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

FINANCIAL STATEMENTS
June 30, 2011

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Clifton Gunderson LLP
Certified Public Accountants & Consultants

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 the Section 8 – New Construction – Group Home (Project No. A39-H027-017) (the Project) of the Fairfax County Redevelopment and Housing Authority (the Authority) as of and for the year ended June 30, 2011 as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Project'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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Virginia Housing Development Authority's *Mortgagor/Grantee's Audit Guide*. Those standards and the Guide 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 Project and do not purport to, and do not, present fairly the financial position of the Authority as of June 30, 2011, and the results of its operations and its 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 Project at June 30, 2011, 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 September 15, 2011 on our consideration of the Project'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 2011 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.

The Management's Discussion and Analysis on pages 3–5 is not a required part of the basic financial statements, but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Project's basic financial statements. The supplemental information on pages 16–25 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Baltimore, Maryland
September 15, 2011

Introduction

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

The FCRHA presents this discussion and analysis of its Section 8 – New Construction – Group Home, Project No. VA39-H027-017 (the Project) as of and for the fiscal year ended June 30, 2011 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 2011 (FY 2011)

In summary, the Project's FY 2011 financial highlights included the following:

- As of June 30, 2011, total assets and liabilities were $626,163 and $288,138, respectively; thus total net assets were $338,025.

- Total revenues and expenses were $93,568 and $80,838, respectively; thus total net assets increased by $12,730.

- Total restricted cash increased by $2,490 in FY 2011 compared to an increase of $2,837 in FY 2010. This increase is attributable to the contributions and interest earned in the Project's reserves.

Project Financial Statements

This discussion and analysis presents the Project's financial results in three financial statements – the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The FY 2011 financial results are compared to those of FY 2010, thus allowing the readers to ascertain the reasons for changes in revenues, expenses, 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.

Summary of Net Assets

The Project's FY 2011 and FY 2010 Statements of Net Assets report all financial and capital assets of the Project and are presented in a format where assets minus liabilities equals net assets. The following table reflects a condensed summary of net assets as of June 30, 2011 and 2010.

Table 1
Summary of Net Assets

	2011	2010	Increase (Decrease)
Current and restricted assets	$ 396,209	$ 393,751	$ 2,458
Capital assets	229,954	236,075	(6,121)
Total assets	626,163	629,826	(3,663)
Current liabilities	92,888	89,171	3,717
Non-current liabilities	195,250	215,360	(20,110)
Total liabilities	288,138	304,531	(16,393)
Net assets:			
Invested in capital assets, net of related debt	14,594	2,159	12,435
Restricted	396,131	393,641	2,490
Unrestricted (deficit)	(72,700)	(70,505)	(2,195)
Total net assets	$ 338,025	$ 325,295	$ 12,730

The Project's net assets increased by $12,730 in FY 2011 compared to an increase of $10,103 in FY 2010. The increase in the change in net assets between FY 2011 and FY 2010 was primarily due to an increase in rental and other revenues on the Project during the year.

Capital Assets and Debt Administration

Capital Assets

The Project's capital assets as of June 30, 2011 included land, buildings, and improvements and equipment that totaled $523,264, net of accumulated depreciation of $293,310, providing net capital assets of $229,954. 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 $215,360 and $233,916 at June 30, 2011 and 2010, respectively. The decrease in 2011 is a result of scheduled principal payments. For further details, see Note 4, concerning debt and long-term liabilities of the Project.

Summary of Revenues, Expenses, and Changes in Net Assets

The Project's Statements of Revenues, Expenses, and Changes in Net Assets 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 Assets.

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

	2011	2010	Increase (Decrease)
Revenues:			
Operating revenues	$ 92,299	$ 89,384	$ 2,915
Non-operating revenues	1,269	1,429	(160)
Total revenues	93,568	90,813	2,755
Expenses:			
Operating expenses	62,762	61,191	1,571
Non-operating expenses	18,076	19,519	(1,443)
Total expenses	80,838	80,710	128
Increase in net assets	12,730	10,103	2,627
Total net assets, beginning of year	325,295	315,192	10,103
Total net assets, end of year	$ 338,025	$ 325,295	$ 12,730

This statement reflects an increase of $1,571 in operating expenses as compared to FY 2010. The increase is primarily attributable to increased repair and maintenance expenses. Overall, the Project's financial position improved resulting from higher operating income during the year.

Contacting FCRHA Management

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

FINANCIAL STATEMENTS

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Section 8 – New Construction – Group Home
(Project No. VA39-H027-017)
STATEMENT OF NET ASSETS
June 30, 2011

ASSETS

CURRENT ASSETS		
Accrued interest receivable	$	78
RESTRICTED ASSETS (Note 4)		
Replacement reserves		48,785
Operating reserves		347,346
Total restricted assets		396,131
CAPITAL ASSETS (Note 3)		
Nondepreciable:		
Land		168,059
Depreciable:		
Buildings and improvements		355,205
Accumulated depreciation		(293,310)
Total capital assets, net		229,954
TOTAL ASSETS	$	626,163

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$	5,149
Due to Authority		67,629
Mortgage payable (Note 4)		20,110
Total current liabilities		92,888
NONCURRENT LIABILITIES		
Mortgage payable (Note 4)		195,250
Total liabilities		288,138
NET ASSETS		
Invested in capital assets, net of related debt		14,594
Restricted net assets		396,131
Unrestricted net assets		(72,700)
Total net assets		338,025
TOTAL LIABILITIES AND NET ASSETS	$	626,163

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

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Section 8 – New Construction – Group Home
(Project No. VA39-H027-017)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

OPERATING REVENUES	
Dwelling rentals	$ 61,881
Other	30,418
Total operating revenues	92,299
OPERATING EXPENSES	
Repairs and maintenance	44,972
Administrative expenses	11,669
Depreciation	6,121
Total operating expenses	62,762
Operating income	29,537
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	1,269
Interest expense	(18,076)
Total nonoperating expenses, net	(16,807)
CHANGE IN NET ASSETS	12,730
TOTAL NET ASSETS, BEGINNING OF YEAR	325,295
TOTAL NET ASSETS, END OF YEAR	$ 338,025

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

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Section 8 – New Construction – Group Home
(Project No. VA39-H027-017)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		
Rental income received	$	61,913
Miscellaneous income received		30,418
Administrative expenses paid		(11,669)
Operating and maintenance expenses paid		(42,685)
Net cash provided by operating activities		37,977
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		1,269
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on mortgage payable		(18,556)
Interest payments on mortgage payable		(18,200)
Net cash used in capital and related financing activities		(36,756)
NET INCREASE IN CASH		2,490
CASH, BEGINNING OF YEAR		393,641
CASH, END OF YEAR	$	396,131
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$	29,537
Depreciation		6,121
Effects of changes in operating assets and liabilities:		
Accounts receivable		32
Accounts payable		2,287
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	37,977

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due to FCRHA

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 FCRHA to finance operations and provide services. To the extent that funds to finance certain transactions of the Project had not been paid or collected as of year-end, interfund payables and receivables are recorded.

Custodial Credit Risk

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

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

Foreign Currency Risk

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

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and construction in progress are reported in the financial statements at cost when purchased and at estimated fair value when donated. Capital assets are defined by FCRHA as assets with an initial individual cost of more than $5,000 and an estimated useful life of more than one year. Capital assets are

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

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 27.5 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.

Implementation of New GASB Pronouncement

In fiscal year 2011, the Project implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The implementation of these new standards had no impact on the Project's fiscal year 2011 financial statements.

NOTE 2 – HOUSING ASSISTANCE PAYMENTS CONTRACT

The U.S. Department of Housing and Urban Development (HUD), through the VHDA, provides federal housing assistance for lower-income persons under the Section 8 Program to the Project's residents. HUD provides funds to pay the difference between 30% of an eligible person's income and the HUD-established fair market rent for a housing unit, which includes rent and utilities. A Housing Assistance Payments (HAP) contract between the VHDA and FCRHA provides the funding received under Section 8 to operate the Project. The contract was entered into on July 27, 1979 and has a term of 40 years. During 2011, the Project received HAP contract payments amounting to $43,953, which have been included as Dwelling Rentals on the Project's Statement of Revenues, Expenses, and Changes in Net Assets.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
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	(287,189)	(6,121)	-	(293,310)
Capital assets, net	$ 236,075	$ (6,121)	$ -	$ 229,954

NOTE 4 – MORTGAGE PAYABLE

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

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

The Project maintains certain restricted deposits and funded reserves as required by VHDA. The aggregate amount of the required principal and interest payments on the mortgage loan as of June 30, 2011 is $294,048 and is due as follows:

	Principal	Interest
Year Ending June 30:		
2012	$ 20,110	$ 16,646
2013	21,794	14,962
2014	23,619	13,137
2015	25,597	11,159
2016	27,741	9,015
2017-2019	96,499	13,769
Total	$ 215,360	$ 78,688

Changes in the mortgage payable for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Mortgage payable	$ 233,916	$ -	$ (18,556)	$ 215,360	$ 20,110

NOTE 5 – RELATED PARTY TRANSACTIONS

Agreement with CSB

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

During the year ended June 30, 2011, the CSB provided $17,928 in rent subsidies to FCRHA.

Management Agreement with FCRHA

The Project pays monthly management fees to FCRHA based on 4% of gross rental collections. For the year ended June 30, 2011, the Project paid $2,475 under the terms of the management agreement and no amounts are owed to FCRHA at June 30, 2011.

NOTE 6 – RISK MANAGEMENT

The Project is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and citizens, and natural disasters. For all of these risks, the Project participates in the County's insurance program, which includes self-insurance and the purchase of certain commercial insurance policies, the costs of which are borne by the County. There were no claim settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's self-insurance internal service fund is available in the County's Comprehensive Annual Financial Report for the fiscal year ending June 30, 2011.

NOTE 7 – SUPPLEMENTAL INFORMATION

The supplemental information that is included on pages 16-20 is presented in accordance with VHDA requirements. As a result of these requirements, line item classifications may differ from amounts reported on the Statement of Revenues, Expenses and Changes in Net Assets, however, revenue and expenses will agree in total.

SUPPLEMENTAL INFORMATION

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Section 8 – New Construction – Group Home
(Project No. VA39-H027-017)
REQUIRED VHDA SCHEDULES
June 30, 2011

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

Accounts and Notes Receivable (Other than from Regular Tenants)

None

Delinquent Tenant Accounts Receivable

None

Tenant Security Deposits

None

Reserve for Replacements

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

Balance, June 30, 2010	$	47,295
Monthly deposits		1,332
Interest earned		158
Balance as of June 30, 2011, confirmed by mortgagee	$	48,785

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, 2010	$	346,346
Interest received		1,142
Wthdrawals		(142)
Balance as of June 30, 2011, confirmed by mortgagee	$	347,346

Mortgage Payable

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

Creditor	Purpose	Date Incurred	Terms	Original Amount	Amount Due
VHDA	Mortgage	July 1978	40 Years	$ 437,157	$ 215,360

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Section 8 – New Construction – Group Home
(Project No. VA39-H027-017)
REQUIRED VHDA SCHEDULES
June 30, 2011

Related-Party Transactions

Entity	Description of services	Amount
Expenses - Fairfax County Redevelopment and Housing Authority	Management services performed during the year	$ 2,475
Revenues - Fairfax - Falls Church Community Services Board	Monthly tenant rents	17,928

Schedule of Surplus Cash and Residual Receipts

Accrued interest receivable	$ 78
Mortgage interest payable July 1	(1,448)
Current obligations - accounts payable and accrued liabilities, excluding interest	(71,330)
Surplus cash deficit	$ (72,700)

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Section 8 – New Construction – Group Home
(Project No. VA39-H027-017)
SCHEDULE OF REVENUES AND EXPENSES
Year Ended June 30, 2011

Part I	Description of Account	Acct. No.	Amount	
Rental Income 5100	Apartments or Member Carrying Charges (Coops)	5120	$ 17,928	
	Tenant Assistance Payments	5121	43,953	
	Furniture and Equipment	5130	—	
	Stores and Commercial	5140	—	
	Garage and Parking Spaces	5170	—	
	Flexible Subsidy Income	5180	—	
	Miscellaneous (specify)	5190	—	
	Total Rent Revenue Potential at 100% Occupancy			$ 61,881
Vacancies 5200	Apartments	5220	—	
	Furniture and Equipment	5230	—	
	Stores and Commercial	5240	—	
	Garage and Parking Spaces	5270	—	
	Miscellaneous (specify)	5290	—	
	Total Vacancies			$ —
	Net Rental Revenue			$ 61,881
	Elderly and Congregate Services Income – 5300 **Total Service Income (Schedule Attached)**	5300	—	
Financial Revenue	Interest Income – Project Operations	5410	1,269	
	Income from Investments – Residual Receipts	5430		
	Income from Investments – Reserve for Replacements	5440	—	
	Income from Investments – Miscellaneous	5490	—	
	Total Financial Revenue			$ 1,269
Other Revenue 5900	Laundry and Vending	5910	—	
	NSF and Late Charges	5920	—	
	Damages and Cleaning Fees	5930	—	
	Forfeited Tenant Security Deposits	5940	—	
	Other Revenue (specify)	5990	30,418	
	Total Other Revenue			$ 30,418
	Total Revenue			$ 93,568
Administrative Expenses 6200/6300	Advertising	6210	—	
	Other Administrative Expense	6250	1,694	
	Office Salaries	6310	—	
	Office Supplies	6310	—	
	Office or Model Apartment Rent	6312	—	
	Management	6320	—	
	Manager or Superintendent Salaries	6330	—	
	Manager or Superintendent Rent Free Unit	6331	—	
	Legal Expenses – Project	6340	—	
	Audit Expense – Project	6350	7,500	
	Bookkeeping Fees / Accounting Service	6351	2,475	
	Telephone and Answering Service	6360	—	
	Bad Debts	6370	—	
	Miscellaneous Administrative Expenses (specify)	6390	—	
	Total Administrative Expenses			$ 11,669
Utilities Expenses 6400	Fuel Oil / Coal	6420	—	
	Electricity (Light and Misc. 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)
SCHEDULE OF REVENUES AND EXPENSES
Year Ended June 30, 2011
(continued)

Part I	Description of Account	Acct. No.	Amount		
Operating and Maintenance Expenses 6500	Janitor and Cleaning Payroll	6510	$ —		
	Janitor and Cleaning Supplies	6515	—		
	Janitor and Cleaning Contract	6517	—		
	Exterminating Payroll / Contract	6519	—		
	Exterminating Supplies	6520	—		
	Garbage and Trash Removal	6525	1,392		
	Security Payroll / Contract	6530	—		
	Grounds Payroll	6535	—		
	Grounds Supplies	6536	—		
	Grounds Contract	6537	7,192		
	Repairs Payroll	6540	5,353		
	Repairs Material	6541	186		
	Repairs Contract	6542	30,849		
	Elevator Maintenance / Contract	6545	—		
	Heating / Cooling Repairs and Maintenance	6546			
	Swimming Pool Maintenance / Contract	6547	—		
	Snow Removal	6548	—		
	Decorating Payroll / Contract	6560	—		
	Decorating Supplies	6561	—		
	Other	6570	—		
	Miscellaneous Operating and Maintenance Expenses	6590	—		
	Total Operating and Maintenance Expenses			$	44,972
Taxes and Insurance 6700	Real Estate Taxes	6710	—		
	Payroll Taxes (FICA)	6711	—		
	Miscellaneous Taxes, Licenses, Permits and Insurance	6719	—		
	Property and Liability Insurance (Hazard)	6720	—		
	Fidelity Bond Insurance	6721	—		
	Workmen’s Compensation	6722	—		
	Health Insurance and Other Employee Benefits	6723	—		
	Other Insurance (specify)	6729	—		
	Total Taxes and Insurance			$	—
Financial Expenses 6800	Interest on Bonds Payable	6810	—		
	Interest on Mortgage Payable	6820	18,076		
	Interest on Notes Payable (Long-Term)	6830	—		
	Interest on Notes Payable (Short-Term)	6840	—		
	Mortgage Insurance Premium / Service Charge	6850	—		
	Miscellaneous Financial Expenses	6890	—		
	Total Financial Expenses			$	18,076
Elderly and Congregate Service Expenses 6900	**Total Service Expenses (Schedule Attached)**	6900		$	—
	Total Cost of Operations Before Depreciation			$	74,717
	Profit (Loss) Before Depreciation			$	18,851
	Depreciation and Amortization	6600		$	6,121
	Operating Profit or (Loss)				12,730
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)			$	12,730

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, 2011

	Capital assets				Accumulated depreciation				
	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011	Balance June 30, 2010	Current Provision	Disposals	Balance June 30, 2011	Net Book Value
Land	$ 168,059	$ -	$ -	$ 168,059	$ -	$ -	$ -	$ -	$ 168,059
Buildings and improvements	355,205	-	-	355,205	287,189	6,121	-	293,310	61,895
Total	$ 523,264	$ -	$ -	$ 523,264	$ 287,189	$ 6,121	$ -	$ 293,310	$ 229,954

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Section 8 – New Construction – Group Home
(Project No. VA39-H027-017)
IDENTIFICATION OF ENGAGEMENT AUDITOR
June 30, 2011

Auditing firm:	Clifton Gunderson LLP
Office mailing address:	9515 Deereco Road, Suite 500 Timonium, MD 21093
Office telephone number:	(410) 453-0900
Office fax number:	(410) 453-0914
Lead auditor and primary contact:	J. Michael Stephens, CPA
E-mail address:	mike.stephens@cliftoncpa.com

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Section 8 – New Construction – Group Home
(Project No. VA39-H027-017)
AUDIT COMPLIANCE AND INTERNAL CONTROL QUESTIONNAIRE
June 30, 2011

Project Name	Section 8 – New Construction – Group Home
Project Number	VA39-H027-017
Fiscal Year End	June 30, 2011

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

Examination status	Yes	No	N/A
1. Mortgage Status			
a. Are payments on all mortgages current?	**X**		
b. Has the Mortgagor/Grantee complied with the terms and conditions of the modification, forbearance and/or workout arrangement?			**X**
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?			**X**
2. *Books and Records*			
a. Are a complete set of books and records maintained in a satisfactory manner?	**X**		
b. Does the Mortgagor/Grantee make frequent postings (at least monthly) to the ledger accounts?	**X**		
3. *Cash Activities*			
a. Are the cash receipts deposited in an account in the name of the development?	**X**		
b. Are all account balances federally insured?	**X**		
c. If a centralized account is used, is it limited to disbursements?		**As approved by VHDA X**	
d. Are security deposits kept in an account separate and apart from all other funds of the development?			**X**
e. Does the balance in the security deposit account equal or exceed the liability? **Note:** The liability should include the accrued interest payable.			**X**
f. Does owner and/or management have a fidelity bond 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?			**X**

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

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

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Section 8 – New Construction – Group Home
(Project No. VA39-H027-017)
CERTIFICATE OF ASSISTANT SECRETARY
June 30, 2011

I hereby certify that I have examined the accompanying financial statements, supplementary information, and management's discussion and analysis and, to the best of my knowledge and belief, they are complete and accurate. There were no changes in ownership during the year ended June 30, 2011.

Paula C. Sampson
Assistant Secretary
Fairfax County Redevelopment and
Housing Authority
Employer Identification Number 52-1464034

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

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

The Board of Commissioners
Fairfax County Redevelopment
and Housing Authority

We have audited the financial statements of the Fairfax County Redevelopment and Housing Authority (the Authority), Section 8 – New Construction – Group Home (Project No. VA39-H027-017) (the Project) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Mortgagor/Grantee's Audit Guide, issued by the Virginia Housing Development Authority.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Project'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 Project's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Project'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 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 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 Project'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, the Project's management and the Virginia Housing Development Authority and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Baltimore, Maryland
September 15, 2011