FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY LITTLE RIVER GLEN LIMITED PARTNERSHIP (Project No. 003993)

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2016

And Report of Independent Auditors

Cherry Bekaert LLP
CPAs & Advisors

FAIRFAX COUNTY REDEVELOPMENTAND HOUSING AUTHORITY
LITTLE RIVER GLEN LIMITED PARTNERSHIP (Project No. 003993)
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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditors

The Board of Supervisors
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Report on the Financial Statements

We have audited the accompanying financial statements of the Little River Glen Limited Partnership (Project No. 003993) (the "Partnership"), which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and guides require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of June 30, 2016, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Partnership are intended to present the financial position, the changes in financial position, and cash flows of the Project. They do not purport to and do not, present fairly the financial position of the Fairfax County Redevelopment and Housing Authority as of June 30, 2016, the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our 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 3 through 5 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.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 24, 2017 on our consideration of the Partnership's internal controls over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the entity's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Virginia Beach, Virginia
January 24, 2017

Introduction

The Fairfax County Redevelopment and Housing Authority ("Authority") is a political subdivision of the Commonwealth of Virginia and is empowered to implement housing, community development, redevelopment, and revitalization programs within Fairfax County as well as towns, cities, and counties with which it has cooperation agreements. The Fairfax County Board of Supervisors created the Department of Housing and Community Development (DHCD) to act as the development and administrative agency for the Authority and the Board in meeting the housing and community development needs of the County's low-to-moderate income residents.

The Authority presents this discussion and analysis of its rental program – Little River Glen Limited Partnership (Project No. 003993) (the "Partnership") for the fiscal year ended June 30, 2016 to assist the reader in focusing on significant financial issues of the Partnership. The Partnership, which was formed as the Little River Glen Limited Partnership in August 1996, is a 120 unit residential housing and community center facility for older adults that is operated by the Authority.

Partnership's Financial Highlights for Fiscal Year 2016 ("FY 2016")

In summary, the Partnership's FY 2016 financial highlights included the following:

- At June 30, 2016, total assets and liabilities were $4,816,623 and $3,900,026, respectively. Total net position was $916,597.

- Total revenues and expenses were $1,632,716 and $1,592,643, respectively; thus increasing total net position by $40,073.

- Cash flows from operating activities amounted to $257,218. After considering investing, noncapital financing, capital and related financing, and investing activities, total cash increased by $180,725.

Partnership Financial Statements

The Partnership presents the financial results in three financial statements – the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. The FY 2016 financial results are compared to those of FY 2015, thus allowing the readers to ascertain the reasons for changes in expenses, revenues, or net position balances. These financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Summary of Net Position

The Partnership's FY 2016 and FY 2015 statements of net position report all financial and capital assets of the Partnership and are presented in a format where assets, minus liabilities, equal net position. The following table reflects a condensed summary of net position as of June 30, 2016 and 2015.

Table 1
Summary of Net Position

	2016	2015	Increase (Decrease)
Current and restricted assets	$ 3,223,225	3,080,772	$ 142,453
Capital assets	1,593,398	1,954,232	(360,834)
Total Assets	4,816,623	5,035,004	(218,381)
Current liabilities	485,026	494,197	(9,171)
Non-current liabilities	3,415,000	3,664,283	(249,283)
Total Liabilities	3,900,026	4,158,480	(258,454)
Net Position:			
Net investment in capital assets	(2,061,602)	(1,925,768)	(135,834)
Restricted	1,541,035	1,428,637	112,398
Unrestricted (deficit)	1,437,164	1,373,655	63,509
Total Net Position	$ 916,597	$ 876,524	$ 40,073

The Partnership's net position increased by $40,073 in FY 2016 compared to an increase of $211,892 in FY 2015. This modest growth is contributed by lower interest expense on debt service compared with FY 2015.

Summary of Revenues, Expenses, and Changes in Net Position

The Partnership's FY 2016 and FY 2015 statements of revenues, expenses, and changes in net position include operating revenues, such as rental income, operating expenses, such as administrative, utilities, maintenance, and depreciation, and non-operating revenue and expenses, such as County intergovernmental revenues, investment income, and interest expense. In FY 2016, the Partnership experienced an increase in net position of $40,073. Table 2 presents a condensed summary of data from the Partnership's statements of revenues, expenses, and changes in net position.

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

	2016	2015	Increase (Decrease)
Revenues:			
Operating revenues	$ 1,291,355	1,276,115	$ 15,240
Non-operating revenues	341,361	433,223	(91,862)
Total Revenues	1,632,716	1,709,338	(76,622)
Expenses:			
Operating expenses	1,364,108	1,239,824	124,284
Non-operating expenses	228,535	257,622	(29,087)
Total Expenses	1,592,643	1,497,446	95,197
Change in net position	40,073	211,892	(171,819)
Total net position, beginning of year	876,524	664,632	211,892
Total net position, end of year	$ 916,597	$ 876,524	$ 40,073

There was a decrease in the Partnership's total revenues of $76,622, which was primarily due to a decrease in intergovernmental revenues. In addition, there was an increase of $124,284 in the Partnership's operating expenses, resulting from higher personnel expenses.

Capital Assets and Debt Administration

Capital Assets – The Partnership's capital assets as of June 30, 2016 and 2015 include land, buildings and improvements, and furniture and equipment that totaled $10,967,684, net of accumulated depreciation of $9,374,286 and $9,013,452, respectively. For further details, see Note 3, Capital assets.

Long-Term Debt – Bonds payable for the Partnership at June 30, 2016 represent Federal Housing Administration (FHA) - insured mortgage revenue bonds with an original principal balance amount of $6,340,000 and interest rates which vary between 4.65% and 6.10% with final payment due September 1, 2026. During FY 2016, the Partnership made its required principal payments on the outstanding bonds of $225,000. The Partnership's capital assets are pledged as security for the bonds. The total bonds payable outstanding at June 30, 2016 and 2015 was $3,655,000 and $3,880,000, respectively. For further details, see Note 4, Bonds payable.

Contacting Authority Management

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

FINANCIAL STATEMENTS

FAIRFAX COUNTY REDEVELOPMENTAND HOUSING AUTHORITY
LITTLE RIVER GLEN LIMITED PARTNERSHIP (Project No. 003993)
STATEMENT OF NET POSITION

June 30, 2016

ASSETS	
Current Assets:	
Cash on deposit with County of Fairfax, Virginia	$ 1,679,275
Accrued interest receivable	223
Accounts receivable, net of allowance of $870	2,692
Total Current Assets	1,682,190
Restricted Assets:	
Deposits held in trust	52,758
Cash reserves	1,094,143
Short-term investments	394,134
Total Restricted Assets	1,541,035
Capital Assets:	
Nondepreciable:	
Land	1,035,634
Depreciable:	
Buildings and improvements	9,922,950
Equipment	9,100
Accumulated depreciation	(9,374,286)
Total Capital Assets, Net	1,593,398
Total Assets	$ 4,816,623
LIABILITIES AND NET POSITION	
Current Liabilities:	
Accounts payable and accrued liabilities	$ 34,605
Accrued interest payable	74,279
Deposits held in trust	52,758
Unearned revenue	59,871
Accrued compensated absences, current portion	23,513
Bond payable, current portion	240,000
Total Current Liabilities	485,026
Long-Term Liabilities:	
Bond payable, less current portion	3,415,000
Total Long-Term Liabilities	3,415,000
Total Liabilities	3,900,026
Net Position:	
Net investment in capital assets	(2,061,602)
Restricted net position	1,541,035
Unrestricted net position	1,437,164
Total Net Position	916,597
Total Liabilities and Net Position	$ 4,816,623

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

FAIRFAX COUNTY REDEVELOPMENTAND HOUSING AUTHORITY
LITTLE RIVER GLEN LIMITED PARTNERSHIP (Project No. 003993)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2016

Operating Revenues:	
Dwelling rentals	$ 1,284,755
Other	6,600
Total Operating Revenues	1,291,355
Operating Expenses:	
Personnel services	629,672
Utilities	122,857
Repairs and maintenance	210,567
Administrative expenses	40,178
Depreciation	360,834
Total Operating Expenses	1,364,108
Operating Loss	(72,753)
Nonoperating Revenues (Expenses):	
Intergovernmental revenues	315,728
Interest revenue	25,633
Interest expense	(228,535)
Total Nonoperating Income, net	112,826
Change in net position	40,073
Net position, beginning of year	876,524
Net position, end of year	$ 916,597

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

FAIRFAX COUNTY REDEVELOPMENTAND HOUSING AUTHORITY
LITTLE RIVER GLEN LIMITED PARTNERSHIP (Project No. 003993)
STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

Cash flows from operating activities:		
Rental receipts	$	1,277,376
Other operating cash receipts		6,600
Payment to employees for services		(648,142)
Payments to suppliers for goods and services		(378,616)
Net cash provided by operating activities		257,218
Cash flows from noncapital financing activities:		
Intergovernmental revenues received		315,728
Cash flows from capital and related financing activities:		
Bond interest payments		(233,035)
Bond principal payment		(225,000)
Net cash used in capital and related financing activities		(458,035)
Cash flows from investing activities:		
Purchase of investments		40,046
Interest received		25,768
Net cash provided by investing activities		65,814
Net increase in cash and cash equivalents		180,725
Cash and cash equivalents, beginning of year		2,645,451
Cash and cash equivalents, end of year	$	2,826,176
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(72,753)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation		360,834
Provision for doubtful accounts		378
Effects of changes in operating assets and liabilities:		
Accounts receivable		(2,287)
Deposits held in trust		(7,395)
Accounts payable and accrued liabilities		(3,725)
Accrued compensated absences		(12,364)
Unearned revenue		(5,470)
Net cash provided by operating activities	$	257,218

Note 1—Nature of organization and summary of significant accounting policies

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

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

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

Measurement Focus and Basis of Accounting – The activities of the Partnership are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. For purposes of external financial reporting in accordance with GAAP, the Partnership is following the reporting guidance set forth in GAAP for "departmental" financial statements.

Use of Estimates in Preparing Financial Statements – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Reserves – The Partnership's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased. According to the terms of the indenture related to the bonds payable discussed in Note 4, the Partnership is required to maintain funds to service the bonds in an interest-bearing debt service reserve fund. This amount and the interest earned on the reserve fund, in addition to other various reserves, are reflected as cash reserves in the accompanying statement of net position and are fully insured and collateralized.

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

Investments – Investments of the Partnership are reported at fair value (generally based on quoted market prices) and are permitted by the investment agreement of the bond indenture adopted by the Partnership providing for the issuance of bonds. The Partnership classifies its investments as current or non-current based on the maturity dates. Short-term investments have maturities within one year.

Cash Flow Presentation – For the statement of cash flows, cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less at the time of purchase.

Note 1—Nature of organization and summary of significant accounting policies (continued)

Capital Assets – Capital assets, which include land, buildings and improvements, equipment, and construction in progress, are reported in the financial statements at cost when purchased and at estimated fair value when donated. Capital assets are defined by the Authority as assets with an initial individual cost of more than $5,000 and an estimated useful life of more than one year. Depreciation has been provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives using the straight-line method. The estimated useful lives range from 5 to 28 years.

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

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

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

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

Net Position Classification – 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 balance 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, grantors, contributors, laws, regulations, etc.
>
> *Unrestricted Net Position* – This component of net position consists of those resources that do not meet the definition of "Net investment in capital assets" or "Restricted net position."

New Accounting Pronouncements – In fiscal year 2016, the Partnership implemented the following GASB Statements:

> Statement No. 72, *Fair Value Measurement and Application* – The objective of this statement is to provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. This statement will become effective for reporting periods ending June 30, 2016.

Note 2—Cash, cash equivalents, and investments

Cash – Partnership's cash is maintained within the treasury of the County of Fairfax, Virginia (the "County"). To optimize investment returns, the Partnership funds are invested together with all other County pooled funds, all of which are fully insured and collateralized. The County allocates investment income to the Partnership based on its average cash balances. Cash on hand with the County of Fairfax at June 30, 2016 totaled $1,679,275.

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the Partnership may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act ("Act"), all of the Partnership'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. Deposits held in trust reflect amounts collected as security deposits from tenants, as well as accrued interest on these deposits. These deposits are fully insured.

Cash Equivalents and Investments – According to the terms of the indenture related to the bonds payable discussed in Note 4, the Partnership is required to maintain funds to service the bonds in an interest-bearing debt service reserve fund. This amount and the interest earned on the reserve fund in addition to other various reserves are reflected as restricted cash and equivalents and restricted short-term investments in the accompanying statement of net position and are fully insured and collateralized.

Interest Rate Risk – The investment requirements for the Partnership are specified within the bond trust indenture. The bond trustee is required to invest money in obligations with the objective that sufficient money will be available to pay the interest due on the bonds and will mature or be subject to redemption with the objective that sufficient money will be available for the purposes intended in accordance with the indenture.

Credit Risk – The Partnership's investment policy require that the Trustee invest moneys on deposit under the Indenture in Investment Obligations as defined by the Bond Indenture Agreement. (i) Government obligations; (ii) bond debentures or other obligation issued by government agencies or corporations; (iii) Federal Housing Administration debentures; (iv) commercial paper with original maturities of not more than 365 days and rated "A-1+" by the Rating Agency; (v) interest-bearing demand or time deposits insured by the Federal Deposit Insurance Corporation; (vi) money market funds rated "AAAm-G" by the Rating Agency; (vii) federal funds, certificates of deposit, time deposits, and bankers' acceptances for banks rated "A-1+" by the Rating Agency and are authorized to accept public funds; (viii) repurchase agreements or investment agreements with any institution with unsecured debt rated "AAA" by the Rating Agency.

Note 2—Cash, cash equivalents, and investments (continued)

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Partnership 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 Partnership are insured or registered or are securities held by the Partnership or its agent in the Partnership's name.

As of June 30, 2016, the Partnership had the following cash equivalents and investments:

Type	Fair Value
Cash equivalents - Money Market Accounts	$ 1,094,143
Short-term investments - GIC	394,134
Total cash equivalents and short-term investments	$ 1,488,277

Fair Value – The Partnership 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 input.

The Project 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 3—Capital assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated - land	1,035,634	$ -	$ -	$ 1,035,634
Capital assets being depreciated:				
Buildings and improvements	9,922,950	-	-	9,922,950
Equipment	9,100	-	-	9,100
Total capital assets being depreciated	9,932,050	-	-	9,932,050
Less accumulated depreciation for:				
Buildings and improvements	9,004,352	360,834	-	9,365,186
Equipment	9,100	-	-	9,100
Total accumulated depreciation	9,013,452	360,834	-	9,374,286
Total capital assets, net	$ 1,954,232	$ (360,834)	$ -	$ 1,593,398

Note 4—Bonds payable

Bonds payable at June 30, 2016 represent Federal Housing Administration insured mortgage revenue bonds with an original principal amount of $6,340,000 and interest rates which vary between 4.65% and 6.10% with final payment due September 1, 2026.

The Partnership's capital assets are pledged as security for the bonds. Bonds payable activity during 2016 was as follows:

Outstanding balance, beginning of year	$ 3,880,000
Less principal payments	225,000
Outstanding balance, end of year	$ 3,655,000

The aggregate amount of the required principal and interest payments on the bonds as of June 30, 2016 is $5,070,298 and is due as follows:

Year ending June 30:	Principal	Interest
2017	$240,000	$219,236
2018	255,000	204,503
2019	270,000	188,643
2020	285,000	172,020
2021	305,000	154,331
2022-2026	1,845,000	462,687
2027	455,000	13,878
Total	$ 3,655,000	$ 1,415,298

Note 5—Changes in compensated absences payable

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Compensated absences payable	35,877	$ 18,394	$ (30,758)	$ 23,513	23,513

Note 6—Intergovernmental revenues from the county of Fairfax, Virginia

The County Board of Supervisors appoints the Commissioners of the Authority. During the fiscal year ended June 30, 2016, the County disbursed funds to the Partnership amounting to $315,728 to partially fund debt service. The amount was allocated based on the pro-rata share of operating results among all Authority owned and operated elderly projects. The County is committed to continuing to provide funding to ensure that the Partnership meets its obligations.

Note 7—Risk management

The Partnership is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and citizens, and natural disasters. For all of these risks, the Partnership participates in the County's insurance program, which includes self-insurance and the purchase of certain commercial insurance policies, the costs of which are borne by the County. There were no claims settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's self-insurance internal service fund is available in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

Note 8—Other post-employment benefits

The Fairfax County OPEB Trust Fund is a single-employer defined benefit plan administered by Fairfax County in which the Partnership's employees participate. 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.

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

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

Costs and related liability, if any, are recorded by the Authority but are not allocated further to the Partnership. 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 Authority or the Partnership 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 9—Retirement plan

Plan Description – Employees of the Authority are provided with pensions through the Fairfax County Employees' Retirement System ("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. The pension expense and liability allocated to the Authority is recorded on the books of the Authority but is not allocated further to the Partnership.

Benefits Provided – Benefit provisions are established and may be amended by County ordinances. 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.

Funding Policy – The contribution requirements of ERS members are established and may be amended by County ordinances. 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 is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2016, was 21.99%. 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 by 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.

Report of Independent Auditors 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, 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 Little River Glen Limited Partnership (the "Partnership"), which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Partnership'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 Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership'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 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 purposes 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 Partnership'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 instances of noncompliance or other matters that are 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
January 24, 2017