

HOUSING AUTHORITY OF FULTON COUNTY
Atlanta, Georgia

FINANCIAL STATEMENTS
September 30, 2015

HOUSING AUTHORITY OF FULTON COUNTY
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YEAR ENDED SEPTEMBER 30, 2015

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Independent Auditors' Report

Board of Commissioners
Housing Authority of Fulton County
Atlanta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of Fulton County (the Authority), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2015, and the change in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental financial data schedule, as required by the United States Department of Housing and Urban Development, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental financial data schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Lakeland, Florida

June 13, 2016

**HOUSING AUTHORITY OF FULTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2015**

As management of the Housing Authority of Fulton County (the Authority), we offer the readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the Authority's basic financial statements. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Fulton County Housing Authority, 4273 Wendell Drive, Atlanta, Georgia 30336.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities as of September 30, 2015 by \$18,106,717 (net position) as opposed to \$18,473,107 for the previous fiscal year.
- The Authority's cash and investments balance as of September 30, 2015 was \$789,139 representing an increase of \$276,498 from September 30, 2014.
- The Authority had total operating revenues of \$21,154,516 and total operating expenses of \$20,841,075 for the year ended September 30, 2015.
- Depreciation expense accounted for \$166,537 of total expenses during the year ended September 30, 2015.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements included in this annual report are designed to be corporate-like in that all business-type activities are consolidated for the entire Authority. The following statements are included:

- **Statement of Net Position** – reports the Authority's assets and liabilities at the end of the fiscal year and provides information about the nature and amounts of investment of resources and obligations to creditors. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- **Statement of Revenues, Expenses and Changes in Net Position** – reports the results of activity over the course of the fiscal year. It details the costs associated with operating the Authority and how those costs were funded.
- **Statement of Cash Flows** – reports the Authority's cash flows in and out from operating activities, capital and related financing activities and investing activities. It details the sources of the Authority's cash, what it was used for, and the change in cash over the course of the fiscal year.

The Authority also reports a blended component unit. The Community Opportunity Centers, Inc., is a 501(c)(3) non-profit entity which provides housing and employment assistance to low income residents of the Authority and the surrounding County.

The attached analysis of net position, revenue, and expenses provide a comprehensive portrayal of financial conditions and related trends. The analysis includes all assets and liabilities using the accrual basis of accounting. Our analysis of the Authority as a whole begins on the following page. Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenue and expenses when earned regardless of when cash is received or paid.

Certain prior year balances have been restated to conform to the current year presentation.

**HOUSING AUTHORITY OF FULTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2015**

To begin our analysis, a summary of the Authority's Statement of Net Position is presented in Table 1.

| Statement of Net Position | | | | |
|------------------------------------|----------------------|----------------------|---------------------|-----------------|
| Table 1 | | | | |
| | <u>9/30/2015</u> | <u>9/30/2014</u> | <u>\$ Change</u> | <u>% Change</u> |
| ASSETS | | | | |
| Current and other assets | \$ 8,813,853 | \$ 8,235,185 | \$ 578,668 | 7.03% |
| Capital assets | 10,531,721 | 11,595,460 | (1,063,739) | (9.17)% |
| Total assets | <u>\$ 19,345,574</u> | <u>\$ 19,830,645</u> | <u>\$ (485,071)</u> | <u>(2.45)%</u> |
| LIABILITIES | | | | |
| Current and other liabilities | \$ 517,976 | \$ 486,001 | \$ 31,975 | 6.58% |
| Long-term debt outstanding | 810,881 | 871,537 | (60,656) | (6.96)% |
| Total liabilities | <u>1,328,857</u> | <u>1,357,538</u> | <u>(28,681)</u> | <u>(2.11)%</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 9,720,840 | 10,723,923 | (1,003,083) | -9.35% |
| Restricted | 511,904 | 63,118 | 448,786 | 711.03% |
| Unrestricted | <u>7,783,973</u> | <u>7,686,066</u> | <u>97,907</u> | <u>1.27%</u> |
| Total net position | <u>18,016,717</u> | <u>18,473,107</u> | <u>(456,390)</u> | <u>-2.47%</u> |
| Total liabilities and net position | <u>\$ 19,345,574</u> | <u>\$ 19,830,645</u> | <u>\$ (485,071)</u> | <u>-2.45%</u> |

Major Factors Affecting the Statement of Net Position

As illustrated in the Statement of Net Position, overall net position of the Authority decreased by \$456,390. The Statement of Revenues, Expenses and Changes in Net Position contained in the financial statements illustrate this decrease.

Current and other assets increased by \$578,668, which is mainly due to loan activity related to mixed finance development and RAD conversion activity. Total capital assets decreased by \$1,063,739 primarily due to the current year depreciation expense of \$166,537 as well as the RAD conversion/disposition of the Allen Road property.

Current liabilities increased by \$31,975 primarily due to an increase in year end accruals. Total long-term debt outstanding decreased by \$60,656 related to current year principal debt payments.

Net Investment in Capital Assets decreased by \$1,003,083. Unrestricted net position increased by \$97,907 while restricted net position increased by \$448,789. The decrease in net position is illustrated in the analysis of the Financial Data Schedule.

While the Statement of Net Position presents financial position as of the end of the year, the Statement of Revenues, Expenses, and Changes in Net Position provides a detailed breakdown of major categories of revenues and expenses. Table 2 below provides a summary of this financial information. Explanations for significant changes follow the table. Compared to the fiscal year ended September 30, 2014, operating revenues had an overall increase of \$368,412, or 1.77%.

**HOUSING AUTHORITY OF FULTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2015**

**Statement of Revenues, Expenses and Changes in Net Position
Table 2**

| | <u>9/30/2015</u> | <u>9/30/2014</u> | <u>\$ Change</u> | <u>% Change</u> |
|--|----------------------|----------------------|---------------------|-----------------|
| OPERATING REVENUES | | | | |
| Tenant revenue | \$ 342,592 | \$ 339,743 | \$ 2,849 | 0.84% |
| HUD grants | 8,177,253 | 8,518,889 | (341,636) | -4.01% |
| Other government grants | 576,148 | 200,586 | 375,562 | 187.23% |
| Other revenue | <u>12,058,523</u> | <u>11,726,886</u> | <u>331,637</u> | <u>2.83%</u> |
| Total operating revenues | <u>21,154,516</u> | <u>20,786,104</u> | <u>368,412</u> | <u>1.77%</u> |
| OPERATING EXPENSES | | | | |
| Administrative | 2,077,694 | 2,324,265 | (246,571) | -10.61% |
| Tenant services | 19,103 | 47,737 | (28,634) | -59.98% |
| Utilities | 178,040 | 248,929 | (70,889) | -28.48% |
| Maintenance and operation | 205,710 | 320,212 | (114,502) | -35.76% |
| Protective services | 5,869 | 4,086 | 1,783 | 43.64% |
| Insurance | 39,304 | 56,976 | (17,672) | -31.02% |
| General expenses | 555,784 | 323,875 | 231,909 | 71.60% |
| Housing assistance payments | 17,593,034 | 17,250,754 | 342,280 | 1.98% |
| Depreciation expense | <u>166,537</u> | <u>291,783</u> | <u>(125,246)</u> | <u>-42.92%</u> |
| Total operating expenses | <u>20,841,075</u> | <u>20,868,617</u> | <u>(27,542)</u> | <u>-0.13%</u> |
| Operating income (loss) | <u>313,441</u> | <u>(82,513)</u> | <u>395,954</u> | <u>479.87%</u> |
| NON-OPERATING REVENUE (EXPENSE) | | | | |
| Investment income - unrestricted | 160,997 | 260 | 160,737 | 61821.92% |
| Interest expense and amortization cost | <u>(37,472)</u> | <u>(41,778)</u> | <u>4,306</u> | <u>-10.31%</u> |
| Total non-operating revenue (expense) | <u>123,525</u> | <u>(41,518)</u> | <u>165,043</u> | <u>-397.52%</u> |
| Change in net position before special item | 436,966 | (124,031) | 560,997 | -452.30% |
| SPECIAL ITEM | | | | |
| Loss on disposal of capital assets | <u>(893,356)</u> | <u>-</u> | <u>(893,356)</u> | <u>100.00%</u> |
| CHANGE IN NET POSITION | (456,390) | (124,031) | (332,359) | -267.96% |
| NET POSITION, BEGINNING OF YEAR | <u>18,473,107</u> | <u>18,597,138</u> | <u>(124,031)</u> | <u>-0.67%</u> |
| NET POSITION, END OF YEAR | <u>\$ 18,016,717</u> | <u>\$ 18,473,107</u> | <u>\$ (456,390)</u> | <u>-2.47%</u> |

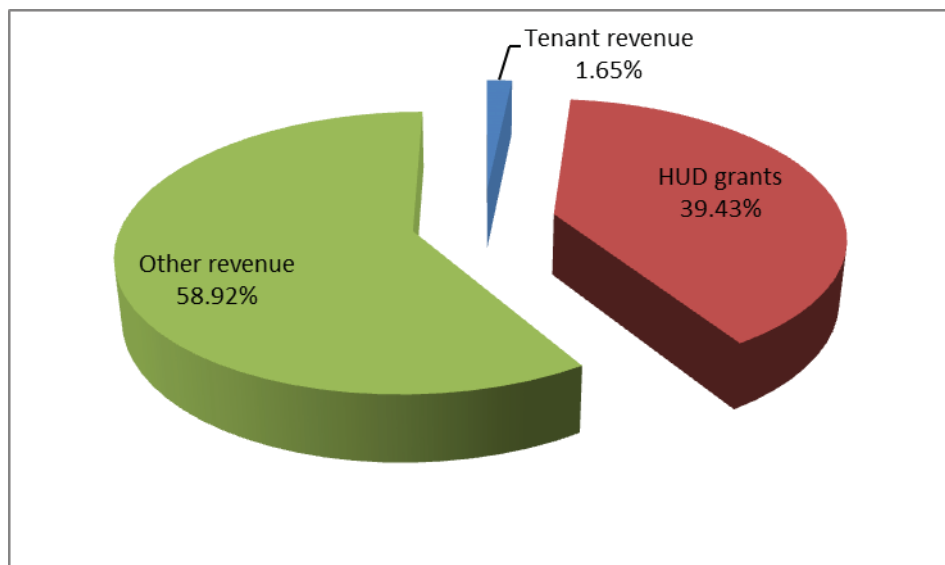
**HOUSING AUTHORITY OF FULTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2015**

Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Position

Other government grants increased by \$375,562 due to an increase in HOME grant funding received by the County. The Authority receives funds from other housing authorities for administering HAP payments for portable participants within the Authority's jurisdiction, which makes up approximately 52.30% of total revenue. Other revenue increased by \$555,926 due to increased portability revenue.

The following chart shows the breakout of revenues.

2015 Operating Revenues



Administrative Expenses

Administrative costs decreased by \$246,571 or 10.61%. The decrease is mainly due to a decrease in office, legal, and other expenses.

General Expenses

General expenses increased by \$231,909 or 71.60%. The increase is mainly due to increases in various insurances and other general expenses.

Loss on Disposal of Capital Assets

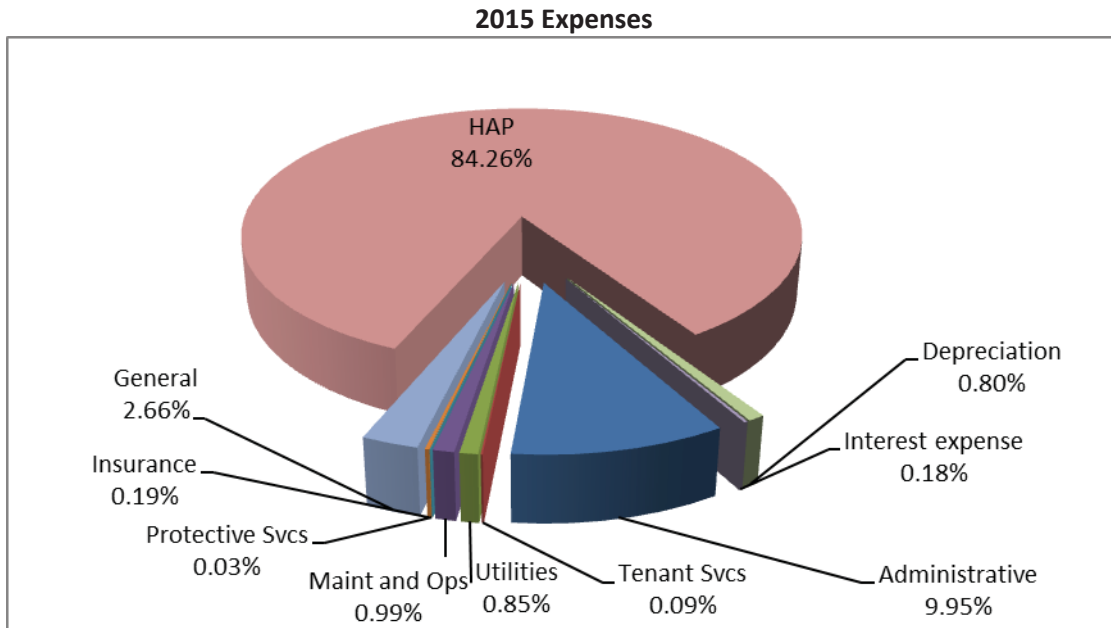
Cost of sale of assets increased by \$893,356 or 100%. This relates to the conversion and disposition of Allen Road under the RAD program.

**HOUSING AUTHORITY OF FULTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2015**

Housing Assistance Payments Program

HAP payments consist of rental payments to owners of private property for which the housing authority has a HAP agreement with the tenant and the owner for the difference between the tenants' rent and the applicable payment standard. During fiscal year 2015, Housing Assistance Payments expense increased by \$342,280 or approximately 1.98%. This also includes portable voucher expense which consists of payments to landlords on behalf of tenants from other housing authorities who are now in the Authority's jurisdiction.

The following chart shows the breakout of expenses.



Capital Assets

Table 3 below provides a summary of changes in capital assets.

**Statement of Capital Assets
Table 3**

| | <u>9/30/2015</u> | <u>9/30/2014</u> | <u>\$ Change</u> | <u>% Change</u> |
|---|----------------------|----------------------|-----------------------|-----------------|
| Land | \$ 9,353,109 | \$ 9,353,109 | \$ - | 0.00% |
| Buildings and improvements | 1,949,540 | 10,530,084 | (8,580,544) | -81.49% |
| Equipment | 234,822 | 296,184 | (61,362) | -20.72% |
| Total capital assets | 11,537,471 | 20,179,377 | (8,641,906) | -42.83% |
| Accumulated depreciation | (1,005,750) | (8,583,917) | 7,578,167 | -88.28% |
| Total capital assets net of accumulated depreciation | \$ 10,531,721 | \$ 11,595,460 | \$ (1,063,739) | -9.17% |

At the end of fiscal year 2014, the Authority had capital assets of \$11,595,460, net of depreciation. As of September 30, 2015, the Authority decreased its net capital assets to \$10,531,721. The decrease relates to the RAD conversion of the Public Housing program in fiscal year 2015 and current year depreciation expense.

**HOUSING AUTHORITY OF FULTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2015**

Long-Term Debt

Table 4 below provides a summary of changes in long-term debt.

| Long-Term Debt Table 4 | | | | | |
|-----------------------------------|------------------------------|------------------|--------------------|------------------------------|----------------------------|
| | <u>Balance 9/30/2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance 9/30/2015</u> | <u>Current Portion</u> |
| Single Family Homes | \$ 561,502 | \$ - | \$ (21,904) | \$ 539,598 | \$ 21,577 |
| Wendell Mortgage | 310,035 | - | (38,752) | 271,283 | 38,634 |
| Accrued Compensated Absences | 51,056 | - | (11,985) | 39,071 | 3,907 |
| Total Long-Term Debt | <u>\$ 922,593</u> | <u>\$ -</u> | <u>\$ (72,641)</u> | <u>\$ 849,952</u> | <u>\$ 64,118</u> |

During the current year the debt activity changed as illustrated in the table above. The decrease relates to principal payments of \$60,656. Further details of the long-term debt obligations and the prior year balance are contained in the notes to the financial statements.

Economic Factors and Events Affecting Operations

Several factors may affect the financial position of the Authority in the subsequent fiscal year. These factors include:

- The U.S. Department of Housing and Urban Development (HUD) has issued several key notices about the potential for further funding decreases that will have an adverse effect on the Authority. Particularly a decrease in administrative fee funding and housing assistance funding will have a significant impact on the operations of the Authority and the number of families we are able to serve.
- Health care and other insurance costs are expected to increase dramatically over the next several years.
- The Authority's non-federal revenues are expected to decrease as the result of the downturn in the economy which affects housing and other development efforts.
- The unemployment rate for the metro Atlanta area as of September 30, 2015 was 5.7%, compared to 7.3% in the previous year. This decrease in unemployment over the previous year demonstrates that the area is recovering slightly from the economic downturn, however the recovery is slow and high unemployment is still a significant factor that the Authority's clients face. The impact on the Authority is that high unemployment leads to lower rents, and given the reduced funding proration's offered by the U.S. Department of HUD, the results are a funding squeeze on the Authority.

**HOUSING AUTHORITY OF FULTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2015**

Conclusions

Overall, the Authority maintains a stable financial picture. Management is committed to staying abreast of regulations and appropriations as well as maintaining an ongoing analysis of all budgets and expenses to ensure that the Authority continues to operate at the highest standards established by the Real Estate Assessment Center (REAC) and the Department of HUD.

This financial report is designed to provide our residents, the citizens of the County of Fulton, Georgia, all federal and state regulatory bodies, and any creditors with a general overview of the Authority's finances. If you have any questions regarding these financial statements or supplemental information, you may make inquiry by writing to: Housing Authority of Fulton County, 4273 Wendell Drive, Atlanta, GA 30336, attention: Executive Director.

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF FULTON COUNTY
STATEMENT OF NET POSITION
September 30, 2015

ASSETS

CURRENT ASSETS

| | |
|---|------------|
| Cash and cash equivalents | \$ 215,344 |
| Cash and cash equivalents - restricted for payment of liabilities | 62,823 |
| Cash and cash equivalents - restricted other | 510,972 |
| Accounts receivable, net | 11,300 |
| Prepaid expenses and other assets | 24,385 |
| Total current assets | 824,824 |

NONCURRENT ASSETS

| | |
|---------------------------------------|------------|
| Notes receivable, net | 7,989,029 |
| Capital assets not being depreciated | 9,353,109 |
| Capital assets being depreciated, net | 1,178,612 |
| Total noncurrent assets | 18,520,750 |

TOTAL ASSETS

\$ 19,345,574

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

| | |
|---|------------|
| Accounts payable | \$ 154,339 |
| Accrued wages and payroll taxes payable | 36,688 |
| Accrued compensated absences, current portion | 3,907 |
| Accrued interest payable | 1,714 |
| Unearned revenue | 122,961 |
| Other current liabilities | 64,323 |
| Current portion of long-term debt | 60,211 |
| Total current liabilities | 444,143 |

CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS

| | |
|--------------------------|-----|
| Tenant security deposits | 900 |
|--------------------------|-----|

NONCURRENT LIABILITIES

| | |
|--|---------|
| Long-term debt, net of current portion | 750,670 |
| Unearned revenue on ground lease | 97,980 |
| Accrued compensated absences, net of current portion | 35,164 |
| Total noncurrent liabilities | 883,814 |

| | |
|-------------------|-----------|
| Total liabilities | 1,328,857 |
|-------------------|-----------|

NET POSITION

| | |
|----------------------------------|------------|
| Net investment in capital assets | 9,720,840 |
| Restricted | 511,904 |
| Unrestricted | 7,783,973 |
| Total net position | 18,016,717 |

TOTAL LIABILITIES AND NET POSITION

\$ 19,345,574

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

HOUSING AUTHORITY OF FULTON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended September 30, 2015

| | |
|--|-----------------------------|
| OPERATING REVENUES | |
| Tenant revenue | \$ 342,592 |
| HUD grants | 8,177,253 |
| Other governmental grants | 576,148 |
| Other revenue | <u>12,058,523</u> |
| Total operating revenue | <u>21,154,516</u> |
| OPERATING EXPENSES | |
| Administrative | 2,077,694 |
| Tenant services | 19,103 |
| Utilities | 178,040 |
| Maintenance and operation | 205,710 |
| Protective services | 5,869 |
| Insurance | 39,304 |
| General expenses | 555,784 |
| Housing assistance payments | 17,593,034 |
| Depreciation expense | <u>166,537</u> |
| Total operating expenses | <u>20,841,075</u> |
| Operating income | <u>313,441</u> |
| NON-OPERATING REVENUE (EXPENSES) | |
| Investment income | 160,997 |
| Interest expense | <u>(37,472)</u> |
| Total non-operating revenue (expenses) | <u>123,525</u> |
| Change in net position before special item | <u>436,966</u> |
| SPECIAL ITEM | |
| Loss on disposal of capital assets (see note 12) | <u>(893,356)</u> |
| CHANGE IN NET POSITION | (456,390) |
| NET POSITION, BEGINNING OF YEAR | <u>18,473,107</u> |
| NET POSITION, END OF YEAR | <u><u>\$ 18,016,717</u></u> |

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

HOUSING AUTHORITY OF FULTON COUNTY
STATEMENT OF CASH FLOWS
Year Ended September 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|---------------------|
| Dwelling rent receipts | \$ 357,390 |
| Operating subsidy and grant receipts | 8,753,401 |
| Other governmental subsidy and grant receipts | 63,963 |
| Other income receipts | 11,853,481 |
| Payments to and benefits for employees | (1,342,570) |
| Payments to suppliers | (1,533,417) |
| Payments to landlords | <u>(17,593,034)</u> |
| Net cash provided by operating activities | <u>559,214</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|-----------------|
| Principal paid on capital debt | (60,656) |
| Interest paid on capital debt | (29,530) |
| Purchase of capital assets | <u>(5,600)</u> |
| Net cash used in capital and related financing activities | <u>(95,786)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|------------------------------|------------------|
| Interest income | 307 |
| Advances on notes receivable | <u>(187,237)</u> |
| Net cash used in investing | <u>(186,930)</u> |

NET INCREASE IN CASH AND CASH EQUIVALENTS

276,498

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

512,641

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 789,139

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES

| | |
|---|--------------------------|
| Operating income | \$ 313,441 |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation expense | 166,537 |
| Bad debt expense | 139,736 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (81,956) |
| Prepaid expenses and other current assets | (12,023) |
| Accounts payable | (58,096) |
| Wages and payroll taxes payable | 28,189 |
| Compensated absences | (11,985) |
| Tenant security deposits | (13,168) |
| Accrued liabilities - other | 21,716 |
| Unearned revenues | <u>66,823</u> |
| Net cash provided by operating activities | <u><u>\$ 559,214</u></u> |

The accompanying notes are an integral part of the financial statements

HOUSING AUTHORITY OF FULTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Housing Authority of Fulton County (the Authority) is a public body corporate and politic organized under the Housing Authority's Laws of the State of Georgia. The Authority has broad corporate powers including the power to acquire, administer and renovate housing. The primary purpose of the Authority is to provide safe, decent and affordable housing assistance for the citizens of Fulton County, Georgia. Many of the Authority's programs are funded and regulated by the U.S. Department of Housing and Urban Development (HUD) under the provisions of the U.S. Housing Act of 1937, as amended.

Reporting Entity

The Governmental Accounting Standards Board has established criteria for determining the governmental reporting entity and component unit that should be included within the reporting entity. Under these criteria, the Authority is considered to be a *primary government*, since it is a special purpose government that has a separate governing body, is legally separate and is fiscally independent of other state or local governments. The governing body of the Authority is its Board of Commissioners (the "Board") which is comprised of nine members appointed by the Fulton County, Georgia Board of Commissioners. Currently nine members are appointed and active, but the Authority designates its own management. The Board appoints the Chairman of the Board and the Executive Officer to administer the business of the Authority.

The Authority is a related organization of Fulton County, Georgia since the members of its Board of Commissioners are appointed by the Fulton County Board of Commissioners. Fulton County is not financially accountable for the Authority as it cannot impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on Fulton County. Accordingly, the Authority is not a component unit of Fulton County.

In determining how to define the reporting entity, management has considered all potential component units. The determination to include a component unit in the reporting entity was made by applying criteria established by the Governmental Accounting Standards Board Statement. These criteria include manifestation of oversight responsibility, including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential dual inclusion and organizations included in the reporting entity, although the primary organization is not financially accountable.

Based on the application of the above criteria, the Authority has included The Community Opportunity Centers, Inc. as a blended component unit and has incorporated this entity into its financial statements. The Community Opportunity Centers, Inc., is a 501(c)(3) non-profit entity which provides housing and employment assistance to residents of the Authority and the surrounding County.

Blended Component Units

Community Opportunity Center, Inc. – owns and operates units located in Fulton County, Georgia, to serve market and low-to-moderate income residents. The organization exists to further the mission of the Authority and the Authority has substantial control over the organization.

HOUSING AUTHORITY OF FULTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting

In accordance with uniform financial reporting standards for HUD programs, the financial statements of the Authority are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Authority's reporting entity applied all relevant Government Accounting Standards Board (GASB) pronouncements.

The Authority reports its operations under the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting. The enterprise fund emphasizes the flow of economic resources measurement focus. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Revenues are recorded when they are earned and expenses are recorded at the time liabilities are incurred.

The enterprise fund is used to account for those operations that are financed and operated in a manner similar to private business or where the Board of Commissioners has decided that the determination of revenues earned, costs incurred, and/or change in net position necessary for management accountability is appropriate. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the public on a continuing basis be financed or recovered primarily through user charges.

Program/Activity Accounting

The accounting records are established in a manner which enables the Authority to ensure observance of limitations and restrictions placed on the use of resources available to it. The accounting records are also maintained in a manner that provides the Authority with the ability to monitor the financial results associated with certain other activities or otherwise provide for management accountability.

Separate identifiable accounts are maintained within the accounting records for each program/activity. However, all of the programs/activities described below are part of a single enterprise fund for financial reporting purposes.

Public and Indian Housing (CFDA 14.850)

This program accounts for those projects owned by the Authority that are subsidized by HUD under an Annual Contributions Contract.

Disaster Voucher Program (CFDA 14.DVP)

This program assists all families that had federal housing assistance before hurricane Katrina under Section 8, Public Housing, Mod Rehab, Section 236 and 236(bi), homeless programs and other HUD determinants.

HOUSING AUTHORITY OF FULTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Housing Choice Voucher Program (CFDA 14.871)

The Authority receives Section 8 funding under its Annual Contributions Contract with HUD. The purpose of the Housing Choice Voucher Program is to provide decent and affordable housing to low income families and elderly and handicapped persons by providing a rental subsidy. The subsidized units are owned and managed by private landlords. Fees earned by the Authority for administering this program are intended to cover the cost of program operations.

The Authority performs the administration over portable vouchers entering in, and receives reimbursement from other public housing authorities owning the voucher to cover the housing assistance payment. The Authority also receives an administrative fee representing tenant based vouchers residing in other locations. The Authority pays other public housing authorities the housing assistance payment and eighty percent of the administrative fee received from HUD.

Public Housing Capital Fund (CFDA 14.872)

This program accounts for the activities of the Authority's capital improvement program. The Authority receives grant funding from HUD to make improvements to its public housing complexes and to pay for other expenses related to the operation of the Authority.

Disaster Housing Assistance Program (CFDA 97.109)

In November 2007, the Federal Emergency Management Agency (FEMA) and HUD collaborated and designed the Disaster Housing Assistance Program (DHAP) to assist families who did not receive any federal housing subsidy before hurricane Katrina. This program is used for ongoing long term housing subsidy when a natural disaster occurs.

Other Business Activities

This program accounts for the other activities of the Authority that are not restricted by outside sources as to expenditure for the benefit of specific projects or purposes.

Budgets

Budgets are prepared on an annual basis for each fund and program and are used as a management tool throughout the accounting cycle. The budgets for the Capital Fund and certain other multi-year grant programs are adopted on a "project length" basis. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

Cash and Cash Equivalents

The Authority considers all highly-liquid short-term investment instruments with an original maturity of three months or less to be cash equivalents.

HOUSING AUTHORITY OF FULTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes Receivable

The Authority advances money to affordable housing projects to help fund the development of low income housing units. Such notes are repayable out of the properties' cash flows, residual values and possible mortgage proceeds. A provision for possible losses of the notes receivable is made when, in the opinion of management, the note balance exceeds the net realizable value of the underlying collateral. As a result the Authority has established an allowance for losses on notes receivable and related interest receivable based on expected net realizable value at September 30, 2015.

Accounts Receivable

Receivables consist of amounts due from tenants, federal, state and local governments and others in the ordinary course of business. Other accounts receivable represents receivables from other housing authorities for Section 8 Portability payments.

Allowance for Doubtful Accounts

Receivables from tenants and others are reported net of an allowance for doubtful accounts. Management estimates this allowance based on historical collection experience. Management believes amounts due from federal, state and local governments are fully collectable.

Portability accounts receivables are reported net of an allowance for absorption. Port ins that are not billed timely are subject to absorption by the Authority. Management's estimate of the allowance is based on historical collection experience and a review of the current status of port accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond September 30, 2015 are recorded as prepaid items.

Capital Assets

All purchased capital assets are valued at cost when historical records are available. When no historical records are available, capital assets are valued at estimated historical cost. Routine repairs and maintenance are charged against operations. Betterments in excess of \$5,000 and with a useful life greater than 1 year are capitalized. Certain major repairs (i.e. painting, roofing and plumbing) are also charged against operations in accordance with HUD policies and procedures. Donated assets are recorded at fair market value as of the date of donation. Depreciation is calculated using the straight-line method over the useful life of the related asset. The useful lives range from 15 to 40 years for buildings and improvements and from 3 to 7 years for equipment. When assets are disposed of, the related cost and accumulated depreciation are relieved and any gain or loss is included in change in net assets.

HOUSING AUTHORITY OF FULTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Authority has been involved in various demolition activities in conjunction with its modernization and development programs. In accordance with GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the Authority has at September 30, 2015, recognized in the accompanying financial statements the impact of the demolition activities. Under the provisions of the statement, prominent events or changes in circumstances affecting capital assets are required to be evaluated to determine whether impairment of a capital asset has occurred. Impaired capital assets that will no longer be used should be reported at the lower of carrying value or fair value. Impairment of capital assets with physical damage generally should be measured using the restoration cost approach, which uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written off. No such impairment loss was incurred during the current year.

Net Position

Net position in proprietary financial statements is classified in three components as follows:

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 resources when constraints are placed on the resources by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: This component consists of resources that do not meet the definition of “Net Investment in Capital Assets,” or “Restricted Net Position.”

The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. Total net position for fiscal year 2015 is \$18,016,717. Of this, \$9,720,840 is investment in capital assets, \$511,904 is restricted, and \$7,783,973 is unrestricted. Restricted net position is restricted for housing assistance payments within the Housing Choice Voucher program (\$215,186) and for future construction of affordable housing within in the Public Housing program (\$296,718).

Compensated Absences

The Authority’s policy allows employees to accumulate unused sick leave up to a maximum of 45 days (360 hours) and vacation leave up to a maximum depending on years of eligible service. Upon separation from the Authority, employees are not paid for any unused sick leave. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of work, up to a cap equal to two times the annual vacation amount. Management has estimated that approximately 10% of accrued compensated absences will be used within the next fiscal year.

Unearned Revenue

Unearned revenue represents the cumulative amounts by the grantor for the HOME program. Revenue is not recognized until housing assistance payments are paid. This amount represents unpaid amounts restricted for housing assistance payments.

HOUSING AUTHORITY OF FULTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Non-Operating Revenues and Expenses

The Authority recognizes operating revenues and expenses as a result of providing low rent housing and other services. The principal operating revenues of the Authority consist of tenant rental charges, operating subsidies and grants and other revenues received from ancillary operations such as maintenance charges to tenants and similar operations. Operating expenses include the costs of operating the Authority owned housing complexes, administrative expenses, and costs associated with providing program services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Government Grants and Subsidies

The subsidies and grants received by the Authority from HUD under Annual Contributions Contracts are recorded as operating revenue in the period earned in accordance with GAAP.

Pursuant to the Annual Contributions Contract with HUD, the Authority receives an operating subsidy for its operation of the Public Housing program.

Use of Estimates

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

Income Taxes

The Authority is a public body corporate and politic exempt from federal and state income taxes.

New Accounting Pronouncements

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This includes various transactions such as mergers, acquisitions and transfers of operations. During the current year the disposal of a governmental unit was disclosed in note 12.

NOTE 2 – CASH AND CASH EQUIVALENTS

Deposits and Certificates of Deposit

At September 30, 2015, the Authority's total bank balances were \$805,589 and the total book balance was \$789,139. All deposits of the Authority are considered to be cash and cash equivalents at September 30, 2015.

HOUSING AUTHORITY OF FULTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its securities that are in the possession of an outside party. As of September 30, 2015, no bank balances were exposed to custodial risk. All cash deposits and certificates of deposits are carried at cost and are in financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Amounts in excess of the FDIC limit of \$250,000 at September 30, 2015 are entirely collateralized by specifically identified securities of the U.S. Government or its agencies.

The Authority's investment policy requires that a register shall be maintained and an investment strategy will be developed as a part of the budget process. Periodic reviews will be made considering anticipated revenues and expenditures to determine the amount of investments to be made. Authorized investments consist of those approved by the U.S. Department of HUD including direct U.S. obligations, U.S. agency obligations, repurchase agreements, and money market mutual funds. The Authority did not have any investments at September 30, 2015. Of the \$789,139 book balance of cash, \$252,373 is unrestricted, \$412,986 is restricted for RHF replacement housing due to the RAD conversion, \$900 is restricted for tenant security deposits, and \$122,080 is restricted for payment of housing assistance payments in the HOME program.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of September 30, 2015 consisted of the following:

| | |
|--|-------------------------|
| PHA projects - net of allowance for doubtful accounts of \$1,196,788 | \$ - |
| Tenant receivables - net of allowance for doubtful accounts of \$1,046 | - |
| Miscellaneous- net of allowance for doubtful accounts of \$847,103 | <u>11,300</u> |
| Total | <u><u>\$ 11,300</u></u> |

NOTE 4 – NOTES RECEIVABLE

Arcadia Note Receivable

The Authority entered into a note with Ashton South Fulton, LP (Arcadia) on December 11, 2007 in the amount of \$6,327,292. The note bears interest at 1.00% and is payable out of Arcadia's available cash flow, as defined in the note receivable agreement, and due in full at maturity on December 1, 2052. The note is secured by the underlying property. The Authority funded the amount to help construct 76 public housing units within the Arcadia Phase I development. These funds were provided to the Authority by HUD in prior years under the Hope VI grant. The note receivable is presented net of its valuation allowance of \$1,498,358 on the accompanying statement of net position.

HOUSING AUTHORITY OF FULTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

Legacy Note Receivable

The Authority entered into a note with Legacy at Walton Lakes, LP (Legacy) on August 21, 2008 in the amount of \$1,584,000. The note bears interest at a maximum rate of 4.46% and is payable out of Legacy's available cash flow, as defined in the note receivable agreement, and due in full at maturity on August 20, 2030. The note is secured by the underlying property. The Authority funded the amount to help construct 16 public housing units within the Legacy development. These funds were provided to the Authority by HUD for replacement housing purposes. The note receivable is presented net of its valuation allowance of \$459,160 on the accompanying statement of net position. The note receivable balance as of September 30, 2015 is \$1,584,000.

Woodbridge Note Receivable

On March 15, 2010, the Authority entered into a loan agreement with Ashton SF Senior, LP in the amount of \$1,893,505 to finance a portion of the construction costs related to Woodbridge at Parkway Village. The loan includes \$650,000 in HOPE VI funds, \$543,505 in Replacement Housing Factor (RHF) funds, and \$700,000 in America Recovery and Reinvestment Act (ARRA) funds. The note bears interest at a maximum rate of 4.62% during construction. Monthly principal and interest payments began on September 1, 2011 and mature on August 1, 2057. The note is secured by the underlying property. As of September 30, 2015, \$1,857,987 has been advanced. The note receivable is presented net of its valuation allowance of \$763,250 on the accompanying statement of net position.

Providence at Parkway Note Receivable

On August 1, 2014, the Authority entered into a loan agreement with TBG Providence, L.P. in the maximum amount of \$700,000 to finance a portion of the construction costs related to Providence at Parkway Village. The note bears interest at a maximum rate of 1.00% during construction. Monthly principal and interest payments are due from surplus cash with all outstanding principal and accrued interest maturing on August 1, 2059. The note is secured by the underlying property. As of September 30, 2015, \$700,000 has been advanced. No allowance is required as of September 30, 2015.

Allen Road Note Receivable

On July 1, 2013, the Authority entered into a loan agreement with the Benoit Group in the maximum amount of \$205,000 to finance a portion of the construction costs related to Allen Road. The note bears an interest rate of 0% during construction and is due upon final closing of the project. The note is secured by the underlying property. As of September 30, 2015, \$205,000 has been advanced. No allowance is required as of September 30, 2015.

Interest Receivable

Management of the Authority does not believe they will collect interest receivable incurred on the above notes and has assessed an allowance for \$826,656, the full balance of interest receivable.

HOUSING AUTHORITY OF FULTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

NOTE 5 – CAPITAL ASSETS

The changes in capital assets for the year ended September 30, 2015 were as follows:

| | <u>Balance 9/30/14</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance 9/30/15</u> |
|---|----------------------------|---------------------|---------------------|----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 9,353,109 | \$ - | \$ - | \$ 9,353,109 |
| Total capital assets not being depreciated | <u>9,353,109</u> | <u>-</u> | <u>-</u> | <u>9,353,109</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 10,530,084 | - | (8,580,544) | 1,949,540 |
| Administrative equipment | 296,184 | 5,600 | (66,962) | 234,822 |
| Total capital assets being depreciated | <u>10,826,268</u> | <u>5,600</u> | <u>(8,647,506)</u> | <u>2,184,362</u> |
| Less: accumulated depreciation | <u>(8,583,917)</u> | <u>(166,537)</u> | <u>7,744,704</u> | <u>(1,005,750)</u> |
| Total capital assets being depreciated, net | <u>2,242,351</u> | <u>(160,937)</u> | <u>(902,802)</u> | <u>1,178,612</u> |
| Capital assets, net | <u>\$ 11,595,460</u> | <u>\$ (160,937)</u> | <u>\$ (902,802)</u> | <u>\$ 10,531,721</u> |

NOTE 6 – LONG-TERM DEBT

Long-term debt at September 30, 2015 consisted of the following:

Wendell Drive

On December 31, 2007 the Authority executed a promissory note with Branch Banking & Trust Co. in the amount of \$688,000. The note is secured by the underlying property, which is the Wendell Drive office building that houses the Authority. The note bears interest at a rate of 7.25% per annum. Monthly payments of principal and interest totaling \$5,021 are required through maturity on January 1, 2018. As of September 30, 2015, the balance on the loan was \$271,283. For the year ended September 30, 2015, interest expense was \$21,197.

The Authority also executed promissory notes with US Home Loan Bank for 6 single family properties. These loans bear interest at rates of 2.875% to 3.00% per annum with varying monthly principal and interest payments required through maturity of the last loan on April 1, 2035. The notes are secured by the underlying properties.

HOUSING AUTHORITY OF FULTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

NOTE 6 – LONG-TERM DEBT (CONTINUED)

The roll forward of long-term debt as of September 30, 2015 is as follows:

| | Balance at 9/30/2014 | Increases | Decreases | Balance at 9/30/2015 | Current Portion |
|-----------------------------|---------------------------------|------------------|--------------------|---------------------------------|----------------------------|
| Single Family Homes | \$ 561,502 | \$ - | \$ (21,904) | \$ 539,598 | \$ 21,577 |
| Wendell Mortgage | 310,035 | - | (38,752) | 271,283 | 38,634 |
| Compensated absences | 51,056 | - | (11,985) | 39,071 | 3,907 |
| Total long-term debt | \$ 922,593 | \$ - | \$ (72,641) | \$ 849,952 | \$ 64,118 |

Annual debt service requirements over each of the next five years and thereafter as of September 30, 2015 is as follows:

| Fiscal Year Ending September 30, | Principal | Interest |
|---|-------------------|-------------------|
| 2016 | \$ 60,211 | \$ 33,621 |
| 2017 | 67,334 | 29,841 |
| 2018 | 210,387 | 18,368 |
| 2019 | 23,533 | 13,396 |
| 2020 | 24,224 | 12,705 |
| 2021-2025 | 132,206 | 52,438 |
| 2026-2030 | 152,775 | 31,869 |
| 2031-2035 | 140,211 | 8,992 |
| Total | \$ 810,881 | \$ 201,230 |

NOTE 7 – PENSION PLAN

The Authority contributes to the Housing Authority of Fulton County Retirement Savings Plan, which is a defined contribution pension plan administered by the Authority.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amounts of benefits the individual is to receive. Under a defined contributions pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

HOUSING AUTHORITY OF FULTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

NOTE 7 – PENSION PLAN (CONTINUED)

As established by the Authority's personnel policy, all employees are eligible to participate in the plan, excluding leased employees, beginning 3 months from the date they are hired. No employee is required to participate in the plan. Contributions made by an employee vest immediately at 100% and contributions made by the Authority vest at a rate of 20% for the first year of service and increase by 20% each year until 100% of the contributions are vested at 5 years of service. An employee who leaves the employment of the Authority is entitled to the vested portion of the participant's account attributable to employer money purchase contributions. As determined by the plan provisions, each employee participating in the plan must contribute 5% of his or her base annual salary to the pension plan. According to the pension plan, the Authority is required to contribute an amount equal to 5% of the compensation of each participant eligible to receive nonelective contributions. However, this benefit has been suspended due to budget constraints. During fiscal year 2015, only one participant participated in the plan.

NOTE 8 – CONDUIT DEBT

From time-to-time, the Authority has issued Tax Exempt Mortgage Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of affordable multi-family rental housing deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2015, there were 11 series of Tax Exempt Mortgage Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$135,646,000.

NOTE 9 – GROUND LEASE

Arcadia at Parkway Village Ground Lease

On December 21, 2007, the Authority entered into a ground lease agreement with Ashton South Fulton, LP (Arcadia at Parkway Village). The consideration of the ground lease was the Partnership's agreement to construct, develop, and operate the improvements, as defined. Under the terms of the ground lease agreement, the Partnership is required to set aside 76 units as public housing units for occupancy by public housing eligible households, as defined, at rents in compliance with the applicable public housing requirements. The property, improvement, alterations and equipment or fixtures left by the lessee will revert to the lessor at the termination of the lease period. The Partnership pays the Authority annual rent equal to \$10 for a period of 75 years. The land related to this lease is recorded at a cost of \$2,600,000.

Woodbridge Ground Lease

On March 15, 2010, the Authority entered into a ground lease agreement with Ashton SF Senior, LP (Woodbridge at Parkway Village). The consideration of the ground lease was the Partnership's agreement to construct, develop, and operate the improvements, as defined. Under the terms of the ground lease agreement, the Partnership is required to set aside 30 units as Public Housing Units for occupancy by Public Housing Eligible Households, as defined, at rents in compliance with the Applicable Public Housing Requirements. The property, improvement, alterations and equipment or fixtures left by the lessee will revert to the lessor at the termination of the lease period. The Partnership pays the Authority annual rent equal to \$10 for a period of 75 years. The land related to this lease is recorded at a cost of \$1,040,000.

HOUSING AUTHORITY OF FULTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

NOTE 10 – CONTINGENCIES AND OTHER MATTERS

Litigation and Other Matters

The Authority is exposed to various risks of losses related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. There have been no significant decreases in insurance coverage during the last three years. At September 30, 2015, there were no liabilities to report.

Certain claims, suits and other complaints arising in the ordinary course of business have been filed and are pending against the Authority. In the opinion of the Authority's management, the outcome of such matters will not have a material effect on the accompanying financial statements.

The Authority received the results on November 8, 2013 of a Financial Management Review of the Housing Choice Voucher Program conducted by HUD in May 2013. This review resulted in various findings including the request for repayment of \$3,016,521 from non-federal resources to repay the Housing Choice Voucher Program for funding expended for other purposes. The Authority has appealed this decision and an expected repayment amount or period has not yet been determined.

Grants

Federal grant programs in which the Authority participates have been audited in accordance with the provisions of the Office of Management and Budget Circular A-133. In addition, these grants are subject to financial and compliance audits by the federal government. Such audits could result in requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The amount, if any, of the expense which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amount to be immaterial.

HOUSING AUTHORITY OF FULTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

NOTE 11 – ECONOMIC DEPENDENCY

Federal Subsidies and Grants

Government grants require the fulfillment of certain conditions as set forth in laws, rules, regulations, and grant agreements. Failure to fulfill the conditions could result in the return of funds to grantors. The Authority's management believes that disallowances, if any, would be immaterial.

The Authority receives a substantial amount of its support from the federal government in the form of subsidies and grants. If a significant reduction in the level of this support were to occur, it may have an effect on the Authority's programs and activities. Revenue for the year ended September 30, 2015 was as follows:

| | Year Ended September 30, 2015 <u>Total Revenue</u> | Percentage of Total Revenue <u>Total Revenue</u> |
|---|--|--|
| Revenue from HUD | | |
| Section 8 Housing Choice Voucher Program - HAP | \$ 6,027,990 | 28.3% |
| Section 8 Housing Choice Voucher Program - Administrative | 588,160 | 2.8% |
| Public and Indian Housing | 575,956 | 2.7% |
| Capital Fund Program | 985,147 | 4.6% |
| HOME Program | <u>576,148</u> | <u>2.7%</u> |
| Total Revenue from HUD | 8,753,401 | 41.1% |
| Non-HUD Funding | | |
| Tenant Rental Revenue | 342,592 | 1.6% |
| Fraud Recovery | 27,990 | 0.1% |
| Other Income | 200,982 | 0.9% |
| Portability-In - HAP | 11,171,799 | 52.3% |
| Portability-In - Administrative | 657,752 | 3.1% |
| Mortgage Interest Income | 160,690 | 0.8% |
| Investment Income | <u>307</u> | <u>0.1%</u> |
| Total Other Income | <u>12,562,112</u> | <u>58.9%</u> |
| Total Revenue | <u>\$ 21,315,513</u> | <u>100.0%</u> |

NOTE 12 – DISPOSALS OF GOVERNMENT OPERATIONS

In fiscal year 2015, the Authority began a RAD conversion of their Public Housing Program. In this conversion, they disposed of the Allen Road property which included buildings, furniture, and equipment work approximately \$8.5 million. The accumulated depreciation of these capital assets was approximately \$7.6 million, giving the Authority a loss on sale of \$893,356 during the fiscal year.

HOUSING AUTHORITY OF FULTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

NOTE 13 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS

| | Community Opportunity Centers, Inc | Entity Wide | Total |
|---|---|----------------------|----------------------|
| ASSETS | | | |
| Current and other assets | \$ 31,862 | \$ 8,781,991 | \$ 8,813,853 |
| Capital assets | - | 10,531,721 | 10,531,721 |
| Total assets | <u>\$ 31,862</u> | <u>\$ 19,313,712</u> | <u>\$ 19,345,574</u> |
| LIABILITIES | | | |
| Current and other liabilities | \$ 1 | \$ 517,975 | \$ 517,976 |
| Long-term debt outstanding | - | 810,881 | 810,881 |
| Total liabilities | <u>1</u> | <u>1,328,856</u> | <u>1,328,857</u> |
| NET POSITION | | | |
| Net investment in capital assets | - | 9,720,840 | 9,720,840 |
| Restricted | - | 511,904 | 511,904 |
| Unrestricted | 31,861 | 7,752,112 | 7,783,973 |
| Total net position | <u>31,861</u> | <u>17,984,856</u> | <u>18,016,717</u> |
| Total liabilities and net position | <u>\$ 31,862</u> | <u>\$ 19,313,712</u> | <u>\$ 19,345,574</u> |
| OPERATING REVENUES | | | |
| | \$ - | \$ 21,154,516 | \$ 21,154,516 |
| OPERATING EXPENSES | | | |
| | (515) | (20,840,560) | (20,841,075) |
| Operating income (loss) | <u>(515)</u> | <u>313,956</u> | <u>313,441</u> |
| NON-OPERATING REVENUE (EXPENSE) | | | |
| Investment income - unrestricted | 1 | 160,996 | 160,997 |
| Interest expense and amortization cost | - | (37,472) | (37,472) |
| Total non-operating revenue (expense) | <u>1</u> | <u>123,524</u> | <u>123,525</u> |
| CHANGE IN NET POSITION | (514) | 437,480 | 436,966 |
| NET POSITION, BEGINNING OF YEAR | 32,375 | 18,440,732 | 18,473,107 |
| NET POSITION, END OF YEAR | <u>\$ 31,861</u> | <u>\$ 18,878,212</u> | <u>\$ 18,910,073</u> |
| Net cash provided by (used in) | | | |
| Operating activities | \$ - | \$ 559,214 | \$ 559,214 |
| Investing activities | - | (186,930) | (186,930) |
| Capital and related financing activities | - | (95,786) | (95,786) |
| Net increase/(decrease) in cash | - | 276,498 | 276,498 |
| Cash and cash equivalents, beginning of year | - | 512,641 | 512,641 |
| Cash and cash equivalents, end of year | <u>\$ -</u> | <u>\$ 789,139</u> | <u>\$ 789,139</u> |

SUPPLEMENTAL INFORMATION

**HOUSING AUTHORITY OF FULTON COUNTY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET POSITION
September 30, 2015**

| Line Item # | Account Description | Project Totals | HCVP | Business Activities | Disaster Housing | HOME Program | Disaster Voucher | Blended Component Unit | Eliminations | Totals |
|--------------------------------|---|----------------------|-------------------|------------------------|---------------------|-------------------|---------------------|---------------------------|-----------------------|----------------------|
| CURRENT ASSETS | | | | | | | | | | |
| Cash: | | | | | | | | | | |
| 111 | Unrestricted | \$ 128,181 | \$ - | \$ 87,163 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 215,344 |
| 113 | Other restricted | 296,718 | 91,274 | - | - | 122,080 | - | - | - | 510,072 |
| 114 | Tenant security deposits | 900 | - | - | - | - | - | - | - | 900 |
| 115 | Restricted for payment of current liability | - | 62,823 | - | - | - | - | - | - | 62,823 |
| 100 | Total cash | <u>425,799</u> | <u>154,097</u> | <u>87,163</u> | <u>-</u> | <u>122,080</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>789,139</u> |
| Accounts and notes receivable: | | | | | | | | | | |
| 121 | Other PHA projects | - | 1,177,889 | - | - | - | - | - | - | 1,177,889 |
| 125 | Miscellaneous | 856,825 | 18,899 | 1,578 | - | - | - | - | - | 877,302 |
| 126 | Tenants | 1,046 | - | - | - | - | - | - | - | 1,046 |
| 126.1 | Allowance for doubtful accounts - tenants | (1,046) | - | - | - | - | - | - | - | (1,046) |
| 126.2 | Allowance for doubtful accounts - other | (847,103) | (1,196,788) | - | - | - | - | - | - | (2,043,891) |
| 120 | Total receivables, net of allowances for uncollectibles | <u>9,722</u> | <u>-</u> | <u>1,578</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>11,300</u> |
| 142 | Prepaid expenses and other assets | 8,431 | 15,954 | - | - | - | - | - | - | 24,385 |
| 144 | Interprogram - due from | 3,246,230 | 408,117 | 951,829 | 1,439,084 | 143,279 | 17,243 | 31,862 | (6,237,644) | - |
| 150 | Total current assets | <u>3,690,182</u> | <u>578,168</u> | <u>1,040,570</u> | <u>1,439,084</u> | <u>265,359</u> | <u>17,243</u> | <u>31,862</u> | <u>(6,237,644)</u> | <u>824,824</u> |
| NONCURRENT ASSETS | | | | | | | | | | |
| Fixed assets: | | | | | | | | | | |
| 161 | Land | 9,155,924 | - | 197,185 | - | - | - | - | - | 9,353,109 |
| 162 | Buildings | 334,906 | - | 1,614,634 | - | - | - | - | - | 1,949,540 |
| 164 | Furniture, equipment & mach - admin. | 54,467 | - | 145,677 | 34,678 | - | - | - | - | 234,822 |
| 166 | Accumulated depreciation | (383,866) | - | (587,206) | (34,678) | - | - | - | - | (1,005,750) |
| 160 | Total fixed assets, net of accumulated depreciation | <u>9,161,431</u> | <u>-</u> | <u>1,370,290</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,531,721</u> |
| 171 | Notes, loans and mortgages receivable - noncurrent | <u>7,989,029</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,989,029</u> |
| 180 | Total noncurrent assets | <u>17,150,460</u> | <u>-</u> | <u>1,370,290</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>18,520,750</u> |
| 190 | TOTAL ASSETS | <u>\$ 20,840,642</u> | <u>\$ 578,168</u> | <u>\$ 2,410,860</u> | <u>\$ 1,439,084</u> | <u>\$ 265,359</u> | <u>\$ 17,243</u> | <u>\$ 31,862</u> | <u>\$ (6,237,644)</u> | <u>\$ 19,345,574</u> |

**HOUSING AUTHORITY OF FULTON COUNTY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET POSITION
September 30, 2015**

| Line Item # | Account Description | Project Totals | HCVP | Business Activities | Disaster Housing | HOME Program | Disaster Voucher | Blended Component Unit | Eliminations | Totals |
|-------------------------------|---|----------------------|--------------------|------------------------|---------------------|-------------------|---------------------|---------------------------|-----------------------|----------------------|
| CURRENT LIABILITIES | | | | | | | | | | |
| 312 | Accounts payable < 90 days | \$ 111,136 | \$ 39,341 | \$ 3,862 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 154,339 |
| 321 | Accrued wage/payroll taxes payable | 11,983 | 23,707 | 998 | - | - | - | - | - | 36,688 |
| 322 | Accrued compensated absences - current portion | 833 | 2,950 | 124 | - | - | - | - | - | 3,907 |
| 325 | Accrued interest payable | - | - | 1,714 | - | - | - | - | - | 1,714 |
| 341 | Tenant security deposits | 900 | - | - | - | - | - | - | - | 900 |
| 342 | Unearned revenues | 881 | - | - | - | 122,080 | - | - | - | 122,961 |
| 343 | Current portion of LT debt - capital projects / mortg | - | - | 60,211 | - | - | - | - | - | 60,211 |
| 345 | Other current liabilities | 1,010 | 62,823 | - | - | 490 | - | - | - | 64,323 |
| 347 | Interprogram (due to) | 804,398 | 3,294,711 | 1,136,005 | 770,173 | 128,738 | 103,618 | 1 | (6,237,644) | - |
| 310 | Total current liabilities | <u>931,141</u> | <u>3,423,532</u> | <u>1,202,914</u> | <u>770,173</u> | <u>251,308</u> | <u>103,618</u> | <u>1</u> | <u>(6,237,644)</u> | <u>445,043</u> |
| NONCURRENT LIABILITIES | | | | | | | | | | |
| 351 | Capital projects / mortgage revenue bonds | - | - | 750,670 | - | - | - | - | - | 750,670 |
| 353 | Non-current Liabilities - other | 97,980 | - | - | - | - | - | - | - | 97,980 |
| 354 | Accrued compensated absences - noncurrent | 7,496 | 26,549 | 1,119 | - | - | - | - | - | 35,164 |
| 350 | Total noncurrent liabilities | <u>105,476</u> | <u>26,549</u> | <u>751,789</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>883,814</u> |
| 300 | Total liabilities | <u>1,036,617</u> | <u>3,450,081</u> | <u>1,954,703</u> | <u>770,173</u> | <u>251,308</u> | <u>103,618</u> | <u>1</u> | <u>(6,237,644)</u> | <u>1,328,857</u> |
| NET POSITION | | | | | | | | | | |
| 508.4 | Net investments in capital assets | 9,161,431 | - | 559,409 | - | - | - | - | - | 9,720,840 |
| 511.4 | Restricted | 296,718 | 215,186 | - | - | - | - | - | - | 511,904 |
| 512.4 | Unrestricted | 10,345,876 | (3,087,099) | (103,252) | 668,911 | 14,051 | (86,375) | 31,861 | - | 7,783,973 |
| 513 | Total net position | <u>19,804,025</u> | <u>(2,871,913)</u> | <u>456,157</u> | <u>668,911</u> | <u>14,051</u> | <u>(86,375)</u> | <u>31,861</u> | <u>-</u> | <u>18,016,717</u> |
| 600 | TOTAL LIABILITIES AND NET POSITION | <u>\$ 20,840,642</u> | <u>\$ 578,168</u> | <u>\$ 2,410,860</u> | <u>\$ 1,439,084</u> | <u>\$ 265,359</u> | <u>\$ 17,243</u> | <u>\$ 31,862</u> | <u>\$ (6,237,644)</u> | <u>\$ 19,345,574</u> |

**HOUSING AUTHORITY OF FULTON COUNTY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
Year Ended September 30, 2015**

| Line Item # | Account Description | Project Totals | HCPV | Business Activities | Disaster Housing | HOME Program | Disaster Voucher | Blended Component Unit | Eliminations | Totals |
|------------------|--|------------------|-------------------|---------------------|------------------|----------------|------------------|------------------------|--------------|-------------------|
| REVENUE | | | | | | | | | | |
| 70300 | Net tenant rental revenue | \$ 286,719 | \$ - | \$ 55,873 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 342,592 |
| 70500 | Total tenant revenue | 286,719 | - | 55,873 | - | - | - | - | - | 342,592 |
| 70600 | HUD PHA operating grants | 1,561,103 | 6,616,150 | - | - | - | - | - | - | 8,177,253 |
| 70800 | Other governmental grants | - | - | - | - | 576,148 | - | - | - | 576,148 |
| 71100 | Investment income - unrestricted | 111 | 178 | 16 | 1 | - | - | 1 | - | 307 |
| 71200 | Mortgage interest income | 160,690 | - | - | - | - | - | - | - | 160,690 |
| 71400 | Fraud recovery | - | 27,990 | - | - | - | - | - | - | 27,990 |
| 71500 | Other revenue | 7,281 | 11,857,178 | 165,874 | - | - | 200 | - | - | 12,030,533 |
| 71600 | Loss on disposal of assets | (893,356) | - | - | - | - | - | - | - | (893,356) |
| 70000 | Total revenue | <u>1,122,548</u> | <u>18,501,496</u> | <u>221,763</u> | <u>1</u> | <u>576,148</u> | <u>200</u> | <u>1</u> | <u>-</u> | <u>20,422,157</u> |
| EXPENSES | | | | | | | | | | |
| Administrative: | | | | | | | | | | |
| 91100 | Administrative salaries | 167,690 | 806,179 | 29,690 | - | 17,484 | - | - | - | 1,021,043 |
| 91200 | Auditing fees | 9,733 | 17,334 | 5,156 | - | - | - | - | - | 32,223 |
| 91400 | Advertising and marketing | 1,147 | - | 102 | - | - | - | - | - | 1,249 |
| 91500 | Employee benefit contributions - admin | 140,541 | 129,116 | - | - | - | - | - | - | 269,657 |
| 91600 | Office expenses | 83,002 | 101,733 | 37,895 | 500 | - | - | - | - | 223,130 |
| 91700 | Legal expense | 2,985 | 15,067 | 8,207 | - | - | - | - | - | 26,259 |
| 91800 | Travel | 8,086 | 8,244 | 1,596 | - | - | - | - | - | 17,926 |
| 91900 | Other | 232,556 | 179,798 | 72,465 | - | 373 | 500 | 515 | - | 486,207 |
| 91000 | Total administrative | <u>645,740</u> | <u>1,257,471</u> | <u>155,111</u> | <u>500</u> | <u>17,857</u> | <u>500</u> | <u>515</u> | <u>-</u> | <u>2,077,694</u> |
| Tenant services: | | | | | | | | | | |
| 92400 | Other | 5,600 | 5,936 | 7,567 | - | - | - | - | - | 19,103 |
| 92500 | Total tenant services | <u>5,600</u> | <u>5,936</u> | <u>7,567</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>19,103</u> |
| Utilities: | | | | | | | | | | |
| 93100 | Water | 40,650 | 603 | 104 | - | - | - | - | - | 41,357 |
| 93200 | Electricity | 74,999 | 23,633 | 1,164 | - | - | - | - | - | 99,796 |
| 93300 | Gas | 7,422 | 10,092 | 2,983 | - | - | - | - | - | 20,497 |
| 93800 | Other utilities expense | 16,390 | - | - | - | - | - | - | - | 16,390 |
| 93000 | Total utilities | <u>139,461</u> | <u>34,328</u> | <u>4,251</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>178,040</u> |

**HOUSING AUTHORITY OF FULTON COUNTY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended September 30, 2015**

| Line Item # | Account Description | Project Totals | HCPV | Business Activities | Disaster Housing | HOME Program | Disaster Voucher | Blended Component Unit | Eliminations | Totals |
|------------------------------------|---|----------------|------------|---------------------|------------------|--------------|------------------|------------------------|--------------|------------|
| EXPENSES (Continued) | | | | | | | | | | |
| Ordinary maintenance & operations: | | | | | | | | | | |
| 94100 | Labor | \$ 35,770 | \$ 1,599 | \$ 893 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 38,262 |
| 94200 | Materials and other | 13,650 | 8,590 | 2,710 | - | - | - | - | - | 24,950 |
| 94300 | Contract costs | 51,468 | 44,858 | 15,436 | - | - | - | - | - | 111,762 |
| 94500 | Employee benefits contribution - ordinary maint | 29,812 | - | - | - | - | - | - | - | 29,812 |
| 94000 | Total ordinary maintenance & operations | 130,700 | 55,047 | 19,039 | - | - | - | - | - | 204,786 |
| Protective services: | | | | | | | | | | |
| 95200 | Other contract costs | - | 2,825 | 574 | - | - | - | - | - | 3,399 |
| 95300 | Other | 2,470 | - | - | - | - | - | - | - | 2,470 |
| 95000 | Total protective services | 2,470 | 2,825 | 574 | - | - | - | - | - | 5,869 |
| Insurance Premiums: | | | | | | | | | | |
| 96120 | Liability insurance | - | 3,286 | - | - | - | - | - | - | 3,286 |
| 96130 | Workmen's compensation | 6,629 | 21,036 | - | - | - | - | - | - | 27,665 |
| 96140 | All other insurance | 158 | 8,195 | - | - | - | - | - | - | 8,353 |
| 96100 | Total insurance premiums | 6,787 | 32,517 | - | - | - | - | - | - | 39,304 |
| General expenses: | | | | | | | | | | |
| 96200 | Other general expenses | 332,193 | 70,347 | 13,508 | - | - | - | - | - | 416,048 |
| 96500 | Bad debt - mortgages | 57,528 | - | - | - | - | - | - | - | 57,528 |
| 96600 | Bad debt - other | - | 82,208 | - | - | - | - | - | - | 82,208 |
| 96000 | Total other general expenses | 389,721 | 152,555 | 13,508 | - | - | - | - | - | 555,784 |
| 96710 | Interest on mortgage (or bonds) payable | - | - | 37,472 | - | - | - | - | - | 37,472 |
| 96700 | Interest expense and amortization cost | - | - | 37,472 | - | - | - | - | - | 37,472 |
| 96900 | Total operating expenses | 1,320,479 | 1,540,679 | 237,522 | 500 | 17,857 | 500 | 515 | - | 3,118,052 |
| 97000 | Excess of operating revenue over operating expenses | (197,931) | 16,960,817 | (15,759) | (499) | 558,291 | (300) | (514) | - | 17,304,105 |
| 97100 | Extraordinary maintenance | 924 | - | - | - | - | - | - | - | 924 |
| 97300 | Housing assistance payments | 117 | 5,890,095 | - | - | 531,023 | - | - | - | 6,421,235 |
| 97350 | HAP portability in | - | 11,171,799 | - | - | - | - | - | - | 11,171,799 |
| 97400 | Depreciation expense | 112,862 | - | 53,675 | - | - | - | - | - | 166,537 |
| | Total other expenses | 113,903 | 17,061,894 | 53,675 | - | 531,023 | - | - | - | 17,760,495 |
| 90000 | Total expenses | 1,434,382 | 18,602,573 | 291,197 | 500 | 548,880 | 500 | 515 | - | 20,878,547 |

**HOUSING AUTHORITY OF FULTON COUNTY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended September 30, 2015**

| Line Item # | Account Description | Project Totals | HCVP | Business Activities | Disaster Housing | HOME Program | Disaster Voucher | Blended Component Unit | Eliminations | Totals |
|-------------|---|----------------------|-----------------------|---------------------|-------------------|------------------|--------------------|------------------------|--------------|----------------------|
| | Other financing sources (uses): | | | | | | | | | |
| 10010 | Operating transfers in | \$ (985,147) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 985,147 | \$ - |
| 10020 | Operating transfers out | 985,147 | - | - | - | - | - | - | (985,147) | - |
| 10100 | Total other financing sources (uses) | - | - | - | - | - | - | - | - | - |
| 10000 | EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES | <u>(311,834)</u> | <u>(101,077)</u> | <u>(69,434)</u> | <u>(499)</u> | <u>27,268</u> | <u>(300)</u> | <u>(514)</u> | <u>-</u> | <u>(456,390)</u> |
| 11030 | Beginning equity | <u>20,115,859</u> | <u>(2,770,836)</u> | <u>525,591</u> | <u>669,410</u> | <u>(13,217)</u> | <u>(86,075)</u> | <u>32,375</u> | <u>-</u> | <u>18,473,107</u> |
| | NET POSITION, END OF YEAR | <u>\$ 19,804,025</u> | <u>\$ (2,871,913)</u> | <u>\$ 456,157</u> | <u>\$ 668,911</u> | <u>\$ 14,051</u> | <u>\$ (86,375)</u> | <u>\$ 31,861</u> | <u>\$ -</u> | <u>\$ 18,016,717</u> |
| | Memo Account Information | | | | | | | | | |
| 11170 | Administrative fee equity | \$ - | \$ (3,087,099) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (3,087,099) |
| 11180 | Housing assistance payments equity | \$ - | \$ 215,186 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 215,186 |
| 11190 | Unit months available | 2,772 | 10,164 | - | - | - | - | - | - | 12,936 |
| 11210 | Unit months leased | 2,743 | 8,337 | - | - | - | - | - | - | 11,080 |
| 11270 | Excess cash | \$ 2,305,387 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,305,387 |
| 13901 | Replacement housing factor funds | \$ 516,787 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 516,787 |

SINGLE AUDIT

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

Board of Commissioners
Housing Authority of Fulton County
Atlanta, Georgia

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 Housing Authority of Fulton County (the Authority), as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

**CliftonLarsonAllen LLP**

Lakeland, Florida

June 13, 2016

**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Federal Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners
Housing Authority of Fulton County
Atlanta, Georgia

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of Fulton County's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2015. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Basis for Qualified Opinion on Housing Choice Voucher and Low Rent Public Housing Programs

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding allowable costs for the Housing Choice Voucher Program (CFDA 14.871) and the Low Rent Public Housing Program (CFDA 14.850) as described in finding 2015-001. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to those programs.

Qualified Opinion on Housing Choice Voucher and Low Rent Public Housing Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Housing Choice Voucher and Low Rent Public Housing Programs for the year ended September 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-002. Except as noted above, our opinion on each major federal program is not modified with respect to this matter.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-002 to be a significant deficiency.

The Authority's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Lakeland, Florida

June 13, 2016

**HOUSING AUTHORITY OF FULTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2015**

| | CFDA Number | Federal Expenditures |
|--|------------------------|---------------------------------|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | |
| Direct Programs | | |
| Public and Indian Housing | 14.850 | \$ 575,956 |
| Housing Choice Voucher Program | 14.871 | 18,602,573 |
| Capital Fund Program | 14.872 | 985,147 |
| Total Direct Federal Awards | | 20,163,676 |
| Pass-Through | | |
| Passed-through from Fulton County, GA | | |
| Home Investments Partnership Program - Tenant Based Rental Assistance | 14.239 | 576,148 |
| TOTAL FEDERAL AWARDS | | \$ 20,739,824 |

HOUSING AUTHORITY OF FULTON COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2015

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Housing Authority of Fulton County (the Authority). The Authority's reporting entity is defined in Note 1 to the Authority's basic financial statements for the year ended September 30, 2015. All federal awards received directly from federal agencies as well as federal financial awards passed through other government agencies are included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting for awards recorded in the Authority's proprietary fund type which is described in Note 1 to the Authority's basic financial statements for the year ended September 30, 2015.

NOTE 3 – CONTINGENCIES

Grant monies received and disbursed by the Authority are for specific purposes and are subject to review by the grantor or agencies.

**HOUSING AUTHORITY OF FULTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015**

I. Summary of Independent Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

| | | | | |
|--|-------|-----|----------------------|---------------|
| Material weakness identified? | _____ | Yes | _____ <u>X</u> _____ | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | _____ | Yes | _____ <u>X</u> _____ | None Reported |
| Noncompliance material to financial statements noted? | _____ | Yes | _____ <u>X</u> _____ | No |

Federal Awards

Internal control over major programs:

| | | | | |
|--|----------------------|-----|-------|---------------|
| Material weakness identified? | _____ <u>X</u> _____ | Yes | _____ | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | _____ <u>X</u> _____ | Yes | _____ | None reported |

Type of auditors' report issued on compliance for major programs: Modified

| | | | | |
|--|----------------------|-----|-------|----|
| Audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | _____ <u>X</u> _____ | Yes | _____ | No |
|--|----------------------|-----|-------|----|

Identification of Major Programs

| Name of Federal Program | CFDA Number |
|--------------------------------------|-------------|
| Housing Choice Voucher (HCV) Program | 14.871 |
| Low Rent Public Housing Program | 14.850 |

Dollar threshold used to distinguish between type A and type B programs: \$ 622,194

| | | | | |
|--|-------|-----|----------------------|----|
| Auditee qualified as low-risk auditee? | _____ | Yes | _____ <u>X</u> _____ | No |
|--|-------|-----|----------------------|----|

**HOUSING AUTHORITY OF FULTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2015**

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-001 (repeat finding from FY 2009-2014)

Program: Housing Choice Voucher, CFDA #14.871, Public Housing, CFDA #14.850
Federal Agency: U.S. Department of Housing and Urban Development
Compliance Requirement: Allowable Costs
Type of Finding: Noncompliance, Material Weakness

Condition

Interfund balances report amounts payable to the Housing Choice Voucher (\$408,117) and Low Rent Public Housing (\$3,207,764) programs. This indicates Housing Choice Voucher funds and Public Housing operating subsidies were used for purposes other than those designated by HUD.

Criteria

24 CFR 982.519(a) states that all funds received from HUD should be used for their designated purposes and 24 CFR 982.156 stipulates that the PHA may only withdraw deposited receipts for use in connection with the program in accordance with HUD requirements. In addition, PIH Notice 2012-9 stated that funds in the HAP NRA account shall only be used for eligible HAP needs in the current and future calendar years.

Cause

In prior years, the Authority had not properly invoiced other authorities for payments related to portables and did not properly collect the related reimbursements. This condition resulted in funds being borrowed from other programs, largely public housing. In addition, the Authority has not adequately maintained separate accounts for various programs and monitored activity to ensure federal funds are expended for allowable purposes.

Effect

Misuse of Housing Choice Voucher funds and Public Housing operating subsidies could result in a liability to HUD, a decrease in future funding, or even breach of the annual contributions contract.

HUD's Quality Assurance Division conducted a financial management review of the Housing Choice Voucher Program and issued a letter dated November 8, 2013 which outlined a number of findings including a demand for repayment of \$3,061,521 to fund the HVC NRA cash shortage.

Questioned Costs

\$3,615,881.

Recommendation

We recommend the Authority establish procedures to monitor the use of Housing Choice Voucher and Low Rent Public Housing funds, specifically to ensure funds are only used for those programs or that amounts disbursed through a general bank account are reimbursed to the respective programs on a monthly basis. In addition, procedures should be implemented to timely file the proper paperwork relating to portables, invoice for the related payments, and collect reimbursements and related administrative fees.

**HOUSING AUTHORITY OF FULTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2015**

Client Response

Management acknowledges the issue with the interfund account balances as well as issues in prior year's collection of portability receivables. We have taken the steps to address the collection of portability receivables and are doing significantly better on that activity with current year collections of approximately 100%. Regarding the legacy issues related to the interfund balances and current request for reimbursement of the HCV NRA cash shortage, a demand letter is forthcoming from the HUD field office to discuss the terms of the repayment agreement. The Executive Director will continue to oversee the resolution of this finding.

Responsible Party/Anticipated Completion Date

The Executive Director is responsible for this corrective action which will be completed once the Authority receives further communication from the HUD field office. As of report date, the Authority is still waiting on correspondence from the HUD field office.

Finding 2015-002

| | |
|--------------------------------|---|
| Program: | Housing Choice Voucher Program, CFDA #14.871 |
| Federal Agency: | U.S. Department of Housing and Urban Development |
| Compliance Requirement: | Special Tests (Failed Inspections) |
| Type of Finding: | Noncompliance, Significant Deficiency |

Condition

A separate sample of 40 Housing Choice Voucher tenant files were tested for compliance with failed inspection procedures. 2 files documented the tenants did not have inspections scheduled by the Authority to follow up on the original failed inspection.

Criteria

Documentation that HQS deficiencies are corrected within 30 days of the inspection or within a PHA approved extension. If the correction period has ended, the file should contain a unit inspection report or evidence of other verification documenting that any PHA required repairs were completed.

Cause

The Authority did not follow established procedures as documented in their administrative plan to ensure the proper completion of inspections.

Effect

The Authority has not complied with HUD regulations relating to annual requirements in some cases.

Questioned Costs

Unable to determine

Recommendation

We recommend the Authority review their procedures relating to the oversight of inspections to ensure inspections are performed properly.

**HOUSING AUTHORITY OF FULTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2015**

Client Response

In response to this finding, the Authority has revised the applicable section of the HCVP Administrative Plan as documented below to ensure this issue is resolved going forward. The Authority has placed stronger controls over their inspection procedures.

Responsible Party/Anticipated Completion Date

The Executive Director is responsible for this corrective action which has been completed.

Finding 2014-001, 2013-002, 2012-02, 2011-07, 2010-11, 2009-11: Housing Choice Voucher, CFDA #14.871, Public Housing, CFDA #14.850

Condition

Interfund balances indicate amounts payable to the Housing Choice Voucher and Low Rent Public Housing programs. This indicates Public Housing operating subsidies and Housing Choice Voucher funds were used for purposes other than those designated by HUD.

Status

This finding is still an issue in fiscal year 2015. See finding number 2015-001.

Finding 2014-002, 2013-003, 2011-02, 2010-08, 2010-07, 2010-05, 2010-04, 2009-08, 2009-07, 2009-05, 2009-04: Housing Choice Voucher, CFDA #14.871

Condition

A number of files were missing documentation required for the recertification process including verification of income, assets or expenses, verification that recertifications were completed timely, required information or privacy act forms, and documentation of annual HQS inspections. In addition, some payments noted in the HUD-50058 did not tie to the check register.

Status

This finding was cleared in fiscal year 2015.