2,157,200	\$ 1,225,740	\$ 5,902,987
Other Current Assets	18,268	25,336	72,143	70,913	5,026	16,724	-	39,737	248,147
Noncurrent Assets	5,677,645	4,383,101	8,438,013	10,233,550	3,899,889	3,980,524	3,608,995	8,214,541	48,436,258
Total Assets	5,777,413	4,409,512	8,580,009	10,908,652	4,004,264	5,661,329	5,766,195	9,480,018	54,587,392
Liabilities									
Current Liabilities	769,436	77,216	65,645	50,367	14,623	12,051	1,816,532	43,035	2,848,905
Long Term Liabilities	4,691,002	187,835	3,108,899	7,874,464	3,300,463	5,485,662	3,681,181	7,176,181	37,196,203
Total Liabilities	5,460,438	1,965,567	3,174,544	7,924,831	3,315,086	5,497,713	5,497,713	7,219,216	40,045,108
Net Assets - Equity	316,975	2,453,945	5,405,465	2,983,821	689,178	163,616	268,482	2,260,802	14,542,284
Statement of Activities - Income Statement									
Revenues	135,827	190,070	257,473	370,276	130,618	105,707	439,305	1,629,276	1,629,276
Investment	281	351	443	-	6,185	17,359	-	24,619	24,619
Other	4,491	-	-	7,293	1,121	(4,962)	-	72,622	80,565
Total Revenue	140,599	190,421	257,916	377,569	137,924	118,104	-	511,927	1,734,460
Expenses									
Administrative	118,775	143,319	191,145	158,577	57,796	41,663	260,612	971,887	971,887
Maintenance and Operations	66,041	79,019	64,361	131,708	15,090	10,920	136,824	503,963	503,963
General	71,444	12,559	11,849	208,812	31,093	49,955	152,741	538,253	538,253
Depreciation	53,849	150,783	299,884	248,825	206,125	122,861	310,461	1,392,788	1,392,788
Total Expenses	310,109	385,680	567,039	747,922	310,104	225,399	-	860,638	3,406,891
Income <Loss>	-169,510	-195,259	-309,123	(370,353)	(172,180)	(107,295)	-	(348,711)	-1,672,431
Beginning Net Assets (Equity)	-	2,246,293	5,308,756	3,354,174	8,533	270,911	2,609,513	13,798,180	13,798,180
Contributions	536,485	402,911	405,832	-	1,716,758	-	-	3,061,986	3,061,986
Equity Transfer/Prior Year Adjustment	(50,000)	-	-	-	-	-	-	-	(50,000)
Ending Net Assets (Equity)	\$316,975	\$2,453,945	\$5,405,465	\$2,983,821	\$1,553,111	\$163,616	\$0	\$2,260,802	\$15,137,735

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 24: COMPONENT UNITS FINANCIALS (Continued)

	Blended		
	Quaker Hill, L.P.	Virginia Housing Development	Component Units Total
<u>Statement of Net Assets- Balance Sheet</u>			
Cash	\$ -	\$ -	\$ -
Other Current Assets	56,104	1,901,067	1,957,171
Noncurrent Assets	22,153,385	1,881,626	24,035,011
Total Assets	22,209,489	3,782,693	25,992,182
<u>Liabilities</u>			
Current Liabilities	207,020	505,699	712,719
Long Term Liabilities	21,683,898	50,000	21,733,898
Total Liabilities	21,890,918	555,699	22,446,617
<u>Net Assets - Equity</u>			
Net Assets	318,571	3,226,994	3,545,565
<u>Statement of Activities - Income Statement</u>			
Revenues	1,099,144	777,241	1,876,385
Investment	406	32062	32,468
Other	455,076	101	455,177
Total Revenue	1,554,626	809,404	2,364,030
<u>Expenses</u>			
Administrative	356,180	880,246	1,236,426
Maintenance and Operations	76,803	5,613	82,416
General	308,846	17,676	326,522
Depreciation	568,142	-	568,142
Total Expenses	1,309,971	903,535	2,213,506
Income <Loss>	244,655	-94,131	150,524
Beginning Net Assets (Equity)	80,564	3,321,125	3,401,689
Contributions	(6,648)	-	(6,648)
Equity Transfer/Prior Year Adjustment	-	-	-
Ending Net Assets (Equity)	\$318,571	\$3,226,994	\$ 3,545,565

SUPPORTING SCHEDULES

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>CFDA TITLE ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>THRU ENTITY</u>	<u>PASS FEDERAL EXPENDITURES</u>
<u>FEDERAL GRANTOR: U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Low-Rent Public Housing	14.850a*	N/A	\$ 3,955,124
Public Housing Capital Fund Program	14.872*	N/A	922,007
Resident Opportunity and Supportive Services	14.870	N/A	122,456
Housing Choice Voucher Program	14.871*	N/A	17,098,368
Section 8 Moderate Rehab	14.856*	N/A	<u>1,336,516</u>
TOTAL U.S. DEPARTMENT OF HUD			<u>23,434,471</u>
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 24,434,471</u>

(*) Denotes a Major Program

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Note 1: Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as ARHA's financial statements, accounting principles generally accepted in the United States of America.

Note 2: Major Programs

The (*) to the right of a CFDA number identifies the grant as a major federal program as defined by OMB Circular A-133.

Note 3: Award Balance

On the Section 8 Vouchers/Certificate programs, ARHA receives annual funds based on an annual estimate of need. Any unused HAP funds are restricted for payment of future HAP payments.

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 ARHA's portion, may be more than shown.

**FINANCIAL COMPLIANCE REPORTS
FOR
FEDERAL FUNDS**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Alexandria Redevelopment
and Housing Authority
Alexandria, Virginia

Report on Compliance for Each Major Program

We have audited the Alexandria Redevelopment and Housing Authority's compliance with types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The Alexandria Redevelopment and Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finds and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Alexandria Redevelopment and Housing Authority's major federal programs based on our audit of the types of compliance requirement 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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133)*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with compliance requirements referred to above that could have a material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2012.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)**

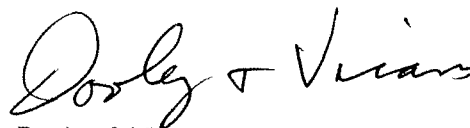
Report on Internal Control over Compliance

Management of Alexandria 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 the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in that 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 will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 the 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 weakness*, as defined above. However, material weakness 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 our testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.



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

September 30, 2013



**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
Alexandria Redevelopment
and Housing Authority
Alexandria, 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 Alexandria Redevelopment and Housing Authority, which comprise the balance sheet as of December 31, 2012, and the related statements of income (loss), partners' capital (deficiency), and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon September 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alexandria Redevelopment and Housing Authority 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 weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weakness may exist that have not been identified.

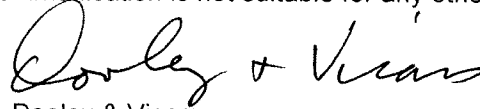
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alexandria 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 Alexandria 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 30, 2013

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

STATUS OF PRIOR AUDIT FINDINGS
AT DECEMBER 31, 2012

There were no audit findings in the prior audit report.

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified:	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
• Significant Deficiency(s) identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified:	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
• Significant Deficiency(s) identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133:	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2012
 (CONTINUED)

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.850A	Low Rent Public Housing
14.872	Public Housing Capital Fund
14.871	Section 8 Housing Choice Vouchers
14.856	Section 8 Moderate Rehab

Dollar threshold used to distinguish
 between type A and B programs: \$ 703,034

Auditee qualified as low-risk auditee? X yes no

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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.

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SUPPLEMENTAL INFORMATION

Pages 52-54 intentionally omitted

3.1	Accrued Wages/ payroll Taxes Payable	\$7,312	\$2,597	\$244	\$14,875	\$349,800	\$325	\$5,264	\$30,753	\$14,875	\$30,753	\$30,753	\$30,753
3.2	Accrued Compensated Absences - Current Portion	\$101,469	\$38,069		\$50,546		\$0	\$197,833	\$737,747		\$737,747		\$737,747
3.3	Accrued Interest Payable												
3.4	Accrued Contingency Liability												
3.5	Accrued Interest Payable												
3.6	Accrued Interest Payable - HUD PMA Programs												
3.7	Accrued Interest Payable - Other Government	\$48,474			\$12,884		\$0		\$12,884		\$12,884		\$12,884
3.8	Territorial Security Deposits	\$316,080			\$300,327		\$0		\$200,317		\$200,317		\$200,317
3.9	Deferred Revenues	\$17,764	\$2,321		\$16,443		\$0		\$64,747		\$64,747		\$64,747
3.10	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds				\$5,980,347		\$0		\$507,723		\$507,723		\$507,723
3.11	Current Portion of Long-term Debt - Operating Borrowings				\$313,520		\$0		\$313,520		\$313,520		\$313,520
3.12	Other Current Liabilities				\$57,397		\$0		\$57,397		\$57,397		\$57,397
3.13	Loan Liability - Current		\$23,840		\$26		\$0		\$24,716		\$24,716		\$24,716
3.14	Total Current Liabilities	\$172,392	\$31,165	\$3,165	\$6,952,486	\$419,402	\$14,953	\$135,306	\$75,310	\$75,310	\$75,310	\$0	\$54,716
3.15	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				\$29,705,887		\$0		\$28,705,897		\$28,705,897		\$1,211,337
3.16	Long-term Debt, Net of Current - Operating Borrowings				\$149,722		\$0		\$175,590		\$175,590		\$25,590
3.17	Other Non-current Liabilities - Other	\$192,208	\$7,148		\$75,819		\$0	\$161,450	\$446,625		\$446,625		\$158,370
3.18	Loan Liability - Non-current						\$0						\$446,625
3.19	Accrued Compensated Absences - Non-current						\$0						
3.20	Accrued Pension and SERF Liabilities						\$0						
3.21	Total Non-current Liabilities	\$152,208	\$206,870	\$0	\$29,781,716	\$275,580	\$8,548	\$161,450	\$29,586,482		\$29,586,482		\$2,091,922
3.22	Total Liabilities	\$324,600	\$317,839	\$3,165	\$36,734,202	\$694,982	\$23,491	\$296,756	\$104,896	\$104,896	\$104,896	\$75,310	\$30,622,682
5.0	Invested in Capital Assets, Net of Related Debt	\$17,772,287	\$1,630		\$552,506	\$491,743	\$0	\$453,880	\$18,474,716		\$18,474,716		\$5,969,276
5.0.1	Fund Balance Reserved				\$802,959	\$3,352,983	\$0		\$3,144,736		\$3,144,736		\$3,144,736
5.0.2	Unreserved - Designated Fund Balance				\$1,630	\$11,060,747	\$377,703	\$1,213	\$19,037,166		\$19,037,166		\$11,542,066
5.0.3	Restricted Net Assets	\$9,413,472	\$5,866	\$0	\$2,974,887	\$4,895,473	\$371,703	\$454,813	\$88,959,188	\$0	\$88,959,188		\$88,959,188
5.1	Unreserved Net Assets	\$3,747,443	\$2,297,618	\$0	\$38,809,889	\$15,551,465	\$95,304	\$71,089	\$101,151,740		\$101,151,740		\$99,991,870
5.2	Unreserved Unbudgeted Fund Balance												
5.3	Total Current Asset	\$30,334,202	\$2,295,184	\$0	\$38,809,889	\$15,551,465	\$95,304	\$71,089	\$101,151,740		\$101,151,740		\$99,991,870
6.0	Total Liabilities and Equity/Net Assets	\$31,196,602	\$2,812,623	\$3,165	\$38,809,889	\$15,551,465	\$95,304	\$71,089	\$101,151,740		\$101,151,740		\$99,991,870

Alexandria Redevelopment & Housing Authority (VA004)
ALEXANDRIA, VA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14 876 Resident Opportunity and Supportive Services	14 871 Housing Choice Vouchers	14 885 Revitalization of Severely Distressed Public Housing	6 Component Units	14 854 Public and Indian Housing Modernization Program	2 State/Local	1 Business Activities	14 855 Lower Income Housing Rehabilitation Program & Moderate Rehabilitation	COCC	Subtotal	ELM	Total
70000 Net Tenant Rental Revenue	\$1,269,870						\$3,899,461		\$0		\$5,169,331		\$5,169,331
70000 Tenant Revenue - Other	\$40,138						\$1,238		\$0		\$1,374		\$1,374
70500 Total Tenant Revenue	\$1,340,008	\$0	\$0	\$0	\$0	\$0	\$3,940,697	\$0	\$0	\$0	\$5,180,705	\$0	\$5,180,705
70600 HUD PHA Operating Grants	\$4,268,881	\$122,456	\$17,006,368						\$1,335,516	\$105,089	\$22,381,320		\$22,381,320
70610 Capital Grants	\$336,079								\$168,546	\$803,151	\$503,151		\$503,151
70710 Management Fee									\$0	\$1,383,451	\$1,383,451		\$1,383,451
70720 Asset Management Fee									\$0	\$95,730	\$95,730		\$95,730
70730 Book Keeping Fee									\$0	\$217,651	\$217,651		\$217,651
70740 Front Line Service Fee									\$0	\$729,352	\$729,352		\$729,352
70750 Other Fees									\$0	\$2,426,184	\$2,426,184		\$2,426,184
70700 Total Fee Revenue		\$122,456	\$17,006,368						\$1,335,516	\$1,335,516	\$2,426,184		\$2,426,184
73000 Other Government Grants	\$50,312						\$460,474		\$0	\$0	\$550,788		\$550,788
71100 Investment Income - Unrestricted	\$6,538		\$325	\$113,330			\$433	\$44,782	\$30	\$30	\$358,548		\$358,548
71200 Mortgage Interest Income									\$0	\$0	\$0		\$0
71300 Proceeds from Disposition of Assets Held for Sale									\$0	\$0	\$0		\$0
71310 Cost of Sale of Assets									\$0	\$0	\$0		\$0
71400 Fraud Recovery			\$58,883						\$0	\$0	\$58,883		\$58,883
71500 Other Revenue	\$5,139,637		\$584,434				\$1,378,778	\$3,493,522	\$0	\$32,901	\$10,769,270		\$10,769,270
71600 Gain or Loss on Sale of Capital Assets	-\$2,844,962		\$270						\$0	\$0	-\$2,844,962		-\$2,844,962
72000 Investment Income - Restricted	\$91,212		\$270				\$17,432		\$0	\$0	\$118,914		\$118,914
70000 Total Revenue	\$8,438,211	\$122,456	\$17,586,170	\$313,330	\$0	\$0	\$5,107,917	\$3,528,304	\$1,336,546	\$3,096,920	\$40,027,749	-\$2,466,619	\$37,561,130
81100 Administrative Salaries	\$79,836		\$870,559				\$44,735		\$50,239	\$1,491,686	\$3,207,265		\$3,207,265
81200 Auditing Fees	\$36,279		\$668				\$11,684		\$1,960	\$11,709	\$32,990		\$32,990
81300 Management Fee	\$40,138		\$389,081				\$855,664		\$26,101	\$1,573,345	-\$1,883,451		\$190,494
81310 Bookkeeping Fee	\$47,386		\$142,057				\$21,653		\$0	\$200,350	\$217,651		\$217,651
81400 Advertising and Marketing	\$300		\$4				\$79		\$0	\$600	\$1,173		\$1,173
81500 Employee Benefit Contributions - Administrative	\$337,003		\$19,131				\$84,882		\$1,728	\$416,492	\$1,032,147		\$1,032,147
81600 Office Expenses	\$43,147		\$153,775				\$16,368		\$0	\$121,897	\$34,987		\$34,987
81700 Legal Expense	\$72,788		\$1,682				\$3,888		\$0	\$42,325	\$160,723		\$160,723
81800 Travel	\$6,561		\$2,397				\$72		\$0	\$11,655	\$22,156		\$22,156
81810 allocated Overhead	\$0						\$272		\$0	\$0	\$0		\$0
81900 Other	\$235,868		\$48,080				\$316,483	\$28,426	\$1,662	\$139,147	\$770,586		\$770,586
81000 Total Operating - Administrative	\$1,751,367	\$0	\$1,487,514	\$0	\$0	\$0	\$1,755,718	\$31,307	\$194,945	\$1,334,871	\$7,265,832	-\$1,001,102	\$5,764,730
92000 Asset Management Fee	\$86,960						\$36,870		\$0	\$0	\$86,730		\$86,730
92100 Tenant Services - Salaries	\$193,715	\$102,851	\$6,076				\$69,230		\$0	\$0	\$331,672		\$331,672
92200 Relocation Costs	\$1,890		\$3,473				\$5,372		\$0	\$0	\$10,895		\$10,895
92300 Employee Benefit Contributions - Tenant Services	\$16,178	\$19,005					\$16,485		\$0	\$0	\$32,268		\$32,268
92400 Tenant Services - Other	\$20,553						\$25,760	\$26,530	\$0	\$3,197	\$18,340		\$18,340
92500 Total Tenant Services	\$194,336	\$122,456	\$8,549	\$0	\$0	\$0	\$118,737	\$56,830	\$0	\$3,197	\$473,165	\$0	\$473,165
93100 Water	\$586,500						\$291,716		\$0	\$0	\$835,719		\$835,719
93200 Electricity	\$333,485		\$883				\$2,893		\$0	\$18,184	\$378,245		\$378,245
93300 Gas	\$97,804		\$1,378				\$15,446		\$0	\$1,960	\$118,578		\$118,578
93400 Fuel									\$0	\$0	\$0		\$0
93500 Labor									\$0	\$0	\$0		\$0
93600 Sewer									\$0	\$0	\$0		\$0
93700 Employee Benefit Contributions - Utilities									\$0	\$0	\$0		\$0
93800 Other Utilities Expense									\$0	\$0	\$0		\$0

