

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)

Financial Statements and Management's Discussion and Analysis

June 30, 2005

(With Independent Auditors' Report Thereon)

LITTLE RIVER GLEN LIMITED PARTNERSHIP

(Project No. 003993)

June 30, 2005

Table of Contents

	Page
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



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

The Board of Supervisors
County of Fairfax, Virginia

The Board of Commissioners
Fairfax County Redevelopment and Housing Authority:

We have audited the financial statements of Little River Glen Limited Partnership (the Partnership), a component unit of the Fairfax County Redevelopment and Housing Authority, as of and for the year ended June 30, 2005, as listed in the accompanying table of contents. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements of the Partnership are intended to present the financial position and changes in financial position and cash flows of only the Partnership. They do not purport to, and do not, present fairly the financial position of the Fairfax County Redevelopment and Housing Authority as of June 30, 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 referred to above present fairly, in all material respects, the financial position of Little River Glen Limited Partnership 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 6 is not a required part of the 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.

KPMG LLP

September 2, 2005

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)

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 – Little River Glen Limited Partnership (Project No. 003993) (the Partnership) for the fiscal year ended June 30, 2005 to assist the reader in focusing on significant financial issues of the Partnership. The Partnership, which was formed as the Little River Glen Limited Partnership in August 1996, is a 120 unit residential housing and community center facility for the elderly that is operated by the FCRHA.

The Partnership's Financial Highlights for Fiscal Year 2005 (FY 2005)

In summary, the Partnership's FY 2005 financial highlights include the following:

- At June 30, 2005, total assets and liabilities were approximately \$7.3 million and \$5.9 million, respectively compared to approximately \$7.5 million and \$5.9 million in the previous year; thus total net assets were approximately \$1.4 million in FY 2005 compared to approximately \$1.6 million in FY 2004.
- Total revenues and expenses were approximately \$1.0 million and \$1.6 million, respectively; resulting in a net loss before the operating transfer from the County of approximately \$515,000. Taking into consideration the operating transfer from the County of approximately \$354,000, the net loss and decrease in net assets in FY 2005 was reduced to approximately \$162,000. In FY 2004, total revenues and expenses were approximately \$1.0 million and \$1.5 million, respectively; resulting in net loss before the operating transfer from the County of approximately \$429,000. The decrease in net assets in FY 2005 was consistent with FY 2004 during which net assets decreased by approximately \$197,000 after the operating transfer from the county of approximately \$233,000.
- Cash flows from operating activities amounted to approximately \$220,000. After considering investing, noncapital financing, and capital and related financing activities, total cash increased by approximately \$139,000.

Partnership Financial Statements

This discussion and analysis presents the Partnership's financial results in three financial statements – the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. The FY 2005 financial results are compared to those of FY 2004, 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 full accrual basis of accounting. Under the full accrual basis of accounting, the financial statements recognize revenues in the period they are earned and expenses in the period they are incurred.

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)

Management's Discussion and Analysis (MD&A)

June 30, 2005

Summary of Net Assets

The Partnership's FY 2005 and FY 2004 statements of net assets report all financial and capital assets of the Partnership and are presented in a format where assets, minus liabilities, equal net assets. The following table reflects a condensed summary of net assets as of June 30, 2005 and 2004.

Table 1

Summary of Net Assets

June 30, 2005 and 2004

Description	2005	2004	Increase (decrease)
Current and other assets	\$ 1,719,121	1,572,488	146,633
Capital assets	5,562,577	5,923,412	(360,835)
Total assets	<u>7,281,698</u>	<u>7,495,900</u>	<u>(214,202)</u>
Current liabilities	410,299	349,957	60,342
Long-term liabilities	5,430,156	5,543,067	(112,911)
Total liabilities	<u>5,840,455</u>	<u>5,893,024</u>	<u>(52,569)</u>
Net assets:			
Invested in capital assets, net of related debt	32,577	273,412	(240,835)
Restricted	851,908	803,124	48,784
Unrestricted	556,758	526,340	30,418
Total net assets	<u>\$ 1,441,243</u>	<u>1,602,876</u>	<u>(161,633)</u>

The Partnership's net assets include unrestricted net assets of \$556,758, which is comprised of cash in the Treasury of Fairfax County and tenant accounts receivable. The decrease in net assets invested in capital assets, net of related debt is due to depreciation charges, which were partially offset by debt repayments during the year.

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)

Management's Discussion and Analysis (MD&A)

June 30, 2005

Summary of Revenues, Expenses, and Changes in Net Assets

The Partnership's FY 2005 and FY 2004 statements of revenues, expenses, and changes in net assets include operating revenues, such as rental income, operating expenses, such as administrative, utilities, maintenance, and depreciation; and nonoperating revenue and expenses, such as County contributions, investment income, and interest expense. After the County of Fairfax contributed approximately \$354,000 and \$233,000 in FY 2005 and FY 2004, the Partnership experienced a decrease in net assets of approximately \$162,000 and \$197,000, respectively. Table 2 presents a condensed summary of data from the Partnership's statements of revenues, expenses, and changes in net assets.

Table 2

Summary of Revenues, Expenses, and Changes in Net Assets
Years ended June 30, 2005 and 2004

Description	2005	2004	Increase (decrease)
Revenues:			
Operating revenues	\$ 1,044,083	1,040,163	3,920
Interest income	22,862	17,411	5,451
Total revenues	<u>1,066,945</u>	<u>1,057,574</u>	<u>9,371</u>
Expenses:			
Operating expenses	1,246,790	1,145,730	101,060
Interest expense	335,534	341,174	(5,640)
Total expenses	<u>1,582,324</u>	<u>1,486,904</u>	<u>95,420</u>
Change in net assets before transfer	(515,379)	(429,330)	(86,049)
Operating transfer from Fairfax County	<u>353,746</u>	<u>232,635</u>	<u>121,111</u>
Change in net assets	(161,633)	(196,695)	35,062
Total net assets, beginning of year	<u>1,602,876</u>	<u>1,799,571</u>	<u>(196,695)</u>
Total net assets, end of year	<u>\$ 1,441,243</u>	<u>1,602,876</u>	<u>(161,633)</u>

In FY 2005, the Partnership's operating expenses totaled \$1,246,790, which include administrative expenses related to personnel salaries and employee fringe benefit contributions, auditing costs, office supplies, repairs and maintenance expense, utilities, and depreciation. There was an increase in operating expenses of \$101,060 primarily attributable to increased repair and maintenance expenses. The County contributes funds to properties to help offset losses. The increase in the County operating transfer is due to the increased operating shortfall.

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)

Management's Discussion and Analysis (MD&A)

June 30, 2005

Capital Assets and Debt Administration

The Partnership's capital assets as of June 30, 2005 included land, buildings and improvements, and furniture and equipment that totaled \$5,562,577, net of accumulated depreciation of \$5,441,125. A breakdown of these assets is shown on Table 3.

Table 3

Change in Capital Assets of the Little River Glen Limited Partnership

<u>Description</u>	<u>Beginning balance</u>	<u>Net changes</u>	<u>Ending balance</u>
Nondepreciable assets:			
Land	\$ 1,035,634	—	1,035,634
Depreciable capital assets:			
Buildings and improvements	9,922,950	—	9,922,950
Equipment	45,118	—	45,118
Accumulated depreciation	(5,080,290)	(360,835)	(5,441,125)
Totals	<u>\$ 5,923,412</u>	<u>(360,835)</u>	<u>5,562,577</u>

Bonds payable for the Partnership at June 30, 2005 represent Federal Housing Administration (FHA)-insured mortgage revenue bonds with an original principal balance amount of \$6,340,000 and interest rates which vary between 4.65% and 6.10% with final payment due September 1, 2026. During FY 2005, the Partnership made its required principal payments on the outstanding bonds of \$120,000. The Partnership's capital assets are pledged as security for the bonds. There were no additions or disposals of capital assets during FY 2005.

Partnership Challenges for the Future

The Authority's challenges for the future include maintaining the now 15-year-old property in good physical repair with limited financial resources. As this property ages, its maintenance issues will increase. In FY 2006 several maintenance projects are expected to be completed: sidewalk repair, replacement of gutters, downspouts, tree removal and window trim. Ongoing upkeep such as carpet replacement in the common areas, wallpaper, interior and exterior painting, landscape updates, and parking lot repair/replacement, needs to continue in order to provide necessary tenant services. If these items are not replaced or repaired on a scheduled basis, the physical condition of the property will deteriorate requiring replacement of items on an emergency basis.

Contacting FCRHA Management

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

LITTLE RIVER GLEN LIMITED PARTNERSHIP

(Project No. 003993)

Statement of Net Assets

June 30, 2005

Assets:

Current assets:

Cash on deposit with County of Fairfax, Virginia (note 2)	\$ 859,196
Accounts receivable (net of allowance for uncollectible accounts of \$2,926)	8,017
Total current assets	<u>867,213</u>

Restricted assets:

Cash with fiscal agent (note 2)	<u>851,908</u>
---------------------------------	----------------

Capital assets (notes 3 and 4):

Nondepreciable:	1,035,634
Land	
Depreciable:	
Buildings and improvements	9,922,950
Equipment	45,118
Accumulated depreciation	<u>(5,441,125)</u>
Total capital assets, net	<u>5,562,577</u>

Total assets	<u>7,281,698</u>
--------------	------------------

Liabilities:

Current liabilities:

Accounts payable and accrued liabilities	149,935
Deposits held in trust	50,916
Deferred revenue	72,990
Bonds payable (note 4)	125,000
Accrued compensated absences (note 5)	11,458
Total current liabilities	<u>410,299</u>

Long-term liabilities:

Accrued compensated absences (note 5)	25,156
Bonds payable (note 4)	5,405,000
Total long-term liabilities	<u>5,430,156</u>

Total liabilities	<u>5,840,455</u>
-------------------	------------------

Net Assets:

Invested in capital assets, net of related debt	32,577
Restricted net assets	851,908
Unrestricted net assets	556,758
Total net assets	<u>\$ 1,441,243</u>

See accompanying notes to financial statements.

LITTLE RIVER GLEN LIMITED PARTNERSHIP

(Project No. 003993)

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2005

Operating revenues:	
Dwelling rentals	\$ 1,035,725
Other	8,358
	<hr/>
Total operating revenues	1,044,083
	<hr/>
Operating expenses:	
Personnel services	461,176
Utilities	106,274
Repairs and maintenance	259,421
Administrative expenses	59,084
Depreciation	360,835
	<hr/>
Total operating expenses	1,246,790
	<hr/>
Operating loss	(202,707)
	<hr/>
Nonoperating revenues (expenses):	
Interest income	22,862
Interest expense	(335,534)
	<hr/>
Total nonoperating expenses, net	(312,672)
	<hr/>
Loss before transfers	(515,379)
	<hr/>
Operating transfer from County	353,746
	<hr/>
Change in net assets	(161,633)
	<hr/>
Total net assets, beginning of year	1,602,876
	<hr/>
Total net assets, end of year	\$ 1,441,243
	<hr/> <hr/>

See accompanying notes to financial statements.

LITTLE RIVER GLEN LIMITED PARTNERSHIP

(Project No. 003993)

Statement of Cash Flows

Year ended June 30, 2005

Cash flows from operating activities:	
Rental receipts	\$ 1,047,988
Other operating cash receipts	8,358
Personnel expenses paid	(450,897)
Payments to suppliers for goods and services	(419,602)
Net tenant security deposits received	2,898
Net cash provided by operating activities	<u>188,745</u>
Cash flows from noncapital financing activities:	
Operating transfer from County received	353,746
Intergovernmental funds received	31,711
	<u>385,457</u>
Cash flows from capital and related financing activities:	
Bond interest payments	(337,653)
Bond principal payments	(120,000)
Net cash used in capital and related financing activities	<u>(457,653)</u>
Cash flows from investing activities:	
Interest on investments	22,862
Net increase in cash	<u>139,411</u>
Cash, beginning of year	<u>1,571,693</u>
Cash, end of year	\$ <u><u>1,711,104</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (202,707)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation	360,835
Increase in accounts receivable	(7,222)
Increase in accounts payable and accrued liabilities	8,034
Increase in accrued compensated absences	7,422
Increase in deposits held in trust	2,898
Increase in deferred revenue	19,485
Net cash provided by operating activities	\$ <u><u>188,745</u></u>

See accompanying notes to financial statements.

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)

Notes to Financial Statements

June 30, 2005

(1) Narrative Profile

The Little River Glen Limited Partnership (the Partnership) was formed in August 1996 as a limited partnership under the laws of the Commonwealth of Virginia for the purpose of acquiring, managing, and financing the Little River Glen Project No. 003993 (the Project). The Project is a 120 unit residential housing and community center facility for the elderly that is operated by the Fairfax County Redevelopment and Housing Authority (the Authority). The Authority controls both the general partnership and limited partnership interest in the Partnership. The facility serves low-and moderate-income elderly persons who are able to live independently and have attained at least 62 years of age.

The accompanying financial statements present only the financial position, changes in financial position, and cash flows of the Partnership and are not intended to present fairly the financial position, changes in financial position, and cash flows of the Authority in conformity with generally accepted accounting principles in the United States of America (GAAP).

(2) Summary of Significant Accounting Policies

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

(a) Basis of Accounting

The activities of the Partnership 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 Partnership applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or prior to November 30, 1989 unless these pronouncements conflict with pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of external financial reporting in accordance with GAAP, the Partnership is following the reporting guidance set forth in GAAP for "departmental" financial statements.

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

Partnership cash is maintained within the treasury of the County of Fairfax, Virginia (the County). To optimize investment returns, the Partnership funds are invested together with all other County pooled funds, all of which are fully insured and collateralized. The County allocates investment income to the Partnership based on its average cash balances.

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

According to the terms of the indenture related to the bonds payable discussed in note 4, the Partnership is required to maintain funds to service the bonds in an interest-bearing debt service reserve fund. This amount and the interest earned on the reserve fund in addition to other various reserves are reflected as cash with fiscal agent in the accompanying Statement of Net Assets and are fully insured and collateralized.

LITTLE RIVER GLEN LIMITED PARTNERSHIP

(Project No. 003993)

Notes to Financial Statements

June 30, 2005

Deposits held in trust reflect amounts collected as security deposits from tenants, which are included in the Project's Cash on Deposit with County of Fairfax, Virginia in the basic financial statements.

(d) Capital Assets

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

(e) Revenue Recognition

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned.

Intergovernmental revenues are recognized in the period in which all grant requirements are satisfied, which is typically when the Partnership has expended the funds on allowable costs. Grant funds received in advance of satisfying all requirements are recorded as deferred revenue.

(f) Compensated Absences

Employees are granted vacation and sick leave based on their length of service. Unused vacation leave is payable to employees upon termination based on the employee's current rate of pay, up to certain limits. Sick leave does not vest with the 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).

(g) Operating Revenues and Expenses

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

(h) Implementation of New GASB Standards

In FY 2005, the Authority implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. Implementation of this new standard did not impact the disclosures associated with the Partnership's financial statements.

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)

Notes to Financial Statements

June 30, 2005

(3) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not being depreciated – land	\$ 1,035,634	—	—	1,035,634
Capital assets, being depreciated:				
Buildings and improvements	9,922,950			9,922,950
Equipment	45,118	—	—	45,118
Total capital assets being depreciated	9,968,068	—	—	9,968,068
Less accumulated depreciation for:				
Buildings and improvements	(5,035,172)	(360,835)		(5,396,007)
Equipment	(45,118)		—	(45,118)
Total accumulated depreciation	(5,080,290)	(360,835)	—	(5,441,125)
Total capital assets, net	\$ 5,923,412			5,562,577

(4) Bonds Payable

Bonds payable at June 30, 2005 represent FHA insured mortgage revenue bonds with an original principal amount of \$6,340,000 and interest rates which vary between 4.65% and 6.10% with final payment due September 1, 2026. The Partnership's capital assets are pledged as security for the bonds. Bonds payable activity during 2005 was as follows:

Outstanding balance, beginning of year	\$ 5,650,000
Less principal payments	(120,000)
Outstanding balance, end of year	\$ 5,530,000

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)

Notes to Financial Statements

June 30, 2005

The aggregate amount of the required principal and interest payments on the bonds as of June 30, 2005 is \$10,103,712 and is due as follows:

	Principal	Interest
2006	\$ 125,000	330,916
2007	130,000	324,158
2008	140,000	317,135
2009	150,000	308,884
2010	160,000	299,810
2011-2015	945,000	1,344,475
2016-2020	1,275,000	1,017,438
2021-2025	1,735,000	570,200
2026	870,000	60,696
	\$ 5,530,000	4,573,712

(5) Changes in Compensated Absences Payable

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Compensated absences payable	\$ 29,192	23,547	16,125	36,614	11,458

(6) Related-Party Transactions

Operating Transfer from County of Fairfax, Virginia

The County Board of Supervisors appoints the Commissioners of the Authority. During the fiscal year ended June 30, 2005, the County made operating transfers to the Partnership amounting to \$353,746 to fund operating expenses. The County is committed to continuing to provide such operating transfers to ensure that the Project meets its obligations.

(7) Risk Management

The Partnership is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and citizens, and natural disasters. For all of these risks, the Partnership participates in the County's insurance program, which includes self-insurance and the purchase of certain commercial insurance policies, the costs of which are borne by the County. There were no claims settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's self-insurance internal service fund is available in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005.