

**FAIRFAX COUNTY REDEVELOPMENT  
AND HOUSING AUTHORITY  
Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)**

**FINANCIAL STATEMENTS  
June 30, 2015**

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## Independent Auditors' Report

The Board of Supervisors  
County of Fairfax, Virginia

Virginia Housing Development Authority  
601 South Belvidere Street  
Richmond, Virginia 23220

The Board of Commissioners  
Fairfax County Redevelopment and Housing Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the Section 8 – New Construction – Group Home (Project No. VA39-H027-017) (the Project), which comprise the statement of net position as of June 30, 2015, 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.

### *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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Virginia Housing Development Authority's *Mortgagor/Grantee's Audit Guide* (the Guide). Those standards and the Guide 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 auditors' 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 Project'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 Project'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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Project as of June 30, 2015, and its changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the accounts of the Project and do not purport to, and do not, present fairly the financial position of the Fairfax County Redevelopment and Housing Authority as of June 30, 2015, the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 are 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 as a whole. The accompanying other information shown on pages 20 to 30 is presented for purposes of additional analysis as required by the Guide and the *Consolidated Audit Guide for Audits of HUD Programs* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 the Project's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

Calverton, Maryland  
September 30, 2015

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

**Introduction**

The Fairfax County Redevelopment and Housing Authority (FCRHA) is a political subdivision of the Commonwealth of Virginia and is empowered to implement housing, community development, redevelopment, and revitalization programs within Fairfax County (the County) as well as towns, cities, and counties with which it has cooperation agreements. The Fairfax County Board of Supervisors (the Board) created the Department of Housing and Community Development (DHCD) to act as the development and administrative agency for the FCRHA and the Board in meeting the housing and community development needs of the County’s low- and moderate-income residents.

The FCRHA presents this discussion and analysis of its Section 8 – New Construction – Group Home, Project No. VA39-H027-017 (the Project) as of and for the fiscal year ended June 30, 2015 to assist the reader in focusing on significant financial issues. The Project is a housing facility for developmentally disabled adults.

**The Project’s Financial Highlights for Fiscal Year 2015 (FY 2015)**

In summary, the Project’s FY 2015 financial highlights included the following:

- As of June 30, 2015, total assets and liabilities were \$509,180 and \$199,203, respectively; thus total net position was \$309,977.
- Total revenues and expenses were \$114,650 and \$93,643, respectively; thus total net position increased by \$21,007.
- Total restricted cash increased by \$2,024 in FY 2015 compared to an increase of \$1,986 in FY 2014. This increase is attributable to the contributions and interest earned in the Project’s reserves.

**Project Financial Statements**

This discussion and analysis presents the Project’s financial results in three financial statements – the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The FY 2015 financial results are compared to those of FY 2014, thus providing the readers with more information regarding changes in revenues, expenses, or net position balances. These financial statements were prepared 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 the related cash flows.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

***Summary of Net Position***

The Project’s FY 2015 and FY 2014 Statements of Net Position report all financial and capital assets of the Project and are presented in a format where assets minus liabilities equals net position. The following table reflects a condensed summary of net position as of June 30, 2015 and 2014.

**Table 1**  
**Summary of Net Position**

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Current and restricted assets	\$ 299,227	\$ 297,194	\$ 2,033
Capital assets	<u>209,953</u>	<u>211,934</u>	<u>(1,981)</u>
Total assets	<u>509,180</u>	<u>509,128</u>	<u>52</u>
Current liabilities	102,704	95,918	6,786
Non-current liabilities	<u>96,499</u>	<u>124,240</u>	<u>(27,741)</u>
Total liabilities	<u>199,203</u>	<u>220,158</u>	<u>(20,955)</u>
Net position:			
Net investment in capital assets	85,713	62,097	23,616
Restricted	299,166	297,142	2,024
Unrestricted (deficit)	<u>(74,902)</u>	<u>(70,269)</u>	<u>(4,633)</u>
<b>Total net position</b>	<u>\$ 309,977</u>	<u>\$ 288,970</u>	<u>\$ 21,007</u>

The Project’s net position increased by \$21,007 in FY 2015 compared to an increase of \$18,947 in FY 2014. The increase in the change in net position between FY 2015 and FY 2014 was primarily due to an increase in Project operating revenues.

**Capital Assets and Debt Administration**

***Capital Assets***

The Project’s capital assets as of June 30, 2015 of \$523,264 included land, buildings and improvements and equipment, net of accumulated depreciation of \$313,311, providing net capital assets of \$209,953. For further details, see Note 3, Capital Assets.

***Long-term Debt***

The Virginia Housing Development Authority (the VHDA) provided permanent financing for the purchase of the land and buildings. The outstanding balance of the mortgage amounted to \$124,240 and \$149,837 at June 30, 2015 and 2014, respectively. The decrease in 2015 is a result of scheduled principal payments. For further details, see Note 4 concerning debt and long-term liabilities of the Project.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

***Summary of Revenues, Expenses, and Changes in Net Position***

The Project’s Statements of Revenues, Expenses, and Changes in Net Position include operating revenues, such as rental income, operating expenses, such as administrative, maintenance and depreciation, and non-operating revenues and expenses, such as investment income and interest expense. Table 2 presents a condensed summary of data from the Project’s Statements of Revenues, Expenses, and Changes in Net Position.

**Table 2**  
**Summary of Revenues, Expenses, and Changes in Net Position**

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Revenues:			
Operating revenues	\$ 113,950	\$ 82,310	\$ 31,640
Non-operating revenues	<u>700</u>	<u>654</u>	<u>46</u>
Total revenues	<u>114,650</u>	<u>82,964</u>	<u>31,686</u>
Expenses:			
Operating expenses	82,656	51,039	31,617
Non-operating expenses	<u>10,987</u>	<u>12,978</u>	<u>(1,991)</u>
Total expenses	<u>93,643</u>	<u>64,017</u>	<u>29,626</u>
Increase in net position	21,007	18,947	2,060
Total net position, beginning of year	<u>288,970</u>	<u>270,023</u>	<u>18,947</u>
<b>Total net position, end of year</b>	<u><u>\$ 309,977</u></u>	<u><u>\$ 288,970</u></u>	<u><u>\$ 21,007</u></u>

This statement reflects an increase of \$31,617 in operating expenses as compared to FY 2014. The increase in expenses is primarily attributable to an increase in personnel expenses, which resulted from a change in project-based salary allocation methodology as well as an increase in fringe benefit rates. The increase in revenue of \$31,686 is the product of higher reimbursement revenues.

**Contacting FCRHA Management**

This financial report is designed to provide the citizens of the County, taxpayers, tenants, and investors and creditors with a general overview of the Project’s finances and to demonstrate the Project’s accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director, Financial Management Division, Department of Housing and Community Development, 3700 Pender Drive, Suite 300, Fairfax, Virginia, 22030.



## **FINANCIAL STATEMENTS**

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

**ASSETS**

**CURRENT ASSETS**

Accrued interest receivable	\$ <u>61</u>
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**RESTRICTED ASSETS (Note 1)**

Replacement reserves	54,615
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Operating reserves	<u>244,551</u>
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Total restricted assets	<u>299,166</u>
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**CAPITAL ASSETS (Note 3)**

Nondepreciable:

Land	168,059
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Depreciable:

Buildings and improvements	355,205
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Accumulated depreciation	<u>(313,311)</u>
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Total capital assets, net	<u>209,953</u>
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**TOTAL ASSETS**

	<u>\$ 509,180</u>
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**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accrued mortgage interest payable - VHDA	\$ 836
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Accrued expenses not escrowed	412
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VHDA mortgage payable (Note 4)	27,741
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Due to Authority	<u>73,715</u>
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Total current liabilities	<u>102,704</u>
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**NONCURRENT LIABILITIES**

VHDA Mortgage payable (Note 4)	<u>96,499</u>
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Total liabilities	<u>199,203</u>
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**NET POSITION**

Net investment in capital assets	85,713
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Restricted net position	299,166
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Unrestricted net position	<u>(74,902)</u>
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Total net position	<u>309,977</u>
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**TOTAL LIABILITIES AND NET POSITION**

	<u>\$ 509,180</u>
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The accompanying notes are an integral part of the financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2015**

<b>OPERATING REVENUES</b>	
Dwelling rentals	\$ 73,402
Other	<u>40,548</u>
Total operating revenues	<u>113,950</u>
<b>OPERATING EXPENSES</b>	
Personnel services	42,947
Repairs and maintenance	16,233
Administrative expenses	21,495
Depreciation	<u>1,981</u>
Total operating expenses	<u>82,656</u>
Operating income	<u>31,294</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest revenue	700
Interest expense	<u>(10,987)</u>
Total nonoperating revenues (expenses)	<u>(10,287)</u>
<b>CHANGE IN NET POSITION</b>	21,007
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	<u>288,970</u>
<b>TOTAL NET POSITION, END OF YEAR</b>	<u><u>\$ 309,977</u></u>

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

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Revenue:

Rental receipts	\$ 73,402
Other receipts	40,548
Total revenue	113,950

Expenditures:

Administrative	21,495
Salaries and wages	42,947
Operating and maintenance	11,419
Total expenditures	75,861

Net cash provided by operating activities	38,089
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	691
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Net cash provided by investing activities	691
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Mortgage interest payments	(11,159)
Mortgage principal payments	(25,597)

Net cash used in capital and related financing activities	(36,756)
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<b>NET INCREASE IN CASH</b>	2,024
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<b>CASH, BEGINNING OF YEAR</b>	297,142
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<b>CASH, END OF YEAR</b>	\$ 299,166
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**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating income	\$ 31,294
Adjustments to reconcile net profit to net cash provided by operating activities	
Depreciation	1,981
Effects of changes in operating assets and liabilities:	
Increase in accrued liabilities	412
Increase in accounts payable	4,402

<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 38,089
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The accompanying notes are an integral part of the financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Narrative Profile**

The Fairfax County Redevelopment and Housing Authority (FCRHA), Section 8 – New Construction – Group Home, Project No. VA39-H027-017 (the Project) is a housing facility for developmentally disabled adults. The goal of the Project is to increase the ability of its residents to become self-sufficient. Contained within the single-story structure is a central kitchen, a community dining room, two living room areas, offices for the counselors, a laundry room, and 12 single bedrooms for the residents. The Project is owned by FCRHA and is operated by the Fairfax-Falls Church Community Services Board pursuant to an agreement with FCRHA. FCRHA is a component unit of the County of Fairfax, Virginia (the County).

The accompanying financial statements present only the financial position, changes in financial position and cash flows of the Project, and are not intended to present fairly the financial position, changes in financial position, and cash flows of FCRHA in conformity with U.S. generally accepted accounting principles (GAAP).

The accounting policies of the Project conform to GAAP as applicable to proprietary fund types of governmental entities. The following is a summary of the Project's significant accounting policies.

**Measurement Focus and Basis of Accounting**

The activities of the Project are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Project is required to follow all statements of the Governmental Accounting Standards Board (GASB). GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate FASB and AICPA guidance into GASB authoritative literature. For purposes of external financial reporting in accordance with GAAP, the Project is following the reporting guidance set forth in GAAP for "departmental" financial statements.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Restricted Assets**

Restricted assets represent funded reserves held by the Virginia Housing Development Authority (VHDA), a state-housing-finance agency, pursuant to the regulatory agreement. All amounts are fully insured and collateralized. Such restricted assets have been included in cash for purposes of the Statement of Cash Flows.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Due to Authority**

Project cash is maintained by the County's Investment and Cash Management Division (ICM) in a single pooled account. All of the Project's cash deposits are covered by federal depository insurance and have been fully insured or collateralized. The Project has numerous transactions with the County to finance operations and provide services. To the extent that funds required to finance certain transactions of the Project had not been paid or collected as of year-end, interfund payables and receivables are recorded.

**Custodial Credit Risk**

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the Project may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act (Act), all of the Project's deposits are covered by federal depository insurance or collateralized in accordance with the Act, which provides for the pooling of collateral pledged by financial institutions with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor, and public depositors are prohibited from holding collateral in their name as security for deposits. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts are assessed on a pro rata basis to the members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by participating financial institutions. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance, therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

For investments, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Project will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Per policy, all of the investments purchased by the Project are insured or registered or are securities held by the Project or its agent in the Project's name.

**Foreign Currency Risk**

The Project's cash is limited to U.S. dollar denominated instruments.

**Capital Assets**

Capital assets, which include land, buildings and improvements, equipment, and construction in progress, are reported in the financial statements at cost when purchased and at estimated fair value when donated. Capital assets are defined by FCRHA as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Capital assets are recorded at cost when purchased and at fair value when donated. Depreciation has been provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives using the straight-line method. The estimated useful lives range from 5 to 28 years.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned.

**Operating Revenues and Expenses**

The Project's policy is to report all Project revenues and expenses as operating, with the exception of interest income and expenses.

**Net Position Classification**

Net position is displayed in three components:

Net investment in capital assets: This component of net position consists of all capital assets, reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position: This component of net position consists of restricted assets when constraints are placed on the asset by creditors, grantors, contributors, laws, regulations, etc.

Unrestricted net position: This component of net position consists of those resources that do not meet the definition of "Net investment in capital assets" or "Restricted net position."

It is the Project's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**New Accounting Pronouncements**

In fiscal year 2015, the Project implemented the following GASB Statements:

Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* - The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pension in which they are involved. The implementation of this Statement did not have an impact on the Project's 2015 financial statements as the pension expense and liability are recorded at the Authority level, not the Project level.

Statement No. 69, *Government Combinations and Disposals of Government Operations* - This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The implementation of this Statement did not have an impact on the Project's 2015 financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Pronouncements (continued)**

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* – The objective of this statement is to address the application of transition provisions of Statement No. 68 related to contributions made to a defined benefit pension plan after the measurement date of the entity’s beginning net pension liability. The implementation of this Statement did not have an impact on the Project’s 2015 financial statements as the pension expense and liability are recorded at the Authority level, not the Project level.

**NOTE 2 – HOUSING ASSISTANCE PAYMENTS CONTRACT**

The U.S. Department of Housing and Urban Development (HUD), through the VHDA, provides federal housing assistance for lower-income persons under the Section 8 Program to the Project’s residents. HUD provides funds to pay the difference between 30% of an eligible person’s income and the HUD-established fair market rent for a housing unit, which includes rent and utilities. A Housing Assistance Payments (HAP) contract between the VHDA and FCRHA provides the funding received under Section 8 to operate the Project. The contract was entered into on July 27, 1979 and has a term of 40 years. During 2015, the Project received HAP contract payments amounting to \$55,474, which have been included as Dwelling Rentals on the Project’s Statement of Revenues, Expenses, and Changes in Net Position.

**NOTE 3 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2015 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 168,059	\$ -	\$ -	\$ 168,059
Capital assets, being depreciated:				
Buildings and improvements	355,205	-	-	355,205
	523,264	-	-	523,264
Less accumulated depreciation:				
Buildings and improvements	(311,330)	(1,981)	-	(313,311)
<b>Capital assets, net</b>	<b>\$ 211,934</b>	<b>\$ (1,981)</b>	<b>\$ -</b>	<b>\$ 209,953</b>



**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 4 – MORTGAGE PAYABLE**

The VHDA provided construction and permanent financing for the Project. The outstanding mortgage loan carries an interest rate of 8.07% with final payment due June 1, 2019. The monthly principal and interest payment is \$3,063.

The land, structures, and equipment of the Project are pledged as security for the mortgage loan. The HAP contract is also pledged as security for the mortgage loan.

The Project maintains certain restricted deposits and funded reserves as required by VHDA. The aggregate amount of the required principal and interest payments on the mortgage loan as of June 30, 2015 is \$147,025 and is due as follows:

	<b>Principal</b>	<b>Interest</b>
Year Ending June 30:		
2016	\$ 27,741	\$ 9,016
2017	30,064	6,692
2018	32,582	4,174
2019	33,853	2,903
<b>Total</b>	<b>\$ 124,240</b>	<b>\$ 22,785</b>

Changes in the mortgage payable for the year ended June 30, 2015 were as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Mortgage payable	\$ 149,837	\$ -	\$ 25,597	\$ 124,240	\$ 27,741

**NOTE 5 – RELATED PARTY TRANSACTIONS**

**Agreement with CSB**

The County Board of Supervisors appoints the Commissioners of FCRHA and a majority of Board members of the Fairfax-Falls Church Community Services Board (CSB). Based on an agreement between FCRHA and the CSB, the CSB provides monthly rent subsidies on behalf of all of the Project's residents.

During the year ended June 30, 2015, the CSB provided \$17,928 in rent subsidies to FCRHA.

**Management Agreement with FCRHA**

The Project pays monthly management fees to FCRHA based on 4% of gross rental collections. For the year ended June 30, 2015, the Project paid \$2,937 under the terms of the management agreement.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 6 – RISK MANAGEMENT**

The Project is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and citizens, and natural disasters. For all of these risks, the Project participates in the County's insurance program, which includes self-insurance and the purchase of certain commercial insurance policies, the costs of which are borne by the County. There were no claim settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's self-insurance internal service fund is available in the County's Comprehensive Annual Financial Report for the fiscal year ending June 30, 2015.

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS**

The Fairfax County OPEB Trust Fund is a single-employer defined benefit plan administered by Fairfax County in which the Project's employees participate. The County provides medical/dental, vision, and life insurance benefits to eligible retirees and their spouses. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in a plan provided by the County. Retirees must have five years of service in order to participate in this program.

The contributions to the OPEB Trust Fund are established and may be amended by the Board of Supervisors. The contributions are typically based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. GASB Statement No. 45 requires recognition of the current expense of OPEB based on each governing body's annual required contribution, but does not require funding of the related liability.

The OPEB expense and liability allocated to the Authority is recorded on the books of the Authority but is not allocated further to the projects. The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Data concerning the ARC specifically applicable to employees of FRCHA are not available. Information concerning the County's OPEB Trust Fund as a whole is available in the County's June 30, 2015 Comprehensive Annual Financial Report.

**NOTE 8 – RETIREMENT PLANS**

Plan Description

Employees of the Authority are provided with pensions through the Fairfax County Employees' Retirement System (ERS), a single-employer defined benefit pension plan which covers full-time and certain part-time employees of Fairfax County and component units of the County, who are not covered by other plans of the County or the Virginia Retirement System. The pension expense and liability allocated to the Authority is recorded on the books of the Authority but is not allocated further to the projects.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

Benefits Provided

Benefit provisions are established and may be amended by County ordinances. All benefits vest at five years of creditable service. Members who were hired before January 1, 2013 may elect to join Plan A or Plan B and members who were hired on or after January 1, 2013 may elect to join Plan C or Plan D. To be eligible for normal retirement, an individual must meet the following criteria: (a) attain the age of 65 with five years of creditable service, (b) for Plans A and B, attain the age of 50 with age plus years of creditable service being greater than or equal to 80, or (c) for Plans C and D, attain the age of 55 with age plus years of service being greater than or equal to 85. The normal retirement benefit is calculated using average final compensation (i.e., the highest 78 consecutive two week pay periods or the highest 36 consecutive monthly pay periods) and years (or partial years) of creditable service at date of termination. In addition, if normal retirement occurs before Social Security benefits are scheduled to begin, an additional monthly benefit is paid to retirees. The plan provides that unused sick leave credit may be used in the calculation of average final compensation by projecting the final salary during the unused sick leave period. Those who commenced employment on or after January 1, 2013, may not use more than 2,080 hours of accrued sick leave toward service credit for retirement or DROP entry. The benefit for early retirement is actuarially reduced and payable at early termination.

Effective July 1, 2005, a Deferred Retirement Option Program (DROP) was established for eligible members of the ERS. Members who are eligible for normal service retirement are eligible to participate in this program. DROP provides the ability for an employee to retire for purposes of the pension plan, while continuing to work and receive a salary for a period of three years. During the DROP period, the pension plan accumulates the accrued monthly benefit into an account balance identified as belonging to the member. The account balance is credited with interest in the amount of 5.0% per annum, compounded monthly. The monthly benefit is calculated using service and final compensation as of the date of entry in DROP, with increases equal to the annual cost-of-living adjustment provided for retirees.

Funding Policy

The contribution requirements of ERS members are established and may be amended by County ordinances. Plan A and Plan C require member contributions of 4.0% of compensation up to the Social Security wage base and 5.33% of compensation in excess of the wage base. Plan B and Plan D require member contributions of 5.33% of compensation.

The County is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2014, was 18.49 percent of annual covered payroll. The decision was made to commit additional funding and a rate of 19.05 percent was adopted for fiscal year 2014. In the event the ERS's funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) exceeds 120 percent or falls below 90 percent, the contribution rate will be adjusted to bring the funded ratio back within these parameters.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 9 – PENDING GASB PRONOUNCEMENTS**

GASB has issued the following Statements which will become effective in future years as shown below. Management is currently evaluating the effect of the implementation of these Standards.

Statement No. 72, *Fair Value Measurement and Application* – The objective of this statement is to provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. This Statement will become effective for reporting periods ending June 30, 2016. The Project is currently evaluating the effect of the implementation of this Statement.

**SUPPLEMENTAL INFORMATION**

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**REQUIRED VHDA SCHEDULES**  
**June 30, 2015**

The following supplementary information is presented for the purpose of additional analysis:

**Accounts and Notes Receivable (Other than from Regular Tenants)**

None

**Delinquent Tenant Accounts Receivable**

None

**Tenant Security Deposits**

None

**Reserve for Replacements**

In accordance with the provisions of the regulatory agreement, the restricted cash components held by the VHDA to be used for replacement of property with the approval of the VHDA, are as follows:

Balance, June 30, 2014	\$	53,159
Monthly deposits (\$111 per month)		1,332
Interest earned		124
<b>Balance as of June 30, 2015, confirmed by mortgagee</b>	<b>\$</b>	<b><u>54,615</u></b>

**Operating Reserve**

Operating reserves are held by the VHDA or with VHDA approval, by the mortgagor in a restricted account and may be disbursed only as provided in the regulatory agreement with the approval of the VHDA. Operating reserves are as follows:

Balance, June 30, 2014	\$	243,983
Interest earned		568
<b>Balance as of June 30, 2015, confirmed by mortgagee</b>	<b>\$</b>	<b><u>244,551</u></b>

**Mortgage Payable**

Payables due in more than 60 days, all payables due mortgagee:

Creditor	Purpose	Date Incurred	Terms	Original Amount	Amount Due
VHDA	Mortgage	July 1978	40 Years	\$ 437,157	\$ 124,240

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**REQUIRED VHDA SCHEDULES**  
**June 30, 2015**

**Related-Party Transactions**

Entity	Description of services	Amount
Expenses - Fairfax County Redevelopment and Housing Authority	Management services performed during the year	\$ 2,937
Revenues - Fairfax - Falls Church Community Services Board	Monthly tenant rents	17,928

**Schedule of Surplus Cash and Residual Receipts**

Accrued interest receivable	\$ 61
Mortgage interest payable July 1	(836)
Current obligations - accounts payable and accrued liabilities, excluding interest	<u>(73,715)</u>
<b>Surplus cash deficit</b>	<u><u>\$ (74,490)</u></u>

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**Year Ended June 30, 2015**

Part I	Description of Account	Acct. No.	Amount	
Rental Income 5100	Apartments or Member Carrying Charges (Coops)	5120	\$ 73,402	
	Tenant Assistance Payments	5121	-	
	Furniture and Equipment	5130	-	
	Stores and Commercial	5140	-	
	Garage and Parking Spaces	5170	-	
	Flexible Subsidy Income	5180	-	
	Miscellaneous (specify)	5190	-	
	<b>Total Rent Revenue Potential at 100% Occupancy</b>			
Vacancies 5200	Apartments	5220	-	
	Furniture and Equipment	5230	-	
	Stores and Commercial	5240	-	
	Garage and Parking Spaces	5270	-	
	Miscellaneous (specify)	5290	-	
	<b>Total Vacancies</b>			
	<b>Net Rental Revenue</b>			\$ 73,402
	<b>Elderly and Congregate Services Income – 5300</b>			
	<b>Total Service Income (Schedule Attached)</b>	5300	-	
Financial Income 5400	Interest Income – Development Operations	5410	8	
	Income from Investments – Residual Receipts	5430	-	
	Income from Investments – Reserve for Replacements	5440	568	
	Income from Investments – Miscellaneous	5490	124	
	<b>Total Financial Revenue</b>			
Other Revenue 5900	Laundry and Vending	5910	-	
	NSF and Late Charges	5920	-	
	Damages and Cleaning Fees	5930	-	
	Forfeited Tenant Security Deposits	5940	-	
	Other Revenue from CSB	5990	40,548	
	<b>Total Other Revenue</b>			
	<b>Total Revenue</b>			\$ 114,650
Administrative Expenses 6200/6300	Advertising	6210	-	
	Other Administrative Expense	6250	7,558	
	Office Salaries	6310	42,947	
	Office Supplies	6310	-	
	Office or Model Apartment Rent	6312	-	
	Management	6320	-	
	Manager or Superintendent Salaries	6330	-	
	Manager or Superintendent Rent Free Unit	6331	-	
	Legal Expenses – Project	6340	-	
	Audit Expense – Project	6350	11,000	
	Bookkeeping Fees / Accounting Service	6351	2,937	
	Telephone and Answering Service	6360	-	
	Bad Debts	6370	-	
	Miscellaneous Administrative Expenses (specify)	6390	-	
	<b>Total Administrative Expenses</b>			
Utilities Expenses 6400	Fuel Oil / Coal	6420	-	
	Electricity (Light and Misc. Power)	6450	-	
	Water	6451	-	
	Gas	6452	-	
	Sewer	6453	-	
	<b>Total Utilities Expense</b>			\$ -



**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**Year Ended June 30, 2015**  
(continued)

Part I	Description of Account	Acct. No.	Amount	
Operating and Maintenance Expenses 6500	Janitor and Cleaning Payroll	6510	\$ -	
	Janitor and Cleaning Supplies	6515	-	
	Janitor and Cleaning Contract	6517	-	
	Exterminating Payroll / Contract	6519	-	
	Exterminating Supplies	6520	290	
	Garbage and Trash Removal	6525	1,975	
	Security Payroll / Contract	6530	395	
	Grounds Payroll	6535	-	
	Grounds Supplies	6536	2,437	
	Grounds Contract	6537	2,784	
	Repairs Payroll	6540	6,545	
	Repairs Material	6541	-	
	Repairs Contract	6542	-	
	Elevator Maintenance / Contract	6545	-	
	Heating / Cooling Repairs and Maintenance	6546	1,807	
	Swimming Pool Maintenance / Contract	6547	-	
	Snow Removal	6548	-	
	Decorating Payroll / Contract	6560	-	
	Decorating Supplies	6561	-	
	Other	6570	-	
Miscellaneous Operating and Maintenance Expenses	6590	-		
	<b>Total Operating and Maintenance Expenses</b>			\$ 16,233
Taxes and Insurance 6700	Real Estate Taxes	6710	-	
	Payroll Taxes (FICA)	6711	-	
	Miscellaneous Taxes, Licenses, Permits and Insurance	6719	-	
	Property and Liability Insurance (Hazard)	6720	-	
	Fidelity Bond Insurance	6721	-	
	Workmen's Compensation	6722	-	
	Health Insurance and Other Employee Benefits	6723	-	
	Other Insurance (specify)	6729	-	
	<b>Total Taxes and Insurance</b>			\$ -
Financial Expenses 6800	Interest on Bonds Payable	6810	-	
	Interest on Mortgage Payable	6820	10,987	
	Interest on Notes Payable (Long-Term)	6830	-	
	Interest on Notes Payable (Short-Term)	6840	-	
	Mortgage Insurance Premium / Service Charge	6850	-	
	Miscellaneous Financial Expenses	6890	-	
	<b>Total Financial Expenses</b>			\$ 10,987
Service Expenses 6900 Depreciation 6600	<b>Total Service Expenses (Schedule Attached)</b>	6900		\$ -
	<b>Total Cost of Operations Before Depreciation</b>			\$ 91,662
	<b>Profit (Loss) Before Depreciation</b>			\$ 22,988
	Depreciation (Total)	6600		\$ 1,981
	Operating Profit or (Loss)			21,007
Corporate or Mortgagor or Entity Expenses 7100	Officer Salaries	7110	-	
	Legal Expenses – (Entity)	7120	-	
	Taxes – (Federal – State – Entity)	7130-32	-	
	Other Expenses – (Entity)	7190	-	
	<b>Total Corporate Expenses</b>			\$ -
	<b>Net Profit or (Loss)</b>			\$ 21,007

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**Year Ended June 30, 2015**  
 (continued)

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**Part II**

1a. Total principal payments required under the VHDA mortgage(s), even if payments under a Workout Agreement are less or more than those required under the mortgage(s).	\$	25,597
1b. Total principal payments required under non-VHDA mortgage(s), even if payments under a Workout Agreement are less or more than those required under the mortgage(s).	\$	-
2. Replacement, Miscellaneous and Operating Reserve deposits required by the Regulatory Agreement or Amendments thereto, even if payments may be temporarily suspended or waived.	\$	1,332
3. Replacement, Miscellaneous and Operating Reserve releases included as expense items on this Profit and Loss Statement.	\$	-
4. Development Improvement Reserve Releases under the Flexible Subsidy Program that are included as expense items on this Profit and Loss Statement.	\$	-

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**CHANGES IN CAPITAL ASSETS ACCOUNTS**  
**Year Ended June 30, 2015**

	Capital assets			Accumulated depreciation			Net Book Value		
	Balance June 30, 2014	Additions	Disposals	Balance June 30, 2015	Balance June 30, 2014	Current Provision		Disposals	Balance June 30, 2015
Land	\$ 168,059	\$ -	\$ -	\$ 168,059	\$ -	\$ -	\$ -	\$ -	\$ 168,059
Buildings and improvements	355,205	-	-	355,205	311,330	1,981	-	313,311	41,894
<b>Total</b>	<u>\$ 523,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 523,264</u>	<u>\$ 311,330</u>	<u>\$ 1,981</u>	<u>\$ -</u>	<u>\$ 313,311</u>	<u>\$ 209,953</u>

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**IDENTIFICATION OF ENGAGEMENT AUDITOR**  
**June 30, 2015**

Auditing firm:	CliftonLarsonAllen LLP
Office mailing address:	11710 Beltsville Drive, Suite 300 Calverton, MD 20705
Office telephone number:	(301) 931-2050
Office fax number:	(301) 931-1710
Lead auditor and primary contact:	Gregory Bussink, CPA
E-mail address:	Greg.Bussink@claconnect.com

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**AUDIT COMPLIANCE AND INTERNAL CONTROL QUESTIONNAIRE**  
**June 30, 2015**

Project Name Section 8 – New Construction – Group Home

Project Number VA39-H027-017

Fiscal Year End June 30, 2015

The Management Agent certifies that the answers below are complete and accurate to the best of their knowledge and belief. “No” answers may be indicative of an adverse condition. Management’s response and a plan of action to any adverse findings must be included in Appendix A, A-13, Corrective Action Plan.

<b>Examination status</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
<b>1. Mortgage Status</b>			
a. Are payments on all mortgages current?	<b>X</b>		
b. Has the Mortgagor/Grantee complied with the terms and conditions of the modification, forbearance and/or workout arrangement?			<b>X</b>
c. If the workout agreement or subsequent correspondence requires periodic deposits of surplus cash, were such deposits made within thirty days after the end of the specified period?			<b>X</b>
<b>2. Books and Records</b>			
a. Are a complete set of books and records maintained in a satisfactory manner?	<b>X</b>		
b. Does the Mortgagor/Grantee make frequent postings (at least monthly) to the ledger accounts?	<b>X</b>		
<b>3. Cash Activities</b>			
a. Are the cash receipts deposited in an account in the name of the development?	<b>X</b>		
b. Are all account balances federally insured?	<b>X</b>		
c. If a centralized account is used, can all deposits and disbursements be reconciled to the audited development?		<b>As approved by VHDA X</b>	
d. On assisted developments, are security deposits kept in an account separate and apart from all other funds of the development?			<b>X</b>
e. On assisted development, does the balance in the security deposit account equal or exceed the liability? <b>Note:</b> The liability should include the accrued interest payable.			<b>X</b>
f. If required by the VHDA Housing Management Agreement, does a fidelity bond exist in an amount at least equal to potential collections for two months (one month on Section 8 uninsured developments) that provides coverage for all employees handling cash?			<b>X</b>

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**AUDIT COMPLIANCE AND INTERNAL CONTROL QUESTIONNAIRE**  
**June 30, 2015**

Examination status	Yes	No	N/A
g. Did cash disbursements exclude payments for items listed below:			
• Legal expenses incurred in the sale of partnership interest?			X
• The fee for the preparation of a partner's, shareholder's or individual's federal, state, or local income tax returns?			X
• Expenses for advice to a mortgagor on tax consequences of foreclosure?			X
• Reimbursement to the mortgagor for prior advances, capital expenditures and/or development acquisition costs while the mortgage/grant is in default, under modification, forbearance, or provisional workout arrangements?			X
• Were all disbursements from the operating account(s) made exclusively for operations or obligations of the development?	X		
h. Were distributions made to, or on behalf of, the mortgagor limited to those authorized by the Regulatory Agreement or the distributions in accordance with prior written approval of VHDA, while the development was in a "surplus cash" position?			X
• If development was operating under a modification or forbearance agreement and/or a provisional workout arrangement, is it not in a "surplus cash" position for the purposes of distributions?			X
• In the use of rental proceeds to pay for costs included in the Mortgagor/Grantee's cost certification, are there no unauthorized distributions of development income?			X
i. Were residual receipts deposited with the mortgagee within thirty days after mortgagee request of such deposit?			X
j. Were excess rental collections in Section 236 developments remitted to HUD each month?			X
k. Does the Mortgagor/Grantee have a formal rent collection policy?	X		
l. Is the collection policy uniformly enforced?	X		
m. Is there a formal procedure for write-off of bad debts?	X		
n. Have write-offs of tenants' accounts been less than five percent of the gross rent?	X		

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**AUDIT COMPLIANCE AND INTERNAL CONTROL QUESTIONNAIRE**  
**June 30, 2015**

Examination status	Yes	No	N/A
o. Are accounts receivable other than tenants' receivables composed exclusively of amounts due from unrelated persons or firms?	X		
p. Were there indications that payments for services, supplies, or materials were not substantially in excess of amounts normally paid for such services in order to assure the most advantageous terms to the development?	X		
q. Were accounts payable remitted in a timely manner so as to not incur late charges/penalties?	X		
<b>4. Management Compensation</b>			
a. Was compensation to the Management Agent limited to the amounts prescribed in the Management Agreement?	X		
b. Did agent not charge development for expenses which the Management Agreement requires agent to pay?			X
<b>5. Rents and Occupancy</b>			
a. On unassisted developments, is the gross potential rental income from apartments equal to or less than that shown on the most recent rent schedule(s) maintained by the Management Agent?			X
b. On an unassisted development with federal tax credits, are rents in conformance with Federal Low Income Housing Tax Credit (IRS Section 42) program guidelines and the Extended Use Agreement (EUA)?			X
c. On assisted developments, are dwelling unit rents the same as those approved by VHDA on the most recent Rent Schedule, HUD No. 92458?			X
<b>6. VHDA/HUD Subsidy Payments (Section 8/RAP Developments Only)</b>			
a. Were the amounts requested from VHDA/HUD adequately supported by the accounting records?	X		
b. Were subsidy receipts recorded in the proper accounts?	X		
c. Were utility allowance payments paid to residents within five business days of receipt from VHDA and in an amount equal to the corresponding utility allowance subsidy amounts received?			X
d. Were all uncashed utility allowance payments refunded to VHDA (via a Part II adjustment to the monthly Housing Assistance Payment) within six months of initial issuance by VHDA?			X

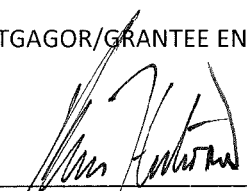
**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Section 8 – New Construction – Group Home**  
**(Project No. VA39-H027-017)**  
**MORTGAGOR/GRANTEE CERTIFICATION**  
**June 30, 2015**

We hereby certify that we have examined the accompanying financial statements and other VHDA information of the Section 8 – New Construction – Group Home, and to the best of my knowledge and belief, the same is complete and accurate. Additionally, I certify that no additions, deletions, and/or changes were made to the electronically submitted formats for the VHDA Balance Sheet and Statement of Profit and Loss.

- There were changes in ownership during the year ended June 30, 2015 as noted in Other VHDA Information Ownership Entity.
- There were no changes in ownership during the year ended June 30, 2015.

(MORTGAGOR/GRANTEE ENTITY)

By:

  
\_\_\_\_\_  
Thomas Fleetwood

Assistant Secretary  
\_\_\_\_\_  
Title

9/30/2015  
\_\_\_\_\_  
Date

Mortgagor/Grantee Employer/Taxpayer  
(EIN/TIN) Identification Number

52-1464034  
\_\_\_\_\_

Mortgagor/Grantee Mailing Address

3700 Pender Drive  
\_\_\_\_\_

Suite 300  
\_\_\_\_\_

Fairfax, VA 22030  
\_\_\_\_\_

Mortgagor/Grantee Telephone

(703) 246-5000  
\_\_\_\_\_

Mortgagor/Grantee Fax

(703) 246-5115  
\_\_\_\_\_

Mortgagor/Grantee E-Mail Address

Thomas.Fleetwood@fairfaxcounty.gov  
\_\_\_\_\_



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

The Board of Supervisors  
County of Fairfax, Virginia

Virginia Housing Development Authority  
601 South Belvidere Street  
Richmond, Virginia 23220

The Board of Commissioners  
Fairfax County Redevelopment  
and Housing Authority

We have audited, in accordance with the 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 Section 8 – New Construction – Group Home (Project No. VA39-H027-017) (the Project) of the Fairfax County Redevelopment and Housing Authority (the Authority), which comprise the statement of net position as of June 30, 2015, 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 dated September 30, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting (internal control) to determine the audit procedures that appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project'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 entity'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Project'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*.

**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 result of that testing, and not to provide an opinion on the effectiveness of the Project'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 Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Calverton, Maryland  
September 30, 2015