Note 1—Summary of significant accounting policies (continued)

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

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

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

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

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

Capital Assets - Capital assets, which include land, buildings and improvements, equipment, and construction in progress are reported in the financial statements at cost when purchased and at acquisition value when donated. Capital assets are defined by the Authority as assets with an initial individual cost of more than $5,000 and an estimated useful life of more than one year. Depreciation has been provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives using the straight line method. The estimated useful lives range from 15 to 28 years for buildings and improvements and from 5 to 15 years for equipment. With respect to the Capital Grant program, the Authority capitalizes assets in accordance with HUD guidance.

Note 1—Summary of significant accounting policies (continued)

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

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

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

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

Compensated Absences - Employees are granted vacation and sick leave based on their length of service. Unused vacation leave is payable to employees upon termination based on the employees' current rate of pay, up to certain limits. Sick leave does not vest with the employees; however, it is converted to years of service upon retirement. In addition, employees may accrue compensatory leave for hours worked in excess of their scheduled hours.

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

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

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

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

Note 1—Summary of significant accounting policies (continued)

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

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

Net position is displayed in three components:

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

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

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

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

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

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned. The allowance method is used for write offs. Delinquent tenant receivables that have reached the Code of Virginia Statute of Limitations for five years of collection effort are written off and all collection activities are discontinued unless a court judgment is obtained that extends this period of collection.

Note 2—Cash and cash equivalents

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

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

Custodial credit risk for deposits is the risk that in the event of a bank failure the Authority's deposits may not be returned to it. For the fiscal year ended June 30, 2017, the carrying amount of the Authority's cash and cash equivalents was $63,782,816. All deposits were entirely insured or collateralized with securities held by the Authority's agent in the Authority's name as of June 30, 2017.

Note 3—Investments

As of June 30, 2017, the Authority had the following investment type:

	Amount	Weighted Average Maturity (Days)
Investment Type:		
Investment GIC	$ 432,400	
Certificates of deposit	7,595,000	
Total fair value	$ 8,027,400	
Portfolio weighted average maturity		181.61

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

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

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

Note 3—Investments (continued)

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

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

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

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

The Authority has the following recurring fair value measurements as of June 30, 2017:

- Other equity securities of $432,400 are valued using quoted market prices (Level 1 inputs).

Note 4—Receivables

Accounts Receivable - Accounts receivable at June 30, 2017, consisted of the following:

Tenant receivable (net of allowances of $555,785)	$	492,873
Landlord and HCV tenant receivables		278,151
Due from U.S. Department of Housing and Urban Development		1,415,203
Management Fee Receivable		346,951
Accounts receivable		212,904
Total	$	2,746,082

Note 4—Receivables (continued)

Notes Receivable - Notes receivable at June 30, 2017 consisted of the following:

Herndon Harbor House II	Secured note bearing interest at 6%, maturing April 1, 2029, interest and principal payments of $12,480 due monthly.	$ 1,260,506
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 $1,217,430.	1,241,634
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.	12,183,043
FCRHA Olley Glen LP	Secured note bearing interest at 6.4%, maturing August 1, 2051. Interest only payments through July 1, 2011. Beginning August 1, 2011, interest and principal payments of $28,455 are due monthly. The principal pay down of $7.3 million took place on August 1, 2011.	4,729,452
Morris Glen	Unsecured notes, bearing interest at 3-month LIBOR rate plus 150 basis points maturing March 31, 2020, monthly payment of interest only is required.	681,381
FCRHA Olley Glen LP	Secured note bearing interest at 5% beginning on August 1, 2011 (0% until that date) and maturing August 1, 2051. Beginning May 1, 2012, interest and principal payments of $118,620 are due annually. Payment will be based on net cash flow and any amount not paid will be deferred and either paid with the next installment or deferred until sufficient net cash flow allows for payment or until maturity.	2,050,000
		22,887,572
Less current notes		395,497
Noncurrent notes receivable		$ 22,492,075

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, 2017, long-term home improvement loans receivable under this program were $26,440 bearing interest at varying rates up to 3%.

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

Note 4—Receivables (continued)

The following table provides a reconciliation of the notes, mortgages and other receivables to the statement of net position at June 30, 2017:

Notes receivable	$ 395,497
Other receivables	8,898
Current portion	404,395
Notes receivable (net of allowances of $1,217,430)	22,492,075
Mortgages receivable	26,440
Other receivables	8,501
Long-term portion	22,527,016
Total notes, mortgages and other receivables, net	$ 22,931,411

Note 5—Capital assets

The enterprise fund's capital asset activity for the year ended June 30, 2017 is as follows:

	(As Restated) Beginning Balance	Increases	Decreases	CIP Transfers	Ending Balance
Capital assets, non-depreciable:					
Land	$ 36,195,374	$ -	$ -	$ -	$ 36,195,374
Construction-in-progress	378,559	1,459,293	(4,500)	(1,312,517)	520,835
Total capital assets, nondepreciable	36,573,933	1,459,293	(4,500)	(1,312,517)	36,716,209
Capital assets, depreciable:					
Buildings and improvements	180,753,275	260,178	-	1,345,977	182,359,430
Equipment	1,112,543	23,176	-	-	1,135,719
Total capital assets, depreciable	181,865,818	283,354	-	1,345,977	183,495,149
Less accumulated depreciation:					
Buildings and improvements	(121,091,573)	(4,580,494)	-	(33,460)	(125,705,527)
Equipment	(1,109,577)	(10,738)	-	-	(1,120,315)
Total accumulated depreciation	(122,201,150)	(4,591,232)	-	(33,460)	(126,825,842)
Total depreciable capital assets, net	59,664,668	(4,307,878)	-	1,312,517	56,669,307
Total Enterprise Fund capital assets, net	$ 96,238,601	$ (2,848,585)	$ (4,500)	$ -	$ 93,385,516

Note 5—Capital assets (continued)

The component unit's capital asset activity for the year ended December 31, 2016 is as follows:

	(As Restated) Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	$ 6,271,521	$ -	$ -	$ 6,271,521
Total capital assets, nondepreciable	6,271,521	-	-	6,271,521
Capital assets, depreciable:				
Buildings and improvements	47,940,463	121,841	-	48,062,304
Equipment	1,129,437	-	-	1,129,437
Total capital assets, depreciable	49,069,900	121,841	-	49,191,741
Less accumulated depreciation:				
Buildings and improvements	(14,607,981)	(1,503,863)	-	(16,111,844)
Equipment	(1,129,437)	-	-	(1,129,437)
Total accumulated depreciation	(15,737,418)	(1,503,863)	-	(17,241,281)
Total depreciable capital assets, net	33,332,482	(1,382,022)	-	31,950,460
Total Component Unit capital assets, net	$39,604,003	$ (1,382,022)	$ -	$ 38,221,981

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

Notes Payable - Notes payable of enterprise funds consist of the following at June 30, 2017:

Note Holder	Terms	Outstanding Balance
Virginia Housing Development Authority	Secured by Minerva Fisher-Hall Group Home property, bearing interest at 8.07%, maturing June 1, 2019, principal and interest payments of $3,063, monthly.	$ 66,435
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.	89,374
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.	348,064
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.	348,050
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.	457,840
United Bank	Secured by Holly Acres rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $943 monthly.	106,803
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.	622,985
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.	382,052
United Bank	Unsecured draw on $5,000,000 taxable line of credit with interest only payments required until maturity of note on March 31, 2020. Interest is calculated based on the 3-month LIBOR rate plus 150 basis points. The LIBOR rate plus the additional basis points was 2.65% at June 30, 2017.	1,389,100

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

Notes Payable (continued)

Note Holder	Terms	Outstanding Balance
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.	$ 226,679
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by various Authority rental properties, bearing interest at 1.21% to 5.39%, maturing at varying dates through August 1, 2017, variable principal and interest payments due semi-annually.	36,000
SunTrust Bank	Secured by HCDC One, LP (Stonegate) rental property, bearing interest at 6.16%, maturing January 8, 2024, principal and interest payments due monthly.	641,672
United Bank	Secured by East Market rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of $619 monthly.	73,591
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.	134,346
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.	221,621
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.	243,285
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.	206,263

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

Notes Payable (continued)

Note Holder	Terms	Outstanding Balance
United Bank	Secured by North Hampton rental property, bearing interest at 6.11% and amortized over 30 years maturing July 1, 2024. Principal and interest payments of $2,318 monthly with a balloon payment of $208,197 due with final payments.	$ 292,665
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.	110,449
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.	101,782
Bank of New York Mellon	Section 108 notes secured by property owned by the FCRHA Olley Glen, L.P. and bearing variable interest rates, initially on LIBOR plus 20 basis points. The interest rate at June 30, 2017 was 2.97%. Loan is composed of two draws; draw one requires annual principal payments in addition to interest payments; draw two requires interest-only payments through August 2011, and then the outstanding principal amount will be amortized over a 14-year period.	1,080,000
		7,226,277
Less current notes		489,690
Noncurrent notes payable		$ 6,736,587

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

	Principal	Interest
Years ending June 30:		
2018	$ 489,690	$ 325,399
2019	432,040	346,780
2020	1,784,798	313,014
2021	417,782	251,218
2022	2,146,658	174,828
2023 - 2025	1,955,309	662,312
Total	$ 7,226,277	$ 2,073,551

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

Bonds Payable - Bonds payable consist of the following at June 30, 2017:

	Outstanding Balance
On August 29, 1996, on behalf of the Little River Glen project, the Authority issued Federal Housing Authority insured mortgage revenue bonds with an original principal amount of $6,340,000, and interest rates, which vary between 4.65% and 6.10%, with final payment due September 1, 2026, to advance refund the Elderly Bonds, Series 1989A, with an original principal amount of $6,120,000 and interest rate of 8.95%. The land, buildings, and equipment of the Little River Glen project are pledged as security for the bonds. The old bonds were fully redeemed in fiscal year 1999.	$ 3,415,000
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.	569,277
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.	1,260,506

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

Bonds Payable (continued)

	Outstanding Balance
In April 1998, on behalf of Castellani Meadows Limited Partnership, the Authority issued tax-exempt revenue bonds with a principal amount totaling $1,700,000 and an interest rate of 5.25% with final payment due March 1, 2028. Prior to March 1, 2001, a principal payment in the amount of $825,000 was due, at which time the interest rate changed to 6.15% per annum. The land, building, and equipment of the Castellani Meadows Limited Partnership are pledged as security for the bonds. Proceeds from the bonds were loaned to the Castellani Meadows Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.	$ 519,289
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.	12,183,044
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.	4,729,452
	22,676,568
Less current bonds	599,645
Total noncurrent bonds payable	$ 22,076,923

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

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

	Principal	Interest
Years ending June 30:		
2018	$ 599,645	$ 1,228,364
2019	635,415	1,192,752
2020	672,250	1,152,842
2021	715,613	1,115,252
2022	760,400	1,072,758
2023 - 2027	4,579,944	4,620,659
2028 - 2032	2,192,842	3,585,547
2033 - 2037	2,516,284	3,004,734
2038 - 2042	3,346,086	2,250,745
2043 - 2047	4,449,831	1,245,595
2048 - 2052	2,208,258	171,971
Total	$ 22,676,568	$ 20,641,219

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

Notes Payable - FCRHA – Certain blended component units have notes payable to the Authority, which are not eliminated as the notes will be forgiven by the Authority in the future. As such, there is a zero net balance on the Authority's financial statements. The amount owed to the Authority by the blended component units at June 30, 2017 consists of:

Note Holder	Terms	Outstanding Balance
FCRHA	The HOME Loan, in the original principal amount of $659,000, was obtained by Herndon Harbor House I. The note is payable at maturity, including simple interest at 2% per annum, on August 1, 2027. The note is collateralized by a second deed of trust on the rental property. Outstanding balance is net of unamortized deferred cost of $14,818.	$ 553,853
FCRHA	The CDBG Loan, in the original amount of $527,000, was obtained by Herndon Harbor House I. The note is payable at maturity, including simple interest at 2% per annum, on August 1, 2027. The note is collateralized by a third deed of trust on the rental property.	525,298
FCRHA	The Housing Trust Fund Loan, in the original principal amount of $1,827,433, was obtained by Herndon Harbor House I. The note is payable at maturity, including simple interest at 2% per annum, on August 1, 2027. The note is collateralized by a fourth deed of trust on the rental property.	1,573,719
FCRHA	Secured by HCDC Two, LP (Murraygate) rental property, bearing interest at 1%, maturing October 1, 2024, principal and interest payments due monthly.	500,000
FCRHA	Secured by HCDC One, LP (Stonegate) rental property, bearing interest at 1%, maturing April 1, 2024, principal and interest payments due monthly. Outstanding balance is net of unamortized deferred cost of $4,385.	250,000
FCRHA	Secured by HCDC One, LP (Stonegate) rental property, bearing interest at 1%, maturing April 1, 2024, principal and interest payments due monthly.	1,436,400
FCRHA	The loan payable to RHA, one of the general partners, represents $270,500 in CDBG funds advanced to Stonegate to assist in financing renovation of the property. The amount is non-repayable, unless the property ceases to be used for the purpose of providing affordable housing to qualified tenants.	270,500

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

Note Holder	Terms	Outstanding Balance
FCRHA	The CDBG Loan, in the original amount of $880,000, was obtained by Castellani Meadows. The note is payable at maturity, including simple interest at 4% per annum, on April 1, 2028. The note is collateralized by a third deed of trust on the rental property. Outstanding balance is net of unamortized deferred cost of $23,126.	$ 185,085
FCRHA	The HOME Loan, in the original principal amount of $1,040,000, was obtained by Castellani Meadows. The note is payable at maturity, including simple interest at 4% per annum, on April 1, 2028. The note is collateralized by a fourth deed of trust on the rental property.	1,018,922
FCRHA	The Public Housing Fund Loan for The Green rental property bears interest at 2%, maturing November 1, 2028, principal payments due at maturity.	22,360
FCRHA	The Public Housing Fund Loan for The Green rental property bears interest at 2%, maturing November 1, 2028, principal payments due at maturity.	108,397
FCRHA	The Housing Trust Fund Loan is secured by The Green rental property, bearing interest at 3.37%, maturing November 1, 2028 principal and interest payments due monthly.	907,267
FCRHA	The Comprehensive Grant Fund Loan is secured by The Green rental property, bearing interest at 3.37%, maturing November 1, 2028 principal and interest payments due monthly.	325,484
FCRHA	Secured by Tavenner rental property, bearing interest at 7.21%, maturing January 1, 2027, principal and interest payments due at maturity.	3,191,997
FCRHA	Secured by Tavenner rental property, non interest-bearing, maturing January 1, 2027, principal payments due at maturity.	462,411
FCRHA	Secured by Tavenner rental property, non interest-bearing, maturing January 1, 2027, principal payments due at maturity.	315,745
		11,647,438
Less current notes		-
Noncurrent notes payable		$ 11,647,438

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

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

	Principal	Interest
Years ending June 30:		
2018	$ -	$ 37,445
2019	-	32,720
2020	-	27,695
2021	-	22,352
2022	-	16,670
2023 - 2027	6,287,310	886,062
2028 - 2029	5,089,628	4,355,209
Thereafter	270,500	-
Total	$ 11,647,438	$ 5,378,153

Changes in Short-Term and Long-Term Liabilities - The Enterprise Fund's long-term liability activity for the year ended June 30, 2017 was as follows:

	(As Restated) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 23,776,627	$ -	$ (1,100,059)	$ 22,676,568	$ 599,645
Notes payable	7,764,169	-	(537,892)	7,226,277	489,690
Notes payable - FCRHA	11,455,898	214,666	(23,126)	11,647,438	-
Less: debt issuance costs	(22,581)	-	3,378	(19,203)	-
Net Enterprise Fund debt	$ 42,974,113	$ 214,666	$ (1,657,699)	$ 41,531,080	$ 1,089,335

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

The component units' long-term liability activity for year ended December 31, 2016 was as follows:

	(As Restated) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit debt	$ 37,446,109	$ 275,920	$ (456,545)	$ 37,265,484	$ 1,159,381
Less: debt issuance costs	(788,224)	-	37,497	(750,727)	-
Net Component Unit debt	$ 36,657,885	$ 275,920	$ (419,048)	$ 36,514,757	$ 1,159,381

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

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

	Principal
Years ending December 31:	
2017	$ 1,159,381
2018	503,922
2019	531,311
2020	560,198
2021	592,092
Thereafter	33,918,580
Total	$ 37,265,484

Note 7—Changes in compensated absences payable

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences payable	$ 1,123,274	$ 737,355	$ 640,938	$ 1,219,691	$ 566,596

Note 8—Tax credit limited partnerships

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

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

Note 9—Conduit debt

The Authority is empowered by the Commonwealth of Virginia to issue tax-exempt bonds on behalf of qualified businesses to develop or rehabilitate low income housing within the County. Principal and interest on the tax-exempt bonds is paid entirely by the owners of the properties, which have entered into binding contracts to develop or rehabilitate the subject property. The terms of the tax-exempt bonds stipulate that neither the Authority nor the County guarantee the repayment of principal and interest to the bondholders. The bondholders' sole remedy in the event of default on the tax-exempt bonds is the subject property and third-party beneficiaries. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2017, the cumulative total of bonds outstanding under the Authority's name was $21,324,146.

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, 2017, the balance of the Gum Springs Glen Head Start facility for child care was $986,555. As the County is responsible, under the related documents and subject to annual appropriation, to make payments to a trustee sufficient to pay principal and interest on these bonds, the related transactions, including the liability for these bonds, have been recorded in the County's financial statements and not on those of the FCRHA.

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

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

Note 9—Conduit debt (continued)

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

Note 10—Contingencies

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

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

The Authority receives grant funds, principally from the federal government, for various programs. Certain expenses of these funds are subject to audit by the grantor and the reporting entity is contingently liable to refund amounts received in excess of allowable expenses. The management of the Authority believes that any possible disallowed expenses arising from such an audit, if any, would not have a material adverse impact on the Authority's net position as of June 30, 2017.

Note 11—Risk management

The FCRHA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and citizens; and natural disasters. For all of these risks, the FCRHA participates in the County's insurance program, which includes self-insurance and the purchase of certain commercial insurance policies, the costs of which are borne by the County. There were no claim settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's insurance program is available in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.

Note 12—Retirement plans

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

Note 12—Retirement plans (continued)

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

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

Contributions - All contribution requirements for ERS are established and may be amended by County ordinances, including member contribution rates. Plan A and Plan C require member contributions of 4.0% of compensation up to the Social Security wage base and 5.33% of compensation in excess of the wage base. Plan B and Plan D require member contributions of 5.33% of compensation. The County establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2017 was 22.90%. Since the ERS's adjusted funded ratio (the ratio of the sum of the actuarial value of assets and commitments already made to fund change to the actuarial accrued liability) fell below 90%, the contribution rate includes a margin to amortize this shortfall back to the 90% level. For fiscal year 2017 the amortization target was increased to 97%. Per the County's pension funding policy as approved by the Board of Supervisors as part of the FY 2017 Adopted Budget Plan and incorporated in the Fairfax County Code, the County will continue increasing the amortization target so that, at or before fiscal year 2020, 100% of the unfunded actuarial accrued liability is amortized and included in the contribution rate. The employer contribution made during the measurement period of the liability was $2,515,234. The 2017 employer contribution totaled $2,781,412.

Net Pension Liability - The ERS calculated Total Pension Liability based on participant data collected as of December 31, 2015 and an actuarial valuation as of June 30, 2016, using the entry age actuarial cost method, with a measurement date of June 30, 2016. The proportionate share for the Authority is 1.6146%. At June 30, 2017, the Authority reported a liability of $24,644,244 for its proportionate share of the net pension liability.

Note 12—Retirement plans (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2017, the Authority recognized pension expense of $2,938,076. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,486,301
Change in assumptions	922,656	-
Net differences between projected and actual earning on pension plan investments	4,620,527	-
Change in proportion applicable to Authority	-	866,013
Authority contributions subsequent to the measurement date	2,781,412	-
Total	$ 8,324,595	$ 2,352,314

The $2,781,412 reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Amount
Years ending June 30:	
2018	$ 513,798
2019	513,798
2020	1,474,973
2021	798,423
2022	(110,123)

Actuarial Assumptions - The ERS calculated Total Pension Liability based on participant data collected as of December 31, 2015 and an actuarial valuation as of June 30, 2016, using the entry age actuarial cost method, with a measurement date of June 30, 2016. Significant actuarial assumptions used in the valuation included:

Inflation	3.0%
Salary increases, including inflation	3.0% + merit
Investment rate of return, net of plan investment expenses	7.25%
Projected period of unfunded benefit payments	None
Municipal bond rate	N/A

Note 12—Retirement plans (continued)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015.

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

Best estimates of arithmetic long-term real rates of return for each major asset class included in the ERS's target asset allocation as of June 30, 2017, are summarized below.

Asset Class	Long-Term Expected Real Rate of Return
U.S. Equities	4.65%
International Equities	4.50%
Core Fixed Income	2.40%
High Yield	4.20%
Risk Parity	6.00%
Absolute Return	9.85%
Real Estate	4.65%
Commodity	4.65%

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made according to the County's stated policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A schedule of funding progress can be found in the required supplementary information section of the report.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the authority share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

Note 12—Retirement plans (continued)

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Authority's proportionate share of total pension liability	$ 93,303,188	$ 82,609,712	$ 74,769,918
Authority's proportionate share of plan fiduciary pension net position	57,965,468	57,965,468	57,965,468
Authority's proportionate share of net pension liability	$ 35,337,720	$ 24,644,244	$ 16,804,450
Plan fiduciary net position as a percentage of the total pension liability	62.1%	70.2%	77.5%

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

Information concerning ERS as a whole, including pension plan's fiduciary net position, is available in the County CAFR for the fiscal year ended June 30, 2017. Additionally, the ERS issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Employees' Retirement System, 12015 Lee Jackson Memorial Highway, Suite 350, Fairfax, Virginia 22033, or by calling (703) 279-8200. The reports are also available online:

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

Note 13—Other postemployment benefits

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

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

In addition, the Board of Supervisors has established a program to subsidize the continuation of term life insurance, at reduced coverage amounts, for retirees. Retirees generally pay for 50% of their coverage amounts at age-banded premium rates, with the County incurring the balance of the cost. Benefit provisions are established and may be amended by the Board of Supervisors.

Note 13—Other postemployment benefits (continued)

The contributions to the OPEB Trust Fund are established and may be amended by the Board of Supervisors. The contributions are typically based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. GASB Statement No. 45 requires recognition of the current expense of OPEB based on each governing body's annual required contribution, but does not require funding of the related liability. Expenditures for postretirement health care benefits are recognized when the County charges the Authority. The OPEB expense charged to the Authority in FY 2017 was $137,374.

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, 2017 Comprehensive Annual Financial Report.

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

Change in Reporting Entity - The Authority previously reported Tavenner Lane L.P. real estate partnership as a discretely presented component unit in which it was the general partner. Due to the expiration of the initial fifteen year tax credit compliance period for the Limited Partnership in December 2011, the investor Limited Partner expressed a desire to assign their interests to the Authority. The Authority now controls the entire partnership interest for this partnership and has therefore considered it to be a blended component unit in accordance with GASB 61 guidance. The partnership has a December 31 year-end, so amounts included for the entity are as of and for the year end that falls within the year ended June 30, 2017. Beginning net position has been restated to include equity of $1,412,840 for this partnership.

2016 Enterprise Fund net position, as previously reported	$ 119,839,530
Restatement - change in reporting entity	(1,412,840)
2016 Enterprise Fund net position - as restated	$ 118,426,690
2016 Component Units (FASB) net position, as previously reported	$ 2,772,963
Restatement - change in reporting entity	1,412,840
2016 Component Units (FASB) net position - as restated	$ 4,185,803

Note 14—Change in accounting principle, change in reporting entity (continued)

Change in Accounting Principle - During 2017, three of the Authority's blended component units {Herndon Harbor House I, FCRHA HCDC One (Stonegate), and Castellani Meadows} and four of the Authority's discretely presented component units {Gum Springs Glen, Herndon Harbor House II, Olley Glen, and Cedar Ridge} adopted the provisions of Accounting Standards Update 2015-03, *Interest- Imputation of Interest*, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which modifies the presentation of debt issuance costs and the related amortization. The change in accounting under ASU 2015-03 improves the reporting of debt issuance costs by no longer reporting them as assets. It also improves the reporting of the related amortization by including it as a component of the interest expense. ASU 2015-03 has been adopted by the Authority on a retrospective basis.

2016 Component Unit debt	$ 37,446,109
Restatement - change in accounting principle	(788,224)
2016 Component Unit debt - as restated	$ 36,657,885

2016 Enterprise Fund debt	$ 42,996,694
Restatement - change in accounting principle	(22,581)
2016 Enterprise Fund debt - as restated	$ 42,974,113

Note 15—Condensed combining information for blended component units

	Blended Component Units										
	Little River Glen	Herndon Harbor House I	FCRHA HCDC One (Stonegate)	FCRHA HCDC Two (Murraygate)	The Green	Castellani Meadows	Tavenner Lane	Total Blended Component Unit	FCRHA	Eliminations	Primary Government
ASSETS											
Current Assets:											
Cash in bank	$ 2,008,688	$ 666,820	$ 3,625,289	$ 1,217,159	$ 410,933	$ 337,688	$ 152,422	$ 8,418,999	$ 37,266,250	$ (1,293,700)	$ 44,391,549
Investments	432,400	-	-	-	-	-	-	432,400	7,595,000	-	8,027,400
Restricted deposits held in trust	54,608	26,914	160,800	109,609	69,901	13,581	10,514	445,927	3,896,039	-	4,341,966
Notes receivable, current	-	-	-	-	-	-	-	-	481,596	(77,201)	404,395
Other current assets	80	12,620	124,496	38,619	39,893	9,785	-	225,493	6,954,586	-	7,180,079
Accounts receivable, net of allowances	14,273	318	17,533	23,768	6,427	42	9,702	72,063	2,674,019	-	2,746,082
Total Current Assets	2,510,049	706,672	3,928,118	1,389,155	527,154	361,096	172,638	9,594,882	58,867,490	(1,370,901)	67,091,471
Noncurrent Assets:											
Restricted cash reserves	1,117,141	159,483	1,162,692	994,628	264,895	136,520	193,669	4,029,028	11,020,273	-	15,049,301
Notes receivable, net of current	-	-	-	-	-	-	-	-	24,246,100	(1,719,084)	22,527,016
Other noncurrent assets	-	-	-	-	-	-	-	-	606,458	-	606,458
Total Noncurrent Other Assets	1,117,141	159,483	1,162,692	994,628	264,895	136,520	193,669	4,029,028	35,872,831	(1,719,084)	38,182,775
Land and land improvements	1,035,634	-	2,484,121	2,244,000	246,400	214,040	446,598	6,670,793	29,524,581	-	36,195,374
Construction in progress	-	-	35,654	6,230	-	-	-	41,884	478,951	-	520,835
Buildings and improvements	9,922,950	5,723,395	13,483,992	9,267,477	4,399,127	2,696,247	3,063,767	48,556,955	133,802,475	-	182,359,430
Equipment	9,100	5,352	14,321	25,457	197,468	298,871	21,592	572,161	563,558	-	1,135,719
Accumulated depreciation	(9,735,121)	(2,594,268)	(11,495,329)	(7,379,049)	(2,317,904)	(1,649,630)	(1,594,430)	(36,765,731)	(90,060,111)	-	(126,825,842)
Total Capital Assets	1,232,563	3,134,479	4,522,759	4,164,115	2,525,091	1,559,528	1,937,527	19,076,062	74,309,454	-	93,385,516
Total Noncurrent Assets	2,349,704	3,293,962	5,685,451	5,158,743	2,789,986	1,696,048	2,131,196	23,105,090	110,182,285	(1,719,084)	131,568,291
Total Assets	4,859,753	4,000,634	9,613,569	6,547,898	3,317,140	2,057,144	2,303,834	32,699,972	169,049,775	(3,089,985)	198,659,762

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

	Blended Component Units										
	Little River Glen	Herndon Harbor House I	FCRHA HCDC One (Stonegate)	FCRHA HCDC Two (Murraygate)	The Green	Castellani Meadows	Tavenner Lane	Total Blended Component Unit	FCRHA	Eliminations	Primary Government
DEFERRED OUTFLOWS OF RESOURCES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,324,595	$ -	$ 8,324,595
LIABILITIES AND NET POSITION											
Current Liabilities:											
Accounts payable and accrued liabilities	103,245	24,812	586,071	516,234	50,327	10,025	46,692	1,337,406	2,114,457	39,609	3,491,472
Deposits held in trust	54,608	25,695	160,608	93,099	39,209	10,362	6,952	390,533	1,661,744	-	2,052,277
Due to County of Fairfax, Virginia	-	-	-	-	-	-	-	-	1,293,700	(1,293,700)	-
Unearned revenue	52,201	-	12,236	22,266	15,535	4,109	363	106,710	2,146,532	-	2,253,242
Accrued compensated absences	42,631	-	-	-	-	-	-	42,631	523,965	-	566,596
Current portion long-term debt, net	255,000	40,343	74,570	-	-	37,265	-	407,178	759,765	(77,608)	1,089,335
Total Current Liabilities	507,685	90,850	833,485	631,599	105,071	61,761	54,007	2,284,458	8,500,163	(1,331,699)	9,452,922
Noncurrent Liabilities:											
Noncurrent portion long-term debt, net	3,160,000	3,186,838	2,519,617	1,207,719	1,363,508	1,705,788	3,970,153	17,113,623	49,730,652	(1,758,286)	65,085,989
Other noncurrent liabilities	12,671	1,093,114	1,257,882	483,690	1,094,890	1,588,440	-	5,530,687	653,095	-	6,183,782
Total Noncurrent Liabilities	3,172,671	4,279,952	3,777,499	1,691,409	2,458,398	3,294,228	3,970,153	22,644,310	50,383,747	(1,758,286)	71,269,771
Total Liabilities	3,680,356	4,370,802	4,610,984	2,323,008	2,563,469	3,355,989	4,024,160	24,928,768	58,883,910	(3,089,985)	80,722,693
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	2,352,314	-	2,352,314
TOTAL NET POSITION (DEFICIT)	$ 1,179,397	$ (370,168)	$ 5,002,585	$ 4,224,890	$ 753,671	$ (1,298,845)	$ (1,720,326)	$ 7,771,204	$ 116,138,146	$ -	$ 123,909,350

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

	Blended Component Units										
	Little River Glen	**Herndon Harbor House I**	**FCRHA HCDC One (Stonegate)**	**FCRHA HCDC Two (Murraygate)**	**The Green**	**Castellani Meadows**	**Tavenner Lane**	**Total Blended Component Unit**	**FCRHA**	**Eliminations**	**Primary Government**
Operating Revenues:											
Rental	$ 1,295,133	$ 637,626	$ 2,217,018	$ 1,351,358	$ 573,118	$ 237,786	$ 154,194	$ 6,466,233	$ 27,870,787	$ -	$ 34,337,020
Other	6,505	33,298	161,634	95,549	235,058	1,533	27,990	561,567	2,779,213	(225,222)	3,115,558
Total Operating Revenues	1,301,638	670,924	2,378,652	1,446,907	808,176	239,319	182,184	7,027,800	30,650,000	(225,222)	37,452,578
Operating Expenses:											
Personnel services	554,338	107,510	418,019	304,469	162,000	24,972	36,035	1,607,343	16,919,198	-	18,526,541
Contractual services	15,400	10,880	11,730	11,730	10,881	10,881	8,951	80,453	217,732	-	298,185
Utilities	131,334	78,323	298,476	351,962	156,062	809	41,323	1,058,289	3,824,211	-	4,882,500
Repairs and maintenance	188,229	114,420	316,475	333,289	176,327	58,369	102,861	1,289,970	7,090,538	-	8,380,508
Other supplies and expenses	29,608	145,697	454,370	260,923	255,219	85,777	37,285	1,268,879	5,284,778	(225,222)	6,328,435
Housing assistance payments	-	-	-	-	-	-	-	-	56,390,037	-	56,390,037
Depreciation and amortization	360,834	142,832	465,950	312,233	109,978	70,181	85,728	1,547,736	3,043,496	-	4,591,232
Total Operating Expenses	1,279,743	599,662	1,965,020	1,574,606	870,467	250,989	312,183	6,852,670	92,769,990	(225,222)	99,397,438
Operating Income (Loss)	21,895	71,262	413,632	(127,699)	(62,291)	(11,670)	(129,999)	175,130	(62,119,990)	-	(61,944,860)
Nonoperating Revenues (Expenses):											
Intergovernmental revenue	411,338	-	458,767	242,039	26,924	-	56,940	1,196,008	66,860,282	-	68,056,290
Owner distribution	-	-	-	-	-	-	(20,000)	(20,000)	-	-	(20,000)
Interest income	32,688	186	2,779	638	250	82	309	36,932	402,219	-	439,151
Interest expense	(203,121)	(93,143)	(63,153)	(20,781)	(44,159)	(96,825)	(214,736)	(735,918)	(312,802)	-	(1,048,720)
Total Nonoperating Revenues (Expenses), net	240,905	(92,957)	398,393	221,896	(16,985)	(96,743)	(177,487)	477,022	66,949,699	-	67,426,721
Change in net position	262,800	(21,695)	812,025	94,197	(79,276)	(108,413)	(307,486)	652,152	4,829,709	-	5,481,861
Net position (deficit), beginning of year, as restated	916,597	(348,473)	4,190,560	4,130,693	832,947	(1,190,432)	(1,412,840)	7,119,052	111,307,638	-	118,426,690
Net position (deficit), end of year	$ 1,179,397	$ (370,168)	$ 5,002,585	$ 4,224,890	$ 753,671	$ (1,298,845)	$ (1,720,326)	$ 7,771,204	$ 116,137,347	$ -	$ 123,908,551

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

	Blended Component Units										
	Little River Glen	Herndon Harbor House I	FCRHA HCDC One (Stonegate)	FCRHA HCDC Two (Murraygate)	The Green	Castellani Meadows	Tavenner Lane	Total Blended Component Unit	FCRHA	Eliminations	Primary Government
Cash flows from operating activities:											
Cash received from tenants	$ 1,276,026	$ 653,792	$ 2,204,895	$ 1,319,898	$ 575,512	$ 229,991	$ 143,042	$ 6,403,156	$ 26,615,687	$ -	$ 33,018,843
Cash received for services/fees	6,505	33,298	161,634	95,549	235,058	1,533	27,990	561,567	2,779,213	(6,170,083)	(2,829,303)
Purchase of property held for sale	-	-	-	-	-	-	-	-	(996,480)	-	(996,480)
Cash received from sale of property held for sale	-	-	-	-	-	-	-	-	1,341,356	-	1,341,356
Payments to employees for services	(554,339)	(107,510)	(415,065)	(304,469)	(162,000)	(24,972)	(33,283)	(1,601,638)	(15,255,110)	-	(16,856,748)
Housing assistance payments	-	-	-	-	-	-	-	-	(60,876,908)	-	(60,876,908)
Payments to suppliers for goods and services	(349,241)	(422,010)	(1,028,638)	(907,991)	(787,131)	(97,227)	(156,104)	(3,748,342)	(16,984,399)	4,876,383	(15,856,358)
Net cash provided by (used in) operating activities	378,951	157,570	922,826	202,987	(138,561)	109,325	(18,355)	1,614,743	(63,376,641)	(1,293,700)	(63,055,598)
Cash flows from noncapital financing activities:											
Intergovernmental revenues received	411,338	-	458,767	242,039	26,924	-	56,940	1,196,008	65,407,219	-	66,603,227
Owner distribution	-	-	-	-	-	-	(20,000)	(20,000)	-		(20,000)
Net cash provided by noncapital financing activities	411,338	-	458,767	242,039	26,924	-	36,940	1,176,008	65,407,219	-	66,583,227
Cash flows from capital financing activities:											
Purchase of capital assets	-	(11,154)	-	(29,403)	-	-	-	(40,557)	(1,702,090)	-	(1,742,647)
Interest/finance cost paid	(190,450)	(40,286)	(39,042)	(15,781)	-	(18,065)	(214,736)	(518,360)	(283,399)	-	(801,759)
Issuance of debt	-	-	-	-	-	-	214,666	214,666	-	-	214,666
Debt principal paid	(240,000)	(52,685)	(74,510)	-	-	(52,781)	-	(419,976)	(1,327,826)	67,522	(1,680,280)
HUD debt service and capital contributions	-	-	-	-	-	-	-	-	1,453,063	-	1,453,063
Net cash used in financing activities	(430,450)	(104,125)	(113,552)	(45,184)	-	(70,846)	(70)	(764,227)	(1,860,252)	67,522	(2,556,957)
Cash flows from investing activities:											
Receipt of loans and advances repayments	-	-	(113,383)	(8,535)	-	-	-	(121,918)	1,034,020	(67,522)	844,580
Maturity of investments	(38,266)	-	-	-	-	-	-	(38,266)	-	-	(38,266)
Acquisition of investments	-	-	-	-	-	-	-	-	(980,000)	-	(980,000)
Interest on investments	32,688	186	2,779	638	250	82	309	36,932	402,218	-	439,150
Net cash provided by (used in) investing activities	(5,578)	186	(110,604)	(7,897)	250	82	309	(123,252)	456,238	(67,522)	265,464
Net increase (decrease) in cash and cash equivalents	354,261	53,631	1,157,437	391,945	(111,387)	38,561	18,824	1,903,272	626,564	(1,293,700)	1,236,136
Cash and cash equivalents, beginning of year	2,826,176	799,586	3,791,344	1,929,451	857,116	449,228	337,781	10,990,682	51,555,199	-	62,545,881
Cash and cash equivalents, end of year	$ 3,180,437	$ 853,217	$ 4,948,781	$ 2,321,396	$ 745,729	$ 487,789	$ 356,605	$ 12,893,954	$ 52,181,763	$ (1,293,700)	$ 63,782,017

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

	Blended Component Units										
	Little River Glen	Herndon Harbor House I	FCRHA HCDC One (Stonegate)	FCRHA HCDC Two (Murraygate)	The Green	Castellani Meadows	Tavenner Lane	Total Blended Component Unit	FCRHA	Eliminations	Primary Government
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities											
Net income (loss)	$ 21,895	$ 71,262	$ 413,632	$ (127,699)	$ (62,291)	$ (11,670)	$ (129,999)	$ 175,130	$ (62,119,990)	$ -	$ (61,944,860)
Depreciation and amortization	360,834	142,832	465,950	312,233	109,978	70,181	85,728	1,547,736	3,043,496	-	4,591,232
Loss on write-off of construction in progress	-	-	-	4,500	-	-	-	4,500	-		4,500
Provision for doubtful accounts	-	-	-	-	-	-	-	-	259,029	-	259,029
(Increase) decrease in accounts receivable	(11,581)	(213)	(21,287)	(16,742)	2,394	(7,795)	(8,079)	(63,303)	(1,912,001)	-	(1,975,304)
(Increase) decrease in prepaid items and other assets	144	(12,620)	(5,773)	-	(39,893)	-	-	(58,142)	(4,912,680)	-	(4,970,822)
(Increase) decrease in net pension liability and related outflows/inflows	-	-	-	-	-	-	-	-	156,664	-	156,664
Increase (decrease) in accounts payable and accrued liabilities	13,479	(61,463)	- 56,233	47,605	(150,045)	58,609	39,455	3,873	470,877	-	474,750
Increase (decrease) in due to County	-	-	-	-	-	-	-	-	1,293,700	(1,293,700)	-
Increase (decrease) in deposits held in trust	1,850	1,393	4,907	(2,192)	1,296	-	(2,387)	4,867	(53,608)	-	(48,741)
Increase (decrease) in deferred revenues	(7,670)	16,379	9,164	(14,718)	-	-	(3,073)	82	397,872	-	397,954
Net cash provided by (used in) operating activities	$ 378,951	$ 157,570	$ 922,826	$ 202,987	$ (138,561)	$ 109,325	$ (18,355)	$ 1,614,743	$ (63,376,641)	$ (1,293,700)	$ (63,055,598)

Note 16—Related party transactions

The Authority is a General Partner and holds 0.01% to 1% interest in each of the following limited partnerships, which are reported as discrete component units (see note 4). Summarized partnership information for the year ended December 31, 2016 is as follows:

	Gum Springs Glen	Herndon Harbor House II	Morris Glen	Olley Glen	Cedar Ridge	Total
ASSETS						
Current Assets:						
Cash in bank	$ 289,330	$ 281,551	$ 441,725	$ 1,382,344	$ 1,483,616	$ 3,878,566
Restricted deposits held in trust	30,046	29,488	22,306	69,768	114,536	266,144
Accounts receivable, net of allowances	7,046	2,270	995	2,612	5,481	18,404
Prepaid expenses and other assets, current	20,299	12,713	12,968	71,246	103,209	220,435
Notes, mortgages, and other receivables	-	-	-	-	6,748	6,748
Total Current Assets	346,721	326,022	477,994	1,525,970	1,713,590	4,390,297
Noncurrent Assets:						
Restricted cash reserves	367,011	458,793	118,508	803,425	1,967,407	3,715,144
Other assets, noncurrent	-	-	-	38,039	15,299	53,338
Total other assets	367,011	458,793	118,508	841,464	1,982,706	3,768,482
Land and land improvements	514,977	737,559	273,170	3,150,098	1,595,717	6,271,521
Buildings and improvements	5,384,602	5,858,138	5,111,878	14,378,060	17,329,626	48,062,304
Equipment	150,392	198,979	121,643	338,205	320,218	1,129,437
Accumulated depreciation	(1,995,994)	(2,930,229)	(4,172,289)	(3,744,445)	(4,398,324)	(17,241,281)
Total Capital Assets	4,053,977	3,864,447	1,334,402	14,121,918	14,847,237	38,221,981
Total Noncurrent Assets	4,420,988	4,323,240	1,452,910	14,963,382	16,829,943	41,990,463
Total Assets	$ 4,767,709	$ 4,649,262	$ 1,930,904	$ 16,489,352	$ 18,543,533	$ 46,380,760
LIABILITIES AND PARTNERS' CAPITAL						
Current Liabilities:						
Accounts payable	$ 152,281	$ 23,433	$ 39,496	$ 72,884	$ 131,273	$ 419,367
Accrued interest payable	4,005	-	1,927	-	102,818	108,750
Due to FCRHA	-	-	35,000	1,210,297	-	1,245,297
Deposits held in trust	24,453	26,279	18,783	49,902	101,662	221,079
Unearned revenue	1,674	-	9,180	-	19,589	30,443
Current portion long-term debt, net	57,590	73,953	701,284	38,881	287,673	1,159,381
Total Current Liabilities	240,003	123,665	805,670	1,371,964	643,015	3,184,317
Noncurrent Liabilities:						
Noncurrent portion long-term debt, net	2,218,848	4,228,735	1,662,628	13,414,361	13,830,804	35,355,376
Noncurrent accrued interest payable	807,107	1,026,199	364,505	2,118,811	458,699	4,775,321
Total Noncurrent Liabilities	3,025,955	5,254,934	2,027,133	15,533,172	14,289,503	40,130,697
Total Liabilities	3,265,958	5,378,599	2,832,803	16,905,136	14,932,518	43,315,014
Total Partners' Capital	1,501,751	(729,337)	(901,899)	(415,784)	3,611,015	3,065,746
Total Liabilities and Partners' Capital	$ 4,767,709	$ 4,649,262	$ 1,930,904	$ 16,489,352	$ 18,543,533	$ 46,380,760

Note 16—Related party transactions (continued)

	Gum Springs Glen	Herndon Harbor House II	Morris Glen	Olley Glen	Cedar Ridge	Total
Operating Revenue:						
Rental	$ 657,856	$ 644,635	$ 632,208	$ 933,632	$ 1,066,030	$ 3,934,361
Other	44,319	29,959	31,311	134,142	254,259	493,990
Total Operating Revenue	702,175	674,594	663,519	1,067,774	1,320,289	4,428,351
Operating Expenses:						
Personnel services	127,138	106,436	148,211	176,997	360,344	919,126
Contractual services	13,630	13,780	13,780	13,630	17,395	72,215
Utilities	-	-	74,913	95,214	200,627	370,754
Repairs and maintenance	99,353	107,139	151,237	137,850	372,112	867,691
Other supplies and expenses	325,117	240,989	133,881	279,543	601,495	1,581,025
Depreciation and amortization	135,187	159,318	166,160	607,605	442,838	1,511,108
Total Operating Expenses	700,425	627,662	688,182	1,310,839	1,994,811	5,321,919
Operating Income (Loss)	1,750	46,932	(24,663)	(243,065)	(674,522)	(893,568)
Nonoperating Revenues (Expenses):						
Intergovernmental revenue	-	-	-	151,531	1,635,182	1,786,713
Interest income	653	205	185	1,228	2,281	4,552
Interest expense	(121,051)	(145,409)	(59,173)	(766,501)	(925,620)	(2,017,754)
Total Nonoperating Revenues (Expenses), net	(120,398)	(145,204)	(58,988)	(613,742)	711,843	(226,489)
Change in partners' capital	(118,648)	(98,272)	(83,651)	(856,807)	37,321	(1,120,057)
Partners' capital, beginning of year, as restated	1,620,399	(631,065)	(818,248)	441,023	3,573,694	4,185,803
Partners' capital, end of year	$ 1,501,751	$ (729,337)	$ (901,899)	$ (415,784)	$ 3,611,015	$ 3,065,746

REQUIRED SUPPLEMENTAL INFORMATION

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

JUNE 30, 2017

	2017	2016	2015
Authority's proportion of net pension liability (asset)	1.6146%	1.6215%	1.6799%
Authority's proportionate share of net pension liability (asset)	$ 24,644,244	$ 20,857,233	$17,501,779
Authority's covered-employee payroll	$ 12,145,800	$ 11,144,649	$11,282,166
Authority's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	202.9%	187.2%	155.1%
Plan fiduciary net position as a percentage of total pension liability	70.2%	74.2%	78.3%

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

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

JUNE 30, 2017

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

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

SUPPLEMENTAL INFORMATION

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

JUNE 30, 2017

		VA39P019501-14
2014 Capital Fund Program Grant:		
Funds approved	$	1,513,545
Funds expended		1,513,545
Excess of funds approved	$	-
Funds advanced	$	1,513,545
Funds expended		1,513,545
Excess of funds advanced	$	-

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Supervisors
County of Fairfax, Virginia

The Board of Commissioners
Fairfax County Redevelopment and Housing Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate discretely presented component units of the Fairfax County Redevelopment and Housing Authority (the "Authority"), a component unit of the County of Fairfax, Virginia as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated November 17, 2017. Our report includes a reference to other auditors who audited the financial statements of six blended component units and the discretely presented component units, as described in our audit report on the Authority's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of six of the blended component units (Herndon Harbor House I, FCRHA HCDC One (Stonegate), FCRHA HCDC Two (Murraygate), The Green, Castellani Meadows, Tavenner Lane), and four of the discretely presented component units (Gum Springs Glen, Herndon Harbor House II, Morris Glen and Olley Glen) were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Capital Asset – Significant Deficiency

Criteria: When a property is purchased it should be recorded as an asset if the intended use is to either use the property internally or conduct resale of the property in the future.

Condition: For the year ended June 30, 2017, the Authority purchased two properties, which were improperly expensed rather than recorded as an asset, which resulted in an understatement of assets and an overstatement of expenses of $559,520.

Cause: During the year the Authority purchased two separate properties and did not know whether the properties would meet the requirements of the FCRP program and be capitalized or if they did not meet the requirements would be recorded instead as property held for resale. The properties were expensed until the Authority determined whether or not the requirements for the FCRP program were met; the determination was not made before year end, so the assets were not recorded as an asset at year end.

Effect: At June 30, 2017, assets were understated and expenses were overstated by $559,520 which resulted in net position being understated by $559,520.

Recommendation: We recommend that the Authority put in a place a policy surrounding the purchase of property to ensure that the properties that are purchased are recorded as an asset, and then when the determination is made as to the use of the property the asset either be transferred to property held for resale or capitalized.

Management's Response: Housing and Community Development will initiate a policy on capital assets that complies with Fairfax County's Capital Asset Policy and strengthens the technical review of asset acquisitions, capitalization of assets, and will adhere to the County TECO process for substantially completed projects.

FCRP/3rd Party Oversight – Significant Deficiency

Criteria: The Authority should have appropriate oversight over the third party managed properties and the Fairfax County Rental Program ("FCRP") that includes those properties to ensure that all entries are appropriately recorded on the properties before they are consolidated into FCRP.

Condition: For the year ended June 30, 2017, the Authority had the following three adjustments where entries were not properly recorded on the third party managed properties:

- Depreciation expense was not recorded for the year by the third party management company for Mount Vernon Gardens, a privately managed property, which is included in the Rental Program Fund. This resulted in an overstatement of assets and an understatement of expenses of $72,542.
- A note payable was improperly recorded on a privately managed property's trial balance for a note payable that did not exist based on the financial statements received by the third party management company. This resulted in an overstatement of liabilities and expenses of $90,500.
- Bank reconciliations were not properly performed for Wedgewood, a privately managed property within the Rental Program fund. Revenue was deposited into the bank and was erroneously excluded from the Wedgewood financial statements. This resulted in an understatement of cash and deferred revenues of $55,749.

Cause: There are multiple properties included in the Fairfax County Rental Program that are managed by third parties. Those third parties submit their financial information at year end to the Authority for inclusion in FCRP, and the third party financial statements do not conform with the correct accounting or format needed for producing the FCRP financial statements. There is no prescribed template from the Authority for the way that the information should be submitted to ensure that the data received is entered appropriately, which resulted in the information being entered incorrectly. The third party financial statements are also not audited, and thus need greater technical oversight for the information being provided.

Effect: At June 30, 2017, assets were overstated by $72,542, liabilities were overstated by $139,422, and expenses were overstated by $66,880, which resulted in net position being understated by $66,880.

Recommendation: We recommend that the Authority allocate greater resources for the technical review of FCRP and the information from third party managed properties. We further recommend that the Authority put a procedure in place for third party managed properties for how they want the financial information to be received and that it be reviewed regularly to ensure that all appropriate entries have been made and that balances agree to supporting documentation.

Management's Response: Housing and Community Development will strengthen the financial review process for third party managed properties. Appropriate resources will be deployed to assure the proper technical oversight and review of the accounting activities performed by these third party managed properties to include ongoing financial review of their trial balances and statements. In addition, procedures will be developed and a template will be created to assure financial information received from third party managed properties is presented correctly for financial reporting purposes and overall compliance of accounting policies and GAAP are performed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*:

State and Local Statement of Economic Interest

Criteria: Section 2.2-3115(A) of the Code of Virginia requires persons holding positions of trust appointed or employed by the governing body, if the governing body has passed an ordinance requiring them to file, must file a State and Local Statement of Economic Interest ("SOEI") with the office of the Virginia Conflict of Interest and Ethics Advisory Council (the "Council") annually by January 15th.

Further, Section 2.2-3115(A) and (B) of the Code of Virginia specifies that certain members, listed below, of local entities must file a Financial Disclosure Statement with the Council annually by January 15th:

- Members of the governing body of any authority established in a county or city with the power to issue bonds or expend funds in excess of $10,000 in any fiscal year, unless required to file the SOEI by the governing body of the appointing jurisdiction.

- Non-salaried citizen members of local boards, commissions and councils if the governing body has designated them to file.

Condition: We noted the following instance of incomplete submissions:

- SOEI – Of eleven (11) forms selected for testing, one (1) form was incomplete.

Cause: Completed statements not filed in accordance with the regulations.

Effect: Non-compliance may result in action by the Commonwealth.

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

Management's Response: Management concurs with this finding. As a result of the controls adopted last year, there has been significant improvement in forms submission and the completeness of the submitted forms. As identified in the prior year, additional controls were added to improve compliance with the filing requirements, and we continue to strive to obtain 100% compliance with these requirements.

The Authority's Response to Findings

The Authority's response to the findings identified in our audit is described above. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Cherry Bekaert LLP

Tysons Corner, Virginia
November 17, 2017