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, 2018

And Reports 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

The Board of Supervisors
County of Fairfax, Virginia

The Board of Commissioners
Fairfax County Redevelopment and Housing Authority

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, 2018, 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 seven blended component units (Herndon Harbor House I, Herndon Harbor House II, FCRHA HCDC One (Stonegate), FCRHA HCDC Two (Murraygate), The Green, Castellani Meadows, and Tavenner Lane), which represent 15.6%, 4.6%, and 6.0%, 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%, 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 seven 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, Herndon Harbor House II, FCRHA HCDC One (Stonegate), FCRHA HCDC Two (Murraygate), The Green, Castellani Meadows, Tavenner Lane and three of the discretely presented component units (Gum Springs Glen, Morris Glen, and Olley Glen) 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 Authority'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 Authority'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, 2018, 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 Reporting Entity

As described in Note 14 to the financial statements, effective during the fiscal year ended June 30, 2018, the Authority controls the partnership interest for one of its previously reported discretely presented component units, and has restated net position to reflect presentation as a blended component unit. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note 14 to the financial statements, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* effective July 1, 2017. Our opinion is not modified with respect to this matter.

Correction of an Error

As described in Note 14 to the financial statements, the Authority restated beginning net position to correct an error in recording notes receivable from component units. 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 and required supplementary information, as listed in the table of contents, 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 and other auditors 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018 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 solely 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 effectiveness of the Authority's 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

Tysons Corner, Virginia
November 20, 2018

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") 2018 annual financial report consists of three parts – the management's discussion and analysis ("MD&A"), the basic financial statements, which include notes to those financial statements, and the required supplementary information ("RSI").

The FCRHA presents this MD&A of its financial performance as of and for the fiscal year ended June 30, 2018, 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 eight real estate partnerships and also controls the limited partnership interest in these entities. One entity, Little River Glen, has a June 30 fiscal year-end and the other seven (Herndon Harbor I, Herndon Harbor II, Stonegate, Murraygate, The Green, Tavenner, and Castellani Meadows) 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, 2018 are included in the balances of the enterprise fund.

Financial Highlights for FY 2018

The FCRHA's FY 2018 financial highlights included the following:

- Total assets, deferred outflows of resources, liabilities and deferred inflows of resources of the FCRHA were approximately $212.8 million, $9.9 million, $87.3 million and $2.7 million respectively; thus total net position was approximately $132.7 million at June 30, 2018. 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 $119.3 million and $110.3 million, respectively, resulting in an increase in net position of approximately $9.0 million as compared to net position of approximately $5.3 million for the prior year, an increase of 69.8%. Prior period adjustments related to a change in reporting entity (the inclusion of an additional blended component unit), change in accounting principle and correction of an error resulted in a decrease in net position of approximately $0.17 million. See Note 14 for additional details on the restatement.

- Cash and cash equivalents increased by approximately $16.9 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 nonoperating 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, 2018 and 2017.

Table 1
Summary of Net Position
(in millions)

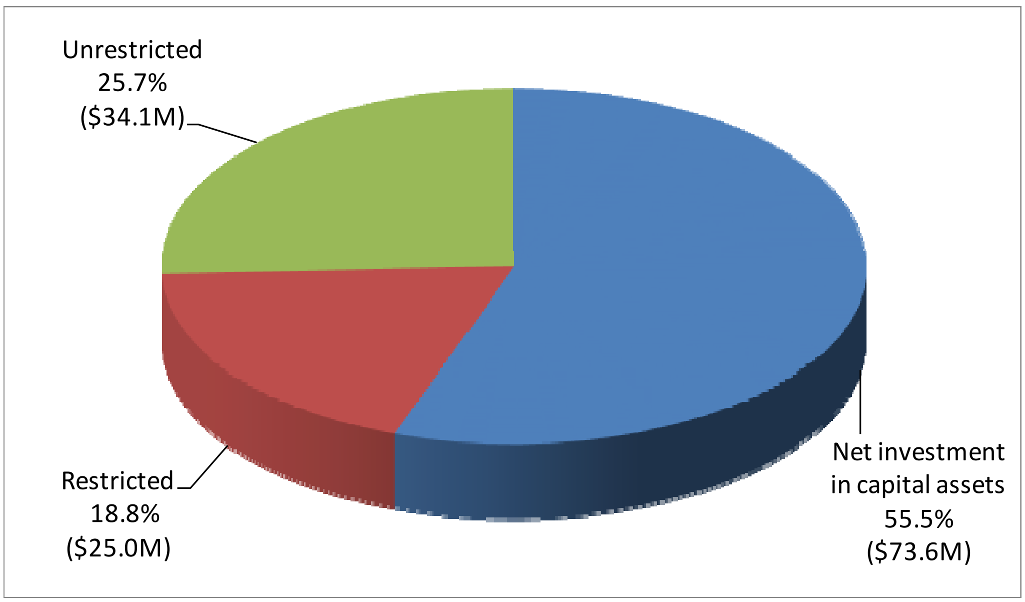
Description	2018	Restated 2017 *	Increase (Decrease)	% Change
Current and other assets	$ 116.2	$ 106.2	$ 10.0	9.4%
Capital assets	96.6	97.2	(0.6)	-0.6%
Total Assets	212.8	203.4	9.4	4.6%
Deferred outflow of resources	9.9	8.3	1.6	19.3%
Current liabilities	9.7	9.6	0.1	1.0%
Noncurrent liabilities	77.6	76.0	1.6	2.1%
Total Liabilities	87.3	85.6	1.7	2.0%
Deferred inflow of resources	2.7	2.4	0.3	12.5%
Net Position:				
Net investment in capital assets	73.6	72.6	1.0	1.4%
Restricted	25.0	20.4	4.6	22.5%
Unrestricted	34.1	30.7	3.4	11.1%
Total Net Position	$ 132.7	$ 123.7	$ 9.0	7.3%

* restatement due to implementation of GASB 75, change in reporting entity and correction of an error

As of June 30, 2018, the FCRHA's net position totaled approximately $132.7 million, an increase of approximately $9.0 million, or 7.3%, over the restated net position as of June 30, 2017. This change was due to an increase in current and other assets.

The FCRHA's total net position also consisted of restricted net position of $25.0 million at June 30, 2018 and $20.4 million at June 30, 2017, and unrestricted net position of $34.1 million and $30.7 million at June 30, 2018 and 2017, respectively. Restricted net position of $25.0 million represents 18.8% of the FCRHA's FY 2018 net position and unrestricted of $34.1 million represents 25.7%. Restricted net position includes cash and investments consisting of restricted deposits and funded reserves for repairs and replacements required by 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, 2018.

Composition of FCRHA's Net Position ($132.7M)



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 2018, the FCRHA's enterprise programs realized an increase in net position of approximately $9.0 million. Table 2 presents a summary of data from the FCRHA's statement of revenues, expenses, and changes in net position for FY 2018 and FY 2017 and a comparative analysis of activities in these years.

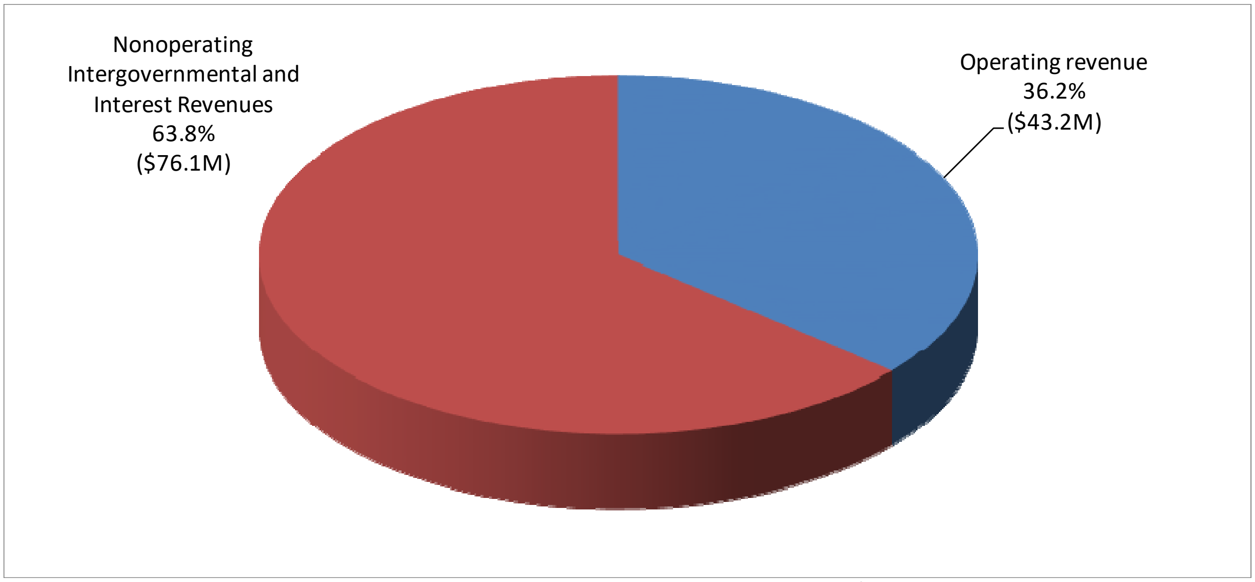
Table 2
Summary of Revenues, Expenses, and Changes in Net Position
(in millions)

Description	2018	As Restated 2017 *	Increase (Decrease)	% Change
Revenues:				
Operating revenues	$ 43.2	$ 38.0	$ 5.2	13.7%
Nonoperating revenues and contributions	76.1	68.5	7.6	11.1%
Total revenues	119.3	106.5	12.8	12.0%
Expenses:				
Operating expenses	104.0	100.0	4.0	4.0%
Nonoperating expenses	6.3	1.2	5.1	425.0%
Total expenses	110.3	101.2	9.1	9.0%
Changes in net position	9.0	5.3	3.7	69.8%
Total net position, beginning of year (restated)	123.7	118.4	5.3	4.5%
Total net position, end of year	$ 132.7	$ 123.7	$ 9.0	7.3%

* restatement due to implementation of GASB 75, change in reporting entity and correction of an error

Total FCRHA revenues in FY 2018 were $119.3 million, comprised of operating and nonoperating revenues. Operating revenues contributed $43.2 million with 36.2% derived from rents and other user charges, and developer and financing fees. The FCRHA's total overall revenues during the year were up by approximately $12.8 million or 12.0%. Overall, operating revenues were up by approximately $5.2 million or 13.7%. Nonoperating revenues made up $76.1 million with 63.8% coming from federal grants from HUD, County contributions, and interest revenue. Nonoperating revenues reflected an increase over the prior year by approximately $7.6 million or 11.1%. The total net position for FY 2018 was $132.7 million as compared to $123.7 million in the prior year, an overall increase over the prior year of $9.0 million or 7.3%.

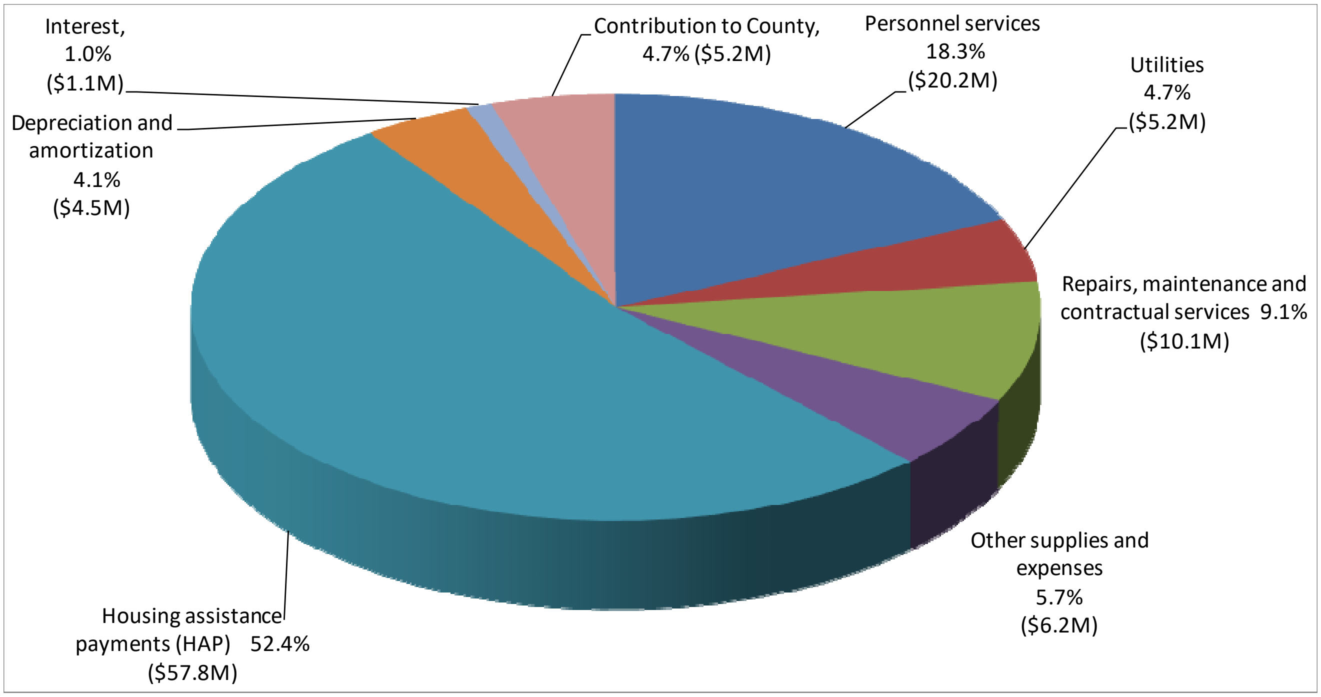
FCRHA's Enterprise Programs
Total Revenues ($119.3M)



The FCRHA's operating expenses in FY 2018 increased by approximately $4.0 million, or 4.0% primarily due to the expansion of the Housing Assistance Payments ("HAP") in the Housing Choice Voucher ("HCV") program. Personnel services also grew resulting from filling of positions that were previously held vacant, as well as from the increased costs of salaries and fringe benefits.

In FY 2018, the FCRHA incurred total expenses in its enterprise programs totaling approximately $110.3 million. The following pie chart illustrates major operating expense groups and their relative percentage of the total.

FCRHA's Enterprise Programs
Total Expenses ($110.3M)



Capital Assets and Debt Administration

Capital Assets. The FCRHA's capital assets at June 30, 2018 and 2017, included land, buildings and improvements, equipment, and construction in progress which totaled $96.6 million and $97.2 million, respectively, net of accumulated depreciation of approximately $133.9 million and $129.8 million at June 30, 2018 and 2017, respectively. For further details see Note 5, Capital Assets.

Short-term and Long-term Debt. The FCRHA's June 30, 2018 and 2017 statement of net position includes debt – consisting of housing loans, notes, and bonds payable - of approximately $43.6 million and $44.5 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 Payable, 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, 2018, owned and/or operated a total of 3,035 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.

In FY 2007, the County's Board of Supervisors set a goal and tasked the FCRHA to preserve an additional 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 2018 was $11,900,000. A total of 3,016 affordable units have been preserved as of the end of FY 2018 for both homeownership and rental purposes in a variety of large and small projects. Of that number, 252 units are preserved as affordable housing for periods of five years or less, and 2,764 units are preserved for 20 years or longer.

In June 2018, the Board of Supervisors adopted the Communitywide Housing Strategic Plan Phase 1 Report, including 25 strategies to be implemented in the near-term to better address the continuing and future affordable housing needs in the County. The strategies address making the FCRHA and HCD administration and processes more efficient, identify ways in which land use and zoning tools can enable or encourage the development and preservation of units of affordable housing, analyze the effectiveness of existing sources of affordable housing resources and available resource options, and promotes efforts to make affordable and accessible options available for vulnerable populations.

The County's affordable housing policy, known as the Housing Blueprint, focuses on providing housing for those with the greatest need, including homeless families and individuals, persons with disabilities, and people with extremely low incomes. The Housing Blueprint, which began in 2010, has four goals: to end homelessness in 10 years, to provide affordable housing options to those with special needs, to meet the affordable housing needs of low-income working families, and to produce workforce housing. Current Housing Blueprint initiatives are as follows:

The Arden: In February 2018, the Fairfax County Board of Supervisors approved the FCRHA to make loans totaling $7.4 million to Wesley Housing Development Corporation ("WHDC") for the construction of two buildings consisting of a total of 126 units of affordable housing to be known collectively as "The Arden" in the Mount Vernon District.

Wexford Manor: In FY 2018, the FCRHA supported the renovation and preservation of Wexford Manor. The community consists of two buildings in Falls Church with 74 units of affordable housing, serving families at or below 60% of the area median income. The FCRHA provided $2.9 million in Housing Blueprint Funds to Wesley Housing to help renovate the complex. In addition, funds were provided by Virginia Housing Development Authority and tax credit equity, through the Low-Income Housing Tax Credit Program.

The Bridging Affordability program is intended to provide local rental subsidies to individuals and families experiencing homelessness, victims of domestic violence as well as households currently on Fairfax County's affordable housing waiting lists, including those managed by the Fairfax County Redevelopment and Housing Authority (FCRHA), the Fairfax-Falls Church Community Services Board, the Fairfax County Office for Women, and the Office to Prevent and End Homelessness. Through a competitive request for proposal (RFP) process, an award of $12.8 million was made to a nonprofit to provide long-term rental subsidies to homeless individuals and families, domestic violence victims and those on the County's waiting lists over a two-year period. As of the end of June 2018, a total of 541 households have leased up through the Bridging Affordability Program. In FY 2018, 55 households left Bridging Affordability, including 36 households that moved to fair market rate housing. Approximately eighty-five percent of those that have left Bridging Affordability moved to sustainable housing. The average income served in the program in FY 2018 was $22,835.

Since FY 2014, the FCRHA has been designated as a Moving to Work ("MTW") agency. This designation includes the majority of the HCV program funding. One of the goals of the MTW program is to provide participants with the necessary tools through supportive services that will help them move along the housing continuum to self-sufficiency. The FCRHA implements the MTW program through the THRIVE initiative (Total Housing Reinvention for Individual Success, Vital Services, and Economic Empowerment), allowing families to not only find an affordable and safe place to call home, but also be connected to services and supports that will help families succeed and become self-sufficient. In addition to providing housing options made available by the FCRHA, the THRIVE initiative will link families to services and programs offered by other County agencies or nonprofit organizations. These programs are designed to help families better manage their money, train for a new job, pursue college or other training, learn English, and perhaps even purchase a home.

The FCRHA continues to receive HCV renewal funding allocations from the United States Department of Housing and Urban Development ("HUD"). For the HCV program, HUD provides housing assistance subsidies to pay a portion of the family's rent to a private sector landlord. In most cases, the housing assistance subsidy provided for each tenant is the difference between 35% of the eligible family's adjusted monthly income and the gross rent (contract rent plus any tenant-paid utilities) charged by an owner for a housing unit.

In FY 2018, the FCRHA converted its entire portfolio of 1,065 public housing units to project-based vouchers under the HUD Rental Assistance Demonstration ("RAD") program. Converting Public Housing units under RAD gives the FCRHA access to more stable funding from HUD to make needed capital improvements to properties. The program makes it easier to borrow money and use low income housing tax credits ("LIHTCs") as well as other forms of financing to help preserve these important affordable housing communities.

The Affordable Dwelling Unit ("ADU") Ordinance requires developers of certain housing developments to set aside up to 12.5 percent of new units as affordable housing (6.25 percent 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, 2018, a total of 2,791 (1,385 rentals and 1,406 for-sale units) have been produced under the ADU program.

The County's Workforce Housing Policy is a proffer-based incentive system designed to encourage the voluntary development of new housing, affordable to a range of moderate-income workers in the County's high-rise/high-density areas. The Comprehensive Plan provides for a density bonus of up to one unit for every workforce unit provided by a developer, with the expectation that at least 12 percent of units in new developments be affordable or workforce housing. As of June 30, 2018 over 8,410 Workforce Dwelling Units ("WDU") have been committed by private developers in rezoning actions approved by the Board, and 1,247 rental WDUs have been constructed. More information can be found at: https://www.fairfaxcounty.gov/housing

New Initiatives

The Fallstead at Lewinsville Center will offer 82 units of senior independent-living residences in Mclean. At no cost to the County, Wesley-Hamel designed, developed, and constructed the housing community under a ninety nine (99) year ground lease with the County. Wesley Housing is operating this center. The County financed about $17 million to design and construct the public facility which will house an adult day health care facility, senior center, and two privately owned child day-care centers. Construction is complete and the facility was opened in September 2018.

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, 2018

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
ASSETS			
Current Assets:			
Cash in bank (Note 2)	$ 30,547,516	$ 3,997,116	34,544,632
Cash on deposit with the County of Fairfax, Virginia (Note 2)	26,060,391	-	26,060,391
Cash reserves (Note 2)	721,964	-	721,964
Investments (Note 3)	4,655,000	-	4,655,000
Restricted cash:			
Deposit held in trust (Note 2)	2,240,961	252,143	2,493,104
Investments (Note 3)	2,645,313	-	2,645,313
Accrued interest receivable	909,989	-	909,989
Accounts receivable (net of allowances) (Note 4)	1,526,338	14,991	1,541,329
Notes, mortgages, and other receivables (Note 4)	319,966	8,687	328,653
Property held for sale	848,942	-	848,942
Prepaid items and other assets	701,584	322,767	1,024,351
Total Current Assets	71,177,964	4,595,704	75,773,668
Noncurrent assets:			
Restricted assets:			
Cash reserves (Note 2)	21,870,850	3,377,004	25,247,854
Total Restricted Assets	21,870,850	3,377,004	25,247,854
Other noncurrent assets:			
Notes, mortgages and other receivables (net of allowances) (Note 4)	22,407,307	-	22,407,307
Prepaid items and other assets	708,958	46,093	755,051
Total Other Noncurrent Assets	23,116,265	46,093	23,162,358
Capital Assets (Note 5):			
Nondepreciable:			
Land	37,108,907	5,533,962	42,642,869
Construction in progress	1,770,627	-	1,770,627
Depreciable:			
Buildings and improvements	190,840,610	42,204,166	233,044,776
Equipment	793,986	953,570	1,747,556
Accumulated depreciation	(133,865,526)	(15,660,028)	(149,525,554)
Total Capital Assets, net	96,648,604	33,031,670	129,680,274
Total Noncurrent Assets	141,635,719	36,454,767	178,090,486
Total Assets	$ 212,813,683	$ 41,050,471	253,864,154

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

JUNE 30, 2018

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
DEFERRED OUTFLOWS			
Deferred outflow for pensions (Note 12)	$ 9,406,505	$ -	$ 9,406,505
Deferred outflow for OPEB (Note 13)	525,562	-	525,562
Total Deferred Outflows	9,932,067	-	9,932,067
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	3,013,498	1,312,396	4,325,894
Accrued salaries and benefits	989,329	-	989,329
Due to FCRHA	-	1,226,612	1,226,612
Deposits held in trust	1,763,995	200,252	1,964,247
Unearned revenue	2,242,099	73,903	2,316,002
Accrued compensated absences (Note 7)	649,286	-	649,286
Loans, notes, and bonds payable, net of deferred financing fees (Note 6)	1,010,873	425,407	1,436,280
Total Current Liabilities	9,669,080	3,238,570	12,907,650
Noncurrent Liabilities:			
Accrued compensated absences (Note 7)	599,319	-	599,319
Loans, notes, and bonds payable, net of deferred financing fees (Note 6)	42,341,672	31,415,754	73,757,426
Net pension liability (Note 12)	26,903,629	-	26,903,629
Net OPEB liability (Note 13)	791,633	-	791,633
Other accrued long-term interest	7,010,904	3,467,827	10,478,731
Total Noncurrent Liabilities	77,647,157	34,883,581	112,530,738
Total Liabilities	87,316,237	38,122,151	125,438,388
Deferred Inflows			
Deferred Inflow for pension (Note 12)	1,739,112	-	1,739,112
Deferred inflow for OPEB (Note 13)	987,798	-	987,798
Total Deferred Inflows	2,726,910	-	2,726,910
NET POSITION			
Net investment in capital assets	73,598,639	-	73,598,639
Restricted	24,993,129	-	24,993,129
Unrestricted	34,110,835	-	34,110,835
Partner's equity	-	2,928,320	2,928,320
Total Net Position	$ 132,702,603	$ 2,928,320	$ 135,630,923

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, 2018

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
Operating Revenues:			
Dwelling rentals	$ 38,350,333	$ 3,352,262	$ 41,702,595
Other	4,839,622	528,905	5,368,527
Total Operating Revenues	43,189,955	3,881,167	47,071,122
Operating Expenses:			
Personnel services	20,190,402	862,331	21,052,733
Contractual services	283,676	59,650	343,326
Utilities	5,207,111	361,997	5,569,108
Repairs and maintenance	9,792,331	648,174	10,440,505
Other supplies and expenses	6,243,128	1,385,347	7,628,475
Housing assistance payments (HAP)	57,789,356	-	57,789,356
Depreciation and amortization	4,519,594	1,356,221	5,875,815
Total Operating Expenses	104,025,598	4,673,720	108,699,318
Operating Loss	(60,835,643)	(792,553)	(61,628,196)
Nonoperating Revenues (Expenses):			
Intergovernmental revenue	68,926,539	1,763,750	70,690,289
Interest revenue	556,347	8,226	564,573
Contribution from County	4,170,801	-	4,170,801
Contribution to County	(5,200,000)	-	(5,200,000)
Interest expense	(1,123,903)	(1,846,186)	(2,970,089)
Total Nonoperating Revenues (Expenses), net	67,329,784	(74,210)	67,255,574
Income Before Contributions	6,494,141	(866,763)	5,627,378
Contributions:			
HUD capital contributions	2,473,114	-	2,473,114
Total Contributions	2,473,114	-	2,473,114
Change in Net Position	8,967,255	(866,763)	8,100,492
Net Position, beginning of year, as restated	123,735,348	3,795,083	127,530,431
Net Position, end of year	$ 132,702,603	$ 2,928,320	$ 135,630,923

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

YEAR ENDED JUNE 30, 2018

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
Cash flows from operating activities:			
Rental receipts	$ 40,767,924	$ 3,394,926	$ 44,162,850
Other operating cash receipts	(87,780)	528,905	441,125
Purchase of property held for sale	(2,197,781)	-	(2,197,781)
Receipts from sale of property held for sale	1,908,033	-	1,908,033
Payments to employees for services	(20,664,655)	(862,331)	(21,526,986)
Housing assistance payments	(57,789,356)	-	(57,789,356)
Payments to suppliers for goods and services	(10,043,867)	(2,638,685)	(12,682,552)
Net cash provided by (used in) operating activities	(48,107,482)	422,815	(47,684,667)
Cash flows from noncapital financing activities:			
Contribution to County, net	(1,812,389)	-	(1,812,389)
Intergovernmental revenues received	67,582,314	1,763,750	69,346,064
Net cash provided by noncapital financing activities	65,769,925	1,763,750	67,533,675
Cash flows from capital and related financing activities:			
Purchase of capital assets	(3,166,457)	(23,112)	(3,189,569)
Interest paid	(668,391)	(1,230,720)	(1,899,111)
Debt principal paid	(1,196,421)	(404,718)	(1,601,139)
HUD capital contributions	2,473,114	-	2,473,114
Net cash used in capital and related financing activities	(2,558,155)	(1,658,550)	(4,216,705)
Cash flows from investing activities:			
Receipt of loan and advance repayments	646,596	-	646,596
Disbursement of loans and advances receivable	(145,358)	-	(145,358)
Maturity of investments	(7,913)	-	(7,913)
Acquisition of investments	735,000	-	735,000
Interest and gain received on investments	556,421	8,226	564,647
Net cash provided by investing activities	1,784,746	8,226	1,792,972
Net increase in cash and cash equivalents	16,889,034	536,241	17,425,275
Cash and cash equivalents, beginning of year, as restated	64,552,648	7,090,022	71,642,670
Cash and cash equivalents, end of year	$ 81,441,682	$ 7,626,263	$ 89,067,945

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

YEAR ENDED JUNE 30, 2018

Reconciliation to statement of net position:	**Enterprise Fund**	**Component Units (FASB)**	**Total Reporting Entity**
Cash in bank	$ 30,547,516	$ 3,997,116	$ 34,544,632
Cash on deposit with the County of Fairfax, Virginia	26,060,391	-	26,060,391
Cash deposits held in trust	2,240,961	252,143	2,493,104
Cash reserves	22,592,814	3,377,004	25,969,818
Cash and cash equivalents	$ 81,441,682	$ 7,626,263	$ 89,067,945
Reconciliation of operating loss to net cash provided by (used in) operating activities			
Operating loss	$ (60,835,643)	$ (792,553)	$ (61,628,196)
Depreciation and amortization	4,519,594	1,356,221	5,875,815
Loss on sale of assets	31,412	-	31,412
Provision for doubtful accounts	2,499,635	-	2,499,635
Net pension liability and related outflows/inflows	564,273	-	564,273
Net OPEB liability and related outflows/inflows	105,677	-	105,677
Effects of changes in operating assets and liabilities:			-
Accounts receivable	(78,665)	(796)	(79,461)
Prepaid items and other assets	4,923,608	(115,045)	4,808,563
Accounts payable and accrued liabilities	480,645	(73,924)	406,721
Deposits held in trust	(314,561)	5,452	(309,109)
Unearned revenue	(3,457)	43,460	40,003
Net cash provided by (used in) operating activities	$ (48,107,482)	$ 422,815	$ (47,684,667)
Noncash capital activities:			
Contributions from County	783,190	-	783,190

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 ("BCU") - The Authority is the general partner of eight real estate partnerships (Little River Glen; Herndon Harbor House I L.P; Herndon Harbor House II 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.; Tavenner Lane 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, Herndon Harbor House II, Stonegate, Murraygate, The Green, Tavenner Lane, 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, 2018. Separate financial statements for the blended component units can be obtained from the Authority.

Discretely Presented Component Units ("DCU") - Additionally, the Authority is also the general partner in four other real estate limited partnerships (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 enables 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, 2018. Separate financial statements for the individual limited partnerships can be obtained from the Authority. All limited partnerships follow Financial Accounting Standards Board pronouncements and have not been converted for purposes of these financial statements. All limited partnership financial statements are prepared in accordance with GAAP.

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. During FY 2017 and FY 2018, the authority has converted its 1,065 Public Housing units to Housing Choice Voucher ("HCV") Project Based Voucher based units under the Rental Assistance Demonstration ("RAD") Program. The Public Housing Program has ended effective FY 2018.

- *Housing Choice Voucher Program ("HCVP")* 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.

- *FCRHA 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. During FY 2018 the Rehabilitation Loan Program was consolidated into the FCRHA Operating Program.

Note 1—Summary of significant accounting policies (continued)

- *Rental Assistance Demonstration ("RAD") Program* is used to manage affordable rental housing acquired by the Authority and to maintain and preserve the units for long-term rental availability. RAD units were converted from Public Housing subsidy based units to Project Based Voucher units funded from annual HCV contributions in FY 2018.

- *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. During FY 2018 the Revolving Development Program was consolidated into the Private Finance Program.

- *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.

- *Grants and Projects Program* is used to account for the HUD Resident Opportunities and Self Sufficiency ("ROSS") grant and the State Rental Assistance Program contract ("SRAP").

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 nonoperating 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 nonoperating 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 fair value.

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 related to pension and other post-employment benefits ("OPEB") for contributions made subsequent to the measurement date, changes in assumptions, differences between expected and actual experience, changes in proportion, and net differences between the projected and actual earnings on 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 related to pension and OPEB for changes in assumptions, differences between expected and actual experience, changes in proportion, and net differences between the projected and actual earnings on plan investments.

Note 1—Summary of significant accounting policies (continued)

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.

Pension and OPEB – Fairfax County administers multiple public employee retirement systems and OPEB plans. The net pension liability and associated deferred outflows of resources and deferred inflows of resources are reported with a one year lag when compared with the fiduciary net position as reported by the retirement systems and OPEB plans. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Detailed information about the Fairfax County Employees' Retirement System ("ERS") and the respective pension plan is found in Note 12. Information regarding the OPEB plan is found in Note 13.

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 resale 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."

- *Partner's Equity* – This component of net position consists of the total contributions of all partners plus retained earnings for the DCU.

Revenue Recognition - The Authority has entered into Annual Contributions Contracts with HUD to develop, manage, and own public housing projects and to administer the HCVP, 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 HCVP. 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 HCVP 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. The allowance method is used for write-offs. Delinquent tenant receivables that have reached the Code of Virginia Statute of Limitations for five years of collection effort are written off and all collection activities are discontinued unless a court judgment is obtained that extends this period of collection.

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, 2018, the bank balance of the Authority's cash and cash equivalents was $81,617,405. All deposits were entirely insured or collateralized with securities held by the Authority's agent in the Authority's name as of June 30, 2018.

Note 3—Investments

As of June 30, 2018, the Authority had the following investment type:

	Amount	Weighted Average Maturity (Days)
Investment Type:		
Investment GIC	$ 440,313	
Certificates of deposit	6,860,000	
Total fair value	$ 7,300,313	
Portfolio weighted average maturity		187.04

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.

Note 3—Investments (continued)

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.

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

Fair Value - 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, 2018:

- Other equity securities of $440,313 are valued using quoted market prices (Level 2 inputs).

Note 4—Receivables

Accounts Receivable - Accounts receivable at June 30, 2018 consisted of the following:

Tenant receivable (net of allowances of $469,581)	$	536,406
Landlord and HCV tenant receivables		316,084
Due from U.S. Department of Housing and Urban Development		70,978
Accounts receivable		602,870
	$	1,526,338

Management Admin Fee Receivables - Certain BCU and DCU have accrued and recorded fees in the amount of $1,120,298 due to the Authority that are required to be paid with surplus cash. The Authority has recorded an allowance of $1,120,298, against the corresponding receivable, as the likelihood for collection is doubtful.

Note 4—Receivables (continued)

Notes Receivable - Notes receivable at June 30, 2018 consisted of the following:

Note Holder	Terms	Outstanding Balance
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 $1,184,980.	1,334,171
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.	12,031,729
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.	4,686,079
Morris Glen	Unsecured notes, bearing interest at 3-month LIBOR rate plus 150 basis points maturing March 31, 2020, monthly payment of interest only is required.	681,381
Cedar Ridge LP	Secured note bearing interest at 4.25%, maturing April 1, 2022. Principal and Interest payments of $13,190 due monthly through April 1, 2022.	558,889
FCRHA Olley Glen LP	Unsecured note bearing interest at 5.00%, maturing December 31, 2023.	608,527
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
		22,692,332
Less current notes		319,966
Noncurrent notes receivable		$ 22,372,366

Note 4—Receivables (continued)

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, 2018, long-term home improvement loans receivable under this program were $26,440 bearing interest at varying rates up to 3%.

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, 2018:

Notes receivable	$ 319,966
Current portion	319,966
Notes receivable (net of allowances of $1,217,430)	22,372,366
Mortgages receivable	26,440
Other receivables	8,501
Long-term portion	22,407,307
Total notes, mortgages, and other receivables, net	$ 22,727,273

Note 5—Capital assets

The Enterprise Fund's capital asset activity for the year ended June 30, 2018 is as follows:

	(As Restated) Beginning Balance *	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	$ 37,098,627	$ 10,280	$ -	$ 37,108,907
Construction-in-progress	520,835	1,760,512	(510,720)	1,770,627
Total capital assets, nondepreciable	37,619,462	1,770,792	(510,720)	38,879,534
Capital assets, depreciable:				
Buildings and improvements	188,214,747	2,625,863	-	190,840,610
Equipment	1,171,825	32,300	(410,139)	793,986
Total capital assets, depreciable	189,386,572	2,658,163	(410,139)	191,634,596
Less accumulated depreciation:				
Buildings and improvements	(128,600,367)	(4,515,314)	-	(133,115,681)
Equipment	(1,155,704)	(4,280)	410,139	(749,845)
Total accumulated depreciation	(129,756,071)	(4,519,594)	410,139	(133,865,526)
Total depreciable capital assets, net	59,630,501	(1,861,431)	-	57,769,070
Total Enterprise Fund capital assets, net	$ 97,249,963	$ (90,639)	$ (510,720)	$ 96,648,604

* restatement due to change in reporting entity

Due to several fund consolidations during the year, certain beginning balances were also reclassified which had a $0 net effect on total beginning capital assets.

Note 5—Capital assets (continued)

The Component Unit's capital asset activity for the year ended December 31, 2017 is as follows:

	(As Restated) Beginning Balance *	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	$ 5,533,962	$ -	$ -	$ 5,533,962
Total capital assets, nondepreciable	5,533,962	-	-	5,533,962
Capital assets, depreciable:				
Buildings and improvements	42,204,166	-	-	42,204,166
Equipment	930,458	23,112	-	953,570
Total capital assets, depreciable	43,134,624	23,112	-	43,157,736
Less accumulated depreciation:				
Buildings and improvements	(13,380,594)	(1,348,976)	-	(14,729,570)
Equipment	(930,458)	-	-	(930,458)
Total accumulated depreciation	(14,311,052)	(1,348,976)	-	(15,660,028)
Total depreciable capital assets, net	28,823,572	(1,325,864)	-	27,497,708
Total Component Unit capital assets, net	$ 34,357,534	$ (1,325,864)	$ -	$ 33,031,670

* restatement due to change in reporting entity

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, 2018:

Note Holder	Terms	Outstanding Balance
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.	$ 332,796
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.	332,796
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.	438,190
United Bank	Secured by Holly Acres rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $943 monthly.	102,688
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.	595,979
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.	364,349
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 3.84% at June 30, 2018.	1,389,100
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.	204,354
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. Outstanding balance is net of unamortized deferred cost of $2,568.	567,103
United Bank	Secured by East Market rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of $619 monthly.	70,663

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 East Market rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of $1,130 monthly.	$ 129,001
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.	211,995
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.	232,123
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.	204,849
United Bank	Secured by North Hampton 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.	282,744
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.	106,710
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.	98,336
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. The interest rate at June 30, 2017 was 2.97%. 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.	972,000
		6,635,776
Less current notes		375,040
Noncurrent notes payable		$ 6,260,736

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:		
2019	$ 375,040	$ 296,536
2020	1,784,798	276,221
2021	417,782	251,218
2022	2,146,555	174,828
2023	810,819	85,211
2024 - 2026	1,100,782	170,711
	$ 6,635,776	$ 1,254,725

Bonds Payable - Bonds payable consist of the following at June 30, 2018:

	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.	$ 3,160,000
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. Outstanding balance is net of unamortized deferred cost of $13,257.	527,636
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. Outstanding balance is net of unamortized deferred cost of $49,196.	1,184,307

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. Outstanding balance is net of unamortized deferred cost of $19,566.	$ 483,729
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.	12,031,730
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.	4,686,079
	22,073,481
Less current bonds	635,833
Total noncurrent bonds payable	$ 21,437,648

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:

Years Ending June 30,	Principal	Interest
2019	$ 635,833	$ 1,192,560
2020	672,250	1,154,966
2021	715,613	1,115,035
2022	760,400	1,072,528
2023	807,235	1,027,071
2024 - 2028	4,301,973	4,362,433
2029 - 2033	2,115,274	3,467,404
2034 - 2038	2,667,316	2,867,392
2039 - 2043	3,546,874	2,067,509
2044 - 2048	4,717,685	1,001,073
2049 - 2052	1,133,028	96,060
	$ 22,073,481	$ 19,424,031

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, 2018 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)

Notes Payable - FCRHA (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%, maturing November 1, 2028, principal payments due at maturity.	22,360
FCRHA	The Public Housing Fund Loan for The Green rental property bears interest at 2%, maturing November 1, 2028, principal payments due at maturity.	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

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

Notes Payable - FCRHA (continued)

Note Holder	Terms	Outstanding Balance
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
FCRHA	Secured by Tavenner rental property, bearing interest at 7.21%, maturing January 1, 2027, principal and interest payments due at maturity.	3,191,997
FCRHA	Secured by Tavenner rental property, non interest-bearing, maturing January 1, 2027, principal payments due at maturity.	462,411
FCRHA	Secured by Tavenner rental property, non interest-bearing, maturing January 1, 2027, principal payments due at maturity.	315,745
FCRHA	Secured by Herndon Harbor House II rental property, bearing interest at 2.0%, maturing May 1, 2029, principal and interest payments due at maturity.	437,000
FCRHA	Secured by Herndon Harbor House II rental property, bearing interest at 2.0%, maturing May 1, 2029, principal and interest payments due at maturity.	2,562,061
FCRHA	Secured by Herndon Harbor House II rental property, bearing interest at 2.0%, maturing May 1, 2029, principal and interest payments due at maturity.	60,021
		14,729,646
Less current notes		-
Noncurrent notes payable		$ 14,729,646

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:

Years Ending June 30,	Principal	Interest
2019	$ -	$ -
2020	-	-
2021	-	-
2022	-	-
2023	-	-
2024 - 2028	11,400,064	7,306,070
2029 - 2033	3,059,082	77,414
Thereafter	270,500	-
	$ 14,729,646	$ 7,383,484

Changes in Short-Term and Long-Term Liabilities - The Enterprise Fund's long-term liability activity for the year ended June 30, 2018 was as follows:

	(As Restated) Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 22,676,568	$ -	$ (603,087)	$ 22,073,481	$ 635,833
Notes payable	7,229,110	-	(593,334)	6,635,776	375,040
Notes payable - FCRHA	14,729,646	-	-	14,729,646	-
Less: unamortized debt issuance costs related to BCU	(98,486)	-	12,128	(86,358)	-
Net Enterprise Fund Debt	$ 44,536,838	$ -	$ (1,184,293)	$ 43,352,545	$ 1,010,873

* restatement due to change in reporting entity

Long-Term Liabilities - Component Units - These liabilities represent 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, 2017 was as follows:

	(As Restated) Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit debt	$ 32,909,472	$ -	$ (404,718)	$ 32,504,754	$ 425,407
Less: unamortized debt issuance costs	(697,403)	-	33,810	(663,593)	-
Net Component Unit debt	$ 32,212,069	$ -	$ (370,908)	$ 31,841,161	$ 425,407

* restatement due to change in reporting entity

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

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

Years Ending December 31,	Principal
2018	$ 425,407
2019	447,955
2020	1,153,083
2021	496,877
2022	349,340
Thereafter	29,632,092
	$ 32,504,754

Note 7—Changes in compensated absences payable

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences payable	$ 1,219,691	$ 737,929	$ 709,015	$ 1,248,605	$ 649,286

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, 2018, the cumulative total of bonds outstanding under the Authority's name was $13,831,356.

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 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. The balance of the Gum Springs Glen Head Start facility for child care was paid off in September 2017.

From 2006 through 2015, the FCRHA issued a total of $40,600,000 of bond anticipation notes to partially finance the purchase of a multi-family rental housing complex as part of the County's affordable housing initiative. 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 matured on March 1, 2018, and was repaid through the issuance of Series 2018A taxable bonds in the amount of $13.68 million and funding available in the County's Penny for Affordable Housing capital projects fund. The Series 2018A bonds bear an average interest rate of 2.78% and mature on October 1, 2022.

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 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 16, 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, 2018.

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, 2018.

Note 12—Retirement plans

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.

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 Deferred Retirement Option Program ("DROP") entry. The benefit for early retirement is actuarially reduced and payable at early termination.

Effective July 1, 2005, 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, 2018 was 25.29%. 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 2018, the amortization target was increased to 98%. Per the County's pension funding policy as approved by the Board of Supervisors as part of the FY 2018 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 during the measurement period of the liability was $2,781,412. The 2018 employer contribution totaled $3,227,653.

Note 12—Retirement plans (continued)

Net Pension Liability - The ERS calculated Total Pension Liability based on participant data collected as of December 31, 2016 and an actuarial valuation as of June 30, 2017, using the entry age actuarial cost method, with a measurement date of June 30, 2017. The proportionate share for the Authority is 1.6624%, an increase of .0478% from the prior year. At June 30, 2018, the Authority reported a liability of $26,903,629 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, 2018, the Authority recognized pension expense of $3,791,927. At June 30, 2018, 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	$ 996,757	$ 1,212,791
Change in assumptions	759,982	-
Net differences between projected and actual earning on pension plan investments	3,934,407	-
Change in proportion applicable to Authority	487,706	526,321
Authority contributions subsequent to the measurement date	3,227,653	-
	$ 9,406,505	$ 1,739,112

The $3,227,653 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Amount
2019	$ 956,024
2020	1,940,294
2021	1,239,436
2022	303,986

Actuarial Assumptions - The ERS calculated Total Pension Liability based on participant data collected as of December 31, 2016 and an actuarial valuation as of June 30, 2017, using the entry age actuarial cost method, with a measurement date of June 30, 2017. Significant actuarial assumptions used in the valuation included:

Note 12—Retirement plans (continued)

Inflation	2.75%
Salary increases, including inflation	2.75%
Investment rate of return, net of plan investment expenses	7.25%
Projected period of unfunded benefit payments	None
Mortality	Health and Disabled Annuity RP-2014 Combined Mortality projected using RPEC-2015

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015.

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, 2018 are summarized below.

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
US Equity	5.60%	16.00%
US Small Cap Equity	7.80%	4.00%
International Dev.	5.60%	7.00%
International EM	10.10%	3.00%
Private Equities	14.40%	2.00%
Core Bonds	2.10%	25.00%
High Yield	4.60%	10.00%
Global Bonds	0.90%	5.00%
Emerging Markets Debt	4.80%	2.00%
Real Estate	6.80%	8.00%
Absolute Return	11.30%	20.00%
Risk Parity	6.50%	15.00%
Commodities	5.90%	5.00%
Cash	1.00%	3.00%

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. 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 table presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Authority's proportionate share of total pension liability	$ 99,991,883	$ 89,233,933	$ 80,223,525
Authority's proportionate share of plan fiduciary pension net position	62,330,304	62,330,304	62,330,304
Authority's proportionate share of net pension liability	$ 37,661,579	$ 26,903,629	$ 17,893,221
Plan fiduciary net position as a percentage of the total pension liability	62.3%	69.9%	77.7%

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, 2018. 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, 12015 Lee Jackson Memorial Highway, Suite 350, Fairfax, Virginia 22033, or by calling (703) 279-8200. The reports are also available online:

Retirement System CAFR: https://www.fairfaxcounty.gov/retirement/financial-publications
Fairfax County CAFR: https://www.fairfaxcounty.gov/finance/financialreporting/comprehensiveannualfinancialreport

Note 13—Other postemployment benefits

The Fairfax County OPEB Plan ("the Plan") is a single-employer defined benefit plan administered by County presented as a cost-sharing plan in the authority's statements. The Plan provides the opportunity to continue participation in medical/dental, vision, and life insurance benefits for eligible retirees and their spouses. The plan benefits correspond with benefits available to active employees. The Benefit provisions are established and may be amended by the Board. Fiduciary oversight is provided by the members of the Local Finance Board for OPEB and deferred compensation. The members of this finance board are the CFO/Director of Management and Budget, Director of Finance, Director of Human Resources, and the Executive Director of the Retirement Agency. The Plan does not issue a stand-alone financial report. Financial information about the Plan and its fiduciary net position is available in the County's annual financial report available online at:

http://www.fairfaxcounty.gov/finance/financialreporting/comprehensiveannualfinancialreport

Note 13—Other postemployment benefits (continued)

In order to participate in the Plan, an Authority employee must meet retirement criteria for the ERS. The retiree must have the applicable benefit(s) in place as an active employee, and must maintain continuous participation in the benefit plan into retirement. Upon retirement the County no longer contributes to the premium payments and the participant becomes responsible for 100% of applicable premiums less any applicable subsidies.

Beginning in fiscal year 2006, the amount of monthly medical subsidy provided by the County is based on years of service and ranges from $30 per month to $220 per month. Employees who retired prior to July 1, 2003 are eligible for the greater of the amount based on the current subsidy structure and an amount calculated based on the subsidy structure in place prior to July 2003. In addition, the Board has established a program to subsidize the continuation of term life insurance at reduced coverage amounts, for retirees. Retirees generally pay for 50% of their coverage amounts at age-banded premium rates, with the County incurring the balance of the cost. In order to receive these subsidies, retirees must be 55 or older and have a minimum of five years of service credit. If participation in any of the benefit areas is discontinued, eligibility is lost and a retiree may not re-enroll into the Plan benefit. Consequently, all inactive employees are considered to be receiving benefits.

Contributions to the plan are made by appropriation from the Board based on their commitment to fund an actuarially determined amount. The authority's contribution for fiscal year 2018 was $462,851. Plan members are not required to contribute.

Assumptions – Total OPEB Liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Salary Increases	3.0%
Investment Rate of Return	7.0%, net of OPEB plan, investment expense, including inflation
Retirement Age	Varies by age and pension plan
Mortality	RP-2014 Mortality Table fully generational projected using scale MP-2017. Disabled mortality is assumed to be RP-2014.
Healthcare Cost Trend Rate	7.2%-9.0% decreasing to 4.5%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for fiscal years 2014 - 2016.

Investments - The long-term expected rate of return on OPEB 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 OPEB plan investment expense, and inflation) are developed for each 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 real rates of return for each major asset class and target allocations as of June 30, 2017 are as follows:

Note 13—Other postemployment benefits (continued)

Asset Class	Expected Real Rate of Return	Target Allocation
Domestic Equity (Large Cap)	6.5%	26.0%
Domestic Equity (Small Cap)	7.0%	10.0%
International Equity	7.3%	13.0%
Emerging Markets Equity	7.8%	5.0%
Core US Fixed Income	3.5%	7.0%
Corporate Fixed Income	4.2%	14.0%
Hedge Funds	4.2%	10.0%
Real Estate	5.5%	7.0%
Private Equity	9.0%	5.0%
Commodities	5.3%	3.0%

There are no concentrations in any one organization that represent 5% or more of the fiduciary net position in the plan. The plan's funds are invested in domestic and international equity and fixed income funds through the Virginia Pooled OPEB Trust Fund established as the investment vehicle for participating employers. Further information about the Virginia Pooled OPEB Trust Fund sponsored by VML/VACo., including financial statements, can be obtained by writing to VML/VACo Finance Program, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current inactive and active employees/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 OPEB liability.

Net OPEB Liability - Net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. Authority's net OPEB liability is determined by Authority's proportional share of the OPEB plan participation and was 1.85%. The components of the net OPEB liability at June 30, 2018 are as follows:

Total OPEB Liability	$	5,964,778
Plan Fiduciary Net Position (Market Value of Assets)		(5,173,145)
Net OPEB Liability	$	791,633
Plan fiduciary net position as a percentage of the OPEB liability		86.73%

Sensitivity Analysis - The following represents net OPEB liability using the 7% discount rate, as well as what the liability would be if the discount rate were decreased or increased by 1%.

Note 13—Other postemployment benefits (continued)

	1% Decrease (6%)	Current Rate (7%)	1% Increase (8%)
Total OPEB Liability	$ 6,925,949	$ 5,964,778	$ 5,207,896
Plan Fiduciary Net Position	(5,173,145)	(5,173,145)	(5,173,145)
Net OPEB Liability	$ 1,752,804	$ 791,633	$ 34,751

The following represents net OPEB liability calculated using the healthcare trend rates (7.20% - 9.00% decreasing to 4.50%), as well as the impacts of calculating the rates at one percentage point lower (6.20% - 8.00% decreasing to 3.50%) or one percentage point higher (8.20% - 10.00% decreasing to 5.50%):

	1% Decrease (Varied decreasing to 3.5%)	Trend Rate (Varied decreasing to 4.5%)	1% Increase (Varied decreasing to 5.5%)
Total OPEB Liability	$ 5,156,682	$ 5,964,778	$ 7,103,242
Plan Fiduciary Net Position	(5,173,145)	(5,173,145)	(5,173,145)
Net OPEB Liability (Asset)	$ (16,463)	$ 791,633	$ 1,930,097

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the Authority recognized OPEB expense of $568,529. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 62,711	$ -
Change in assumptions	-	419,512
Net difference between projected and actual earnings on OPEB plan investment	-	568,286
Contributions subsequent to the measurement date	462,851	-
	$ 525,562	$ 987,798

The $462,851 reported as deferred outflows of resources related to OPEB resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

Note 13—Other postemployment benefits (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,		
2019	$	175,846
2020		175,846
2021		175,846
2022		175,846
2023		85,007
Thereafter		136,696

Note 14—Change in accounting principle, change in reporting entity, correction of an error

Change in Reporting Entity - The Authority previously reported Herndon Harbor House II L.P. real estate partnership as a discretely presented component unit in which it was the general partner. Due to the expiration of the initial 15-year tax credit compliance period for the Limited Partnership in July 2017, the investor Limited Partner expressed a desire to assign their interests to the Authority. The Authority now controls the entire partnership interest for this partnership and has therefore considered it to be a blended component unit in accordance with GAAP. The partnership has a December 31 year-end, so amounts included for the entity are as of and for the calendar year-end that falls within the Authority's fiscal year ended June 30, 2018. Beginning net position has been restated to reduce equity by $729,337 for this partnership.

Correction of an Error - The Authority restated beginning net position due to an entry made to record loan receivables due from component units and related revenue that were not recorded in previous years. Beginning net position has been restated to increase equity by $1,704,326. Additionally, the result of this correction would result in an increase to the prior year change in net position of $35,426.

Change in Accounting Principle - During the year ended June 30, 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Beginning net position has been restated to reduce equity by $1,666,167 relating to the net OPEB liability and $517,975 relating to deferred outflows, for a net of $1,148,192.

2017 Enterprise Fund net position, as previously reported	$	123,908,551
Restatement - change in accounting principle		(1,148,192)
Restatement - change in reporting entity		(729,337)
Restatement - correction of an error		1,704,326
2017 Enterprise Fund net position - as restated	$	123,735,348

2017 Component Units (FASB) net position, as previously reported	$	3,065,746
Restatement - change in reporting entity		729,337
2017 Component Units (FASB) net position - as restated	$	3,795,083

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	Tavenner Lane	Herndon Harbor House II	Total Blended Component Unit	FCRHA	Eliminations	Primary Government
ASSETS												
Current Assets:												
Cash in bank	$ 1,928,975	$ 577,628	$ 4,857,321	$ 1,544,201	$ 328,602	$ 402,926	$ 244,361	$ 361,430	$10,245,444	$ 47,168,653	$ (84,226)	$ 57,329,871
Investments	440,313	-	-	-	-	-	-	-	440,313	6,860,000	-	7,300,313
Restricted deposits held in trust	64,212	26,924	175,247	109,744	70,383	13,595	10,775	29,497	500,377	1,740,584		2,240,961
Notes receivable, current	-	-	-	-	-	-	-	-	-	483,037	(163,071)	319,966
Other current assets	-	359,175	78,426	-	22,699	-	-	29,935	490,235	1,970,280	-	2,460,515
Accounts receivable, net of allowances	3,453	60	4,845	9,883	29,608	6,045	9,092	390	63,376	1,462,962	-	1,526,338
Total Current Assets	2,436,953	963,787	5,115,839	1,663,828	451,292	422,566	264,228	421,252	11,739,745	59,685,516	(247,297)	71,177,964
Noncurrent Assets:												
Restricted cash reserves	1,181,228	195,554	1,164,563	999,294	275,112	141,389	198,664	472,412	4,628,216	17,242,634	-	21,870,850
Notes receivable, net of current	-	-	-	-	-	-	-	-	-	25,147,626	(2,740,319)	22,407,307
Other noncurrent assets	-	-	-	-	-	-	-	-	-	708,958	-	708,958
Total Noncurrent Other Assets	1,181,228	195,554	1,164,563	999,294	275,112	141,389	198,664	472,412	4,628,216	43,099,218	(2,740,319)	44,987,115
Land and land improvements	1,035,634	-	2,484,121	2,244,000	246,400	214,040	446,598	737,559	7,408,352	29,700,555	-	37,108,907
Construction in progress	-	-	35,654	61,230	-	-	-	-	96,884	1,673,743	-	1,770,627
Buildings and improvements	9,989,039	5,723,395	13,498,492	9,267,477	4,399,127	2,696,247	3,063,767	5,858,138	54,495,682	136,344,928	-	190,840,610
Equipment	-	5,352	14,321	25,457	214,367	298,871	21,592	198,979	778,939	15,047	-	793,986
Accumulated depreciation	(9,908,202)	(2,737,596)	(11,963,722)	(7,693,599)	(2,428,868)	(1,720,044)	(1,677,551)	(3,077,177)	(41,206,759)	(92,658,767)	-	(133,865,526)
Total Capital Assets	1,116,471	2,991,151	4,068,866	3,904,565	2,431,026	1,489,114	1,854,406	3,717,499	21,573,098	75,075,506	-	96,648,604
Total Noncurrent Assets	2,297,699	3,186,705	5,233,429	4,903,859	2,706,138	1,630,503	2,053,070	4,189,911	26,201,314	118,174,724	(2,740,319)	141,635,719
Total Assets	$ 4,734,652	$ 4,150,492	$ 10,349,268	$ 6,567,687	$ 3,157,430	$ 2,053,069	$ 2,317,298	$ 4,611,163	$37,941,059	$177,860,240	$(2,987,616)	$ 212,813,683

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	Tavenner Lane	Herndon Harbor House II	Total Blended Component Unit	FCRHA	Eliminations	Primary Government
DEFERRED OUTFLOWS OF RESOURCES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,932,067	$ -	$ 9,932,067
LIABILITIES AND NET POSITION												
Current Liabilities:												
Accounts payable and accrued liabilities	90,723	95,044	637,734	438,177	214,760	8,943	70,922	26,784	1,583,087	2,341,866	77,874	4,002,827
Deposits held in trust	64,212	25,373	173,180	86,916	43,552	9,937	7,702	27,238	438,110	1,325,885	-	1,763,995
Due to County of Fairfax, Virginia	-	-	-	-	-	-	-	-	-	84,226	(84,226)	-
Unearned revenue	46,809	-	11,233	32,777	7,848	5,073	6,679	-	110,419	2,131,680	-	2,242,099
Accrued compensated absences	24,319	-	-	-	-	-	-	-	24,319	624,967	-	649,286
Current portion long-term debt, net	270,000	42,981	79,294	-	-	36,668	-	78,514	507,457	661,391	(157,975)	1,010,873
Total Current Liabilities	496,063	163,398	901,441	557,870	266,160	60,621	85,303	132,536	2,663,392	7,170,015	(164,327)	9,669,080
Noncurrent Liabilities:												
Noncurrent portion long-term debt, net	2,890,000	3,145,419	2,442,141	1,207,719	1,363,508	1,672,680	3,970,153	4,154,349	20,845,969	24,318,992	(2,823,289)	42,341,672
Other noncurrent liabilities	-	1,208,656	1,297,737	518,818	949,963	1,718,207	230,143	1,087,380	7,010,904	28,294,581	-	35,305,485
Total Noncurrent Liabilities	2,890,000	4,354,075	3,739,878	1,726,537	2,313,471	3,390,887	4,200,296	5,241,729	27,856,873	52,613,573	(2,823,289)	77,647,157
Total Liabilities	3,386,063	4,517,473	4,641,319	2,284,407	2,579,631	3,451,508	4,285,599	5,374,265	30,520,265	59,783,588	(2,987,616)	87,316,237
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	-	2,726,910	-	2,726,910
TOTAL NET POSITION (DEFICIT)	$ 1,348,589	$ (366,981)	$ 5,707,949	$ 4,283,280	$ 577,799	$ (1,398,439)	$ (1,968,301)	$ (763,102)	$ 7,420,794	$125,281,809	$ -	$ 132,702,603

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	Tavenner Lane	Herndon Harbor House II	Total Blended Component Unit	FCRHA	Eliminations	Primary Government
Operating Revenues:												
Rental	$ 1,256,599	$ 656,033	$ 2,127,031	$ 1,329,187	$ 517,779	$ 231,957	$ 174,393	$ 660,637	$ 6,953,616	$ 31,396,717	$ -	$ 38,350,333
Other	1,222	32,327	504,796	102,977	217,299	6,485	70,455	31,736	967,297	4,429,164	(556,839)	4,839,622
Total Operating Revenues	1,257,821	688,360	2,631,827	1,432,164	735,078	238,442	244,848	692,373	7,920,913	35,825,881	(556,839)	43,189,955
Operating Expenses:												
Personnel services	591,673	116,570	368,476	331,203	149,040	25,943	36,369	114,387	1,733,661	18,456,741	-	20,190,402
Contractual services		10,880	11,730	11,840	10,990	10,990	5,100	14,273	75,803	207,873	-	283,676
Utilities	138,719	68,729	320,876	378,651	151,748	1,497	47,429	-	1,107,649	4,099,462	-	5,207,111
Repairs and maintenance	226,326	100,961	359,328	286,888	199,590	43,949	62,401	96,653	1,376,096	8,416,235	-	9,792,331
Other supplies and expenses	50,297	154,281	551,783	254,479	290,617	87,492	39,170	211,392	1,639,511	5,160,456	(556,839)	6,243,128
Housing assistance payments	-	-	-	-	-	-	-	-	-	57,789,356	-	57,789,356
Depreciation and amortization	182,181	143,328	468,393	314,550	110,964	70,414	83,121	146,948	1,519,899	2,999,695	-	4,519,594
Total Operating Expenses	1,189,196	594,749	2,080,586	1,577,611	912,949	240,285	273,590	583,653	7,452,619	97,129,818	(556,839)	104,025,598
Operating Income (Loss)	68,625	93,611	551,241	(145,447)	(177,871)	(1,843)	(28,742)	108,720	468,294	(61,303,937)	-	(60,835,643)
Nonoperating Revenues (Expenses):												
Intergovernmental revenue	265,637	-	201,736	227,511	45,789	-	10,633	-	751,306	68,175,233	-	68,926,539
HUD capital contributions	-	-	-	-	-	-	-	-	-	2,473,114		2,473,114
Interest income	25,462	228	8,130	711	369	116	277	528	35,821	520,526	-	556,347
Interest expense	(190,532)	(90,652)	(55,743)	(24,385)	(44,159)	(97,867)	(230,143)	(143,013)	(876,494)	(247,409)	-	(1,123,903)
Contribution to County	-	-	-	-	-	-	-	-	-	(5,200,000)	-	(5,200,000)
Contribution from County	-	-	-	-	-	-	-	-	-	4,170,801	-	4,170,801
Total Nonoperating Revenues (Expenses), net	100,567	(90,424)	154,123	203,837	1,999	(97,751)	(219,233)	(142,485)	(89,367)	69,892,265	-	69,802,898
Change in net position	169,192	3,187	705,364	58,390	(175,872)	(99,594)	(247,975)	(33,765)	378,927	8,588,328	-	8,967,255
Net position (deficit), beginning of year, as restated	1,179,397	(370,168)	5,002,585	4,224,890	753,671	(1,298,845)	(1,720,326)	(729,337)	7,041,867	116,693,481	-	123,735,348
Net position (deficit), end of year	$ 1,348,589	$ (366,981)	$ 5,707,949	$ 4,283,280	$ 577,799	$ (1,398,439)	$ (1,968,301)	$ (763,102)	$ 7,420,794	$125,281,809	$ -	$ 132,702,603

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	Tavenner Lane	Herndon Harbor House II	Total Blended Component Unit	FCRHA	Eliminations	Primary Government
Cash flows from operating activities:												
Cash received from tenants	$ 1,262,107	$ 656,291	$ 2,140,078	$ 1,353,581	$ 494,598	$ 236,703	$ 181,319	$ 662,517	$ 6,987,194	$ 33,780,730	$ -	$ 40,767,924
Cash received for services/fees	1,222	32,327	504,796	102,978	217,299	6,485	70,455	31,736	967,298	4,429,164	(5,484,242)	(87,780)
Purchase of property held for sale	-	-	-	-	-	-	-	-	-	(2,197,781)	-	(2,197,781)
Cash received from sale of property held for sale	-	-	-	-	-	-	-	-	-	1,908,033	-	1,908,033
Payments to employees for services	(591,673)	(116,570)	(368,476)	(331,204)	(149,040)	(25,943)	(36,369)	(114,387)	(1,733,662)	(18,930,993)	-	(20,664,655)
Housing assistance payments	-	-	-	-	-	-	-	-	-	(57,789,356)	-	(57,789,356)
Payments to suppliers for goods and services	(436,572)	(548,797)	(1,156,220)	(979,739)	(641,049)	(61,990)	(129,120)	(335,230)	(4,288,717)	(12,448,866)	6,693,716	(10,043,867)
Net cash provided by (used in) operating activities	235,084	23,251	1,120,178	145,616	(78,192)	155,255	86,285	244,636	1,932,113	(51,249,069)	1,209,474	(48,107,482)
Cash flows from noncapital financing activities:												
Intergovernmental revenues received	265,637	-	201,736	227,511	45,789	-	10,633	-	751,306	66,831,008	-	67,582,314
Contribution to County, net	-	-	-	-	-	-	-	-	-	(1,812,389)	-	(1,812,389)
Net cash provided by noncapital financing activities	265,637	-	201,736	227,511	45,789	-	10,633	-	751,306	65,018,619	-	65,769,925
Cash flows from capital financing activities:												
Purchase of capital assets	(66,089)	-	(14,500)	(61,230)	(16,899)	-	-	-	(158,718)	(3,007,739)	-	(3,166,457)
Interest/finance cost paid	(203,203)	(36,248)	(37,445)	(19,384)	-	(47,985)	-	(77,779)	(422,044)	(246,347)	-	(668,391)
Debt principal paid	(255,000)	(40,342)	(74,569)	-	-	(37,265)	-	(73,953)	(481,129)	(866,852)	151,560	(1,196,421)
HUD debt service and capital contributions	-	-	-	-	-	-	-	-	-	2,473,114	-	2,473,114
Net cash used in financing activities	(524,292)	(76,590)	(126,514)	(80,614)	(16,899)	(85,250)	-	(151,732)	(1,061,891)	(1,647,824)	151,560	(2,558,155)
Cash flows from investing activities:												
Receipt of loans and advances repayments	-	-	44,820	38,619	(22,699)	-	-	-	60,740	737,416	(151,560)	646,596
Disbursement of loans and advances receivable	-	-	-	-	-	-	-	-	-	(145,358)	-	(145,358)
Maturity of investments	(7,913)	-	-	-	-	-	-	-	(7,913)	-	-	(7,913)
Acquisition of investments	-	-	-	-	-	-	-	-	-	735,000	-	735,000
Interest on investments	25,462	228	8,130	711	369	116	277	603	35,896	520,525	-	556,421
Net cash provided by (used in) investing activities	17,549	228	52,950	39,330	(22,330)	116	277	603	88,723	1,847,583	(151,560)	1,784,746
Net increase (decrease) in cash and cash equivalents	(6,022)	(53,111)	1,248,350	331,843	(71,632)	70,121	97,195	93,507	1,710,251	13,969,309	1,209,474	16,889,034
Cash and cash equivalents, beginning of year	3,180,437	853,217	4,948,781	2,321,396	745,729	487,789	356,605	769,832	13,663,786	52,182,562	(1,293,700)	64,552,648
Cash and cash equivalents, end of year	$ 3,174,415	$ 800,106	$ 6,197,131	$ 2,653,239	$ 674,097	$ 557,910	$ 453,800	$ 863,339	$15,374,037	$ 66,151,871	$ (84,226)	$ 81,441,682

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	Tavenner Lane	Herndon Harbor House II	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)	$ 68,625	$ 93,611	$ 551,241	$ (145,447)	$ (177,871)	$ (1,843)	$ (28,742)	$ 108,720	$ 468,294	$(61,303,937)	$ -	$(60,835,643)
Depreciation and amortization	182,181	143,328	468,393	314,550	110,964	70,414	83,121	146,948	1,519,899	2,999,695	-	4,519,594
Loss on sale of assets	-	-	-	6,229	-	-	-	-	6,229	25,183	-	31,412
Provision for doubtful accounts	-	-	-	-	-	-	-	-	-	2,499,635	-	2,499,635
(Increase) decrease in accounts receivable	10,820	258	14,050	13,886	(23,181)	3,782	610	1,880	22,105	(100,770)	-	(78,665)
(Increase) decrease in prepaid items and other assets	80	(346,555)	(112)	-	39,893	-	-	(17,222)	(323,916)	5,247,524	-	4,923,608
(Increase) decrease in net pension liability and related outflows/inflows	-	-	-	-	-	-	-	-	-	564,273	-	564,273
(Increase) decrease in net OPEB liability and related outflows/inflows	-	-	-	-	-	-	-	-	-	105,677	-	105,677
Increase (decrease) in accounts payable and			-									
accrued liabilities	(30,834)	132,931	75,037	(47,929)	(32,340)	82,363	24,230	3,351	206,809	273,836	-	480,645
Increase (decrease) in due to County	-	-	-	-	-	-	-	-	-	(1,209,474)	1,209,474	-
Increase (decrease) in deposits held in trust	9,604	(322)	12,572	(6,183)	4,343	(425)	750	959	21,298	(335,859)	-	(314,561)
Increase (decrease) in deferred revenues	(5,392)	-	(1,003)	10,510	-	964	6,316	-	11,395	(14,852)	-	(3,457)
Net cash provided by (used in) operating activities	$ 235,084	$ 23,251	$ 1,120,178	$ 145,616	$ (78,192)	$ 155,255	$ 86,285	$ 244,636	$ 1,932,113	$(51,249,069)	$ 1,209,474	$(48,107,482)
Noncash captial activities:												
Contributions from County	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 783,190	$ -	$ 783,190

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, 2017 is as follows:

	Gum Springs Glen	Morris Glen	Olley Glen	Cedar Ridge	Total
ASSETS					
Current Assets:					
Cash in bank	$ 367,028	$ 504,401	$ 1,434,217	$ 1,691,470	$ 3,997,116
Restricted deposits held in trust	31,570	22,328	74,951	123,294	252,143
Accounts receivable, net of allowances	5,310	768	1,347	7,566	14,991
Prepaid expenses and other assets, current	33,911	35,791	-	253,065	322,767
Notes, mortgages, and other receivables	-	-	-	8,687	8,687
Total Current Assets	437,819	563,288	1,510,515	2,084,082	4,595,704
Noncurrent Assets:					
Restricted cash reserves	383,431	136,699	827,248	2,029,626	3,377,004
Other assets, noncurrent	-	-	33,712	12,381	46,093
Total Other Assets	383,431	136,699	860,960	2,042,007	3,423,097
Land and land improvements	514,977	273,170	3,150,098	1,595,717	5,533,962
Buildings and improvements	5,384,602	5,111,878	14,378,060	17,329,626	42,204,166
Equipment	150,392	121,643	338,205	343,330	953,570
Accumulated depreciation	(2,130,304)	(4,338,252)	(4,347,725)	(4,843,747)	(15,660,028)
Total Capital Assets	3,919,667	1,168,439	13,518,638	14,424,926	33,031,670
Total Noncurrent Assets	4,303,098	1,305,138	14,379,598	16,466,933	36,454,767
Total Assets	$ 4,740,917	$ 1,868,426	$ 15,890,113	$ 18,551,015	$ 41,050,471
LIABILITIES AND PARTNERS' CAPITAL					
Current Liabilities:					
Accounts payable	$ 203,289	$ 36,710	$ 30,467	$ 70,229	$ 340,695
Accrued interest payable	868,807	1,786	-	101,108	971,701
Due to FCRHA	-	70,000	1,156,612	-	1,226,612
Deposits held in trust	31,105	18,846	49,721	100,580	200,252
Unearned revenue	50	10,021	41,900	21,932	73,903
Current portion long-term debt	60,200	21,688	41,444	302,075	425,407
Total Current Liabilities	1,163,451	159,051	1,320,144	595,924	3,238,570
Noncurrent Liabilities:					
Noncurrent portion long-term debt, net	2,159,320	2,321,652	13,381,661	13,553,121	31,415,754
Noncurrent accrued interest payable	-	384,825	2,564,170	518,832	3,467,827
Total Noncurrent Liabilities	2,159,320	2,706,477	15,945,831	14,071,953	34,883,581
Total Liabilities	3,322,771	2,865,528	17,265,975	14,667,877	38,122,151
Total Partners' Capital	1,418,146	(997,102)	(1,375,862)	3,883,138	2,928,320
Total Liabilities and Partners' Capital	$ 4,740,917	$ 1,868,426	$ 15,890,113	$ 18,551,015	$ 41,050,471

Note 16—Related party transactions (continued)

	Gum Springs Glen	Morris Glen	Olley Glen	Cedar Ridge	Total
Operating Revenue:					
Rental	$ 667,132	$ 643,190	$ 940,415	$ 1,101,525	$ 3,352,262
Other	50,287	41,046	127,855	309,717	528,905
Total Operating Revenue	717,419	684,236	1,068,270	1,411,242	3,881,167
Operating Expenses:					
Personnel services	146,559	149,802	274,766	291,204	862,331
Contractual services	13,780	14,195	13,780	17,895	59,650
Utilities	-	76,581	95,067	190,349	361,997
Repairs and maintenance	51,980	157,288	136,622	302,284	648,174
Other supplies and expenses	337,292	155,280	251,715	641,060	1,385,347
Depreciation and amortization	134,310	165,963	607,607	448,341	1,356,221
Total Operating Expenses	683,921	719,109	1,379,557	1,891,133	4,673,720
Operating Income (Loss)	33,498	(34,873)	(311,287)	(479,891)	(792,553)
Nonoperating Revenues (Expenses):					
Intergovernmental revenue	-	-	140,725	1,623,025	1,763,750
Interest income	1,444	213	2,588	3,981	8,226
Interest expense	(118,547)	(60,543)	(792,104)	(874,992)	(1,846,186)
Total Nonoperating Revenues (Expenses), net	(117,103)	(60,330)	(648,791)	752,014	(74,210)
Change in partners' capital	(83,605)	(95,203)	(960,078)	272,123	(866,763)
Partners' capital, beginning of year, as restated	1,501,751	(901,899)	(415,784)	3,611,015	3,795,083
Partners' capital, end of year	$ 1,418,146	$ (997,102)	$ (1,375,862)	$ 3,883,138	$ 2,928,320

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

JUNE 30, 2018

	2018	2017	2016	2015
Authority's proportion of net pension liability	1.6624%	1.6146%	1.6215%	1.6799%
Authority's proportionate share of net pension liability	$ 26,903,629	$ 24,644,244	$ 20,857,233	$ 17,501,779
Authority's covered payroll	$ 12,762,566	$ 12,145,800	$ 11,144,649	$ 11,282,166
Authority's proportionate share of net pension liability as a percentage of its covered payroll	210.8%	202.9%	187.2%	155.1%
Plan fiduciary net position as a percentage of total pension liability	69.9%	70.2%	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

JUNE 30, 2018

	2018	2017	2016	2015
Actuarial determined contributions	$ 3,227,653	$ 2,781,412	$ 2,245,647	$ 2,177,501
Contributions in relation to the actuarial determined contribution	$ 3,227,653	$ 2,781,412	$ 2,245,647	$ 2,177,501
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 12,762,566	$ 12,145,800	$ 11,144,649	$ 11,282,166
Contributions as a percentage of covered payroll	25.3%	22.9%	20.2%	19.3%

* 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 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

JUNE 30, 2018

Authority's proportion of the net OPEB liability	1.85%
Authority's proportionate share of the net OPEB liability	791,633
Authority's covered employee payroll	16,804,930
Authority's proportionate share of the net OPEB liability as a percentage of covered employee payroll	4.71%
Plan fiduciary net position as a percentage of the total OPEB liability	86.73%

* The schedule is intended to show information for 10 years; 2018 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 OPEB CONTRIBUTIONS
(DOLLAR AMOUNTS IN THOUSANDS)

JUNE 30, 2018

	Fiscal Year Ending 2017	Fiscal Year Ending 2018
Actuarially Determined Contribution	$ 375	$ 412
Contributions Made in Relation to the Actuarially Determined Contribution	518	463
Contribution Deficiency (Excess)	(143)	(51)
Covered Employee Payroll	16,805	17,322
Contributions as a Percentage of Payroll	3.08%	2.67%

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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 20, 2018. Our report includes a reference to other auditors who audited the financial statements of seven 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 seven of the blended component units (Herndon Harbor House I, Herndon Harbor House II, FCRHA HCDC One (Stonegate), FCRHA HCDC Two (Murraygate), The Green, Castellani Meadows, Tavenner Lane), and three of the discretely presented component units (Gum Springs Glen, Morris Glen, and Olley Glen) were not audited in accordance with *Government Auditing Standards*. Our audit report on the Authority's financial statements also recognized that the Authority restated beginning net position for implementation of a new accounting standard, change in reporting entity and correction of an error.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses listed as 2018-001 to be a material weakness.

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. We consider the deficiencies described in the accompany schedule of findings and responses listed as 2018-002 and 2018-003 to be significant deficiencies.

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-004.

The Authority's Responses to Findings

The Authority's responses to the findings identified in our audit are described in the schedule of findings and responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Cherry Bekaert LLP

Tysons Corner, Virginia
November 20, 2018

Fairfax County Redevelopment and Housing Authority
Schedule of Findings and Response
For the Fiscal Year Ended June 30, 2018

1) Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on the financial statements:	**Unmodified**
Internal control over financial reporting:	
Material weaknesses identified:	**Yes**
Significant deficiencies identified:	**Yes**
Noncompliance material to the financial statements noted?	**No**

2) Finding Related to Financial Statements Reported in Accordance with Government Auditing Standards

Finding: 2018-001 **– Transactions with Component Units**

Type of Finding: Material Weakness in Internal Control

Criteria:
When a component unit (CU) is accruing a partnership fee owed to the Authority as part of the partnership agreement, a corresponding amount should be recorded on the Authority's books. The Authority should annually assess the CUs long-term ability to pay those fees and the need to record an allowance for doubtful accounts.

Condition:
The Authority engages in various agreements and transactions with its CUs, including notes payable and annual administration fees. During our audit, we noted the Authority was accounting for these transactions on a cash basis.

Cause:
In many instances, and due to the nature of the CUs, these transactions are forgiven at the end of the agreement. As a result, the Authority has taken the general approach that all transactions are not collectable and should be recorded on a cash basis.

Effect:
At June 30, 2018, the Authority had understated beginning net position of $1,704,326 related to receivables from CUs that are deemed to be collectable. This also resulted in approximately $691,596 of deferred revenue being improperly recorded during the year.

Auditor's Recommendation:
We recommend the Authority record corresponding receivables from CU transactions, and individually assess the likelihood of collectability, rather than having a generic policy that all transactions are not collectable.

Management's Response:

The Authority engages in various agreements and transactions with its CUs. For these agreements, the Authority will record all partnership annual fees and payables owed to the Authority on its books as receivables from the CU. At each fiscal year end, the Authority will assess the CUs ability to pay those fees and will adjust the allowance for doubtful accounts accordingly. In addition, the Authority will record revenue in the period it is earned.

Finding: 2018-002 **– Prepaid Supplies Reconciliation**

Type of Finding: Significant Deficiency in Internal Control

Criteria:
The Authority should reconcile the prepaid supplies account each year to ensure the ending balance agrees to the inventory count done at year end.

Condition:
During our audit, we identified that management had adjusted the prepaid supplies inventory account to actual, as the balance was incorrect and had not been adjusted annually for the last six years.

Cause:
During the year ended June 30, 2018, the Director of Financial Management for Housing and Community Development noticed that the prepaid supplies account balance had not changed from the previous year. During her investigation of the account balance, she noted that while a physical inventory count was being performed at the end of each year, the general ledger had not being updated for each of the past six years to reflect the counted balance at year end.

Effect:
Due to this adjustment, expenses are overstated for the year ended June 30, 2018 by $540,618.

Auditor's Recommendation:
While management has identified and corrected this error, we recommend they implement a procedure at year end to ensure that the general ledger balances are reconciled to the inventory counts.

Management's Response:
Management has taken corrective action in FY 2018 to reconcile the ending balance of the prepaid inventory account for $540,618 to reconcile with the actual ending inventory amount for what was physically held. This action corrected an error that has been outstanding for the past six years. Management will continue to ensure that the prepaid inventory account reconciles to the physical count for inventory held on an annual basis at fiscal year-end, so the issue will not occur again.

Finding: 2018-003 **– Construction in Progress**

Type of Finding: Significant Deficiency in Internal Control

Criteria:
Significant improvements to a property that extend the usefulness should be tracked in construction in progress (CIP) until completion, at which point they should be capitalized and depreciated, held for sale, or transferred to another entity, depending on the purpose identified by the Authority for each property.

Condition:
During our testing of capital assets, we identified major renovation project costs that were expensed during the year, rather than being included in CIP.

Cause:

In many instances, upon completion, projects are disposed or transferred to another entity, and often management doesn't determine a project's purpose until it is substantially completed. As a result, practice has been to expense project costs when incurred.

Effect:
At June 30, 2018, prior to our proposed audit adjustment recorded by the Authority, assets were understated and expenses were overstated by $624,650.

Auditor's Recommendation:
We recommend the Authority implement a policy to ensure all capital projects are properly tracked

Management's Response:
Management's practice is to track improvements that extend the useful life of an asset in CIP until completion. Some projects begin as maintenance but then convert to being capital in nature. Reviews will be performed to ensure that maintenance costs do not reflect costs that should be recorded as CIP. The Authority will further seek to train Third Party management companies on how to properly record expenses as capital versus operating. The Authority's financial management staff and asset management staff will further review transactions recorded by Third Party management companies as "maintenance" to ensure that proper capitalization policies are being followed. The Authority will also assess all renovation projects across its funds to ensure that expenses are properly recorded as CIP until completion, and then capitalized and depreciated, held for sale, or transferred to another entity, depending on the purpose of the asset.

3) Findings related to Compliance with Commonwealth of Virginia's Specifications

Finding: 2018-004 **– Statement of Economic Interest**

Type of Finding: Nonmaterial Noncompliance

Criteria:
Section 2.2-3115(A) of the *Code of Virginia* requires persons holding positions of trust appointed or employed by the governing body, if the governing body has passed an ordinance requiring them to file, must file a State and Local Statement of Economic Interest ("SOEI") with the office of the Virginia Conflict of Interest and Ethics Advisory Council (the "Council") by February 1, 2018.

Condition:
We noted that one (1) of eleven (11) forms selected for testing was incomplete. Additionally, we noted that one (1) of eleven (11) forms selected for testing was filed after the due date.

Cause:
The Authority's control in place to ensure all required SOEI forms are filed in accordance with the prescribed requirement did not function properly.

Effect:
The Authority is not in compliance with Section 2.2-3115 of the *Code of Virginia*. Additionally, noncompliance may result in action by the Commonwealth of Virginia.

Auditor's Recommendation:
Local government officials should complete the required filings in accordance with prescribed requirements.

Management's Response:
The Authority will seek to educate local government officials serving on the FCRHA Board to properly complete the required filing for the Statement of Economic Interest and further stress the importance of completion by the required deadline. Due to the sensitive nature of the information contained in these submissions, the ability to review information submitted is limited. Education will be the primary means of addressing this issue by the Authority.