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

FINANCIAL STATEMENTS
June 30, 2014

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CliftonLarsonAllen LLP
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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 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, 2014, and the related notes to the financial statements, which along with the aggregate discretely presented component units of the Authority 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 the discretely presented component units, which represent 100 percent, respectively, of the assets, net position and revenues of the 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 one rental property 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, 2014, 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.

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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2014, 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 18, 2014

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) 2014 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, 2014, 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 managing general partner in 11 real estate limited partnerships. All of the partnerships operate on a calendar year basis. Accordingly, the amounts included for each discretely presented component unit that comprise the aggregate component unit column in the combined financial statements are as of and for the respective year ends that fall within the fiscal year ended June 30, 2014.

Financial Highlights for FY 2014

The FCRHA's FY 2014 financial highlights included the following:

- Total assets and liabilities of the FCRHA were approximately $166.2 million and $40.5 million, respectively; thus total net position was approximately $125.7 million at June 30, 2014. Of this amount, approximately $46.3 million (unrestricted net position) may be used to meet the FCRHA's future operational needs.

- Total revenues and expenses were approximately $96.0 million and $92.3 million, respectively, resulting in an increase in net position of approximately $3.7 million during the fiscal year. This increase represents approximately a 3.0% increase in net position from June 30, 2013 and was primarily due to an increase in non-operating revenues, notably intergovernmental revenue, HUD capital contributions and one-time fees earned related to development.

- Cash and cash equivalents decreased by approximately $1.5 million.

FCRHA Financial Statements

The FCRHA's mission in the County focuses on the planning, design, construction, preservation, rehabilitation, financing, and management of housing, primarily for low- and moderate-income households, and on assisting in the revitalization of neighborhoods in Fairfax County. The FCRHA, as of June 30, 2014, owned and/or operated a total of 3,205 units of multifamily housing, and 833 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 63 beds of supportive housing and a mobile home park with 115 pads. In addition, the United States Department of Housing and Urban Development (HUD) has granted the FCRHA the authority to lease up to 338 vouchers under the federal Housing Choice Voucher program, and 3,393 vouchers under the federal Moving to Work (MTW) program with a MTW voucher funded 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. As of June 2014, a total of 2,701 units had been preserved by the FCRHA and its public and non-profit partners.

In FY 2014, The Fairfax County Redevelopment and Housing Authority (FCRHA) applied to the U.S. Department of Housing and Urban Development (HUD) for designation as a "Moving to Work" (MTW) agency. The MTW program is designed to provide local housing authorities with added flexibility to create and test innovative strategies to use Federal funding more efficiently to assist families either living in public housing or who are assisted through HUD's Housing Choice Voucher (HCV) program. In December 2012, HUD announced that the FCRHA was selected to participate in HUD's MTW program. *This prestigious designation – which previously had been awarded to only 35 public housing agencies nationwide –allows the FCRHA to strengthen its already outstanding housing programs* ultimately providing residents with significant benefits that will help them move towards greater self-sufficiency

In FY 2014, 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, 2014, a total of 2,576 units (1,204 rentals and 1,372 for-sale units) have been produced under the ADU program; the FCRHA has acquired 141 of the for-sale units, which are maintained as permanent affordable rental housing.

A total of 4,539 WDUs have been committed by developers via approved rezoning actions; as of June 2014, 243 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 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, 2014 and 2013.

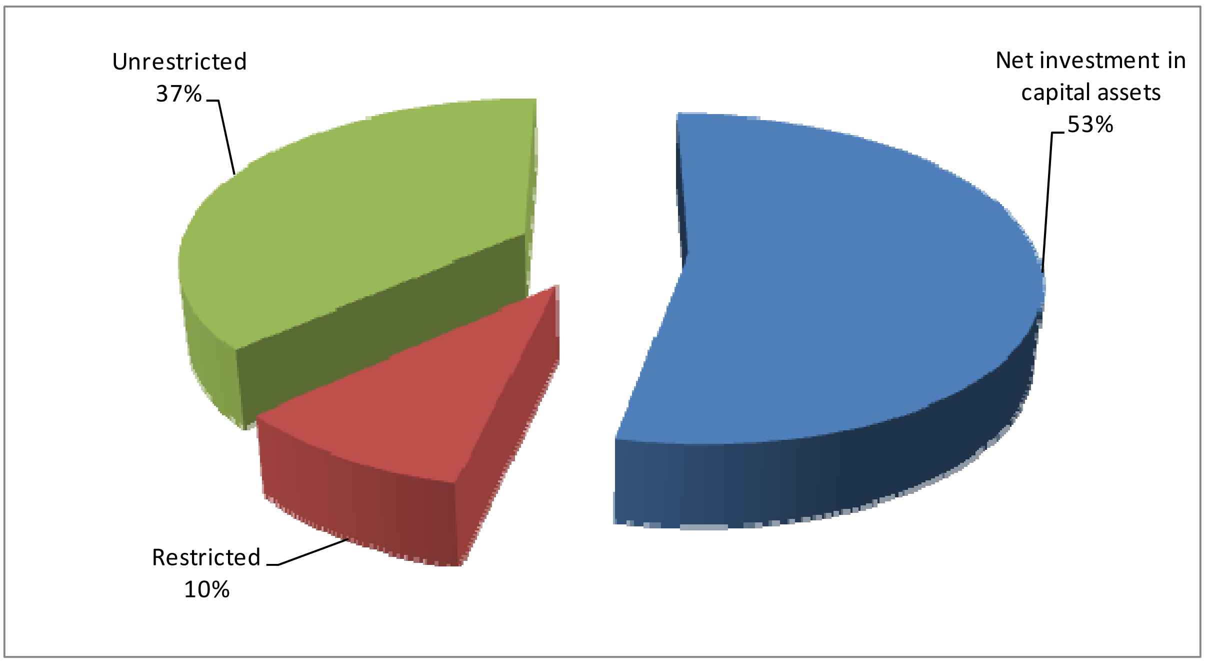
Table 1
Summary of Net Position
(in millions)

Description	2014	2013	Increase (Decrease)	% Changed
Current and other assets	$ 86.8	$ 86.3	$ 0.5	0.6%
Capital assets	79.4	77.8	1.6	2.1%
Total assets	166.2	164.1	2.1	1.3%
Current liabilities	9.2	9.4	(0.2)	-2.1%
Noncurrent liabilities	31.3	32.7	(1.4)	-4.3%
Total liabilities	40.5	42.1	(1.6)	-3.8%
Net position:				
Net investment in capital assets	67.3	64.7	2.6	4.0%
Restricted	12.1	14.7	(2.6)	-17.7%
Unrestricted	46.3	42.6	3.7	8.7%
Total net position	$ 125.7	$ 122.0	$ 3.7	3.0%

As of June 30, 2014, the FCRHA's net position totaled approximately $125.7 million, an increase of approximately $3.7 million, or 3.0%, over the net position balance as of June 30, 2013. This increase was due to certain transactions that affected the FCRHA's asset balances during the year. Current and other assets increased by a net of $0.5 million, or 0.6% primarily as a result of increased properties held for sale in the ADU/MIDS resale program. This program allows FCHRA first right of refusal to purchase these properties and then resell them to first time homeowners.

The FCRHA's total net position also consisted of restricted net position of $12.1 million at June 30, 2014 and $14.7 million at June 30, 2013, and unrestricted net position of $46.3 million and $42.6 million at June 30, 2014 and 2013, 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, 2014.

Composition of FCRHA's Net Position



Capital Assets and Debt Administration

Capital Assets. The FCRHA's capital assets at June 30, 2014 and 2013, included land, buildings and improvements, equipment, and construction in progress, which totaled $79.4 million and $77.8 million, respectively, net of accumulated depreciation of approximately $89.6 million and $86.1 million at June 30, 2014 and 2013, respectively. For further details see note 4, page 26, Capital Assets.

Short-term and long-term debt. The FCRHA's June 30, 2014 and 2013 statement of net position includes debt – consisting of housing loans, notes, and bonds payable – of approximately $33.9 million and $35.4 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 5, page 27, 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 2014, the FCRHA's enterprise programs realized an increase in net position of approximately $3.7 million. Table 2 presents a summary of data from the FCRHA's statement of revenues, expenses, and changes in net position for FY 2014 and FY 2013 and a comparative analysis of activities in these years.

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

Description	FY 2014	FY 2013	Increase (Decrease)	% Changed
Revenues:				
Operating revenues	$ 31.0	$ 29.9	$ 1.1	3.7%
Nonoperating revenues and contributions	65.0	61.4	3.6	5.9%
Total revenues	96.0	91.3	4.7	5.1%
Expenses:				
Operating expenses	86.4	87.8	(1.4)	-1.6%
Nonoperating expenses	5.9	5.9	-	0.0%
Total expenses	92.3	93.7	(1.4)	-1.5%
Changes in net position	3.7	(2.4)	6.1	-254.2%
Total net position, beginning of year	122.0	124.4	(2.4)	-1.9%
Total net position, end of year	$ 125.7	$ 122.0	$ 3.7	3.0%

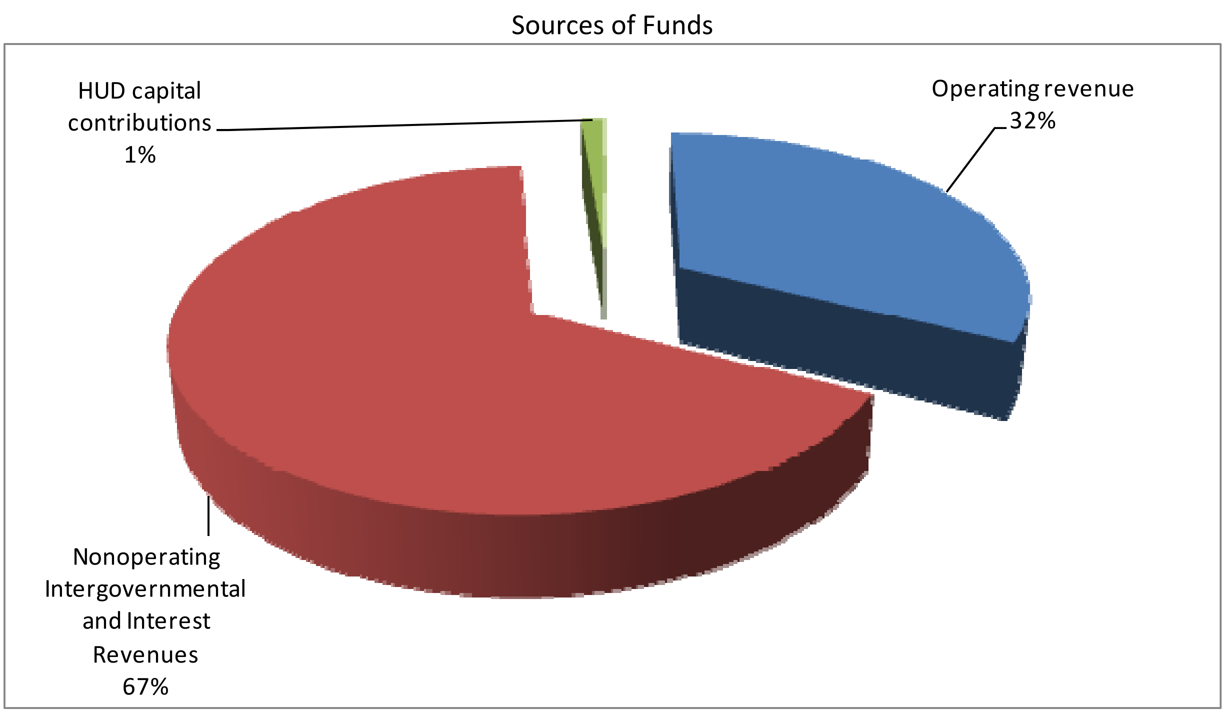
The FCRHA's total overall revenues during the year were up by approximately $4.7 million or 5.1%. Overall, operating revenues were up by approximately $1.1 million or 3.7%, rental revenues (a component of operating revenues) were stable year to year showing a modest increase of approximately $0.1 million, however, other operating income (a component of operating revenue) increased approximately $1.1 million or 44.3%. This increase was the result of marginal increases in several operating funds as well as a significant increase of approximately $0.8 million in the FCRHA operating fund due to one-time developer's fees and increased management fee revenue. Additionally, increased revenues were received in the FCRHA Housing Choice Voucher program related to collections activities on outstanding accounts receivable. This effort generated additional revenue of approximately $0.2 million.

In addition, non-operating revenues reflected an increase, on a year to year basis, of approximately $3.6 million or 5.9%. Although intergovernmental revenues generally fluctuate on a year to year basis, the majority of the increase for this revenue category was attributable to the Housing Choice Voucher program. Several factors, within that program, accounted for the overall increase in FY 2014 including an increase in portability clients, improved recovered costs, an increase in the annual contribution from HUD related to additional vouchers and a greater proration factor for the program. Also within this category, the Capital Contribution from HUD to the Public Housing program also accounted for a significant increase in FY 2014. The increased HUD contribution correlates with the completion of several rehabilitation projects.

The FCRHA's operating expenses in FY 2014 were down by approximately $1.4 million, or 1.6% primarily due to decreased costs in the Fairfax County Rental Program related to property repairs and maintenance. This reduction was partially the result of managements goal to reduce costs by 15% but was also impacted by heavier than normal rehabilitation work completed in FY 2013. For this program, costs within this category were decreased by approximately $2.6 million in FY 2014. However, these savings were offset by an increase in Housing Assistance Payments (HAP) made to landlords in the Housing Choice Voucher (HCV) program primarily due to additional vouchers being issued in the program. Non-operating expenses were flat year to year reflecting no change between FY 2013 and FY 2014. 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 2014, the grant to the County was for the same amount as in FY 2013 and interest expense in FY 2014 was approximately $0.7 million, which is comparable to the amount recorded for FY 2013.

Approximately 67.7% of the FCRHA's total revenues in FY 2014 were non-operating revenues, interest revenues, and contributions that were derived from federal grants from HUD, County contributions, and interest. The remaining 32.3% 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 2014.

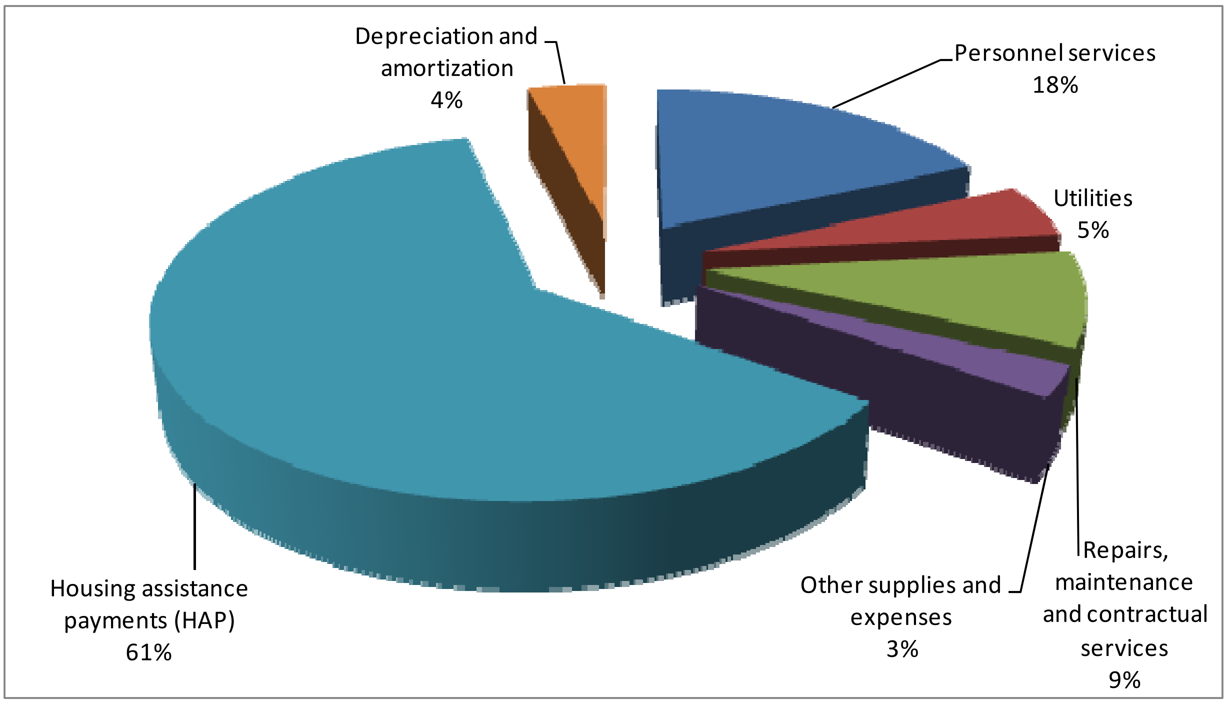
FCRHA's Enterprise Programs



In FY 2014, the FCRHA incurred operating expenses in its enterprise programs totaling approximately $86.4 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, 2014

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
ASSETS			
Current assets:			
Cash in bank (note 1)	$ 6,539,628	$ 5,471,128	$ 12,010,756
Cash on deposit with the County of Fairfax, Virginia (note 1)	28,110,635	-	28,110,635
Cash reserves	101,829	-	101,829
Investments (note 2)	4,805,000	-	4,805,000
Restricted cash:			
Deposit held in trust	2,711,005	603,614	3,314,619
Investments (note 2)	1,920,140	-	1,920,140
Accrued interest receivable	361,475	-	361,475
Accounts receivable (net of allowances) (note 3)	741,462	100,070	841,532
Notes, mortgages, and other receivables (note 3)	445,069	-	445,069
Property held for sale	1,515,352	-	1,515,352
Prepaid items and other assets	4,345,725	-	4,345,725
Total current assets	51,597,320	6,174,812	57,772,132
Noncurrent assets:			
Restricted assets:			
Cash reserves	8,639,048	6,028,745	14,667,793
Investments	430,897	-	430,897
Total restricted assets	9,069,945	6,028,745	15,098,690
Other noncurrent assets:			
Notes, mortgages and other receivables (note 3)	25,792,277	-	25,792,277
Prepaid items and other assets	328,359	-	328,359
Deferred financing fees (net of accumulated amortization of $96,252)	-	1,032,116	1,032,116
Total other noncurrent assets	26,120,636	1,032,116	27,152,752
Capital assets (note 4):			
Nondepreciable:			
Land	30,405,212	11,906,680	42,311,892
Construction in progress	235,082	36,396	271,478
Depreciable:			
Buildings and improvements	137,742,299	86,804,320	224,546,619
Equipment	572,657	1,370,454	1,943,111
Accumulated depreciation	(89,550,521)	(36,125,572)	(125,676,093)
Total capital assets, net	79,404,729	63,992,278	143,397,007
Total noncurrent assets	114,595,310	71,053,139	185,648,449
Total assets	166,192,630	77,227,951	243,420,581
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	979,003	2,804,535	3,783,538
Accrued salaries and benefits	631,934	-	631,934
Due to the County of Fairfax, Virginia	2,323	2,476,660	2,478,983
Deposits held in trust	1,809,037	551,463	2,360,500
Unearned revenue	2,079,445	146,136	2,225,581
Accrued compensated absences (note 6)	559,701	-	559,701
Loans, notes, and bonds payable (note 5)	3,147,061	568,458	3,715,519
Total current liabilities	9,208,504	6,547,252	15,755,756
Noncurrent liabilities:			
Accrued compensated absences (note 6)	566,390	-	566,390
Loans, notes, and bonds payable (note 5)	30,741,352	52,687,180	83,428,532
Other accrued long-term interest	-	4,942,356	4,942,356
Total noncurrent liabilities	31,307,742	57,629,536	88,937,278
Total liabilities	40,516,246	64,176,788	104,693,034
NET POSITION			
Net investment in capital assets	67,317,441	-	67,317,441
Restricted	12,057,118	-	12,057,118
Unrestricted (deficit)	46,301,825	-	46,301,825
Partner's equity	-	13,051,163	13,051,163
TOTAL NET POSITION	$ 125,676,384	$ 13,051,163	$ 138,727,547

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, 2014

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
OPERATING REVENUES			
Dwelling rentals	$ 27,485,313	$ 10,656,393	$ 38,141,706
Other	3,556,606	907,694	4,464,300
Total operating revenues	31,041,919	11,564,087	42,606,006
OPERATING EXPENSES			
Personnel services	15,876,381	2,386,320	18,262,701
Contractual services	221,092	147,113	368,205
Utilities	4,243,463	1,324,202	5,567,665
Repairs and maintenance	7,148,771	2,042,380	9,191,151
Other supplies and expenses	2,452,517	2,728,199	5,180,716
Housing assistance payments (HAP)	53,064,631	-	53,064,631
Depreciation and amortization	3,404,311	2,778,191	6,182,502
Total operating expenses	86,411,166	11,406,405	97,817,571
Operating income (loss)	(55,369,247)	157,682	(55,211,565)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	63,466,210	2,889,423	66,355,633
Interest revenue	319,415	5,803	325,218
Interest expense	(655,259)	(2,608,056)	(3,263,315)
Grant to Fairfax County	(5,218,400)	-	(5,218,400)
Total nonoperating revenues (expenses), net	57,911,966	287,170	58,199,136
Income before contributions	2,542,719	444,852	2,987,571
CONTRIBUTIONS			
Investor capital donations and contributions	-	412,623	412,623
HUD capital contributions	1,153,660	-	1,153,660
Total contributions	1,153,660	412,623	1,566,283
CHANGE IN NET POSITION	3,696,379	857,475	4,553,854
TOTAL NET POSITION, BEGINNING OF YEAR	121,980,005	12,193,688	134,173,693
TOTAL NET POSITION, END OF YEAR	$ 125,676,384	$ 13,051,163	$ 138,727,547

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, 2014

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental receipts	$ 27,358,813	$ 10,742,847	$ 38,101,660
Other operating cash receipts	3,220,786	907,489	4,128,275
Purchase of property held for sale	(2,296,717)	-	(2,296,717)
Receipts from sale of property held for sale	1,808,112	-	1,808,112
Payments to employees for services	(15,840,751)	(2,386,320)	(18,227,071)
Housing assistance payments	(52,979,650)	-	(52,979,650)
Payments to suppliers for goods and services	(14,489,188)	(6,754,141)	(21,243,329)
Net cash provided by (used in) operating activities	(53,218,595)	2,509,875	(50,708,720)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Retirement of loans, notes and bond payables	(272,786)	-	(272,786)
Intergovernmental revenues received	61,456,745	2,889,423	64,346,168
Grant to Fairfax County	(5,218,400)	-	(5,218,400)
Net cash provided by noncapital financing activities	55,965,559	2,889,423	58,854,982
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(5,044,675)	(57,733)	(5,102,408)
Intergovernmental revenue - capital grant	2,336,589	412,623	2,749,212
Proceeds from issuance of debt	-	174,204	174,204
Interest paid	(669,017)	(2,318,208)	(2,987,225)
Debt principal paid	(1,206,866)	(5,159,353)	(6,366,219)
HUD debt service and capital contributions	1,153,660	-	1,153,660
Net cash used in capital and related financing activities	(3,430,309)	(6,948,467)	(10,378,776)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of loan and advance repayments	529,494	-	529,494
Disbursement of loans and advances receivable	(161,030)	-	(161,030)
Acquisition of investments	(1,510,850)	-	(1,510,850)
Interest and gain received on investments	280,831	5,803	286,634
Net cash provided by (used in) investing activities	(861,555)	5,803	(855,752)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,544,900)	(1,543,366)	(3,088,266)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	47,647,045	13,646,853	61,293,898
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 46,102,145	$ 12,103,487	$ 58,205,632
RECONCILIATION TO STATEMENT OF NET ASSETS			
Cash in bank	$ 6,539,628	$ 5,471,128	$ 12,010,756
Cash on deposit with the County of Fairfax, Virginia	28,110,635	-	28,110,635
Cash deposits held in trust	2,711,005	603,614	3,314,619
Cash reserves	8,740,877	6,028,745	14,769,622
CASH AND CASH EQUIVALENTS	$ 46,102,145	$ 12,103,487	$ 58,205,632
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	$ (55,369,247)	$ 157,682	$ (55,211,565)
Depreciation and amortization	3,404,311	2,778,191	6,182,502
Effects of changes in operating assets and liabilities:			
Accounts receivable	(704,339)	163,273	(541,066)
Prepaid items and other assets	(422,712)	80,345	(342,367)
Accounts payable and accrued liabilities	(362,905)	(592,592)	(955,497)
Accrued salaries and wages	69,503	-	69,503
Deposits held in trust	32,084	(205)	31,879
Unearned revenue	134,710	(76,819)	57,891
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (53,218,595)	$ 2,509,875	$ (50,708,720)

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 Unit

The Authority is the general partner of one real estate partnership (Little River Glen) that is considered a component unit 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, it is considered a blended component unit. The blended component unit has a June 30 fiscal year-end.

Discretely Presented Component Units

Additionally, the Authority is also the general partner in eleven other real estate limited partnerships (Fairfax County Redevelopment and Housing Authority/HCDC One, L.P., Fairfax County Redevelopment and Housing Authority/HCDC Two, L.P., Herndon Harbor House I L.P., Herndon Harbor House II L.P., Tavenner Lane, L.P., Castellani Meadows L.P., The Green L.P., Morris Glen L.P., Gum Springs Glen L.P., Cedar Ridge, L.P., and FCRHA Olley Glen, L.P.). However, the limited partnership interests are held by third parties unrelated to the Authority. As the general partner, the Authority has certain rights and responsibilities, which enable it to impose its will on the limited partnerships. Additionally, the Authority is financially accountable for the limited partnerships as the Authority is legally obligated to fund operating deficits up to a maximum limit per partnership, in accordance with the terms of the partnership agreements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

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, 2014. 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.

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:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

- *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)

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.

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

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

Notes, Mortgages, and Other Receivables

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

Restricted Assets and Net Position

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net position is displayed in three components:

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

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

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

Revenue Recognition

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In fiscal year 2014, the Authority implemented GASB Statement Nos. 67 and 70 as follows:

GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* establishes standards of financial reporting for separately issued financial reports and provides specific requirements for measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan. The implementation of this new standard had no impact on the Authority's 2014 financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* incorporates into GASB authoritative literature certain accounting and financial reporting guidance for state and local governments that extend and receive nonexchange financial guarantees. The implementation of this new standard had no impact on the Authority's 2014 financial statements.

NOTE 2 – INVESTMENTS

As of June 30, 2014, the Authority had the following investment type:

	Fair Value	Weighted Average Maturity (Days)
Investment Type:		
ST Investment GIC	$ 430,897	
Various CD's	6,725,140	
Total fair value	$ 7,156,037	
Portfolio weighted average maturity		164.47

Weighted Average Maturity days have been decreased to 164.47 days from 180.84 days for FY 2014 and FY 2013, respectively.

NOTE 3 – RECEIVABLES

Accounts Receivable

Accounts receivable at June 30, 2014, consisted of the following:

Tenant receivable (net of allowances of $85,226)	$ 376,235
Landlord and HCV tenant receivables (net of allowances of $13,815)	81,522
Due from U.S. Department of Housing and Urban Development	173,934
Due from other governments (Section 8 Portability)	109,771
Total	$ 741,462

NOTE 3 – RECEIVABLES (CONTINUED)

Notes Receivable

Notes receivable at June 30, 2014, 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.	$	12,912
Herndon Harbor House I	Secured note bearing interest at 6.35%, maturing July 1, 2027, interest and principal payments of $6,383 due monthly.		679,484
Herndon Harbor House II	Secured note bearing interest at 6%, maturing April 1, 2029, interest and principal payments of $12,480 due monthly.		1,463,556
Castellani Meadows	Secured note bearing interest at 6.15%, maturing March 1, 2028, interest and principal payments of $5,542 due monthly.		613,770
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 $1,333,123.		1,566,083
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.		12,590,583
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.		4,835,027
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
Morris Glen & Murraygate	Unsecured notes, bearing interest at LIBOR rate plus 180 basis points maturing July 2016 and February 2017, monthly payment of interest only is required.		1,389,100
Total			25,942,071
Less current notes			430,326
Noncurrent notes receivable		$	25,511,745

NOTE 3 – 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, 2014, long-term home improvement loans receivable under this program were $26,440 bearing interest at varying rates up to 3%.

Under the Authority's Revolving Development Program, the Authority provides advances to other projects to fund start-up costs. At June 30, 2014, advances receivable consisted of $268,835, of which $14,743 is due within the next year.

Other Receivables

The following table provides a reconciliation of the notes, mortgages and other receivables to the Statement of Net Position at June 30, 2014:

Notes receivable	$	430,326
Other receivables		14,743
Current portion		445,069
Notes receivable		25,511,745
Mortgages receivable		26,440
Other receivables		254,092
Long-term portion		25,792,277
Total notes, mortgages and other receivables, net	$	26,237,346

NOTE 4 – CAPITAL ASSETS

The enterprise fund's capital asset activity for the year ended June 30, 2014, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	$ 30,200,212	$ 205,000	$ -	$ 30,405,212
Construction-in-progress	1,833,004	1,153,660	(2,751,582)	235,082
Total capital assets, non-depreciable	32,033,216	1,358,660	(2,751,582)	30,640,294
Capital assets, depreciable:				
Buildings and improvements	131,304,703	6,437,596	-	137,742,299
Equipment	572,657	-	-	572,657
Total capital assets, depreciable	131,877,360	6,437,596	-	138,314,956
Less accumulated depreciation for:				
Buildings and improvements	(85,585,777)	(3,397,679)	-	(88,983,456)
Equipment	(560,433)	(6,632)	-	(567,065)
Total accumulated depreciation	(86,146,210)	(3,404,311)	-	(89,550,521)
Total depreciable capital assets, net	45,731,150			48,764,435
Total enterprise fund capital assets, net	$ 77,764,366			$ 79,404,729

The component unit's capital asset activity for the year ended December 31, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	$ 11,896,564	$ 10,116	$ -	$ 11,906,680
Construction-in-progress	-	36,396	-	36,396
Total capital assets, non-depreciable	11,896,564	46,512	-	11,943,076
Capital assets, depreciable:				
Buildings and improvements	86,793,099	11,221	-	86,804,320
Equipment	1,370,454	-	-	1,370,454
Total capital assets, depreciable	88,163,553	11,221	-	88,174,774
Less accumulated depreciation for:				
Buildings and improvements	(33,450,955)	(2,674,617)	-	(36,125,572)
Total accumulated depreciation	(33,450,955)	(2,674,617)	-	(36,125,572)
Total depreciable capital assets, net	54,712,598			52,049,202
Total enterprise fund capital assets, net	$ 66,609,162			$ 63,992,278

NOTE 5 – 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%.

Notes Payable

Notes payable of enterprise funds consist of the following at June 30, 2014:

Note Holder(s)	Terms	Outstanding Balance
Bank of America	Secured by McLean Hills and Springfield Green rental properties, bearing interest at 4.54%, maturing April 1, 2015, principal and interest payments of $7,306 monthly.	$ 71,546
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.	149,837
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.	261,880
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.	387,913
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.	388,169
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.	511,099
United Bank	Secured by Holly Acres rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $943 monthly.	119,774
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.	695,141

NOTE 5 – 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 Willow Oaks rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $3,345 monthly.	$ 424,972
PNC Bank	Unsecured taxable line of credit up to $3,500,000 to provide interim financing and bearing interest at LIBOR rate, plus 180 basis points, maturing April 2015. The LIBOR rate plus the additional basis points was 1.951% at June 30, 2014.	1,834,100
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.	143,815
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by various Authority rental properties, bearing interest at 3.73% to 7.90%, maturing at varying dates through August 1, 2013, variable principal and interest payments due semiannually. The balance was paid off during FY 2014.	-
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by various Authority rental properties, bearing interest at 4.15% to 7.18%, maturing at varying dates through August 1, 2013, variable principal and interest payments due semiannually. The balance was paid off during FY 2014.	-
United Bank	Secured by the One University Plaza office and maintenance building, bearing interest at 5%, maturing February 1, 2014, principal and interest payments of $4,827 monthly. The balance was paid off during FY 2014.	-
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.	284,339
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.	50,000
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.	144,000
SunTrust Bank	Secured by Hopkins Glen rental property, bearing interest at 4.33%, maturing October 1, 2016, principal and interest payments due monthly.	163,300

NOTE 5 – 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 East Market rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of $619 monthly.	$ 81,356
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.	148,500
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.	244,076
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.	267,212
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.	231,201
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.	319,117
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.	120,438
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.	110,987
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.	1,386,000
Total		8,585,993
Less current notes		2,402,867
Noncurrent notes payable		$ 6,183,126

NOTE 5 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Bonds Payable

Bonds payable consist of the following at June 30, 2014:

		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.	$	4,095,000
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.		1,025,000
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.		679,483
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.		1,463,556

NOTE 5 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Bonds Payable (continued)

		Outstanding Balance
In April 1998, on behalf of Castellani Meadows Limited Partnership, the Authority issued tax-exempt revenue bonds with a principal amount totaling $1,700,000 and an interest rate of 5.25% with final payment due March 1, 2028. Prior to March 1, 2001, a principal payment in the amount of $825,000 was due, at which time the interest rate changed to 6.15% per annum. The land, building, and equipment of the Castellani Meadows Limited Partnership are pledged as security for the bonds. Proceeds from the bonds were loaned to the Castellani Meadows Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.	$	613,770
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.		12,590,583
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.		4,835,028
Total		25,302,420
Less current bonds		744,194
Total noncurrent bonds payable	$	24,558,226

NOTE 5 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Annual Principal Requirements

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

	Principal	Interest
Year ended June 30:		
2015	$ 2,402,867	$ 364,768
2016	569,027	342,955
2017	462,679	311,971
2018	415,123	287,955
2019	354,611	265,201
2020-2024	3,599,480	763,171
2025-2028	782,206	12,971
Total	$ 8,585,993	$ 2,348,992

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

	Principal	Interest
Year ended June 30:		
2015	$ 744,194	$ 1,366,721
2016	781,599	1,325,757
2017	825,059	1,282,329
2018	874,645	1,236,548
2019	635,415	1,192,752
2020-2024	3,810,709	5,350,513
2025-2029	3,910,745	4,114,593
2030-2034	2,120,997	3,363,391
2035-2039	2,820,255	2,728,863
2040-2044	3,749,946	1,882,989
2045-2049	4,364,528	765,121
2050-2052	664,328	47,040
Total	$ 25,302,420	$ 24,656,617

NOTE 5 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

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

	Principal
Year ended December 31:	
2014	$ 568,458
2015	1,561,601
2016	590,323
2017	2,013,025
2018	658,799
Thereafter	47,863,432
Total	$ 53,255,638

Changes in Short-Term and Long-Term Liabilities

The enterprise fund's long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Bonds payable	$ 26,000,206	$ -	$ 697,786	$ 25,302,420	$ 744,194
Notes payable - long-term	9,372,859	-	786,866	8,585,993	2,402,867
Total	$ 35,373,065	$ -	$ 1,484,652	$ 33,888,413	$ 3,147,061

The component units' long-term liability activity for year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Component unit debt	$ 58,240,787	$ 174,204	$ 5,159,353	$ 53,255,638	$ 568,458

NOTE 6 – CHANGES IN COMPENSATED ABSENCES PAYABLE

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Compensated absences payable	$ 1,220,269	$ 477,391	$ 571,569	$ 1,126,091	$ 559,701

NOTE 7 – 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 8 – 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, 2014, the cumulative total of bonds outstanding under the Authority's name was approximately $27,737,305.

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, 2014, the balance of the Gum Springs Glen Head Start facility for child care was $1,389,000. In June 2005, the FCRHA issued bonds in the amount of $8,105,000 to finance the construction of the Herndon Harbor House Senior Center. As of June 30, 2014, the outstanding principal balance of this bond was $810,000. 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 8 – 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. The note matures on March 1, 2015.

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.

NOTE 9 – CONTINGENCIES

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

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

NOTE 9 – CONTINGENCIES (CONTINUED)

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 $329,957 as of December 31, 2013. 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, 2014.

NOTE 10 – 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, 2014.

NOTE 11 – RETIREMENT PLANS

Employees of the Authority participate in the Fairfax County Employees' Retirement System (System), which covers substantially all County employees who are not members of the Virginia Retirement System or other County-funded retirement plans. Employee contributions to the System for the year ended June 30, 2014, are either 4.0% or 5.33% of salary, depending on the plan selected by the employee. The County funds the remaining portion required to meet the actuarially determined funding requirements. Data concerning the amounts contributed by the County for employees of the Authority, accumulated pension benefit liability, and net position specifically applicable to employees of the Authority are not available. Information concerning the System as a whole is available in the County's June 30, 2014 Comprehensive Annual Financial Report.

NOTE 12 – 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 12 – 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 2014 was $392,588.

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, 2014 Comprehensive Annual Financial Report.

NOTE 13 – PENDING GASB PRONOUNCEMENTS

The Authority will be required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* for the period ending June 30, 2015. 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. The Authority is currently evaluating the effect of the implementation of this Statement.

The Authority will be required to implement GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* for the period ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to governmental combinations and disposals of government operations. The Authority is currently evaluating the effect of the implementation of this Statement.

The Authority will be required to implement GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* for the period ending June 30, 2015. This Statement addresses issues related to contributions made by a state or local government employer or nonemployer contributing entity to a defined pension plan after the measurement date of the government's beginning net pension liability. The Authority is currently evaluating the effect of the implementation of this Statement.

NOTE 14 – SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through November 18, 2014 (the date the financial statements were available to be issued) and concluded no subsequent events have occurred that would require recognition in the financial statements, but the following subsequent event occurred that requires disclosure.

The Authority intends to issue 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. The Authority anticipates the issuance of the bonds in early 2015.

NOTE 15 – RELATED PARTY TRANSACTIONS

The Authority is a General Partner and holds 0.01% to 1% interest in each of the following limited partnerships (see note 4). Summarized partnership information for the year ended December 31, 2013 is as follows:

NOTE 15 – RELATED PARTY TRANSACTIONS (CONTINUED)

	Castellani Meadows	Gum Springs Glen	Herndon Harbor House I	Herndon Harbor House II	Morris Glen	FCRHA HCDC Two	FCRHA HCDC One	Tavenner Lane	Olley Glen	Cedar Ridge	The Green	Total
						ASSETS						
CURRENT ASSETS												
Cash in bank	$ 219,431	$ 187,010	$ 1,116,280	$ 207,264	$ 206,040	$ 398,405	$ 768,906	$ 48,393	$ 890,966	$ 902,519	$ 525,914	$ 5,471,128
Restricted deposits held in trust	11,843	30,089	24,600	25,820	23,725	109,151	142,634	9,374	50,431	113,087	62,860	603,614
Accounts receivable, net of allowances	-	25,206	57	868	1,225	21,055	18,581	15,594	855	14,606	2,023	100,070
Total current assets	231,274	242,305	1,140,937	233,952	230,990	528,611	930,121	73,361	942,252	1,030,212	590,797	6,174,812
NONCURRENT ASSETS												
Restricted cash reserves	121,926	341,102	189,568	471,192	96,575	843,255	935,920	179,151	724,882	1,880,819	244,355	6,028,745
Deferred financing fees, net of acc amortization	35,108	13,185	19,528	65,708	-	-	9,771	-	276,524	582,872	29,420	1,032,116
Total noncurrent other assets	157,034	354,287	209,096	536,900	96,575	843,255	945,691	179,151	1,001,406	2,463,691	273,775	7,060,861
Land and land improvements	214,040	514,977	-	737,559	273,170	2,244,000	2,484,121	446,598	3,150,098	1,595,717	246,400	11,906,680
Buildings and improvements	2,995,118	5,384,602	5,712,241	5,858,138	5,111,878	9,267,477	13,469,327	3,063,767	14,378,060	17,164,585	4,399,127	86,804,320
Equipment	-	150,392	5,352	198,979	121,643	2,284	14,321	21,592	338,205	320,218	197,468	1,370,454
Accumulated depreciation	(1,432,459)	(1,589,793)	(2,166,268)	(2,420,797)	(3,672,289)	(6,423,501)	(10,101,322)	(1,337,246)	(1,934,609)	(3,059,318)	(1,987,970)	(36,125,572)
Construction in progress	-	-	-	-	-	36,396	-	-	-	-	-	36,396
Total capital assets	1,776,699	4,460,178	3,551,325	4,373,879	1,834,402	5,126,656	5,866,447	2,194,711	15,931,754	16,021,202	2,855,025	63,992,278
Total noncurrent assets	1,933,733	4,814,465	3,760,421	4,910,779	1,930,977	5,969,911	6,812,138	2,373,862	16,933,160	18,484,893	3,128,800	71,053,139
TOTAL ASSETS	$ 2,165,007	$ 5,056,770	$ 4,901,358	$ 5,144,731	$ 2,161,967	$ 6,498,522	$ 7,742,259	$ 2,447,223	$ 17,875,412	$ 19,515,105	$ 3,719,597	$ 77,227,951
						LIABILITIES AND PARTNERS' CAPITAL						
CURRENT LIABILITIES												
Accounts Payable	$ 1,259	$ 4,852	$ 13,482	$ 75,476	$ 5,774	$ 91,718	$ 785,546	$ 4,340	$ 2,901	$ 34,538	$ 44,052	$ 1,063,938
Accrued Liabilities	479,524	112,478	74,022	23,358	44,681	13,573	-	2,152	26,313	63,863	33,856	873,820
Accrued Interest Payable	-	4,458	6,694	-	2,298	-	4,310		782,735	66,282		866,777
Due to FCRHA	31,662	-	-	28,934	35,000	750,161	552,018	729	950,654		127,502	2,476,660
Deposits held in trust	9,806	27,668	23,390	24,292	21,246	105,258	125,572	8,246	45,275	104,637	56,073	551,463
Unearned revenue	-	3,417	1,535	-	-	47,715	19,511	4,603	51,614	17,741	-	146,136
Current portion long-term debt	28,689	50,419	62,298	61,798	21,819	-	62,016	-	32,105	238,423	10,891	568,458
Total current liabilities	550,940	203,292	181,421	213,858	130,818	1,008,425	1,548,973	20,070	1,891,597	525,484	272,374	6,547,252
NONCURRENT LIABILITIES												
Noncurrent portion long-term debt	1,826,338	2,395,398	4,009,266	4,491,277	2,393,748	1,207,719	2,734,644	3,368,495	13,723,213	14,864,426	1,672,656	52,687,180
Noncurrent accrued interest payable	743,217	633,527	867,062	842,656	303,545	96,251	337,280	-	-	533,091	585,727	4,942,356
Other noncurrent liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total noncurrent liabilities	2,569,555	3,028,925	4,876,328	5,333,933	2,697,293	1,303,970	3,071,924	3,368,495	13,723,213	15,397,517	2,258,383	57,629,536
Total liabilitites	3,120,495	3,232,217	5,057,749	5,547,791	2,828,111	2,312,395	4,620,897	3,388,565	15,614,810	15,923,001	2,530,757	64,176,788
TOTAL PARTNER'S CAPITAL	(955,488)	1,824,553	(156,391)	(403,060)	(666,144)	4,186,127	3,121,362	(941,342)	2,260,602	3,592,104	1,188,840	13,051,163
TOTAL LIABILITIES AND PARTNER'S CAPITAL	$ 2,165,007	$ 5,056,770	$ 4,901,358	$ 5,144,731	$ 2,161,967	$ 6,498,522	$ 7,742,259	$ 2,447,223	$ 17,875,412	$ 19,515,105	$ 3,719,597	$ 77,227,951

NOTE 15 – RELATED PARTY TRANSACTIONS (CONTINUED)

	Castellani Meadows	Gum Springs Glen	Herndon Harbor House	Herndon Harbor House II	Morris Glen	FCRHA HCDC Two	FCRHA HCDC One	Tavenner Lane	Olley Glen	Cedar Ridge	The Green	Total
OPERATING REVENUE												
Rental	$ 234,686	$ 614,285	$ 600,725	$ 606,111	$ 573,763	$ 1,444,327	$ 2,151,973	$ 194,011	$ 1,044,843	$ 2,616,270	$ 575,399	$ 10,656,393
Other	46,477	49,026	29,286	25,194	33,613	105,146	163,861	12,224	74,022	246,935	121,910	907,694
Total operating revenue	281,163	663,311	630,011	631,305	607,376	1,549,473	2,315,834	206,235	1,118,865	2,863,205	697,309	11,564,087
OPERATING EXPENSES												
Personnel services	59,578	102,295	100,038	100,591	124,767	454,795	493,259	53,482	276,766	472,976	147,773	2,386,320
Contractual services	12,900	12,900	12,900	12,900	13,900	13,850	17,450	8,113	12,900	16,400	12,900	147,113
Utilities	1,270	-	78,751	-	66,110	390,839	274,351	39,522	93,476	226,397	153,486	1,324,202
Repairs and maintenance	70,143	71,128	122,933	109,763	167,225	341,014	471,265	93,841	112,517	310,934	171,617	2,042,380
Other supplies and expenses	106,623	311,869	161,039	264,820	159,969	213,146	416,736	30,867	226,328	482,742	354,060	2,728,199
Depreciation and amortization	84,693	136,181	144,159	183,313	93,585	328,486	484,494	85,729	616,405	499,950	121,196	2,778,191
Total operating expenses	335,207	634,373	619,820	671,387	625,556	1,742,130	2,157,555	311,554	1,338,392	2,009,399	961,032	11,406,405
Operating income (loss)	(54,044)	28,938	10,191	(40,082)	(18,180)	(192,657)	158,279	(105,319)	(219,527)	853,806	(263,723)	157,682
NONOPERATING REVENUES (EXPENSES)												
Other nonoperating revenue	-	-	-	-	-	2,747,004	-	23,725	-	-	118,694	2,889,423
Other nonoperating expense	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	89	1,478	358	756	157	509	450	188	812	781	225	5,803
Interest expense	(88,608)	(127,257)	(134,945)	(152,730)	(55,758)	(11,537)	(70,540)	(174,203)	(831,331)	(889,893)	(71,254)	(2,608,056)
Total nonoperating revenues (expenses), net	(88,519)	(125,779)	(134,587)	(151,974)	(55,601)	2,735,976	(70,090)	(150,290)	(830,519)	(889,112)	47,665	287,170
Investor capital donations and contributions	-	-	-	-	-	-	-	-	412,623	-	-	412,623
CHANGE IN PARTNER'S CAPITAL	(142,563)	(96,841)	(124,396)	(192,056)	(73,781)	2,543,319	88,189	(255,609)	(637,423)	(35,306)	(216,058)	857,475
TOTAL PARTNER'S CAPITAL, BEGINNING OF YEAR	(812,925)	1,921,394	(31,995)	(211,004)	(592,363)	1,642,808	3,033,173	(685,733)	2,898,025	3,627,410	1,404,898	12,193,688
TOTAL PARTNER'S CAPITAL, END OF YEAR	$ (955,488)	$ 1,824,553	$ (156,391)	$ (403,060)	$ (666,144)	$ 4,186,127	$ 3,121,362	$ (941,342)	$ 2,260,602	$ 3,592,104	$ 1,188,840	$ 13,051,163

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, 2014

2009 Capital Fund Program Grant	**VA39P019501-09**
Funds approved	$ 1,915,735
Funds expended	1,915,735
Excess of funds approved	$ -
Funds advanced	$ 1,915,735
Funds expended	1,915,735
Excess of funds advanced	$ -

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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, 2014, 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 18, 2014. 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, 2014, 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 18, 2014