FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
Fairfax, Virginia

FINANCIAL STATEMENTS
June 30, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
County of Fairfax, Virginia

Board of Commissioners
Fairfax County Redevelopment
and Housing Authority
Fairfax, Virginia

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 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, 2015, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of four blended component units (Herndon Harbor House I L.P, Fairfax County Redevelopment and Housing Authority/HCDC One, L.P. - Stonegate, Fairfax County Redevelopment and Housing Authority/HCDC Two, L.P. – Murraygate, and The Green, L.P.), which represent 12.2 percent, 14.3 percent, and 5.8 percent, respectively, of the assets and deferred outflows, net position, and revenues of the business-type activities. We did not audit the financial statements of the discretely presented component units, which represent 100 percent, respectively, of the assets and deferred outflows, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the four blended component units and the discretely presented component units, is based solely on the report 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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

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 financial position of the business-type activities and the aggregate discretely presented component units of the Authority as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change In the Reporting Entity

As discussed in Note 14 to the financial statements, the Authority previously reported four real estate partnerships as discrete component units. The Authority now also controls the partnership interests for these partnerships and has therefore considered them blended component units. Our auditors' opinion is not modified with respect to the restatement.

Change in Accounting Principle

During fiscal year ended June 30, 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the Authority reported a restatement for the change in accounting principle (see Note 14.) Our auditors' opinion is not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the Schedule of Authority's Proportionate Share of Net Pension Liability – ERS Pension Plan on page 54 and the Schedule of Authority's Contributions – ERS Pension Plan on page 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Statement and Certification of Program Costs listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement and Certification of Program Costs is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the financial data schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

CliftonLarsonAllen LLP

Calverton, Maryland
November 17, 2015

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) 2015 annual financial report consists of two parts – the management's discussion and analysis (MD&A) and the basic financial statements and notes to those financial statements.

The FCRHA presents this MD&A of its financial performance as of and for the fiscal year ended June 30, 2015, 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, liabilities, expenses, revenues, and net asset 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 five real estate partnerships and also controls the limited partnership interest in these entities. One entity has a June 30 fiscal year end and the other four 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, 2015 are included in the balances of the enterprise fund.

Financial Highlights for FY 2015

The FCRHA's FY 2015 financial highlights included the following:

- Total assets, deferred outflows of resources, liabilities and deferred inflows of resources of the FCRHA were approximately $189.3 million, $2.2 million, $70.3 million and $4.0 million respectively; thus total net position was approximately $117.2 million at June 30, 2015. Of this amount, approximately $27.3 million (unrestricted net position) may be used to meet the FCRHA's future operational needs.

- Total revenues and expenses were approximately $101.0 million and $97.8 million, respectively, resulting in an increase in net position of approximately $3.2 million during the fiscal year compared with an increase in net position of approximately $3.7 million during the prior year, or a decrease of 13.5%. Prior period adjustments related to a change in accounting principle (GASB 68) and a change in reporting entity (the inclusion of additional blended component units) resulted in a decrease in net position of approximately $11.7 million. See note 14 for additional details on the restatement.

- Cash and cash equivalents increased by approximately $6.6 million.

FCRHA Financial Statements

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, 2015, owned and/or operated a total of 3,027 units of multifamily housing, and 832 units/beds of specialized housing that were leased to families and individuals with low- and moderate-incomes. The specialized housing is comprised of 504 units of independent senior housing, 112 beds of assisted living, and 39 units of other specialized housing. In addition, the FCRHA owns group homes and shelter facilities with 62 beds of supportive housing and a mobile home park with 115 pads. The United States Department of Housing and Urban Development (HUD) has granted the FCRHA the authority to lease up to 288 vouchers under the federal Housing Choice Voucher program, and 3,568 vouchers under the federal Moving to Work (MTW) program with an MTW voucher baseline of 3,244 units.

In FY 2007, the County's Board of Supervisors set a goal and tasked the FCRHA to preserve 1,000 units of affordable housing. The preservation of affordable rental housing has long been a concern of the County's Board of Supervisors and the FCRHA. The stock of privately-owned subsidized units and non-subsidized rental housing with modest rents in the County has been declining as owners reposition their properties in the market. The centerpiece of the initiative is the Penny for Affordable Housing Fund, which is the dedication of a "half penny" of the real estate tax rate for affordable housing initiatives. The value of the "half penny" in FY 2015 was $10,930,000. The Board's Affordable Housing Preservation Initiative has preserved a total of 2,757 units of affordable housing as of the end of FY 2015.

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

In FY 2015, the FCRHA continued to promote the production of Affordable Dwelling Units (ADU) and Workforce Dwelling Units (WDUs). 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, 2015, a total of 2,598 units (1,219 rentals and 1,379 for-sale units) have been produced under the ADU program; the FCRHA has acquired 143 of the for-sale units, which are maintained as permanent affordable rental housing.

A total of 5,130 WDUs have been committed by developers via approved rezoning actions; as of June 2015, 316 units have been constructed and will be delivered. (The WDU policy is a proffer-based incentive system adopted by the Board in September 2007 as a part of the Comprehensive Plan. This policy is designed to foster the construction of housing affordable to moderate-income households in high-rise, high-density projects that are otherwise exempt from the ADU requirement.)

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

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

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

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

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

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

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

These financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Summary of Net Position

The following table presents a summary of FCRHA's net position as of June 30, 2015 and 2014.

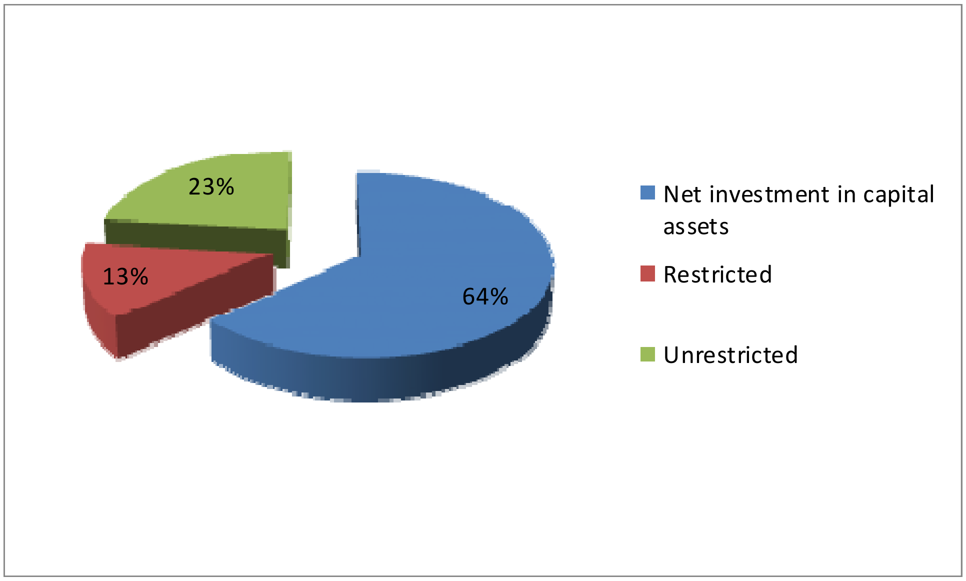
Table 1
Summary of Net Position
(in millions)

Description	2015	As Restated 2014	Increase (Decrease)	% Changed
Current and other assets	$ 94.5	$ 92.7	$ 1.8	1.9%
Capital assets	94.8	96.8	(2.0)	-2.1%
Total assets	189.3	189.5	(0.2)	-0.1%
Deferred outflow of resources	2.2	2.2	-	100.0%
Current liabilities	11.1	12.4	(1.3)	-10.5%
Noncurrent liabilities	59.2	65.3	(6.1)	-9.3%
Total liabilities	70.3	77.7	(7.4)	-9.5%
Deferred inflow of resources	4.0	-	4.0	100.0%
Net position:				
Net investment in capital assets	74.5	67.3	7.2	10.7%
Restricted	15.4	12.1	3.3	27.3%
Unrestricted	27.3	34.6	(7.3)	-21.1%
Total net position	$ 117.2	$ 114.0	$ 3.2	2.8%

As of June 30, 2015, the FCRHA's net position totaled approximately $117.2 million, an increase of approximately $3.2 million, or 2.8%, over the restated net position balance as of June 30, 2014. This change was due to certain transactions that affected the FCRHA's asset balances during the year and the two prior period adjustments previously discussed.

The FCRHA's total net position also consisted of restricted net position of $15.4 million at June 30, 2015 and $12.1 million at June 30, 2014, and unrestricted net position of $27.3 million and $34.6 million at June 30, 2015 and 2014, respectively. 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, 2015.

Composition of FCRHA's Net Position



Capital Assets and Debt Administration

Capital Assets. The FCRHA's capital assets at June 30, 2015 and 2014, included land, buildings and improvements, equipment, and construction in progress, which totaled $94.8 million and $96.8 million, respectively, net of accumulated depreciation of approximately $114.7 million and $110.2 million at June 30, 2015 and 2014, respectively. For further details see note 5, Capital Assets.

Short-term and long-term debt. The FCRHA's June 30, 2015 and 2014 statement of net position includes debt – consisting of housing loans, notes, and bonds payable – of approximately $40.4 million and $33.9 million, respectively.

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

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 2015, the FCRHA's enterprise programs realized an increase in net position of approximately $3.2 million. Table 2 presents a summary of data from the FCRHA's statement of revenues, expenses, and changes in net position for FY 2015 and FY 2014 and a comparative analysis of activities in these years.

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

Description	2015	As Restated 2014	Increase (Decrease)	% Changed
Revenues:				
Operating revenues	$ 36.9	$ 31.0	$ 5.9	19.0%
Nonoperating revenues and contributions	64.1	65.0	(0.9)	-1.4%
Total revenues	101.0	96.0	5.0	5.2%
Expenses:				
Operating expenses	91.2	86.4	4.8	5.6%
Nonoperating expenses	6.6	5.9	0.7	11.9%
Total expenses	97.8	92.3	5.5	6.0%
Changes in net position	3.2	3.7	(0.5)	-13.5%
Total net position, beginning of year	114.0	122.0	(8.0)	-6.6%
Total net position, end of year, as previously stated	-	125.7	(125.7)	-100.0%
Prior period adjustments (see note 14)	-	(11.7)	11.7	100.0%
Total net position, end of year, as restated	$ 117.2	$ 114.0	$ 3.2	2.8%

The FCRHA's total overall revenues during the year were up by approximately $5.0 million or 5.2%. Overall, operating revenues were up by approximately $5.9 million or 19.0%, rental revenues (a component of operating revenues) were stable year to year showing a modest increase of approximately $5.4 million, however, other operating income (a component of operating revenue) increased approximately $441,331 or 12.4%. This increase was the result of marginal increases in several operating funds as well as an increase in management fee revenue.

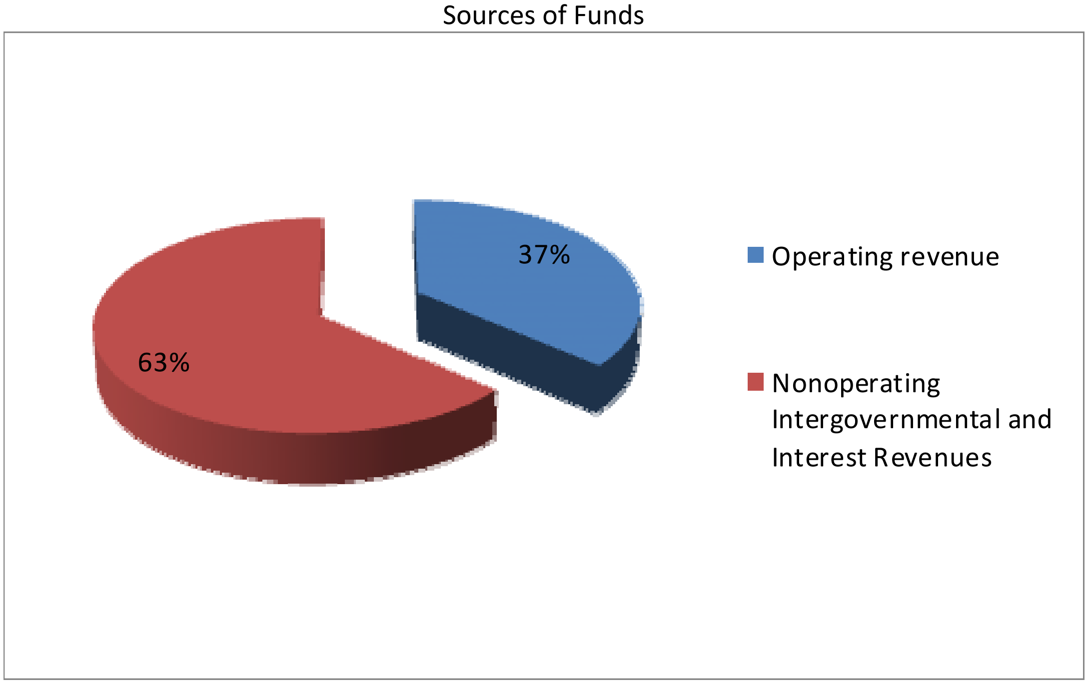
In addition, non-operating revenues reflected a decrease, on a year to year basis, of approximately $0.9 million or 1.4%. Although intergovernmental revenues generally fluctuate on a year to year basis, the majority of the decrease for this revenue category was attributable to the Rental Program that experienced a decline in County contributions. Mitigating this decrease was the Capital Contribution from HUD to the Public Housing program that showed a significant increase in FY 2015. The increased HUD contribution correlates with the completion of several rehabilitation projects.

The FCRHA's operating expenses in FY 2015 increased by approximately $4.8 million, or 5.6% primarily due to increased costs in the Fairfax County Rental Program related to property repairs and maintenance. The increase in repairs and maintenance expenses of approximately $2.0 million was due to heavier than normal rehabilitation work in the rental properties. However, these expenses were offset by a decrease in Housing Assistance Payments (HAP) in the Housing Choice Voucher (HCV) program as a net result of a decrease in portability HAP and a decrease in HAP for the MTW and HCV programs primarily due to the implementation of the 35% total tenant payment (TTP) phased in at each annual recertification. Non-operating expenses increased by $0.7 million in FY 2015. This expenditure category consists of an annual grant to the County from the operations of the Wedgewood Apartment complex towards the future rehabilitation of the property and interest expense. In FY 2015, the grant to the County was $5.6 million, an increase of $0.4 million, while interest expense was recorded at $0.9 million, an increase of approximately $0.3 million from FY 2014.

Approximately 63.5% of the FCRHA's total revenues in FY 2015 were non-operating revenues, interest revenues, and contributions that were derived from federal grants from HUD, County contributions, and interest. The remaining 36.5% were operating revenues derived from rents and other user charges, and developer and financing fees. The following pie chart illustrates the major sources of these revenues and their relative percent of the total for FY 2015.

FCRHA's Enterprise Programs

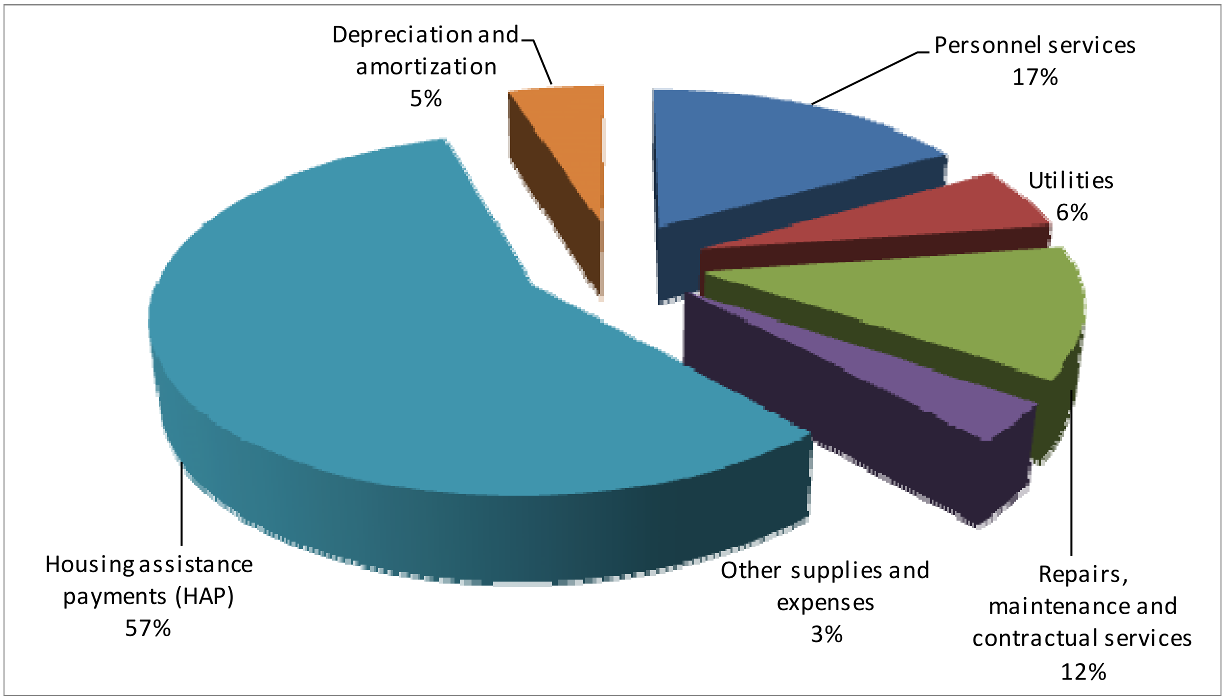
Sources of Funds



In FY 2015, the FCRHA incurred operating expenses in its enterprise programs totaling approximately $91.2 million. The following pie chart illustrates major operating expense groups and their relative percent of the total.

FCRHA's Enterprise Programs

Operating Expenses



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, Financial Management Division, Department of Housing and Community Development, 3700 Pender Drive, Suite 300, Fairfax, Virginia 22030.

FINANCIAL STATEMENTS

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
STATEMENT OF NET POSITION
June 30, 2015

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
ASSETS			
Current assets:			
Cash in bank (note 2)	$ 11,664,743	$ 3,228,219	$ 14,892,962
Cash on deposit with the County of Fairfax, Virginia (note 2)	31,820,153	-	31,820,153
Cash reserves	276,615	-	276,615
Investments (note 3)	4,655,000	-	4,655,000
Restricted cash:			
Deposit held in trust	3,089,022	283,466	3,372,488
Investments (note 3)	2,450,000	-	2,450,000
Accrued interest receivable	410,056	-	410,056
Accounts receivable (net of allowances) (note 4)	1,380,716	103,870	1,484,586
Notes, mortgages, and other receivables (note 4)	436,901	90,147	527,048
Property held for sale	1,315,872	-	1,315,872
Prepaid items and other assets	426,642	2,806	429,448
Total current assets	57,925,720	3,708,508	61,634,228
Noncurrent assets:			
Restricted assets:			
Cash reserves	11,233,519	3,798,046	15,031,565
Investments	434,180	-	434,180
Total restricted assets	11,667,699	3,798,046	15,465,745
Other noncurrent assets:			
Notes, mortgages and other receivables (note 4)	24,462,379	-	24,462,379
Prepaid items and other assets	401,458	85,007	486,465
Deferred financing fees (net of accumulated amortization of $96,252)	55,274	903,323	958,597
Total other noncurrent assets	24,919,111	988,330	25,907,441
Capital assets (note 5):			
Nondepreciable:			
Land	35,534,733	6,932,159	42,466,892
Construction in progress	144,891	-	144,891
Depreciable:			
Buildings and improvements	172,974,380	53,956,148	226,930,528
Equipment	792,082	1,151,029	1,943,111
Accumulated depreciation	(114,691,187)	(17,156,413)	(131,847,600)
Total capital assets, net	94,754,899	44,882,923	139,637,822
Total noncurrent assets	131,341,709	49,669,299	181,011,008
Total assets	189,267,429	53,377,807	242,645,236
DEFERRED OUTFLOW OF RESOURCES	2,245,647	-	2,245,647
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	2,101,728	2,285,025	4,386,753
Accrued salaries and benefits	772,885	-	772,885
Due to the County of Fairfax, Virginia	1,370,860	1,259,200	2,630,060
Deposits held in trust	1,942,761	241,931	2,184,692
Unearned revenue	1,809,346	102,311	1,911,657
Accrued compensated absences (note 7)	635,529	-	635,529
Loans, notes, and bonds payable (note 6)	2,455,124	467,721	2,922,845
Total current liabilities	11,088,233	4,356,188	15,444,421
Noncurrent liabilities:			
Accrued compensated absences (note 7)	530,192	-	530,192
Loans, notes, and bonds payable (note 6)	37,929,383	42,787,003	80,716,386
Net pension liability	17,501,779	-	17,501,779
Other accrued long-term interest	3,248,885	3,293,530	6,542,415
Total noncurrent liabilities	59,210,239	46,080,533	105,290,772
Total liabilities	70,298,472	50,436,721	120,735,193
DEFERRED INFLOW OF RESOURCES	3,970,934	-	3,970,934
NET POSITION			
Net investment in capital assets	74,473,555	-	74,473,555
Restricted	15,400,266	-	15,400,266
Unrestricted	27,369,849	-	27,369,849
Partner's equity	-	2,941,086	2,941,086
TOTAL NET POSITION	$ 117,243,670	$ 2,941,086	$ 120,184,756

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

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, 2015

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
OPERATING REVENUES			
Dwelling rentals	$ 32,893,044	$ 5,998,124	$ 38,891,168
Other	3,997,937	455,380	4,453,317
Total operating revenues	36,890,981	6,453,504	43,344,485
OPERATING EXPENSES			
Personnel services	15,359,509	1,207,401	16,566,910
Contractual services	257,479	89,983	347,462
Utilities	5,253,410	453,703	5,707,113
Repairs and maintenance	10,613,582	819,038	11,432,620
Other supplies and expenses	3,232,687	1,496,674	4,729,361
Housing assistance payments (HAP)	52,087,470	-	52,087,470
Depreciation and amortization	4,444,230	1,759,062	6,203,292
Total operating expenses	91,248,367	5,825,861	97,074,228
Operating income (loss)	(54,357,386)	627,643	(53,729,743)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	62,266,387	-	62,266,387
Interest revenue	284,454	3,636	288,090
Interest expense	(912,404)	(2,240,615)	(3,153,019)
Miscellaneous nonoperating expense	-	(160,803)	(160,803)
Grant to Fairfax County	(5,631,029)	-	(5,631,029)
Total nonoperating revenues (expenses), net	56,007,408	(2,397,782)	53,609,626
Income before contributions	1,650,022	(1,770,139)	(120,117)
CONTRIBUTIONS			
HUD capital contributions	1,599,304	-	1,599,304
Total contributions	1,599,304	-	1,599,304
CHANGE IN NET POSITION	3,249,326	(1,770,139)	1,479,187
TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED	113,994,344	4,711,225	118,705,569
TOTAL NET POSITION, END OF YEAR	$ 117,243,670	$ 2,941,086	$ 120,184,756

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

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2015

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental receipts	$ 32,541,128	$ 5,977,544	$ 38,518,672
Other operating cash receipts	3,350,353	408,128	3,758,481
Purchase of property held for sale	(1,794,581)	-	(1,794,581)
Receipts from sale of property held for sale	1,994,061	-	1,994,061
Payments to employees for services	(15,954,184)	(1,207,401)	(17,161,585)
Housing assistance payments	(47,949,874)	-	(47,949,874)
Payments to suppliers for goods and services	(18,853,780)	(1,501,242)	(20,355,022)
Net cash provided by (used in) operating activities	(46,666,877)	3,677,029	(42,989,848)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Retirement of loans, notes and bond payables	(289,194)	-	(289,194)
Intergovernmental revenues received	62,212,001	36,880	62,248,881
Grant to Fairfax County	(5,631,029)	-	(5,631,029)
Net cash provided by noncapital financing activities	56,291,778	36,880	56,328,658
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(1,834,713)	-	(1,834,713)
Intergovernmental revenue - capital grant	(577,609)	-	(577,609)
Proceeds from issuance of debt	-	186,763	186,763
Interest paid	(806,375)	(2,908,054)	(3,714,429)
Debt principal paid	(1,164,748)	(428,187)	(1,592,935)
HUD debt service and capital contributions	1,599,304	-	1,599,304
Net cash used in capital and related financing activities	(2,784,141)	(3,149,478)	(5,933,619)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of loan and advance repayments	193,110	-	193,110
Disbursement of loans and advances receivable	(266,158)	-	(266,158)
Maturity of investments	430,898	-	430,898
Acquisition of investments	(814,040)	-	(814,040)
Interest and gain received on investments	235,489	3,661	239,150
Net cash provided by (used in) investing activities	(220,701)	3,661	(217,040)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,620,059	568,092	7,188,151
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	51,463,993	6,741,639	58,205,632
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 58,084,052	$ 7,309,731	$ 65,393,783
RECONCILIATION TO STATEMENT OF NET ASSETS			
Cash in bank	$ 11,664,743	$ 3,228,219	$ 14,892,962
Cash on deposit with the County of Fairfax, Virginia	31,820,153	-	31,820,153
Cash deposits held in trust	3,089,022	283,466	3,372,488
Cash reserves	11,510,134	3,798,046	15,308,180
CASH AND CASH EQUIVALENTS	$ 58,084,052	$ 7,309,731	$ 65,393,783
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	$ (54,357,386)	$ 627,643	$ (53,729,743)
Depreciation and amortization	4,444,230	1,759,062	6,203,292
Effects of changes in operating assets and liabilities:			
Accounts receivable	(728,399)	(45,516)	(773,915)
Prepaid items and other assets	4,028,068	(107,886)	3,920,182
Deferred outflows of resources	(2,245,647)	-	(2,245,647)
Accounts payable and accrued liabilities	1,008,451	1,418,029	2,426,480
Deposits held in trust	(176,569)	761	(175,808)
Net pension liability	1,450,735	-	1,450,735
Unearned revenue	(90,360)	24,936	(65,424)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (46,666,877)	$ 3,677,029	$ (42,989,848)

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

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 activated. 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 a component unit of the County.

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

Reporting Entity

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

Blended Component Units

The Authority is the general partner of five real estate partnerships (Little River Glen, Herndon Harbor House I L.P, Fairfax County Redevelopment and Housing Authority/HCDC One, L.P. - Stonegate, Fairfax County Redevelopment and Housing Authority/HCDC Two, L.P. – Murryagate and The Green, 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 1, Stonegate, Murraygate and the Green 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, 2015. Separate financial statements for the blended component units can be obtained from the Authority.

Discretely Presented Component Units

Additionally, the Authority is also the general partner in seven other real estate limited partnerships (Herndon Harbor House II L.P., Tavenner Lane, L.P., Castellani Meadows L.P., Morris Glen L.P., Gum Springs Glen L.P., Cedar Ridge, L.P., and FCRHA Olley Glen, L.P.). However, the limited partnership interests are held by third parties unrelated to the Authority. As the general partner, the Authority has certain rights and

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Units (Continued)

responsibilities, which enable it to impose its will on the limited partnerships. Additionally, the Authority is financially accountable for the limited partnerships as the Authority is legally obligated to fund operating deficits up to a maximum limit per partnership, in accordance with the terms of the partnership agreements.

All discretely presented component units have a December 31 calendar year-end. Accordingly, the amounts included for each component unit are as of and for the year-end that falls within the year ended June 30, 2015. Separate financial statements for the individual limited partnerships can be obtained from the Authority. All limited partnerships follow FASB pronouncements and have not been converted for purposes of these financial statements. All limited partnership financial statements are prepared in accordance with Generally Accepted Accounting Principles.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

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

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

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Authority is required to follow all statements of GASB. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate FASB and AICPA guidance into GASB authoritative literature.

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

Use of Estimates in Preparing Financial Statements

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

Cash and Temporary Investments

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.

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 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

Foreign Currency Risk

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

Capital Assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The Authority recognizes deferred outflows for contributions made subsequent to the measurement date related to pensions.

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

Pensions

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Held for Sale (Continued)

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

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

Notes, Mortgages, and Other Receivables

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

Restricted Assets and Net Position

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

Net position is displayed in three components:

<u>Net Investment in Capital Assets:</u> 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.

<u>Restricted Net Position:</u> 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.

<u>Unrestricted Net Position:</u> 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."

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

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

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

New Accounting Pronouncements

In fiscal year 2015, the Authority implemented GASB Statement Nos. 68, 69 and 71 as follows:

Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* - The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pension in which they are involved. See notes 12 and 14 for further details about the restatement required to establish the entity's net pension liability.

Statement No. 69, *Government Combinations and Disposals of Government Operations* - This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68* – The objective of this statement is to address the application of transition provisions of Statement No. 68 related to contributions made to a defined benefit pension plan after the measurement date of the entity's beginning net pension liability. See notes 12 and 14 for further details about the restatement required to establish the entity's net pension liability.

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, 2015 the carrying amount of the Authority's cash and cash equivalents was $58,084,052 and the bank balance was $58,252,634, respectively. All deposits were entirely insured or collateralized with securities held by the Authority's agent in the Authority's name as of June 30, 2015.

NOTE 3 – INVESTMENTS

As of June 30, 2015, the Authority had the following investment type:

	Fair Value	Weighted Average Maturity (Days)
Investment Type:		
Investment GIC	$ 434,180	
Various CD's	7,105,000	
Total fair value	$ 7,539,180	
Portfolio weighted average maturity		173.79

Weighted Average Maturity days have been increased to 173.79 days from 164.47 days for FY 2015 and FY 2014, respectively.

NOTE 4 – RECEIVABLES

Accounts Receivable

Accounts receivable at June 30, 2015, consisted of the following:

Tenant receivable (net of allowances of $132,207)	$ 366,236
Landlord and HCV tenant receivables (net of allowances of $1,602)	249,620
Due from U.S. Department of Housing and Urban Development	728,496
Other receivables	11,238
Due from other governments (Section 8 Portability)	25,126
Total	$ 1,380,716

NOTE 4 – RECEIVABLES (CONTINUED)

Notes Receivable

Notes receivable at June 30, 2015, consisted of the following:

Lake Ann of Reston	Unsecured notes, bearing interest at 3.73% to 7.90%, maturing July 1, 2015, principal and interest payments of $28,400 due annually.	$	5,769
Herndon Harbor House II	Secured note bearing interest at 6%, maturing April 1, 2029, interest and principal payments of $12,480 due monthly.		1,399,881
Castellani Meadows	Secured note bearing interest at 6.15%, maturing March 1, 2028, interest and principal payments of $5,542 due monthly.		584,187
Cedar Ridge LP	Secured note bearing interest at 5.01%, maturing October 1, 2048, principal and interest deferred until this date, interest will compound and be added to the outstanding principal balance of the loan annually.		741,556
Homeowners and Business Loan Program	Unsecured and secured notes with varying interest rates and repayment terms, net of allowance for uncollectible notes of $1,232,958.		1,540,988
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.		12,462,053
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 paydown of $7.3 million took place on August 1, 2011.		4,802,056
Morris Glen	Unsecured notes, bearing interest at LIBOR rate plus 180 basis points maturing July 2016 and February 2017, monthly payment of interest only is required.		681,381
FCRHA Olley Glen LP	Secured note bearing interest at 5% beginning on August 1, 2011 (zero percent 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
Total			24,267,871
Less current notes			436,901
Noncurrent notes receivable		$	23,830,970

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, 2015, long-term home improvement loans receivable under this program were $26,440 bearing interest at varying rates up to 3%.

Other Receivables

The following table provides a reconciliation of the notes, mortgages and other receivables to the Statement of Net Position at June 30, 2015:

Notes receivable	$ 436,901
Other receivables	-
Current portion	436,901
Notes receivable	23,830,970
Mortgages receivable	26,440
Other receivables	604,969
Long-term portion	24,462,379
Total notes, mortgages and other receivables, net	$ 24,899,280

NOTE 5 – CAPITAL ASSETS

The enterprise fund's capital asset activity for the year ended June 30, 2015, is as follows:

	Beginning Balance, as restated	Increases	Decreases	CIP Transfers	Ending Balance
Capital assets, non-depreciable:					
Land	$ 35,379,733	$ 155,000	$ -	$ -	$ 35,534,733
Construction-in-progress	289,546	1,599,306	-	(1,743,961)	144,891
Total capital assets, non-depreciable	35,669,279	1,754,306	-	(1,743,961)	35,679,624
Capital assets, depreciable:					
Buildings and improvements	170,590,471	639,948	-	1,743,961	$ 172,974,380
Equipment	792,082	-	-	-	792,082
Total capital assets, depreciable	171,382,553	639,948	-	1,743,961	173,766,462
Less accumulated depreciation for:					
Buildings and improvements	(109,679,892)	(4,443,943)	-	-	$ (114,123,835)
Equipment	(567,065)	(287)	-	-	(567,352)
Total accumulated depreciation	(110,246,957)	(4,444,230)	-	-	(114,691,187)
Total depreciable capital assets, net	61,135,596	(3,804,282)	-	1,743,961	59,075,275
Total enterprise fund capital assets, net	$ 96,804,875	$ (2,049,976)	$ -	$ -	$ 94,754,899

The component unit's capital asset activity for the year ended December 31, 2014 is as follows:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	$ 6,932,159	$ -	$ -	$ 6,932,159
Construction-in-progress	-	-	-	-
Total capital assets, non-depreciable	6,932,159	-	-	6,932,159
Capital assets, depreciable:				
Buildings and improvements	53,956,148	-	-	53,956,148
Equipment	1,151,029	-	-	1,151,029
Total capital assets, depreciable	55,107,177	-	-	55,107,177
Less accumulated depreciation for:				
Buildings and improvements	(15,429,136)	(1,727,277)	-	(17,156,413)
Total accumulated depreciation	(15,429,136)	(1,727,277)	-	(17,156,413)
Total depreciable capital assets, net	39,678,041			37,950,764
Total component unit capital assets, net	$ 46,610,200			$ 44,882,923

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE

Long-Term Debt – Component Units

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

The component units' long-term liability activity for year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Component unit debt	$ 53,255,638	$ -	$ 10,000,914	$ 43,254,724	$ 467,721

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

	Principal
Year ended December 31:	
2016	$ 467,721
2017	482,331
2018	1,190,393
2019	537,215
2020	567,090
Thereafter	40,009,974
Total	$ 43,254,724

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Notes Payable

Notes payable of enterprise funds consist of the following at June 30, 2015:

Note Holder(s)	Terms		Outstanding Balance
Virginia Housing Development Authority	Secured by Minerva Fisher-Hall Group Home property, bearing interest at 8.07%, maturing June 1, 2019, principal and interest payments of $3,063, monthly.	$	124,240
Virginia Housing Development Authority	Secured by Penderbrook rental property, bearing interest at 7.17%, maturing October 1, 2018, principal and interest payments of $5,874 monthly.		208,436
Fairfax County	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
Fairfax County	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
Fairfax County	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
The City of Fairfax	Unsecured funds provided by the City of Fairfax to the FCRHA for the purpose of making Home Improvement Loans (HILP) to City of Fairfax residences. These funds are only paid back to the City of Fairfax when the program is terminated.		47,221
United Bank	Secured by Faircrest North rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $3,056 monthly.		375,664

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Notes Payable (continued)

Note Holder(s)	Terms	Outstanding Balance
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.	$ 375,650
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.	494,181
United Bank	Secured by Holly Acres rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $943 monthly.	115,319
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.	672,412
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.	412,269
United Bank	Unsecured draw on $5,000,000 taxable line of credit with interest only payments required until maturity of note on March 31, 2020. Interest is calculated based on the 3 month LIBOR rate plus 150 basis points. The LIBOR rate plus the additional basis points was 1.76% at June 30, 2015.	1,389,100
SunTrust Bank	Secured by the LeLand Road Group Home property, bearing interest at 5.5%, maturing April 1, 2017, principal and interest payments of $4,581 monthly.	95,612
Virginia Housing Development Authority	Fund in the original principal amount of $1,000,000. The loan bears interest at a rate of 5% per annum and is payable in monthly installments of principal and interest of $5,368 through maturity on June 1, 2015 based on a 30-year amortization period.	693,857
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.	266,556
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by various Authority rental properties, bearing interest at 5.36% to 7.66%, maturing at varying dates through August 1, 2015, variable principal and interest payments due semiannually.	25,000

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Notes Payable (continued)

Note Holder(s)	Terms	Balance
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by various Authority rental properties, bearing interest at 1.21% to 5.39%, maturing at varying dates through August 1, 2017, variable principal and interest payments due semiannually.	$ 108,000
RHA	Secured by HCDC Two, LP (Murraygate) rental property, bearing interest at 1%, maturing October 1, 2024, principal and interest payments due monthly.	500,000
RHA	Secured by HCDC One, LP (Stonegate) rental property, bearing interest at 1%, maturing April 1, 2024, principal and interest payments due monthly.	250,000
RHA	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
RHA	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
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.	777,743
SunTrust Bank	Secured by Hopkins Glen rental property, bearing interest at 4.33%, maturing October 1, 2016, principal and interest payments due monthly.	95,500
SunTrust Bank	Secured by The Green rental property, bearing interest at 7.14%, maturing August 1, 2015, principal and interest payments due monthly.	309,148
Fairfax County	The Public Housing Fund Loan for The Green rental property bears interest at 2%.	22,360
Fairfax County	The Private Financing Fund Loan for The Green rental property bears interest at 2%.	108,397

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Notes Payable (continued)

Note Holder(s)	Terms	Balance
Fairfax County	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
Fairfax County	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
United Bank	Secured by East Market rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of $619 monthly.	78,924
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.	144,065
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.	237,612
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.	260,774
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.	222,609
United Bank	Secured by Northampton rental property, bearing interest at 6.11% and amortized over 30 years maturing July 1, 2024. Principal and interest payments of $2,318 monthly with a balloon payment of $208,197 due with final payments.	310,735
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.	117,290
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.	108,086

NOTE 6– SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Notes Payable (continued)

Note Holder(s)	Terms	Balance
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by property owned by the FCRHA Olley Glen, L.P. and bearing variable interest rates, initially on Libor plus 20 basis points. Loan is composed of two draws; draw one requires annual principal payments in addition to interest payments; draw two requires interest only payments through August 2011, and then the outstanding principal amount will be amortized over an eighteen-year period.	$ 1,287,000
Total		15,826,281
Less current notes		1,673,525
Noncurrent notes payable		$ 14,152,756

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

	Principal	Interest
Year ended June 30:		
2016	$ 1,673,525	$ 342,955
2017	1,921,904	311,971
2018	489,692	287,955
2019	432,040	265,201
2020	395,694	763,171
2021-2025	6,307,656	12,971
2026-2030	4,335,270	-
2031-2035	-	-
2036-2040	-	-
2041-2045	-	-
2046-2050	-	-
2051-2055	270,500	-
Total	$ 15,826,281	$ 1,984,224

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Bonds Payable

Bonds payable consist of the following at June 30, 2015:

	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.	$ 3,880,000
In June 1998, the Authority issued Series 1998 Lease Revenue bonds with an original principal amount of $3,630,000 and an interest rate of 4.71%, with final payment due June 15, 2018, to advance refund certain previously issued special limited obligation bonds. The new bonds are secured by the Authority's interest in payments under a lease agreement between the Authority and the County, whereby the Authority leases its Pender Drive Office building to the County, and a first deed of trust on the office building. Proceeds from the new bonds, along with other cash sources totaling approximately $4,000,000 were placed in irrevocable escrow accounts to provide for all future debt service payments on the old bonds, which were fully redeemed in 2003.	785,000
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.	645,049
In May 1999, on behalf of Herndon Harbor House II Limited Partnership, the Authority issued Series 1999A Multifamily Housing Revenue Bonds with a principal amount totaling $2,000,000. The Series A, 1999 term bonds have an original principal amount of $225,000 with an interest rate of 4.875% with final payment due May 1, 2009. The Series A, 1999 term bond has an original principal payment amount of $1,775,000 with an interest rate of 6% with final payment due May 1, 2029. The land, building, and equipment of the Herndon Harbor House II Limited Partnership are pledged as security for the bonds. Proceeds from the bonds were loaned to the Herndon Harbor House II Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.	1,399,881
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.	584,187

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Bonds Payable (continued)

	Balance
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.	$ 12,462,053
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.	4,802,056
Total	24,558,226
Less current bonds	781,599
Total noncurrent bonds payable	$ 23,776,627

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Bonds Payable (continued)

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

	Principal	Interest
Year ended June 30:		
2016	$ 781,599	$ 1,325,757
2017	825,059	1,282,329
2018	874,645	1,236,548
2019	635,415	1,192,752
2020	672,009	1,153,083
2021-2025	4,050,019	5,127,971
2026-2030	3,521,875	3,902,963
2031-2035	2,090,670	3,253,409
2036-2040	2,981,874	2,582,372
2041-2045	3,964,709	1,687,874
2046-2050	3,781,130	554,150
2051-2052	379,222	13,449
Total	$ 24,558,226	$ 23,312,657

Changes in Short-Term and Long-Term Liabilities

The enterprise fund's long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 25,302,420	$ -	$ 744,194	$ 24,558,226	$ 781,599
Notes payable - long-term	8,585,993	8,271,517	1,031,229	15,826,281	1,673,525
Total	$ 33,888,413	$ 8,271,517	$ 1,775,423	$ 40,384,507	$ 2,455,124

NOTE 7 – CHANGES IN COMPENSATED ABSENCES PAYABLE

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Compensated absences payable	$ 1,126,091	$ 572,635	$ 533,005	$ 1,165,721	$ 635,529

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, 2015, the cumulative total of bonds outstanding under the Authority's name was approximately $27,076,305.

From 1996 through 2004, the FCRHA issued a total of $26,290,000 of lease revenue bonds for the purpose of financing the construction, renovation, and expansion of Mott Community Center, and Gum Springs Community Center, Baileys Community Center, the construction of Herndon Harbor II Adult Day Care Center, and Gum Springs Glen Head Start facility for child care and James Lee Community Center. In March 2010, the Economic Development Authority issued $43,390,000 of lease revenue bonds to current refund and advance refund for Mott Community Center, Gum Springs Community Center, Baileys Community Center, and Herndon Harbor II Adult Day Care Center. As of June 30, 2015, the balance of the Gum Springs Glen Head Start facility for child care was $1,259,498. 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.

NOTE 9– CONDUIT DEBT (CONTINUED)

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

On November 28, 2007, the FCRHA issued a $105,485,000 bond anticipation note to finance a portion of the purchase price of a multi-family rental housing property as part of the County's affordable housing initiative. On October 6, 2008, the FCRHA issued the $104,105,000 refunding bond anticipation note. The note bore interest at 2.44 percent 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 percent 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.

In March 2015, the FCRHA issued Multifamily Housing Revenue Bonds in one or more series in the aggregate principal amount not to exceed $15,000,000. The tax-exempt bonds would provide funding for construction of a 120-unit project known as Residences at Government Center. The project would be owned by Fairfax Corner Partners. FCRHA is a conduit issuer for these bonds and the bondholders will be paid solely from the project's revenues.

NOTE 10 – CONTINGENCIES

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

NOTE 10 – CONTINGENCIES (CONTINUED)

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

In addition, on August 7, 2000, the Authority entered into a guaranty agreement with SunTrust Community Development Corporation (SunTrust) in order to induce SunTrust to make a loan of $400,000 to The Green Limited Partnership. The guarantee is for the balance of the loan, which was $309,148 as of December 31, 2014. In addition, SunTrust has collateralized their loan with the first deed of trust on this property.

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, 2015.

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, 2015.

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.

NOTE 12 – RETIREMENT PLANS (CONTINUED)

Benefits Provided

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

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

Contributions

All contribution requirements for ERS are established and may be amended by County ordinances, including member contribution rates. Plan A and Plan C require member contributions of 4.0% of compensation up to the Social Security wage base and 5.33% of compensation in excess of the wage base. Plan B and Plan D require member contributions of 5.33% of compensation. The County establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2014, the contribution rate was 18.49% of annual covered payroll. The decision was made to commit additional funding and a rate of 19.05 percent was adopted for fiscal year 2014. In the event the ERS's funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) exceeds 120 percent or falls below 90 percent, the contribution rate will be adjusted to bring the funded ratio back within these parameters. The employer contribution made for the measurement period is $2,177,501.

NOTE 12 – RETIREMENT PLANS (CONTINUED)

Net Pension Liability

The Net Pension Liability (NPL) was calculated for each entity within the County based on a methodology that allocates the NPL and pension amounts based on the proportion of the total contribution made by each entity during the preceding plan year. The net pension liability was determined based on an actuarial valuation as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014. The proportionate share for the Authority is 1.6799%. At June 30, 2015, the Authority reported a liability of $17,501,779 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, 2015, the Authority recognized pension expense of $1,450,735. At June 30, 2015, 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
Net differences between projected and actual earning on pension plan investments	-	$ 3,245,982
Change in proportion applicable to Authority	-	724,952
Authority contributions subsequent to the measurement date	2,245,647	-
Total	$ 2,245,647	$ 3,970,934

The $2,245,647 reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

	Amount
2016	$ (992,734)
2017	(992,734)
2018	(992,734)
2019	(992,734)

NOTE 12 – RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability (TPL) for the year ended June 30, 2014 was determined as part of the July 1, 2013, actuarial valuation using the entry age actuarial cost method and rolled forward to the measurement date of June 30, 2014. Significant actuarial assumptions used in the valuation included:

Inflation	3.0%
Salary increases, including inflation	3.0% + merit
Investment rate of return, net of plan investment expenses	7.5%

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

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

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

Best estimates of arithmetic long term real rates of return for each major asset class included in the ERS's target asset allocation as of June 30, 2014, are summarized below.

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

Discount Rate

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

NOTE 12 – RETIREMENT PLANS (CONTINUED)

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the authority share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Authority's proportionate share of total pension liability	$ 92,067,476	$ 80,767,470	$ 71,551,469
Authority's proportionate share of plan fiduciary pension net position	63,266,036	63,266,036	63,266,036
Authority's proportionate share of net pension liability	$ 28,801,440	$ 17,501,434	$ 8,285,433
Plan fiduciary net position as a percentage of the total pension liability	68.7%	78.3%	88.4%

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, 2015. Additionally, the ERS issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Employees' Retirement System, 10680 Main Street, Suite 280, Fairfax, Virginia 22030, or by calling (703) 279-8200. The reports are also available online:

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

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS

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

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Retirees receiving the subsidy prior to fiscal year 2004 are grandfathered at $100 per month unless their years of service entitle them to receive a higher monthly subsidy.

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

The contributions to the OPEB Trust Fund are established and may be amended by the Board of Supervisors. The contributions are typically based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. GASB Statement No. 45 requires recognition of the current expense of OPEB based on each governing body's annual required contribution, but does not require funding of the related liability. Expenditures for postretirement health care benefits are recognized when the County charges the Authority. The OPEB expense charged to the Authority in FY 2015 was $337,700.

Costs and related liability, if any, are recorded by the County. The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Data concerning the ARC specifically applicable to employees of the Authority are not available. Information concerning the County's OPEB Trust Fund as a whole is available in the County's June 30, 2015 Comprehensive Annual Financial Report.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE, CHANGE IN REPORTING ENTITY

Change in Accounting Principle

During the year ended June 30, 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68.* Beginning net position has been restated to reduce equity by $20,021,978 (an increase of $2,177,501 relating to deferred outflows of resources less $22,199,479 to establish the net pension liability).

Change in Reporting Entity

The Authority previously reported four real estate partnerships (Herndon Harbor House I L.P, Fairfax County Redevelopment and Housing Authority/HCDC One, L.P. - Stonegate, Fairfax County Redevelopment and Housing Authority/HCDC Two, L.P. – Murraygate and The Green, L.P.) as discrete component units in which it was the general partner. The Authority now also controls the partnership interests for these partnerships and has therefore considered them blended component units in accordance with GASB 61 guidance. The partnerships have December 31 year-ends, so amounts included for these entities are as of and for the year end that falls within the year ended June 30, 2015. Beginning net position has been restated to include equity of $8,339,938 for these partnerships.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE, CHANGE IN REPORTING ENTITY (CONTINUED)

2014 Net Position, as previously reported	$	125,676,384
Restatement - deferred outflow related to pensions		2,177,501
Restatement - establish net pension liability		(22,199,479)
Restatement - change in reporting entity		8,339,938
2014 Net Position - as restated	$	113,994,344

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	Total Blended Component Unit	FCRHA	Primary Government
			ASSETS					
CURRENT ASSETS								
Cash in bank	$ 1,590,841	$ 954,947	$ 1,315,856	$ 819,368	$ 537,167	$ 5,218,179	$ 38,543,332	$ 43,761,511
Investments	434,180	200,000	-	-	-	634,180	4,020,820	4,655,000
Restricted deposits held in trust	1,054,610	25,989	170,870	109,499	67,844	1,428,812	4,110,210	5,539,022
Notes receivable, current	-	-	-	-	-	-	436,901	436,901
Other current assets	-	-	-	-	-	-	2,152,570	2,152,570
Accounts receivable, net of allowances	1,141	12,445	2,149	22,279	60,273	98,287	1,282,429	1,380,716
Total current assets	3,080,772	1,193,381	1,488,875	951,146	665,284	7,379,458	50,546,262	57,925,720
NONCURRENT ASSETS								
Restricted cash reserves	-	224,886	1,163,565	859,209	244,479	2,492,139	9,175,560	11,667,699
Notes receivable, net of current	-	-	-	-	-	-	24,462,379	24,462,379
Other noncurrent assets	-	-	48,354	28,463	-	76,817	324,641	401,458
Deferred financing fees, net of acc amortization	-	17,953	6,977	-	943	25,873	29,401	55,274
Total noncurrent other assets	-	242,839	1,218,896	887,672	245,422	2,594,829	33,991,981	36,586,810
Land and land improvements	1,035,634	-	2,484,121	2,244,000	246,400	6,010,155	29,524,578	35,534,733
Buildings and improvements	9,922,950	5,712,241	13,469,327	9,267,477	4,399,127	42,771,122	130,203,258	172,974,380
Equipment	9,100	5,352	14,321	2,284	197,468	228,525	563,557	792,082
Accumulated depreciation	(9,013,452)	(2,308,852)	(10,565,176)	(6,748,065)	(2,097,948)	(30,733,493)	(83,957,694)	(114,691,187)
Construction in progress	-	-	-	54,464	-	54,464	90,427	144,891
Total capital assets	1,954,232	3,408,741	5,402,593	4,820,160	2,745,047	18,330,773	76,424,126	94,754,899
Total noncurrent assets	1,954,232	3,651,580	6,621,489	5,707,832	2,990,469	20,925,602	110,416,107	131,341,709
TOTAL ASSETS	5,035,004	4,844,961	8,110,364	6,658,978	3,655,753	28,305,060	160,962,369	189,267,429
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	2,245,647	2,245,647
			LIABILITIES AND NET POSITION					
CURRENT LIABILITIES								
Accounts payable and accrued liabilities	143,703	141,453	595,345	732,739	296,579	1,909,819	2,971,183	4,881,002
Deposits held in trust	60,153	23,552	139,698	98,567	20,140	342,110	1,600,651	1,942,761
Unearned revenue	65,341	2,427	13,200	53,483	-	134,451	1,674,895	1,809,346
Current portion long-term debt	225,000	729,400	65,946	-	309,148	1,329,494	1,125,630	2,455,124
Total current liabilities	494,197	896,832	814,189	884,789	625,867	3,715,874	7,372,359	11,088,233
NONCURRENT LIABILITIES								
Noncurrent portion long-term debt	3,655,000	626,996	711,797	707,719	-	5,701,512	32,227,871	37,929,383
Other noncurrent liabilities	9,283	-	738,597	504,887	-	1,252,767	20,028,089	21,280,856
Total noncurrent liabilities	3,664,283	626,996	1,450,394	1,212,606	-	6,954,279	52,255,960	59,210,239
Total liabilitites	4,158,480	1,523,828	2,264,583	2,097,395	625,867	10,670,153	59,628,319	70,298,472
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	3,970,934	3,970,934
TOTAL NET POSITION	$ 876,524	$ 3,321,133	$ 5,845,781	$ 4,561,583	$ 3,029,886	$ 17,634,907	$ 99,608,763	$ 117,243,670

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	Total Blended Component Unit	FCRHA	Primary Government
OPERATING REVENUE								
Rental	$ 1,268,509	$ 615,844	$ 2,634,404	$ 1,541,440	$ 605,845	$ 6,666,042	$ 26,227,002	$ 32,893,044
Other	402,218	28,079	138,171	89,761	98,792	757,021	3,240,916	3,997,937
Total operating revenue	1,670,727	643,923	2,772,575	1,631,201	704,637	5,752,336	29,467,918	36,890,981
OPERATING EXPENSES								
Personnel services	534,595	99,113	504,833	447,512	219,972	1,806,025	13,553,484	15,359,509
Contractual services	-	14,300	11,200	11,200	12,900	49,600	207,879	257,479
Utilities	124,923	76,645	279,366	424,372	151,238	1,056,544	4,196,866	5,253,410
Repairs and maintenance	180,000	110,168	581,940	435,051	148,259	1,455,418	9,158,164	10,613,582
Other supplies and expenses	39,471	163,932	449,297	198,566	250,198	1,101,464	2,131,223	3,232,687
Housing assistance payments	-	-	-	-	-	-	52,087,470	52,087,470
Depreciation and amortization	360,835	144,159	466,648	324,564	111,614	1,407,820	3,036,410	4,444,230
Total operating expenses	1,239,824	608,317	2,293,284	1,841,265	894,181	6,876,871	84,371,496	91,248,367
Operating income (loss)	430,903	35,606	479,291	(210,064)	(189,544)	115,289	(54,903,578)	(54,357,386)
NONOPERATING REVENUES (EXPENSES)								
Other nonoperating revenue	-	-	-	-	110,729	110,729	63,754,962	63,865,691
Interest income	38,611	401	628	530	217	40,387	244,067	284,454
Other nonoperating expense	-	-	-	-	-	-	(5,631,029)	(5,631,029)
Interest expense	(257,622)	(131,472)	(66,544)	(16,261)	(73,751)	(545,650)	(366,754)	(912,404)
Total nonoperating revenues (expenses), net	(219,011)	(131,071)	(65,916)	(15,731)	37,195	(394,534)	58,001,246	57,606,712
						-		
CHANGE IN NET POSITION	211,892	(95,465)	413,375	(225,795)	(152,349)	(279,245)	3,097,668	3,249,326
TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED	664,632	3,416,598	5,432,406	4,787,378	3,182,235	17,483,249	96,511,095	113,994,344
TOTAL NET POSITION, END OF YEAR	$ 876,524	$ 3,321,133	$ 5,845,781	$ 4,561,583	$ 3,029,886	$ 17,634,907	$ 99,608,763	$ 117,243,670

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	Total Blended Component Unit	FCRHA	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES	$ 1,260,667	$ 615,586	$ 2,630,556	$ 1,543,282	$ 605,845	$ 6,655,936	$ 25,885,192	$ 32,541,128
Other operating cash receipts	7,606	16,841	89,817	61,298	158,511	334,073	3,016,280	3,350,353
Purchase of property held for sale	-	-	-	-	-	-	(1,794,581)	(1,794,581)
Receipts from sale of property held for sale	-	-	-	-	-	-	1,994,061	1,994,061
Payments to employees for services	(522,450)	(119,474)	(457,106)	(399,067)	(219,972)	(1,718,069)	(14,236,115)	(15,954,184)
Housing assistance payments	-	-	-	-	-	-	(47,949,874)	(47,949,874)
Payments to suppliers for goods and services	(328,108)	(298,359)	(1,377,285)	(733,715)	(492,525)	(3,229,992)	(15,623,788)	(18,853,780)
Net cash provided by (used in) operating activities	417,715	214,594	885,982	471,798	51,859	2,041,948	(48,708,825)	(46,666,877)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES								
Retirement of loans, notes and bond payables	-	-	-	-	-	-	(289,194)	(289,194)
Intergovernmental revenues received	394,612	-	-	-	-	394,612	61,817,389	62,212,001
Grant to Fairfax County	-	-	-	-	-	-	(5,631,029)	(5,631,029)
Net cash provided by non-capital financing activities	394,612	-	-	-	-	394,612	55,897,166	56,291,778
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES								
Purchase of capital assets	-	-	-	(24,150)	-	(24,150)	(1,810,563)	(1,834,713)
Intergovernmental revenue - capital grant	-	-	-	-	-	-	(577,609)	(577,609)
Interest/finance cost paid	(261,922)	(78,712)	(49,998)	(11,261)	(29,591)	(431,484)	(374,891)	(806,375)
Debt principal paid	(215,000)	(62,298)	(62,017)	-	(10,891)	(350,206)	(814,542)	(1,164,748)
HUD debt service and capital contributions	-	-	-	-	-	-	1,599,304	1,599,304
Net cash used in financing activities	(476,922)	(141,010)	(112,015)	(35,411)	(40,482)	(805,840)	(1,978,301)	(2,784,141)
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipt of loans and advances repayments	-	463,297	-	-	-	463,297	(270,187)	193,110
Disbursement of loans and advances receivable	-	-	(227,645)	(15,954)	(124)	(243,723)	(22,435)	(266,158)
Maturity of investments	-	-	-	-	-	-	430,898	430,898
Acquisition of investments	(3,283)	-	-	-	-	(3,283)	(810,757)	(814,040)
Interest on investments	38,611	401	628	530	-	40,170	195,319	235,489
Net cash provided by (used in) investing activities	35,328	463,698	(227,017)	(15,424)	(124)	256,461	(477,162)	(220,701)
NET INCREASE IN CASH AND CASH EQUIVALENTS	370,733	537,282	546,950	420,963	11,253	1,331,831	4,732,878	6,620,059
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,274,718	417,665	768,906	398,405	525,914	5,361,848	46,102,145	51,463,993
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,645,451	$ 954,947	$ 1,315,856	$ 819,368	$ 537,167	$ 6,693,679	$ 50,835,023	$ 58,084,052
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES								
Net income (loss)	$ 36,291	$ (95,465)	$ 413,375	$ (225,795)	$ (152,349)	$ (23,943)	$ (54,333,443)	$ (54,357,386)
Depreciation and amortization	360,835	144,159	466,648	324,564	111,614	1,407,820	3,036,410	4,444,230
(Increase) decrease in accounts receivable	(633)	(12,388)	(31,922)	(29,687)	(19,654)	(94,284)	(634,115)	(728,399)
(Increase) decrease in prepaid items and other assets	-	-	(28,236)	(348)	(11,755)	(40,339)	4,068,407	4,028,068
(Increase) decrease in deferred outflow of resources	-	-	-	-	-	-	(2,245,647)	(2,245,647)
Increase (decrease) in accounts payable and accrued liabilities	27,992	178,623	58,302	403,987	164,920	833,824	174,627	1,008,451
Increase (decrease) in deposits held in trust	439	(1,227)	14,126	(6,691)	(40,917)	(34,270)	(142,299)	(176,569)
Increase (decrease) in net pension liability	-	-	-	-	-	-	1,450,735	1,450,735
Increase (decrease) in deferred revenues	(7,209)	892	(6,311)	5,768	-	(6,860)	(83,500)	(90,360)
Net cash provided by (used in) operating activities	$ 417,715	$ 214,594	$ 885,982	$ 471,798	$ 51,859	$ 2,041,948	$ (48,708,825)	$ (46,666,877)

NOTE 16 – PENDING GASB PRONOUNCEMENTS

GASB has issued the following Statements which will become effective in future years as shown below. Management is currently evaluating the effect of the implementation of these Standards.

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

NOTE 17 – 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, 2014 is as follows:

NOTE 17 – RELATED PARTY TRANSACTIONS (CONTINUED)

	Castellani Meadows	Gum Springs Glen	Herndon Harbor House II	Morris Glen	Tavenner Lane	Olley Glen	Cedar Ridge	Total
			ASSETS					
CURRENT ASSETS								
Cash in bank	$ 247,711	$ 287,776	$ 201,918	$ 311,581	$ 66,870	$ 1,080,465	$ 1,031,898	$ 3,228,219
Restricted deposits held in trust	12,705	29,998	27,470	22,261	10,133	58,697	122,202	283,466
Accounts receivable, net of allowances, prepaid items, other assets	822	48,037	1,925	4,775	25,795	4,277	18,239	103,870
Prepaid expenses and other assets, current	-	-	2,806	-	-	-	-	2,806
Notes receivable, current portion	-	-	-	-		-	90,147	90,147
Total current assets	261,238	365,811	234,119	338,617	102,798	1,143,439	1,262,486	3,708,508
NONCURRENT ASSETS								
Restricted cash reserves	126,789	336,061	445,807	88,203	183,731	756,341	1,861,114	3,798,046
Other assets, noncurrent	-	-	11,278	15,118	-	37,697	20,914	85,007
Deferred financing fees, net of acc amortization	30,910	12,511	61,580	-		263,454	534,868	903,323
Total other assets	157,699	348,572	518,665	103,321	183,731	1,057,492	2,416,896	4,786,376
Land and land improvements	214,040	514,977	737,559	273,170	446,598	3,150,098	1,595,717	6,932,159
Buildings and improvements	2,995,118	5,384,602	5,858,138	5,111,878	3,063,767	14,378,060	17,164,585	53,956,148
Equipment	-	150,392	198,979	121,643	21,592	338,205	320,218	1,151,029
Accumulated depreciation	(1,511,369)	(1,725,300)	(2,594,077)	(3,839,209)	(1,422,974)	(2,537,888)	(3,525,596)	(17,156,413)
Total capital assets	1,697,789	4,324,671	4,200,599	1,667,482	2,108,983	15,328,475	15,554,924	44,882,923
Total noncurrent assets	1,855,488	4,673,243	4,719,264	1,770,803	2,292,714	16,385,967	17,971,820	49,669,299
TOTAL ASSETS	$ 2,116,726	$ 5,039,054	$ 4,953,383	$ 2,109,420	$ 2,395,512	$ 17,529,406	$ 19,234,306	$ 53,377,807
			LIABILITIES AND PARTNERS' CAPITAL					
CURRENT LIABILITIES								
Accounts payable	$ 1,008	$ 3,000	$ 3,229	$ 4,007	$ 3,169	$ 3,998	$ 28,530	$ 46,941
Accrued liabilities	565,910	177,716	23,305	48,386	2,428	47,244	32,516	897,505
Accrued interest payable	-	4,314	-	2,178	-	1,228,093	105,994	1,340,579
Due to FCRHA	31,648	-	28,934	70,000	1,394	1,127,224	-	1,259,200
Deposits held in trust	10,401	27,510	26,092	20,412	7,617	46,550	103,349	241,931
Unearned revenue	-	577	-	-	7,160	74,186	20,388	102,311
Current portion long-term debt	30,504	52,704	65,610	23,747		34,221	260,935	467,721
Total current liabilities	639,471	265,821	147,170	168,730	21,768	2,561,516	551,712	4,356,188
NONCURRENT LIABILITIES								
Noncurrent portion long-term debt	1,795,835	2,342,694	4,425,667	2,375,064	3,555,258	13,688,992	14,603,493	42,787,003
Noncurrent accrued interest payable	792,301	691,387	903,837	323,864		-	582,141	3,293,530
Total noncurrent liabilities	2,588,136	3,034,081	5,329,504	2,698,928	3,555,258	13,688,992	15,185,634	46,080,533
Total liabilitites	3,227,607	3,299,902	5,476,674	2,867,658	3,577,026	16,250,508	15,737,346	50,436,721
TOTAL PARTNERS' CAPITAL	(1,110,881)	1,739,152	(523,291)	(758,238)	(1,181,514)	1,278,898	3,496,960	2,941,086
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 2,116,726	$ 5,039,054	$ 4,953,383	$ 2,109,420	$ 2,395,512	$ 17,529,406	$ 19,234,306	$ 53,377,807

NOTE 17 – RELATED PARTY TRANSACTIONS (CONTINUED)

OPERATING REVENUE								
Rental	$ 234,157	$ 634,643	$ 616,982	$ 587,340	$ 165,708	$ 1,070,426	$ 2,688,868	$ 5,998,124
Other	2,967	44,319	26,598	35,180	49,063	77,149	220,104	455,380
Total operating revenue	237,124	678,962	643,580	622,520	214,771	1,147,575	2,908,972	6,453,504
OPERATING EXPENSES								
Personnel services	54,302	82,366	100,094	125,387	45,919	328,084	471,249	1,207,401
Contractual services	12,900	12,900	13,210	13,210	8,113	12,900	16,750	89,983
Utilities	1,715	-	164	78,646	40,171	92,910	240,097	453,703
Repairs and maintenance	26,985	75,971	99,781	81,752	66,106	104,108	364,335	819,038
Other supplies and expenses	98,240	333,017	213,337	155,066	22,441	134,269	540,304	1,496,674
Depreciation and amortization	83,108	136,181	177,408	166,920	85,728	616,349	493,368	1,759,062
Total operating expenses	277,250	640,435	603,994	620,981	268,478	1,288,620	2,126,103	5,825,861
Operating income (loss)	(40,126)	38,527	39,586	1,539	(53,707)	(141,045)	782,869	627,643
NONOPERATING REVENUES (EXPENSES)								
Other nonoperating revenue	-	-	-	-	-	-	-	-
Other nonoperating expense	(28,434)	-	(11,133)	(35,071)	-	(86,165)	-	(160,803)
Interest income	67	1,137	455	179	298	618	882	3,636
Interest expense	(86,900)	(125,065)	(149,139)	(58,741)	(186,763)	(755,112)	(878,895)	(2,240,615)
Total nonoperating revenues (expenses), net	(115,267)	(123,928)	(159,817)	(93,633)	(186,465)	(840,659)	(878,013)	(2,397,782)
CHANGE IN PARTNERS' CAPITAL	(155,393)	(85,401)	(120,231)	(92,094)	(240,172)	(981,704)	(95,144)	(1,770,139)
TOTAL PARTNERS' CAPITAL, BEGINNING OF YEAR	(955,488)	1,824,553	(403,060)	(666,144)	(941,342)	2,260,602	3,592,104	4,711,225
TOTAL PARTNERS' CAPITAL, END OF YEAR	$ (1,110,881)	$ 1,739,152	$ (523,291)	$ (758,238)	$ (1,181,514)	$ 1,278,898	$ 3,496,960	$ 2,941,086

REQUIRED SUPPLEMENTAL INFORMATION

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
ERS PENSION PLAN
Last 10 Fiscal Years

	2015
Authority's proportion of net pension liability (asset)	1.6799%
Authority's proportionate share of net pension liability (asset)	$ 17,501,779
Authority's covered-employee payroll	$ 11,282,166
Authority's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	155%
Plan fiduciary net position as a percentage of total pension liability	78.30%

* The Authority implemented GASB 68 during fiscal year 2015. As such, only one year of informaiton is available.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
ERS PENSION PLAN
Last 10 Fiscal Years

		2015
Actuarial determined contributions	$	2,177,501
Contributions in relation to the actuarial determined contribution	$	2,177,501
Contribution deficiency (excess)	$	-
Authority's covered employee payroll	$	11,282,166
Contributions as a percentage of covered employee payroll		19.30%

* The Authority implemented GASB 68 during fiscal year 2015. As such, only one year of informaiton is available.

SUPPLEMENTAL INFORMATION

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
STATEMENT AND CERTIFICATION OF PROGRAM COSTS – CAPITAL FUND PROGRAM
Year Ended June 30, 2015

2010 Capital Fund Program Grant	**VA39P019501-10**
Funds approved	$ 1,900,288
Funds expended	1,900,288
Excess of funds approved	$ -
Funds advanced	$ 1,900,288
Funds expended	1,900,288
Excess of funds advanced	$ -

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Supervisors
County of Fairfax, Virginia

The Board of Commissioners
Fairfax County Redevelopment
and Housing Authority
Fairfax, Virginia

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 of 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, 2015, 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 17, 2015. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, which represent 100% of the total assets, revenues, and net position of the discretely presented component units as of and for the year ended June 30, 2015, as described in our report on the Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

CliftonLarsonAllen LLP

Calverton, Maryland
November 17, 2015