LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)

FINANCIAL STATEMENTS
June 30, 2009

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Clifton Gunderson LLP
Certified Public Accountants & Consultants

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 Little River Glen Limited Partnership (the Partnership), a component unit of the Fairfax County Redevelopment and Housing Authority (FCRHA) as of and for the year ended June 30, 2009 as listed in the accompanying table of contents. These basic 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; 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 Partnership and do not purport to, and do not, present fairly the financial position of FCRHA as of June 30, 2009, 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 Partnership at June 30, 2009, 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 September 17, 2009 on our consideration of the Partnership'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.

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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 Gunderson LLP

Baltimore, Maryland
September 17, 2009

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

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-to-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, 2009 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.

Partnership's Financial Highlights for Fiscal Year 2009 (FY 2009)

In summary, the Project's FY 2009 financial highlights included the following:

- At June 30, 2009, total assets and liabilities were approximately $6.5 million and $5.3 million, respectively. Total net assets were approximately $1.2 million.
- Total revenues and expenses were approximately $1.64 million and $1.62 million, respectively; thus total net assets increased by $2,822.
- Cash flows from operating activities amounted to $166,509. After considering investing, noncapital financing, and capital and related financing activities, total cash increased by $165,464.

Partnership Financial Statements

This management 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 2009 financial results are compared to those of FY 2008, thus allowing the readers to ascertain the reasons for changes in expenses, revenues, or net asset balances. These financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Summary of Net Assets

The Partnership's FY 2009 and FY 2008 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, 2009 and 2008.

Table 1
Summary of Net Assets

	2009	2008	Increase (Decrease)
Current and restricted assets	$ 2,362,003	$ 2,196,635	$ 165,368
Capital assets	4,121,362	4,484,017	(362,655)
Total assets	6,483,365	6,680,652	(197,287)
Current liabilities	429,613	462,273	(32,660)
Non-current liabilities	4,837,565	5,005,014	(167,449)
Total liabilities	5,267,178	5,467,287	(200,109)
Net assets:			
Invested in capital assets, net of related debt	(863,638)	(650,983)	(212,655)
Restricted	1,098,576	1,109,259	(10,683)
Unrestricted (deficit)	981,249	755,089	226,160
Total net assets	$ 1,216,187	$ 1,213,365	$ 2,822

The Partnership's net assets increased by $2,822 in FY 2009 compared to an increase of $1,845 in FY 2008. This increase in the change in net assets was primarily due to an increase in the Partnership's intergovernmental revenues.

Capital Assets and Debt Administration

Capital assets. The Partnership's capital assets as of June 30, 2009 includes land, buildings and improvements, and furniture and equipment that totaled $4,121,362, net of accumulated depreciation of $6,846,322. For further details, see note 2, page 12, Capital Assets.

Long-term debt. Bonds payable for the Partnership at June 30, 2009 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 2009, the Partnership made its required principal payments on the outstanding bonds of $150,000. The Partnership's capital assets are pledged as security for the bonds. For further details, see note 3, page 13, Bonds Payable.

Summary of Revenues, Expenses, and Changes in Net Assets

The Partnership's FY 2009 and FY 2008 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 non-operating revenue and expenses, such as County intergovernmental revenues, investment income, and interest expense. In FY 2009, the Partnership experienced an increase in net assets of $2,822. 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

	2009	2008	Increase (Decrease)
Revenues			
Operating revenues	$ 1,193,412	$ 1,181,600	$ 11,812
Non-operating revenues	437,531	375,601	61,930
Total revenues	1,630,943	1,557,201	73,742
Expenses			
Operating expenses	1,321,892	1,239,829	82,063
Non-operating expenses	306,229	315,527	(9,298)
Total expenses	1,628,121	1,555,356	72,765
Change in net assets	2,822	1,845	977
Total net assets, beginning of year	1,213,365	1,211,520	1,845
Total net assets, end of year	$ 1,216,187	$ 1,213,365	$ 2,822

There was an increase in the Partnership's total revenues of $85,485, which was primarily due to an increase in intergovernmental revenues. In addition, there was an $82,063 increase in the Partnership's operating expenses, which was primarily due to repairs and maintenance.

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.

FINANCIAL STATEMENTS

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS

CURRENT ASSETS	
Cash on deposit with County of Fairfax, Virginia	$ 1,204,345
Accounts receivable (less allowance for doubtful accounts of $1,479)	4,504
Total current assets	1,208,849
RESTRICTED ASSETS	
Deposits held in trust	54,578
Cash with fiscal agent	1,098,576
Total restricted assets	1,153,154
CAPITAL ASSETS (note 2)	
Nondepreciable:	
Land	1,035,634
Depreciable:	
Buildings and improvements	9,922,950
Equipment	9,100
Accumulated depreciation	(6,846,322)
Total capital assets, net	4,121,362
TOTAL ASSETS	$ 6,483,365

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 154,811
Deposits held in trust	54,578
Deferred revenue	41,577
Accrued compensated absences	18,647
Bond payable, current portion (note 3)	160,000
Total current liabilities	429,613
LONG-TERM LIABILITIES	
Accrued compensated absences (note 4)	12,565
Bond payable, less current portion (note 3)	4,825,000
Total long-term liabilities	4,837,565
Total liabilities	5,267,178
NET ASSETS	
Invested in capital assets, net of related debt	(863,638)
Restricted net assets	1,098,576
Unrestricted net assets	981,249
Total net assets	1,216,187
TOTAL LIABILITIES AND NET ASSETS	$ 6,483,365

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

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended June 30, 2009

OPERATING REVENUES	
Dwelling rentals	$ 1,166,740
Other	6,044
Total operating revenues	1,172,784
OPERATING EXPENSES	
Personnel services	383,001
Utilities	121,657
Repairs and maintenance	416,082
Administrative expenses	38,497
Depreciation	362,655
Total operating expenses	1,321,892
Operating loss	(149,108)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental revenues	437,531
Interest revenue	20,628
Interest expense	(306,229)
Total nonoperating revenues, net	151,930
CHANGE IN NET ASSETS	2,822
TOTAL NET ASSETS, BEGINNING OF YEAR	1,213,365
TOTAL NET ASSETS, END OF YEAR	$ 1,216,187

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

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Rental receipts	$ 1,170,632
Other operating cash receipts	6,044
Payment to employees for services	(379,243)
Payments to suppliers for goods and services	(629,819)
Net changes in deposit held in trust	(1,105)
Net cash provided by operating activities	166,509
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental revenues received	437,531
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond interest payments	(309,204)
Bond principal payment	(150,000)
Net cash used in capital and related financing activities	(459,204)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	20,628
NET INCREASE IN CASH	165,464
CASH, BEGINNING OF YEAR	2,192,035
CASH, END OF YEAR	$ 2,357,499
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ (149,108)
Depreciation	362,655
Effects of changes in operating assets and liabilities:	
Accounts receivable	96
Accounts payable and accrued liabilities	(49,310)
Accrued compensated absences	(515)
Deposit held in trust	(1,105)
Deferred revenue	3,796
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 166,509

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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-to-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 as a whole in conformity with U.S. generally accepted accounting principles (GAAP).

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.

Measurement Focus and Basis of Accounting

The activities of the Partnership are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. The Partnership applies all applicable pronouncements of the Financial Accounting Standards Board 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.

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.

Cash with Fiscal Agent and Deposits Held in Trust

According to the terms of the indenture related to the bonds payable discussed in note 3, page 13, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the Project may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act (Act), all of the Project's deposits are covered by federal depository insurance or collateralized in accordance with the Act, which provides for the pooling of collateral pledged by financial institutions with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor, and public depositors are prohibited from holding collateral in their name as security for deposits. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts are assessed on a pro-rata basis to the members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by participating financial institutions. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance, therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

For investments, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Project will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Per policy, all of the investments purchased by the Project are insured or registered or are securities held by the Project or its agent in the Project's name.

Foreign Currency Risk

The Project's cash is limited to U.S. dollar denominated instruments.

Cash Flow Presentation

Cash for purposes of reporting cash flows includes cash on deposit with the County of Fairfax, deposits held in trust and cash with fiscal agent.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Compensated Absences

Employees are granted vacation and sick leave based on their length of service. Unused vacation leave is payable to employees upon termination based on the employee's current rate of pay, up to certain limits. Sick leave does not vest with the employees; however, it is converted to years of service upon retirement. Accumulated vacation is recorded as an expense and an accrued liability as the benefits accrue to employees. The liability calculations include an accrual at the current rate for ancillary salary-related payments (e.g., employer's share of social security taxes).

Operating Revenues and Expenses

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

Implementation of New GASB Pronouncements

In FY 2009, the Project implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The implementation of this new standard had no impact on the Project's FY 2009 financial statements.

NOTE 2 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Disposals	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	9,100	-	-	9,100
Total capital assets being depreciated	9,932,050	-	-	9,932,050
Less accumulated depreciation for:				
Buildings and improvements	6,478,511	360,835	-	6,839,346
Equipment	5,156	1,820	-	6,976
Total accumulated depreciation	6,483,667	362,655	-	6,846,322
Total capital assets, net	$ 4,484,017	$ (362,655)	$ -	$ 4,121,362

NOTE 3 – BONDS PAYABLE

Bonds payable at June 30, 2009 represent Federal Housing Administration 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 2008 was as follows:

Outstanding balance, beginning of year	$ 5,135,000
Less principal payments	(150,000)
Outstanding balance, end of year	$ 4,985,000

The aggregate amount of the required principal and interest payments on the bonds as of June 30, 2009 is $8,277,619 and is due as follows:

	Principal	Interest
Year ending June 30:		
2010	$ 160,000	$ 299,810
2011	165,000	290,290
2012	175,000	280,324
2013	190,000	269,614
2014	200,000	258,161
2015-2019	1,205,000	1,091,504
2020-2024	1,625,000	671,002
2025-2026	1,265,000	131,914
Total	$ 4,985,000	$ 3,292,619

NOTE 4 – CHANGES IN COMPENSATED ABSENCES PAYABLE

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences payable	$ 31,727	$ 11,198	$ 11,713	$ 31,212	$ 18,647

NOTE 5 – INTERGOVERNMENTAL REVENUES FROM THE COUNTY OF FAIRFAX, VIRGINIA

The County Board of Supervisors appoints the Commissioners of the Authority. During the fiscal year ended June 30, 2009, the County disbursed funds to the Partnership amounting to $437,531 to partially fund debt service. The amount was allocated based on the pro-rata share of operating results among all FCRHA owned and operated elderly projects. The County is committed to continuing to provide funding to ensure that the Project meets its obligations.

NOTE 6 – 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, 2009.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

The Fairfax County OPEB Trust Fund is a single-employer defined benefit plan administered by Fairfax County which the Authority's employees participate in. The County provides medical/dental, vision, and life insurance benefits to eligible retirees and their spouses. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in a plan provided by the County. Retirees must have five years of service in order to participate in this program. Beginning in fiscal year 2004, the amount of monthly subsidy provided by the County is based on years of service and ranges from $30 per month to $220 per month. Retirees receiving the subsidy prior to fiscal year 2004 are grandfathered at $100 per month unless their years of service entitle them to receive a higher monthly subsidy.

In addition, the Board of Supervisors has established a program to subsidize the continuation of term life insurance, at reduced coverage amounts, for retirees. Retirees generally pay for fifty percent of their coverage amounts at age-banded premium rates, with the County incurring the balance of the cost. Benefit provisions are established and may be amended by the Board of Supervisors.

The contributions to the OPEB Trust Fund are established and may be amended by the Board of Supervisors. The contributions are typically based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. GASB Statement No. 45 requires recognition of the current expense of OPEB based on each governing body's annual required contribution, but does not require funding of the related liability.

Costs and related liability, if any, are recorded by the County. The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Data concerning the ARC specifically applicable to employees of the Authority are not available. Information concerning the County's OPEB Trust Fund as a whole is available in the County's June 30, 2009 Comprehensive Annual Financial Report.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's 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 Little River Glen Limited Partnership (the Partnership) of the Fairfax County Redevelopment and Housing Authority (FCRHA) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 17, 2009. 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 Partnership'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 Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Partnership'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 Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Supervisors of Fairfax County, Virginia, the Board of Commissioners of the Fairfax County Redevelopment and Housing Authority, the Partnership'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
September 17, 2009