

**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, 2005

(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, 2005, 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, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2005, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 7 is not a required part of the Project's basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was 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 September 2, 2005 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 2, 2005

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

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

Management’s Discussion and Analysis (MD&A)

June 30, 2005

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, 2005, 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 2005 (FY 2005)

In summary, the Project’s FY 2005 financial highlights include the following:

- At June 30, 2005, total assets and liabilities were approximately \$1.7 million and \$1.8 million, respectively; resulting in a deficit of approximately \$0.1 million.
- Total revenues and expenses were \$634,246 and \$623,206, respectively; thus total net assets increased by \$11,040.
- Cash flows from operating activities amounted to \$131,368. After considering investing, capital, and related financing activities, total cash decreased by \$326.

Project Financial Statements

This discussion and analysis presents the Project’s FY 2005 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 2005 financial results are also compared to FY 2004, 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 full accrual basis of accounting, and report the Project’s net assets and changes in net assets. Under the full accrual basis of accounting, the financial statements recognize revenues in the period they are earned and expenses in the period incurred.

**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, 2005

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, 2005 and 2004.

Table 1

Summary of Net Assets

June 30, 2005 and 2004

<u>Description</u>	<u>2005</u>	<u>2004</u>	<u>Increase (decrease)</u>
Current and other assets	\$ 307,514	310,525	(3,011)
Capital assets	1,345,459	1,396,391	(50,932)
Total assets	<u>1,652,973</u>	<u>1,706,916</u>	<u>(53,943)</u>
Current liabilities	1,163,341	1,176,452	(13,111)
Long-term liabilities	622,365	674,237	(51,872)
Total liabilities	<u>1,785,706</u>	<u>1,850,689</u>	<u>(64,983)</u>
Net assets (deficit):			
Invested in capital assets, net of related debt	671,224	672,149	(925)
Restricted	168,999	194,037	(25,038)
Unrestricted	<u>(972,956)</u>	<u>(1,009,959)</u>	<u>37,003</u>
Total net assets (deficit)	<u>\$ (132,733)</u>	<u>(143,773)</u>	<u>11,040</u>

The Project’s net assets are increased by current year’s net income of \$11,040. The unrestricted net assets showed a \$972,956 deficit at the end of this year. This is primarily due to cash advances from the Authority to the Project of approximately \$1 million. This debt is recorded as a current liability on the Project’s financial statements and is due on demand.

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

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

Management’s Discussion and Analysis (MD&A)

June 30, 2005

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 administrative, utilities, maintenance, and depreciation; and nonoperating revenue and expenses, such as investment income and interest expense. The statements reported an increase in net assets of approximately \$11,040 in FY 2005. 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, 2005 and 2004

Description	2005	2004	Increase (decrease)
Revenues:			
Operating revenues	\$ 633,571	616,181	17,390
Interest income	675	596	79
Total revenues	<u>634,246</u>	<u>616,777</u>	<u>17,469</u>
Expenses:			
Operating expenses	584,719	575,824	8,895
Interest expense	38,487	40,470	(1,983)
Total expenses	<u>623,206</u>	<u>616,294</u>	<u>6,912</u>
Increase in net assets	11,040	483	10,557
Total net assets, beginning of year	<u>(143,773)</u>	<u>(144,256)</u>	483
Total net assets, end of year	<u>\$ (132,733)</u>	<u>(143,773)</u>	<u>11,040</u>

In FY 2005, the Project’s operating revenues increased because rents were raised. 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 increased by approximately \$5,895 due primarily to an increase in utility costs.

**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, 2005

Capital Assets and Debt Administration

The Project’s capital assets as of June 30, 2005, included land, buildings and improvements, and equipment that totaled \$1,345,459, net of accumulated depreciation of \$1,141,196. A breakdown of these assets is shown in the following table.

Table 3

Changes in Capital Assets of the Project

Description	Beginning balance	Net change	Ending balance
Nondepreciable assets:			
Land	\$ 41,969	—	41,969
Depreciable assets:			
Buildings and improvements	2,315,284	43,875	2,359,159
Equipment	85,527	—	85,527
Accumulated depreciation	(1,046,389)	(94,807)	(1,141,196)
Total	\$ 1,396,391	(50,932)	1,345,459

The following table reflects the changes in the Project’s long-term debt during FY 2005.

Table 4

Changes in Long-Term Debt of the Project

Description	Beginning balance	Additions	Reductions	Ending balance	Due within one year
First mortgage note	\$ 261,242	—	(41,607)	219,635	42,870
SunTrust note	463,000	—	(8,400)	454,600	9,000
	\$ 724,242	—	(50,007)	674,235	51,870

**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, 2005

Project Challenges for the Future

HCD commenced the process of replacing all existing lighting fixtures in the project. Also, because of the age and condition of the existing building HVAC supply lines, a cost analysis will be performed in the future for replacing the interior heat and air conditioning supply risers in all Project buildings. Work to replace floor tiles and to waterproof several basement units will start in FY 2006.

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 HOUSING AUTHORITY

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

Statement of Net Assets

June 30, 2005

Assets

Current assets:

Cash in bank	\$	61,907
Accounts receivable (net of allowance for uncollectible accounts of \$10,079)		<u>1,073</u>
Total current assets		62,980

Restricted assets:

Deposits held in trust		51,448
Reserves and mortgage escrow deposits		<u>168,999</u>
Total restricted assets		220,447

Capital assets (notes 3 and 4):

Land		41,969
Buildings and improvements		2,359,159
Equipment		85,527
Accumulated depreciation		<u>(1,141,196)</u>
Total capital assets, net		1,345,459

Deferred financing fees (net of amortization of \$5,314)		<u>24,087</u>
Total assets		<u>1,652,973</u>

Liabilities

Current liabilities:

Accounts payable and accrued liabilities		46,048
Due to the Authority (note 5)		1,000,564
Deposits held in trust		51,448
Deferred revenue		2,137
Accrued compensated absences		11,274
Mortgage and notes payable (note 4)		<u>51,870</u>
Total current liabilities		<u>1,163,341</u>

Noncurrent liabilities:

Mortgage and notes payable (note 4)		<u>622,365</u>
Total liabilities		<u>1,785,706</u>

Net Assets (deficit)

Invested in capital assets, net of related debt		671,224
Restricted net assets		168,999
Unrestricted net assets (deficit)		<u>(972,956)</u>
Total net assets (deficit)	\$	<u><u>(132,733)</u></u>

See accompanying notes to financial statements.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY

Rental Program – Hopkins Glen

(Project No. 000-55020-LDP)

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2005

Operating revenues:	
Dwelling rentals	\$ 599,111
Other	34,460
	<hr/>
Total operating revenues	633,571
	<hr/>
Operating expenses:	
Personnel services	145,361
Utilities	137,018
Repairs and maintenance	105,183
Other supplies and expenses	100,224
Depreciation and amortization	96,933
	<hr/>
Total operating expenses	584,719
	<hr/>
Net operating income	48,852
Nonoperating revenues (expenses):	
Interest revenue	675
Interest expense	(38,487)
	<hr/>
Total nonoperating expenses, net	(37,812)
	<hr/>
Change in net assets	11,040
Total net assets (deficit), beginning of year	(143,773)
	<hr/>
Total net assets (deficit), end of year	\$ (132,733)
	<hr/> <hr/>

See accompanying notes to financial statements

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY

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

Statement of Cash Flows

Year ended June 30, 2005

Cash flows from operating activities:	
Rental income received	\$ 598,310
Other operating cash received	34,460
Payments to employees for services	(150,592)
Payments to suppliers for goods and services	(109,623)
Repairs and maintenance paid	(105,183)
Utilities paid	(137,018)
Net tenant security deposits received	1,014
Net cash provided by operating activities	<u>131,368</u>
Cash flows from investing activities:	
Interest received	675
Net cash provided by investing activities	<u>675</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(43,875)
Principal payments on mortgage and notes payable	(50,007)
Interest payments on mortgage and notes payable	(38,487)
Net cash used in capital and related financing activities	<u>(132,369)</u>
Net decrease in cash	(326)
Cash, beginning of year	<u>282,680</u>
Cash, end of year	<u><u>\$ 282,354</u></u>
Reconciliation of net operating income to net cash provided by operating activities:	
Net operating income	\$ 48,852
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation and amortization	96,933
Decrease in tenant accounts receivable	559
Decrease accounts payable and accrued liabilities	(14,630)
Increase in deposit held in trust	1,014
Decrease in deferred revenue	(1,360)
Net cash provided by operating activities	<u><u>\$ 131,368</u></u>

See accompanying notes to financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

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

Notes to Financial Statements

June 30, 2005

(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 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) Basis of Accounting

The activities of the Project are accounted for on an economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred. 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 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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Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Notes to Financial Statements

June 30, 2005

(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, 2005 to be liquidated in FY 2006.

(e) *Revenue Recognition*

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

(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 and five to ten years for equipment. Depreciation is not recorded on land.

(g) *Deferred Financing Fees*

Financing fees 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 2005, the Authority implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. Implementation of this standard did not impact the Project's note disclosures.

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

Notes to Financial Statements

June 30, 2005

(3) Capital Assets

Capital assets activity for the year ended June 30, 2005 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	2,315,284	43,875	—	2,359,159
Equipment	85,527	—	—	85,527
Total capital assets being depreciated	<u>2,400,811</u>	<u>43,875</u>	<u>—</u>	<u>2,444,686</u>
Less accumulated depreciation for:				
Buildings and improvements	(986,539)	(85,533)	—	(1,072,072)
Equipment	(59,850)	(9,274)	—	(69,124)
Total accumulated depreciation	<u>(1,046,389)</u>	<u>(94,807)</u>	<u>—</u>	<u>(1,141,196)</u>
Capital assets, net	<u>\$ 1,396,391</u>			<u>1,345,459</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.

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.

<u>Description</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
First mortgage note	\$ 261,242	—	(41,607)	219,635	42,870
SunTrust note	463,000	—	(8,400)	454,600	9,000
	<u>\$ 724,242</u>	<u>—</u>	<u>(50,007)</u>	<u>674,235</u>	<u>51,870</u>

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

Notes to Financial Statements

June 30, 2005

The aggregate amount of required principal and interest payments on the mortgage and notes as of June 30, 2005 is \$843,242 and is due as follows:

	Principal	Interest
Year ending June 30:		
2006	\$ 51,870	25,515
2007	53,774	23,803
2008	55,118	22,043
2009	57,102	20,238
2010	50,971	18,361
2011 – 2015	309,900	56,111
2016 – 2020	95,500	2,936
	\$ 674,235	169,007

(5) Due to the Authority

Due to the Authority represents amounts borrowed from the Authority to fund Project operations. During 2005, 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 2005 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.

(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, 2005.

SUPPLEMENTARY INFORMATION

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

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

Supplementary Information

June 30, 2005

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, 2004	\$ 129,701
Monthly deposits	56,493
Interest earned	407
Withdrawals	<u>(41,279)</u>
Balance, June 30, 2005, confirmed by mortgagee	<u>\$ 145,322</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, 2004	\$ 64,336
Deposits	51,741
Withdrawals	<u>(92,400)</u>
Balance, June 30, 2005	<u>\$ 23,677</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>\$ 50,007</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>\$ 56,493</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, 2005	Project Number HUD Project No: 000-55020-LDP
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Part A – Compute Surplus Cash

Cash

1. Cash (Accounts 1110, 1120, 1191, 1192)	\$ 113,355	
2. Tenant subsidy vouchers due for period covered by financial statement	\$ —	
3. Other (describe)	\$ —	
(a) Total Cash (Add Lines 1, 2, and 3)		\$ 113,355

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)	\$ 57,322	
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)	\$ 2,137	
12. Tenant security deposits liability (Account 2191)	\$ 51,448	
13. Other (Describe) – Due to Authority	\$ 1,000,564	
(b) Less Total Current Obligations (Add Lines 4 through 13)		\$ 1,111,471
(c) Surplus Cash (Deficiency) (Line (a) minus Line (b))		\$ (998,116)

Part B – Compute Distributions to Owners and Required Deposit to Residual Receipts

1. Surplus Cash	\$ None
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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 HOUSING AUTHORITY

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

Supplementary Information

Schedule of Revenues and Expenses

Year ended June 30, 2005

Description of Account	Acct. No.	Amount
Part I – Rental Income – 5100:		
Apartments or member carrying charges (coops)	5120	\$ 603,176
Tenant assistance payments	5121	—
Furniture and equipment	5130	—
Stores and commercial	5140	—
Garage and parking spaces	5170	—
Flexible subsidy income	5180	—
Miscellaneous (specify)	5190	—
		<hr/>
Total rent revenue potential at 100% occupancy		603,176
Vacancies – 5200:		
Apartments	5220	(4,065)
Furniture and equipment	5230	—
Stores and commercial	5240	—
Garage and parking spaces	5270	—
Miscellaneous (specify)	5290	—
		<hr/>
Total vacancies		(4,065)
Net Rental Revenue		<hr/>
		599,111
Elderly and Congregate Services Income – 5300:		
Total Service Income (schedule attached)	5300	—
Financial Revenue:		
Interest income – project operations	5410	268
Income from investments – residual receipts	5430	—
Income from investments – reserve for replacement	5440	407
Income from investments – miscellaneous	5490	—
		<hr/>
Total Financial Revenue		675
Other Revenue – 5900:		
Laundry and vending	5910	16,744
NSF and late charges	5920	1,817
Damages and cleaning fees	5930	3,024
Forfeited tenant security deposits	5940	—
Other revenue (specify)	5990	12,875
		<hr/>
Total Other Revenue		34,460
Total Revenue		<hr/>
		634,246
Administrative Expenses – 6200/6300:		
Advertising	6210	—
Other administrative expense	6250	7,201
Office salaries	6310	—
Office supplies	6311	4,091
Office or model apartment rent	6312	5,712

(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, 2005

Description of Account	Acct. No.	Amount
Management fees	6320	\$ 34,296
Manager or superintendent salaries	6330	33,973
Manager or superintendent rent free unit	6331	—
Legal expenses – project	6340	423
Audit expense – project	6350	8,000
Bookkeeping fees/accounting service	6351	5,171
Telephone and answering service	6360	—
Bad debts	6370	—
Miscellaneous administrative expenses (specify)	6390	4,107
Total Administrative Expenses		<u>102,974</u>
Utilities Expense – 6400:		
Fuel oil/coal	6420	—
Electricity (light and misc. power)	6450	51,226
Water	6451	37,264
Gas	6452	48,528
Sewer	6453	—
Total Utilities Expense		<u>137,018</u>
Operating and Maintenance Expenses – 6500:		
Janitor and cleaning payroll	6510	29,144
Janitor and cleaning supplies	6515	1,020
Janitor and cleaning contract	6517	—
Exterminating payroll/contract	6519	4,931
Exterminating supplies	6520	—
Garbage and trash removal	6525	8,070
Security payroll/contract	6530	400
Grounds payroll	6535	—
Grounds supplies	6536	1,178
Grounds contract	6537	24,490
Repairs payroll	6540	51,174
Repairs material	6541	19,214
Repairs contract	6542	10,768
Elevator maintenance/contract	6545	—
Heating/cooling repairs and maintenance	6546	5,619
Swimming pool maintenance/contract	6547	—
Snow removal	6548	4,481
Decorating payroll/contract	6560	20,200
Decorating supplies	6561	1,355
Other	6570	—
Miscellaneous operating and maintenance expenses	6590	3,457
Total Operating and Maintenance Expenses		<u>185,501</u>

(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, 2005

Description of Account	Acct. No.	Amount
Taxes and Insurance – 6700:		
Real estate taxes	6710	\$ 30,187
Payroll taxes (FICA)	6711	18,605
Miscellaneous taxes, licenses, permits, and insurance	6719	—
Property and liability insurance (hazard)	6720	—
Fidelity bond insurance	6721	—
Workmen’s compensation	6722	676
Health insurance and other employee benefits	6723	12,465
Other insurance (specify)	6729	—
		<hr/>
Total Taxes and Insurance		61,933
Financial Expenses – 6800:		
Interest on bonds payable	6810	—
Interest on mortgage payable	6820	38,487
Interest on notes payable (long-term)	6830	—
Interest on notes payable (short-term)	6840	—
Mortgage insurance premium/service charge	6850	360
Miscellaneous financial expenses	6890	—
		<hr/>
Total Financial Expenses		38,847
Elderly and Congregate Service Expenses – 6900:		
Total service expenses (schedule attached)	6900	—
		<hr/>
Total cost of operations before depreciation		—
		<hr/>
Profit (loss) before depreciation		—
		<hr/>
Depreciation and amortization	6600	96,933
		<hr/>
Operating profit or (loss)		11,040
Corporate or Mortgagor Entity Expenses – 7100:		
Officer salaries	7110	—
Legal expenses – (entity)	7120	—
Taxes (federal – state – entity)	7130-32	—
Other expenses (entity)	7190	—
		<hr/>
Total Corporate Expenses		—
		<hr/>
Net Profit or (Loss)		\$ 11,040
		<hr/> <hr/>

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, 2005

	Capital Assets			Accumulated Depreciation		Net book value
	Balance June 30, 2004	Additions	Balance June 30, 2005	Balance June 30, 2004	Current provision	
Land	\$ 41,969	—	41,969	—	—	41,969
Buildings and improvements	2,315,284	43,875	2,359,159	986,539	85,533	1,287,087
Equipment	85,527	—	85,527	59,850	9,274	69,124
	<u>\$ 2,442,780</u>	<u>43,875</u>	<u>2,486,655</u>	<u>1,046,389</u>	<u>94,807</u>	<u>1,141,196</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, 2005 and have issued our report thereon dated September 2, 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.

September 2, 2005