

**FAIRFAX COUNTY REDEVELOPMENT AND  
HOUSING AUTHORITY  
Rental Program – Hopkins Glen  
(Project No. 000-55020-LDP)  
June 30, 2008**

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	3
<b>FINANCIAL STATEMENTS</b>	
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
<b>SUPPLEMENTARY INFORMATION</b>	
Supplementary Schedules as Required by HUD .....	16
<b>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></b> .....	22

## 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 accompanying basic financial statements of the Rental Program – Hopkins Glen, (Project No. 000-55020-LDP) (the Project) of the Fairfax County Redevelopment and Housing Authority (the Authority) as of and for the year ended June 30, 2008 as listed in the accompanying table of contents. These basic 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 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 present only the accounts of the Project and do not purport to, and do not, present fairly the financial position of the Authority as of June 30, 2008, and the results of operations and cash flows for the year 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 the Project at June 30, 2008, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2008 on our consideration of the Project's internal control over financial reporting and 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 our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-6 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.

*Clifton Gundersen LLP*

Baltimore, Maryland  
November 5, 2008

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Hopkins Glen**  
**(Project No. 000-55020-LDP)**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2008**

**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 (DHCD) 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, 2008, 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 2008 (FY 2008)**

In summary, the Project’s FY 2008 financial highlights include the following:

- At June 30, 2008, total assets and liabilities were approximately \$1.45 million and \$1.62 million, respectively, resulting in a deficit in total net assets of approximately \$0.17 million. The Project’s unrestricted net assets showed a deficit of \$968,489 due to approximately \$1 million in cash advances from the FCRHA to fund project operations.
- Total revenues and expenses were \$662,286 and \$677,868, respectively; thus, total net assets decreased by approximately \$15,582.
- Cash flows from operating activities amounted to \$92,105. After considering investing, capital, and related financing activities, total cash increased by \$17,195.

**Project Financial Statements**

This discussion and analysis presents the Project’s FY 2008 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 2008 financial results are also compared to FY 2007, thus allowing the readers to ascertain the reasons for changes in revenues, expenses, and net asset balances. These financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Hopkins Glen**  
**(Project No. 000-55020-LDP)**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2008**

**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, 2008 and 2007.

**Table 1**  
**Summary of Net Assets**

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
Current and restricted assets	\$ 377,083	\$ 360,997	\$ 16,086
Capital assets	<u>1,073,666</u>	<u>1,164,263</u>	<u>(90,597)</u>
Total assets	<u>1,450,749</u>	<u>1,525,260</u>	<u>(74,511)</u>
Current liabilities	1,166,941	1,168,768	(1,827)
Non-current liabilities	<u>456,370</u>	<u>513,472</u>	<u>(57,102)</u>
Total liabilities	<u>1,623,311</u>	<u>1,682,240</u>	<u>(58,929)</u>
Net assets (deficit):			
Invested in capital assets, net of related debt	560,194	595,673	(35,479)
Restricted	235,733	225,938	9,795
Unrestricted	<u>(968,489)</u>	<u>(978,591)</u>	<u>10,102</u>
<b>Total net assets (deficit)</b>	<u>\$ (172,562)</u>	<u>\$ (156,980)</u>	<u>\$ (15,582)</u>

The Project’s net assets decreased by \$15,582 in FY 2008, the decrease was \$32,947 less than the net assets’ decrease in FY 2007. The improvement is primarily due to increases in operating revenues in FY 2008.

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

The Project’s Statement of Revenues, Expenses, and Changes in Net Assets includes operating revenues, such as rental income; operating expenses, such as personnel services, utilities, repairs and maintenance, and depreciation; and non-operating revenue and expenses, such as investment income and interest expense. The statements reported a decrease in net assets of \$15,582 in FY 2008. Table 2 presents a condensed summary of the Project’s revenues, expenses, and changes in net assets.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Hopkins Glen**  
**(Project No. 000-55020-LDP)**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2008**

**Table 2**  
**Summary of Revenues, Expenses, and Changes in Net Assets**

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
<b>Revenues</b>			
Operating revenues	\$ 660,027	\$ 626,145	\$ 33,882
Non-operating revenues	<u>2,259</u>	<u>79,326</u>	<u>(77,067)</u>
Total revenues	<u>662,286</u>	<u>705,471</u>	<u>(43,185)</u>
<b>Expenses</b>			
Operating expenses	655,966	728,290	(72,324)
Non-operating expenses	<u>21,902</u>	<u>25,710</u>	<u>(3,808)</u>
Total expenses	<u>677,868</u>	<u>754,000</u>	<u>(76,132)</u>
<b>Change in net assets</b>	(15,582)	(48,529)	32,947
<b>Total net assets, beginning of year</b>	<u>(156,980)</u>	<u>(108,451)</u>	<u>(48,529)</u>
<b>Total net assets, end of year</b>	<u>\$ (172,562)</u>	<u>\$ (156,980)</u>	<u>\$ (15,582)</u>

In FY 2008, the Project’s operating revenues increased due to rent increases and non-operating revenues decreased due to a decrease of approximately \$77,000 in operating grant revenue from the County. Operating expenses include administrative expenses related to personnel salaries and employee fringe benefit contributions, auditing costs, management fees, office supplies, utilities, depreciation, and repairs and maintenance expense. Operating expenses decreased by approximately \$72,000 due primarily to a decrease in repair and maintenance costs.

**Capital Assets and Debt Administration**

*Capital assets.* The Project’s capital assets as of June 30, 2008, included land, buildings and improvements, and equipment that totaled \$1,073,666, net of accumulated depreciation of \$1,373,831. For further details, see note 2, page 12, Capital Assets.

*Long-term debt.* Changes in the Project’s long-term debt during FY 2008 can be seen in note 3, pages 12-13, Mortgage and Notes Payable.

**Contacting FCRHA Management**

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

## **FINANCIAL STATEMENTS**

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Hopkins Glen**  
**(Project No. 000-55020-LDP)**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

**ASSETS**

**CURRENT ASSETS**

Cash in bank	\$	65,387
Accounts receivable		<u>4,011</u>
Total current assets		<u>69,398</u>

**RESTRICTED ASSETS**

Deposits held in trust		54,241
Reserves and mortgage escrow deposits		<u>235,733</u>
Total restricted assets		<u>289,974</u>

**CAPITAL ASSETS (Note 2)**

Nondepreciable:		
Land		41,969
Depreciable:		
Buildings and improvements		2,359,159
Equipment		46,369
Accumulated depreciation		<u>(1,373,831)</u>
Total capital assets, net		<u>1,073,666</u>

**OTHER NON-CURRENT ASSETS**

Deferred financing fees (net of amortization of \$11,690)		<u>17,711</u>
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**TOTAL ASSETS**

**\$ 1,450,749**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$	36,470
Due to the Authority (Note 5)		1,000,564
Deposits held in trust		54,241
Deferred revenue		2,952
Accrued compensated absences (Note 4)		15,612
Mortgage and notes payable (Note 3)		<u>57,102</u>
Total current liabilities		1,166,941

**NON-CURRENT LIABILITIES**

Mortgage and notes payable (Note 3)		<u>456,370</u>
Total liabilities		<u>1,623,311</u>

**NET ASSETS**

Invested in capital assets, net of related debt		560,194
Restricted net assets		235,733
Unrestricted net assets (deficit)		<u>(968,489)</u>
Total net assets (deficit)		<u>(172,562)</u>

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 1,450,749**

The accompanying notes are an integral part of the 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, 2008**

<b>OPERATING REVENUES</b>	
Dwelling rentals	\$ 637,736
Other	<u>22,291</u>
Total operating revenues	<u>660,027</u>
<b>OPERATING EXPENSES</b>	
Personnel services	174,550
Utilities	149,429
Repairs and maintenance	133,053
Other supplies and expenses	106,212
Depreciation and amortization	<u>92,722</u>
Total operating expenses	<u>655,966</u>
Net operating income	<u>4,061</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest revenue	2,259
Interest expense	<u>(21,902)</u>
Total nonoperating expenses, net	<u>(19,643)</u>
<b>CHANGE IN NET ASSETS</b>	(15,582)
<b>TOTAL NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<u>(156,980)</u>
<b>TOTAL NET ASSETS (DEFICIT), END OF YEAR</b>	<u>\$ (172,562)</u>

The accompanying notes are an integral part of the 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, 2008**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Rental income received	\$ 636,729
Other operating revenues received	22,291
Payments to employees for services	(169,986)
Payments to suppliers for goods and services	(397,989)
Net tenant security deposits received	<u>1,060</u>
 Net cash provided by operating activities	 <u>92,105</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES**

Principal payments on mortgage and notes payable	(55,118)
Interest payments on mortgage and notes payable	<u>(22,051)</u>
 Net cash used in capital and related financing activities	 <u>(77,169)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	<u>2,259</u>
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**NET INCREASE IN CASH**

17,195

**CASH, BEGINNING OF YEAR**

338,166

**CASH, END OF YEAR**

\$ 355,361

**RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Net operating income	\$ 4,061
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation and amortization	92,722
Effects of changes in operating assets and liabilities:	
Tenant accounts receivable	(1,016)
Accounts payable and accrued liabilities	(4,731)
Deposits held in trust	1,060
Deferred revenue	<u>9</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES**

\$ 92,105

The accompanying notes are an integral part of the financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Hopkins Glen**  
**(Project No. 000-55020-LDP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 3, page 12). 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 \$13,000 per year and are adjusted for inflation every five years. At the end of the lease term, all structures of the Project revert to the land owners. The Authority is a component unit of the County of Fairfax, Virginia (the County).

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

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.

**Measurement Focus and Basis of Accounting**

The activities of the Project are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Project applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or prior to November 30, 1989 unless these pronouncements conflict with pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of external financial reporting in accordance with GAAP, the Project is following the reporting guidance set forth in GAAP for “departmental” financial statements.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash in Bank**

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

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Hopkins Glen**  
**(Project No. 000-55020-LDP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted Assets**

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

**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, 2008 to be liquidated in FY 2009.

**Revenue Recognition**

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

**Capital Assets**

Capital assets, which include land, buildings and improvements, equipment, and construction in progress are reported in the financial statements at cost when purchased and at estimated fair value when donated. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Capital assets are recorded at cost when purchased and at fair market value when donated. Depreciation has been provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives using the straight-line method. The estimated useful lives range from 5 to 27.5 years.

**Deferred Financing Fees**

Financing fees associated with the SunTrust note (see note 3, page 12) have been deferred and are being amortized on a straight-line basis over the term of the note.

**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.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Hopkins Glen**  
**(Project No. 000-55020-LDP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 2 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 41,969	\$ -	\$ -	\$ 41,969
Capital assets, being depreciated:				
Buildings and improvements	2,359,159	-	-	2,359,159
Equipment	<u>46,369</u>	<u>-</u>	<u>-</u>	<u>46,369</u>
Total capital assets	<u>2,447,497</u>	<u>-</u>	<u>-</u>	<u>2,447,497</u>
Less accumulated depreciation:				
Buildings and improvements	(1,244,484)	(86,206)	-	(1,330,690)
Equipment	<u>(38,749)</u>	<u>(4,392)</u>	<u>-</u>	<u>(43,141)</u>
Total accumulated depreciation	<u>(1,283,233)</u>	<u>(90,598)</u>	<u>-</u>	<u>(1,373,831)</u>
<b>Capital assets, net</b>	<u><u>\$ 1,164,264</u></u>	<u><u>\$ (90,598)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,073,666</u></u>

**NOTE 3 – 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>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
First mortgage note	\$ 132,590	\$ -	\$ (45,518)	\$ 87,072	\$ 46,902
SunTrust note	<u>436,000</u>	<u>-</u>	<u>(9,600)</u>	<u>426,400</u>	<u>10,200</u>
<b>Total</b>	<u><u>\$ 568,590</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (55,118)</u></u>	<u><u>\$ 513,472</u></u>	<u><u>\$ 57,102</u></u>

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Hopkins Glen**  
**(Project No. 000-55020-LDP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 3 – MORTGAGE AND NOTES PAYABLE (CONTINUED)**

The aggregate amount of required principal and interest payments on the mortgage and notes as of June 30, 2008 is \$611,119 and is due as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2009	\$ 57,102	\$ 20,238
2010	50,970	18,361
2011	55,900	16,526
2012	60,000	13,943
2013	61,800	11,319
2014-2017	<u>227,700</u>	<u>17,260</u>
<b>Total</b>	<b><u>\$ 513,472</u></b>	<b><u>\$ 97,647</u></b>

**NOTE 4 – CHANGES IN COMPENSATED ABSENCES PAYABLE**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences payable	<u>\$ 11,048</u>	<u>\$ 15,612</u>	<u>\$ (11,048)</u>	<u>\$ 15,612</u>	<u>\$ 15,612</u>

**NOTE 5 – DUE TO THE AUTHORITY**

Due to the Authority represents \$1,000,564 borrowed from the Authority to fund Project operations. During 2008, 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.

**NOTE 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 approximately 6% of rental receipts. Such fees amounted to \$34,296 in 2008 and are reported in other supplies and expenses on the Statement of Revenues, Expenses, and Changes in Net Assets. Additionally, the management company is reimbursed for operating costs associated with managing the property. Such costs include a reimbursement for certain salary and related expenses of employees of the management company.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Hopkins Glen**  
**(Project No. 000-55020-LDP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 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, 2008.

**NOTE 8 – SUPPLEMENTAL INFORMATION**

The supplemental information that is included on pages 16-21 is presented in accordance with HUD requirements. As a result of these requirements, line item classifications may differ from amounts reported on the Statement of Revenues, Expenses and Changes in Net Assets, however, revenue and expenses will agree in total.

**SUPPLEMENTARY INFORMATION**

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Hopkins Glen**  
**(Project No. 000-55020-LDP)**  
**SUPPLEMENTARY INFORMATION**  
**June 30, 2008**

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, 2007	\$ 208,371
Monthly deposits	55,752
Interest earned	1,653
Withdrawals	<u>(55,806)</u>
<b>Balance, June 30, 2008</b>	<b><u>\$ 209,970</u></b>

**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, 2007	\$ 17,567
Deposits	22,607
Withdrawals	<u>(14,411)</u>
<b>Balance, June 30, 2008</b>	<b><u>\$ 25,763</u></b>

**Other Information**

Total mortgage principal payments required during the audit year (12 monthly payments). Applied to all direct loans and HUD-held and fully insured mortgages. Any HUD-approved second mortgages are included. \$ 55,118

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. \$ 55,752

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Hopkins Glen**  
**(Project No. 000-55020-LDP)**  
**SUPPLEMENTARY INFORMATION**  
**Year Ended June 30, 2008**

**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, 2008	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)	\$	119,628
2. Tenant subsidy vouchers due for period covered by financial statement	\$	—
3. Other (describe)	\$	—
<b>(a) Total Cash</b> (Add Lines 1, 2, and 3)		<b>\$ 119,628</b>

**Current Obligations**

4. Accrued mortgage interest payable	\$	1,756
5. Delinquent mortgage principal payments	\$	—
6. Delinquent deposits to reserve for replacements	\$	—
7. Accounts payable (due within 30 days)	\$	34,714
8. Loans and notes payable (due within 30 days)	\$	—
9. Deficient Tax Insurance or MIP Escrow Deposits	\$	—
10. Accrued expenses (not escrowed)	\$	15,612
11. Prepaid Rents (Account 2210)	\$	2,952
12. Tenant security deposits liability (Account 2191)	\$	54,241
13. Other (Describe) – Due to Authority	\$	1,000,564
14. Other deferred revenue	\$	—
<b>(b) Less Total Current Obligations</b> (Add Lines 4 through 14)		<b>\$ 1,109,839</b>
<b>(c) Surplus Cash (Deficiency)</b> (Line (a) minus Line (b))		<b>\$ (990,211)</b>

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

1. Surplus Cash	\$
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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	\$	—
5. Deposit Due Residual Receipts (Must be deposited with Mortgagee within 60 days after Fiscal Period ends)	\$	—

<b>Prepared By</b>		<b>Reviewed By</b>	
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)**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**Year Ended June 30, 2008**

Description of Account	Acct. No.	Amount
Part I - Rental Income - 5100:		
Apartments or member carrying charges (coops)	5120	\$ 654,748
Tenant assistance payments	5121	-
Furniture and equipment	5130	-
Stores and commercial	5140	-
Garage and parking spaces	5170	-
Flexible subsidy income	5180	-
Miscellaneous (specify)	5190	-
		<u>654,748</u>
Total rental revenue		<u>654,748</u>
Vacancies - 5200:		
Apartments	5220	(17,012)
Furniture and equipment	5230	-
Stores and commercial	5240	-
Garage and parking spaces	5270	-
Miscellaneous (specify)	5290	-
		<u>(17,012)</u>
Total vacancies		<u>(17,012)</u>
Net rental revenue		<u>637,736</u>
Elderly and Congregate Services income - 5300:		
Total service income ( <b>schedule attached</b> )	5300	-
		<u>-</u>
Financial revenue:		
Interest income – project operations	5410	606
Income from investments – residual receipts	5430	-
Income from investments – reserve for replacement	5440	1,653
Income from investments – miscellaneous	5490	-
		<u>2,259</u>
Total financial revenue		<u>2,259</u>
Other revenue - 5900:		
Laundry and cleaning	5910	18,199
NSF and late fees	5920	550
Damages and cleaning fees	5930	2,375
Forfeited tenant security deposits	5940	-
Other revenue	5990	1,167
		<u>22,291</u>
Total other revenue		<u>22,291</u>
Total revenue		<u>662,286</u>

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Hopkins Glen**  
**(Project No. 000-55020-LDP)**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**Year Ended June 30, 2008**

Description of Account	Acct. No.	Amount
Administrative expenses - 6200/6300:		
Advertising	6210	\$ 159
Other administrative expense	6250	7,936
Office salaries	6310	-
Office supplies	6311	7,481
Office or model apartment rent	6312	6,169
Management fees	6320	34,296
Manager or superintendent salaries	6330	45,212
Manager or superintendent rent free unit	6331	-
Legal expenses – project	6340	2,092
Audit expense – project	6350	10,000
Bookkeeping fees/accounting service	6351	-
Telephone and answering service	6360	3,880
Bad debts	6370	-
Miscellaneous administrative expenses (specify)	6390	17,414
Total administrative expenses		134,639
Utilities expense – 6400:		
Fuel oil/coal	6420	-
Electricity (light and misc. power)	6450	64,193
Water	6451	33,200
Gas	6452	52,036
Sewer	6453	-
Total utilities expense		149,429
Operating and maintenance expenses:		
Janitor and cleaning payroll	6510	29,913
Janitor and cleaning supplies	6515	919
Janitor and cleaning contract	6517	-
Exterminating payroll/contract	6519	5,315
Exterminating supplies	6520	-
Garbage and trash removal	6525	10,187
Security payroll/contract	6530	-
Grounds payroll	6535	-
Grounds supplies	6536	255
Grounds contract	6537	22,125
Repairs payroll	6540	58,836
Repairs material	6541	14,749
Repairs contract	6542	47,902
Elevator maintenance/contract	6545	-
Heating/cooling repairs and maintenance	6546	12,181
Swimming pool maintenance/contract	6547	-
Snow removal	6548	1,146
Decorating payroll/contract	6560	11,567
Decorating supplies	6561	4,623
Other	6570	-
Miscellaneous operating and maintenance expenses	6590	2,085
Total operating and maintenance expenses		221,803

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Hopkins Glen**  
**(Project No. 000-55020-LDP)**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**Year Ended June 30, 2008**

Description of Account	Acct. No.	Amount
Taxes and insurance - 6700:		
Real estate taxes	6710	\$ 14,467
Payroll taxes (FICA)	6711	20,375
Miscellaneous taxes, licenses, permits, and insurance	6719	96
Property and liability insurance (hazard)	6720	-
Fidelity Bond Insurance	6721	-
Workmen's compensation	6722	2,221
Health insurance and other employee benefits	6723	20,214
Other insurance (specify)	6729	-
		<u>57,373</u>
Total taxes and insurance		
Financial expenses - 6800:		
Interest on mortgage payable	6820	21,902
Mortgage insurance premium/service charge	6850	-
		<u>21,902</u>
Total financial expenses		
Elderly and congregate service expenses - 6900:		
Total service expenses ( <b>schedule attached</b> )	6900	-
		<u>585,146</u>
Total cost of operations before depreciation and amortization		
		<u>77,140</u>
Profit and loss before depreciation		
Corporate or mortgagor entity expenses - 7100:		
Officer salaries	7110	-
Legal expenses – (entity)	7120	-
Taxes (federal – state – entity)	7130-32	-
Other expenses (entity)	7190	-
Depreciation and amortization:		
Depreciation	6600	90,597
Amortization	6700	2,125
		<u>92,722</u>
Total depreciation and amortization		
		<u>677,868</u>
Total expenses		
		<u>677,868</u>
<b>NET PROFIT OR (LOSS)</b>		<u>\$ (15,582)</u>

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Hopkins Glen**  
**(Project No. 000-55020-LDP)**  
**SCHEDULE OF CHANGES IN CAPITAL ASSET ACCOUNTS**  
**Year Ended June 30, 2008**

	Capital assets			Accumulated depreciation			Net Book Value		
	Balance June 30, 2007	Additions	Disposals	Balance June 30, 2008	Balance June 30, 2007	Current Provision		Disposals	Balance June 30, 2008
Land	\$ 41,969	\$ -	\$ -	\$ 41,969	\$ -	\$ -	\$ -	\$ -	\$ 41,969
Buildings and improvements	2,359,159	-	-	2,359,159	1,244,484	86,206	-	1,330,690	1,028,469
Equipment	46,369	-	-	46,369	38,749	4,392	-	43,141	3,228
<b>Total</b>	<b>\$ 2,447,497</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,447,497</b>	<b>\$ 1,283,233</b>	<b>\$ 90,598</b>	<b>\$ -</b>	<b>\$ 1,373,831</b>	<b>\$ 1,073,666</b>

**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 Rental Program – Hopkins Glen (Project No. 000-55020-LDP) (the Project) of the Fairfax County Redevelopment and Housing Authority as of and for the year ended June 30, 2008, and have issued our report thereon dated November 5, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## 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*.

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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.

*Clifton Gunderson LLP*

Baltimore, Maryland  
November 5, 2008