

**FAIRFAX COUNTY REDEVELOPMENT
AND HOUSING AUTHORITY
LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)**

**FINANCIAL STATEMENTS
June 30, 2012**

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Independent Auditor's Report

The Board of Supervisors
County of Fairfax, Virginia

The Board of Commissioners
Fairfax County Redevelopment and Housing Authority

We have audited the accompanying basic financial statements of Little River Glen Limited Partnership (the Partnership), a component unit of the Fairfax County Redevelopment and Housing Authority (FCRHA) as of and for the year ended June 30, 2012 as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Partnership's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the accounts of the Partnership and do not purport to, and do not, present fairly the financial position of FCRHA as of June 30, 2012, and the results of operations and cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Partnership at June 30, 2012, and 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2012 on our consideration of the Partnership's internal control over financial reporting and 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 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 our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 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. However, we did not audit the information and express no opinion on it.

CliftonLarsonAllen LLP

Baltimore, Maryland
December 3, 2012

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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 as well as towns, cities and counties with which it has cooperation agreements. The Fairfax County Board of Supervisors 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-to-moderate income residents.

The FCRHA presents this discussion and analysis of its rental program – Little River Glen Limited Partnership (Project No. 003993) (the Partnership) for the fiscal year ended June 30, 2012 to assist the reader in focusing on significant financial issues of the Partnership. The Partnership, which was formed as the Little River Glen Limited Partnership in August 1996, is a 120 unit residential housing and community center facility for the elderly that is operated by the FCRHA.

Partnership's Financial Highlights for Fiscal Year 2012 (FY 2012)

In summary, the Project's FY 2012 financial highlights included the following:

- At June 30, 2012, total assets and liabilities were approximately \$5.71 million and \$4.78 million, respectively. Total net assets were approximately \$.93 million.
- Total revenues and expenses were approximately \$1.53 million and \$1.70 million, respectively; thus total net assets decreased by \$166,405.
- Cash flows from operating activities amounted to \$187,539. After considering investing, noncapital financing, and capital and related financing activities, total cash increased by \$13,901.

Partnership Financial Statements

This management discussion and analysis presents the Partnership's financial results in three financial statements – the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The FY 2012 financial results are compared to those of FY 2011, thus allowing the readers to ascertain the reasons for changes in expenses, revenues, or net asset 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.

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Summary of Net Assets

The Partnership's FY 2012 and FY 2011 statements of net assets report all financial and capital assets of the Partnership and are presented in a format where assets, minus liabilities, equal net assets. The following table reflects a condensed summary of net assets as of June 30, 2012 and 2011.

Table 1
Summary of Net Assets

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Current and restricted assets	\$ 2,670,668	\$ 2,656,634	\$ 14,034
Capital assets	<u>3,036,736</u>	<u>3,397,570</u>	<u>(360,834)</u>
Total assets	<u>5,707,404</u>	<u>6,054,204</u>	<u>(346,800)</u>
Current liabilities	452,823	467,897	(15,074)
Non-current liabilities	<u>4,322,650</u>	<u>4,487,971</u>	<u>(165,321)</u>
Total liabilities	<u>4,775,473</u>	<u>4,955,868</u>	<u>(180,395)</u>
Net assets:			
Invested in capital assets, net of related debt	(1,448,264)	(1,262,430)	(185,834)
Restricted	1,263,639	1,206,083	57,556
Unrestricted (deficit)	<u>1,116,556</u>	<u>1,154,683</u>	<u>(38,127)</u>
Total net assets	<u>\$ 931,931</u>	<u>\$ 1,098,336</u>	<u>\$ (166,405)</u>

The Partnership's net assets decreased by \$166,405 in FY 2012 compared to a decrease of \$108,441 in FY 2011. This decrease in the change in net assets was primarily due to an increase in personnel, interest, repairs and maintenance expenses.

Capital Assets and Debt Administration

Capital assets. The Partnership's capital assets as of June 30, 2012 include land, buildings and improvements, and furniture and equipment that totaled \$3,036,736, net of accumulated depreciation of \$7,930,948. For further details, see Note 2, Capital Assets.

Long-term debt. Bonds payable for the Partnership at June 30, 2012 represent Federal Housing Administration (FHA)-insured mortgage revenue bonds with an original principal balance amount of \$6,340,000 and interest rates which vary between 4.65% and 6.10% with final payment due September 1, 2026. During FY 2012, the Partnership made its required principal payments on the outstanding bonds of \$175,000. The Partnership's capital assets are pledged as security for the bonds. For further details, see Note 3, Bonds Payable.

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Summary of Revenues, Expenses, and Changes in Net Assets

The Partnership's FY 2012 and FY 2011 Statements of Revenues, Expenses, and Changes in Net Assets include operating revenues, such as rental income, operating expenses, such as administrative, utilities, maintenance, and depreciation, and non-operating revenue and expenses, such as County intergovernmental revenues, investment income, and interest expense. In FY 2012, the Partnership experienced a decrease in net assets of \$166,405. Table 2 presents a condensed summary of data from the Partnership's Statements of Revenues, Expenses, and Changes in Net Assets.

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

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Revenues:			
Operating revenues	\$ 1,252,547	\$ 1,177,000	\$ 75,547
Non-operating revenues	281,686	243,694	37,992
Total revenues	<u>1,534,233</u>	<u>1,420,694</u>	<u>113,539</u>
Expenses:			
Operating expenses	1,423,786	1,278,957	144,829
Non-operating expenses	276,852	250,178	26,674
Total expenses	<u>1,700,638</u>	<u>1,529,135</u>	<u>171,503</u>
Change in net assets	(166,405)	(108,441)	(57,964)
Total net assets, beginning of year	<u>1,098,336</u>	<u>1,206,777</u>	<u>(108,441)</u>
Total net assets, end of year	<u>\$ 931,931</u>	<u>\$ 1,098,336</u>	<u>\$ (166,405)</u>

There was an increase in the Partnership's total revenues of \$113,539, which was primarily due to increases in intergovernmental revenues and rental income. In addition, there was an increase of \$144,829 in the Partnership's operating expenses, which was primarily due to an increase in building maintenance and personnel expenses.

Contacting FCRHA Management

This financial report is designed to provide the citizens of Fairfax County, taxpayers, tenants, and investors and creditors with a general overview of the Partnership's finances and to demonstrate the Partnership'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

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS

CURRENT ASSETS

Cash on deposit with County of Fairfax, Virginia	\$	1,346,085
Accrued interest receivable		643
Accounts receivable, net		<u>1,454</u>
Total current assets		<u>1,348,182</u>

RESTRICTED ASSETS

Deposits held in trust		58,847
Cash with fiscal agent		<u>1,263,639</u>
Total restricted assets		<u>1,322,486</u>

CAPITAL ASSETS (note 2)

Nondepreciable:		
Land		1,035,634
Depreciable:		
Buildings and improvements		9,922,950
Equipment		9,100
Accumulated depreciation		<u>(7,930,948)</u>
Total capital assets, net		<u>3,036,736</u>

TOTAL ASSETS

\$ 5,707,404

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$	107,692
Deposits held in trust		58,847
Deferred revenue		59,044
Accrued compensated absences		37,240
Bond payable, current portion (note 3)		<u>190,000</u>
Total current liabilities		<u>452,823</u>

LONG-TERM LIABILITIES

Accrued compensated absences (note 4)		27,650
Bond payable, less current portion (note 3)		<u>4,295,000</u>
Total long-term liabilities		<u>4,322,650</u>
Total liabilities		<u>4,775,473</u>

NET ASSETS

Invested in capital assets, net of related debt		(1,448,264)
Restricted net assets		1,263,639
Unrestricted net assets		<u>1,116,556</u>
Total net assets		<u>931,931</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 5,707,404

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

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended June 30, 2012

OPERATING REVENUES

Dwelling rentals	\$ 1,245,850
Other	<u>6,697</u>

Total operating revenues	<u>1,252,547</u>
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OPERATING EXPENSES

Personnel services	655,845
Utilities	115,973
Repairs and maintenance	252,243
Administrative expenses	38,891
Depreciation	<u>360,834</u>

Total operating expenses	<u>1,423,786</u>
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Operating loss	<u>(171,239)</u>
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NONOPERATING REVENUES (EXPENSES)

Intergovernmental revenues	259,725
Interest revenue	21,961
Interest expense	<u>(276,852)</u>

Total nonoperating income, net	<u>4,834</u>
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CHANGE IN NET ASSETS	(166,405)
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TOTAL NET ASSETS, BEGINNING OF YEAR	<u>1,098,336</u>
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TOTAL NET ASSETS, END OF YEAR	<u><u>\$ 931,931</u></u>
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The accompanying notes are an integral part of the financial statements.

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Rental receipts	\$ 1,252,158
Other operating cash receipts	6,697
Payment to employees for services	(605,626)
Payments to suppliers for goods and services	(468,975)
Net changes in deposit held in trust	<u>3,285</u>
Net cash provided by operating activities	<u>187,539</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental revenues received	<u>259,725</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond interest payments	(280,324)
Bond principal payment	<u>(175,000)</u>
Net cash used in capital and related financing activities	<u>(455,324)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>21,961</u>
NET INCREASE IN CASH	13,901
CASH, BEGINNING OF YEAR	<u>2,654,670</u>
CASH, END OF YEAR	<u>\$ 2,668,571</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (171,239)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation	360,834
Effects of changes in operating assets and liabilities:	
Accounts receivable	(133)
Accounts payable and accrued liabilities	(59,478)
Accrued compensated absences	47,829
Deposit held in trust	3,285
Deferred revenue	<u>6,441</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 187,539</u>

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

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Little River Glen Limited Partnership (the Partnership) was formed in August 1996 as a limited partnership under the laws of the Commonwealth of Virginia for the purpose of acquiring, managing, and financing the Little River Glen Project No. 003993 (the Project). The Project is a 120 unit residential housing and community center facility for the elderly that is operated by the Fairfax County Redevelopment and Housing Authority (the Authority). The Authority controls both the general partnership and limited partnership interest in the Partnership. The facility serves low-to-moderate income elderly persons who are able to live independently and have attained at least 62 years of age.

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

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

Measurement Focus and Basis of Accounting

The activities of the Partnership 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 Partnership applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or prior to November 30, 1989 unless these pronouncements conflict with pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of external financial reporting in accordance with GAAP, the Partnership is following the reporting guidance set forth in GAAP for "departmental" financial statements.

Cash on Deposit with County of Fairfax, Virginia

Partnership cash is maintained within the treasury of the County of Fairfax, Virginia (the County). To optimize investment returns, the Partnership funds are invested together with all other County pooled funds, all of which are fully insured and collateralized. The County allocates investment income to the Partnership based on its average cash balances.

Cash with Fiscal Agent and Deposits Held in Trust

According to the terms of the indenture related to the bonds payable discussed in Note 3, the Partnership is required to maintain funds to service the bonds in an interest-bearing debt service reserve fund. This amount and the interest earned on the reserve fund in addition to other various reserves are reflected as cash with fiscal agent in the accompanying Statement of Net Assets and are fully insured and collateralized.

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash with Fiscal Agent and Deposits Held in Trust (continued)

Deposits held in trust reflect amounts collected as security deposits from tenants, as well as accrued interest on these deposits. These deposits are fully insured.

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the Partnership may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act (Act), all of the Partnership'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 Partnership 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 Partnership are insured or registered or are securities held by the Partnership or its agent in the Partnership's name.

Foreign Currency Risk

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

Cash Flow Presentation

Cash for purposes of reporting cash flows includes cash on deposit with the County, deposits held in trust and cash with fiscal agent.

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 market 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.

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned.

Intergovernmental revenues are recognized in the period in which all grant requirements are satisfied, which is typically when the Partnership has expended the funds on allowable costs. Grant funds received in advance of satisfying all requirements are recorded as deferred revenue.

Compensated Absences

Employees are granted vacation and sick leave based on their length of service. Unused vacation leave is payable to employees upon termination based on the employee's current rate of pay, up to certain limits. Sick leave does not vest with the employees; however, it is converted to years of service upon retirement. Accumulated vacation is recorded as an expense and an accrued liability as the benefits accrue to employees. The liability calculations include an accrual at the current rate for ancillary salary-related payments (e.g., employer's share of social security taxes).

Operating Revenues and Expenses

The Partnership's policy is to report all Project revenues and expenses as operating with the exception of interest income, interest expense and operating transfers from Fairfax County.

NOTE 2 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	Beginning			Ending
	Balance	Additions	Disposals	Balance
Capital assets not being depreciated - land	\$ 1,035,634	\$ -	\$ -	\$ 1,035,634
Capital assets being depreciated:				
Buildings and improvements	9,922,950	-	-	9,922,950
Equipment	9,100	-	-	9,100
Total capital assets being depreciated	9,932,050	-	-	9,932,050
Less accumulated depreciation for:				
Buildings and improvements	7,561,015	360,833	-	7,921,848
Equipment	9,099	1	-	9,100
Total accumulated depreciation	7,570,114	360,834	-	7,930,948
Total capital assets, net	\$ 3,397,570	\$ (360,834)	\$ -	\$ 3,036,736

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 – BONDS PAYABLE

Bonds payable at June 30, 2012 represent Federal Housing Administration insured mortgage revenue bonds with an original principal amount of \$6,340,000 and interest rates which vary between 4.65% and 6.10% with final payment due September 1, 2026. The Partnership's capital assets are pledged as security for the bonds. Bonds payable activity during 2012 was as follows:

Outstanding balance, beginning of year	\$ 4,660,000
Less principal payments	<u>175,000</u>
Outstanding balance, end of year	<u>\$ 4,485,000</u>

The aggregate amount of the required principal and interest payments on the bonds as of June 30, 2012 is \$6,907,195 and is due as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2013	\$ 190,000	\$ 269,614
2014	200,000	258,161
2015	215,000	246,086
2016	225,000	233,036
2017	240,000	219,236
2018-2022	1,440,000	854,917
2023-2026	<u>1,975,000</u>	<u>341,145</u>
Total	<u>\$ 4,485,000</u>	<u>\$ 2,422,195</u>

NOTE 4 – CHANGES IN COMPENSATED ABSENCES PAYABLE

	<u>Beginning</u>		<u>Ending</u>	<u>Due in</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
				<u>One Year</u>
Compensated absences payable	<u>\$ 17,061</u>	<u>\$ 61,919</u>	<u>\$ (14,090)</u>	<u>\$ 64,890</u>
				<u>\$ 37,240</u>

NOTE 5 – INTERGOVERNMENTAL REVENUES FROM THE COUNTY OF FAIRFAX, VIRGINIA

The County Board of Supervisors appoints the Commissioners of the Authority. During the fiscal year ended June 30, 2012, the County disbursed funds to the Partnership amounting to \$259,725 to partially fund debt service. The amount was allocated based on the pro-rata share of operating results among all FCRHA owned and operated elderly projects. The County is committed to continuing to provide funding to ensure that the Partnership meets its obligations.

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 – RISK MANAGEMENT

The Partnership 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 Partnership 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 claims 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, 2012.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

The Fairfax County OPEB Trust Fund is a single-employer defined benefit plan administered by Fairfax County which the Authority's employees participate in. 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. Beginning in fiscal year 2004, the amount of monthly subsidy provided by the County is based on years of service and ranges from \$30 per month to \$220 per month. Retirees receiving the subsidy prior to fiscal year 2004 are grandfathered at \$100 per month unless their years of service entitle them to receive a higher monthly subsidy.

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 County. 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 the Authority are not available. Information concerning the County's OPEB Trust Fund as a whole is available in the County's June 30, 2012 Comprehensive Annual Financial Report.

This information is an integral part of the accompanying financial statements.



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

The Board of Supervisors
County of Fairfax, Virginia

The Board of Commissioners
Fairfax County Redevelopment and Housing Authority

We have audited the financial statements of the Little River Glen Limited Partnership (the Partnership) of the Fairfax County Redevelopment and Housing Authority (FCRHA) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 3, 2012. 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.

Internal Control over Financial Reporting

Management of the Partnership is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Partnership's internal control over financial reporting as a basis for designing our auditing procedures 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 Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Supervisors of Fairfax County, Virginia, the Board of Commissioners of the Fairfax County Redevelopment and Housing Authority and the Partnership's management and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Baltimore, Maryland
December 3, 2012