

**ALEXANDRIA REDEVELOPMENT  
AND HOUSING AUTHORITY**

**AUDITED  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2014**

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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, 2014, 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, 2014, 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 16 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.

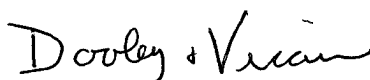
*Other Information*

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 28, 2015, 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.

September 28, 2015

**ALEXANDRIA REDEVELOPMENT &  
HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FISCAL YEAR ENDED DECEMBER 31, 2014**

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, 2014.

**FINANCIAL HIGHLIGHTS AND CONCLUSIONS:**

- The Authority continued to move to a complete revitalization of their Public Housing properties with the issuance of a Public Housing Development agreement and review of proposals. The Authority is working toward revitalization of all Public Housing developments either through a partnership with qualified Development Corporation's or through internal development corporation
- The Authority completed the year with a decrease in Net Position in the amount of \$(3.58) million.
- The Authority's financial operations have evolved in complexity over recent years from a traditional housing authority supported by public subsidies (federal and state) to reflect our role as an originator or sponsor of various public-private partnerships where financing and operating income is derived from multiple sources, including private capital, commercial financing, market rents and sale proceeds. As a result of this complexity, the Authority has opted to add additional disclosures relating to the limited partnerships (Note 22) and detailed component unit information (Additional Information).
- The Authority was awarded a Capital Fund (CFP) 2013 grant during fiscal year 2014 in the amount of \$877,128. Total CFP expenditures, including replacement housing factor funds, during the year were \$806,326.
- The Authority received public housing operating subsidy in the amount of \$3,765,735.
- The Authority received funding for the Section 8 Housing Choice Voucher Program in the amount of \$20,347,081.

**REQUIRED FINANCIAL STATEMENTS**

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and

supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance.

The financial statements report information about the Authority by using full accrual accounting methods as utilized by similar business activities in the private sector. In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Authority in conformity with generally accepted accounting principles.

The Authority is engaged only in "Business-Type Activities" and is considered a "Special Purpose" government under Paragraph 138 of GASB 34. The Authority will present its financial statements according to Paragraph 138 of GASB 34 and will consist of the following: (a) Statement of Net Position (b) Statement of Revenues, Expenses and Changes in Net Position (income statement), and (c) Statement of Cash Flows. In addition to the basic financial statements, the Authority will present notes to the financial statements and required supplementary information.

The **Statement of Net Position** presents information on all of the Authority's assets and liabilities, with the difference between the two as Net Position. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-Current". Over time, increases and decreases in Net Position serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The **Statement of Revenues, Expenses, and Changes in Net Position** (income statement) presents the results of the business activities of the Authority over the course of the fiscal year. The focus of this statement is the "Change in Net Position", which is similar to Net Income or Loss. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The **Statement of Cash Flows** presents changes in cash and cash equivalents, resulting from operating, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The **Notes to the Financial Statements** provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Also, included is the required **Supplemental Information** containing items such as budget to actual comparisons, debt information, and grant activity.

The financial statements were prepared by the Authority's staff from the detailed general ledgers and supporting documentation for each fund in conformity with generally

accepted accounting principles (GAAP). The financial statements were audited and adjusted, if material, during the independent external audit process.

## **SUMMARY OF ORGANIZATION AND BUSINESS**

The Alexandria Redevelopment & Housing Authority (the “Authority”) is a public body and a body corporate and politic organized under the laws of the State of Virginia by the City of Alexandria for the purpose of providing adequate housing for qualified low-income individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development.

The Authority is governed by a Board of Commissioners appointed by the City of Alexandria and has governance responsibilities over all activities related to the Authority. The Board of Commissioners has full decision-making authority and the power to designate the management of the Authority. The Authority’s Board elects its own chairperson. The City of Alexandria has no influence over the management, budget, or policies of the Authority. The Authority is a legally separate entity that is fiscally independent of other governments, and there are no other entities that are to be reported as component units of the Authority. The Authority is not included in the City of Alexandria’s financial reports. Therefore, the Authority reports independently.

The Authority operates and manages several different programs and presents financial statements from an enterprise fund perspective. Many of the funds maintained by the Authority are required by the Department of Housing and Urban Development and others are segregated to enhance accountability and control. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. Each fund is a separate accounting entity with a self-balancing set of accounts. The Authority’s funds or programs are as follows:

- Business Activities Programs
- Capital Fund Grant Program
- Housing Choice Voucher Program
- Low Income Public Housing
- Resident Opportunities and Self Sufficiency Program
- Section 8 Moderate Rehabilitation Program



The Business Activities Programs are non-federally aided programs administered by the Authority which include the following:

- Hopkins Tancil development
- Princess Square development
- West Glebe
- Miller Homes development
- Quaker Hill development
- Virginia Housing Development Agency LLC
- Donations program
- Security Deposit loan program
- Investment program
- Authority Loan program
- Hope VI loan program
- Revolving fund program

Component Unit Programs are entities that are privately owned by outside investors with the Authority acting as the general partner and are as follows:

- Chatham Square LP
- BWR LP
- West Glebe LP
- Old Dominion LP
- James Bland I LP
- James Bland II LP
- James Bland IV LP
- James Bland V LP
- Pendleton Park LLC

## **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 Redevelopment & Housing Authority**  
**Combined Statement of Net Position**  
**TABLE I**

<u>Account Descriptions</u>	<u>2014</u>	<u>2013</u>	<u>Total Change</u>	<u>% Change</u>
Current Assets	29,605,121	33,142,092	(3,536,971)	-10.67%
Noncurrent Assets	-	735,546	(735,546)	-100.00%
Capital Assets	108,762,474	100,668,032	8,094,442	8.04%
<b>Total Assets</b>	<b>138,367,595</b>	<b>134,545,670</b>	<b>3,821,925</b>	<b>2.84%</b>
Current Liabilities	6,618,260	8,252,081	(1,633,821)	-19.80%
Noncurrent Liabilities	35,507,032	26,470,122	9,036,910	34.14%
<b>Total Liabilities</b>	<b>42,125,292</b>	<b>34,722,203</b>	<b>7,403,089</b>	<b>21.32%</b>
Investment in Capital Assets	75,276,159	81,114,439	(5,838,280)	-7.20%
Restricted Net Position	12,177,959	4,331,924	7,846,035	181.12%
Unrestricted Net Position	8,788,185	14,377,104	(5,588,919)	-38.87%
<b>Total Net Assets</b>	<b>96,242,303</b>	<b>99,823,467</b>	<b>(3,581,164)</b>	<b>-3.59%</b>
<b>Total Liabilities &amp; Net Position</b>	<b>138,367,595</b>	<b>134,545,670</b>	<b>3,821,925</b>	<b>2.84%</b>

***Current Assets:***

Current assets are made up of cash, receivables and prepaid expenses. Current assets decreased by \$(3.54) million or 10.67% due to several factors:

- The main factor was a decrease in cash, \$(3.67) million, due to the purchase of the new Administrative Building for \$4.8 million.
- Accounts receivable balances increased by \$119,899 mainly due to a \$161,936 net in tenants accounts receivable balances, \$163,893 in miscellaneous accounts receivable balances with decreases in HUD accounts receivable balances in the amount of \$(219,065).
- The reason for the increase in tenant accounts receivable balances was related to new properties coming online in the Component Unit Tax Credit property portfolio, a considerable increase in the State/Local property portfolio, Princess Square and Quaker Hill properties, related to issues at the property which are currently being addressed.

### ***Non-current Assets***

Non-current assets are made up of notes receivable and other assets. Non-current assets decreased by \$(735,546). This was due to the change in GASB pronouncements regarding the recording of financing fees and the need to expense all financing fees when incurred. We wrote off all financing fees in the current fiscal year.

### ***Current Liabilities***

Current liabilities are made of accounts payable, accrued liabilities, unearned revenue and security deposits. Current liabilities decreased by \$(1.63) million. The decrease was driven by the following factors:

- Capital Debt, Current portion decreased by \$(1.68) million due to the refinancing of the Princess Square loan which was due in the current year but refinanced on a long-term basis.
- Vendors payables decreased by \$(328,926) due to timing issues
- Accrued wages decreased by \$(381,885) due to timing issues
- Accrued liabilities-other increased by \$629,098 due to HCVP housing assistance payments accrual.
- Accrued compensated absences – short-term increased by \$63,815 due to less utilization during the current year and increased payroll
- Accounts payable HUD increased by \$42,874 due to increases in Section-8 Moderate Rehabilitation A/P related to decreased lease-ups and housing assistance payments on a per unit basis.

### ***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 increased by \$9.04 million due to the following factors or events:

- The refinancing of the Princess Square debt to a longer term basis.
- James Bland V LP construction loan in the amount of \$5.63 million.
- \$2.5 million in payments for capital debt
- Reclassification of \$(5.67) million to long-term debt
- Amortization of TCAP funds during the year in the amount of \$(442,243)
- \$95,719 increase in long-term accrued compensated absences balances due to less utilization during the current year and increased payroll.

### *Net Position*

As illustrated in the Combined Statement of Net Position, the overall Net Position of the Authority decreased by \$(3.58) million.

The “Investment in Capital Assets” decreased by \$(5.8) million or 7.20 %. This was due to payment of debt and depreciation expense outpacing current year additions as well as reclassification between restricted and unrestricted net position balances

The Restricted Net Position account is made up of Development Funds and Housing Choice Voucher reserves. The account balance increased by \$7.85 million due to the following factors:

- Increase in development funds earned and received in the amount of \$8.28 million
- Decrease in HCVP Hap reserves in the amount of \$(432,548).

The Unrestricted Net Position decreased by \$(5.59) million or 38.87% due to reclassifications between net position accounts and current year net operating losses.

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 II 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>2014</u>	<u>2013</u>	<u>Total Change</u>	<u>% Change</u>
Tenant Revenue	5,377,621	5,610,422	(232,801)	-4.15%
Grant Funding	26,455,026	28,076,010	(1,620,984)	-5.77%
Capital Grant Funding	237,045	384,985	(147,940)	-38.43%
Interest Income	42,294	34,487	7,807	22.64%
Other Income	4,269,612	7,971,060	(3,701,448)	-46.44%
<b>Total Revenue</b>	<b>36,381,598</b>	<b>42,076,964</b>	<b>(5,695,366)</b>	<b>-13.54%</b>
Administration	6,090,160	6,416,874	(326,714)	-5.09%
Tenant Services	381,060	420,666	(39,606)	-9.42%
Utilities	1,461,274	1,510,381	(49,107)	-3.25%
Maintenance	3,845,498	3,216,934	628,564	19.54%
Protective services	49,236	21,746	27,490	126.41%
General expense	1,066,634	820,191	246,443	30.05%
Housing Assistance Payments	19,373,519	20,975,297	(1,601,778)	-7.64%
Interest expense	862,632	842,647	19,985	2.37%
Depreciation	4,057,904	3,902,554	155,350	3.98%
Amortization	785,801	78,017	707,784	907.22%
<b>Total Expenses</b>	<b>37,973,718</b>	<b>38,205,307</b>	<b>(231,589)</b>	<b>-0.61%</b>
Capital Contributions	-	9,299,696	(9,299,696)	100.00%
Prior year adjustments	(1,989,044)	1,341,538	(3,330,582)	-248.27%
Change in Net Position	(3,581,164)	14,512,891	(18,094,055)	-124.68%
Beginning Net Position	99,823,467	85,310,576	14,512,891	17.01%
<b>Ending Net Position</b>	<b>96,242,303</b>	<b>99,823,467</b>	<b>(3,581,164)</b>	<b>-3.59%</b>

## REVENUES

In reviewing the Statement of Revenues, Expenses, and Net Position, you will find that 74% 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 15% of total revenue. Other Revenue comprises the remaining 12% and Interest income represents roughly 1%. Compared to the Fiscal Year Ended December 31, 2014, revenues had an overall decrease of \$(5.69) million or 13.54%.

**Tenant Revenue** - Tenant Revenue had a decrease from \$5,610,422 to \$5,377,621 or a decrease of \$(232,801) or 4.15%. The decrease is mainly attributed to decreases in Princess Square, Hopkins Tancil and Quaker Hill properties. The Authority is currently revamping its management system to correct the underutilization of housing stock and expect this situation to correct itself in the upcoming year.

**Program Grants/Subsidies** – Federal and State subsidies for the year decreased by \$(1.77) million or 6.22% from \$28.46 million, operational, in fiscal year 2013 to \$26.69 million, combination of operating and capital grants, in fiscal year 2014. The main reasons for the decreases are as follows:

- \$1.78 million in deductions in HCVP funding related to decreased funding available and a payment for excess payments received in the prior years' in the amount of \$453,650.
- Increases for Public Housing funding due to new Tax Credit properties coming online and other increases in funding related to increased proration amounts.

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>
2014	3,765,735.00	1,244,544.00	806,326.00
2013	3,434,319.00	1,334,093.00	1,048,481.00
<b>Net Change</b>	<b>331,416.00</b>	<b>(89,549.00)</b>	<b>(242,155.00)</b>
<b>% Change</b>	<b>9.65%</b>	<b>-6.71%</b>	<b>-23.10%</b>

<u>Year</u>	<u>Vouchers</u>	<u>ROSS</u>	<u>Totals</u>
2014	20,347,081.00	70,275.00	26,233,961.00
2013	22,128,802.00	73,056.00	28,018,751.00
<b>Net Change</b>	<b>(1,781,721.00)</b>	<b>(2,781.00)</b>	<b>(1,784,790.00)</b>
<b>% Change</b>	<b>-8.05%</b>	<b>-3.81%</b>	<b>-6.37%</b>

**Other Income/Interest Income** – Other income decreased by \$(3.7) million due to fewer development projects closing and providing developer fee income and sales of homes in the tax credit development projects related to excess home sale proceeds.

Interest income increased by \$7,807 or 22.64 % due to changes in the prior year which were not utilized until later in this fiscal year giving the Authority more available average cash to invest during the year.

## **EXPENSES**

The Alexandria Redevelopment & Housing Authority experienced a decrease in operating expenses for the current year from \$38.2 million or a net decrease of \$(231,589) or .61%. 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 2013, administrative costs decreased by \$(326,714) or 5.09%. The main drivers in the overall decrease were as follows:

- Benefits decreased by \$(227,929) due to overall decreases in benefit costs and changes/improvement in the allocation of benefits to the various benefit categories on the FDS.
- Administrative costs decreased by \$(112,753) related to training, consulting fees and other misc. items.
- Legal fees decreased by \$(68,841) due to decreased legal representation needs related to development, employment and tenant/landlord issues.
- Small increases to salary and wages, auditing, office expenses, advertising and travel were noted but nothing of a material nature or significant events.

**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 decreased from \$420,666 to \$381,060 or a decrease of \$(39,606) or 9.42%. The decrease was related to salaries and wages decreases offsetting increases in benefit and program costs. The increases are marginal with the benefit increase largely attributed to changes in allocations and overall decreases in benefit costs which showed up more in the admin category.

**Utilities** - The total utilities expense for the Authority decreased by \$(49,107) or 3.25%. The decrease was due to water and electricity decreases related to better water conservation practices and lower fuel costs. Gas prices went up due to contract costs related to gas suppliers which is at a fixed rate.

**Maintenance** – Maintenance costs are all costs incurred by the Authority for the 744 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 \$3.21 million to \$3.85 million for an increase of \$628,564 or 19.54%. The main factors for this increase were as follows:

- Salary and benefit costs increased due to increases in salaries and unit turnover needs.
- Materials increased due to the increased unit turnover needs
- Contract costs increased by \$127,385 due to increased unit turnover needs as well as major repair needs that could not be met by the in-house maintenance staff.

**Protective Services** – Protective services costs were used for police and fire services. The total expense for the year was \$49,236 or an increase of \$27,490. 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.

**Insurance Expenses** – General Expenses include insurance costs (property, auto, liability, workers' compensation, public officials' liability, lead based paint insurance, etc.). The overall insurance costs increased from \$473,567 to \$531,799 or \$58,232 due to new properties coming online and normal increases to policy costs.

**General Expenses** – General Expenses include other general expenses like rent, collection losses, compensated absences expenses and payment in lieu of taxes to the City of Alexandria. General expenses for the Authority increased from \$364,624 to \$534,835 or an increase of \$188,211. The increase is related to bad debt write-offs related to the issues noted in the State/Local and AMP portfolios.

**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 tenants' rent and the applicable payment standard. HAP payments for the Authority decreased from \$20,975,297 to \$19,373,519 or an overall decrease of \$(1.6) million or 7.64%. This was due to reduced lease-ups in the program as well as reduced overall budget authority due to the utilization of the prior years' HAP reserves.

**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 \$155,350 or 3.98%. This was due to new developments placed in service in the current year.



**Other Non-Operating Expenses** – The Authority had other non-operating revenues/expenditures related to interest expense and amortization.

- Interest expense increased by \$19,985 or 2.37% due to amortization of capital debt principal balances.
- Amortization expense increased by \$707,784 or 907.22% due to the removal of all financing fees related to the latest GASB pronouncements.

**Prior Period Adjustments** - There were \$(1.99) million in prior period adjustments for fiscal year ended December 31, 2014. This was due to a West Glebe L.P. audit adjustment related to the total capital funding received after the final cost certification and adjustments related to other entities were completed

Equity transfers were completed due to the needs of other non-federal programs and the utilization of the pre-2004 HCVP Administrative Fee Reserves for the purchase of the new administrative building. The net effect was \$0 on the overall financial statements.

## CAPITAL ASSETS

At the end of fiscal year 2013 the Authority had invested in Capital Assets of \$100.67 million, net of depreciation. As of December 31, 2014, the Authority had a net increase in net capital assets of \$8.09 million to \$108.76 million or 8.04 %. The following illustrates the Capital Asset values for 2014 and 2013.

**Alexandria Redvelopment & Housing Authority**  
**Combined Statement of Capital Assets**  
**TABLE IV**

<u>Account Descriptions</u>	<u>2014</u>	<u>2013</u>	<u>Total Change</u>	<u>% Change</u>
Land	18,225,985	19,223,010	(997,025)	-5.19%
Buildings & improvements	134,916,833	121,777,768	13,139,065	10.79%
Equipment	1,302,119	1,302,119	-	0.00%
	<u>154,444,937</u>	<u>142,302,897</u>	<u>12,142,040</u>	<u>8.53%</u>
Accumulated Depreciation	(45,682,463)	(41,634,865)	(4,047,598)	9.72%
<b>Total Capital Assets</b>	<b><u>108,762,474</u></b>	<b><u>100,668,032</u></b>	<b><u>8,094,442</u></b>	<b><u>8.04%</u></b>

The Authority has five ongoing HUD Capital Fund grants. The total capital improvement for the year was \$12.14 million, \$237,045 for CFP and \$11.91 million in other capital projects. There were \$7 million in capital development within the Tax Credit LLC's during the fiscal year. Most of the activity was related to James Bland IV and V

developments. The Authority purchased a new administrative building on Wyche Street in the amount of \$4.86 million during the year. Depreciation expense for the year ended December 31, 2014 was \$3,902,554.

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 portfolio, the PHA has four funds with long-term capital debt financing with the nine Tax Credit LLC projects. These entities, Quaker Hill, Glebe Park, Princess Square, and Hopkins Tancil in the State/Local portfolio, and Chatham Square, BWR, West Glebe, Old Dominion, James Bland I, II, IV, V (Project-Based Section 8) and Pendleton Park 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 2013 to FY 2014.

The long-term debt balance increased by \$9.94 million and short term debt decreased by \$(1.68) million. The increase was due to new debt issues related to the James Bland V redevelopment outpacing the amortization of the remaining cumulative debt during the current year while the increase in long-debt related to the Princess Square debt which is due in the current year and hadn't been refinanced as of the report date, see note 15.

**Table V**  
**Outstanding Debt Schedule**

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
Current Portion of Long Term Debt	\$ 3,539,828	5,219,216	(1,679,388)
Long Term Debt, Net of	\$ 29,946,487	20,006,352	9,940,135
<b>Totals</b>	<b>\$ 33,486,315</b>	<b>25,225,568</b>	<b>8,260,747</b>

## 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 150,575 per the 2014 census estimates.<sup>1</sup>

<sup>1</sup><http://quickfacts.census.gov/qfd/states/51/51510.html>

- (2) The City of Alexandria, per the 2013 census, had 8.4% of the city's population under the poverty level as compared to the 11.3% rate for the entire state of Virginia.<sup>2</sup>
- (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.

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.

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<sup>2</sup><http://quickfacts.census.gov/qfd/states/51/51510.html>

# Alexandria Redevelopment & Housing Authority

## Statement of Net Position - All Funds December 31, 2014

<u>ASSETS</u>	<u>Totals Primary Government</u>
<b>Current Assets</b>	
Cash and cash equivalents	\$ 11,342,324
Restricted Cash	15,963,780
Receivables, net	2,054,316
Prepaid Expense and Other Assets	244,701
<b>Total current assets</b>	<u>29,605,121</u>
<b>Noncurrent Assets</b>	
Restricted cash, cash equivalents	
Restricted investments	
Capital assets:	
Land	18,225,985
Buildings	122,296,224
Furniture, Equipment & Machinery - Admin	1,302,119
Construction in Progress	12,620,609
Less: accumulated depreciation	<u>(45,682,463)</u>
Capital assets, net	<u>108,762,474</u>
<b>Total noncurrent assets</b>	<u>108,762,474</u>
<b>Total Assets</b>	<u>138,367,595</u>
<b>Deferred Outflow of Resources</b>	
Deferred Outflow of Resources	<u>-</u>
<b>Total Assets and Deferred Outflow of Resources</b>	<u><u>\$ 138,367,595</u></u>

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

# Alexandria Redevelopment & Housing Authority

## Statement of Net Position - All Funds December 31, 2014

<u>LIABILITIES</u>	Totals Primary Government
<b>Current Liabilities</b>	
Accounts Payable	\$ 247,418
Accrued Liabilities	422,708
Intergovernmental payables	363,406
Tenant security deposits	543,782
Deferred revenue	668,767
Current portion of long-term debt	3,539,828
Other current liabilities	832,351
<b>Total current liabilities</b>	<u>6,618,260</u>
<b>Noncurrent liabilities</b>	
Long-term debt, net of current	29,946,487
Noncurrent liabilities - other	5,560,545
<b>Total noncurrent liabilities</b>	<u>35,507,032</u>
<b>Total Liabilities</b>	<u>42,125,292</u>
<b>Deferred Inflow of Resources</b>	
Deferred Inflow of Resources	<u>-</u>
<b>Net Position</b>	
Investment in Capital Assets - Net of Related Debt	75,276,159
Restricted Net Position	12,177,959
Unrestricted Net Position	8,788,185
<b>Total Net Position</b>	<u>96,242,303</u>
<b>Total Liabilities, Deferred Inflow of Resources, and Net Position</b>	<u>\$ 138,367,595</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, 2014

	Totals Primary Government
<b>Operating Revenues</b>	
Tenant revenue	\$ 5,377,621
Government operating grants	25,996,916
Other Government Grants	458,110
Other revenue	4,269,612
<b>Total operating revenues</b>	<u>36,102,259</u>
<b>Operating Expenses</b>	
Administrative	6,090,160
Tenant services	381,060
Utilities	1,461,274
Maintenance	3,845,498
Protective services	49,236
General	1,066,634
Housing assistance payment	19,373,519
Depreciation	4,057,904
<b>Total operating expenses</b>	<u>36,325,285</u>
<b>Operating income (loss)</b>	<u>(223,026)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest Expense	(1,648,433)
Interest and investment revenue	42,294
<b>Total nonoperating revenues (expenses)</b>	<u>(1,606,139)</u>
Income (loss) before contributions and transfers	(1,829,165)
Capital Grants - Federal Government	237,045
Change in Net Position	(1,592,120)
Total Beginning Net Position	99,823,467
Prior Period Adjustments/Equity Transfers	(1,989,044)
<b>Total Ending Net Position</b>	<u>\$ 96,242,303</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, 2014

	Totals Primary Government
Cash flows from operating activities:	
Cash received from tenants	\$ 4,095,761
Cash received from operating grants	25,930,363
Cash received from other government grants	458,110
Cash received from other sources	7,662,419
Cash paid for goods and services	(5,419,367)
Cash paid for employees and administrative	(7,573,403)
Housing Assistance payments	(20,997,383)
Cash paid for other	(1,917,783)
Net cash provided (used) by operating activities	<u>2,238,717</u>
Cash flows from noncapital financing activities:	
Transfers	<u>(322,372)</u>
Cash flows from capital and related financing activities:	
Capital Grants received - Federal Government	237,045
Purchases, Sales and construction of capital assets	(12,465,622)
Principal paid on capital debt	9,352,103
Proceeds from capital debt and equity	437,059
Interest paid on capital debt	(2,096,509)
Net cash (used) for capital and related financing activities	<u>(4,535,924)</u>
Cash flows from investing activities:	
Notes receivable advances	(1,536,817)
Interest and dividends	490,370
Net cash provided (used) by investing activities	<u>(1,046,447)</u>
Net increase (decrease) in cash and cash equivalents	(3,666,026)
Cash and cash equivalents at beginning of year	30,972,130
Cash and cash equivalents at end of year	<u>\$ 27,306,104</u>
Reconciliation of cash and restricted cash	
Cash and cash equivalents	\$ 11,342,324
Restricted Cash and cash equivalents	15,963,780
Total Cash and cash equivalents	<u>\$ 27,306,104</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, 2014

	Totals Primary Government
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (223,026)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	4,057,904
Changes in assets and liabilities:	
(Increase) Decrease in Receivables - net	(474,785)
(Increase) Decrease in Prepaid expenses	(9,156)
(Increase) Decrease in Interprogram due from	580,611
Increase (Decrease) in Accounts payable	(31,664)
Increase (Decrease) in Accrued expenses	(322,046)
Increase (Decrease) in Other liabilities	541,262
Increase (Decrease) in Unearned revenue	122,848
Increase (Decrease) in Intergovernmental payables	42,036
Increase (Decrease) in Interprogram due to	(507,995)
Increase (Decrease) in Noncurrent liabilities	(1,537,272)
Net cash provided (used) by operating activities	<u>\$ 2,238,717</u>

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



# Alexandria Redevelopment & Housing Authority

## Statement of Net Position - Proprietary Funds December 31, 2014

ASSETS	Business Activities	Low Rent Public Housing	Blended Component Units	Housing Choice Vouchers	State/Local	Nonmajor Proprietary Funds	Total Before Eliminations	Inter-Entity Eliminations	Totals Primary Government
<b>Current Assets</b>									
Cash and cash equivalents	\$ 1,777,734	\$ 4,705,897	\$ 2,186,888	\$ 1,397,779	\$ 372,478	\$ 901,548	\$ 11,342,324	\$ -	\$ 11,342,324
Restricted Cash	3,899,447	196,896	3,310,582	103,342	8,463,513	-	15,963,780	-	15,963,780
Receivables, net	366,169	717,086	193,230	251,874	2,190,154	55,508	3,774,021	(1,719,705)	2,054,316
Prepaid Expense and Other Assets	12,125	59,898	94,799	5,308	53,434	19,137	244,701	-	244,701
Interprogram due from	4,664	-	-	-	-	-	4,664	(4,664)	-
<b>Total current assets</b>	<b>6,060,139</b>	<b>5,679,777</b>	<b>5,785,499</b>	<b>1,758,303</b>	<b>11,069,579</b>	<b>976,193</b>	<b>31,329,490</b>	<b>(1,724,369)</b>	<b>29,605,121</b>
<b>Noncurrent Assets</b>									
Capital assets:									
Land	-	3,855,621	6,368,314	-	8,002,050	-	18,225,985	-	18,225,985
Buildings	1,992,318	34,018,715	51,158,679	-	29,194,305	5,932,207	122,296,224	-	122,296,224
Furniture, Equipment & Machinery - Admin	-	116,453	694,601	206,475	125,858	158,732	1,302,119	-	1,302,119
Construction in Progress	-	1,312,708	11,137,444	-	36,659	133,798	12,620,609	-	12,620,609
Less: accumulated depreciation	(1,613,956)	(23,714,876)	(9,328,034)	(206,475)	(9,820,958)	(998,164)	(45,682,463)	-	(45,682,463)
Capital assets, net	378,362	15,588,621	60,031,004	-	27,537,914	5,226,573	108,762,474	-	108,762,474
Noncurrent Notes, Loans & Mortgages Receivable	35,381,375	-	-	-	4,956,368	-	40,337,743	(40,337,743)	-
<b>Total noncurrent assets</b>	<b>35,759,737</b>	<b>15,588,621</b>	<b>60,031,004</b>	<b>-</b>	<b>32,494,282</b>	<b>5,226,573</b>	<b>149,100,217</b>	<b>(40,337,743)</b>	<b>108,762,474</b>
<b>Deferred Outflow of Resources</b>									
Deferred Outflow of Resources	-	-	-	-	-	-	-	-	-
<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 41,819,876</b>	<b>\$ 21,268,398</b>	<b>\$ 65,816,503</b>	<b>\$ 1,758,303</b>	<b>\$ 43,563,861</b>	<b>\$ 6,202,766</b>	<b>\$ 180,429,707</b>	<b>\$ (42,062,112)</b>	<b>\$ 138,367,595</b>

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

# Alexandria Redevelopment & Housing Authority

## Statement of Net Position - Proprietary Funds December 31, 2014

LIABILITIES	Business Activities	Low Rent Public Housing	Blended Component Units	Housing Choice Vouchers	State/Local	Nonmajor Proprietary Funds	Total Before Eliminations	Inter-entity Eliminations	Totals Primary Government
<b>Current Liabilities</b>									
Accounts Payable	\$ 3,110	\$ 33,322	\$ 128,301	\$ 1,036	\$ 44,474	\$ 37,175	\$ 247,418	\$ -	\$ 247,418
Accrued Liabilities	39,911	126,470	32,832	34,644	47,081	141,770	422,708	-	422,708
Intergovernmental payables	-	45,043	-	-	212,598	105,765	363,406	-	363,406
Tenant security deposits	-	196,896	171,885	-	175,001	-	543,782	-	543,782
Deferred revenue	-	19,003	52,048	-	597,716	-	668,767	-	668,767
Current portion of long-term debt	-	-	53,435	-	3,486,393	-	3,539,828	-	3,539,828
Other current liabilities	-	-	1,730,843	763,813	-	57,397	2,552,056	(1,719,705)	832,351
Interprogram due to	-	-	-	-	3	4,664	4,664	(4,664)	-
<b>Total current liabilities</b>	<b>43,021</b>	<b>420,734</b>	<b>2,169,344</b>	<b>799,493</b>	<b>4,563,266</b>	<b>346,771</b>	<b>8,342,629</b>	<b>(1,724,369)</b>	<b>6,618,260</b>
<b>Noncurrent liabilities</b>									
Long-term debt, net of current	-	-	41,963,463	-	25,405,371	-	67,368,834	(37,422,347)	29,946,487
Noncurrent liabilities - other	275,590	189,809	2,947,438	155,308	4,695,141	212,655	8,475,941	(2,915,396)	5,560,545
<b>Total noncurrent liabilities</b>	<b>275,590</b>	<b>189,809</b>	<b>44,910,901</b>	<b>155,308</b>	<b>30,100,512</b>	<b>212,655</b>	<b>75,844,775</b>	<b>(40,337,743)</b>	<b>35,507,032</b>
<b>Total Liabilities</b>	<b>\$ 318,611</b>	<b>\$ 610,543</b>	<b>\$ 47,080,245</b>	<b>\$ 954,801</b>	<b>\$ 34,663,778</b>	<b>\$ 559,426</b>	<b>\$ 84,187,404</b>	<b>\$ (42,062,112)</b>	<b>\$ 42,125,292</b>
<b>Deferred Inflow of Resources</b>									
Deferred Inflow of Resources	-	-	-	-	-	-	-	-	-
<b>Net Position</b>									
Investment in Capital Assets - Net of Related Debt	\$ 378,362	\$ 15,588,621	\$ 18,014,106	\$ -	\$ 4,419,275	\$ 5,226,573	\$ 43,626,937	\$ 31,649,222	\$ 75,276,159
Restricted Net Position	39,280,822	-	-	-	10,236,674	-	49,517,496	(37,339,537)	12,177,959
Unrestricted Net Position	1,842,081	5,069,234	722,152	803,502	(5,755,866)	416,767	3,097,870	5,690,315	8,788,185
<b>Total Net Position</b>	<b>41,501,265</b>	<b>20,657,855</b>	<b>18,736,258</b>	<b>803,502</b>	<b>8,900,083</b>	<b>5,643,340</b>	<b>96,242,303</b>	<b>-</b>	<b>96,242,303</b>
<b>Total Liabilities, Deferred Inflow of Resources, and Net Position</b>	<b>\$ 41,819,876</b>	<b>\$ 21,268,398</b>	<b>\$ 65,816,503</b>	<b>\$ 1,758,303</b>	<b>\$ 43,563,861</b>	<b>\$ 6,202,766</b>	<b>\$ 180,429,707</b>	<b>\$ (42,062,112)</b>	<b>\$ 138,367,595</b>

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, 2014

	Business Activities	Low Rent Public Housing	Blended Component Units	Housing Choice Vouchers	State/Local	Nonmajor Proprietary Funds	Inter-entity Eliminations	Totals	
								Primary	Government
<b>Operating Revenues</b>									
Tenant revenue	\$ -	\$ 1,376,994	\$ 2,332,308	\$ -	\$ 3,721,640	\$ -	\$ (2,053,321)	\$ 5,377,621	\$ 5,377,621
Government operating grants	-	4,335,016	-	20,347,081	-	1,314,819	-	25,996,916	25,996,916
Other Government Grants	-	-	-	-	458,110	-	-	458,110	458,110
Other revenue	1,906,925	235,080	314,357	566,146	598,989	2,593,825	(1,945,710)	4,269,612	4,269,612
<b>Total operating revenues</b>	<b>1,906,925</b>	<b>5,947,090</b>	<b>2,646,665</b>	<b>20,913,227</b>	<b>4,778,739</b>	<b>3,908,644</b>	<b>(3,999,031)</b>	<b>36,102,259</b>	<b>36,102,259</b>
<b>Operating Expenses</b>									
Administrative	67,822	1,489,245	1,001,326	1,399,033	1,224,357	2,223,577	(1,315,200)	6,090,160	6,090,160
Asset Management Fee	-	58,200	38,725	-	27,100	-	(124,025)	-	-
Tenant services	3,718	158,725	95,778	-	122,635	204	-	381,060	381,060
Utilities	14	1,012,555	124,910	1,497	289,909	32,389	-	1,461,274	1,461,274
Maintenance	-	1,151,013	689,966	28,875	1,093,328	882,316	-	3,845,498	3,845,498
Protective services	-	3,360	17,717	22,957	3,560	1,942	-	49,236	49,236
General	-	1,205,479	248,886	237,691	251,545	58,975	(935,942)	1,066,634	1,066,634
Housing assistance payment	-	-	-	19,880,004	-	1,117,379	(1,623,864)	19,373,519	19,373,519
Depreciation	57,690	1,124,903	1,883,499	-	935,641	56,171	-	4,057,904	4,057,904
<b>Total operating expenses</b>	<b>129,244</b>	<b>6,203,480</b>	<b>4,100,807</b>	<b>21,570,057</b>	<b>3,948,075</b>	<b>4,372,653</b>	<b>(3,999,031)</b>	<b>36,325,285</b>	<b>36,325,285</b>
Operating Transfers In/(Out)	(549,982)	-	-	-	-	549,982	-	-	-
<b>Operating income (loss)</b>	<b>1,227,699</b>	<b>(256,390)</b>	<b>(1,454,142)</b>	<b>(656,830)</b>	<b>830,664</b>	<b>85,973</b>	<b>-</b>	<b>(223,026)</b>	<b>(223,026)</b>
<b>Non-Operating Revenues (Expenses)</b>									
Interest Expense	-	-	(1,288,739)	-	(807,770)	-	448,076	(1,648,433)	(1,648,433)
Interest and investment revenue	408,612	168	2,577	195	78,626	192	(448,076)	42,294	42,294
Total nonoperating revenues (expenses)	408,612	168	(1,286,162)	195	(729,144)	192	-	(1,606,139)	(1,606,139)
Income (loss) before contributions and transfers	1,636,311	(256,222)	(2,740,304)	(656,635)	101,520	86,165	-	(1,829,165)	(1,829,165)
Capital Grants - Federal	-	237,045	-	-	-	-	-	237,045	237,045
Change in Net Position	1,636,311	(19,177)	(2,740,304)	(656,635)	101,520	86,165	-	(1,592,120)	(1,592,120)
Total Beginning Net Position	41,531,626	20,677,032	23,465,606	2,483,737	10,831,891	833,575	-	99,823,467	99,823,467
Prior Period Adjustments/Equity Transfers	(1,666,672)	-	(1,989,044)	(1,023,600)	(2,033,328)	4,723,600	-	(1,989,044)	(1,989,044)
<b>Total Ending Net Position</b>	<b>\$ 41,501,265</b>	<b>\$ 20,657,855</b>	<b>\$ 18,736,258</b>	<b>\$ 803,502</b>	<b>\$ 8,900,063</b>	<b>\$ 5,643,340</b>	<b>\$ -</b>	<b>\$ 96,242,303</b>	<b>\$ 96,242,303</b>

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, 2014

Business Activities	Low Rent Public Housing	Blended Component Units	Housing Choice Vouchers	State/Local	Nonmajor Proprietary Funds	Totals Primary Government
Cash flows from operating activities:						
Cash received from tenants	\$ 1,491,806	\$ 2,322,067	\$ -	\$ 281,888	\$ -	\$ 4,095,761
Cash received from operating grants	4,335,016	-	20,333,946	-	1,261,401	25,930,363
Cash received from other government grants	-	-	-	458,110	-	458,110
Cash received from other sources	235,080	368,560	566,146	1,974,416	2,611,292	7,662,419
Cash Transferred in/(out)	(549,982)	-	-	-	549,982	-
Cash paid for goods and services	(2,362,617)	(941,120)	396,289	(1,493,281)	(948,253)	(5,419,367)
Cash paid for employees and administrative	(67,822)	(1,075,421)	(1,399,033)	(1,251,457)	(2,232,225)	(7,573,403)
Housing Assistance payments	-	-	(19,880,004)	-	(1,117,379)	(20,997,383)
Cash paid for other	550,742	(248,886)	(237,691)	(296,345)	90,981	(1,917,789)
Net cash provided (used) by operating activities	1,769,478	375,256	(220,347)	(326,669)	215,799	2,238,717
Cash flows from noncapital financing activities:						
Equity transfers and prior year adjustments	-	(1,989,044)	(1,023,600)	(2,033,328)	4,723,600	(322,372)
Net cash provided (used) for noncapital financing activities	-	(1,989,044)	(1,023,600)	(2,033,328)	4,723,600	(322,372)
Cash flows from capital and related financing activities:						
Capital Grants received - Federal Government	237,045	-	-	-	-	237,045
Purchases, Sales and construction of capital assets	(237,046)	(7,332,601)	-	(32,617)	(4,863,358)	(12,465,622)
Principal paid on capital debt	-	8,037,501	-	1,314,602	-	9,352,103
Proceeds (payments of) from capital debt and equity	-	437,059	-	-	-	437,059
Interest paid on capital debt	-	(1,288,739)	-	(807,770)	-	(2,096,509)
Net cash (used) for capital and related financing activities	(1)	(146,780)	-	474,215	(4,863,358)	(4,535,924)
Cash flows from investing activities:						
Notes Receivable Advances	(2,232,736)	689,355	-	6,564	-	(1,536,817)
Interest and dividends	408,612	2,577	195	78,626	192	490,370
Net cash provided (used) by investing activities	(1,824,124)	691,932	195	85,190	192	(1,046,447)
Net increase (decrease) in cash and cash equivalents	(54,646)	(1,018,692)	(1,243,752)	(1,800,592)	76,233	(3,666,026)
Cash and cash equivalents at beginning of year	5,731,827	4,527,370	6,516,162	2,744,873	825,315	30,972,130
Cash and cash equivalents at end of year	\$ 5,677,181	\$ 4,902,793	\$ 5,497,470	\$ 1,501,121	\$ 8,825,991	\$ 27,306,104
Reconciliation of Unrestricted Cash and Restricted Cash						
Cash and Cash Equivalents	\$ 1,777,734	\$ 4,705,897	\$ 2,186,888	\$ 1,397,779	\$ 372,478	\$ 11,342,324
Restricted Cash and Cash Equivalents	3,899,447	196,896	3,310,582	103,342	8,453,513	15,963,780
Total Cash and Cash Equivalents	\$ 5,677,181	\$ 4,902,793	\$ 5,497,470	\$ 1,501,121	\$ 8,825,991	\$ 27,306,104

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, 2014

	Business Activities	Low Rent Public Housing	Blended Component Units	Housing Choice Vouchers	State/Local	Nonmajor Proprietary Funds	Totals Primary Government
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 1,227,699	\$ (256,390)	\$ (1,454,142)	\$ (656,830)	\$ 830,664	\$ 85,973	\$ (223,026)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	57,690	1,124,903	1,883,499	-	935,641	56,171	4,057,904
Changes in assets and liabilities:							
(Increase) Decrease in Receivables - net	-	118,228	(31,157)	(13,135)	(497,263)	(51,458)	(474,785)
(Increase) Decrease in Prepaid expenses	(10,570)	4,350	(12,749)	9,889	16,151	(16,227)	(9,156)
(Increase) Decrease in Interprogram due from	550,742	-	-	-	-	29,869	580,611
Increase (Decrease) in Accounts payable	2,390	(42,308)	-	(14,219)	19,124	13,172	(21,841)
Increase (Decrease) in Accrued expenses	(58,473)	(104,694)	(35,370)	(19,626)	(41,511)	(66,798)	(326,472)
Increase (Decrease) in Other liabilities	-	23,330	54,203	465,158	(1,429)	(5,397)	535,865
Increase (Decrease) in Unearned revenue	-	(3,416)	20,916	-	105,348	-	122,848
Increase (Decrease) in intergovernmental payables	-	(18,919)	-	-	(44,800)	105,755	42,036
Increase (Decrease) in Interprogram due to	-	(552,186)	-	-	-	44,191	(507,995)
Increase (Decrease) in Noncurrent liabilities	-	82,358	-	8,416	(1,648,594)	20,548	(1,537,272)
Net cash provided (used) by operating activities	\$ 1,769,478	\$ 375,256	\$ 425,200	\$ (220,347)	\$ (326,669)	\$ 215,799	\$ 2,238,717

## ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**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, L.L.C. and Quaker Hill, L.P. The Authority reports nine blended component units West Glebe, L.P.; Braddock Whiting Reynolds, L.P.; Madden AUOE, L.P.; Pendleton Park, L.L.C.; Old Dominion, L.P.; James Bland I, L.P.; James Bland II, L.P.; James Bland IV, L.P.; and James Bland V, L.P.

## ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED DECEMBER 31, 2014**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.

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 - Continued  
FOR THE YEAR ENDED DECEMBER 31, 2014**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, 2014**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, 2014

- 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 positions 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 2013, 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, 2014, 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 \$11,342,324 unrestricted and \$15,963,780 restricted. Of the bank balance, \$26,453,364 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 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.

## ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED DECEMBER 31, 2014**NOTE 2: DEPOSITS & INVESTMENTS (Cont'd)**

Investments – As of December 31, 2014, 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, 2014, 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, 2014, 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	Housing Choice Vouchers	State/ Local Funds	Component Unit Funds	Nonmajor Proprietary Funds	Total
Receivables							
Tenants	\$ -	\$ 166,631	\$ -	\$ 390,847	\$ 190,417	\$ -	\$ 747,895
Intergovernmental	-	506,359	251,874	37,643		55,508	851,384
Miscellaneous	366,169	121,331	-	141,372	87,145	-	716,017
Notes, Loans and Mortgages - Curr.	-	-	-	-	-	-	-
Gross Receivables	366,169	794,321	251,874	569,862	277,562	55,508	2,315,296
Less: Allowance for Uncollectibles	-	(77,235)	-	(99,413)	(84,332)	-	(260,980)
Net Total Receivables	\$ 366,169	\$ 717,086	\$ 251,874	\$ 470,449	\$ 193,230	\$ 55,508	\$ 2,054,316

## ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED DECEMBER 31, 2014**NOTE 4: MORTGAGES AND NOTES RECEIVABLE AND NONCURRENT ASSETS**

At December 31, 2014 the Authority had various notes receivable balance related to HOPE VI loans, Turnkey III and Development Ventures, Inc. loans and additional other assets related to Tax Credit L.L.C. Component Unit long-term financing fees which are amortized over the life of the debt financing. All loans are to tax credit L.L.C. entities that are blended as ARHA component units and as such are completely eliminated as inter-company loans. The amounts due are as follows:

Business Activities	\$ 35,381,375
State/Local	<u>4,956,368</u>
Total Mortgages, Notes Receivable, and Other Assets	40,337,743
Elimination Entry – Intercompany Loans	<u>(40,337,743)</u>
Total Noncurrent assets	<u>\$ -</u>

Intangible Assets and Amortization is as follows:

**Madden AUOE, L.P.**

Permanent loan fees in the amount of \$70,000 are amortized under the straight-line method, which approximates the effective interest method, over the life of the permanent loan. Tax credit fees in the amounts of \$91,665 are amortized under the straight-line method over estimated lives of 10 and 15 years, respectively. As of December 31, 2014, accumulated amortization totaled \$74,107, respectively, and amortization expense was \$9,300.

**BWR, L.P.**

Permanent loan fees in the amount of \$504,378 are amortized under the straight-line method, which approximates the effective interest method, over the life of the permanent loan, Tax credit fees are amortized using the straight-line method for a period of ten years. As of December 31, 2014, accumulated amortization totaled \$184,249, and amortization expense was \$11,055

**West Glebe, L.P.**

Permanent loan fees in the amount of \$28,608 are amortized under the straight-line method, which approximates the effective interest method, over the life of the permanent loan, Tax credit fees in the amount of \$55,554 are amortized using the straight-line method for a period of ten years. As of December 31, 2014, accumulated amortization totaled \$30,717, and amortization expense was \$6,509.

**Old Dominion, L.P.**

Permanent loan fees in the amount of \$23,901 are amortized under the straight-line method, which approximates the effective interest method, over the life of the permanent loan, Tax credit fees in the amount of \$31,119 are amortized using the straight-line method for a period of ten years. As of December 31, 2014, accumulated amortization totaled \$17,757, and amortization expense was \$3,725.

## ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED DECEMBER 31, 2014**NOTE 4: MORTGAGES AND NOTES RECEIVABLE AND NONCURRENT ASSETS - (Cont.)**

## James Bland I, L.P.

Tax credit fees of \$35,769 are amortized using the straight-line method over a 10-year period, which is the term of the credit period. Accumulated amortization as of December 31, 2014 was \$12,818. Amortization expense for the year ended December 31, 2014 was \$3,577.

## James Bland II, L.P.

As of December 31, 2014 tax credit fees of \$24,602, are amortized using the straight-line method over a 15-year period, which is the term of the credit period. Amortization expense for the year ended December 31, 2014 was \$2,907. Accumulated amortization as of December 31, 2014 was \$7,007.

## James Bland IV, L.P.

Tax credit fees of \$52,691 are amortized using the straight-line method over a 15-year period, which is the term of the credit period. Amortization expense for the year ended December 31, 2014 was \$5,269. Accumulated amortization as of December 31, 2014 was \$9,660.

## James Bland V, L.P.

Tax credit fees of \$79,714 are amortized using the straight-line method over a 15-year period, which is the term of the credit period. Amortization expense for the year ended December 31, 2014 was \$2,657. Accumulated amortization as of December 31, 2014 was \$2,657.

## ARHA Pendleton Park, L.L.C.

Permanent financing fees of \$37,500 are amortized over 30 years under the straight-line method. Tax credit fees of \$19,154 are amortized over 15 years under the straight-line method. Amortization expense for the year ended December 31, 2014 was \$2,527. Accumulated amortization as of December 31, 2014 was \$5,195.

**NOTE 5: CAPITAL ASSETS**

Land, structures and equipment consist of the following at December 31, 2014:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Enterprise Activities</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 19,223,010	\$ (997,025)	\$ -	\$ 18,225,985
Construction in progress	6,031,195	7,286,890	697,476	12,620,609
<b>Total capital assets not being depreciated</b>	<b>25,254,205</b>	<b>6,289,865</b>	<b>697,476</b>	<b>30,846,594</b>
Buildings & improvements	115,744,205	6,557,859	5,840	122,296,224
Furniture & equipment	1,302,119	-	-	1,302,119
<b>Total capital assets being depreciated</b>	<b>117,046,324</b>	<b>6,557,859</b>	<b>5,840</b>	<b>123,598,343</b>
Less accumulated depreciation for:				
Buildings & improvements	40,976,911	3,880,041	10,306	44,846,646
Furniture & equipment	657,954	177,863	-	835,817
<b>Total accumulated depreciation</b>	<b>41,634,865</b>	<b>\$ 4,057,904</b>	<b>\$ 10,306</b>	<b>45,682,463</b>
<b>Total capital assets being depreciated</b>	<b>75,411,459</b>			<b>77,915,880</b>
<b>Enterprise activity capital assets, net</b>	<b>\$ 100,665,664</b>			<b>\$ 108,762,474</b>

## ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED DECEMBER 31, 2014**NOTE 6: ACCOUNTS PAYABLE**

Accounts payable at December 31, 2014, consisted of the following:

Vendors & contractors	\$ 247,418
Payments in lieu of taxes – City of Alexandria	67,322
Accounts payable – HUD	296,084
Tenant security deposits	543,782
	<hr/>
	\$ 1,154,606
	<hr/> <hr/>

**NOTE 7: ACCRUED EXPENSES AND OTHER ACCRUED LIABILITIES**

Accrued expenses and other current liabilities at December 31, 2014, consisted of the following:

Accrued salary payable	\$ 45,062
Accrued compensated absences – current portion	358,636
Accrued interest payable	111,170
Unearned revenue – prepaid rents	55,433
Unearned revenue – TCAP Funds	613,334
Current portion of long-term debt	3,539,828
Other current liabilities	694,362
Accrued liabilities	137,989
	<hr/>
	\$ 5,555,814
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**NOTE 8: 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/2014-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, 2014**NOTE 8: 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, 2014, was 5% of annual covered payroll.

c. Annual Pension Cost

For 2014, ARHA's annual pension cost of \$427,072 was equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2014 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 3.50% to 5.35% 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.

c. Annual Pension Cost – (Con't)

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, 2012	\$ 467,420	100%	None
December 31, 2013	438,540	100%	None
December 31, 2014	427,072	100%	None

## ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED DECEMBER 31, 2014**NOTE 8: 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, 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%
June 30, 2013	10,714,585	12,406,634	1,692,049	86.36%	4,326,482	39.11%
June 30, 2014	10,154,109	11,619,990	1,465,881	87.38%	3,971,713	36.91%

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's ability to meet future funding.

**NOTE 9: CONTINGENCIES AND OTHER MATTERS**a. 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, 2014**NOTE 13: LONG-TERM DEBT – (Cont'd)****Hopkins/Tancil Courts (Cont'd)**

Maturities of long-term debt are as follows:

Year	Principal	Interest	Totals
2015	\$2,736,827	\$118,389	\$2,855,216
Totals	\$2,736,827	\$118,389	\$2,855,216

**Princess Square** – 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. On May 7, 2014, the Project entered into a note payable with SunTrust Bank, N.A. for \$4,750,000. The monthly payments for the new loan are \$33,783. The principal balance as of December 31, 2014 is \$4,750,000. Total interest paid for the fiscal year was \$252,646.

**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, 2014 was \$676,414. Interest expense incurred for this loan during 2014 was \$34,435. 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 Authority has paid off a cumulative principal balance in the amount of \$308,258, all in fiscal year 2013, leaving a principal balance in the amount of \$4,396,342. The interest rate on the loan is 2.0% per annum. Cumulative interest payable is \$635,653. Cumulative owed on this loan is \$5,031,995 as of December 31, 2014. Interest expense incurred for this loan during 2014 was \$98,667.

## ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED DECEMBER 31, 2014**NOTE 13: LONG-TERM DEBT – (Cont'd)****Quaker Hill – (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.

ARHA entered into a loan agreement on June 30, 2008 with the VHDA for the redevelopment of the Quaker Hill project. The loan balance as of December 31, 2014 was \$3,026,528 with \$9,859 in accrued interest. ARHA makes monthly payments in the amount of \$13,916, as of December 31, 2014 but subject to annual adjustment per the terms of the amortization schedule, and will be due in full on April 1, 2034. A total of \$47,669 in principal payments were made in fiscal year 2014. The interest rate is 5.25% per annum and cumulative interest payments in fiscal year 2014 were \$119,167.

Principal payments required:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 49,566	\$ 117,425
2016	51,539	115,453
2017	53,590	113,401
2018	55,722	111,269
2019	57,940	109,051
2020 to 2024	326,180	508,776
2025 to 2029	396,463	438,493
2030 to 2034	481,889	353,066
2035 to 2039	585,723	249,233
2040 to 2044	711,930	123,026
2045 to 2049	255,986	8,420
	<u>\$ 3,026,528</u>	<u>\$ 2,247,613</u>

**James Bland I - TCAP deferred note payable** - On October 8, 2009, the Partnership entered into a TCAP Written Agreement ("TCAP Agreement") with VHDA pursuant to the American Recovery and Reinvestment Act of 2009 Tax Credit Assistance Program ("TCAP"). Under the TCAP Agreement, VHDA has agreed to provide TCAP funds to the Partnership in an aggregate amount of \$2,056,530 (the "TCAP Note"). The TCAP Note shall bear no interest and matures on December 31, 2061. The TCAP Note is secured by a deed of trust on the property. Repayment of the loan shall be deferred through December 31, 2041. In exchange for receipt of the funds, the Partnership has agreed to develop and manage the Property in compliance with Federal grant requirements. All records pertaining to TCAP funds must be maintained by the Partnership until the end of the Compliance Period, as defined in the TCAP Agreement, or for a longer period of time, if the record is required to be maintained by VHDA or the IRS to meet tax credit requirements. As of December 31, 2014 VHDA had funded \$2,056,530 of the TCAP Note.

## ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED DECEMBER 31, 2014**NOTE 13: LONG-TERM DEBT – (Cont'd)**

**Pendleton Park, LLC Loan** - The loan is secured by a deed of trust on the Property and is payable in monthly payments of interest only beginning May 25, 2012 through the maturity date. On June 26, 2013 the Company paid off the construction loan with proceeds from a note with VHDA. Of the original principal amount of the note with VHDA, \$1,200,000 shall be financed under VHDA's REACH-SPARC Program and \$1,300,000 shall be financed under VHDA's REACH SPL MATCH Program. Beginning August 1, 2013 monthly principal and interest payments of \$10,708 are due until maturity. The terms are set forth below.

Loan commitment	\$2,500,000
Interest rate:	3.124%
Maturity:	July 1, 2043

As of December 31, 2014, the note payable balance was \$2,427,099 and total interest expense during 2014 was \$76,569.

Future minimum principal payment requirements over each of the next five years and thereafter are as follows:

Year ending December 31,	
2015	\$ 53,435
2016	55,128
2017	56,875
2018	58,678
2019	60,537
Thereafter	<u>2,142,446</u>
Total	<u>\$ 2,427,099</u>

**Operational Debt**

**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 2015. The loan value as of December 31, 2014, is \$5,007,000 with cumulative accrued interest of \$716,096, \$101,141 earned in the current year.

Virginia Housing Development Agency LLC an instrumentality of the Authority entered into a \$50,000 operational loan to help assist long-term funding needs.

## ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED DECEMBER 31, 2014**NOTE 14: INTERFUND BALANCES**

Interfund balances have been eliminated in the combined financial statements.

**NOTE 15: 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 16: 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, 2014 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.

**NOTE 17: 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 18: 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, 2014.

## ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED DECEMBER 31, 2014**NOTE 19: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 28, 2015, the date on which the financial statements were available to be issued. There were no material events or transactions since the fiscal year end date of December 31, 2014 through the report date of September 28, 2015.

**NOTE 20: SUPPLEMENTAL INFORMATION**

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

**NOTE 21: PRIOR PERIOD ADJUSTMENT**

Prior Period Adjustments - There were \$(1.99) million in prior period adjustments for fiscal year ended December 31, 2014. This was due to a West Glebe L.P. audit adjustment related to the total capital funding received after the final cost certification and adjustments related to other entities were completed.

## **SUPPORTING SCHEDULES**

## ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

<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	\$ 3,765,735
Public Housing Capital Fund Program	14.872*	N/A	806,326
Resident Opportunity and Supportive Services	14.870	N/A	70,275
Housing Choice Voucher Program	14.871*	N/A	20,347,081
Section 8 Moderate Rehab	14.856*	N/A	<u>1,244,544</u>
TOTAL U.S. DEPARTMENT OF HUD			<u>26,233,961</u>
<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<b><u>\$ 26,233,961</u></b>

(\*) Denotes a Major Program

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. 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 findings 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 if 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, 2014.

**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)**

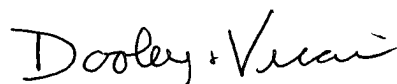
**Report on Internal Control over Compliance**

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 28, 2015



**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 statement of net position as of December 31, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon September 28, 2015.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material 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.

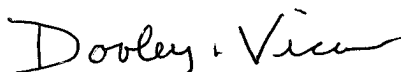
**Compliance and Other Matters**

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 28, 2015

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

STATUS OF PRIOR AUDIT FINDINGS  
AT DECEMBER 31, 2014

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, 2014

## Section I -- Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified:	<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:	Unmodified	
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, 2014  
 (CONTINUED)

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
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: \$ 787,019

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, 2014  
(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.

**SUPPLEMENTAL INFORMATION**

Alexandria Redevelopment & Housing Authority (VA004)  
ALEXANDRIA, VA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.854 Public and Indian Housing Drug Elimination Program	2 State/Local	1 Business Activities	14.856 Lower Income Housing Assistance Program - Section 8 Moderate	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$4,705,897		\$1,397,779	\$2,188,888	\$57,397	\$372,478	\$1,777,734	\$475,813	\$368,338	\$11,342,324		\$11,342,324
112 Cash - Restricted - Modernization and Development								\$0				
113 Cash - Other Restricted			\$103,342	\$3,138,697		\$8,278,512	\$3,899,447	\$0		\$15,418,998		\$15,418,998
114 Cash - Tenant Security Deposits	\$196,896			\$171,885		\$175,001		\$0		\$543,782		\$543,782
115 Cash - Restricted for Payment of Current Liabilities								\$0				
100 Total Cash	\$4,902,793	\$0	\$1,501,121	\$5,497,470	\$57,397	\$8,825,991	\$5,677,181	\$475,813	\$368,338	\$27,306,104	\$0	\$27,306,104
121 Accounts Receivable - PHA Projects	\$506,359		\$251,874					\$0		\$251,874		\$251,874
122 Accounts Receivable - HUD Other Projects		\$6,780						\$46,718		\$561,867		\$561,867
124 Accounts Receivable - Other Government						\$37,643		\$0		\$37,643		\$37,643
125 Accounts Receivable - Miscellaneous	\$121,331			\$87,145		\$1,861,077	\$366,169	\$0		\$2,435,722	-\$1,719,705	\$716,017
126 Accounts Receivable - Tenants	\$166,631			\$160,417		\$390,847		\$0		\$747,895		\$747,895
126.1 Allowance for Doubtful Accounts - Tenants				-\$84,332		-\$89,413		\$0		-\$260,980		-\$260,980
126.2 Allowance for Doubtful Accounts - Other								\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0		\$0	\$0	\$0	\$0	\$0	\$0		\$0		\$0
128 Fraud Recovery								\$0				
128.1 Allowance for Doubtful Accounts - Fraud								\$0				
128 Accrued Interest Receivable								\$0				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$717,086	\$6,790	\$251,874	\$195,230	\$0	\$2,190,154	\$366,169	\$46,718	\$0	\$3,774,021	-\$1,719,705	\$2,054,316
131 Investments - Unrestricted								\$0				
132 Investments - Restricted								\$0				
135 Investments - Restricted for Payment of Current Liability								\$0				
142 Prepaid Expenses and Other Assets	\$59,898		\$5,308	\$84,799		\$53,434	\$12,125	\$0	\$19,137	\$244,701		\$244,701
143 Inventories								\$0				
143.1 Allowance for Obsolete Inventories								\$0				
144 Inter Program Due From								\$0				
145 Assets Held for Sale								\$0				
150 Total Current Assets	\$5,679,777	\$6,790	\$1,758,303	\$5,785,499	\$57,397	\$11,069,579	\$6,060,139	\$222,531	\$387,475	\$31,329,490	-\$1,724,369	\$29,605,121
161 Land	\$3,855,621			\$6,368,314		\$5,002,050		\$0		\$18,225,985		\$18,225,985
162 Buildings	\$34,018,715			\$51,158,879		\$29,194,305	\$1,992,318	\$0	\$5,932,207	\$122,296,224		\$122,296,224
163 Furniture, Equipment & Machinery - Dwellings				\$894,601				\$0		\$694,601		\$694,601
164 Furniture, Equipment & Machinery - Administration			\$206,475			\$125,658		\$0	\$158,732	\$607,518		\$607,518
165 Leasehold Improvements								\$0				
166 Accumulated Depreciation	-\$23,714,876		-\$206,475	-\$9,328,034		-\$9,820,858	-\$1,613,956	\$0	-\$998,164	-\$45,682,463		-\$45,682,463
167 Construction in Progress	\$1,312,708			\$11,137,444		\$36,659		\$0	\$133,798	\$12,620,609		\$12,620,609
168 Infrastructure								\$0				
160 Total Capital Assets, Net of Accumulated Depreciation	\$15,598,621	\$0	\$0	\$60,031,004	\$0	\$27,537,914	\$376,382	\$0	\$5,226,573	\$108,762,474	\$0	\$108,762,474
171 Notes, Loans and Mortgages Receivable - Non-Current								\$0				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due								\$0				
173 Grants Receivable - Non Current								\$0				
174 Other Assets								\$0				
176 Investments in Joint Ventures								\$0				
180 Total Non-Current Assets	\$15,598,621	\$0	\$0	\$60,031,004	\$0	\$32,494,282	\$35,759,737	\$0	\$5,226,573	\$149,100,217	-\$40,337,743	\$108,762,474
200 Deferred Outflow of Resources								\$0				
290 Total Assets and Deferred Outflow of Resources	\$21,298,398	\$6,790	\$1,758,303	\$65,816,503	\$57,397	\$43,563,861	\$41,819,876	\$522,531	\$5,614,048	\$180,428,707	-\$42,062,112	\$138,367,595



Alexandria Redevelopment & Housing Authority (VA004)  
ALEXANDRIA, VA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	6.2 Component Unit - Blended	14,854 Public and Indian Housing Drug Elimination Program	2 State/Local	1 Business Activities	14,856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,350,666			\$2,256,707	\$0	\$3,670,753		\$0	\$0	\$7,278,126	-\$2,063,321	\$5,224,805
70400 Tenant Revenue - Other	\$26,328			\$75,601		\$50,887		\$0	\$0	\$152,816		\$152,816
70500 Total Tenant Revenue	\$1,376,994	\$0	\$0	\$2,332,308	\$0	\$3,721,640	\$0	\$0	\$0	\$7,430,942	-\$2,063,321	\$5,377,621
70600 HUD PHA Operating Grants	\$4,335,016	\$70,275	\$20,347,081					\$1,244,544		\$25,996,916		\$25,996,916
70610 Capital Grants	\$237,045							\$0		\$237,045		\$237,045
70710 Management Fee								\$0	\$1,090,063	\$1,090,063	-\$1,090,063	\$0
70720 Asset Management Fee								\$0	\$124,025	\$124,025	-\$124,025	\$0
70730 Book Keeping Fee								\$0	\$225,137	\$225,137	-\$225,137	\$0
70740 Front Line Service Fee								\$0	\$1,091,053	\$1,091,053		\$1,091,053
70750 Other Fees								\$0				
70700 Total Fee Revenue								\$0	\$2,530,278	\$2,530,278	-\$1,439,225	\$1,091,053
70800 Other Government Grants								\$0		\$458,110		\$458,110
71100 Investment Income - Unrestricted	\$168		\$195	\$2,577		\$38,999	\$45	\$71	\$121	\$42,176		\$42,176
71200 Mortgage Interest Income								\$0				
71300 Proceeds from Disposition of Assets Held for Sale								\$0				
71310 Cost of Sale of Assets								\$0				
71400 Fraud Recovery			\$54,766					\$0		\$54,766		\$54,766
71500 Other Revenue	\$255,080		\$51,380	\$314,357		\$588,989	\$1,908,925	\$0	\$63,847	\$3,630,278	-\$506,485	\$3,123,793
71600 Gain or Loss on Sale of Capital Assets								\$0				
72000 Investment Income - Restricted								\$0				
70000 Total Revenue	\$6,184,303	\$70,275	\$20,913,422	\$2,649,242	\$0	\$39,827	\$4,087,365	\$1,244,815	\$2,593,946	\$40,828,705	-\$448,076	\$39,380,629
91100 Administrative Salaries	\$500,776	\$60,992	\$574,945	\$264,842		\$531,383		\$52,251	\$1,417,686	\$3,402,875		\$3,402,875
91200 Auditing Fees	\$25,958		\$20,638	\$54,930		\$6,028		\$5,188		\$114,742		\$114,742
91300 Management Fee	\$369,686		\$281,043	\$238,325		\$172,138		\$28,871	\$1,090,063	\$1,090,063	-\$1,090,063	\$0
91310 Book-keeping Fee	\$43,650		\$126,878	\$25,064		\$20,325		\$9,220		\$225,137	-\$225,137	\$0
91400 Advertising and Marketing	\$307			\$199		\$3,461		\$0	\$78	\$4,043		\$4,043
91500 Employee Benefit Contributions - Administrative	\$149,955	\$9,283	\$156,487	-\$5,078		\$46,615		\$15,059	\$314,907	\$687,228		\$687,228
91600 Office Expenses	\$77,273		\$176,814	\$50,426		\$34,164		\$0	\$99,245	\$437,922		\$437,922
91700 Legal Expense	\$27,308		\$9,222	\$34,964		\$36,471		\$0	\$57,905	\$165,868		\$165,868
91800 Travel	\$725		\$2,765	\$378		\$1,161		\$0	\$3,885	\$6,914		\$6,914
91810 Allocated Overhead								\$0				
91900 Other	\$293,609		\$50,241	\$337,276		\$370,611		\$0	\$149,009	\$1,268,568		\$1,268,568
91000 Total Operating - Administrative	\$1,489,245	\$70,275	\$1,399,033	\$1,001,326	\$0	\$1,224,357	\$67,822	\$110,589	\$2,042,713	\$7,405,360	-\$1,315,200	\$6,090,160
92000 Asset Management Fee	\$8,200			\$8,725		\$27,100		\$0		\$124,025		\$124,025
92100 Tenant Services - Salaries	\$110,489			\$29,378		\$42,380		\$0		\$182,257		\$182,257
92200 Relocation Costs	\$2,362			\$750		\$750		\$0		\$35,364		\$35,364
92300 Employee Benefit Contributions - Tenant Services	\$32,939			\$28,659		\$17,787		\$0		\$79,385		\$79,385
92400 Tenant Services - Other	\$12,825		\$5,489	\$5,489		\$61,718	\$3,718	\$0	\$204	\$84,054		\$84,054
92500 Total Tenant Services	\$158,725	\$0	\$0	\$95,778	\$0	\$122,635	\$3,718	\$0	\$204	\$381,080	\$0	\$381,080
93100 Water	\$613,861		\$190	\$57,972		\$252,577		\$0	\$6,149	\$930,749		\$930,749
93200 Electricity	\$299,873			\$50,146		\$20,003	\$14	\$0	\$21,512	\$391,548		\$391,548



