

**FAIRFAX COUNTY REDEVELOPMENT
AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017**

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2016

And Report of Independent Auditors

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
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Report of Independent Auditors

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 (the “Project”), Virginia Housing Development Authority No. VA39-H027-017, of the Fairfax County Redevelopment and Housing Authority, which comprise the statement of net position as of June 30, 2016, 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.

Auditor’s 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, the Virginia Housing Development Authority’s Mortgagor/Grantee’s Audit Guide (the “VHDA Audit Guide”), and the *Consolidated Audit Guide for Audits of HUD Programs* (the “IG Guide”), issued by the U.S. Department of Housing and Urban Development, Office of Inspector General in August 1997. Those standards and guides require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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 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 that 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, 2016, and the results of its operations and 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 of the Project are intended to present the financial position, the changes in financial position, and cash flows of the Project. They do not purport to and do not, present fairly the financial position of the Fairfax County Redevelopment and Housing Authority as of June 30, 2016, the changes in its financial position and its cash flows for the year 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

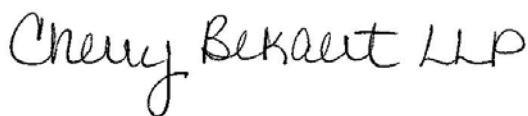
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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.

Report on Other VHDA Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules and supporting data required by VHDA shown on pages 15 to 31 is presented for purposes of additional analysis as required by the VHDA Audit Guide and the IG Guide, issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report Issued in Accordance with Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2016 on our consideration of the Project's internal controls over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, 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 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 the entity's internal control over financial reporting and compliance.



Virginia Beach, Virginia
November 4, 2016

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Introduction

The Fairfax County Redevelopment and Housing Authority (the “Authority”) is a political subdivision of the Commonwealth of Virginia and is empowered to implement housing, community development, redevelopment, and revitalization programs within 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 Authority and the Board in meeting the housing and community development needs of the County’s low and moderate-income residents.

The Authority 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, 2016 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 2016 (FY 2016)

In summary, the Project’s FY 2016 financial highlights included the following:

- As of June 30, 2016, total assets and liabilities were \$419,642 and \$171,276, respectively; thus total net position was \$248,366.
- Total revenues and expenses were \$73,026 and \$134,637, respectively; thus total net position decreased by \$61,611.
- Total restricted cash decreased by \$87,574 in FY 2016 compared to an increase of \$2,024 in FY 2015. The Project used \$89,741 in replacement reserves to implement interior and exterior maintenance repairs to ensure ADA compliance required by the Department of Justice audit.
- Total Operating revenues decreased from \$113,950 in FY 2015 to \$72,390 in FY 2016 or by \$41,560. This decrease represents the use of the replacement reserve to fund renovations and repairs as compared to the receipt of revenue used to cover costs in FY 2015.

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 2016 financial results are compared to those of FY 2015, 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, 2016

Summary of Net Position

The Project’s FY 2016 and FY 2015 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, 2016 and 2015.

Table 1
Summary of Net Position

	2016	2015	Increase (Decrease)
Current and restricted assets	\$ 211,670	\$ 299,227	\$ (87,557)
Capital assets	207,972	209,953	(1,981)
Total Assets	<u>419,642</u>	<u>509,180</u>	<u>(89,538)</u>
Current liabilities	104,841	102,704	2,137
Non-current liabilities	66,435	96,499	(30,064)
Total Liabilities	<u>171,276</u>	<u>199,203</u>	<u>(27,927)</u>
Net Position:			
Net investment in capital assets	111,473	85,713	25,760
Restricted	211,592	299,166	(87,574)
Unrestricted (deficit)	<u>(74,699)</u>	<u>(74,902)</u>	<u>203</u>
Total Net Position	<u>\$ 248,366</u>	<u>\$ 309,977</u>	<u>\$ (61,611)</u>

The Project’s net position decreased by \$61,611 in FY 2016 compared to an increase of \$21,007 in FY 2015. The decrease in the change in net position between FY 2016 and FY 2015 was primarily due to the use of operating reserves to fund exterior and interior maintenance repairs to ensure Title 11 ADA compliance with the Department of Justice audit.

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.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Revenues:			
Operating revenues	\$ 72,390	\$ 113,950	\$ (41,560)
Non-operating revenues	636	700	(64)
Total Revenues	<u>73,026</u>	<u>114,650</u>	<u>(41,624)</u>
Expenses:			
Operating expenses	125,809	82,656	43,153
Non-operating expenses	8,828	10,987	(2,159)
Total Expenses	<u>134,637</u>	<u>93,643</u>	<u>40,994</u>
Increase (decrease) in net position	(61,611)	21,007	(82,618)
Total net position, beginning of year	<u>309,977</u>	<u>288,970</u>	<u>21,007</u>
Total net position, end of year	<u>\$ 248,366</u>	<u>\$ 309,977</u>	<u>\$ (61,611)</u>

This statement reflects an increase of \$40,994 in operating expenses as compared to FY 2015. The increase in expenses is primarily attributable to Title II ADA renovations. As compared to FY 2015, FY 2016 expenditures were lower than FY 2015, which results in \$0 required from the Community Services Board to cover operating expenditures thus decreasing revenue receipts. The revenue from rental income in FY 2016 was sufficient to cover the actual operating expenditures.

Capital Assets and Debt Administration

Capital Assets – The Project’s capital assets as of June 30, 2016 of \$523,264 included land, buildings and improvements, and equipment, net of accumulated depreciation of \$315,292, providing net capital assets of \$207,972. 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 \$96,499 and \$124,240 at June 30, 2016 and 2015, respectively. The decrease in 2016 is a result of scheduled principal payments. For further details, see Note 4 concerning debt and long-term liabilities of the Project.

Contacting Authority 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, 2016

ASSETS

Current Assets:

Accrued interest receivable	\$ 78
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Restricted Assets:

Replacement reserves	56,115
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Operating reserves	155,477
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Total Restricted Assets	211,592
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Capital Assets:

Nondepreciable:

Land	168,059
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Depreciable:

Buildings and improvements	355,205
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Accumulated depreciation	(315,292)
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Total Capital Assets, Net	207,972
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Total Assets	\$ 419,642
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LIABILITIES AND NET POSITION

Current Liabilities:

Accounts payable and accrued liabilities	\$ 866
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Due to County of Fairfax, Virginia	70,718
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Unearned revenue	3,193
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Mortgage payable	30,064
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Total Current Liabilities	104,841
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Noncurrent Liabilities:

Mortgage payable	66,435
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Total Liabilities	171,276
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Net Position:

Net investment in capital assets	111,473
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Restricted net position	211,592
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Unrestricted net position (deficit)	(74,699)
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Total Net Position	248,366
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Total Liabilities and Net Position	\$ 419,642
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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, 2016

Operating Revenue:	
Dwelling rentals	\$ 72,390
Total Operating Revenue	<u>72,390</u>
Operating Expenses:	
Administrative expenses	7,525
Repairs and maintenance	101,272
Taxes and insurance	15,031
Depreciation	1,981
Total Operating Expenses	<u>125,809</u>
Operating Loss	<u>(53,419)</u>
Nonoperating Revenue (Expenses):	
Interest revenue	636
Interest expense	<u>(8,828)</u>
Total Nonoperating Revenue (Expenses)	<u>(8,192)</u>
Change in net position	(61,611)
Net position, beginning of year	<u>309,977</u>
Net position, end of year	<u><u>\$ 248,366</u></u>

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, 2016

Cash flows from operating activities:

Revenue:

Rental receipts	\$ 75,583
Total revenue	<u>75,583</u>

Expenses:

Administrative	7,525
Operating and maintenance	104,651
Taxes and insurance	<u>15,031</u>
Total expenditures	<u>127,207</u>
Net cash used in operating activities	<u>(51,624)</u>

Cash flows from investing activities:

Deposits to replacement reserve	(1,332)
Withdrawals from operating reserve	89,741
Interest received	<u>(216)</u>
Net cash provided by investing activities	<u>88,193</u>

Cash flows from capital and related financing activities:

Mortgage interest payments	(8,828)
Mortgage principal payments	<u>(27,741)</u>
Net cash used in capital and related financing activities	<u>(36,569)</u>

Net increase in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>

Cash flows from operating activities:

Operating loss	\$ (53,419)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,981
Effects of changes in operating assets and liabilities:	
Accounts payable and accrued liabilities	(3,379)
Deferred revenue	<u>3,193</u>
Net cash used in operating activities	<u>\$ (51,624)</u>

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Note 1—Nature of operations and summary of significant accounting policies

Narrative Profile – The Fairfax County Redevelopment and Housing Authority (the “Authority”), 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 the Authority and is operated by the Fairfax-Falls Church Community Services Board pursuant to an agreement with the Authority. The Authority 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 the Authority 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”). 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.

Due to Authority – The 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.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Note 1—Nature of operations and summary of significant accounting policies (continued)

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 the Authority 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.

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 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.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 the Authority 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 2016, the Project received HAP contract payments amounting to \$57,655, 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, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 168,059	\$ -	\$ -	\$ 168,059
Capital assets, being depreciated:				
Buildings and improvements	355,205	-	-	355,205
Less accumulated depreciation:				
Buildings and improvements	(313,311)	(1,981)	-	(315,292)
Total capital assets being depreciated	<u>41,894</u>	<u>(1,981)</u>	<u>-</u>	<u>39,913</u>
Total capital assets, net	<u>\$ 209,953</u>	<u>\$ (1,981)</u>	<u>\$ -</u>	<u>\$ 207,972</u>

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 Section 8 are pledged as security for the mortgage loan. The HAP contract is also pledged as security for the mortgage loan.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Note 4—Mortgage payable (continued)

The Section 8 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, 2016 is \$108,810 and is due as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 30,064	\$ 6,692
2018	32,582	4,174
2019	33,853	1,445
Total	<u>\$ 96,499</u>	<u>\$ 12,311</u>

Changes in the mortgage payable for the year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Mortgage payable	\$ 124,240	\$ -	\$ 27,741	\$ 96,499	\$ 30,064

Note 5—Related party transactions

Agreement with CSB – The County Board of Supervisors appoints the Commissioners of the Authority and a majority of Board members of the Fairfax-Falls Church Community Services Board (“CSB”). Based on an agreement between the Authority and the CSB, the CSB provides monthly rent subsidies on behalf of all of the Project’s residents. During the year ended June 30, 2016, the CSB provided \$17,928 in rent subsidies to the Authority.

Management Agreement with the Authority – The Project pays monthly management fees to the Authority based on 4% of gross rental collections. For the year ended June 30, 2016, the Project paid \$3,023 under the terms of the management agreement.

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 ended June 30, 2016.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Note 7—Other postemployment 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.

In addition, the Board of Supervisors has established a program to subsidize the continuation of term life insurance, at reduced coverage amounts, for retirees. Retirees generally pay for fifty percent of their coverage amounts at age-banded premium rates, with the County incurring the balance of the cost. Benefit provisions are established and may be amended by the Board of Supervisors.

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.

Costs and related liability, if any, are recorded by the Authority but are not allocated further to the Project. 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 Authority or the Project are not available. Information concerning the County's OPEB Trust Fund as a whole is available in the County's June 30, 2016 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.

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 5 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.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Note 8—Retirement plans (continued)

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 3 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% of annual covered payroll. The decision was made to commit additional funding and a rate of 19.05% 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% or falls below 90%, the contribution rate will be adjusted to bring the funded ratio back within these parameters.

SUPPLEMENTAL INFORMATION

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
MORTGAGOR/GRANTEE CERTIFICATION**

JUNE 30, 2016

We hereby certify that we have examined the accompanying financial statements and other VHDA information of Rental Program – Section 8 – New Construction – Group Home (Project No. VA39-H027-017) (Mortgagor/Grantee Entity), and to the best of our knowledge and belief, the same is complete and accurate. Additionally, we 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, 2016 as noted in Other VHDA Information, Ownership Entity.



There were no changes in ownership during the year ended June 30, 2016.

(MORTGAGOR/GRANTEE ENTITY)

BY:




Name

Assistant Secretary

Title

11/4/2016

Date



Name

Director, Financial Management HCD

Title

11/4/16

Date

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

52-1464034

Mortgagor/Grantee Mailing Address:

3700 Pender Drive, Suite 300
Fairfax, Virginia 22030

Mortgagor/Grantee Telephone:

(703) 246-5000

Mortgagor/Grantee Fax:

(703) 246-5115

Mortgagor/Grantee E-Mail Address:

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
MANAGEMENT AGENT CERTIFICATION**

JUNE 30, 2016

We hereby certify that we have examined the accompanying financial statements and other VHDA information of Rental Program – Section 8 – New Construction – Group Home (Project No. VA39-H027-017) (Mortgagor/Grantee Entity), and to the best of our knowledge and belief, the same is complete and accurate. Additionally, any “No” answers on the Audit Compliance and Internal Control Questionnaire are detailed in the Corrective Action Plan.

(MANAGEMENT AGENT)

BY:



Name

Assistant Secretary

Title

11/4/2016

Date

Management Agent Employer/Taxpayer
(EIN/TIN) Identification Number:

52-1464034

Management Agent Mailing Address:

3700 Pender Drive, Suite 300
Fairfax, Virginia 22030

Management Agent Telephone:

(703) 246-5000

Management Agent Fax:

(703) 246-5115

Management Agent E-Mail Address: _____

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
VHDA BALANCE SHEET

JUNE 30, 2016

BALANCE SHEET

Section 8 - New Construction - Group Home
(Project No. VA39-H027-017)
AS OF JUNE 30, 2016

ASSETS

CURRENT ASSETS

Cash on Hand	\$	-	
Cash in Bank	\$	-	
Cash - Investments	\$	-	
Cash - Mortgagor Entity	\$	-	
Accounts Receivable - Tenant	\$	-	
Accounts Receivable - Net HAP	\$	-	
Accounts Receivable - Other	\$	78.00	
Prepaid Expenses			
Property Insurance	\$	-	
Mortgage Insurance	\$	-	
Taxes	\$	-	
Miscellaneous (Attach detail in Other VHDA Information)	\$	-	\$ 78.00

DEPOSITS HELD IN TRUST - FUNDED

Tenant Security Deposits	\$	-	
Other Deposits	\$	-	\$ -

RESTRICTED DEPOSITS & FUNDED RESERVES

Mortgage Escrow Deposits (Attach detail in Other VHDA Information)	\$	-	
Replacement Reserve	\$	56,115.00	
Miscellaneous Reserve	\$	-	
Operating/Residual Receipts Reserve	\$	155,477.00	
Development-Held Reserve	\$	-	\$ 211,592.00

FIXED ASSETS

Net Book Value			
Land	\$	168,059.00	
Land Improvements	\$	-	
Buildings	\$	39,913.00	
Equipment	\$	-	
Furniture and Fixtures	\$	-	
Other	\$	-	\$ 207,972.00

OTHER ASSETS

(Attach detail in Other VHDA Information)	\$	-	\$ -
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TOTAL ASSETS			\$ 419,642.00
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FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
VHDA BALANCE SHEET (CONTINUED)

JUNE 30, 2016

LIABILITY & OWNER EQUITY

LIABILITIES

CURRENT LIABILITIES

Accounts Payable - 30 Days	\$	-	
Accounts Payable - Over 30 Days	\$	-	
Accrued Mortgage Interest Payable - VHDA	\$	649.00	
Accrued Mortgage Interest Payable - Other	\$	-	
Accrued Interest Payable - Other	\$	-	
Accrued Expenses Not Escrowed	\$	217.00	
Net HAP Payable	\$	-	
Notes Payable - Short Term	\$	-	
Rent Deferred Credits	\$	-	
VHDA Mortgage Payable	\$	30,064.00	
Non-VHDA Mortgage Payable	\$	-	
Miscellaneous Current Liabilites (Attach detail in Other VHDA Information)	\$	73,911.00	\$ 104,841.00

DEPOSIT & PREPAYMENT LIABILITIES

Tenant Security Deposits	\$	-	
Other Deposits	\$	-	
Interest Deferred Credit	\$	-	\$ -

LONG TERM LIABILITIES

VHDA Mortgage Payable	\$	66,435.00	
Non-VHDA Mortgage Payable	\$	-	
Notes Payable (Attach detail in Other VHDA Information)	\$	-	\$ 66,435.00

OTHER LIABILITIES

(Attach detail in Other VHDA Information)	\$	-	\$ -
-------------------------------------------	----	---	------

TOTAL LIABILITIES **\$ 171,276.00**

OWNER EQUITY

TOTAL OWNER EQUITY/PARTNERS CAPITAL (DEFICIT) **\$ 248,366.00**

TOTAL LIABILITIES & OWNER EQUITY **\$ 419,642.00**

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
VHDA STATEMENT OF PROFIT AND LOSS

YEAR ENDED JUNE 30, 2016

Part I	Description of Account	Acct. No.	Amount	
Rental Income 5100	Apartments	5120	\$ 72,390	
	Tenant Assistance Payments	5121	-	
	Furniture and Equipment	5130	-	
	Stores and Commercial	5140	-	
	Garage and Parking Spaces	5170	-	
	Flexible Subsidy Income	5180	-	
	Miscellaneous (attach detail in Other VHDA information)	5190	-	
	Total Rent Income Potential at 100% Occupancy			
Vacancies 5200	Apartments	5220	-	
	Furniture and Equipment	5230	-	
	Stores and Commercial	5240	-	
	Garage and Parking Spaces	5270	-	
	Miscellaneous (attach detail in Other VHDA information)	5290	-	
	Total Vacancies			
	Net Rental Income - Rental Income Less Vacancies			\$ 72,390
	Elderly and Congregate Services Income – 5300			
	Total Service Income (attach detail in Other VHDA Information)	5300	-	
Financial Income 5400	Interest Income – Development Operations	5410		
	Income from Investments – Residual Receipts	5430	667	
	Income from Investments – Reserve for Replacements	5440	168	
	Income from Investments – Miscellaneous	5490	(199)	
	Total Financial Income			
Other Income 5900	Laundry and Vending	5910	-	
	NSF and Late Charges	5920	-	
	Damages and Cleaning Fees	5930	-	
	Forfeited Tenant Security Deposits	5940	-	
	Other Revenue (attach detail in Other VHDA information)	5990	-	
	Total Other Income			
	Total Income			\$ 73,026
Administrative Expenses 6200/6300	Advertising	6210	-	
	Other Administrative Expense	6250	10	
	Office Salaries	6310	5,175	
	Office Supplies	6311	-	
	Office or Model Apartment Rent	6312	-	
	Management Fee	6320	3,023	
	Manager or Superintendent's Salaries	6330	-	
	Manager or Superintendent's Rent Free Unit	6331	-	
	Legal Expenses (Development)	6340	-	
	Audit Expense (Development)	6350	-	
	Bookkeeping Fees / Accounting Services	6351	12,000	
	Telephone and Answering Service	6360	-	
	Bad Debts	6370	-	
	Miscellaneous Administrative Expenses (attach detail in Other VHDA information)	6390	-	
Total Administrative Expenses			\$ 20,208	
Utilities Expense 6400	Fuel Oil / Coal	6420	-	
	Electricity (Light and Miscellaneous Power)	6450	-	
	Water	6451	-	
	Gas	6452	-	
	Sewer	6453	-	
	Total Utilities Expense			

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
VHDA STATEMENT OF PROFIT AND LOSS (CONTINUED)

YEAR ENDED JUNE 30, 2016

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	291	
	Garbage and Trash Removal	6525	1,445	
	Security Payroll / Contract	6530	-	
	Grounds Payroll	6535	-	
	Grounds Supplies	6536	-	
	Grounds Contract	6537	2,784	
	Repairs Payroll	6540	-	
	Repairs Material	6541	4,497	
	Repairs Contract	6542	90,411	
	Elevator Maintenance / Contract	6545	-	
	Heating / Cooling Repairs and Maintenance	6546	29	
	Swimming Pool Maintenance / Contract	6547	-	
	Snow Removal	6548	1,815	
	Decorating Payroll / Contract	6560	-	
	Decorating Supplies	6561	-	
	Other	6570	-	
Miscellaneous Operating and Maintenance Expenses	6590	-		
	Total Operating and Maintenance Expenses			\$ 101,272
Taxes and Insurance 6700	Real Estate Taxes	6710	-	
	Payroll Taxes (Development's Share)	6711	306	
	Miscellaneous Taxes, Licenses, Permits	6719	-	
	Property and Liability Insurance (Hazard)	6720	-	
	Fidelity Bond Insurance	6721	-	
	Workmen's Compensation	6722	-	
	Health Insurance and Other Employee Benefits	6723	2,042	
	Other Insurance (attach detail in Other VHDA information)	6729	-	
		Total Taxes and Insurance		
Financial Expenses 6800	Interest on Bonds Payable	6810	-	
	Interest on Mortgages Payable - VHDA	6820	8,828	
	Interest on Mortgages Payable - Other	6825	-	
	Interest on Notes Payable (Short-Term)	6830	-	
	Interest on Notes Payable (Long-Term)	6840	-	
	Mortgage Insurance Premium / Service Charges	6850	-	
	Miscellaneous Financial Expenses	6890	-	
	Total Financial Expenses			\$ 8,828
Service Expenses 6900 Depreciation 6600	Total Service Expenses (attach detail in Other VHDA information)	6900	\$ -	
	Total Cost of Operations Before Depreciation			\$ 132,656
	Profit (Loss) Before Depreciation			\$ (59,630)
	Depreciation (Total) -- 6600	6600	1,981	\$ 1,981
	Operating Profit or (Loss)			(61,611)
Corporate or Mortgagor or Entity Expenses 7100	Officer Salaries	7110	-	
	Legal Expenses (Entity)	7120	-	
	Taxes (Federal – State – Entity)	7130-32	-	
	Other Expenses (Entity)	7190	-	
		Total Corporate Expenses		
	Net Profit or (Loss)			\$ (61,611)

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
VHDA STATEMENT OF PROFIT AND LOSS (CONTINUED)

YEAR ENDED JUNE 30, 2016

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).	\$ 27,741
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.	\$ 89,741
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
VHDA STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

STATEMENT OF CASH FLOWS

Section 8 - New Construction - Group Home
Project No. VA39-H027-017
AS OF JUNE 30, 2016

Cash Flows From Operating Activities:

Revenue:

Rental Receipts	\$75,583.00
Interest Receipts	\$619.00
Other Receipts	
Total Revenue	<u>\$76,202.00</u>

Expenditures:

Administrative	\$12,010.00
Management Fees	\$3,023.00
Utilities	
Salaries and Wages	\$5,370.00
Operating and Maintenance	\$104,269.00
Real Estate Taxes	
Property Insurance	
Miscellaneous Taxes and Insurance	\$2,348.00
Tenant Security and Other Deposits	
Interest on Mortgage	\$9,015.00
Total Expenditures	<u>\$136,035.00</u>

Net Cash Provided By (Used In) Operating Activities **(\$59,833.00)**

Cash flows From Investing Activities:

Deposits to Replacement Reserve	(\$1,332.00)
Withdrawals from Replacement Reserve	
Deposits to Miscellaneous Reserve	
Withdrawals from Miscellaneous Reserve	
Deposits to Operating Reserve	
Withdrawals from Operating Reserve	\$89,741.00
Purchase of Property and Equipment	
Deposits to Development-Held Reserve	
Withdrawals from Development-Held Reserve	
Other (Attach Detail in Other VHDA Information)	(\$835.00)

Net Cash Used In Investing Activities **\$87,574.00**

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
VHDA STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30, 2016

Cash Flows From Financing Activities:

Mortgage Principal Payments		(\$27,741.00)
Distribution from Operating Account(s)		_____
Distribution from Mortgagor Entity Account(s)		_____
Contributions from Mortgagor Entity		_____
Other (Attach Detail in Other VHDA Information)		_____

Net Cash Used In Financing Activities **(\$27,741.00)**

Net Increase (Decrease) In Cash and Cash Equivalents **\$0.00**

Cash and Cash Equivalents:

Beginning of Period		\$0.00
Operating Account(s)	\$0.00	_____
Mortgagor Entity Account(s)		_____
End of Period		\$0.00
Operating Account(s)	\$0.00	_____
Mortgagor Entity Account(s)		_____

Cash Flows From Operating Activities:

Net Profit (Loss) (\$61,611.00)

Adjustments to reconcile Net Profit (Loss) to Net Cash Provided By
(Used In) Operating Activities:

Depreciation		\$1,981.00
Amortization		_____
Bad Debt Provision		_____
Other (Attach Detail in Other VHDA Information)		_____
(Increase) Decrease in Accounts Receivable - Tenant		_____
(Increase) Decrease in Prepaid Insurance		_____
(Increase) Decrease in Prepaid Mortgage Payments		_____
(Increase) Decrease in Cash Restricted for Tenant Security Deposits		_____
(Increase) Decrease in Accounts Receivable - Other		(\$17.00)
(Increase) Decrease in Real Estate Tax Escrow		_____
(Increase) Decrease in Insurance Escrow		_____
(Increase) Decrease in Accounts Payable		_____
(Increase) Decrease in Accrued Liabilities		(\$3,379.00)
(Increase) Decrease in Excess Rent Due to HUD		_____
(Increase) Decrease in Tenant Security Deposits		_____
(Increase) Decrease in Deferred Revenue		\$3,193.00

Total \$1,778.00

Net Cash Provided By (Used In) Operating Activities **(\$59,833.00)**

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
VHDA STATEMENT SUPPLEMENTAL SCHEDULES FOR
BALANCE SHEET AND STATEMENT OF CASH FLOWS

JUNE 30, 2016

Supplemental Schedules for VHDA Balance Sheet

Miscellaneous Current Liabilities

Unearned revenue	\$ 3,193
Due to County of Fairfax, Virginia	<u>70,718</u>
Total Miscellaneous Current Liabilities	<u>\$ 73,911</u>

Supplemental Schedules for VHDA Statement of Cash Flows

Cash Flows from Investing Activities - Other

Interest earned on Replacement Reserve	<u>\$ (835)</u>
----------------------------------------	-----------------

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
REQUIRED VHDA SCHEDULES (CONTINUED)

JUNE 30, 2016

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

Accrued Expenses

Accrued liabilities of \$217 represent salaries and fringe benefits earned during the final payroll cycle of June 2016.

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, 2015	\$	54,615
Monthly deposits		1,332
Interest earned		168
Withdrawals (capitalized)		-
Withdrawals (expensed)		-
Balance as of June 30, 2016, confirmed by mortgagee	\$	<u>56,115</u>

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
REQUIRED VHDA SCHEDULES (CONTINUED)

JUNE 30, 2016

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, 2015	\$ 244,551
Monthly deposits	-
Interest earned	667
Withdrawals (capitalized)	-
Withdrawals (expensed)	(89,741)
Balance as of June 30, 2016, confirmed by mortgagee	<u><u>\$ 155,477</u></u>

Mortgage Payable

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

<u>Creditor</u>	<u>Purpose</u>	<u>Date Incurred</u>	<u>Terms</u>	<u>Original Amount</u>	<u>Amount Due</u>
VHDA	Mortgage	July 1978	40 Years	\$ 437,157	\$ 96,499

Schedule of Surplus Cash and Residual Receipts

Total Cash	\$ -
Less Current Obligations:	
Mortgage interest payable first of next month	649
Accrued expenses not escrowed	70,935
Unearned revenue	3,193
Total Current Obligations	<u>74,777</u>
Surplus Cash Deficit	<u><u>\$ (74,777)</u></u>

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, 2016

	Capital assets			Accumulated depreciation					Net Book Value
	Balance	Additions	Disposals	Balance	Balance	Current	Disposals	Balance	
	June 30, 2015			June 30, 2016				June 30, 2015	
Land	\$ 168,059	\$ -	\$ -	\$ 168,059	\$ -	\$ -	\$ -	\$ -	\$ 168,059
Buildings and improvements	355,205	-	-	355,205	313,311	1,981	-	315,292	39,913
Total	\$ 523,264	\$ -	\$ -	\$ 523,264	\$ 313,311	\$ 1,981	\$ -	\$ 315,292	\$ 207,972

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
OWNERSHIP ENTITY

YEAR ENDED JUNE 30, 2016

There were no changes in ownership interest during the year ended June 30, 2016.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
AUDIT COMPLIANCE AND INTERNAL CONTROL QUESTIONNAIRE

YEAR ENDED JUNE 30, 2016

Examination Item Reference	Yes	No	N/A
1. Mortgage Status			
a. Are payments on the mortgage current?	✓		
b. Has the Mortgagor/Grantee complied with the terms and conditions of the modification, forbearance and/or workout agreement?			✓
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?			✓
2. Books and Records			
a. Are a complete set of books and records maintained in a satisfactory manner?	✓		
b. Does the Mortgagor/Grantee make frequent postings (at least monthly) to the ledger accounts?	✓		
3. Cash Activities			
a. Are the cash receipts deposited in an account in the name of the development?		✓	
b. Are all account balances federally insured?	✓		
c. If a centralized account is used, can all deposits and disbursements be reconciled to the audited development?	✓		
d. On assisted developments, are security deposits kept in an account separate and apart from all other funds of the development?			✓
e. On assisted development, does the balance in the security deposit account equal or exceed the liability? Note: The liability should include the accrued interest payable.			✓
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?			✓
g. Did cash disbursements exclude payments for items listed below?			
(1) Legal expenses incurred in the sale of ownership interest?			✓
(2) The fee for the preparation of a mortgagor's (partner's, shareholder's, individuals, etc.) federal, state or local income tax returns?			✓
(3) Expenses for advice to a mortgagor on tax consequences of foreclosure?			✓
(4) Reimbursement to the mortgagor or affiliates for prior advances, capital expenditures and/or development acquisition costs while the mortgage/grant is in default, under modification, forbearance or provisional workout arrangements?			✓
(5) Were all disbursements from the operating account(s) made exclusively for operations or obligations of the development?	✓		
h. Were distributions made to, or on behalf of, the mortgagor limited to those authorized by the Regulatory Agreement or were the distributions made in accordance with prior written approval of VHDA, while the development was in a "surplus cash" position?			✓
(1) 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?			✓
(2) In the use of rental proceeds to pay for costs included in the Mortgagor/Grantee's costs certification, are there no unauthorized distributions of development income?			✓

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY

SECTION 8 – NEW CONSTRUCTION – GROUP HOME

PROJECT NO. VA39-H027-017

AUDIT COMPLIANCE AND INTERNAL CONTROL QUESTIONNAIRE (CONTINUED)

YEAR ENDED JUNE 30, 2016

Examination Item Reference	Yes	No	N/A
i. Were residual receipts deposited with the mortgagee within thirty days after mortgagee's request for such deposit?			✓
j. Were excess rental collections in Section 236 developments remitted to HUD each month?			✓
k. Does the Mortgagor/Grantee have a formal rent collection policy?	✓		
l. Is the collection policy uniformly enforced?	✓		
m. Is there a formal procedure for write-off of bad debts?	✓		
n. Have write-offs of tenant's accounts been less than five percent of the gross rent?	✓		
o. Are accounts receivable other than tenants' receivables composed exclusively of amounts due from unrelated persons or firms?	✓		
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 for the development?	✓		
q. Were accounts payable remitted in a timely manner as not to incur late charges/penalties?	✓		
4. Management Compensation			
a. Was compensation to the Management Agent limited to the amounts prescribed in the Management Agreement?	✓		
b. Did Management Agent not charge development for expenses that the Management Agreement requires them to pay?			✓
5. Rents and Occupancy			
a. On unassisted developments, is the gross potential rental income from apartments shown on the most recent rent schedule(s), if applicable, maintained by the management agent?			✓
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)?			✓
c. On assisted developments, are dwelling unit rents the same as those approved by VHDA on the most recent Rent Schedule, HUD No. 92458?			✓
6. VHDA/HUD Subsidy Payments (Section 8/RAP Developments Only)			
a. Were the amounts requested from VHDA/HUD adequately supported by the accounting records?	✓		
b. Were subsidy receipts recorded in the proper accounts?	✓		
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?			✓
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?			✓

Prepared by: Cherry Bekaert LLP

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
SECTION 8 – NEW CONSTRUCTION – GROUP HOME
PROJECT NO. VA39-H027-017
IDENTIFICATION OF ENGAGEMENT AUDITOR

YEAR ENDED JUNE 30, 2016

Auditing firm:	Cherry Bekaert LLP
Lead auditor and primary contact:	Krista Edoff
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Office telephone number:	757-456-2400
Office fax number:	757-456-2404
Email address:	kedoff@cbh.com

**Report of Independent Auditor 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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Virginia Housing Development Authority's Mortgagor/Grantee's Audit Guide (the "VHDA Audit Guide"), and the *Consolidated Audit Guide for Audits of HUD Programs* (the "IG Guide"), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, the financial statements of the Section 8 – New Construction – Group Home (the "Project"), Virginia Housing Development Authority No. VA39-H027-017, of the Fairfax County Redevelopment and Housing Authority, which comprise the statement of net position as of June 30, 2016, 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 November 2, 2016.

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 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 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 purposes 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Criteria: Section 16 of the Virginia Housing Development Authority Regulatory Agreement for the Project requires that all rents and other shelter related receipts of the Development be deposited in the name of the Mortgagor and the Development in an institution whose deposits are insured by an agency of the United States Government.

Condition: We noted that deposits are deposited into pooled cash with the County of Fairfax, Virginia and are not in a separate account in the name of the Project.

Cause: Deposits not deposited into an account in the name of the Project in accordance with the regulations.

Effect: Noncompliance may result in action by the Virginia Housing Development Authority.

Recommendation: The Project should deposit rents and other shelter receipts into an account in the name of the Project.

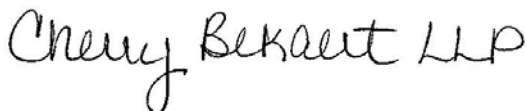
Management's Response: Management will comply with Section 16 of the Virginia Housing Development Authority Regulatory Agreement for the Project, as signed in 1972, and will set up a separate bank account whereby deposits for rent and other shelter receipts will be made. The latter action will occur by December 2016. Management is unable to find any documentation going back for the agreed upon process set up between VHDA, HUD, and the County. Reasons for using County Pooled Cash were to allow for better and more efficient accounting management and to cover cash flow issues for this project as Minerva Fisher is a group home that does not have any equity balance and is a break even entity, thus not allowed to earn profit. Management will work with VHDA to obtain advance funding so that expenditures can be incurred and then reimbursed by rental and other revenues. Processes will be set up to determine how to manage the cash flow issues and transactions between the County system and the new bank account.

The Authority's response to finding

The Authority's response to the finding identified in our audit is included herein. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Virginia Beach, Virginia
November 4, 2016