FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY (A COMPONENT UNIT OF THE COUNTY OF FAIRFAX, VIRGINIA)

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2016

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF FAIRFAX, VIRGINIA)

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Fairfax County Redevelopment and Housing Authority (the "Authority"), a component unit of the County of Fairfax, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of five blended component units {Herndon Harbor House I, FCRHA HCDC One (Stonegate), FCRHA HCDC Two (Murraygate), The Green, and Castellani Meadows}, which represent 13.0 percent, 6.4 percent, and 6.0 percent, respectively, of the assets, net position, and revenues of the business-type activities. We did not audit the financial statements of the discretely presented component units, which represent 100 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the five blended component units and discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Herndon Harbor House I, FCRHA HCDC One (Stonegate), FCRHA HCDC Two (Murraygate), The Green, Castellani Meadows, and the discretely presented component units were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate discretely presented component units of the Authority as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in the Reporting Entity

As described in Note 14 to the financial statements, the Authority previously reported one real estate partnership as a discretely presented component unit. The Authority now also controls the partnership interest for this partnership and has therefore considered it a blended component unit. Our auditor's opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the Schedule of Authority's Proportionate Share of Net Pension Liability – ERS Pension Plan – Last Ten Years on page 53, and the Schedule of the Authority's Contributions – ERS Pension Plan – Last Ten Years on page 54, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Statement of Certification of Program Costs – Capital Fund Program Grant is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Certification of Program Costs – Capital Fund Program Grant is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Virginia Beach, Virginia
November 18, 2016

Introduction

The Fairfax County Redevelopment and Housing Authority (the "Authority" or "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 (the County), as well as towns, cities, and counties with which it has cooperation agreements. The Fairfax County Board of Supervisors (the Board) 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's fiscal year ("FY") 2016 annual financial report consists of two parts – the management's discussion and analysis ("MD&A") and the basic financial statements, which include notes to those financial statements.

The FCRHA presents this MD&A of its financial performance as of and for the fiscal year ended June 30, 2016, to assist the reader in focusing on significant financial issues and concerns. This year's MD&A presents a comparative analysis of financial data to help the reader ascertain the reasons for changes in assets, deferred outflows, liabilities, deferred inflows, expenses, revenues, and net position balances from the previous year.

This MD&A is focused on the activities of the FCRHA's Enterprise Fund as a primary government. The Authority is the general partner in six real estate partnerships and also controls the limited partnership interest in these entities. One entity has a June 30 fiscal year end and the other five have December 31 fiscal year ends. The financial balances of those entities for the fiscal year end that falls within the year ended June 30, 2016 are included in the balances of the enterprise fund.

Financial Highlights for FY 2016

The FCRHA's FY 2016 financial highlights included the following:

- Total assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the FCRHA were approximately $191.1 million, $3.5 million, $73.6 million, and $1.2 million, respectively; thus total net position was approximately $119.8 million at June 30, 2016. Of this amount, approximately $34.1 million (unrestricted net position) may be used to meet the FCRHA's future operational needs.

- Total revenues and expenses were approximately $102.6 million and $98.9 million, respectively, resulting in an increase in net position of approximately $3.7 million during the fiscal year compared with an increase in net position of approximately $3.0 million during the prior year, or an increase of 23.3% over the prior year. Prior period adjustments related to a change in reporting entity (the inclusion of an additional blended component unit) resulted in a decrease in net position of approximately $1.1 million. See note 14 for additional details on the restatement.

- Cash and cash equivalents increased by approximately $3.8 million.

FCRHA Financial Statements

The FCRHA presents its financial results in three basic financial statements – the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The statement of net position reports all financial and capital resources of the FCRHA and is presented in a format where assets plus deferred outflows of resources, minus liabilities minus deferred inflows of resources equals net position. Net position is broken down into the following three categories:

- *Net investment in capital assets* consist of all capital assets net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

- *Restricted net position* consists of assets on which constraints are placed by creditors (such as debt covenants), grantors, contributors, laws, or regulations.

- *Unrestricted net position* consists of net position that does not meet the definition of net position that fall in either one of the two categories discussed above – net investment in capital assets or restricted net position.

The statement of revenues, expenses, and changes in net position includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation expense; and non-operating revenues and expenses, such as grant revenue, investment income, interest expense, and gain on disposition of assets. The statement's focus is the change in net position.

Finally, a statement of cash flows is included, which discloses net cash flows from operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

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 Position

The following table presents a summary of FCRHA's net position as of June 30, 2016 and 2015.

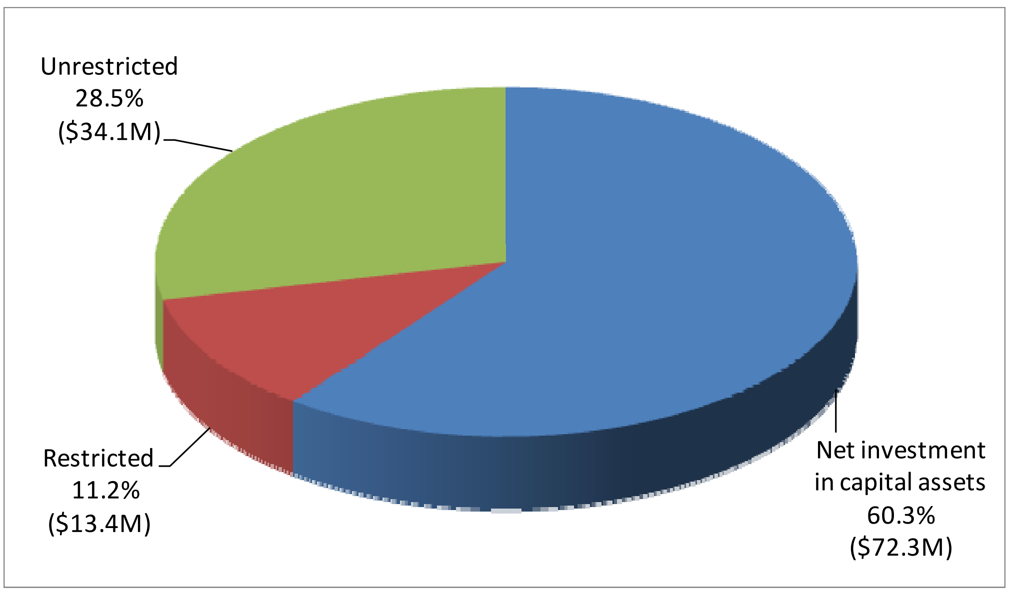
Table 1
Summary of Net Position
(in millions)

Description	2016	Restated 2015	Increase (Decrease)	% Changed
Current and other assets	$ 96.9	$ 94.9	$ 2.0	2.1%
Capital assets	94.2	96.5	(2.3)	-2.4%
Total Assets	191.1	191.4	(0.3)	-0.2%
Deferred outflow of resources	3.5	2.2	1.3	59.1%
Current liabilities	9.0	11.7	(2.7)	-23.1%
Noncurrent liabilities	64.6	61.8	2.8	4.5%
Total Liabilities	73.6	73.5	0.1	0.1%
Deferred inflow of resources	1.2	4.0	(2.8)	-70.0%
Net Position:				
Net investment in capital assets	72.3	74.5	(2.2)	-3.0%
Restricted	13.4	15.4	(2.0)	-13.0%
Unrestricted	34.1	26.2	7.9	30.2%
Total Net Position	$ 119.8	$ 116.1	$ 3.7	3.2%

As of June 30, 2016, the FCRHA's net position totaled approximately $119.8 million, an increase of approximately $3.7 million or 3.2%, over the restated net position balance as of June 30, 2015. This change was due to an increase in deferred outflows of resources and a decrease in deferred inflows of resources.

The FCRHA's total net position also consisted of restricted net position of $13.4 million at June 30, 2016 and $15.4 million at June 30, 2015, and unrestricted net position of $34.1 million and $26.2 million at June 30, 2016 and 2015, respectively. Restricted net position includes cash and investments consisting of restricted deposits and funded reserves for repairs and replacements required by the Department of Housing and Urban Development ("HUD") and Virginia Housing Development Authority (the "VHDA") guidelines, as well as cash balances in accordance with certain bond indentures. The following pie chart illustrates the relative percentage of the FCRHA's net position invested in capital assets and the remaining restricted and unrestricted net position at June 30, 2016.

Composition of FCRHA's Net Position ($119.8M)



Revenues, Expenses, and Changes in Net Position

The results of the FCRHA's operations are reported in the statement of revenues, expenses, and changes in net position. In FY 2016, the FCRHA's enterprise programs realized an increase in net position of approximately $3.7 million. Table 2 presents a summary of data from the FCRHA's statement of revenues, expenses, and changes in net position for FY 2016 and FY 2015, and a comparative analysis of activities in these years.

Table 2
Summary of Revenues, Expenses and Changes in Net Position
(in millions)

Description	2016	As Restated 2015	Increase (Decrease)	% Changed
Revenues:				
Operating revenues	$ 36.9	$ 37.1	$ (0.2)	-0.5%
Nonoperating revenues and contributions	65.7	64.1	1.6	2.5%
Total revenues	102.6	101.2	1.4	1.4%
Expenses:				
Operating expenses	98.0	91.5	6.5	7.1%
Nonoperating expenses	0.9	6.7	(5.8)	-86.6%
Total expenses	98.9	98.2	0.7	0.7%
Changes in net position	3.7	3.0	0.7	23.3%
Total net position, beginning of year (restated)	116.1	113.1	3.0	2.7%
Total net position, end of year	$ 119.8	$ 116.1	$ 3.7	3.2%

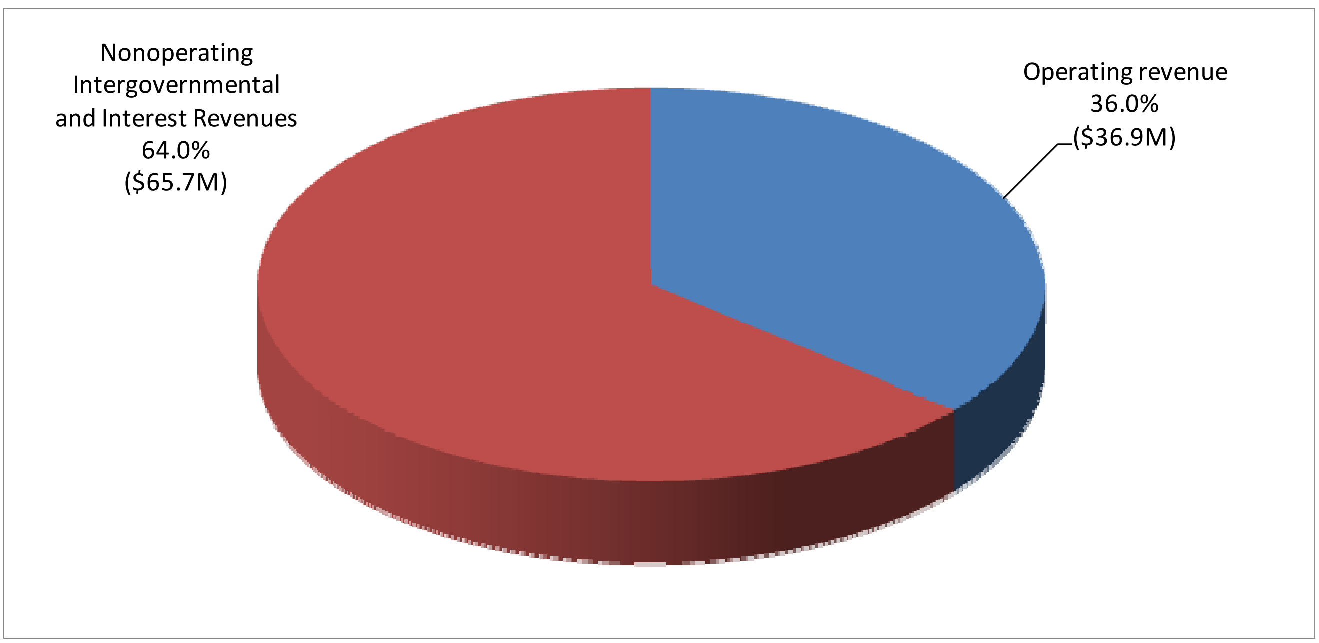
The FCRHA's total overall revenues during the year were up by approximately $1.4 million or 1.4%. Overall, operating revenues were down by approximately $0.2 million or 0.5%, rental revenues (a component of operating revenues) were stable showing a modest increase of approximately $0.9 million; however, other operating income (a component of operating revenue) decreased approximately $0.9 million or 21.3%. This decrease was the result of lower program income, user charges, and maintenance charges.

In addition, non-operating revenues reflected an increase over the prior year by approximately $1.6 million or 2.5%. Although intergovernmental revenues generally fluctuate on a year to year basis, the majority of the increase for this revenue category was attributable to the Housing Choice Voucher program that received a higher HUD annual contribution.

The FCRHA's operating expenses in FY 2016 increased by approximately $6.5 million or 7.1%, primarily due to increased costs in the Rental Program related to property repairs and maintenance. The increase in repairs and maintenance expenses of approximately $3.2 million was due to heavier than normal rehabilitation work in the rental properties. Housing Assistance Payments (HAP) in the Housing Choice Voucher ("HCV") program also expanded by $2.7 million due to the steady increase in leasing for the Moving to Work ("MTW") and HCV programs. Personnel services also grew resulting from filling some positions that were previously held vacant, as well as rising costs of salaries and fringe benefits.

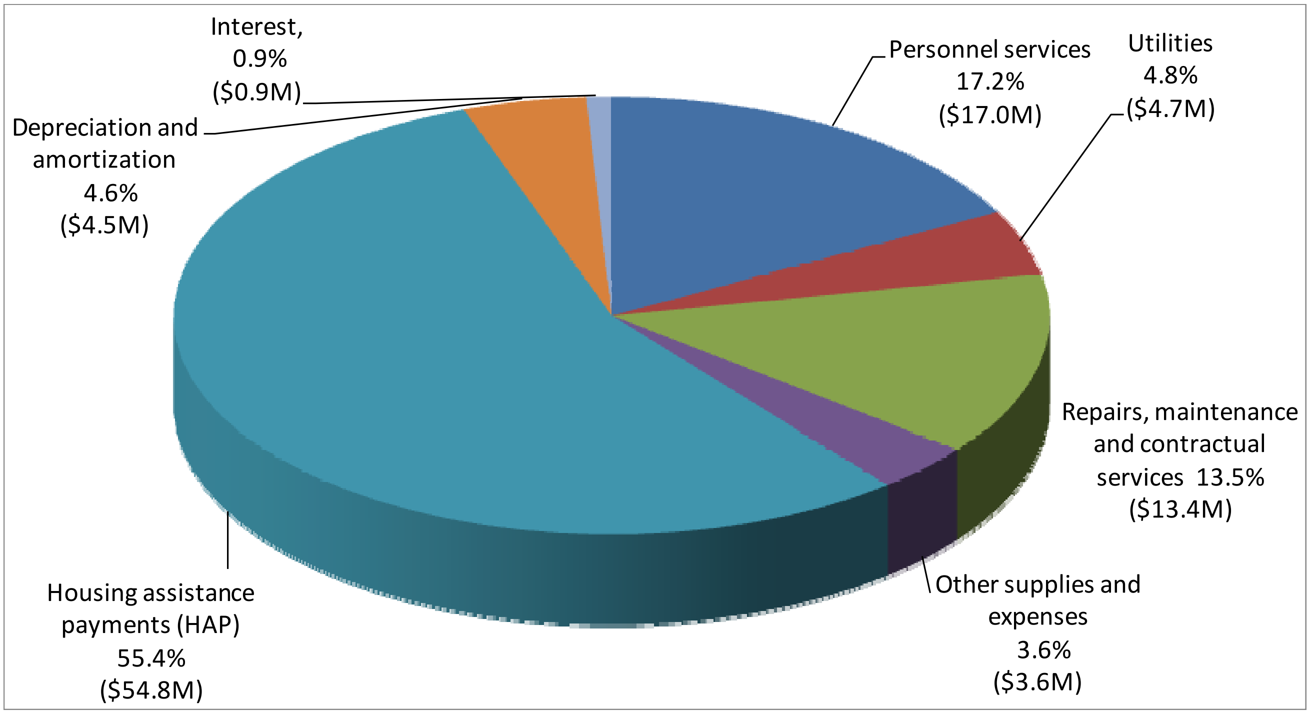
Total FCRHA revenues in FY 2016 were $102.6 million, comprised of operating and non-operating revenues. Operating revenues contributed $36.9 million or 36.0% derived from rents and other user charges, and developer and financing fees. Non-operating revenues made up $65.7 million or 64.0% coming from federal grants from HUD, County contributions, and interest revenue. The following pie chart illustrates the major sources of these revenues and their relative percentage of the total for FY 2016.

FCRHA's Enterprise Programs
Total Revenues ($102.6M)



In FY 2016, the FCRHA incurred total expenses in its enterprise programs totaling approximately $98.9 million. The following pie chart illustrates major operating expense groups and their relative percentage of the total.

FCRHA's Enterprise Programs
Total Expenses ($98.9M)



Capital Assets and Debt Administration

Capital Assets. The FCRHA's capital assets at June 30, 2016 and 2015, included land, buildings and improvements, equipment, and construction in progress, which totaled $94.2 million and $96.5 million, respectively, net of accumulated depreciation of approximately $120.7 million and $116.2 million at June 30, 2016 and 2015, respectively. For further details see note 5, Capital Assets.

Short-term and Long-term Debt. The FCRHA's June 30, 2016 and 2015 statement of net position includes debt – consisting of housing loans, notes, and bonds payable – of approximately $39.2 million and $41.6 million, respectively.

Public bond issues are project specific and have been rated by Standard and Poor's at either "AA" or "AAA" depending upon the collateral securing the debt. The FCRHA also has debt created by direct placement with institutional lenders without the need for a credit rating. For further details, see note 6, Short-Term and Long-Term Obligations – Loans, Notes and Bonds Payable.

Economic Factors

The FCRHA's mission in the County focuses on the planning, development, preservation, rehabilitation, financing, and management of housing, primarily for low- and moderate-income households in Fairfax County. The FCRHA, as of June 30, 2016, owned and/or operated a total of 3,023 units of multifamily housing, and 818 units/beds of specialized housing that were leased to families and individuals with low- and moderate-incomes. The specialized housing is comprised of 482 units of independent senior housing, 112 beds of assisted living, and 39 units of other specialized housing; the FCRHA owns group homes and shelter facilities with 70 beds of supportive housing and a mobile home park with 115 pads. The United States Department of Housing and Urban Development has granted the FCRHA the authority to lease up to 198 vouchers under the federal Housing Choice Voucher program, and 3,676 vouchers under the federal MTW program with an MTW voucher baseline of 3,527 units.

In FY 2007, the County's Board of Supervisors set a goal and tasked the FCRHA to preserve 1,000 units of affordable housing. The preservation of affordable rental housing has long been a concern of the County's Board of Supervisors and the FCRHA. The stock of privately-owned subsidized units and non-subsidized rental housing with modest rents in the County has been declining as owners reposition their properties in the market. The centerpiece of the initiative is the Penny for Affordable Housing Fund, which is the dedication of a "half penny" of the real estate tax rate for affordable housing initiatives. The value of the "half penny" in FY 2016 was $11,300,000. The Board's Affordable Housing Preservation Initiative has preserved a total of 2,786 units of affordable housing as of the end of FY 2016.

In late 2013, the FCRHA finalized an agreement with the Department of Housing and Urban Development to be designated as a MTW agency. The elite MTW designation gives housing authorities the flexibility to create programs that work best for their residents, allowing them to design and test innovative, locally-designed strategies to improve cost-effectiveness and help families achieve self-sufficiency. FCRHA began to implement activities that were included in the FCRHA's initial THRIVE (Total Housing Reinvention for Individual Success, Vital Services and Economic Empowerment) program which is designed to link residents to services and programs offered by other County agencies and non-profit partners, with the goal of helping them become more self-sufficient. These programs are intended to help residents better manage their finances, train for a new job, pursue college or other training, become a better parent, learn English, improve their health, and perhaps even purchase a home. The FCRHA will implement the programmatic and organizational changes associated with the MTW designation during the transformation to the delivery of housing assistance in Fairfax County.

In FY 2016, the FCRHA continued to promote the production of Affordable Dwelling Units ("ADU") and Workforce Dwelling Units ("WDUs"). The Affordable Dwelling Unit Ordinance requires developers of certain housing developments to set aside up to 12.5% of new units as affordable housing (6.25% for multifamily rentals) in return for the grant of additional density. The FCRHA has the right to acquire one-third of the ADUs offered for sale and to lease up to one-third of the rental units. The remaining units are sold or rented to moderate income households. As of June 30, 2016, a total of 2,653 units (1,263 rentals and 1,390 for-sale units) have been produced under the ADU program; the FCRHA has acquired 145 of the for-sale units, which are maintained as permanent affordable rental housing.

A total of 5,233 WDUs have been committed by developers via approved rezoning actions; as of June 2016, 653 units have been constructed and will be delivered. The WDU policy is a proffer-based incentive system adopted by the Board in September 2007 as a part of the Comprehensive Plan. This policy is designed to foster the construction of housing affordable to moderate-income households in high-rise, high-density projects that are otherwise exempt from the ADU requirement.

The FCRHA has also evaluated its Public Housing portfolio for conversion under the HUD Rental Assistance Demonstration ("RAD") program. RAD allows housing authorities to convert traditional Public Housing units to a new, project-based Section 8 subsidy model. Conversion to RAD has a number of advantages, including providing more mobility for residents that is not currently available under Public Housing. For housing authorities like the FCRHA, a major advantage of converting to RAD is that the subsidies are "bankable", meaning they can be used to leverage private equity to make capital improvements on aging Public Housing properties. RAD conversion will occur in FY 2017.

Contacting FCRHA Management

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

FINANCIAL STATEMENTS

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF FAIRFAX, VIRGINIA)
STATEMENT OF NET POSITION

JUNE 30, 2016

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
ASSETS			
Current Assets:			
Cash in bank (note 2)	$ 16,732,774	$ 3,523,286	$ 20,256,060
Cash on deposit with the County of Fairfax, Virginia (note 2)	32,049,674	-	32,049,674
Cash reserves (note 2)	546,515	-	546,515
Investments (note 3)	4,410,000	-	4,410,000
Restricted cash:			
Deposit held in trust (note 2)	2,902,347	272,528	3,174,875
Investments (note 3)	2,599,134	-	2,599,134
Accrued interest receivable	461,550	-	461,550
Accounts receivable (net of allowances) (note 4)	1,136,781	30,106	1,166,887
Notes, mortgages, and other receivables (note 4)	999,882	8,871	1,008,753
Property held for sale	904,070	-	904,070
Prepaid items and other assets	726,149	148,992	875,141
Total Current Assets	63,468,876	3,983,783	67,452,659
Noncurrent Assets:			
Restricted assets:			
Cash reserves (note 2)	9,976,790	3,802,957	13,779,747
Total Restricted Assets	9,976,790	3,802,957	13,779,747
Other Noncurrent Assets:			
Notes, mortgages and other receivables (net of allowances) (note 4)	22,882,492	-	22,882,492
Prepaid items and other assets	503,958	18,217	522,175
Deferred financing fees (net of accumulated amortization of $310,393)	78,894	830,590	909,484
Total Other Noncurrent Assets	23,465,344	848,807	24,314,151
Capital Assets (note 5):			
Nondepreciable:			
Land	35,748,775	6,718,119	42,466,894
Construction in progress	378,559	-	378,559
Depreciable:			
Buildings and improvements	177,689,508	51,004,230	228,693,738
Equipment	1,090,951	1,151,029	2,241,980
Accumulated depreciation	(120,692,447)	(17,246,120)	(137,938,567)
Total Capital Assets, net	94,215,346	41,627,258	135,842,604
Total Noncurrent Assets	127,657,480	46,279,022	173,936,502
Total Assets	$ 191,126,356	$ 50,262,805	$ 241,389,161

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF FAIRFAX, VIRGINIA)
STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2016

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
DEFERRED OUTFLOW OF RESOURCES	$ 3,574,890	$ -	$ 3,574,890
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	2,291,383	504,409	2,795,792
Accrued salaries and benefits	808,300	-	808,300
Due to FCRHA	-	1,138,964	1,138,964
Deposits held in trust	2,091,678	233,251	2,324,929
Unearned revenue	1,848,587	42,518	1,891,105
Accrued compensated absences (note 7)	614,954	-	614,954
Loans, notes, and bonds payable (note 6)	1,358,368	453,392	1,811,760
Total Current Liabilities	9,013,270	2,372,534	11,385,804
Noncurrent Liabilities:			
Accrued compensated absences (note 7)	508,320	-	508,320
Loans, notes, and bonds payable (note 6)	37,882,839	40,748,204	78,631,043
Net pension liability	20,857,233	-	20,857,233
Other accrued long-term interest	5,367,098	4,369,104	9,736,202
Total Noncurrent Liabilities	64,615,490	45,117,308	109,732,798
Total Liabilities	73,628,760	47,489,842	121,118,602
DEFERRED INFLOW OF RESOURCES	1,232,956	-	1,232,956
NET POSITION			
Net investment in capital assets	72,296,859	-	72,296,859
Restricted	13,400,830	-	13,400,830
Unrestricted	34,141,841	-	34,141,841
Partner's equity	-	2,772,963	2,772,963
Total Net Position	$ 119,839,530	$ 2,772,963	$ 122,612,493

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF FAIRFAX, VIRGINIA)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2016

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
Operating Revenues:			
Dwelling rentals	$ 33,746,805	$ 5,910,407	$ 39,657,212
Other	3,145,590	485,425	3,631,015
Total Operating Revenues	36,892,395	6,395,832	43,288,227
Operating Expenses:			
Personnel services	17,030,099	1,186,582	18,216,681
Contractual services	301,935	80,499	382,434
Utilities	4,718,168	496,167	5,214,335
Repairs and maintenance	13,024,791	973,695	13,998,486
Other supplies and expenses	3,598,069	1,141,957	4,740,026
Housing assistance payments (HAP)	54,797,730	-	54,797,730
Depreciation and amortization	4,521,783	1,645,596	6,167,379
Total Operating Expenses	97,992,575	5,524,496	103,517,071
Operating Income (Loss)	(61,100,180)	871,336	(60,228,844)
Nonoperating Revenues (Expenses):			
Intergovernmental revenue	63,582,838	-	63,582,838
Interest revenue	323,205	2,419	325,624
Interest expense	(898,565)	(2,152,759)	(3,051,324)
Total Nonoperating Revenues (Expenses), net	63,007,478	(2,150,340)	60,857,138
Income (Loss) before Contributions	1,907,298	(1,279,004)	628,294
Contributions:			
HUD capital contributions	1,799,443	-	1,799,443
Total Contributions	1,799,443	-	1,799,443
Change in net position	3,706,741	(1,279,004)	2,427,737
Net position, beginning of year, as restated	116,132,789	4,051,967	120,184,756
Net position, end of year	$ 119,839,530	$ 2,772,963	$ 122,612,493

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

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF FAIRFAX, VIRGINIA)
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
Cash flows from operating activities:			
Rental receipts	$ 33,988,168	$ 6,004,832	$ 39,993,000
Other operating cash receipts	3,352,771	485,425	3,838,196
Purchase of property held for sale	(1,503,781)	-	(1,503,781)
Receipts from sale of property held for sale	1,915,583	-	1,915,583
Payments to employees for services	(17,760,109)	(1,186,582)	(18,946,691)
Housing assistance payments	(54,797,730)	-	(54,797,730)
Payments to suppliers for goods and services	(22,691,336)	(2,870,582)	(25,561,918)
Net cash provided by (used in) operating activities	(57,496,434)	2,433,093	(55,063,341)
Cash flows from noncapital financing activities:			
Intergovernmental revenues received	63,582,838	-	63,582,838
Net cash provided by noncapital financing activities	63,582,838	-	63,582,838
Cash flows from capital and related financing activities:			
Purchase of capital assets	(2,307,013)	(43,200)	(2,350,213)
Interest paid	(903,065)	(1,489,278)	(2,392,343)
Debt principal paid	(2,370,433)	(226,789)	(2,597,222)
HUD debt service and capital contributions	1,799,443	-	1,799,443
Net cash used in capital and related financing activities	(3,781,068)	(1,759,267)	(5,540,335)
Cash flows from investing activities:			
Receipt of loan and advance repayments	411,346	-	411,346
Disbursement of loans and advances receivable	(1,621)	-	(1,621)
Maturity of investments	690,000	-	690,000
Acquisition of investments	40,046	-	40,046
Interest and gain received on investments	323,340	2,419	325,759
Net cash provided by investing activities	1,463,111	2,419	1,465,530
Net increase in cash and cash equivalents	3,768,447	676,245	4,444,692
Cash and cash equivalents, beginning of year	58,439,653	6,922,526	65,362,179
Cash and cash equivalents, end of year	$ 62,208,100	$ 7,598,771	$ 69,806,871

YEAR ENDED JUNE 30, 2016

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
Reconciliation to statement of net position:			
Cash in bank	$ 16,732,774	$ 3,523,286	$ 20,256,060
Cash on deposit with the County of Fairfax, Virginia	32,049,674	-	32,049,674
Cash deposits held in trust	2,902,347	272,528	3,174,875
Cash reserves	10,523,305	3,802,957	14,326,262
Cash and cash equivalents	$ 62,208,100	$ 7,598,771	$ 69,806,871
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	$ (61,100,180)	$ 871,336	$ (60,228,844)
Depreciation and amortization	4,521,783	1,645,596	6,167,379
Provision for doubtful accounts	147,419	-	147,419
Loss on write-off of construction in progress	54,464	-	54,464
Effects of changes in operating assets and liabilities:			
Accounts receivable	60,235	154,218	214,453
Prepaid items and other assets	1,283	(82,093)	(80,810)
Net pension liability and related outflows/inflows	(711,767)	-	(711,767)
Accounts payable and accrued liabilities	(641,896)	(97,892)	(739,788)
Deposits held in trust	138,516	1,721	140,237
Unearned revenue	33,709	(59,793)	(26,084)
Net cash provided by (used in) operating activities	$ (57,496,434)	$ 2,433,093	$ (55,063,341)

Note 1—Summary of significant accounting policies

Organization Profile - These financial statements include the activities of the Fairfax County Redevelopment and Housing Authority (the "Authority" or "FCRHA"). The Authority administers various housing and community development programs within the County of Fairfax, Virginia (the "County"). The Authority is a political subdivision of the Commonwealth of Virginia created pursuant to Chapter 1 of Title 36 of the Code of Virginia of 1950, as amended, by resolution of the Board of Supervisors of Fairfax County and approved in a referendum of voters in the County on November 2, 1965. On February 23, 1966, the Board of Supervisors declared the Authority an activated entity. The powers, duties, and responsibilities of the Authority are set forth in Title 36 of the Code of Virginia of 1950, as amended. The Authority is established as a component unit of the County.

The accounting policies of the Authority conform to U.S. generally accepted accounting principles ("GAAP") as applicable to proprietary funds of governmental units. The following is a summary of the Authority's significant accounting policies.

Reporting Entity - As required by GAAP, the accompanying financial statements present the financial position and result of operations of the Authority (the primary government) and its component units. The financial results of the component units are included in the Authority's basic financial statements because of the significance of their operational or financial relationships with the Authority. The Authority and its component units are together referred to as the Reporting Entity.

Blended Component Units - The Authority is the general partner of six real estate partnerships (Little River Glen; Herndon Harbor House I L.P.; Fairfax County Redevelopment and Housing Authority/HCDC One, L.P. (Stonegate); Fairfax County Redevelopment and Housing Authority/HCDC Two, L.P. (Murraygate); The Green, L.P.; and Castellani Meadows L.P.) that are considered component units of the Authority for the same reasons discussed in the following paragraph. However, because the Authority is not only the general partner, but also controls the limited partnership interests, they are considered blended component units. Little River Glen has a June 30 fiscal year-end. Herndon Harbor House I, Stonegate, Murraygate, The Green, and Castellani Meadows have December 31 year-ends, therefore the amounts included for these entities are as of and for the year end that falls within the year ended June 30, 2016. Separate financial statements for the blended component units can be obtained from the Authority.

Discretely Presented Component Units - Additionally, the Authority is also the general partner in six other real estate limited partnerships (Herndon Harbor House II L.P.; Tavenner Lane, L.P.; Morris Glen L.P.; Gum Springs Glen L.P.; Cedar Ridge, L.P.; and FCRHA Olley Glen, L.P.). However, the limited partnership interests are held by third parties unrelated to the Authority. As the general partner, the Authority has certain rights and responsibilities, which enable it to impose its will on the limited partnerships. Additionally, the Authority is financially accountable for the limited partnerships as the Authority is legally obligated to fund operating deficits up to a maximum limit per partnership, in accordance with the terms of the partnership agreements.

All discretely presented component units have a December 31 calendar year-end. Accordingly, the amounts included for each component unit are as of and for the year-end that falls within the year ended June 30, 2016. Separate financial statements for the individual limited partnerships can be obtained from the Authority. All limited partnerships follow Financial Accounting Standards Board (FASB) pronouncements and have not been converted for purposes of these financial statements. All limited partnership financial statements are prepared in accordance with Generally Accepted Accounting Principles.

Note 1—Summary of significant accounting policies (continued)

Basis of Presentation - The accounts of the Authority are presented in single proprietary fund financial statements consisting of various programs. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. The operations of the Authority are accounted for in the three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These statements report information on all activities of the Authority and its component units. Likewise, the Authority is reported separately from legally separate component units for which the Authority is financially accountable.

The Authority's activities include the following programs:

The following two programs include programs provided by the County through its Department of Housing and Community Development ("HCD"). The HCD was established by the Board of Supervisors on December 12, 1973, to assume the administrative functions of the Authority and to function as the County's agency for administration of all housing and community development programs. In this action, the Board of Supervisors also established that the County Executive would be the Executive Director and the Secretary of the Authority.

- *Elderly Housing Programs* are used to account for the affordable rental housing owned by the Authority and occupied by the elderly.

- *Homeowners and Business Loan Program* is used to account for funds used to assist low and moderate income families to become homeowners in the County or to improve their current living space through repair or rehabilitation.

The Authority's other programs, described below, are financed primarily by federal grants from the U.S. Department of Housing and Urban Development ("HUD"), rents, and other user charges resulting from the operations of subsidized housing, development and financing fees, investment income, and loan proceeds. These funds provide rental housing, housing for the elderly/group homes, loans for home ownership and home improvement, tenant rental assistance, community development, and the development and administration of these programs. A description of each of these programs follows:

- *Public Housing Program* is used to account for operating and capital costs of rental housing owned and operated by the Authority and subsidized by the HUD public housing program. Other funding sources include rental income and other user charges.

- *Housing Choice Voucher Program* is a federal housing assistance program for lower income families seeking housing in the private market place. HUD provides funds to pay a portion of the family's rent.

- *Operating Program* is used to account for projects and for real property that is not accounted for in other Authority programs. The primary source of revenues is management fees earned from partnership properties, monitoring and service fees charged to developers.

- *Revolving Development Program* is used to provide funds for initial project costs, such as new site investigations, architectural and engineering plans, studies, and fees. This funding ensures that adequate plans and proposals are completed prior to application for project financing from federal, state, or private sources. These initial costs are anticipated to be recovered from permanent project financing.

Note 1—Summary of significant accounting policies (continued)

Basis of Presentation (continued)

- *Private Finance Program* is used to budget and report costs for capital projects that are supported wholly or partially by funds borrowed by the Authority or through the Authority's sale of notes or bonds. Housing development and improvement projects may be financed with funds borrowed from private lenders, the Virginia Housing Development Authority ("VHDA"), or the federal government.

- *Rehabilitation Loan Program* is used to account for the Authority's portion of the funding for the Home Improvement Loan Program ("HILP"). The HILP provides financial and technical assistance to low- and moderate-income homeowners for rehabilitation of their properties. Funding for this program has been provided by the federal Community Development Block Grant (CDBG), County appropriation and commercial banks.

- *Fairfax County Rental Program* (FCRP) is used to provide affordable rental housing (other than federal public housing) in the County for low- and moderate-income families.

- *Grant Program* is used to account for the HUD Resident Opportunities and Self-Sufficiency grant.

Measurement Focus and Basis of Accounting - The proprietary fund financial statements 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are rental charges and other charges related to the use of property. The Authority also recognizes as operating revenues management and development fees, excess utility charges, and other tenant charges. Operating expenses include personnel services, contractual services, administrative expenses, utility expenses, ordinary repair and maintenance expenses, housing assistance payments, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as either non-operating revenues or expenses or contributions.

Use of Estimates in Preparing Financial Statements - The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 - Cash in bank is maintained by the County's Investment and Cash Management Division ("ICM") in a separate bank account in order to comply with the provisions of bond indentures. Cash on deposit with the County of Fairfax, Virginia, is also maintained by ICM in a single pooled account. Deposits held in trust reflect amounts collected as security deposits from tenants, as well as accrued interest on these deposits. Cash reserves primarily consist of restricted deposits and funded reserves for repairs and replacements required to be maintained under HUD and VHDA guidelines, as well as cash balances in accordance with certain bond indentures. All of the primary government's cash deposits are covered by federal depository insurance and have been fully insured or collateralized. Temporary investments consist of money market investments that have a remaining maturity at the time of purchase of one year or less and are reported at amortized cost, which approximates fair values. The County allocates, on a monthly basis, any temporary investment earnings, less an administrative charge, based on the Authority's average balance pooled cash and temporary investments.

Note 1—Summary of significant accounting policies (continued)

Investments - The Authority maintains an investment policy, the overall objectives of which are the preservation of capital and the protection of investment principal; maintenance of sufficient liquidity to meet operating requirements; conformance with federal, state and other legal requirements and attainment of a market rate of return. Oversight of the investment activity is the responsibility of the Investment Committee, which is comprised of the Deputy Directors, HCD, Director of Financial Management Division ("FMD"), Director of Real Estate Finance and Grants Management Division ("REFGM"), Associate Director, REFGM and Fiscal Administrators, FMD.

Authorized investments for public funds are set forth in the "Investment of Public Funds Act" of the Code of Virginia. Within the permitted statutory framework, the Authority limits the investment of assets to the money market accounts, certificates of deposit and U.S. Treasury securities. Temporary investments consist of money market investments that have a remaining maturity at the time of purchase of one year or less and are reported at amortized cost, which approximates fair value. Certificates of deposit are reported at cost.

This investment policy applies to all financial assets of the Authority, all General Obligation bond funds, all funds deposited in the Authority's bank accounts, and the County's pooled cash. Bond proceeds shall be invested in accordance with the requirements and restrictions outlined in bond documents. All Authority investments are held by the financial institution's trust department in its name and are collateralized by United States Government securities.

Cash and Cash Equivalents - For purposes of preparing the statement of cash flows, cash and cash equivalents include unrestricted cash in bank, cash on deposit with the County of Fairfax, Virginia, deposits held in trust and restricted and unrestricted cash reserves. In addition, only the changes in the operating portion of assets and liabilities are accounted for in this statement's reconciliation of operating income (loss) to net cash provided by (used in) operating activities.

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 acquisition 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. 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 15 to 28 years for buildings and improvements and from 5 to 15 years for equipment. With respect to the Capital Grant program, the Authority capitalizes assets in accordance with HUD guidance.

Deferred Outflows/Inflows of Resources - A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The Authority recognizes deferred outflows for contributions made subsequent to the measurement date related to pensions and net differences between the projected and actual earnings on pension plan investments.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period. The Authority recognizes deferred inflows for the difference between expected and actual experience as well as the changes in the proportion of pension related to the Authority.

Accounts Receivable and Allowance for Doubtful Accounts - Receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of accounts receivable and the probability of collection.

Note 1—Summary of significant accounting policies (continued)

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System ("ERS") and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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 employees' 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. In addition, employees may accrue compensatory leave for hours worked in excess of their scheduled hours.

Compensatory leave in excess of 240 hours at the end of the calendar year is forfeited. The current pay rate, including certain additional employer-related fringe benefits, is used to calculate compensated absences accruals at June 30.

Property Held for Sale - Property held for sale are First-Time Homebuyers ("FTHB") program properties the Authority purchased for the purpose of resale to first-time homebuyers. The FTHB is designed to provide affordable homeownership opportunities for low- to moderate-income families who otherwise could not afford to purchase a home, and includes the Moderate Income Direct Sales Program, the Affordable Dwelling Unit Program, the First-Time Homebuyer Direct Sales Program and the Founders Ridge Program. Properties are recorded and valued at cost when acquired.

Applicants in the FTHB Program are required to participate in homeownership education classes, obtain a pre-conditional approval from a lender, and meet other program eligibility criteria to participate in drawings to receive the opportunity to purchase these homes.

The repurchased properties generally undergo minor repairs and are put on the market for re-sale to first-time homebuyers within a year. New 30-year covenants are recorded on the properties at the time of resale to maintain affordable housing resources in Fairfax County for future residents.

Notes, Mortgages, and Other Receivables - Notes, mortgages, and other receivables are carried at amounts advanced, net of a reserve for uncollectible accounts, if any.

Restricted Assets and Net Position - Restricted assets are liquid assets which have third-party limitations on their use. When both restricted and unrestricted resources are available for capital use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. In regard to operating reserves, it is the Authority's policy to use unrestricted resources first, and then restricted resources. In accordance with requirements of HUD and VHDA, the Authority is required to maintain certain restricted deposits and funded reserves for repairs and replacements.

Note 1—Summary of significant accounting policies (continued)

Net position is displayed in three components:

- *Net Investment in Capital Assets* - This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- *Restricted Net Position* - This component of net position consists of restricted assets when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

- *Unrestricted Net Position* - This component of net position consists of net position that does not meet the definition of "Net Investment in Capital Assets" or "Restricted Net Position."

Revenue Recognition -The Authority has entered into Annual Contributions Contracts with HUD to develop, manage, and own public housing projects and to administer the Housing Choice Voucher Program, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes monthly operating subsidy contributions within the Public Housing Program and monthly contributions for housing assistance payments and administration fees for the Housing Choice Voucher Program. In addition, the County makes annual contributions to various programs (e.g., Elderly Housing program) to support operational costs. Such contributions are reflected as intergovernmental revenue in the accompanying financial statements. Other intergovernmental revenues are reported under the legal contractual requirements of the individual programs.

Intergovernmental revenues are recognized in the period in which all grant requirements are satisfied, which is typically when the Authority has expended the funds on allowable costs. Grant funds received in advance of satisfying all requirements are recorded as deferred revenue. Effective in FY 2006, HUD mandated that authorities who administer the Housing Choice Voucher (HCV) program should recognize revenue for Housing Assistance Payments (HAP) based on the current year's budget received, rather than the methodology used in previous years of recognizing revenue based on expenditures incurred.

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned. Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. The allowance method is used to recognize bad debts.

Note 2—Cash and cash equivalents

Cash deposits maintained in banks are covered by U.S. Federal Deposit Insurance and by collateral held by custodial banks in the Authority's name based upon the average daily funds available as determined by the banks.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities.

Custodial credit risk for deposits is the risk that in the event of a bank failure the Authority's deposits may not be returned to it. For the fiscal year ended June 30, 2016, the carrying amount of the Authority's cash and cash equivalents was $62,208,100 and the bank balance was $62,343,494, respectively. All deposits were entirely insured or collateralized with securities held by the Authority's agent in the Authority's name as of June 30, 2016.

Note 3—Investments

As of June 30, 2016, the Authority had the following investment type:

	Amount	Weighted Average Maturity (Days)
Investment Type:		
Investment GIC	$ 394,134	
Certificates of deposit	6,615,000	
Total fair value	$ 7,009,134	
Portfolio weighted average maturity		168.22

Interest Rate Risk - The Authority's policy is to minimize the risk that the market value of securities in its portfolio will fall due to changes in market interest rates. To achieve this minimization of risk, the County structures the pooled investment portfolio so that sufficient securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Pooled investments that are purchased to meet liquidity needs shall have a target weighted average maturity of 90 days. All other pooled funds are invested primarily in shorter-term securities, with a maximum maturity of one year.

Credit Risk - The Authority's policy is to minimize the risk of loss due to the failure of an issuer or other counterparty to an investment to fulfill its obligations. The Authority limits its investments to the safest types of securities.

Concentration of Credit Risk - The Authority's investment policy limits the investment of assets to Money Market Accounts, Certificates of Deposit, and U.S. Treasury Securities.

Custodial Credit Risk - For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the Authority may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act ("Act"), all of the Authority'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 Authority 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 Authority are insured or registered or are securities held by the Authority or its agent in the Authority's name.

Note 3—Investments (continued)

Foreign Currency Risk - Per the Authority's policy, investments are limited to U.S. dollar denominated instruments.

The Authority categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2016:

- Other equity securities of $394,134 are valued using quoted market prices (Level 1 inputs).

Note 4—Receivables

Accounts Receivable - Accounts receivable at June 30, 2016 consisted of the following:

Tenant receivable (net of allowances of $190,015)	$	593,262
Landlord and HCV tenant receivables (net of allowances of $96,213)		277,596
Due from U.S. Department of Housing and Urban Development		172,698
Other receivables		14,901
Due from other governments (Section 8 Portability)		78,324
Total	$	1,136,781

Note 4—Receivables (continued)

Notes Receivable **-** Notes receivable at June 30, 2016 consisted of the following:

Herndon Harbor House	Secured note bearing interest at 6%, maturing April 1, 2029, interest and principal payments of $12,480 due monthly.	$	1,332,279
Cedar Ridge LP	Secured note bearing interest at 5.01%, maturing October 1, 2048, principal and interest deferred until this date, interest will compound and be added to the outstanding principal balance of the loan annually.		741,556
Homeowners and Business Loan Program	Unsecured and secured notes with varying interest rates and repayment terms, net of allowance for uncollectible notes of $1,232,958.		1,374,668
Cedar Ridge LP	Secured note bearing interest at 5.984%, maturing October 1, 2048, interest and principal payments beginning December 1, 2008 of $72,481 are due monthly.		12,326,341
FCRHA Olley Glen LP	Secured note bearing interest at 6.4%, maturing August 1, 2051. Interest only payments through July 1, 2011. Beginning August 1, 2011, interest and principal payments of $28,455 are due monthly. The principal pay down of $7.3 million took place on August 1, 2011.		4,766,912
Morris Glen	Unsecured notes, bearing interest at LIBOR rate plus 180 basis points maturing July 2016 and February 2017, monthly payment of interest only is required.		681,381
FCRHA Olley Glen LP	Secured note bearing interest at 5% beginning on August 1, 2011 (0% until that date) and maturing August 1, 2051. Beginning May 1, 2012, interest and principal payments of $118,620 are due annually. Payment will be based on net cash flow and any amount not paid will be deferred and either paid with the next installment or deferred until sufficient net cash flow allows for payment or until maturity.		2,050,000
			23,273,137
Less current notes			425,586
Noncurrent notes receivable		$	22,847,551

Mortgages Receivable - Under the Authority's Home Improvement Loan Program, qualified County residents who are unable to obtain financing from commercial sources may be loaned funds by the Authority. At June 30, 2016, long-term home improvement loans receivable under this program were $26,440 bearing interest at varying rates up to 3%.

Note 4—Receivables (continued)

Other Receivables – Other receivables are funds provided for initial project costs, such as new site investigations, architectural and engineering plans, studies, etc. The initial costs are anticipated to be recovered from permanent project financing upon completion.

The following table provides a reconciliation of the notes, mortgages and other receivables to the statement of net position at June 30, 2016:

Notes receivable	$ 425,586
Other receivables	574,296
Current portion	999,882
Notes receivable (net of allowances of $1,227,958)	22,847,551
Mortgages receivable	26,440
Other receivables	8,501
Long-term portion	22,882,492
Total notes, mortgages and other receivables, net	$ 23,882,374

Note 5—Capital assets

The enterprise fund's capital asset activity for the year ended June 30, 2016 is as follows:

	(As Restated) Beginning Balance	Increases	Decreases	CIP Transfers	Ending Balance
Capital assets, non-depreciable:					
Land	$ 35,748,775	$ -	$ -	$ -	$ 35,748,775
Construction-in-progress	144,891	1,671,725	(54,464)	(1,383,593)	378,559
Total capital assets, nondepreciable	35,893,666	1,671,725	(54,464)	(1,383,593)	36,127,334
Capital assets, depreciable:					
Buildings and improvements	175,670,627	635,288	-	1,383,593	177,689,508
Equipment	1,090,951	-	-	-	1,090,951
Total capital assets, depreciable	176,761,578	635,288	-	1,383,593	178,780,459
Less accumulated depreciation:					
Buildings and improvements	(115,123,510)	(4,487,088)	-	-	(119,610,598)
Equipment	(1,079,046)	(2,803)	-	-	(1,081,849)
Total accumulated depreciation	(116,202,556)	(4,489,891)	-	-	(120,692,447)
Total depreciable capital assets, net	60,559,022	(3,854,603)	-	1,383,593	58,088,012
Total Enterprise Fund capital assets, net	$ 96,452,688	$ (2,182,878)	$ (54,464)	$ -	$ 94,215,346

Note 5—Capital assets (continued)

The component unit's capital asset activity for the year ended December 31, 2015 is as follows:

	(As Restated) Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	$ 6,718,119	$ -	$ -	$ 6,718,119
Total capital assets, nondepreciable	6,718,119	-	-	6,718,119
Capital assets, depreciable:				
Buildings and improvements	50,961,030	43,200	-	51,004,230
Equipment	1,151,029	-	-	1,151,029
Total capital assets, depreciable	52,112,059	43,200	-	52,155,259
Less accumulated depreciation:				
Buildings and improvements	(14,494,015)	(1,601,076)	-	(16,095,091)
Equipment	(1,151,029)	-	-	(1,151,029)
Total accumulated depreciation	(15,645,044)	(1,601,076)	-	(17,246,120)
Total depreciable capital assets, net	36,467,015	(1,557,876)	-	34,909,139
Total Component Unit capital assets, net	$ 43,185,134	$ (1,557,876)	$ -	$ 41,627,258

Note 6—Short-term and long-term obligations – loans, notes payable, and bonds payable

Notes Payable - Notes payable of enterprise funds consist of the following at June 30, 2016:

Note Holder	Terms	Outstanding Balance
Virginia Housing Development Authority	Secured by Minerva Fisher-Hall Group Home property, bearing interest at 8.07%, maturing June 1, 2019, principal and interest payments of $3,063, monthly.	$ 96,499
Virginia Housing Development Authority	Secured by Penderbrook rental property, bearing interest at 7.17%, maturing October 1, 2018, principal and interest payments of $5,874 monthly.	151,032
The City of Fairfax	Unsecured funds provided by the City of Fairfax to the FCRHA for the purpose of making Home Improvement Loans (HILP) to City of Fairfax residences. These funds are only paid back to the City of Fairfax when the program is terminated.	47,221
United Bank	Secured by Faircrest North rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $3,056 monthly.	362,328
United Bank	Secured by Laurel Hill rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $3,056 monthly.	362,314
United Bank	Secured by the Courts of Westcott Ridge rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $4,023 monthly.	476,622
United Bank	Secured by Holly Acres rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $943 monthly.	111,204
United Bank	Secured by Legato Corner rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $5,472 monthly.	648,530
United Bank	Secured by Willow Oaks rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $3,345 monthly.	397,669
United Bank	Unsecured draw on $5,000,000 taxable line of credit with interest only payments required until maturity of note on March 31, 2020. Interest is calculated based on the 3-month LIBOR rate plus 150 basis points. The LIBOR rate plus the additional basis points was 1.76% at June 30, 2015.	1,389,100

Note 6—Short-term and long-term obligations – loans, notes payable, and bonds payable (continued)

*Notes Payable (*continued)

Note Holder	Terms	Outstanding Balance
SunTrust Bank	Secured by the LeLand Road Group Home property, bearing interest at 5.5%, maturing April 1, 2017, principal and interest payments of $4,581 monthly.	$ 44,665
Virginia Housing Development Authority	Secured by the First Stop Group Home property, bearing interest at 7.61%, maturing March 1, 2025, principal and interest payments of $3,234 monthly.	247,373
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by various Authority rental properties, bearing interest at 1.21% to 5.39%, maturing at varying dates through August 1, 2017, variable principal and interest payments due semi-annually.	72,000
SunTrust Bank	Secured by HCDC One, LP (Stonegate) rental property, bearing interest at 6.16%, maturing January 8, 2024, principal and interest payments due monthly.	711,797
SunTrust Bank	Secured by Hopkins Glen rental property, bearing interest at 4.33%, maturing October 1, 2016, principal and interest payments due monthly.	23,700
United Bank	Secured by East Market rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of $619 monthly.	76,345
United Bank	Secured by East Market rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of $1,130 monthly.	139,368
United Bank	Secured by Fair Oaks rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of $1,857 monthly.	229,883
United Bank	Secured by Bryson at Woodland Park rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of $2,033 monthly.	252,322
United Bank	Secured by Stockwell rental property, bearing interest at 6.11% and amortized over 30 years maturing July 1, 2024. Principal and interest payments of $1,680 monthly with a balloon payment of $150,841 due with final payment.	218,139

Note 6—Short-term and long-term obligations – loans, notes payable, and bonds payable (continued)

Notes Payable (continued)

Note Holder	Terms	Outstanding Balance
United Bank	Secured by Northampton rental property, bearing interest at 6.11% and amortized over 30 years maturing July 1, 2024. Principal and interest payments of $2,318 monthly with a balloon payment of $208,197 due with final payments.	$ 302,033
United Bank	Secured by Halstead I rental property, bearing interest at 6.11% and amortized over 30 years maturing July 1, 2024. Principal and interest payments of $875 monthly with a balloon payment of $78,576 due with final payment.	113,985
United Bank	Secured by Halstead II rental property, bearing interest at 6.11% and amortized over 30 years maturing July 1, 2024. Principal and interest payments of $806 monthly with a balloon payment of $72,409 due with final payment.	105,040
Bank of New York Mellon	Section 108 notes secured by property owned by the FCRHA Olley Glen, L.P. and bearing variable interest rates, initially on LIBOR plus 20 basis points. Loan is composed of two draws; draw one requires annual principal payments in addition to interest payments; draw two requires interest-only payments through August 2011, and then the outstanding principal amount will be amortized over a 14-year period.	1,185,000
		7,764,169
Less current notes		533,308
Noncurrent notes payable		$ 7,230,861

Annual debt service requirements to maturity for notes payable are as follows:

	Principal	Interest
Years ending June 30:		
2017	$ 533,308	$ 360,231
2018	489,692	326,561
2019	431,769	299,786
2020	396,079	312,978
2021	417,669	230,939
2022 - 2026	5,495,652	844,082
Total	$ 7,764,169	$ 2,374,577

Note 6—Short-term and long-term obligations – loans, notes payable, and bonds payable (continued)

Bonds Payable - Bonds payable consist of the following at June 30, 2016:

	Outstanding Balance
On August 29, 1996, on behalf of the Little River Glen project, the Authority issued Federal Housing Authority 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, to advance refund the Elderly Bonds, Series 1989A, with an original principal amount of $6,120,000 and interest rate of 8.95%. The land, buildings, and equipment of the Little River Glen project are pledged as security for the bonds. The old bonds were fully redeemed in fiscal year 1999.	$ 3,655,000
In June 1998, the Authority issued Series 1998 Lease Revenue bonds with an original principal amount of $3,630,000 and an interest rate of 4.71%, with final payment due June 15, 2018, to advance refund certain previously issued special limited obligation bonds. The new bonds are secured by the Authority's interest in payments under a lease agreement between the Authority and the County, whereby the Authority leases its Pender Drive Office building to the County, and a first deed of trust on the office building. Proceeds from the new bonds, along with other cash sources totaling approximately $4,000,000 were placed in irrevocable escrow accounts to provide for all future debt service payments on the old bonds, which were fully redeemed in 2003.	535,000
In August 1997, on behalf of Herndon Harbor House I Limited Partnership, the Authority issued tax-exempt revenue bonds with a principal amount totaling $2,875,000 and interest rate of 6.35% with final payment due July 1, 2027. The land, building, and equipment of the Herndon Harbor House I Limited Partnership are pledged as security for the bonds. Proceeds from the bonds were loaned to the Herndon Harbor House I Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.	608,362
In May 1999, on behalf of Herndon Harbor House II Limited Partnership, the Authority issued Series 1999A Multifamily Housing Revenue Bonds with a principal amount totaling $2,000,000. The Series A, 1999 term bonds have an original principal amount of $225,000 with an interest rate of 4.875% with final payment due May 1, 2009. The Series A, 1999 term bond has an original principal payment amount of $1,775,000 with an interest rate of 6% with final payment due May 1, 2029. The land, building, and equipment of the Herndon Harbor House II Limited Partnership are pledged as security for the bonds. Proceeds from the bonds were loaned to the Herndon Harbor House II Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.	1,332,278

Note 6—Short-term and long-term obligations – loans, notes payable, and bonds payable (continued)

Bonds Payable (continued)

	Outstanding Balance
In April 1998, on behalf of Castellani Meadows Limited Partnership, the Authority issued tax-exempt revenue bonds with a principal amount totaling $1,700,000 and an interest rate of 5.25% with final payment due March 1, 2028. Prior to March 1, 2001, a principal payment in the amount of $825,000 was due, at which time the interest rate changed to 6.15% per annum. The land, building, and equipment of the Castellani Meadows Limited Partnership are pledged as security for the bonds. Proceeds from the bonds were loaned to the Castellani Meadows Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.	$ 552,733
In March 2007, on behalf of Cedar Ridge Limited Partnership, the Authority issued a tax-exempt multi-family housing revenue bond with a principal amount totaling $13,200,000 and an interest rate of 5.984% with final payment due October 1, 2048. Interest only is payable monthly through November 1, 2008. Beginning on December 1, 2008, monthly payments of principal and interest of $72,481 are payable until the maturity date of the note. The note is collateralized by a first deed of trust on the rental property of the Cedar Ridge Limited Partnership. Proceeds from the bonds were loaned to the Cedar Ridge Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.	12,326,342
In August 2008, on behalf of the FCRHA Olley Glen Limited Partnership, the Authority issued a tax-exempt multi-family housing revenue bond with a principal amount totaling $12,220,000 and an average coupon rate of 5.37% with final payment due August 1, 2051. Interest only is payable monthly through July 1, 2011. Beginning August 1, 2011, monthly payments of principal and interest of $28,455 are payable until the maturity date of the note. The note is collateralized by a first deed of trust on the senior rental property of the FCRHA Olley Glen Limited Partnership. Proceeds from the bonds were loaned to the FCRHA Olley Glen Limited Partnership to finance a portion of the cost for acquisition, construction, and equipping of the senior facility.	4,766,912
	23,776,627
Less current bonds	825,060
Total noncurrent bonds payable	$ 22,951,567

Note 6—Short-term and long-term obligations – loans, notes payable, and bonds payable (continued)

Annual debt service requirements to maturity for bonds payable are as follows:

	Principal	Interest
Years ending June 30:		
2017	$ 825,060	$ 1,282,329
2018	874,644	1,236,548
2019	635,415	1,192,752
2020	672,250	1,152,842
2021	715,613	1,115,252
2022 - 2026	4,301,450	4,883,491
2027 - 2031	2,808,919	3,721,540
2032 - 2036	2,376,874	3,131,218
2037 - 2041	3,160,773	2,419,363
2042 - 2046	4,202,991	1,470,399
2047 - 2051	3,174,183	325,996
2052	28,455	28,304
Total	$ 23,776,627	$ 21,960,034

Notes Payable - FCRHA – Certain blended component units have notes payable to the Authority, which are not eliminated as the notes will be forgiven by the Authority in the future. As such, there is a zero net balance on the Authority's financial statements. The amount owed to the Authority by the blended component units at June 30, 2016 consists of:

Note Holder	Terms	Outstanding Balance
FCRHA	The HOME Loan, in the original principal amount of $659,000, was obtained by Herndon Harbor House I. The note is payable at maturity, including simple interest at 2% per annum, on August 1, 2027. The note is collateralized by a second deed of trust on the rental property.	$ 553,853
FCRHA	The CDBG Loan, in the original amount of $527,000, was obtained by Herndon Harbor House I. The note is payable at maturity, including simple interest at 2% per annum, on August 1, 2027. The note is collateralized by a third deed of trust on the rental property.	525,298
FCRHA	The Housing Trust Fund Loan, in the original principal amount of $1,827,433, was obtained by Herndon Harbor House I. The note is payable at maturity, including simple interest at 2% per annum, on August 1, 2027. The note is collateralized by a fourth deed of trust on the rental property.	1,573,719

Note 6—Short-term and long-term obligations – loans, notes payable, and bonds payable (continued)

Note Holder	Terms	Outstanding Balance
FCRHA	Secured by HCDC Two, LP (Murraygate) rental property, bearing interest at 1%, maturing October 1, 2024, principal and interest payments due monthly.	$ 500,000
FCRHA	Secured by HCDC One, LP (Stonegate) rental property, bearing interest at 1%, maturing April 1, 2024, principal and interest payments due monthly.	250,000
FCRHA	Secured by HCDC One, LP (Stonegate) rental property, bearing interest at 1%, maturing April 1, 2024, principal and interest payments due monthly.	1,436,400
FCRHA	The loan payable to RHA, one of the general partners, represents $270,500 in CDBG funds advanced to Stonegate to assist in financing renovation of the property. The amount is non-repayable, unless the property ceases to be used for the purpose of providing affordable housing to qualified tenants.	270,500
FCRHA	The CDBG Loan, in the original amount of $880,000, was obtained by Castellani Meadows. The note is payable at maturity, including simple interest at 4% per annum, on April 1, 2028. The note is collateralized by a third deed of trust on the rental property.	208,211
FCRHA	The HOME Loan, in the original principal amount of $1,040,000, was obtained by Castellani Meadows. The note is payable at maturity, including simple interest at 4% per annum, on April 1, 2028. The note is collateralized by a fourth deed of trust on the rental property.	1,018,922
FCRHA	The Public Housing Fund Loan for The Green rental property bears interest at 2%.	22,360
FCRHA	The Private Financing Fund Loan for The Green rental property bears interest at 2%.	108,397
FCRHA	The Housing Trust Fund Loan is secured by The Green rental property, bearing interest at 3.37%, maturing November 1, 2028, principal and interest payments due monthly.	907,267
FCRHA	The Comprehensive Grant Fund Loan is secured by The Green rental property, bearing interest at 3.37%, maturing November 1, 2028, principal and interest payments due monthly.	325,484
		7,700,411
Less current notes		-
Noncurrent notes payable		$ 7,700,411

Note 6—Short-term and long-term obligations – loans, notes payable, and bonds payable (continued)

Annual debt service requirements to maturity for notes payable are as follows:

	Principal	Interest
Years ending June 30:		
2017	$ -	$ 46,007
2018	-	36,249
2019	-	33,611
2020	-	30,801
2021	-	-
2022 - 2026	2,456,900	296,227
2027 - 2031	5,243,511	-
Total	$ 7,700,411	$ 442,895

Changes in Short-Term and Long-Term Liabilities - The Enterprise Fund's long-term liability activity for the year ended June 30, 2016 was as follows:

	(As Restated) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 24,558,226	$ -	$ 781,599	$ 23,776,627	$ 825,060
Notes payable	9,353,003	-	1,588,834	7,764,169	533,308
Notes payable - FCRHA	7,700,411	-	-	7,700,411	-
Total	$ 41,611,640	$ -	$ 2,370,433	$ 39,241,207	$ 1,358,368

Note 6—Short-term and long-term obligations – loans, notes payable, and bonds payable (continued)

Long-Term Debt – Component Units - The long-term debt of the component units are primarily non-recourse debt of each of the limited partnerships, which is collateralized by the land, buildings, and equipment of each limited partnership and having varying repayment terms and interest rates ranging from 1.00% to 9.25%.

The component units' long-term liability activity for year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component unit debt	$ 41,428,385	$ 200,229	$ (427,018)	$ 41,201,596	$ 453,392

The annual principal requirements of the component units' long-term debt are as follows:

	Principal
Years ending December 31:	
2016	$ 453,392
2017	1,159,381
2018	503,922
2019	531,311
2020	560,198
Thereafter	37,993,392
Total	$ 41,201,596

Note 7—Changes in compensated absences payable

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences payable	$ 1,165,721	$ 591,501	$ 633,948	$ 1,123,274	$ 614,954

Note 8—Tax credit limited partnerships

The tax credit program is the result of Federal legislation that allows investors certain incentives for investing in low-income housing. Under terms of the federal tax code and extended use agreements with the State of Virginia, the buildings must continue to serve the targeted population for 30 years; after 15 years the Authority has the option to purchase the property from the partnership.

Tax Credit Limited Partnerships are created to finance and own affordable housing. The Authority acts as Managing General Partner of each partnership. Although each tax credit limited partnership is structured differently, they are generally financed via loans to the partnership, contributions of equity by the general and limited partners, and other sources. In some transactions, the Authority issues bonds and loans the proceeds to the tax credit limited partnership. Tax-exempt bond issuances are secured by the underlying partnership real estate and, in some cases, by the general revenues of the Authority. The Authority may receive grant funds or other loans to assist in purchasing the properties and in preserving affordability within the projects.

Note 9—Conduit debt

The Authority is empowered by the Commonwealth of Virginia to issue tax-exempt bonds on behalf of qualified businesses to develop or rehabilitate low income housing within the County. Principal and interest on the tax-exempt bonds is paid entirely by the owners of the properties, which have entered into binding contracts to develop or rehabilitate the subject property. The terms of the tax-exempt bonds stipulate that neither the Authority nor the County guarantee the repayment of principal and interest to the bondholders. The bondholders' sole remedy in the event of default on the tax-exempt bonds is the subject property and third-party beneficiaries. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2016, the cumulative total of bonds outstanding under the Authority's name was approximately $34,717,488.

From 1996 through 2004, the FCRHA issued a total of $26,290,000 of lease revenue bonds for the purpose of financing the construction, renovation, and expansion of Mott Community Center, and Gum Springs Community Center, Baileys Community Center, the construction of Herndon Harbor II Adult Day Care Center, and Gum Springs Glen Head Start facility for child care and James Lee Community Center. In March 2010, the Economic Development Authority issued $43,390,000 of lease revenue bonds to current refund and advance refund for Mott Community Center, Gum Springs Community Center, Baileys Community Center, and Herndon Harbor II Adult Day Care Center. As of June 30, 2016, the balance of the Gum Springs Glen Head Start facility for child care was $1,125,404. As the County is responsible, under the related documents and subject to annual appropriation, to make payments to a trustee sufficient to pay principal and interest on these bonds, the related transactions, including the liability for these bonds, have been recorded in the County's financial statements and not on those of the FCRHA.

On February 16, 2006, the FCRHA issued a $40,600,000 bond anticipation note (BAN) to partially finance the purchase of a multi-family rental housing complex as part of the County's affordable housing initiative. The note matured on February 15, 2007, and was repaid through the issuance of another note and funding available in the County's Penny for Affordable Housing capital projects fund. On February 13, 2007, the FCRHA issued the $40,465,000 refunding BAN. The note matured on February 12, 2008, and was repaid through the issuance of a long-term note and funding available in the County's Penny for Affordable Housing capital projects fund. In February 2008, the FCRHA issued a $37,615,000 refunding BAN. The long-term note matured on March 1, 2013. In May 2011, the FCRHA issued $28,905,000 of bond anticipation notes to current refund $30,215,000 of outstanding Series 2008A bond anticipation notes. In February 2013, the FCRHA issued $24,650,000 of bond anticipation notes to current refund $26,725,000 of outstanding Series 2011 bond anticipation notes. In February 2015, the FCRHA authorized securing a taxable direct bank loan of $18.5 million to current refund of $21.47 million of current outstanding Series 2013 bond anticipation notes. The loan matures on March 1, 2018.

On November 28, 2007, the FCRHA issued a $105,485,000 bond anticipation note to finance a portion of the purchase price of a multi-family rental housing property as part of the County's affordable housing initiative. On October 6, 2008, the FCRHA issued the $104,105,000 refunding bond anticipation note. The note bore interest at 2.44% and matured on October 1, 2009 and was repaid through the issuance of revenue bonds and refunding available in the County's Penny for Affordable Housing capital project fund. On August 20, 2009, the FCHRA issued $94,950,000 of lease revenue bonds to repay a portion of an outstanding series 2008B bond anticipation note. The Bond bears an average interest rate of 4.53% and matures on October 1, 2039. As the County is responsible, under the related documents and subject to appropriation, to pay the principal and interest on the note at maturity, the related transactions, including the liability for the note, have been recorded in the County's financial statements and not in those of the FCRHA. The note is not a general obligation debt of the County, and the full faith and credit of the County is not pledged to the note.

Note 9—Conduit debt (continued)

On March 26, 2015, the FCRHA issued $13,000,000 of Multifamily Housing Revenue Bonds. The tax-exempt bonds have provided funding for construction of 120 unit project known as Residences at Government Center. The project is owned by Fairfax Corner Partners. FCRHA is a conduit issuer for these bonds and the bondholders will be paid solely from the project's revenues.

Note 10—Contingencies

The Authority, as the general partner of the tax credit limited partnerships reported as discretely presented component units, is responsible for ensuring that the partnerships maintain the properties as qualified low income housing projects for a period of 15 years (the tax credit compliance period). In the event that the qualified status of the properties is not maintained for the full period of 15 years, the Authority is contingently liable for the payment of certain special distributions to the limited partners. The amount of these distributions, if any, is to be determined using a formula based on the amount of tax credits that are disallowed. The maximum amount of this distribution is not to exceed the amount contributed by the limited partners to the partnership, plus any penalties and interest costs incurred as a result of the disqualification.

The Authority originated various deferred loans to the limited partnerships to help build, acquire or rehabilitate properties. The funding source for these loans include the Federal Community Development Block Grant program, HOME program, and other County or FCRHA funds. The loans, along with accrued interest, are due and payable to the FCRHA well beyond the tax compliance period, year sixteen, of the partnerships. As a result, the loans are anticipated to be defeased at the end of the tax compliance period, as the partnership conveys to the Authority, as General Partner, the non-cash fair value of the property for the Authority's use.

The Authority receives grant funds, principally from the federal government, for various programs. Certain expenses of these funds are subject to audit by the grantor and the reporting entity is contingently liable to refund amounts received in excess of allowable expenses. The management of the Authority believes that any possible disallowed expenses arising from such an audit, if any, would not have a material adverse impact on the Authority's net position as of June 30, 2016.

Note 11—Risk management

The FCRHA 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 FCRHA 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 claim settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's insurance program is available in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

Note 12—Retirement plans

Plan Description - Employees of the Authority are provided with pensions through the Fairfax County ERS, a single-employer defined benefit pension plan which covers full-time and certain part-time employees of Fairfax County and component units of the County, who are not covered by other plans of the County or the Virginia Retirement System.

Benefits Provided - Benefit provisions are established and may be amended by County ordinances, including member contribution rates. All benefits vest at five years of creditable service. Members who were hired before January 1, 2013 may elect to join Plan A or Plan B, and members who were hired on or after January 1, 2013 may elect to join Plan C or Plan D. To be eligible for normal retirement, an individual must meet the following criteria: (a) attain the age of 65 with five years of creditable service, (b) for Plans A and B, attain the age of 50 with age plus years of creditable service being greater than or equal to 80, or (c) for Plans C and D, attain the age of 55 with age plus years of service being greater than or equal to 85. The normal retirement benefit is calculated using average final compensation (i.e., the highest 78 consecutive two-week pay periods or the highest 36 consecutive monthly pay periods) and years (or partial years) of creditable service at date of termination. In addition, if normal retirement occurs before Social Security benefits are scheduled to begin, an additional monthly benefit is paid to retirees. The plan provides that unused sick leave credit may be used in the calculation of average final compensation by projecting the final salary during the unused sick leave period. Those who commenced employment on or after January 1, 2013, may not use more than 2,080 hours of accrued sick leave toward service credit for retirement or DROP entry. The benefit for early retirement is actuarially reduced and payable at early termination.

Effective July 1, 2005, a Deferred Retirement Option Program (DROP) was established for eligible members of the ERS. Members who are eligible for normal service retirement are eligible to participate in this program. DROP provides the ability for an employee to retire for purposes of the pension plan, while continuing to work and receive a salary for a period of three years. During the DROP period, the pension plan accumulates the accrued monthly benefit into an account balance identified as belonging to the member. The account balance is credited with interest in the amount of 5.0% per annum, compounded monthly. The monthly benefit is calculated using service and final compensation as of the date of entry in DROP, with increases equal to the annual cost-of-living adjustment provided for retirees.

Contributions - All contribution requirements for ERS are established and may be amended by County ordinances, including member contribution rates. Plan A and Plan C require member contributions of 4.0% of compensation up to the Social Security wage base and 5.33% of compensation in excess of the wage base. Plan B and Plan D require member contributions of 5.33% of compensation. The County establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2016 was 21.99%. Since the ERS's adjusted funded ratio (the ratio of the sum of the actuarial value of assets and commitments already made to fund change to the actuarial accrued liability) fell below 90%, the contribution rate includes a margin to amortize this shortfall back to the 90%level. For fiscal year 2016 the amortization target was increased to 95%, and for fiscal year 2017, it will be increased to a 97% level. Per the County's pension funding policy as approved by the Board of Supervisors as part of the FY 2016 Adopted Budget Plan and incorporated in the Fairfax County Code, the County will continue increasing the amortization target so that, at or before fiscal year 2020, 100% of the unfunded actuarial accrued liability is amortized and included in the contribution rate. The employer contribution made to the pension plan were $2,245,647 and $2,177,501 for the years ended June 30, 2016 and 2015, respectively.

Note 12—Retirement plans (continued)

Net Pension Liability - The Net Pension Liability ("NPL") was calculated for each entity within the County based on a methodology that allocates the NPL and pension amounts based on the proportion of the total contribution made by each entity during the preceding plan year. The net pension liability was determined based on an actuarial valuation as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. The proportionate share for the Authority is 1.6215%. At June 30, 2016, the Authority reported a liability of $20,857,233 for its proportionate share of the net pension liability.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2016, the Authority recognized pension expense of $711,767. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 111,773
Net differences between projected and actual earnings on pension plan investments	1,059,656	-
Change in proportion applicable to Authority	-	1,121,183
Authority contributions subsequent to the measurement date	2,515,234	-
Total	$ 3,574,890	$ 1,232,956

The $2,515,234 reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Amount
Years ending June 30:	
2017	$ (284,450)
2018	(284,450)
2019	(284,450)
2020	680,050

Note 12—Retirement plans (continued)

Actuarial Assumptions - The total pension liability ("TPL") for the year ended June 30, 2015 was determined as part of the July 1, 2014 actuarial valuation using the entry age actuarial cost method and rolled forward to the measurement date of June 30, 2015. Significant actuarial assumptions used in the valuation included:

Inflation	3.0%
Salary increases, including inflation	3.0% + merit
Investment rate of return, net of plan investment expenses	7.5%
Projected period of unfunded benefit payments	None
Municipal bond rate	N/A

Mortality rates with adjustments for mortality improvements were based on the RP 2000 Mortality tables projected to 2015 using Scale AA.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic long-term real rates of return for each major asset class included in the ERS's target asset allocation as of June 30, 2016, are summarized below.

Asset Class	Long-Term Expected Real Rate of Return
U.S. Equities	4.5%
International Equities	5.1%
Core Fixed Income	2.0%
High Yield	3.2%
Absolute Return	6.0%
Real Estate	5.3%
Commodity	4.5%

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made according to the County's stated policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A schedule of funding progress can be found in the required supplementary information section of the report.

Note 12—Retirement plans (continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Authority share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Authority's proportionate share of total pension liability	$ 91,925,157	$ 80,745,027	$ 71,615,104
Authority's proportionate share of plan fiduciary pension net position	59,887,794	59,887,794	59,887,794
Authority's proportionate share of net pension liability	$ 32,037,363	$ 20,857,233	$ 11,727,310
Plan fiduciary net position as a percentage of the total pension liability	65.1%	74.2%	83.6%

Pension Plan Fiduciary Net Position - The retirement system is considered a part of the County's reporting entity and the system's financial statements are included in the County's basic financial statements as a trust fund.

Information concerning ERS as a whole, including pension plan's fiduciary net position, is available in the County CAFR for the fiscal year ended June 30, 2016. Additionally, the ERS issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Employees' Retirement System, 10680 Main Street, Suite 280, Fairfax, Virginia 22030, or by calling (703) 279-8200. The reports are also available online:

Retirement system CAFR: http://www.fairfaxcounty.gov/retirement/retired_employees/publications.htm
Fairfax County CAFR: http://www.fairfaxcounty.gov/finance/transparencyresources.htm

Note 13—Other postemployment benefits

The Fairfax County OPEB Trust Fund is a single-employer defined benefit plan administered by Fairfax County. 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.

Note 13—Other postemployment benefits (continued)

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. Expenditures for postretirement health care benefits are recognized when the County charges the Authority. The OPEB expense charged to the Authority in FY 2016 was $319,852.

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, 2016 Comprehensive Annual Financial Report.

Note 14—Change in accounting principle, change in reporting entity

Change in Reporting Entity - The Authority previously reported Castellani Meadows, L.P. real estate partnership as a discretely presented component unit in which it was the general partner. The Authority now also controls the partnership interest for this partnership and has therefore considered it to be a blended component unit in accordance with GASB 61 guidance. The partnership has a December 31 year-end, so amounts included for the entity are as of and for the year end that falls within the year ended June 30, 2016. Beginning net position has been restated to include equity of $1,110,881 for this partnership.

2015 Enterprise Fund net position, as previously reported	$ 117,243,670
Restatement - change in reporting entity	(1,110,881)
2015 Enterprise Fund net position - as restated	$ 116,132,789
2015 Component Units (FASB) net position, as previously reported	$ 2,941,086
Restatement - change in reporting entity	1,110,881
2015 Component Units (FASB) net position - as restated	$ 4,051,967

Note 15—Condensed combining information for blended component units

	Blended Component Units									
	Little River Glen	**Herndon Harbor House I**	**FCRHA HCDC One (Stonegate)**	**FCRHA HCDC Two (Murraygate)**	**The Green**	**Castellani Meadows**	**Total Blended Component Unit**	**FCRHA**	**Eliminations**	**Primary Government**
ASSETS										
Current Assets:										
Cash in bank	$ 1,679,275	$ 650,185	$ 2,491,358	$ 890,245	$ 533,745	$ 304,432	$ 6,549,240	$ 42,779,723	$ -	$ 49,328,963
Investments	394,134	-	-	-	-	-	394,134	6,615,000	-	7,009,134
Restricted deposits held in trust	52,758	25,942	159,929	109,554	68,687	13,143	430,013	2,472,334	-	2,902,347
Notes receivable, current	-	-	-	-	-	-	-	1,072,411	(72,529)	999,882
Other current assets	223	-	-	30,084	-	-	30,307	2,061,462	-	2,091,769
Accounts receivable, net of allowances	2,692	105	1,586	7,026	8,821	2,032	22,262	1,114,519	-	1,136,781
Total Current Assets	2,129,082	676,232	2,652,873	1,036,909	611,253	319,607	7,425,956	56,115,449	(72,529)	63,468,876
Noncurrent Assets:										
Restricted cash reserves	1,094,143	123,459	1,140,057	929,652	254,684	131,653	3,673,648	6,303,142	-	9,976,790
Notes receivable, net of current	-	-	-	-	-	-	-	24,678,777	(1,796,285)	22,882,492
Other noncurrent assets	-	-	-	-	-	-	-	503,958	-	503,958
Deferred financing fees, net of accumulated amortization	-	16,379	6,202	-	-	26,912	49,493	29,401	-	78,894
Total Noncurrent Other Assets	1,094,143	139,838	1,146,259	929,652	254,684	158,565	3,723,141	31,515,278	(1,796,285)	33,442,134
Land and land improvements	1,035,634	-	2,484,121	2,244,000	246,400	214,040	6,224,195	29,524,580	-	35,748,775
Construction in progress	-	-	35,654	4,500	-	-	40,154	338,405	-	378,559
Buildings and improvements	9,922,950	5,712,241	13,483,992	9,267,477	4,399,127	2,696,248	45,482,035	132,207,473	-	177,689,508
Equipment	9,100	5,352	14,321	2,284	197,468	298,870	527,395	563,556	-	1,090,951
Accumulated depreciation	(9,374,286)	(2,451,436)	(11,029,379)	(7,066,816)	(2,207,926)	(1,579,449)	(33,709,292)	(86,983,155)	-	(120,692,447)
Total Capital Assets	1,593,398	3,266,157	4,988,709	4,451,445	2,635,069	1,629,709	18,564,487	75,650,859	-	94,215,346
Total Noncurrent Assets	2,687,541	3,405,995	6,134,968	5,381,097	2,889,753	1,788,274	22,287,628	107,166,137	(1,796,285)	127,657,480
Total Assets	4,816,623	4,082,227	8,787,841	6,418,006	3,501,006	2,107,881	29,713,584	163,281,586	(1,868,814)	191,126,356

Note 15—Condensed combining information for blended component units (continued)

	Blended Component Units									
	Little River Glen	Herndon Harbor House I	FCRHA HCDC One (Stonegate)	FCRHA HCDC Two (Murraygate)	The Green	Castellani Meadows	Total Blended Component Unit	FCRHA	Eliminations	Primary Government
DEFERRED OUTFLOWS OF RESOURCES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,574,890	$ -	$ 3,574,890
LIABILITIES AND NET POSITION										
Current Liabilities:										
Accounts payable and accrued liabilities	132,397	26,346	616,437	497,323	81,876	13,338	1,367,717	2,312,320	34,600	3,714,637
Deposits held in trust	52,758	24,302	155,701	95,291	37,913	10,361	376,326	1,715,352	-	2,091,678
Unearned revenue	59,871	-	3,072	36,984	-	-	99,927	1,748,660	-	1,848,587
Current portion long-term debt	240,000	37,867	70,125	707,719	-	32,434	1,088,145	1,048,243	(778,020)	1,358,368
Total Current Liabilities	485,026	88,515	845,335	1,337,317	119,789	56,133	2,932,115	6,824,575	(743,420)	9,013,270
Noncurrent Liabilities:										
Noncurrent portion long-term debt	3,415,000	3,241,999	2,598,572	500,000	1,363,508	1,763,400	12,882,479	46,982,987	(1,125,394)	58,740,072
Other noncurrent liabilities		1,100,186	1,153,374	449,996	1,184,762	1,478,780	5,367,098	508,320	-	5,875,418
Total Noncurrent Liabilities	3,415,000	4,342,185	3,751,946	949,996	2,548,270	3,242,180	18,249,577	47,491,307	(1,125,394)	64,615,490
Total Liabilities	3,900,026	4,430,700	4,597,281	2,287,313	2,668,059	3,298,313	21,181,692	54,315,882	(1,868,814)	73,628,760
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	1,232,956	-	1,232,956
TOTAL NET POSITION	$ 916,597	$ (348,473)	$ 4,190,560	$ 4,130,693	$ 832,947	$ (1,190,432)	$ 8,531,892	$ 111,307,638	$ -	$ 119,839,530

Note 15—Condensed combining information for blended component units (continued)

	Blended Component Units									
	Little River Glen	**Herndon Harbor House I**	**FCRHA HCDC One (Stonegate)**	**FCRHA HCDC Two (Murraygate)**	**The Green**	**Castellani Meadows**	**Total Blended Component Unit**	**FCRHA**	**Eliminations**	**Primary Government**
Operating Revenues:										
Rental	$ 1,284,755	$ 621,080	$ 2,680,161	$ 1,581,673	$ 514,484	$ 240,767	$ 6,922,920	$ 26,823,885	$ -	$ 33,746,805
Other	6,600	26,753	144,973	71,949	98,136	3,394	351,805	3,000,966	(207,181)	3,145,590
Total Operating Revenues	1,291,355	647,833	2,825,134	1,653,622	612,620	244,161	7,274,725	29,824,851	(207,181)	36,892,395
Operating Expenses:										
Personnel services	629,672	115,181	541,974	223,388	128,850	16,307	1,655,372	15,374,727	-	17,030,099
Contractual services	12,000	15,210	11,410	15,320	18,836	16,836	89,612	212,323	-	301,935
Utilities	122,857	85,413	261,936	381,241	159,503	1,631	1,012,581	3,705,587	-	4,718,168
Repairs and maintenance	210,567	127,505	377,253	244,777	151,898	26,307	1,138,307	11,886,484	-	13,024,791
Other supplies and expenses	28,178	149,687	449,951	282,167	311,401	95,368	1,316,752	2,488,498	(207,181)	3,598,069
Housing assistance payments	-	-	-	-	-	-	-	54,797,730	-	54,797,730
Depreciation and amortization	360,834	144,158	464,978	318,751	110,921	72,078	1,471,720	3,050,063	-	4,521,783
Total Operating Expenses	1,364,108	637,154	2,107,502	1,465,644	881,409	228,527	6,684,344	91,515,412	(207,181)	97,992,575
Operating Income (Loss)	(72,753)	10,679	717,632	187,978	(268,789)	15,634	590,381	(61,690,561)	-	(61,100,180)
Nonoperating Revenues (Expenses):										
Other nonoperating revenue	315,728	-	-	-	125,810	-	441,538	64,940,743	-	65,382,281
Interest income	25,633	1,016	784	560	265	60	28,318	294,887	-	323,205
Interest expense	(228,535)	(108,312)	(62,593)	(18,177)	(60,830)	(95,245)	(573,692)	(324,873)	-	(898,565)
Total Nonoperating Revenues (Expenses), net	112,826	(107,296)	(61,809)	(17,617)	65,245	(95,185)	(103,836)	64,910,757	-	64,806,921
Change in net position	40,073	(96,617)	655,823	170,361	(203,544)	(79,551)	486,545	3,220,196	-	3,706,741
Net position, beginning of year, as restated	876,524	(251,856)	3,534,737	3,960,332	1,036,491	(1,110,881)	8,045,347	108,087,442	-	116,132,789
Net position, end of year	$ 916,597	$ (348,473)	$ 4,190,560	$ 4,130,693	$ 832,947	$ (1,190,432)	$ 8,531,892	$ 111,307,638	$ -	$ 119,839,530

Note 15—Condensed combining information for blended component units (continued)

	Blended Component Units									
	Little River Glen	Herndon Harbor House I	FCRHA HCDC One (Stonegate)	FCRHA HCDC Two (Murraygate)	The Green	Castellani Meadows	Total Blended Component Unit	FCRHA	Eliminations	Primary Government
Cash flows from operating activities:										
Rental receipts	$ 1,277,376	$ 630,993	$ 2,670,596	$ 1,580,427	$ 565,936	$ 239,557	$ 6,964,885	$ 27,023,283	$ -	$ 33,988,168
Other operating cash receipts	6,600	26,753	144,973	71,949	98,136	3,394	351,805	3,000,966	-	3,352,771
Purchase of property held for sale	-	-	-	-	-	-	-	(1,503,781)	-	(1,503,781)
Receipts from sale of property held for sale	-	-	-	-	-	-	-	1,915,583	-	1,915,583
Payments to employees for services	(648,142)	(115,181)	(541,974)	(223,388)	(128,850)	(16,307)	(1,673,842)	(16,086,267)	-	(17,760,109)
Housing assistance payments	-	-	-	-	-	-	-	(54,797,730)	-	(54,797,730)
Payments to suppliers for goods and services	(378,616)	(312,105)	(1,002,822)	(1,263,875)	(283,693)	(38,931)	(3,280,042)	(19,411,294)	-	(22,691,336)
Net cash provided by (used in) operating activities	257,218	230,460	1,270,773	165,113	251,529	187,713	2,362,806	(59,859,240)	-	(57,496,434)
Cash flows from noncapital financing activities:										
Intergovernmental revenues received	315,728	-	-	-	125,810	-	441,538	63,141,300	-	63,582,838
Net cash provided by noncapital financing activities	315,728	-	-	-	125,810	-	441,538	63,141,300	-	63,582,838
Cash flows from capital financing activities:										
Purchase of capital assets	-	-	(50,319)	(4,500)	-	-	(54,819)	(2,252,194)	-	(2,307,013)
Interest/finance cost paid	(233,035)	(108,312)	(62,593)	(18,177)	(60,830)	(95,245)	(578,192)	(324,873)	-	(903,065)
Debt principal paid	(225,000)	(729,400)	(65,946)	-	(309,148)	(30,505)	(1,359,999)	(1,083,101)	72,667	(2,370,433)
HUD debt service and capital contributions	-	-	-	-	-	-	-	1,799,443	-	1,799,443
Net cash used in financing activities	(458,035)	(837,712)	(178,858)	(22,677)	(369,978)	(125,750)	(1,993,010)	(1,860,725)	72,667	(3,781,068)
Cash flows from investing activities:										
Receipt of loans and advances repayments	-	-	48,354	-	-	-	48,354	435,659	(72,667)	411,346
Disbursement of loans and advances receivable	-	-	-	(1,621)	-	-	(1,621)	-	-	(1,621)
Maturity of investments	-	200,000	-	-	-	-	200,000	490,000	-	690,000
Acquisition of investments	40,046	-	-	-	-	-	40,046	-	-	40,046
Interest on investments	25,768	1,016	784	560	265	60	28,453	294,887	-	323,340
Net cash provided by (used in) investing activities	65,814	201,016	49,138	(1,061)	265	60	315,232	1,220,546	(72,667)	1,463,111
Net increase (decrease) in cash and cash equivalents	180,725	(406,236)	1,141,053	141,375	7,626	62,023	1,126,566	2,641,881	-	3,768,447
Cash and cash equivalents, beginning of year	2,645,451	1,205,822	2,650,291	1,788,076	849,490	387,205	9,526,335	48,913,318	-	58,439,653
Cash and cash equivalents, end of year	$ 2,826,176	$ 799,586	$ 3,791,344	$ 1,929,451	$ 857,116	$ 449,228	$ 10,652,901	$ 51,555,199	$ -	$ 62,208,100

Note 15—Condensed combining information for blended component units (continued)

	Blended Component Units									
	Little River Glen	Herndon Harbor House I	FCRHA HCDC One (Stonegate)	FCRHA HCDC Two (Murraygate)	The Green	Castellani Meadows	Total Blended Component Unit	FCRHA	Eliminations	Primary Government
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities										
Net income (loss)	$ (72,753)	$ 10,679	$ 717,632	$ 187,978	$ (268,789)	$ 15,634	$ 590,381	$ (61,690,561)	$ -	$ (61,100,180)
Depreciation and amortization	360,834	144,158	464,978	318,751	110,921	72,078	1,471,720	3,050,063	-	4,521,783
Provision for doubtful accounts	-	-	-	-	-	-	-	147,419	-	147,419
Loss on write-off of construction in progress	-	-	-	54,464	-	-	54,464	-	-	54,464
(Increase) decrease in accounts receivable	(1,909)	12,340	563	15,253	51,452	(1,210)	76,489	(16,254)	-	60,235
(Increase) decrease in prepaid items and other assets	-	-	-	-	-	-	-	1,283	-	1,283
(Increase) decrease in net pension liability and										-
related outflows/inflows	-	-	-	-	-	-	-	(711,767)	-	(711,767)
Increase (decrease) in accounts payable and										-
accrued liabilities	(16,089)	64,960	81,725	(391,558)	340,172	101,251	180,461	(822,357)	-	(641,896)
Increase (decrease) in deposits held in trust	(7,395)	750	16,003	(3,276)	17,773	(40)	23,815	114,701	-	138,516
Increase (decrease) in deferred revenues	(5,470)	(2,427)	(10,128)	(16,499)	-	-	(34,524)	68,233	-	33,709
Net cash provided by (used in) operating activities	$ 257,218	$ 230,460	$ 1,270,773	$ 165,113	$ 251,529	$ 187,713	$ 2,362,806	$ (59,859,240)	$ -	$ (57,496,434)

Note 16—Related party transactions

The Authority is a General Partner and holds 0.01% to 1% interest in each of the following limited partnerships, which are reported as discrete component units (see note 4). Summarized partnership information for the year ended December 31, 2015 is as follows:

	Gum Springs Glen	Herndon Harbor House II	Morris Glen	Tavenner Lane	Olley Glen	Cedar Ridge	Total
ASSETS							
Current Assets:							
Cash in bank	$ 310,093	$ 244,041	$ 379,998	$ 138,578	$ 1,091,702	$ 1,358,874	$ 3,523,286
Restricted deposits held in trust	30,022	29,479	22,283	10,504	63,951	116,289	272,528
Accounts receivable, net of allowances, prepaid items, other assets	21,131	1,346	-	1,623	5,460	546	30,106
Prepaid expenses and other assets, current	-	5,257	13,140	-	130,595	-	148,992
Notes, mortgages, and other receivables	-	-	-	-	-	8,871	8,871
Total Current Assets	361,246	280,123	415,421	150,705	1,291,708	1,484,580	3,983,783
Noncurrent Assets:							
Restricted cash reserves	351,382	452,586	100,344	188,699	788,588	1,921,358	3,802,957
Other assets, noncurrent	-	-	-	-	-	18,217	18,217
Deferred financing fees, net of accumulated amortization	11,838	57,452	-	-	250,383	510,917	830,590
Total other assets	363,220	510,038	100,344	188,699	1,038,971	2,450,492	4,651,764
Land and land improvements	514,977	737,559	273,170	446,598	3,150,098	1,595,717	6,718,119
Buildings and improvements	5,384,602	5,858,138	5,111,878	3,063,767	14,378,060	17,207,785	51,004,230
Equipment	150,392	198,979	121,643	21,592	338,205	320,218	1,151,029
Accumulated depreciation	(1,860,807)	(2,770,911)	(4,006,129)	(1,508,702)	(3,141,167)	(3,958,404)	(17,246,120)
Total Capital Assets	4,189,164	4,023,765	1,500,562	2,023,255	14,725,196	15,165,316	41,627,258
Total Noncurrent Assets	4,552,384	4,533,803	1,600,906	2,211,954	15,764,167	17,615,808	46,279,022
Total Assets	$4,913,630	$4,813,926	$2,016,327	$ 2,362,659	$17,055,875	$19,100,388	$50,262,805
LIABILITIES AND PARTNERS' CAPITAL							
Current Liabilities:							
Accounts payable	$ 167,468	$ 27,785	$ 51,644	$ 6,350	$ 43,146	$ 71,831	$ 368,224
Accrued interest payable	4,163	-	2,057	-	25,519	104,446	136,185
Due to FCRHA	-	-	35,000	887	1,103,077	-	1,138,964
Deposits held in trust	26,200	26,521	19,362	9,339	46,827	105,002	233,251
Unearned revenue	3,459	-	-	3,436	30,903	4,720	42,518
Current portion long-term debt	55,092	69,656	18,198	-	36,477	273,969	453,392
Total Current Liabilities	256,382	123,962	126,261	20,012	1,285,949	559,968	2,372,534
Noncurrent Liabilities:							
Noncurrent portion long-term debt	2,287,602	4,356,011	2,364,130	3,755,487	13,655,451	14,329,523	40,748,204
Noncurrent accrued interest payable	749,247	965,018	344,184	-	1,673,452	637,203	4,369,104
Total Noncurrent Liabilities	3,036,849	5,321,029	2,708,314	3,755,487	15,328,903	14,966,726	45,117,308
Total Liabilities	3,293,231	5,444,991	2,834,575	3,775,499	16,614,852	15,526,694	47,489,842
Total Partners' Capital	1,620,399	(631,065)	(818,248)	(1,412,840)	441,023	3,573,694	2,772,963
Total Liabilities and Partners' Capital	$4,913,630	$4,813,926	$2,016,327	$ 2,362,659	$17,055,875	$19,100,388	$50,262,805

Note 16—Related party transactions (continued)

	Gum Springs Glen	Herndon Harbor House II	Morris Glen	Tavenner Lane	Olley Glen	Cedar Ridge	Total
Operating Revenue:							
Rental	$ 639,156	$ 622,563	$ 602,886	$ 229,309	$ 1,093,195	$ 2,723,298	$ 5,910,407
Other	45,550	30,756	32,504	17,948	131,392	227,275	485,425
Total Operating Revenue	684,706	653,319	635,390	247,257	1,224,587	2,950,573	6,395,832
Operating Expenses:							
Personnel services	241,014	114,608	147,434	63,607	195,574	424,345	1,186,582
Contractual services	13,575	13,630	13,630	8,649	13,770	17,245	80,499
Utilities	-	-	74,506	37,742	103,876	280,043	496,167
Repairs and maintenance	130,471	106,913	100,016	50,076	100,117	486,102	973,695
Other supplies and expenses	159,767	199,878	134,045	32,749	280,333	335,185	1,141,957
Depreciation and amortization	136,180	180,962	166,920	85,728	616,350	459,456	1,645,596
Total Operating Expenses	681,007	615,991	636,551	278,551	1,310,020	2,002,376	5,524,496
Operating Income (Loss)	3,699	37,328	(1,161)	(31,294)	(85,433)	948,197	871,336
Nonoperating Revenues (Expenses):							
Interest income	321	226	163	197	546	966	2,419
Interest expense	(122,773)	(145,328)	(59,012)	(200,229)	(752,988)	(872,429)	(2,152,759)
Total Nonoperating Revenues (Expenses), net	(122,452)	(145,102)	(58,849)	(200,032)	(752,442)	(871,463)	(2,150,340)
Change in partners' capital	(118,753)	(107,774)	(60,010)	(231,326)	(837,875)	76,734	(1,279,004)
Partners' capital, beginning of year, as restated	1,739,152	(523,291)	(758,238)	(1,181,514)	1,278,898	3,496,960	4,051,967
Partners' capital, end of year	$1,620,399	$ (631,065)	$ (818,248)	$ (1,412,840)	$ 441,023	$ 3,573,694	$ 2,772,963

REQUIRED SUPPLEMENTAL INFORMATION

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF FAIRFAX, VIRGINIA)
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
ERS PENSION PLAN - LAST TEN FISCAL YEARS

JUNE 30, 2016

	2016	**2015**
Authority's proportion of net pension liability (asset)	1.6215%	1.6799%
Authority's proportionate share of net pension liability (asset)	$ 20,857,233	$ 17,501,779
Authority's covered-employee payroll	$ 11,144,649	$ 11,282,166
Authority's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	187.2%	155.1%
Plan fiduciary net position as a percentage of total pension liability	74.2%	78.3%

* The schedule is intended to show information for 10 years; 2015 was the first year implemented. Additional years will be presented as they become available.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF FAIRFAX, VIRGINIA)
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
ERS PENSION PLAN - LAST TEN FISCAL YEARS

JUNE 30, 2016

	2016	2015
Actuarial determined contributions	$ 2,245,647	$ 2,177,501
Contributions in relation to the actuarial determined contribution	$ 2,245,647	$ 2,177,501
Contribution deficiency (excess)	$ -	$ -
Authority's covered-employee payroll	$ 11,144,649	$ 11,282,166
Contributions as a percentage of covered-employee payroll	20.2%	19.3%

* The Authority implemented GASB 68 during fiscal year 2015. As such, only two years of information are available.

SUPPLEMENTAL INFORMATION

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF FAIRFAX, VIRGINIA)
STATEMENT AND CERTIFICATION OF PROGRAM COSTS
CAPITAL FUND PROGRAM GRANT

JUNE 30, 2016

		VA39P019501-11
2011 Capital Fund Program Grant:		
Funds approved	$	1,505,901
Funds expended		1,505,901
Excess of funds approved	$	-
Funds advanced	$	1,505,901
Funds expended		1,505,901
Excess of funds advanced	$	-

		VA39P019501-12
2012 Capital Fund Program Grant:		
Funds approved	$	1,457,258
Funds expended		1,457,258
Excess of funds approved	$	-
Funds advanced	$	1,457,258
Funds expended		1,457,258
Excess of funds advanced	$	-

		VA39P019501-13
2013 Capital Fund Program Grant:		
Funds approved	$	1,415,411
Funds expended		1,415,411
Excess of funds approved	$	-
Funds advanced	$	1,415,411
Funds expended		1,415,411
Excess of funds advanced	$	-

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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

The Board of Commissioners
Fairfax County Redevelopment and Housing Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate discretely presented component units of the Fairfax County Redevelopment and Housing Authority (the "Authority"), a component unit of the County of Fairfax, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements and have issued our report thereon dated November 18, 2016. Our report includes a reference to other auditors who audited the financial statements of five blended component units and the discretely presented component units, as described in our audit report on the Authority's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Herndon Harbor House I, FCRHA HCDC One (Stonegate), FCRHA HCDC Two (Murraygate), The Green, Castellani Meadows, and the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Virginia Beach, Virginia
November 18, 2016