

**LITTLE RIVER GLEN LIMITED PARTNERSHIP**  
(Project No. 003993)

Financial Statements and Management's Discussion and Analysis

June 30, 2006

(With Independent Auditors' Report Thereon)

**LITTLE RIVER GLEN LIMITED PARTNERSHIP**

(Project No. 003993)

June 30, 2006

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KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Auditors' Report

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 Little River Glen Limited Partnership (the Partnership), a component unit of the Fairfax County Redevelopment and Housing Authority, 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 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. 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 Partnership'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 Partnership are intended to present the financial position and changes in financial position and cash flows of only the Partnership. They do not purport to, and do not, present fairly the financial position of the Fairfax County Redevelopment and Housing Authority as of June 30, 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 referred to above present fairly, in all material respects, the financial position of Little River Glen Limited Partnership 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(h), in 2006, the Partnership implemented several new accounting standards.



Management's Discussion and Analysis on pages 3 through 6 is not a required part of the 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.

KPMG LLP

December 8, 2006

**LITTLE RIVER GLEN LIMITED PARTNERSHIP**  
(Project No. 003993)

Management's Discussion and Analysis

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 – Little River Glen Limited Partnership (Project No. 003993) (the Partnership) for the fiscal year ended June 30, 2006 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.

**The Partnership's Financial Highlights for Fiscal Year 2006 (FY 2006)**

In summary, the Partnership's FY 2006 financial highlights include the following:

- At June 30, 2006, total assets and liabilities were approximately \$6.9 million and \$5.7 million, respectively. Total net assets were approximately \$1.2 million. Net assets were down approximately \$207,000 in FY 2006 compared to approximately \$162,000 in FY 2005. This approximately \$46,000 decrease is primarily attributable to increased operating expenses, principally in repairs and maintenance costs (approximately \$167,000), which were partially offset by a County operating grant (approximately \$32,000) and increased County operating transfers (approximately \$62,000).
- Total revenues and expenses were approximately \$1.1 million and \$1.7 million, respectively; resulting in a net loss before the operating transfer from the County of approximately \$623,000. Taking into consideration the operating transfer from the County of approximately \$416,000, the net loss and decrease in net assets in FY 2006 was reduced to approximately \$207,000.
- Cash flows from operating activities amounted to \$21,616. After considering investing, noncapital financing, and capital and related financing activities, total cash increased by \$6,528.

**Partnership Financial Statements**

This 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 2006 financial results are compared to those of FY 2005, 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, 2006

**Summary of Net Assets**

The Partnership's FY 2006 and FY 2005 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, 2006 and 2005.

**Table 1**

Summary of Net Assets  
June 30, 2006 and 2005

Description	2006	2005	Increase (decrease)
Current and restricted assets	\$ 1,719,359	1,719,121	238
Capital assets	5,209,326	5,562,577	(353,251)
Total assets	<u>6,928,685</u>	<u>7,281,698</u>	<u>(353,013)</u>
Current liabilities	397,947	410,299	(12,352)
Long-term liabilities	5,296,824	5,430,156	(133,332)
Total liabilities	<u>5,694,771</u>	<u>5,840,455</u>	<u>(145,684)</u>
Net assets:			
Invested in capital assets, net of related debt	(195,674)	32,577	(228,251)
Restricted	913,636	851,908	61,728
Unrestricted	515,952	556,758	(40,806)
Total net assets	<u>\$ 1,233,914</u>	<u>1,441,243</u>	<u>(207,329)</u>

The Partnership's net assets were reduced by approximately \$207,000 in FY 2006 compared to approximately \$162,000 in FY 2005. This increase was primarily due to an increase in operating expenses of approximately \$167,000, which was partially offset by an operating grant from the County (approximately \$32,000) and an approximate increase of \$62,000 in County contributions.

**LITTLE RIVER GLEN LIMITED PARTNERSHIP**  
(Project No. 003993)

Management's Discussion and Analysis

June 30, 2006

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

The Partnership's FY 2006 and FY 2005 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 nonoperating revenue and expenses, such as County contributions, intergovernmental revenues, investment income, and interest expense. In FY 2006, the Partnership experienced a decrease in net assets of approximately \$207,000. 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  
Years ended June 30, 2006 and 2005

Description	2006	2005	Increase (decrease)
Revenues:			
Operating revenues	\$ 1,053,094	1,044,083	9,011
Intergovernmental revenues	447,779	353,746	94,033
Interest income	34,745	22,862	11,883
Total revenues	<u>1,535,618</u>	<u>1,420,691</u>	<u>114,927</u>
Expenses:			
Operating expenses	1,413,355	1,246,790	166,565
Interest expense	329,592	335,534	(5,942)
Total expenses	<u>1,742,947</u>	<u>1,582,324</u>	<u>160,623</u>
Change in net assets	(207,329)	(161,633)	(45,696)
Total net assets, beginning of year	<u>1,441,243</u>	<u>1,602,876</u>	<u>(161,633)</u>
Total net assets, end of year	<u>\$ 1,233,914</u>	<u>1,441,243</u>	<u>(207,329)</u>

There was an increase in operating expenses of approximately \$167,000 between FY 2006 and 2005, primarily attributable to necessary repair and maintenance of project facilities. This was partially offset by the approximately \$62,000 increase in County funding.

**LITTLE RIVER GLEN LIMITED PARTNERSHIP**  
(Project No. 003993)

Management's Discussion and Analysis

June 30, 2006

**Capital Assets and Debt Administration**

**Capital assets.** The Partnership's capital assets as of June 30, 2006 included land, buildings and improvements, and furniture and equipment that totaled \$5,209,326, net of accumulated depreciation of \$5,803,476. During FY 2006, the Partnership purchased a power access entry system for the property at a cost of approximately \$9,100. For further details, see note 3, page 12, Capital Assets.

**Long-term debt.** Bonds payable for the Partnership at June 30, 2006 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 2006, the Partnership made its required principal payments on the outstanding bonds of \$125,000. The Partnership's capital assets are pledged as security for the bonds. For further details, see note 4, page 12, Bonds Payable.

**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.

**LITTLE RIVER GLEN LIMITED PARTNERSHIP**

(Project No. 003993)

Statement of Net Assets

June 30, 2006

**Assets**

Current assets:

Cash on deposit with County of Fairfax, Virginia (note 2)	\$	753,467
Deposits held in trust (note 2)		50,529
Accounts receivable (net of allowances for uncollectible accounts of \$135)		1,727
Total current assets		<u>805,723</u>

Restricted assets:

Cash with fiscal agent (note 2)		<u>913,636</u>
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Capital assets (notes 3 and 4):

Nondepreciable:

Land		1,035,634
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Depreciable:

Buildings and improvements		9,922,950
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Equipment		54,218
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Accumulated depreciation		<u>(5,803,476)</u>
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Total capital assets, net		<u>5,209,326</u>
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Total assets		<u>6,928,685</u>
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**Liabilities**

Current liabilities:

Accounts payable and accrued liabilities		152,536
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Deposits held in trust		50,529
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Deferred revenue		45,982
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Accrued compensated absences (note 5)		18,900
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Bond payable (note 4)		<u>130,000</u>
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Total current liabilities		<u>397,947</u>
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Long-term liabilities:

Accrued compensated absences (note 5)		21,824
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Bond payable (note 4)		<u>5,275,000</u>
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Total long-term liabilities		<u>5,296,824</u>
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Total liabilities		<u>5,694,771</u>
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**Net Assets**

Invested in capital assets, net of related debt		(195,674)
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Restricted net assets		913,636
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Unrestricted net assets		<u>515,952</u>
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Total net assets	\$	<u><u>1,233,914</u></u>
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See accompanying notes to financial statements.

**LITTLE RIVER GLEN LIMITED PARTNERSHIP**

(Project No. 003993)

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2006

Operating revenues:	
Dwelling rentals	\$ 1,044,647
Other	8,447
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Total operating revenues	1,053,094
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Operating expenses:	
Personnel services	487,084
Utilities	117,849
Repairs and maintenance	377,706
Administrative expenses	68,365
Depreciation and amortization	362,351
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Total operating expenses	1,413,355
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Operating loss	(360,261)
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Nonoperating revenues (expenses):	
Intergovernmental revenues	447,779
Interest revenue	34,745
Interest expense	(329,592)
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Total nonoperating revenues, net	152,932
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Change in net assets	(207,329)
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Total net assets, beginning of year	1,441,243
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Total net assets, end of year	\$ 1,233,914
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See accompanying notes to financial statements.

**LITTLE RIVER GLEN LIMITED PARTNERSHIP**

(Project No. 003993)

Statement of Cash Flows

Year ended June 30, 2006

Cash flows from operating activities:	
Rental receipts	\$ 1,055,639
Other operating cash receipts	8,447
Payments to employees for services	(479,249)
Payments to suppliers for goods and services	(562,834)
Net changes in deposit held in trust	(387)
Net cash provided by operating activities	<u>21,616</u>
Cash flows from noncapital financing activities:	
Intergovernmental revenues received	<u>416,068</u>
Cash flows from capital and related financing activities:	
Purchase of capital asset	(9,100)
Bond interest payments	(331,801)
Bond principal payment	(125,000)
Net cash used in capital and related financing activities	<u>(465,901)</u>
Cash flows from investing activities:	
Interest on investments	<u>34,745</u>
Net increase in cash	6,528
Cash and equivalents, beginning of year	<u>1,711,104</u>
Cash and equivalents, end of year	<u>\$ 1,717,632</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (360,261)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	362,351
Decrease in accounts receivable	6,290
Increase in accounts payable and accrued liabilities	4,810
Decrease in deposits held in trust	(387)
Increase in accrued compensated absences	4,110
Increase in deferred revenue	4,703
Net cash provided by operating activities	<u>\$ 21,616</u>

See accompanying notes to financial statements.

**LITTLE RIVER GLEN LIMITED PARTNERSHIP**  
(Project No. 003993)

Notes to Financial Statements

June 30, 2006

**(1) Narrative Profile**

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-and 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 in conformity with U.S. generally accepted accounting principles.

**(2) Summary of Significant Accounting Policies**

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:

**(a) *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.

**(b) *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 or collateralized. The County allocates investment income to the Partnership based on its average cash balances.

**(c) *Cash with Fiscal Agent and Deposits Held in Trust***

According to the terms of the indenture related to the bonds payable discussed in note 4, 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 or collateralized.

**LITTLE RIVER GLEN LIMITED PARTNERSHIP**

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Notes to Financial Statements

June 30, 2006

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

**(d) Capital Assets**

Capital assets are defined by the Partnership as assets with an initial, individual cost of more than \$5,000 and an estimated 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.

**(e) 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.

**(f) 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).

**(g) Operating Revenues and Expenses**

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

**(h) 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.

**LITTLE RIVER GLEN LIMITED PARTNERSHIP**  
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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:

	<b>Beginning balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending balance</b>
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	45,118	9,100	—	54,218
Total capital assets being depreciated	9,968,068	9,100	—	9,977,168
Less accumulated depreciation for:				
Buildings and improvements	(5,396,007)	(360,835)	—	(5,756,842)
Equipment	(45,118)	(1,516)	—	(46,634)
Total accumulated depreciation	(5,441,125)	(362,351)	—	(5,803,476)
Total capital assets, net	\$ 5,562,577			5,209,326

**(4) Bonds Payable**

Bonds payable at June 30, 2006 represent Federal Housing Authority 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 2006 was as follows:

Outstanding balance, beginning of year	\$ 5,530,000
Less principal payments	(125,000)
Outstanding balance, end of year	\$ 5,405,000

**LITTLE RIVER GLEN LIMITED PARTNERSHIP**  
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Notes to Financial Statements

June 30, 2006

The aggregate amount of the required principal and interest payments on the bonds as of June 30, 2006 is \$9,647,796 and is due as follows:

	<b>Principal</b>	<b>Interest</b>
2007	\$ 130,000	324,158
2008	140,000	317,135
2009	150,000	308,884
2010	160,000	299,810
2011	165,000	290,290
2012-2016	1,005,000	1,287,221
2017-2021	1,355,000	938,733
2022-2026	1,845,000	462,687
2027	455,000	13,878
	\$ 5,405,000	4,242,796

**(5) Changes in Compensated Absences Payable**

	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>	<b>Due within one year</b>
Compensated absences payable	\$ 36,614	15,568	(11,458)	40,724	18,900

**(6) 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, 2006, the County disbursed funds to the Partnership amounting to \$416,068 to fund operating losses. The amount was allocated based on prorata share of operating losses among all FCRHA owned and operated elderly projects. The County is committed to continuing to provide funding to ensure that the Project meets its obligations.

**(7) 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, 2006.