

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
Rental Program – Penderbrook  
(Project No. 880149)

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 – Penderbrook  
(Project No. 880149)

June 30, 2006

**Table of Contents**

|   | <b>Page</b> |
|---|-------------|
| Independent Auditors' Report  | 1           |
| Management's Discussion and Analysis  | 3           |
| Financial Statements:   |             |
| Statement of Net Assets   | 7           |
| Statement of Revenues, Expenses, and Changes in Net Assets  | 8           |
| Statement of Cash Flows   | 9           |
| Notes to Financial Statements   | 10          |
| Supplementary Information   | 14          |
| 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 <i>Government Auditing Standards</i> | 19          |
| Identification of Engagement Auditor  | 21          |
| Audit Compliance and Internal Control Questionnaire   | 22          |
| Certificate of Assistant Secretary  | 27          |



KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Auditors' Report

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, Rental Program – Penderbrook, Project No. 880149 (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; 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 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 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.



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.

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 14 to 18 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 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 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

September 8, 2006

# FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY

Rental Program – Penderbrook

(Project No. 880149)

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 Penderbrook, Project No. 880149 (the Project) for the fiscal year ended June 30, 2006 to assist the reader in focusing on significant financial issues. The Project consists of 48 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 included the following:

- At June 30, 2006, total assets and liabilities were approximately \$2.9 million and \$.6 million, respectively; thus total net assets were approximately \$2.3 million. Of this amount, \$557,927 (unrestricted net assets) may be used to meet the Project's future operational needs.
- Total revenues and expenses were \$444,196 and \$360,246, respectively; thus net assets increased by \$83,950 in FY 2006. This increase was due to a \$30,052 (8%) increase in the Project's occupancy rate and rental income; a \$16,457 (5%) decrease in operating expenses, including personnel, deferred repairs and maintenance work and administrative expenses; \$10,597 (80%) increase in interest income due to significantly higher interest rates; and \$11,004 reduction in interest expense due to a debt refinancing in February 2006.
- There is a net increase in cash of \$155,570, primarily attributable to an increase in rental and interest revenues and decreases in operating and interest expenses.

## 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 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.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook

(Project No. 880149)

Management’s Discussion and Analysis (MD&A)

June 30, 2006

**Summary of Net Assets**

The Project’s FY 2006 and FY 2005 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, 2006 and 2005.

**Table 1**

**Summary of Net Assets**

June 30, 2006 and 2005

| <b>Description</b>                              | <b>2006</b>  | <b>2005</b> | <b>Increase<br/>(decrease)</b> |
|---|--------------|-------------|--------------------------------|
| Current and restricted assets                   | \$ 1,214,644 | 1,052,536   | 162,108                        |
| Capital assets                                  | 1,682,231    | 1,786,990   | (104,759)                      |
| Total assets                                    | 2,896,875    | 2,839,526   | 57,349                         |
| Current liabilities                             | 70,700       | 64,740      | 5,960                          |
| Noncurrent liabilities                          | 545,829      | 578,390     | (32,561)                       |
| Total liabilities                               | 616,529      | 643,130     | (26,601)                       |
| Net assets:                                     |              |             |                                |
| Invested in capital assets, net of related debt | 1,106,235    | 1,186,340   | (80,105)                       |
| Restricted                                      | 616,184      | 549,343     | 66,841                         |
| Unrestricted                                    | 557,927      | 460,713     | 97,214                         |
| Total net assets                                | \$ 2,280,346 | 2,196,396   | 83,950                         |

The Project’s net assets increased by \$83,950 from FY 2005 to FY 2006 primarily due to increases in cash caused by increases in rental and interest revenues, replacement reserves, and decreases in operating and interest expenses, due to debt refinancing. The Project’s outstanding balance of the mortgage loan was refinanced in February 2006 thereby reducing the interest on this debt.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook

(Project No. 880149)

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 include operating revenues, such as rental income; operating expenses, such as personnel services, utilities, repairs and maintenance, and depreciation, and nonoperating 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. This statement reflects an increase in net assets of \$83,950. As previously stated, the increase resulted when rental and interest revenues increased and operating expenses and interest on outstanding debt decreased.

**Table 2**

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

Years ended June 30, 2006 and 2005

| <u>Description</u>                  | <u>2006</u>         | <u>2005</u>      | <u>Increase<br/>(decrease)</u> |
|-------------------------------------|---------------------|------------------|--------------------------------|
| Revenues:                           |                     |                  |                                |
| Operating revenues                  | \$ 420,363          | 390,196          | 30,167                         |
| Nonoperating revenues               | 23,833              | 13,236           | 10,597                         |
| Total revenues                      | <u>444,196</u>      | <u>403,432</u>   | <u>40,764</u>                  |
| Expenses:                           |                     |                  |                                |
| Operating expenses                  | 308,598             | 325,055          | (16,457)                       |
| Nonoperating expenses               | 51,648              | 62,652           | (11,004)                       |
| Total expenses                      | <u>360,246</u>      | <u>387,707</u>   | <u>(27,461)</u>                |
| Change in net assets                | 83,950              | 15,725           | 68,225                         |
| Total net assets, beginning of year | <u>2,196,396</u>    | <u>2,180,671</u> | <u>15,725</u>                  |
| Total net assets, end of year       | <u>\$ 2,280,346</u> | <u>2,196,396</u> | <u>83,950</u>                  |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook

(Project No. 880149)

Management’s Discussion and Analysis (MD&A)

June 30, 2006

**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 \$1,682,231, net of accumulated depreciation of \$1,615,120. For further details, see note 3, page 12, Capital Assets.

**Long-term debt.** The Virginia Housing Development Authority provided the permanent financing for the purchase of the land and buildings. The outstanding balance of the mortgage loan of \$585,581 was refinanced in February 2006. For further details, see note 4, page 12 concerning debt and long-term liabilities of the Project.

**Project Challenges for the Future**

Project improvements are underway including kitchen cabinets and appliances, windows, and exterior siding replacements, and will be completed in FY 2007.

**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 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 HOUSING AUTHORITY**

Rental Program – Penderbrook  
(Project No. 880149)

Statement of Net Assets

June 30, 2006

**Assets**

Current assets:

|  |    |                |
|--|----|----------------|
| Cash on deposit with County of Fairfax, Virginia                     | \$ | 572,861        |
| Deposits held in trust   |    | 16,531         |
| Accounts receivable (less allowance for doubtful account of \$7,919) |    | 9,068          |
| Total current assets   |    | <u>598,460</u> |

Restricted assets (note 4):

|                         |  |                |
|-------------------------|--|----------------|
| Replacement reserves    |  | <u>616,184</u> |
| Total restricted assets |  | <u>616,184</u> |

Capital assets (note 3):

|                            |  |                    |
|----------------------------|--|--------------------|
| Nondepreciable:            |  |                    |
| Land                       |  | 649,636            |
| Depreciable:               |  |                    |
| Buildings and improvements |  | 2,587,486          |
| Equipment                  |  | 60,229             |
| Accumulated depreciation   |  | <u>(1,615,120)</u> |
| Total capital assets, net  |  | <u>1,682,231</u>   |
| Total assets               |  | <u>2,896,875</u>   |

**Liabilities**

Current liabilities:

|  |  |               |
|--|--|---------------|
| Accounts payable and accrued liabilities |  | 13,607        |
| Deposits held in trust                   |  | 16,531        |
| Deferred revenue                         |  | 4,200         |
| Accrued compensated absences             |  | 6,195         |
| Mortgage payable (note 4)                |  | <u>30,167</u> |
| Total current liabilities                |  | <u>70,700</u> |

Noncurrent liabilities:

|                           |  |                |
|---------------------------|--|----------------|
| Mortgage payable (note 4) |  | <u>545,829</u> |
| Total liabilities         |  | <u>616,529</u> |

**Net assets**

|   |    |                         |
|---|----|-------------------------|
| Invested in capital assets, net of related debt |    | 1,106,235               |
| Restricted net assets                           |    | 616,184                 |
| Unrestricted net assets                         |    | <u>557,927</u>          |
| Total net assets                                | \$ | <u><u>2,280,346</u></u> |

See accompanying notes to financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook

(Project No. 880149)

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2006

|                                     |    |                       |
|-------------------------------------|----|-----------------------|
| Operating revenues:                 |    |                       |
| Dwelling rentals                    | \$ | 416,927               |
| Other                               |    | 3,436                 |
|                                     |    | <hr/>                 |
| Total operating revenues            |    | 420,363               |
| Operating expenses:                 |    |                       |
| Personnel services                  |    | 98,418                |
| Utilities                           |    | 13,505                |
| Repairs and maintenance             |    | 57,033                |
| Administrative expenses             |    | 34,883                |
| Depreciation                        |    | 104,759               |
|                                     |    | <hr/>                 |
| Total operating expenses            |    | 308,598               |
| Operating income                    |    | <hr/> 111,765         |
| Nonoperating revenues (expenses):   |    |                       |
| Interest revenue                    |    | 23,833                |
| Interest expense                    |    | (51,648)              |
|                                     |    | <hr/>                 |
| Total nonoperating expenses, net    |    | (27,815)              |
| Change in net assets                |    | 83,950                |
| Total net assets, beginning of year |    | <hr/> 2,196,396       |
| Total net assets, end of year       | \$ | <hr/> <hr/> 2,280,346 |

See accompanying notes to financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook  
(Project No. 880149)

Statement of Cash Flows

Year ended June 30, 2006

|  |                     |
|--|---------------------|
| Cash flows from operating activities:  |                     |
| Rental income received   | \$ 408,467          |
| Miscellaneous income received  | 3,436               |
| Personnel expenses paid  | (98,543)            |
| Administrative expenses paid   | (34,883)            |
| Operating and maintenance expenses paid  | (55,976)            |
| Utilities paid   | (13,505)            |
| Net tenant security deposits received  | 732                 |
| Net cash provided by operating activities  | <u>209,728</u>      |
| Cash flows from investing activities:  |                     |
| Interest received  | <u>23,833</u>       |
| Net cash provided by investing activities  | <u>23,833</u>       |
| Cash flows from financing activities:  |                     |
| Principal payments on mortgage payable   | (24,654)            |
| Interest payments on mortgage payable  | (53,337)            |
| Net cash used in capital and related financing activities                        | <u>(77,991)</u>     |
| Net increase in cash   | 155,570             |
| Cash, beginning of year  | <u>1,050,006</u>    |
| Cash, end of year  | <u>\$ 1,205,576</u> |
| Reconciliation of operating income to net cash provided by operating activities: |                     |
| Operating income   | \$ 111,765          |
| Depreciation   | 104,759             |
| Increase in accounts receivable  | (6,538)             |
| Increase in accounts payable and accrued liabilities                             | 1,417               |
| Decrease accrued compensated absences  | (486)               |
| Decrease in deferred revenue   | (1,921)             |
| Increase in deposit held in trust  | 732                 |
| Net cash provided by operating activities  | <u>\$ 209,728</u>   |

See accompanying notes to financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook  
(Project No. 880149)

Notes to Financial Statements

June 30, 2006

**(1) Narrative Profile**

The Fairfax County Redevelopment and Housing Authority (the Authority), Rental Program – Penderbrook, Project No. 880149 (the Project) is comprised of two 24-unit apartment buildings included in the Fairfax County Rental Program. The Project is part of the privately owned Penderbrook community, which consists of approximately 1,800 housing units. The developers sold the land and buildings to the Authority on September 7, 1988. The purchase price of the Project was financed by appropriations from the County of Fairfax, Virginia (the County) and a 30 – year mortgage from the Virginia Housing Development Authority (the VHDA). The Authority is a component unit of the County.

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

**(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 external financial reporting in accordance with GAAP, the Project is following the reporting guidance set forth in GAAP for “departmental” financial statements.

**(b) *Cash on Deposit with County of Fairfax, Virginia***

Project cash is maintained and administered by the County Investment/Cash Management Division. To optimize investment returns, the Project’s funds are invested together with all other County pooled funds, all of which are fully insured and collateralized. The County allocates investment income to the Project based on its average cash balance.

**(c) *Restricted Assets and Deposits Held in Trust***

Restricted assets represent deposits and funded reserves held by 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.

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

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook

(Project No. 880149)

Notes to Financial Statements

June 30, 2006

**(d) *Capital Assets***

Capital assets are defined by the Authority 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 or 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 furniture and equipment. Depreciation is not recorded on land.

**(e) *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 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).

**(f) *Revenue Recognition***

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned.

**(g) *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 expense.

**(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*.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook  
(Project No. 880149)

Notes to Financial Statements

June 30, 2006

**(3) Capital Assets**

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

|   | <u>Beginning<br/>balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets, not being depreciated:    |                              |                  |                  |                           |
| Land                                      | \$ 649,636                   | —                | —                | 649,636                   |
| Capital assets being depreciated:         |                              |                  |                  |                           |
| Buildings and improvements                | 2,587,486                    | —                | —                | 2,587,486                 |
| Equipment                                 | 60,229                       | —                | —                | 60,229                    |
| Total capital assets<br>being depreciated | <u>2,647,715</u>             | <u>—</u>         | <u>—</u>         | <u>2,647,715</u>          |
| Less accumulated depreciation for:        |                              |                  |                  |                           |
| Buildings and improvements                | (1,484,806)                  | (94,090)         | —                | (1,578,896)               |
| Equipment                                 | (25,555)                     | (10,669)         | —                | (36,224)                  |
| Total accumulated<br>depreciation         | <u>(1,510,361)</u>           | <u>(104,759)</u> | <u>—</u>         | <u>(1,615,120)</u>        |
| Capital assets, net                       | \$ <u>1,786,990</u>          | <u>(104,759)</u> | <u>—</u>         | <u>1,682,231</u>          |

**(4) Mortgage Payable**

The VHDA provided the permanent financing for the purchase of the Project's land and buildings. The outstanding balance of the mortgage loan was refinanced in February 2006 at a rate of 7.17% down from the previous rate of 10.25%, with final payment due October 1, 2018, the same date as the original loan. The monthly principal and interest payment is \$5,874, down from the previous payment of \$6,900.

The land, buildings and equipment of the Project are pledged as security for the mortgage loan. The Project maintains capital replacement reserves in accordance with provisions of Regulatory Agreement. This restricted cash is held by VHDA to be used for replacement of property.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook  
(Project No. 880149)

Notes to Financial Statements

June 30, 2006

The aggregate amount of the required principal and interest payments on the mortgage loan as of June 30, 2006 is \$869,337 and is due as follows:

|                      | <u>Principal</u>  | <u>Interest</u> |
|----------------------|-------------------|-----------------|
| Year ending June 30: |                   |                 |
| 2007                 | \$ 30,167         | 40,320          |
| 2008                 | 32,402            | 38,085          |
| 2009                 | 34,803            | 35,684          |
| 2010                 | 37,382            | 33,105          |
| 2011                 | 40,153            | 30,334          |
| 2012-2016            | 250,057           | 102,378         |
| 2017-2019            | <u>151,032</u>    | <u>13,435</u>   |
| Total                | \$ <u>575,996</u> | <u>293,341</u>  |

Noncurrent liability activity for the year ended June 30, 2006, was as follows:

|                  | <u>Beginning<br/>balance</u> | <u>Additions</u> | <u>Reduction</u> | <u>Ending<br/>balance</u> | <u>Due within<br/>one year</u> |
|------------------|------------------------------|------------------|------------------|---------------------------|--------------------------------|
| Mortgage payable | \$ <u>600,650</u>            | <u>—</u>         | <u>(24,654)</u>  | <u>575,996</u>            | <u>30,167</u>                  |

**(5) 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 ending June 30, 2006.

## **SUPPLEMENTARY INFORMATION**

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook  
(Project No. 880149)

Supplementary Information

June 30, 2006

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

**Accrued Liabilities**

Accrued liabilities represent salaries and fringe benefits earned during the final payroll cycle of June 2006 and vacation earned, but not used as of June 30, 2006.

**Delinquent Tenant Accounts Receivable**

|                          | <u>Number of<br/>tenants</u> |    | <u>Amounts<br/>past due</u> |
|--------------------------|------------------------------|----|-----------------------------|
| Delinquent 0-30 days     | 10                           | \$ | 4,026                       |
| Delinquent 31-60 days    | 5                            |    | 3,989                       |
| Delinquent over 60 days  | <u>7</u>                     |    | <u>8,972</u>                |
| Balance at June 30, 2006 | <u>22</u>                    | \$ | <u>16,987</u>               |

**Tenant Security Deposits**

As of June 30, 2006, consistent with County of Fairfax, Virginia, treasury procedures, tenant security deposits are not maintained in a separate trust fund. The VHDA has waived the requirement to deposit tenant security deposits in a separate account from all other funds of the Project. However, tenant security deposits, and the corresponding accrued interest associated with them, are restricted from use on the operations of the property.

**Accounts Payable, Accrued Liabilities and Compensated Absences**

|                          |                         |
|--------------------------|-------------------------|
| Payable within 30 days   | \$ <u>19,802</u>        |
| Balance at June 30, 2006 | \$ <u><u>19,802</u></u> |

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

| <u>Creditor</u> | <u>Purpose</u> | <u>Date<br/>refinanced</u> | <u>Terms</u> | <u>Original<br/>amount</u> | <u>Amount<br/>due</u> |
|-----------------|----------------|----------------------------|--------------|----------------------------|-----------------------|
| VHDA            | Mortgage       | February 2006              | 12 years     | \$ <u>587,942</u>          | \$ <u>575,996</u>     |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook  
(Project No. 880149)

Supplementary Information

June 30, 2006

**Schedule of Surplus Cash and Residual Receipts**

|  |    |                |
|--|----|----------------|
| Cash in treasury of County of Fairfax, Virginia                                  | \$ | 572,861        |
| Less current obligations:  |    |                |
| Tenant security deposits and accrued interest                                    |    | 16,531         |
| Accounts payable and accrued liabilities (due within 30 days)                    |    | 13,607         |
| Deferred revenue   |    | 4,200          |
|  |    | <u>34,338</u>  |
| Total current obligations  |    |                |
|  |    | <u>34,338</u>  |
| Surplus cash and residual receipts to be deposited to operating reserve account* | \$ | <u>538,523</u> |

\* The VHDA has waived the requirements to deposit surplus cash and residual receipts for the Project.

**Reserve for Replacements**

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

|   |    |                |
|---|----|----------------|
| Balance as of June 30, 2005, confirmed by mortgagee | \$ | 549,343        |
| Monthly deposits                                    |    | 43,008         |
| Interest earned                                     |    | 23,833         |
|   |    | <u>616,184</u> |
| Balance as of June 30, 2006, confirmed by mortgagee | \$ | <u>616,184</u> |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook

(Project No. 880149)

Supplementary Information

Schedule of Revenues and Expenses

Year ended June 30, 2006

| <b>Part I</b>  | <b>Description of account</b>                         | <b>Acct. No.</b> | <b>Amount</b> |            |
|--|---|------------------|---------------|------------|
| Rental Income<br>5100                                | Apartments or Member Carrying Charges (Coops)         | 5120             | \$ 416,927    |            |
|  | Tenant Assistance Payments                            | 5121             | —             |            |
|  | Furniture and Equipment                               | 5130             | —             |            |
|  | Stores and Commercial                                 | 5140             | —             |            |
|  | Garage and Parking Spaces                             | 5170             | —             |            |
|  | Flexible Subsidy Income                               | 5180             | —             |            |
|  | Miscellaneous (specify)                               | 5190             | —             |            |
|  | <b>Total Rent Revenue Potential at 100% Occupancy</b> |                  |               |            |
| Vacancies<br>5200                                    | Apartments  | 5220             | —             |            |
|  | Furniture and Equipment                               | 5230             | —             |            |
|  | Stores and Commercial                                 | 5240             | —             |            |
|  | Garage and Parking Spaces                             | 5270             | —             |            |
|  | Miscellaneous (specify)                               | 5290             | —             |            |
|  | <b>Total Vacancies</b>                                |                  |               |            |
| <b>Net Rental Revenue</b>                            |   |                  |               | \$ 416,927 |
| <b>Elderly and Congregate Services Income - 5300</b> |   |                  |               |            |
| <b>Total Service Income (Schedule Attached)</b>      |   | 5300             |               | —          |
| Financial<br>Revenue                                 | Interest Income – Project Operations                  | 5410             | —             |            |
|  | Income from Investments – Residual Receipts           | 5430             | —             |            |
|  | Income from Investments – Reserve for Replacement     | 5440             | 23,833        |            |
|  | Income from Investments – Miscellaneous               | 5490             | —             |            |
|  | <b>Total Financial Revenue</b>                        |                  |               |            |
| Other<br>Revenue<br>5900                             | Laundry and Vending                                   | 5910             | —             |            |
|  | NSF and Late Charges                                  | 5920             | 3,331         |            |
|  | Damages and Cleaning Fees                             | 5930             | —             |            |
|  | Forfeited Tenant Security Deposits                    | 5940             | —             |            |
|  | Other Revenue (specify) (Schedule attached)           | 5990             | 105           |            |
|  | <b>Total Other Revenue</b>                            |                  |               |            |
| <b>Total Revenue</b>                                 |   |                  |               | \$ 444,196 |
| Administrative<br>Expenses<br>6200/6300              | Advertising   | 6210             | —             |            |
|  | Other Administrative Expense                          | 6250             | 21,612        |            |
|  | Office Salaries                                       | 6310             | 81,325        |            |
|  | Office Supplies                                       | 6310             | 895           |            |
|  | Office or Model Apartment Rent                        | 6312             | —             |            |
|  | Management  | 6320             | —             |            |
|  | Manager or Superintendent Salaries                    | 6330             | —             |            |
|  | Manager or Superintendent Rent Free Unit              | 6331             | —             |            |
|  | Legal Expenses – Project                              | 6340             | 457           |            |
|  | Audit Expense – Project                               | 6350             | 8,000         |            |
|  | Bookkeeping Fees / Accounting Service                 | 6351             | —             |            |
|  | Telephone and Answering Service                       | 6360             | —             |            |
|  | Bad Debts   | 6370             | 3,644         |            |
|  | Miscellaneous Administrative Expenses (specify)       | 6390             | —             |            |
| <b>Total Administrative Expenses</b>                 |   |                  |               | \$ 115,933 |
| Utilities<br>Expenses<br>6400                        | Fuel Oil / Coal                                       | 6420             | —             |            |
|  | Electricity (Light and Misc. Power)                   | 6450             | 2,353         |            |
|  | Water   | 6451             | 11,152        |            |
|  | Gas   | 6452             | —             |            |
|  | Sewer   | 6453             | —             |            |
| <b>Total Utilities Expense</b>                       |   |                  |               | \$ 13,505  |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook

(Project No. 880149)

Supplementary Information

Schedule of Revenues and Expenses

Year ended June 30, 2006

| <b>Part I</b>   | <b>Description of account</b>                        | <b>Acct. No.</b> | <b>Amount</b> |            |
|---|--|------------------|---------------|------------|
| Operating and<br>Maintenance<br>Expenses<br>6500          | Janitor and Cleaning Payroll                         | 6510             | —             |            |
|   | Janitor and Cleaning Supplies                        | 6515             | —             |            |
|   | Janitor and Cleaning Contract                        | 6517             | 8,381         |            |
|   | Exterminating Payroll / Contract                     | 6519             | 1,068         |            |
|   | Exterminating Supplies                               | 6520             | —             |            |
|   | Garbage and Trash Removal                            | 6525             | 6,646         |            |
|   | Security Payroll / Contract                          | 6530             | —             |            |
|   | Grounds Payroll                                      | 6535             | —             |            |
|   | Grounds Supplies                                     | 6536             | —             |            |
|   | Grounds Contract                                     | 6537             | 12,965        |            |
|   | Repairs Payroll                                      | 6540             | —             |            |
|   | Repairs Material                                     | 6541             | 19,085        |            |
|   | Repairs Contract                                     | 6542             | —             |            |
|   | 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             | 8,810         |            |
| Miscellaneous Operating and Maintenance Expenses          | 6590   | 157              |               |            |
|   | <b>Total Operating and Maintenance Expenses</b>      |                  |               | \$ 57,112  |
| Taxes and<br>Insurance<br>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             | 17,289        |            |
|   | Other Insurance (specify)                            | 6729             | —             |            |
|   | <b>Total Taxes and Insurance</b>                     |                  |               | \$ 17,289  |
| Financial<br>Expenses<br>6800                             | Interest on Bonds Payable                            | 6810             | —             |            |
|   | Interest on Mortgage Payable                         | 6820             | 51,326        |            |
|   | Interest on Notes Payable (Long-Term)                | 6830             | —             |            |
|   | Interest on Notes Payable (Short-Term)               | 6840             | —             |            |
|   | Mortgage Insurance Premium / Service Charge          | 6850             | —             |            |
|   | Miscellaneous Financial Expenses                     | 6890             | 322           |            |
|   | <b>Total Financial Expenses</b>                      |                  |               | \$ 51,648  |
| Elderly and<br>Congregate<br>Service<br>Expenses<br>6900  | <b>Total Service Expenses (Schedule Attached)</b>    | 6900             |               | \$ —       |
|   | <b>Total Cost of Operations Before Depreciation</b>  |                  |               | \$ 255,487 |
|   | <b>Profit (Loss) Before Depreciation</b>             |                  |               | \$ 188,709 |
|   | Depreciation and Amortization                        | 6600             | —             | \$ 104,759 |
|   | Operating Profit or (Loss)                           |                  |               | \$ 83,950  |
| Corporate or<br>Mortgage or<br>Entity<br>Expenses<br>7100 | Officer Salaries                                     | 7110             | —             |            |
|   | Legal Expenses – (Entity)                            | 7120             | —             |            |
|   | Taxes (Federal – State – Entity)                     | 7130-32          | —             |            |
|   | Other Expenses (Entity)                              | 7190             | —             |            |
|   | <b>Total Corporate Expenses</b>                      |                  |               | \$ —       |
|   | <b>Net Profit or (Loss)</b>                          |                  |               | \$ 83,950  |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook  
(Project No. 880149)

Supplementary Information  
Changes in Capital Asset Accounts

Year ended June 30, 2006

|                               | <b>Capital Assets</b>                |                  |                                      | <b>Accumulated Depreciation</b>      |                              |                                      | <b>Net book value</b> |
|-------------------------------|--------------------------------------|------------------|--------------------------------------|--------------------------------------|------------------------------|--------------------------------------|-----------------------|
|                               | <b>Balance<br/>June 30,<br/>2005</b> | <b>Additions</b> | <b>Balance<br/>June 30,<br/>2006</b> | <b>Balance<br/>June 30,<br/>2005</b> | <b>Current<br/>provision</b> | <b>Balance<br/>June 30,<br/>2006</b> |                       |
| Land                          | \$ 649,636                           | —                | 649,636                              | —                                    | —                            | —                                    | 649,636               |
| Buildings and<br>improvements | 2,587,486                            | —                | 2,587,486                            | 1,484,806                            | 94,090                       | 1,578,896                            | 1,008,590             |
| Equipment                     | 60,229                               | —                | 60,229                               | 25,555                               | 10,669                       | 36,224                               | 24,005                |
|                               | <u>\$ 3,297,351</u>                  | <u>—</u>         | <u>3,297,351</u>                     | <u>1,510,361</u>                     | <u>104,759</u>               | <u>1,615,120</u>                     | <u>1,682,231</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

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 basic financial statements of the Fairfax County Redevelopment and Housing Authority, Rental Program – Penderbrook, Project No. 880149 (the Project) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 8, 2006. 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 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 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.

KPMG LLP

September 8, 2006

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook

(Project No. 880149)

Identification of Engagement Auditor

June 30, 2006

|                                   |  |
|-----------------------------------|--|
| Auditing firm:                    | KPMG LLP                                 |
| Office mailing address:           | 2001 M Street NW<br>Washington, DC 20036 |
| Office telephone number:          | (202) 533-3006                           |
| Office fax number:                | (202) 315-2661                           |
| Lead auditor and primary contact: | Paul M. Geraty<br>Partner                |
| E-mail address:                   | pgeraty@kpmg.com                         |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook

(Project No. 880149)

Audit Compliance and Internal Control Questionnaire

June 30, 2006

Project Name: Rental Program – Penderbrook

Project Number: 880149

Fiscal Year End: June 30, 2006

Answers to these questions should be based upon a review of procedures and/or an actual test of transactions. “No” answers may be indicative of an adverse condition which must be described in the audit report unless the Mortgagor/Grantee has written permission from VHDA to deviate from the regular mortgage/grant requirements.

The following questionnaire is a required part of this report per the VHDA Mortgagor’s Audit Guide. The responses to the questions were entered by KPMG based on the results of inquiry and observations related to the item addressed. KPMG considered these items in preparing its report on internal control and this questionnaire should be read in conjunction with that report.

| <b>Examination status</b>  | <b>Yes</b> | <b>No</b>                    | <b>N/A</b> | <b>WP reference</b> |
|--|------------|------------------------------|------------|---------------------|
| <b>1. Mortgage Status</b>  |            |                              |            |                     |
| a. Are payments on all mortgages current?  | <b>X</b>   |                              |            | <b>I - Series</b>   |
| b. Has the Mortgagor/Grantee complied with the terms and conditions of the modification, forbearance and/or workout arrangement?   |            |                              | <b>X</b>   | <b>N/A</b>          |
| 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? |            |                              | <b>X</b>   | <b>N/A</b>          |
| <b>2. Books and Records</b>  |            |                              |            |                     |
| a. Are a complete set of books and records maintained in a satisfactory manner?  | <b>X</b>   |                              |            | <b>GB-P-3</b>       |
| b. Does the Mortgagor/Grantee make frequent postings (at least monthly) to the ledger accounts?  | <b>X</b>   |                              |            | <b>GB-P-3</b>       |
| <b>3. Cash Activities</b>  |            |                              |            |                     |
| a. Are the cash receipts deposited in an account in the name of the development?   |            | <b>X as approved by VHDA</b> |            | <b>B - Series</b>   |
| b. Are all account balances federally insured?   | <b>X</b>   |                              |            | <b>GB-P-3</b>       |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook

(Project No. 880149)

Audit Compliance and Internal Control Questionnaire

June 30, 2006

| <u>Examination status</u>   | <u>Yes</u> | <u>No</u>                    | <u>N/A</u> | <u>WP reference</u> |
|---|------------|------------------------------|------------|---------------------|
| c. If a centralized account is used, is it limited to disbursements?  |            | <b>X as approved by VHDA</b> |            | <b>B - Series</b>   |
| d. On assisted developments, are security deposits kept in an account separate and apart from all other funds of the development?   |            | <b>X as approved by VHDA</b> |            | <b>N/A</b>          |
| e. On assisted developments, does the balance in the security deposit account equal or exceed the liability? Note: The liability should include the accrued interest payable.   | <b>X</b>   |                              |            | <b>M - Series</b>   |
| f. Does 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?                                     | <b>X</b>   |                              |            | <b>PF-11-7</b>      |
| g. Did cash disbursements exclude payments for items listed below:  |            |                              |            |                     |
| • Legal expenses incurred in the sale of partnership interest?  |            |                              | <b>X</b>   | <b>N/A</b>          |
| • The fee for the preparation of a partner's, shareholder's or individual's federal, state, or local income tax returns?  |            |                              | <b>X</b>   | <b>N/A</b>          |
| • Expenses for advice to an owner on tax consequences of foreclosure?   |            |                              | <b>X</b>   | <b>N/A</b>          |
| • 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? |            |                              | <b>X</b>   | <b>N/A</b>          |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook

(Project No. 880149)

Audit Compliance and Internal Control Questionnaire

June 30, 2006

| <u>Examination status</u>  | <u>Yes</u> | <u>No</u> | <u>N/A</u> | <u>WP reference</u> |
|--|------------|-----------|------------|---------------------|
| <ul style="list-style-type: none"> <li>• Were all disbursements from the operating account(s) made exclusively for operations or obligations of the development?</li> </ul>  | <b>X</b>   |           |            | <b>B - 1</b>        |
| 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? |            |           | <b>X</b>   | <b>N/A</b>          |
| Note: 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?   |            |           | <b>X</b>   | <b>N/A</b>          |
| Note: 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?   |            |           | <b>X</b>   | <b>N/A</b>          |
| i. Were residual receipts deposited with the mortgagee within thirty days after mortgagee request of such deposit?   |            |           | <b>X</b>   | <b>N/A</b>          |
| j. Were excess rental collections in Section 236 developments remitted to HUD each month?  |            |           | <b>X</b>   | <b>N/A</b>          |
| k. Does the Mortgagor/Grantee have a formal rent collection policy?  | <b>X</b>   |           |            | <b>L - Series</b>   |
| l. Is the collection policy uniformly enforced?  | <b>X</b>   |           |            | <b>L - Series</b>   |
| m. Is there a formal procedure for write-off of bad debts?   | <b>X</b>   |           |            | <b>L - Series</b>   |
| n. Have write-offs of tenants’ accounts been less than five percent of the gross rent?   | <b>X</b>   |           |            | <b>L - Series</b>   |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook

(Project No. 880149)

Audit Compliance and Internal Control Questionnaire

June 30, 2006

| <u>Examination status</u>   | <u>Yes</u> | <u>No</u> | <u>N/A</u> | <u>WP reference</u> |
|---|------------|-----------|------------|---------------------|
| o. Are accounts receivable other than tenants' receivables composed exclusively of amounts due from unrelated persons or firms?   |            |           | <b>X</b>   | N/A                 |
| 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? | <b>X</b>   |           |            | M - Series          |
| q. Were accounts payable remitted in a timely manner so as to not incur late charges/penalties?   | <b>X</b>   |           |            | M - Series          |
| <b>4. Management Compensation</b>   |            |           |            |                     |
| a. Was compensation to the Management Agent limited to the amounts prescribed in the Management Agreement?  |            |           | <b>X</b>   | N/A                 |
| b. Did agent not charge development for expenses which the Management Agreement requires agent to pay?  |            |           | <b>X</b>   | N/A                 |
| <b>5. Rents and Occupancy</b>   |            |           |            |                     |
| 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 maintained by the Management Agent?                                   | <b>X</b>   |           |            | L - Series          |
| 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)?                     |            |           | <b>X</b>   | N/A                 |
| c. On assisted developments, are dwelling unit rents the same as those approved by VHDA on the most recent Rent Schedule, HUD No. 92458?  |            |           | <b>X</b>   | N/A                 |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook

(Project No. 880149)

Audit Compliance and Internal Control Questionnaire

June 30, 2006

| <u>Examination status</u>   | <u>Yes</u> | <u>No</u> | <u>N/A</u> | <u>WP reference</u> |
|---|------------|-----------|------------|---------------------|
| <b>6. VHDA/HUD Subsidy Payments</b><br><i>(Section 8/RAP Developments Only)</i>   |            |           |            |                     |
| a. Were the amounts requested from VHDA/HUD adequately supported by the accounting records?   | _____      | _____     | <b>X</b>   | N/A                 |
| b. Were subsidy receipts recorded in the proper accounts?   | _____      | _____     | <b>X</b>   | N/A                 |
| 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? | _____      | _____     | <b>X</b>   | N/A                 |
| 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         | _____      | _____     | <b>X</b>   | N/A                 |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Rental Program – Penderbrook  
(Project No. 880149)

Certificate of Assistant Secretary

June 30, 2006

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, 2006.



Mary A. Stevens  
Assistant Secretary  
Fairfax County Redevelopment and  
Housing Authority  
Employer Identification Number 52-1464034