

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Financial Statements, Supplementary Information,
and Management's Discussion and Analysis

June 30, 2006

(With Independent Auditors' Reports Thereon)

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

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KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

The Board of Supervisors
County of Fairfax, Virginia

United States Department of Housing
and Urban Development

The Board of Commissioners
Fairfax County Redevelopment and Housing Authority:

We have audited the financial statements of the Fairfax County Redevelopment and Housing Authority, Rental Program – Hopkins Glen (Project No. 000-55020-LDP) (the Project), as of and for the year ended June 30, 2006, as listed in the accompanying table of contents. These 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control over financial reporting. Accordingly, we express no such opinion. 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 of the Project are intended to present the financial position and changes in financial position and cash flows of only the Project. They do not purport to, and do not, present fairly the financial position of the Fairfax County Redevelopment and Housing Authority as a whole as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements of the Project referred to above present fairly, in all material respects, the financial position of the Project at June 30, 2006, and the changes in its financial position and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2(i), during 2006, the Authority implemented several new accounting standards.

Management's Discussion and Analysis on pages 3 through 6 is not a required part of the Project's basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. 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 made for the purpose of forming an opinion on the Project's financial statements taken as a whole. The supplementary information on pages 15 to 20 is presented for purposes of additional analysis and is not a required part of the Project's financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the Project's financial statements and, in our opinion, are fairly stated in all material respects in relation to the Project's financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2006 on our consideration of the Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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*, and should be considered in assessing the results of our audit.

KPMG LLP

December 8, 2006

**FAIRFAX COUNTY REDEVELOPMENT AND
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Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Management’s Discussion and Analysis (MD&A)

June 30, 2006

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 (HCD) 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 rental program – Hopkins Glen, Project No. 000-55020-LDP (the Project) for the fiscal year ended June 30, 2006, to assist the reader in focusing on significant financial issues. The Project consists of 91 rental units and is included in the overall Fairfax County Rental Program.

The Project’s Financial Highlights for Fiscal Year 2006 (FY 2006)

In summary, the Project’s FY 2006 financial highlights include the following:

- At June 30, 2006, total assets and liabilities were approximately \$1.6 million and \$1.7 million, respectively; resulting in a deficit in total net assets of approximately (\$.1) million. The Project’s unrestricted net assets showed a deficit of \$912,205 due to approximately \$1.0 million cash advances from the FCRHA to fund Project’s operations.
- Total revenues and expenses were \$793,116 and \$768,834, respectively; thus total net assets increased by \$24,282. Revenues and expenses increased in FY 2006 due to a \$197,932 operating grant from the County for operations of the Project.
- Cash flows from operating activities was a deficit of \$43,223. After considering investing, capital, and related financing activities, total cash increased by \$78,157 as a result of the \$197,932 operating grant from the County.

Project Financial Statements

This discussion and analysis presents the Project’s FY 2006 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 2006 financial results are also compared to FY 2005, thus allowing the readers to ascertain the reasons for changes in revenues, expenses, and 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.

**FAIRFAX COUNTY REDEVELOPMENT AND
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Management’s Discussion and Analysis (MD&A)

June 30, 2006

Summary of Net Assets

The Project’s statement of net assets, which is similar to a balance sheet, reports all financial and capital assets of the Project and is presented in a format where assets, minus liabilities, equal net assets. The following table presents condensed statements of net assets as of June 30, 2006 and 2005.

Table 1

Summary of Net Assets

June 30, 2006 and 2005

<u>Description</u>	<u>2006</u>	<u>2005</u>	<u>Increase (decrease)</u>
Current and noncurrent assets	\$ 388,335	307,514	80,821
Capital assets	1,254,861	1,345,459	(90,598)
Total assets	<u>1,643,196</u>	<u>1,652,973</u>	<u>(9,777)</u>
Current liabilities	1,183,054	1,163,341	19,713
Long-term liabilities	568,593	622,365	(53,772)
Total liabilities	<u>1,751,647</u>	<u>1,785,706</u>	<u>(34,059)</u>
Net assets (deficit):			
Invested in capital assets, net of related debt	632,494	671,224	(38,730)
Restricted	171,260	168,999	2,261
Unrestricted	(912,205)	(972,956)	60,751
Total net assets (deficit)	<u>\$ (108,451)</u>	<u>(132,733)</u>	<u>24,282</u>

**FAIRFAX COUNTY REDEVELOPMENT AND
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Rental Program – Hopkins Glen
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Management’s Discussion and Analysis (MD&A)

June 30, 2006

Summary of Revenues, Expenses, and Changes in Net Assets

The Project’s statement of revenues, expenses, and changes in net assets includes operating revenues, such as rental income; operating expenses, such as personnel services, utilities, repairs and maintenance, and depreciation; and nonoperating revenue and expenses, such as investment income and interest expense. The statements reported an increase in net assets of \$24,282 in FY 2006. Table 2 presents a condensed summary of the Project’s revenues, expenses, and changes in net assets.

Table 2

Summary of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2006 and 2005

Description	2006	2005	Increase (decrease)
Revenues:			
Operating revenues	\$ 620,733	633,571	(12,838)
Nonoperating revenues	171,546	—	171,546
Interest income	837	675	162
Total revenues	<u>793,116</u>	<u>634,246</u>	<u>158,870</u>
Expenses:			
Operating expenses	743,313	596,058	147,255
Interest expense	25,521	27,148	(1,627)
Total expenses	<u>768,834</u>	<u>623,206</u>	<u>145,628</u>
Increase in net assets	24,282	11,040	13,242
Total net assets, beginning of year	<u>(132,733)</u>	<u>(143,773)</u>	<u>11,040</u>
Total net assets, end of year	<u>\$ (108,451)</u>	<u>(132,733)</u>	<u>24,282</u>

In FY 2006, the Project’s revenues and expenses increased due to operating grant revenue which was provided for needed repairs and maintenance from the County. Operating expenses include administrative expenses related to personnel salaries and employee fringe benefit contributions, auditing costs, insurance, office supplies, utilities, depreciation, and repairs and maintenance expense. Operating expenses, net of the grant from the County, decreased by approximately \$19,000 due primarily to a decrease in maintenance costs.

Capital Assets and Debt Administration

Capital assets. The Project’s capital assets as of June 30, 2006, included land, buildings and improvements, and equipment that totaled \$1,254,861, net of accumulated depreciation of \$1,231,794. For further details, see note 3, page 12, Capital Assets.

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Management's Discussion and Analysis (MD&A)

June 30, 2006

Long-term debt. Changes in the Project's long-term debt during FY 2006 can be seen in note 4, pages 12-13, Mortgage and Notes Payable.

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.

**FAIRFAX COUNTY REDEVELOPMENT AND
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Rental Program – Hopkins Glen
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Statement of Net Assets

June 30, 2006

Assets

Current assets:

Cash in bank	\$	138,263
Deposits held in trust		50,988
Accounts receivable		5,862
Total current assets		195,113

Restricted assets:

Reserves and mortgage escrow deposits		171,260
Total restricted assets		171,260

Noncurrent assets:

Financing fees (net of amortization of \$7,439)		21,962
		21,962

Capital assets (note 3):

Nondepreciable:		
Land		41,969
Depreciable:		
Buildings and improvements		2,359,159
Equipment		85,527
Accumulated depreciation		(1,231,794)
Total capital assets, net		1,254,861
Total assets		1,643,196

Liabilities

Current liabilities:

Accounts payable and accrued liabilities		27,197
Due to the Authority (note 5)		1,000,564
Deposits held in trust		50,988
Deferred revenue		36,331
Accrued compensated absences		14,200
Mortgage and notes payable (note 4)		53,774
Total current liabilities		1,183,054

Noncurrent liabilities:

Mortgage and notes payable (note 4)		568,593
Total liabilities		1,751,647

Net assets

Invested in capital assets, net of related debt		632,494
Restricted net assets		171,260
Unrestricted net assets		(912,205)
Total net assets	\$	(108,451)

See accompanying notes to financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND
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Rental Program – Hopkins Glen
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Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2006

Operating revenues:	
Dwelling rentals	\$ 600,317
Other	20,416
	<hr/>
Total operating revenues	620,733
	<hr/>
Operating expenses:	
Personnel services	160,891
Utilities	144,072
Repairs and maintenance	241,881
Other supplies and expenses	103,745
Depreciation and amortization	92,724
	<hr/>
Total operating expenses	743,313
	<hr/>
Net operating loss	(122,580)
	<hr/>
Nonoperating revenues (expenses):	
Intergovernmental revenue	171,546
Interest revenue	837
Interest expense	(25,521)
	<hr/>
Total nonoperating expenses, net	146,862
	<hr/>
Change in net assets	24,282
	<hr/>
Total net assets (deficit), beginning of year	(132,733)
	<hr/>
Total net assets (deficit), end of year	\$ (108,451)
	<hr/> <hr/>

See accompanying notes to financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND
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Rental Program – Hopkins Glen
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Statement of Cash Flows

Year ended June 30, 2006

Cash flows from operating activities:	
Rental income received	\$ 596,882
Other operating revenues received	26,870
Payments to employees for services	(157,965)
Payments to suppliers for goods and services	(111,258)
Repairs and maintenance paid	(253,220)
Utilities paid	(144,072)
Net tenant security deposits paid	(460)
Net cash used by operating activities	<u>(43,223)</u>
Cash flows from non-capital financing activities:	
Intergovernmental revenues received	<u>197,932</u>
Net cash provided by non-capital financing activities	<u>197,932</u>
Cash flows from capital and related financing activities:	
Principal payments on mortgage and notes payable	(51,868)
Interest payments on mortgage and notes payable	(25,521)
Net cash used by capital and related financing activities	<u>(77,389)</u>
Cash flows from investing activities:	
Interest received	<u>837</u>
Net cash provided by investing activities	<u>837</u>
Net increase in cash	78,157
Cash, beginning of year	<u>282,354</u>
Cash, end of year	<u><u>\$ 360,511</u></u>
Reconciliation of net operating loss to net cash used by operating activities:	
Net operating loss	\$ (122,580)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation and amortization	92,724
Increase in tenant accounts receivable	(4,789)
Decrease in accounts payable and accrued liabilities	(15,926)
Decrease in deposits held in trust	(460)
Increase in deferred revenue	7,808
Net cash used by operating activities	<u><u>\$ (43,223)</u></u>

See accompanying notes to financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND
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Rental Program – Hopkins Glen
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Notes to Financial Statements

June 30, 2006

(1) Narrative Profile

The Fairfax County Redevelopment and Housing Authority (the Authority), Rental Program – Hopkins Glen, No. 000-55020-LDP (the Project) buildings were acquired by the Authority along with the land lease in exchange for the Authority’s assumption of the Regulatory Agreement and the original mortgage note (see note 4). The original land lease is for a period of 79 years from the date of the Regulatory Agreement. Payments under the land lease are approximately \$10,000 per year and are adjusted for inflation every five years. At the end of the lease term, all structures of the Project revert to the land owners. The Authority is a component unit of the County of Fairfax, Virginia (the County).

The accompanying financial statements present only the financial position and 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 as a whole in conformity with U.S. generally accepted accounting principles (GAAP).

(2) Summary of Significant Accounting Policies

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.

(a) *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.

(b) *Cash in Bank*

Cash in bank is maintained in a separate account for project operations and is fully insured and collateralized.

(c) *Restricted Assets*

Restricted deposits and reserves represent amounts held by the mortgage servicer pursuant to the HUD regulatory agreement. Additionally, such balance includes tenant security deposits along with the corresponding accrued interests, and other refinancing related escrows. All amounts are fully insured and collateralized. Such restricted assets have been included in cash for purpose of the statement of cash flows.

**FAIRFAX COUNTY REDEVELOPMENT AND
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Notes to Financial Statements

June 30, 2006

(d) *Compensated Absences*

Employees of the Project are granted vacation and sick leave based on their length of service. Unused vacation leave is payable to employees upon termination based on the employees' current rate of pay, up to certain limits. Sick leave does not vest with the employee. 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). All amounts are included as a current liability as the Project expects all amounts accrued at June 30, 2006 to be liquidated in FY 2007.

(e) *Revenue Recognition*

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned. Grant revenues received in advance of satisfying all requirements are reported as deferred revenue.

(f) *Capital Assets*

Capital assets are defined by the Project as assets with an initial, individual cost of more than \$5,000 and have a useful life of greater than one year. Capital assets are recorded at cost when purchased and at fair market value when donated. Depreciation on buildings and equipment is calculated using the straight-line method over estimated useful lives of 27.5 years for buildings and improvements consistent with federal guidance and five to ten years for equipment. Depreciation is not recorded on land.

(g) *Deferred Financing Fees*

Financing fees associated with the SunTrust note (see note 4) have been deferred and are being amortized on a straight-line basis over the term of the note.

(h) *Operating Revenues and Expenses*

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

(i) *Implementation of New GASB Standards*

In FY 2006, the Authority implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*; GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*, and GASB Statement No. 47, *Accounting for Termination Benefits*. The implementation of these new standards had no impact on the accompanying financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND
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Rental Program – Hopkins Glen
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Notes to Financial Statements

June 30, 2006

(3) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets, not being depreciated:				
Land	\$ 41,969	—	—	41,969
Capital assets, being depreciated:				
Buildings and improvements	2,359,159	—	—	2,359,159
Equipment	85,527	—	—	85,527
Total capital assets being depreciated	<u>2,444,686</u>	<u>—</u>	<u>—</u>	<u>2,444,686</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,072,072)	(86,650)	—	(1,158,722)
Equipment	(69,124)	(3,948)	—	(73,072)
Total accumulated depreciation	<u>(1,141,196)</u>	<u>(90,598)</u>	<u>—</u>	<u>(1,231,794)</u>
Capital assets, net	<u>\$ 1,345,459</u>			<u>1,254,861</u>

(4) Mortgage and Notes Payable

On July 12, 1984, the Authority assumed the Regulatory Agreement and Deed of Trust, dated July 1, 1968, from the previous owners of the Hopkins Glen housing development along with a mortgage note in the original amount of \$1,112,000, bearing interest at 3%, with final payment due April 1, 2010. The Authority makes monthly principal and interest payments of \$4,073. The mortgage is guaranteed by HUD and the fixed assets of the Project are pledged as security for the mortgage note. The Project maintains certain restricted deposits and funded reserves as required by HUD.

**FAIRFAX COUNTY REDEVELOPMENT AND
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Notes to Financial Statements

June 30, 2006

On December 1, 2002, the Authority closed on a \$475,000 tax-exempt “bank qualified” loan from Sun Trust Bank. The note bears interest at a fixed rate of 4.33% per annum. Principal and interest payments are due on the first of each month commencing on January 1, 2003. The note matures on October 1, 2016.

Description	Beginning balance	Additions	Reductions	Ending balance	Due within one year
First mortgage note	\$ 219,635	—	(42,868)	176,767	44,174
SunTrust note	454,600	—	(9,000)	445,600	9,600
	<u>\$ 674,235</u>	<u>—</u>	<u>(51,868)</u>	<u>622,367</u>	<u>53,774</u>

The aggregate amount of required principal and interest payments on the mortgage and notes as of June 30, 2006 is \$765,860 and is due as follows:

	Principal	Interest
Year ending June 30:		
2007	\$ 53,774	23,803
2008	55,118	22,043
2009	57,102	20,238
2010	50,973	18,361
2011	55,900	16,526
2012 – 2016	325,800	42,313
2017	23,700	209
	<u>\$ 622,367</u>	<u>143,493</u>

(5) Due to the Authority

Due to the Authority represents \$1,000,564 borrowed from the Authority to fund Project operations. During 2006, there were no amounts repaid to the Authority or additional cash advances from the Authority. Such debt is noninterest bearing and is due on demand.

(6) Management of Project

The Project is managed by an unrelated management company pursuant to management agreement. The management company is paid a fee for its services, which amounts to 6% of rental receipts. Such fees amounted to \$34,296 in 2006 and are reported in other supplies and expenses on the Statement of Revenues, Expenses, and Changes in Net Assets. Additionally, the management company is reimbursed for operating costs associated with managing the property. Such costs include a reimbursement for certain salary and related expenses of employees of the management company.

**FAIRFAX COUNTY REDEVELOPMENT AND
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Notes to Financial Statements

June 30, 2006

(7) 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 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, 2006.

SUPPLEMENTARY INFORMATION

**FAIRFAX COUNTY REDEVELOPMENT AND
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Supplementary Information

June 30, 2006

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

Reserve for Replacements

In accordance with the provisions of the Regulatory Agreement, restricted cash is held by Meridian Capital Markets and HUD to be used for replacement of property with the approval of HUD as follows:

Balance, June 30, 2005, confirmed by mortgagee	\$ 145,322
Monthly deposits	53,952
Interest earned	601
Withdrawals	<u>(46,845)</u>
Balance, June 30, 2006	<u>\$ 153,030</u>

Mortgage Escrow Deposits

In accordance with the provisions of the Regulatory Agreement, mortgage escrow deposits held by Prudential Huntoon Paige Associates for the payment of property taxes is as follows:

Balance, June 30, 2005	\$ 23,677
Deposits	32,092
Withdrawals	<u>(37,539)</u>
Balance, June 30, 2006	<u>\$ 18,230</u>

Other Information

Total mortgage principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully insured mortgages. Any HUD-approved second mortgages are included	\$ <u>51,868</u>
Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments are temporarily suspended or reduced	\$ <u>53,952</u>

**Computation of Surplus Cash,
Distributions, and Residual
Receipts**

**U.S. Department of Housing
and Urban Development**

Office of Housing
Federal Housing Commissioner

Project Name Hopkins Glen		Fiscal Period Ended: June 30, 2006	Project Number HUD Project No: 000-55020-LDP	
Part A – Compute Surplus Cash				
Cash				
1. Cash (Accounts 1110, 1120, 1191, 1192)		\$	189,251	
2. Tenant subsidy vouchers due for period covered by financial statement		\$	—	
3. Other (describe)		\$	—	
(a) Total Cash (Add Lines 1, 2, and 3)				\$ 189,251
Current Obligations				
4. Accrued mortgage interest payable		\$	—	
5. Delinquent mortgage principal payments		\$	—	
6. Delinquent deposits to reserve for replacements		\$	—	
7. Accounts payable (due within 30 days)		\$	41,397	
8. Loans and notes payable (due within 30 days)		\$	—	
9. Deficient Tax Insurance or MIP Escrow Deposits		\$	—	
10. Accrued expenses (not escrowed)		\$	—	
11. Prepaid Rents (Account 2210)		\$	3,491	
12. Tenant security deposits liability (Account 2191)		\$	50,988	
13. Other (Describe) – Due to Authority		\$	1,000,564	
14. Other deferred revenue		\$	36,331	
(b) Less Total Current Obligations (Add Lines 4 through 14)				\$ 1,132,771
(c) Surplus Cash (Deficiency) (Line (a) minus Line (b))				\$ (943,520)
Part B – Compute Distributions to Owners and Required Deposit to Residual Receipts				
1. Surplus Cash				\$ None
Limited Dividend Projects				
2a. Annual Distribution Earned During Fiscal Period Covered by the Statement		\$		
2b. Distribution Accrued and Unpaid as of the End of the Prior Fiscal Period		\$		
2c. Distributions Paid During Fiscal Period Covered by Statement		\$		
3. Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)		\$	—	
4. Amount Available for Distribution During Next Fiscal Period				\$ None
5. Deposit Due Residual Receipts (Must be deposited with Mortgagee within 60 days after Fiscal Period ends)				\$ None
Prepared By		Reviewed By		
Loan Technician	Date	Loan Servicer	Date	

form HUD-93486 (12-80)

**FAIRFAX COUNTY REDEVELOPMENT AND
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Supplementary Information

Schedule of Revenues and Expenses

Year ended June 30, 2006

Description of account	Acct. No.	Amount
Part I – Rental Income – 5100:		
Apartments or member carrying charges (coops)	5120	\$ 622,834
Tenant assistance payments	5121	—
Furniture and equipment	5130	—
Stores and commercial	5140	—
Garage and parking spaces	5170	—
Flexible subsidy income	5180	—
Miscellaneous (specify)	5190	—
Total rental revenue		<u>622,834</u>
Vacancies – 5200:		
Apartments	5220	(22,517)
Furniture and equipment	5230	—
Stores and commercial	5240	—
Garage and parking spaces	5270	—
Miscellaneous (specify)	5290	—
Total vacancies		<u>(22,517)</u>
Net rental revenue		<u>600,317</u>
Elderly and Congregate Services Income – 5300:		
Total Service Income (schedule attached)	5300	—
Financial revenue:		
Interest income – project operations	5410	236
Income from investments – residual receipts	5430	—
Income from investments – reserve for replacement	5440	601
Income from investments – miscellaneous	5490	—
Total financial revenue		<u>837</u>
Other revenue – 5900:		
Laundry and cleaning	5910	16,621
NSF and late fees	5920	2,322
Damages and cleaning fees	5930	1,348
Forfeited tenant security deposits	5940	—
Other revenue (Intergovernmental grant revenue \$171,546, other revenues \$125)	5990	171,671
Total other revenue		<u>191,962</u>
Total revenue		<u>793,116</u>
Administrative expenses – 6200/6300:		
Advertising	6210	77
Other administrative expense	6250	8,927
Office salaries	6310	190
Office supplies	6311	3,420
Office or model apartment rent	6312	4,183

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Supplementary Information

Schedule of Revenues and Expenses

Year ended June 30, 2006

Description of account	Acct. No.	Amount
Management fees	6320	\$ 34,296
Manager or superintendent salaries	6330	41,969
Manager or superintendent rent free unit	6331	—
Legal expenses – project	6340	225
Audit expense – project	6350	8,000
Bookkeeping fees/accounting service	6351	—
Telephone and answering service	6360	6,181
Bad debts	6370	11
Miscellaneous administrative expenses (specify)	6390	8,778
Total administrative expenses		116,257
Utilities expense – 6400:		
Fuel oil/coal	6420	—
Electricity (light and misc. power)	6450	53,281
Water	6451	29,527
Gas	6452	61,264
Sewer	6453	—
Total utilities expense		144,072
Operating and maintenance expenses:		
Janitor and cleaning payroll	6510	27,844
Janitor and cleaning supplies	6515	810
Janitor and cleaning contract	6517	7,688
Exterminating payroll/contract	6519	4,467
Exterminating supplies	6520	—
Garbage and trash removal	6525	8,955
Security payroll/contract	6530	541
Grounds payroll	6535	—
Grounds supplies	6536	—
Grounds contract	6537	20,977
Repairs payroll	6540	55,085
Repairs material	6541	22,014
Repairs contract	6542	160,769
Elevator maintenance/contract	6545	—
Heating/cooling repairs and maintenance	6546	7,223
Swimming pool maintenance/contract	6547	—
Snow removal	6548	700
Decorating payroll/contract	6560	307
Decorating supplies	6561	5,054
Other	6570	11,339
Miscellaneous operating and maintenance expenses	6590	2,376
Total operating and maintenance expenses		\$ 336,149

(Continued)

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Supplementary Information
Schedule of Revenues and Expenses
Year ended June 30, 2006

Description of account	Acct. No.	Amount
Taxes and insurance – 6700:		
Real estate taxes	6710	\$ 15,568
Payroll taxes (FICA)	6711	19,483
Miscellaneous taxes, licenses, permits, and insurance	6719	220
Property and liability insurance (hazard)	6720	—
Fidelity Bond Insurance	6721	—
Workmen’s compensation	6722	2,160
Health insurance and other employee benefits	6723	16,320
Other insurance (specify)	6729	—
Total taxes and insurance		53,751
Financial expenses – 6800:		
Interest on mortgage payable	6820	25,521
Mortgage insurance premium/service charge	6850	360
Total financial expenses		25,881
Elderly and Congregate Service Expenses – 6900:		
Total service expenses (schedule attached)	6900	—
Total cost of operations before depreciation		676,110
Profit and loss before depreciation		117,006
Corporate or Mortgagor Entity Expenses – 7100:		
Officer salaries	7110	—
Legal expenses – (entity)	7120	—
Taxes (federal – state – entity)	7130-32	—
Other expenses (entity)	7190	—
Depreciation and amortization:		
Depreciation	6600	90,598
Amortization	6700	2,126
Total depreciation and amortization		92,724
Total expenses		768,834
Net income		\$ 24,282

See accompanying independent auditors’ report.

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Supplemental Information

Changes in Capital Asset Accounts

Year ended June 30, 2006

	Capital assets			Accumulated depreciation		Net book value	
	Balance June 30, 2005	Additions	Balance June 30, 2006	Balance June 30, 2004	Current provision		Balance June 30, 2006
Land	\$ 41,969	—	41,969	—	—	—	41,969
Buildings and improvements	2,359,159	—	2,359,159	1,072,072	86,650	1,158,722	1,200,437
Equipment	85,527	—	85,527	69,124	3,948	73,072	12,455
	<u>\$ 2,486,655</u>	<u>—</u>	<u>2,486,655</u>	<u>1,141,196</u>	<u>90,598</u>	<u>1,231,794</u>	<u>1,254,861</u>

See accompanying independent auditors' report.



KPMG LLP
2001 M Street, NW
Washington, DC 20036

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

The Board of Supervisors
County of Fairfax, Virginia

United States Department of Housing
and Urban Development

The Board of Commissioners
Fairfax County Redevelopment and Housing Authority:

We have audited the financial statements of the Fairfax County Redevelopment and Housing Authority, Rental Program – Hopkins Glen (Project No. 000-55020-LDP) (the Project), as of and for the year ended June 30, 2006 and have issued our report thereon dated December 8, 2006. Our report recognized that the Project implemented certain new accounting standards effective July 1, 2005. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Project's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 herein 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, Project management and the United States Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 8, 2006