

**HOUSING AUTHORITY OF FULTON COUNTY**  
**Atlanta, Georgia**

**FINANCIAL STATEMENTS**  
**September 30, 2016**

**HOUSING AUTHORITY OF FULTON COUNTY  
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YEAR ENDED SEPTEMBER 30, 2016**

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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, 2016, 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, 2016, 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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 22, 2017, 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.



**CliftonLarsonAllen LLP**

Lakeland, Florida  
June 22, 2017

**HOUSING AUTHORITY OF FULTON COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016**

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, 2016. 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, 2016 by \$18,107,516 (net position) as opposed to \$18,016,717 for the previous fiscal year.
- The Authority's cash and investments balance as of September 30, 2016 was \$548,576 representing a decrease of \$240,563 from September 30, 2015.
- The Authority had total operating revenues of \$20,129,530 and total operating expenses of \$20,164,446 for the year ended September 30, 2016.
- Depreciation expense accounted for \$55,534 of total expenses during the year ended September 30, 2016.

**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.

**HOUSING AUTHORITY OF FULTON COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016**

**CONDENSED FINANCIAL INFORMATION  
ASSETS, LIABILITIES, AND NET POSITIONS**

	<u>September 30,</u>		<u>Dollar</u> <u>Charge</u>	<u>Percent</u> <u>Change</u>
	<u>2016</u>	<u>2015</u>		
<b>ASSETS</b>				
Current and other assets	\$ 8,703,246	\$ 8,813,853	\$ (110,607)	(1.25)%
Capital assets	10,486,830	10,531,721	(44,891)	(0.43)%
Total assets	<u>\$ 19,190,076</u>	<u>\$ 19,345,574</u>	<u>\$ (155,498)</u>	<u>(0.80)%</u>
<b>LIABILITIES</b>				
Current and other liabilities	\$ 408,841	\$ 517,976	\$ (109,135)	(21.07)%
Long-term debt outstanding	673,719	810,881	(137,162)	(16.92)%
Total liabilities	<u>1,082,560</u>	<u>1,328,857</u>	<u>(246,297)</u>	<u>(18.53)%</u>
<b>NET POSITION</b>				
Net investment in capital assets	9,742,120	9,720,840	21,280	0.22%
Restricted	836,865	511,904	324,961	63.48%
Unrestricted	7,528,531	7,783,973	(255,442)	(3.28)%
Total net position	<u>18,107,516</u>	<u>18,016,717</u>	<u>90,799</u>	<u>0.50%</u>
Total liabilities and net position	<u>\$ 19,190,076</u>	<u>\$ 19,345,574</u>	<u>\$ (155,498)</u>	<u>(0.80)%</u>

**Major Factors Affecting the Statement of Net Position**

As illustrated in the Statement of Net Position, overall net position of the Authority increased by \$90,799. The Statement of Revenues, Expenses and Changes in Net Position contained in the financial statements illustrate this increase.

Current and other assets decreased by \$110,607, which is mainly due to loan activity related to mixed finance development and RAD conversion activity. Total capital assets decreased by \$44,891 primarily due to the current year depreciation expense of \$55,534.

Current liabilities decreased by \$109,135 primarily due to a decrease in year-end accruals. Total long-term debt outstanding decreased by \$137,162 related to current year principal debt payments.

Net Investment in Capital Assets increased by \$21,280. Unrestricted net position decreased by \$255,442 while restricted net position increased by \$324,961.

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. The table on the following page provides a summary of this financial information. Explanations for significant changes follow the table. Compared to the fiscal year ended September 30, 2016, overall operating revenues decreased by \$1,024,986, or 4.85%.

**HOUSING AUTHORITY OF FULTON COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016**

**CONDENSED FINANCIAL INFORMATION (COTINUED)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	<u>September 30,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2016</u>	<u>2015</u>		
<b>OPERATING REVENUES</b>				
Tenant revenue	\$ 127,368	\$ 342,592	\$ (215,224)	(62.82)%
HUD grants	7,273,996	8,177,253	(903,257)	(11.05)%
Other government grants	219,938	576,148	(356,210)	(61.83)%
Portability revenue	12,316,923	11,857,178	459,745	3.88%
Other revenue	191,305	201,345	(10,040)	(4.99)%
Total operating revenues	<u>20,129,530</u>	<u>21,154,516</u>	<u>(1,024,986)</u>	<u>(4.85)%</u>
<b>OPERATING EXPENSES</b>				
Administrative	1,768,729	2,077,694	(308,965)	(14.87)%
Tenant services	89,831	19,103	70,728	370.25%
Utilities	45,194	178,040	(132,846)	(74.62)%
Maintenance and operation	99,763	205,710	(105,947)	(51.50)%
Protective services	1,008	5,869	(4,861)	(82.83)%
Insurance	28,318	39,304	(10,986)	(27.95)%
General expenses	423,673	555,784	(132,111)	(23.77)%
Housing assistance payments	17,652,396	17,593,034	59,362	0.34%
Depreciation expense	55,534	166,537	(111,003)	(66.65)%
Total operating expenses	<u>20,164,446</u>	<u>20,841,075</u>	<u>(676,629)</u>	<u>(3.25)%</u>
Operating income (loss)	<u>(34,916)</u>	<u>313,441</u>	<u>(348,357)</u>	<u>111.14%</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>				
Investment income - mortgage	161,549	160,690	859	0.53%
Investment income - restricted	131	-	131	100.00%
Investment income - unrestricted	56	307	(251)	(81.76)%
Interest expense and amortization cost	(36,021)	(37,472)	1,451	(3.87)%
Total non-operating revenue (expense)	<u>125,715</u>	<u>123,525</u>	<u>2,190</u>	<u>1.77%</u>
Change in net position before special item	90,799	436,966	(346,167)	(79.22)%
<b>SPECIAL ITEM</b>				
Loss on disposal of capital assets	-	(893,356)	893,356	100.00%
<b>CHANGE IN NET POSITION</b>	90,799	(456,390)	547,189	119.90%
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>18,016,717</u>	<u>18,473,107</u>	<u>(456,390)</u>	<u>(2.47)%</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 18,107,516</u>	<u>\$ 18,016,717</u>	<u>\$ 90,799</u>	<u>0.50%</u>

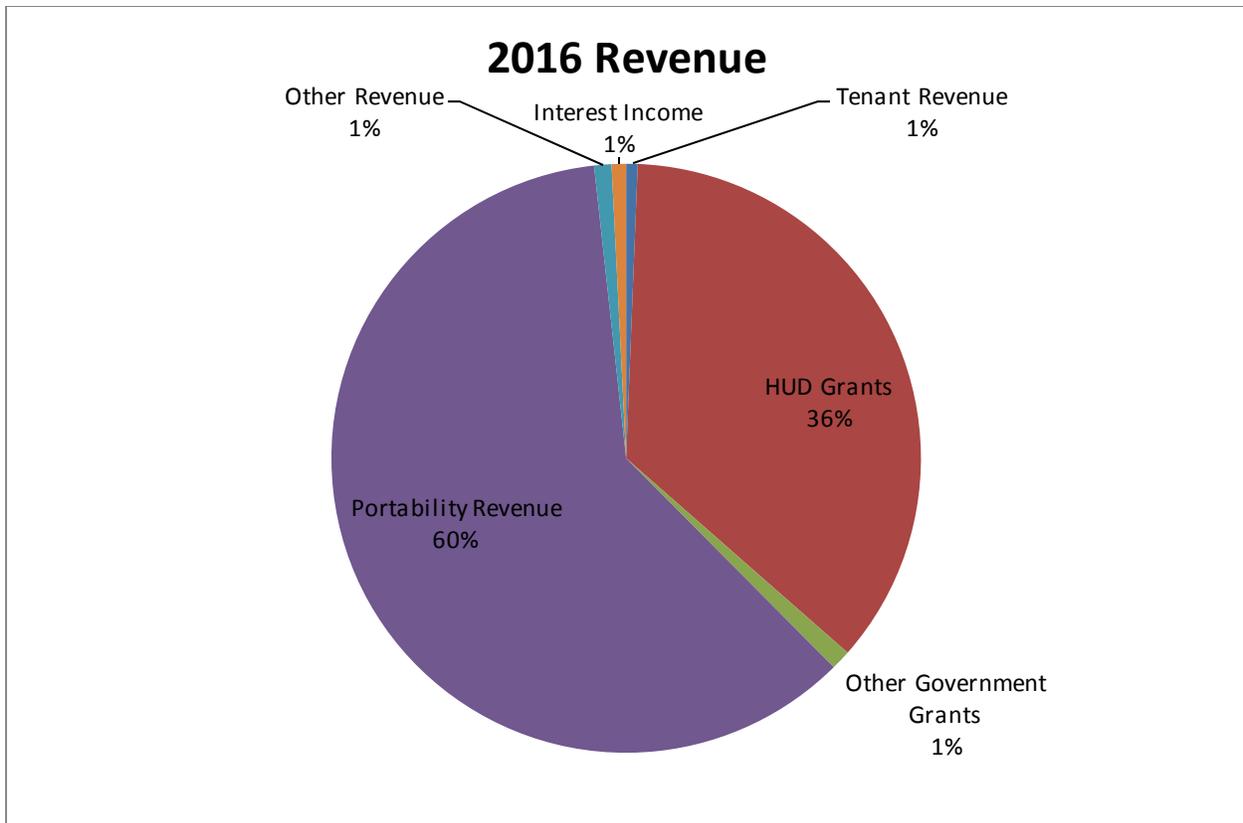
**HOUSING AUTHORITY OF FULTON COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016**

**CONDENSED FINANCIAL INFORMATION (CONINUTED)**

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

Other government grants decreased by \$356,210 due to a decrease 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 61.18% of total revenue. Portability revenue increased by \$459,745 due to an increase in the number tenants porting in.

The following chart shows the breakout of revenues.



**Administrative Expenses**

Administrative costs decreased by \$308,965 or 14.87%. The decrease is mainly due to a decrease in salaries and benefits.

**General Expenses**

General expenses decreased by \$132,111 or 23.77%. The increase is mainly due to decreases in various insurances and other general expenses.

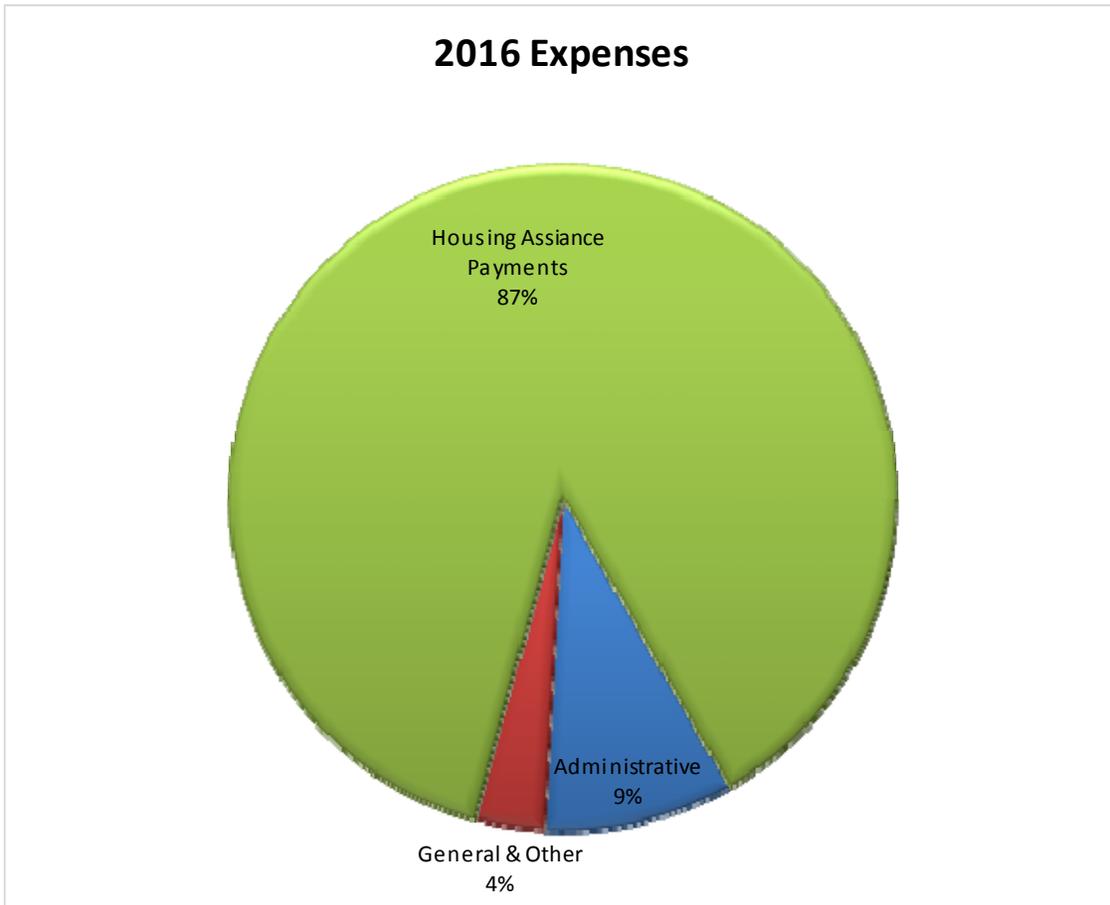
**HOUSING AUTHORITY OF FULTON COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016**

**CONDENSED FINANCIAL INFORMATION (CONINUTED)**

**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 2016, Housing Assistance Payments expense increased by \$59,362 or approximately 0.34%. 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.



**HOUSING AUTHORITY OF FULTON COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016**

**CONDENSED FINANCIAL INFORMATION (CONINUTED)**

**Capital Assets**

The table below provides a summary of changes in capital assets.

**Statement of Capital Assets**

	<u>September 30,</u>		<u>Dollar Charge</u>	<u>Percent Change</u>
	<u>2016</u>	<u>2015</u>		
Land	\$ 9,353,109	\$ 9,353,109	\$ -	0.00%
Buildings and improvements	1,960,183	1,949,540	10,643	0.55%
Equipment	234,822	234,822	-	0.00%
Total capital assets	11,548,114	11,537,471	10,643	0.09%
Accumulated depreciation	<u>(1,061,284)</u>	<u>(1,005,750)</u>	<u>(55,534)</u>	<u>5.52%</u>
Total Capital Assets, Net	<u>\$ 10,486,830</u>	<u>\$ 10,531,721</u>	<u>\$ (44,891)</u>	<u>(0.43)%</u>

At the end of fiscal year 2015, the Authority had capital assets of \$10,531,721 net of depreciation. As of September 30, 2016, the Authority decreased its net capital assets to \$10,486,830. The decrease relates to primarily to the current year depreciation expense.

**Long-Term Liabilities**

The table below provides a summary of changes in long-term debt.

**Long-Term Liabilities**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Single Family Homes	\$539,598	\$ -	\$ (24,527)	\$515,071	\$26,238
Wendell Mortgage	271,283	-	(41,644)	229,639	44,753
FSS Escrow	62,823	26,399	(6,734)	82,488	8,250
Accrued Compensated Absences	39,071	18,989	(16,467)	41,593	4,158
Total Long-Term Debt	<u>\$912,775</u>	<u>\$ 45,388</u>	<u>\$ (89,372)</u>	<u>\$868,791</u>	<u>\$83,399</u>

During the current year the liabilities activity changed as illustrated in the table above. The decrease relates to principal payments of \$66,171. Further details of the long-term liabilities obligations and the prior year balance are contained in the notes to the financial statements.

**HOUSING AUTHORITY OF FULTON COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016**

**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.

**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, 2016**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents - unrestricted	\$ 47,716
Cash and cash equivalents - restricted for family self sufficiency payments	82,488
Cash and cash equivalents - restricted other	414,222
Cash and cash equivalents - tenant security deposits	4,150
Accounts receivable, net	181,278
Prepaid expenses and other assets	4,475
Total current assets	734,329

**NONCURRENT ASSETS**

Notes receivable, net	7,968,917
Capital assets not being depreciated	9,353,109
Capital assets being depreciated, net	1,133,721
Total noncurrent assets	18,455,747

**TOTAL ASSETS**

**\$ 19,190,076**

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts payable	\$ 29,601
Accrued wages and payroll taxes payable	53,983
Accrued compensated absences, current portion	4,158
Accrued interest payable	1,387
Unearned revenue	124,648
Current portion of long-term debt	70,991
Total current liabilities	284,768

**CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS**

Family self sufficiency liability	8,250
Tenant security deposits	4,150
Total	12,400

**NONCURRENT LIABILITIES**

Long-term debt, net of current portion	673,719
Other long-term liabilities	74,238
Accrued compensated absences, net of current portion	37,435
Total noncurrent liabilities	785,392

Total liabilities	1,082,560
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**NET POSITION**

Net investment in capital assets	9,742,120
Restricted	836,865
Unrestricted	7,528,531
Total net position	18,107,516

**TOTAL LIABILITIES AND NET POSITION**

**\$ 19,190,076**

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, 2016**

<b>OPERATING REVENUES</b>	
Tenant revenue	\$ 127,368
HUD grants	7,273,996
Other governmental grants	219,938
Portability revenue	12,316,923
Other revenue	191,305
Total operating revenue	<u>20,129,530</u>
<b>OPERATING EXPENSES</b>	
Administrative	1,768,729
Tenant services	89,831
Utilities	45,194
Maintenance and operation	99,763
Protective services	1,008
Insurance	28,318
General expenses	423,673
Housing assistance payments	17,652,396
Depreciation expense	55,534
Total operating expenses	<u>20,164,446</u>
Operating loss	(34,916)
<b>NON-OPERATING REVENUE (EXPENSES)</b>	
Investment income - mortgage	161,549
Investment income - restricted	131
Investment income - unrestricted	56
Interest expense	(36,021)
Total non-operating revenue (expenses)	<u>125,715</u>
<b>CHANGE IN NET POSITION</b>	90,799
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>18,016,717</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 18,107,516</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, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Dwelling rent receipts	\$ (1,055,366)
Operating subsidy and grant receipts	7,493,934
Other governmental subsidy and grant receipts	(6,911)
Other income receipts	13,270,288
Payments to and benefits for employees	(1,006,472)
Payments to suppliers	(1,226,190)
Payments to landlords	(17,652,396)
Net cash used in operating activities	<u>(183,113)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Principal paid on capital debt	(66,171)
Interest paid on capital debt	(36,348)
Purchase of capital assets	(10,643)
Net cash used in capital and related financing activities	<u>(113,162)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	55,712
Net cash provided by investing	<u>55,712</u>

**NET DECREASE BY CASH AND CASH EQUIVALENTS**

(240,563)

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR**

789,139

**CASH AND CASH EQUIVALENTS, END OF YEAR**

\$ 548,576

**REPORTED AS**

Cash and cash equivalents - unrestricted	\$ 47,716
Cash and cash equivalents - restricted for family self sufficiency payments	82,488
Cash and cash equivalents - restricted other	414,222
Cash and cash equivalents - tenant security deposits	4,150
Total Cash, End of Year	<u>\$ 548,576</u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating loss	\$ (34,916)
Adjustments to reconcile operating loss to net cash	
Used in operating activities:	
Depreciation expense	55,534
Increase (Decrease) in Assets:	
Accounts receivable, net	(63,954)
Prepaid expenses and other current assets	19,910
Increase (Decrease) in Liabilities:	
Accounts payable	(104,626)
Wages and payroll taxes payable	17,295
Compensated absences	2,522
Tenant security deposits	3,250
Accrued liabilities - other	(56,073)
Unearned revenues	(22,055)
Net cash used in operating activities	<u>\$ (183,113)</u>

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

**HOUSING AUTHORITY OF FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2016**

**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 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.

**HOUSING AUTHORITY OF FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Blended Component Unit**

Community Opportunity Center, Inc. – 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. They own and operate 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. There was no income statement activity in the current year.

**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.

**HOUSING AUTHORITY OF FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2016**

**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.

***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 FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2016**

**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 affordable housing projects 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, 2016.

**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 future periods.

**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 FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of Long-Lived Assets**

The Authority evaluates events or changes in circumstances affecting long-lived assets, including capital assets, to determine whether an impairment of its assets has occurred. If the Authority determines that a long-lived asset is impaired, and that the impairment is significant and other than temporary, then an impairment loss will be recorded in the Authority's financial statements. In the current year, the Authority did not recognize any loss on impairment related to its long-lived assets.

**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."

Restricted net position is restricted for housing assistance payments within the Housing Choice Voucher program (\$535,304) and for future construction of affordable housing within in the Public Housing program (\$301,561).

**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.

**HOUSING AUTHORITY OF FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**HOUSING AUTHORITY OF FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

**Deposits and Certificates of Deposit**

At September 30, 2016, the Authority's total bank balances were \$619,993 and the total book balance was \$548,576. All deposits of the Authority are considered to be cash and cash equivalents at September 30, 2016.

**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, 2016, 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, 2016 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, 2016. Restricted cash other which is \$414,222 is comprised of \$301,561 due to restricted for RHF replacement housing due to the RAD conversion, \$87,656 is restricted for HAP payments and \$ 25,005 is restricted for TBRA payments.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of September 30, 2016 consisted of the following:

Accounts Receivable - PHA Projects	\$ 408,449
Accounts Receivable - HUD Other Projects	3,880
Accounts Receivable - Other Government	3,031
Accounts Receivable - Miscellaneous	978,455
Accounts Receivable - Tenants	14,781
Allowance for Doubtful Accounts - Tenant	(13,363)
Allowance for Doubtful Accounts - Other	<u>(1,213,955)</u>
Account Receivable, Net	<u><u>\$ 181,278</u></u>

**HOUSING AUTHORITY OF FULTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2016**

**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.

**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 \$459,162 on the accompanying statement of net position. The note receivable balance as of September 30, 2016 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, 2016, \$1,857,987 has been advanced. The note receivable is presented net of its valuation allowance of \$712,176 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, 2016, \$700,000 has been advanced. The note receivable is presented net of its valuation allowance of \$31,111 on the accompanying statement of net position.

**HOUSING AUTHORITY OF FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 4 – NOTES RECEIVABLE (CONTINUED)**

**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, 2016, \$205,000 has been advanced. The note receivable is presented net of its valuation allowance of \$4,555 on the accompanying statement of net position.

	<u>Note Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Note Receivable</u>
Acadia Note Receivable	\$ 6,327,292	\$ 1,498,358	\$ 4,828,934
Legacy Note Receivable	1,584,000	459,162	1,124,838
Woodbridge Note Receivable	1,857,987	712,176	1,145,811
Providence at Parkway Note Receivable	700,000	31,111	668,889
Allen Road Note Receivable	205,000	4,555	200,445
Total Note Receivable	<u>\$ 10,674,279</u>	<u>\$ 2,705,362</u>	<u>\$ 7,968,917</u>

**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 \$934,547, the full balance of interest receivable.

**NOTE 5 – CAPITAL ASSETS**

The changes in capital assets for the year ended September 30, 2016 were as follows:

	<u>Beginning of Year Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 9,353,109	\$ -	\$ -	\$ 9,353,109
Total Capital Assets Not Being Depreciated	9,353,109	-	-	9,353,109
Capital Assets Being Depreciated:				
Buildings	1,949,540	10,643	-	1,960,183
Administrative equipment	234,822	-	-	234,822
Total Capital Assets, Being Depreciated	2,184,362	10,643	-	2,195,005
Less: Accumulated Depreciation	<u>(1,005,750)</u>	<u>(55,534)</u>	<u>-</u>	<u>(1,061,284)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,178,612</u>	<u>(44,891)</u>	<u>-</u>	<u>1,133,721</u>
<b>Capital Assets, Net</b>	<u>\$ 10,531,721</u>	<u>\$ (44,891)</u>	<u>\$ -</u>	<u>#####</u>

**HOUSING AUTHORITY OF FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 6 – LONG-TERM LIABILITIES**

Long-term liabilities at September 30, 2016 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, 2016, the balance on the loan was \$229,639. For the year ended September 30, 2016, interest expense was \$18,158.

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.

The roll forward of long-term debt as of September 30, 2016 is as follows:

	Beginning of Year Balance	Increases	Decreases	End of Year Balance	Current Portion
Single Family Homes	\$ 539,598	\$ -	\$ (24,527)	\$ 515,071	\$26,238
Wendell Mortgage	271,283	-	(41,644)	229,639	44,753
FSS Escrows	62,823	26,399	(6,734)	82,488	8,250
Compensated Absences	39,071	18,989	(16,467)	41,593	4,158
<b>Total long-term liabilities</b>	<b>\$ 912,775</b>	<b>\$ 45,388</b>	<b>\$ (89,372)</b>	<b>\$ 868,791</b>	<b>\$83,399</b>

Annual debt service requirements over each of the next five years and thereafter as of September 30, 2016 is as follows:

Fiscal Year Ending September 30,	Principal	Interest
2017	\$ 70,991	\$ 29,841
2018	203,721	18,369
2019	23,533	13,396
2020	24,224	12,706
2021	24,934	11,994
2022-2026	136,085	48,559
2027-2031	157,258	27,385
2032-2036	103,964	5,369
<b>Total</b>	<b>\$ 744,710</b>	<b>\$ 167,619</b>

**HOUSING AUTHORITY OF FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2016**

**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.

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 2016, 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, 2016, there were 11 series of Tax Exempt Mortgage Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$275,565,000.

**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.

**HOUSING AUTHORITY OF FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 9 – GROUND LEASE (CONTINUED)**

**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.

**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, 2016, 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 entered into a repayment agreement with HUD on September 2016, however the repayment was rescinded by HUD in October 2016. The Authority is awaiting a new approved repayment agreement with HUD.

**Grants**

Federal grant programs in which the Authority participates have been audited in accordance with the provisions of the Office of Management and Budget Uniform Grant Guidance. 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 FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2016**

**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, 2016 was as follows:

	Year Ended September 30, 2016 Total Revenue	Percentage of Total Revenue
<b>Revenue from HUD</b>		
Section 8 Housing Choice Voucher Program - HAP	\$ 6,104,167	30.0%
Section 8 Housing Choice Voucher Program - Administrative	673,845	3.3%
Public and Indian Housing	300,449	1.4%
Capital Fund Program	195,535	1.0%
HOME Program	219,938	1.1%
Total Revenue from HUD	<u>7,493,934</u>	<u>36.8%</u>
<b>Non-HUD Funding</b>		
Tenant Rental Revenue	127,368	0.6%
Fraud Recovery	13,938	0.1%
Other Income	177,367	0.9%
Portability-In - HAP	11,599,475	57.2%
Portability-In - Administrative	717,448	3.5%
Mortgage Interest Income	161,549	0.8%
Investment Income	187	0.1%
Total Other Income	<u>12,797,332</u>	<u>63.2%</u>
Total Revenue	<u><u>\$ 20,291,266</u></u>	<u><u>100.0%</u></u>

**HOUSING AUTHORITY OF FULTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 12 – CONDENSED COMBINING FINANCIAL INFORMATION**

The following condensed financial information is presented to provide additional information on the Housing Authority and Community Opportunity Center, Inc., a blended component unit of the Housing Authority as discussed in Note 1.

**Condensed Combining Statement of Net Position**

	Community Opportunity Center, Inc	Housing Authority	Total
<b>ASSETS</b>			
Current and other assets	\$ 31,861	\$ 8,671,385	\$ 8,703,246
Capital assets	-	10,486,830	10,486,830
Total assets	<u>31,861</u>	<u>19,158,215</u>	<u>19,190,076</u>
<b>LIABILITIES</b>			
Current and other liabilities	-	408,841	408,841
Long-term debt outstanding	-	673,719	673,719
Total liabilities	<u>-</u>	<u>1,082,560</u>	<u>1,082,560</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	9,742,120	9,742,120
Restricted	-	836,865	836,865
Unrestricted	31,861	7,496,670	7,528,531
Total net position	<u>31,861</u>	<u>18,075,655</u>	<u>18,107,516</u>
Total liabilities and net position	<u>31,861</u>	<u>19,158,215</u>	<u>19,190,076</u>

**Condensed Combining State of Revenue, Expenses, and Changes in Net Position**

	Community Opportunity Center, Inc	Housing Authority	Total
<b>OPERATING REVENUES</b>			
	\$ -	\$ 20,129,530	\$ 20,129,530
<b>OPERATING EXPENSES</b>			
Operating income (loss)	<u>-</u>	<u>(34,916)</u>	<u>(34,916)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Investment income - mortgage	-	161,549	161,549
Investment income - restricted	-	131	131
Investment income - unrestricted	-	56	56
Interest expense and amortization cost	-	(36,021)	(36,021)
Total non-operating revenue (expense)	<u>-</u>	<u>125,715</u>	<u>125,715</u>
<b>CHANGE IN NET POSITION</b>	-	90,799	90,799
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>31,861</u>	<u>17,984,856</u>	<u>18,016,717</u>
<b>NET POSITION, END OF YEAR</b>	<u>31,861</u>	<u>18,075,655</u>	<u>18,107,516</u>

**HOUSING AUTHORITY OF FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 12 – CONDENSED COMBINING FINANCIAL INFORMATION (CONTINUED)**

**Condensed Combining State of Cash Flow**

	Community Opportunity Center, Inc	Housing Authority	Total
<b>Net cash provided by (used in)</b>			
Operating activities	\$ -	\$ (183,113)	\$ (183,113)
Investing activities	-	55,712	55,712
Capital and related financing activities	-	(113,162)	(113,162)
<b>Net increase/(decrease) in cash</b>	-	(240,563)	(240,563)
<b>Cash and cash equivalents, beginning of year</b>	-	789,139	789,139
<b>Cash and cash equivalents, end of year</b>	-	548,576	548,576

**SUPPLEMENTAL INFORMATION**

**HOUSING AUTHORITY OF FULTON COUNTY  
SUPPLEMENTAL FINANCIAL DATA SCHEDULE (FDS)  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

Line Item No.	Account Description	Project Totals	Housing Choice Voucher Program	Business Activities	Disater Housing	HOME Program	Disater Voucher	Blended Component Unit	Eliminations	Totals
<b>CURRENT ASSETS</b>										
Cash:										
111	Unrestricted	\$ 26,375	\$ -	\$ 21,341	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,716
113	Other Restricted	301,561	161,894	-	-	25,005	-	-	-	488,460
114	Tenant Security Deposits	900	-	3,250	-	-	-	-	-	4,150
115	Restricted for Payment of Current Liability	-	8,250	-	-	-	-	-	-	8,250
100	Total Cash	<u>328,836</u>	<u>170,144</u>	<u>24,591</u>	<u>-</u>	<u>25,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>548,576</u>
Accounts and Notes Receivable:										
121	Other PHA projects	-	408,449	-	-	-	-	-	-	408,449
122	HUD Other Projects	-	3,880	-	-	-	-	-	-	3,880
124	Other Governments	-	-	-	-	3,031	-	-	-	3,031
125	Miscellaneous	962,851	-	15,604	-	-	-	-	-	978,455
126	Tenants	14,781	-	-	-	-	-	-	-	14,781
126.1	Allowance for Doubtful Accounts - Tenants	(13,363)	-	-	-	-	-	-	-	(13,363)
126.2	Allowance for Doubtful Accounts - Other	(934,547)	(264,654)	(14,754)	-	-	-	-	-	(1,213,955)
120	Total Receivables, Net	<u>29,722</u>	<u>147,675</u>	<u>850</u>	<u>-</u>	<u>3,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,278</u>
142	Prepaid Expenses and Other Assets	492	3,849	134	-	-	-	-	-	4,475
144	Interprogram - Due From	2,361,124	-	-	668,911	20,660	-	31,861	(3,082,556)	-
150	Total Current Assets	<u>2,720,174</u>	<u>321,668</u>	<u>25,575</u>	<u>668,911</u>	<u>48,696</u>	<u>-</u>	<u>31,861</u>	<u>(3,082,556)</u>	<u>734,329</u>
<b>NONCURRENT ASSETS</b>										
Fixed Assets:										
161	Land	9,155,924	-	197,185	-	-	-	-	-	9,353,109
162	Buildings	334,906	-	1,625,277	-	-	-	-	-	1,960,183
164	Furniture, Equipment and Mechinery - Administration	54,467	-	145,677	34,678	-	-	-	-	234,822
166	Accumulated Depreciation	(384,986)	-	(641,620)	(34,678)	-	-	-	-	(1,061,284)
160	Total Fixed Assets, Net	<u>9,160,311</u>	<u>-</u>	<u>1,326,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,486,830</u>
171	Notes, Loans and Mortgages Receivable - Noncurrent	<u>7,968,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,968,917</u>
180	Total Noncurrent Assets	<u>17,129,228</u>	<u>-</u>	<u>1,326,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,455,747</u>
190	Total Assets	<u>19,849,402</u>	<u>321,668</u>	<u>1,352,094</u>	<u>668,911</u>	<u>48,696</u>	<u>-</u>	<u>31,861</u>	<u>(3,082,556)</u>	<u>19,190,076</u>

**HOUSING AUTHORITY OF FULTON COUNTY  
SUPPLEMENTAL FINANCIAL DATA SCHEDULE (FDS)  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

Line Item No.	Account Description	Project Totals	Housing Choice Voucher Program	Business Activities	Disater Housing	HOME Program	Disater Voucher	Blended Component Unit	Eliminations	Totals
<b>CURRENT LIABILITIES</b>										
312	Accounts Payable < 90 Days	\$ 7,752	\$ 13,999	\$ 7,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,601
321	Accrued Wage / Payroll Taxes Payable	6,781	33,085	13,408	-	709	-	-	-	53,983
322	Accrued Compensated Absences - Current portion	457	3,577	124	-	-	-	-	-	4,158
325	Accrued Interest Payable	-	-	1,387	-	-	-	-	-	1,387
341	Tenant Security Deposits	900	-	3,250	-	-	-	-	-	4,150
342	Unearned Revenues	99,643	-	-	-	25,005	-	-	-	124,648
343	Current Portion of Long Term Debt - Capital Projects / Mortgage	-	-	70,991	-	-	-	-	-	70,991
345	Other Current Liabilities	-	8,250	-	-	-	-	-	-	8,250
347	Interprogram - Due To	-	2,815,978	180,203	-	-	86,375	-	(3,082,556)	-
310	Total Current Liabilities	115,533	2,874,889	277,213	-	25,714	86,375	-	(3,082,556)	297,168
<b>NONCURRENT LIABILITIES</b>										
351	Capital Projects / Mortgage Revenue Bonds	-	-	673,719	-	-	-	-	-	673,719
353	Non-Current Liabilities - Other	-	74,238	-	-	-	-	-	-	74,238
354	Accrued Compensated Absences - Noncurrent	4,118	32,194	1,123	-	-	-	-	-	37,435
350	Total Noncurrent Liabilities	4,118	106,432	674,842	-	-	-	-	-	785,392
300	Total Liabilities	119,651	2,981,321	952,055	-	25,714	86,375	-	(3,082,556)	1,082,560
<b>NET POSITION</b>										
508.4	Net Investments in Capital Assets	9,160,311	-	581,809	-	-	-	-	-	9,742,120
511.4	Restricted	301,561	535,304	-	-	-	-	-	-	836,865
512.4	Unrestricted	10,267,879	(3,194,957)	(181,770)	668,911	22,982	(86,375)	31,861	-	7,528,531
513	Total Net Position	19,729,751	(2,659,653)	400,039	668,911	22,982	(86,375)	31,861	-	18,107,516
600	Total Liabilities and Net Position	19,849,402	321,668	1,352,094	668,911	48,696	-	31,861	(3,082,556)	19,190,076

**HOUSING AUTHORITY OF FULTON COUNTY**  
**SUPPLEMENTAL FINANCIAL DATA SCHEDULE (FDS)**  
**STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED SEPTEMBER 30, 2016**

Line Item No.	Account Description	Project Totals	Housing Choice Voucher Program	Business Activities	Disater Housing	HOME Program	Disater Voucher	Blended Component Unit	Eliminations	Totals
<b>REVENUE</b>										
70300	Net Tenant Rental Revenue	\$ 12,307	\$ -	\$ 115,061	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,368
70500	Total Tenant Revenue	12,307	-	115,061	-	-	-	-	-	127,368
70600	HUD PHA Operating Grants	495,984	6,778,012	-	-	-	-	-	-	7,273,996
70800	Other Governmental Grants	-	-	-	-	219,938	-	-	-	219,938
71100	Investment Income - Unrestricted	19	-	37	-	-	-	-	-	56
71200	Mortgage Interest Income	161,549	-	-	-	-	-	-	-	161,549
71400	Fraud Recovery	-	13,938	-	-	-	-	-	-	13,938
71500	Other Revenue	100,036	12,324,937	140,206	-	-	-	-	(70,889)	12,494,290
72000	Investment Income - Restricted	-	131	-	-	-	-	-	-	131
70000	Total Revenue	769,895	19,117,018	255,304	-	219,938	-	-	(70,889)	20,291,266
<b>EXPENSES</b>										
Administrative:										
91100	Administrative Salaries	102,975	690,882	34,131	-	17,264	-	-	-	845,252
91200	Auditing fees	14,800	8,500	1,700	-	-	-	-	-	25,000
91400	Advertising and Marketing	1,434	2,945	4,107	-	-	-	-	-	8,486
91500	Employee Benefit Contributions	19,464	80,211	7,794	-	1,086	-	-	-	108,555
91600	Office Expenses	83,171	116,970	47,344	-	-	-	-	(70,889)	176,596
91700	Legal Expense	40,204	49,564	8,311	-	-	-	-	-	98,079
91800	Travel	-	2,892	1,043	-	-	-	-	-	3,935
91900	Other	274,279	176,875	51,672	-	-	-	-	-	502,826
91000	Total Administrative	536,327	1,128,839	156,102	-	18,350	-	-	(70,889)	1,768,729
Tenant Services:										
92100	Tenant Severices Salaries	-	69,392	-	-	-	-	-	-	69,392
92300	Employee Benefits Contributions	-	3,090	-	-	-	-	-	-	3,090
92400	Other	5,287	70	11,992	-	-	-	-	-	17,349
92500	Total Tenant Services	5,287	72,552	11,992	-	-	-	-	-	89,831
Utilities:										
93100	Water	11,299	1,513	186	-	-	-	-	-	12,998
93200	Electricity	5,323	15,949	3,785	-	-	-	-	-	25,057
93300	Gas	2,824	-	2,535	-	-	-	-	-	5,359
93800	Other Utilities Expense	1,780	-	-	-	-	-	-	-	1,780
93000	Total Utilities	21,226	17,462	6,506	-	-	-	-	-	45,194

**HOUSING AUTHORITY OF FULTON COUNTY  
SUPPLEMENTAL FINANCIAL DATA SCHEDULE (FDS)  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED SEPTEMBER 30, 2016**

Line Item No.	Account Description	Project Totals	Housing Choice Voucher Program	Business Activities	Disater Housing	HOME Program	Disater Voucher	Blended Component Unit	Eliminations	Totals
<b>EXPENSES (Continued)</b>										
Ordinary Maintenance and Operations:										
94200	Materials and Other	\$ 4,733	\$ 10,421	\$ 249	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,403
94300	Contract Costs	38,949	32,659	11,171	-	-	-	-	-	82,779
94000	Total Ordinary Maintenance and operations	43,682	43,080	11,420	-	-	-	-	-	98,182
Protective Services:										
95200	Other Contract Costs	-	-	1,008	-	-	-	-	-	1,008
95000	Total Protective Services	-	-	1,008	-	-	-	-	-	1,008
Insurance Premiums:										
96110	Property Insurance	6,252	-	-	-	-	-	-	-	6,252
96120	Liability Insurance	926	555	-	-	-	-	-	-	1,481
96130	Workmen's Compensation	5,134	7,512	-	-	-	-	-	-	12,646
96140	All Other Insurance	540	7,399	-	-	-	-	-	-	7,939
96100	Total Insurance Premiums	12,852	15,466	-	-	-	-	-	-	28,318
General Expenses:										
96200	Other General Expenses	20,111	14,980	17,490	-	-	-	-	-	52,581
96210	Compensated Absences	-	2,524	-	-	-	-	-	-	2,524
96500	Bad Debt - Mortgages	87,445	-	16,469	-	-	-	-	-	103,914
96600	Bad Debt - Other	-	264,654	-	-	-	-	-	-	264,654
96000	Total Other General Expenses	107,556	282,158	33,959	-	-	-	-	-	423,673
96710	Interest on Mortgage (or Bonds) payable	-	-	36,021	-	-	-	-	-	36,021
96700	Interest Expense and Amortization Cost	-	-	36,021	-	-	-	-	-	36,021
96900	Total Operating Expenses	726,930	1,559,557	257,008	-	18,350	-	-	(70,889)	2,490,956
97000	Excess of Operating Revenue Over Operating Expenses	42,965	17,557,461	(1,704)	-	201,588	-	-	-	17,800,310
Other Expenses:										
97100	Extraordinary Maintenance	839	742	-	-	-	-	-	-	1,581
97300	Housing Assistance Payments	115,280	5,744,984	-	-	192,657	-	-	-	6,052,921
97350	HAP Portability-In	-	11,599,475	-	-	-	-	-	-	11,599,475
97400	Depreciation Expense	1,120	-	54,414	-	-	-	-	-	55,534
	Total Other Expenses	117,239	17,345,201	54,414	-	192,657	-	-	-	17,709,511
90000	Total Expenses	844,169	18,904,758	311,422	-	211,007	-	-	(70,889)	20,200,467

**HOUSING AUTHORITY OF FULTON COUNTY  
SUPPLEMENTAL FINANCIAL DATA SCHEDULE (FDS)  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED SEPTEMBER 30, 2016**

Line Item No.	Account Description	Project Totals	Housing Choice Voucher Program	Business Activities	Disater Housing	HOME Program	Disater Voucher	Blended Component Unit	Eliminations	Totals
Other financing sources (uses):										
10093	Transfers Between Programs - In	\$ 195,535	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (195,535)	\$ -
10094	Transfers Between Programs - Out	(195,535)	-	-	-	-	-	-	195,535	-
10100	Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(74,274)	212,260	(56,118)	-	8,931	-	-	-	90,799
11030	Beginning Equity	19,804,025	(2,871,913)	456,157	668,911	14,051	(86,375)	31,861	-	18,016,717
<b>NET POSITION, END OF YEAR</b>		<u>19,729,751</u>	<u>(2,659,653)</u>	<u>400,039</u>	<u>668,911</u>	<u>22,982</u>	<u>(86,375)</u>	<u>31,861</u>	<u>-</u>	<u>18,107,516</u>
<b>Memo Account Information</b>										
11030	Beginning Equity	\$ 19,804,025	\$ (2,871,913)	\$ 456,157	\$ 668,911	\$ 14,051	\$ (86,375)	\$ 31,861	\$ -	\$ 18,016,717
11170	Administrative Fee Equity	\$ -	\$ (3,194,957)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,194,957)
11180	Housing Assistance Payments Equity	\$ -	\$ 535,304	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 535,304
11190	Unit Months Available	800	10,164	-	-	154	-	-	-	11,118
11210	Unit Months Leased	800	8,732	-	-	154	-	-	-	9,686
11270	Excess Cash	\$ 2,242,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,242,011
13901	Replacement Housing Factor Funds	\$ 4,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,660

**SUPPLEMENTARY REPORTS**

**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 Housing Authority of Fulton County's (the Authority), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 22, 2017.

**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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Lakeland, Florida  
June 22, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

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 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Authority's major federal program 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Program***

As described in the accompanying schedule of findings and questioned costs, The Authority did not comply with requirements regarding CFDA 14.871 Housing Choice Voucher Program as described in finding number 2016-001 and 2016-002. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

### ***Qualified Opinion on Housing Choice Voucher Program***

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 Program for the year ended September 30, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-003 and 2016-004. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. 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 the Uniform Guidance, 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-003 and 2016-004 to be significant deficiencies.

the Authority's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. 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.

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Lakeland, Florida  
June 22, 2017

**HOUSING AUTHORITY OF FULTON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
SEPTEMBER 30, 2016**

<u>Federal Grantor Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Direct Federal Assistance</b>		
<u>Department of Housing and Urban Development:</u>		
Public and Indian Housing	14.850	\$ 300,449
Housing Choice Voucher Program	14.871	18,904,758
Capital Fund Program	14.872	<u>195,535</u>
<b>Total Direct Federal Assistance</b>		<b>19,400,742</b>
<b>Indirect Federal Assistance</b>		
<u>Department of Housing and Urban Development:</u>		
Passed-through from Fulton County, GA HOME Investment Partnership Program - Tenant Based Rental Assistance (TBRA)	14.239	<u>219,938</u>
<b>TOTAL FEDERAL AWARDS</b>		<b><u><u>\$ 19,620,680</u></u></b>

**HOUSING AUTHORITY OF FULTON COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
SEPTEMBER 30, 2016**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Housing Authority of Fulton County (the Authority) under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

**NOTE 2 – BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**HOUSING AUTHORITY OF FULTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2016**

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**Section I – Summary of Auditors’ Results**

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**Financial Statements**

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness identified? \_\_\_\_\_ Yes      X   No
  - Significant deficiency identified? \_\_\_\_\_ Yes      X   None reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

1. Internal control over major federal program:
- Material weakness identified?   X   Yes    \_\_\_\_\_ No
  - Significant deficiency identified?   X   Yes    \_\_\_\_\_ None reported
2. Type of auditors’ report issued on compliance for major federal program: Modified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   Yes    \_\_\_\_\_ No

**Identification of Major Federal Program**

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
14.871	Housing Choice Voucher Program
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	_____ Yes <u>  X  </u> No

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**Section II – Financial Statement Findings**

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

**HOUSING AUTHORITY OF FULTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2016**

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***Section III – Findings and Questioned Costs – Major Federal Program***

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**Finding 2016 – 001 – Interfund Balances and NRA Deficit**

Federal agency: U.S. Department of Housing and Urban Development  
Federal program title: Housing Choice Voucher Program  
CFDA Number: 14.871  
Award Period: October 1, 2015 to September 30, 2016  
Type of Finding: Material Noncompliance, Material Weakness

**Criteria or specific requirement:** 24CFR 989.519(a) states that all funds received from HUD should be used for their designated purposes and 24 CFR982.156 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.

**Condition:** The Housing Choice Voucher Program has borrowed \$2,815,978 from the Public Housing (14.850) and Disaster Housing (97.109) programs. An interfund represents amounts that are payable between federal programs. This indicates that the Authority used federal operating subsidies for purposes other than those designated by HUD.

**Questioned costs:** \$447,648 HAP Funds used for administrative expenditures, \$3,194,957 administrative expenditures borrowed from other federal programs including Public Housing (14.850) and Disaster Housing (97.109).

**Context:** The Housing Choice Voucher Program has borrowed \$2,815,978 from the Public Housing (14.850) and Disaster Housing (97.109) programs. Current unrestricted net position for the Housing Choice Voucher Program is \$3,194,957. In addition, the Authority has used funds designated for housing assistance payments for administration of the Housing Choice Voucher Program.

**Cause:** The Authority has 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. 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 federal 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 issues a letter dated November 8, 2013, which outlined a number of findings including a demand for repayment of \$3,061,521 to the HVC NRA cash shortage.

**Repeat Finding:** This finding is a repeat finding from fiscal 2009 through 2016.

**HOUSING AUTHORITY OF FULTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2016**

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***Section III – Findings and Questioned Costs – Major Federal Program***

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**Finding 2016 – 001 – Interfund Balances and NRA Deficit (Continued)**

**Recommendation:** We recommend the Authority establish procedures to monitor the use of federal operating subsidies, specifically to ensure that funds are only used for those programs or that amounts disbursed through a general bank are reimbursed to the respective program 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.

**Views of responsible officials:** There is no disagreement with the audit finding.

**HOUSING AUTHORITY OF FULTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2016**

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***Section III – Findings and Questioned Costs – Major Federal Program***

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**Finding 2016 – 002 – VMS Reporting**

Federal agency: U.S. Department of Housing and Urban Development  
Federal program title: Housing Choice Voucher Program  
CFDA Number: 14.871  
Award Period: October 1, 2015 to September 30, 2016  
Type of Finding: Material Noncompliance, Material Weakness

**Criteria or specific requirement:** The PHA submits this form monthly to HUD electronically via the Voucher Management System (VMS). Congress has instructed HUD to use VMS data to determine renewal funding levels. HUD also uses VMS data for other funding, monitoring, and SEMAP-related decisions. HUD relies on the audit of the key line items to determine the reasonableness of the data submitted for the purposes of calculating funding under the program. Leasing data is required to be submitted to HUD on a monthly basis and should be supported by appropriate documentation.

**Condition:** The Authority did not maintain proper reconciliations of the voucher count on a monthly basis that agreed to VMS.

**Questioned costs:** Undeterminable

**Context:** The Authority failed to maintain proper reconciliations of the voucher count on a monthly basis. Auditor tested 4 out of the 12 months reports and was not provided support that reconciled to the number of vouchers.

**Cause:** The Authority did not maintain proper reconciliations of the voucher count on a monthly basis.

**Effect:** The Authority is not in compliance with federal regulations regarding monthly VMS reporting. Inaccurate data could cause HUD to calculate incorrect administrative funding.

**Recommendation:** We recommend the Authority implement controls to ensure all data submitted to VMS is accurate and complete.

**Views of responsible officials:** There is no disagreement with the audit finding.

**HOUSING AUTHORITY OF FULTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2016**

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***Section III – Findings and Questioned Costs – Major Federal Program***

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**Finding 2016 – 003 – Rent Reasonableness**

Federal agency: U.S. Department of Housing and Urban Development  
 Federal program title: Housing Choice Voucher Program  
 CFDA Number: 14.871  
 Award Period: October 1, 2015 to September 30, 2016  
 Type of Finding: Significant Deficiency, Noncompliance

**Criteria or specific requirement:** The PHA must determine that the rent to owner is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract: (a) before any increase in the rent to owner, and (b) at the HAP contract anniversary if there is a five percent decrease in the published Fair Market Rent in effect 60 days before the HAP contract anniversary. The PHA must maintain records to document the basis for the determination that rent to owner is a reasonable rent (initially and during the term of the HAP contract) (24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507).

**Condition:** During the testing of the Housing Choice Voucher Program tenant files, certain special provision compliance deficiencies were noted as summarized below:

Number of Instances	Finding
6	Rent reasonableness was not determined for the tenant file reviewed

**Questioned costs:** Undeterminable

**Context:** During our testing, we reviewed 25 tenant files that required a rent reasonableness; 6 tenant files contained errors as noted above.

**Cause:** The Authority failed to maintain proper documentation in the determination of reasonable rent.

**Effect:** The Authority is not in compliance with federal regulations regarding the determination of reasonable rent. Inaccurate data could cause Authority to be paying an unfair rent to a landlord.

**Recommendation:** We recommend that the Authority designate an individual to review tenant files to determine if a rent reasonableness has been performed.

**Views of responsible officials:** There is no disagreement with the audit finding.

**HOUSING AUTHORITY OF FULTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2016**

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***Section III – Findings and Questioned Costs – Major Federal Program***

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**Finding 2016 – 004 – HQS Enforcements and Inspections**

Federal agency: U.S. Department of Housing and Urban Development  
 Federal program title: Housing Choice Voucher Program  
 CFDA Number: 14.871  
 Award Period: October 1, 2015 to September 30, 2016  
 Type of Finding: Significant Deficiency, Noncompliance

**Criteria or specific requirement:** For units under HAP contract that fail to meet HQS, the PHA must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must abate HAP payments beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family’s failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404). In addition, all HCV units are required to inspected annually.

**Condition:** During the testing of the Housing Choice Voucher Program tenant files, certain special provision compliance deficiencies were noted as summarized below:

Number of Instances	Finding
12	The tenant file did not contain an abatement letter and the tenants were still receiving Housing Assistance Payments.
6	The Authority did not re-inspect the failed unit in a timely manner.
9	The Authority did not document the follow up on the failed inspection.
3	The Authority did not property cancel the tenant contract after the Housing Assistance Payments had been abated for several months
1	The Authority did not properly re-inspect a unit on an annual basis.

**Questioned costs:** Undeterminable

**Context:** Out of 40 failed inspection tenant files 13 files contained errors as noted above.

**Cause:** The Authority failed to follow their inspection procedures.

**Effect:** The Authority is not in compliance with federal regulations regarding minimum housing quality standards and was paying housing assistance for units that did not meet these standards.

**HOUSING AUTHORITY OF FULTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2016**

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***Section III – Findings and Questioned Costs – Major Federal Program***

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**Finding 2016 – 004 – HQS Enforcements and Inspections (Continued)**

**Recommendation:** We recommend management should designate one person to oversee the inspection process to ensure that all inspection are being performed in a timely manner. Furthermore, management should ensure no HAP payments are issued for units that have not passed HQS housing inspections.

**Views of responsible officials:** There is no disagreement with the audit finding.

**HOUSING AUTHORITY OF FULTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2016**

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***Section IV – Prior Year Findings***

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

Federal Agency: U.S. Department of Housing and Urban Development  
Program: Housing Choice Voucher and Public and Indian Housing  
CFDA Numbers: 14.871 and 14.850  
Award Period: October 1, 2014 to September 30, 2015

**Condition Noted in Prior Year**

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.

***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.

**Current Status**

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.

**HOUSING AUTHORITY OF FULTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2016**

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***Section IV – Prior Year Findings***

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**Finding 2015-002**

Federal Agency: U.S. Department of Housing and Urban Development  
Program: Housing Choice Voucher Program, CFDA #14.871  
CFDA Number: 14.871  
Award Period: October 1, 2014 to September 30, 2015

**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.

**Recommendation**

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

**Current Status**

This was a repeat finding in fiscal year 2016, please refer to Finding 2016-004 – Failed Inspections.

U.S. Department of Housing and Urban Development

Housing Authority of Fulton County, Georgia (HAFC) respectfully submits the following corrective action plan for the year ended September 30, 2016.

Audit period: October 1, 2015 – September 30, 2016

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### **FINDINGS— FEDERAL AWARD PROGRAMS AUDITS**

U.S. Department of Housing and Urban Development

Housing Choice Voucher Program – CFDA #14.871

#### **MATERIAL NONCOMPLIANCE**

2016-001 Interfund Balances

**Recommendation:** We recommend the Authority establish procedures to monitor the use of federal operating subsidies, specifically to ensure that funds are only used for those programs or that amounts disbursed through a general bank are reimbursed to the respective program 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.

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Action planned in response to finding:** This is a historical matter that relates to the failure to adequately manage and collect the portability payments. That lack of collection created a cash deficiency to the program, which led to the inappropriate utilization of funds from other federal programs to cover the cost of the uncollected ports. This deficiency in port collections continued into fiscal year 2016. Management has implemented a new process for the collection and management of the portability receivable amounts. The new process is designed to correct the ongoing cash flow deficiencies and will allow for the monthly clearance of the current month intercompany balances. That process will be implemented immediately. This will ensure that all future funding will be utilized for only the proper federal program. As additional funds are available, we will work to eliminate the historical intercompany balances. Given their respective size, that will take several years to complete.

#### **Board of Commissioners**

Barbara Duffy  
Chair

Keith Millner  
Vice Chair

Lynnise Nia Knowles  
Assistant Secretary

Stuart Canzeri

Albert E. Love

Debra Allen

Jacob Maxey

Earl Calloway

P. Andrew Patterson  
General Counsel

Larry Haqq

Executive Director

Name(s) of the contact person(s) responsible for corrective action:  
Larry Haqq, Executive Director

Planned completion date for corrective action plan: July 31, 2017

#### MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE

##### 2016-002 VMS Reporting

Recommendation: We recommend the Authority implement controls to ensure all data submitted to VMS is accurate and complete.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding: Management has corrected all of the errors in the VMS submissions for the fiscal year under review. Management has further changed the process in which the information to complete the VMS submission is obtained and stored. All future VMS submissions will be reviewed and corresponding supporting documentation maintained and available for audit.

Name(s) of the contact person(s) responsible for corrective action:  
Larry Haqq, Executive Director

Planned completion date for corrective action plan: October 1, 2016

#### SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE

##### 2016-003 Rent Reasonableness

Recommendation: We recommend that the Authority designate an individual to review tenant files to determine if a rent reasonableness has been performed

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding: The HCV Supervisor will be responsible for reviewing all of the tenant files to determine if a rent reasonableness has been performed or it is incorrect. If it has not been performed or is incorrect, the responsible HCV Specialist will be instructed by the HCV Supervisor to perform this action and correct the deficiency. A Quality Control (QC) review of a percentage of the files will be performed by the Compliance Monitor on a quarterly basis to ensure compliance. The HCV Specialist responsible for the noted errors in the files will be disciplined based on the procedures outlined in the Employee Personnel Handbook. All staff will receive training conducted by the HCV Supervisor, during the month of June 2017 on Chapter 8 of the Admin Plan to review the Rent Reasonableness section. Also, all forms and procedures pertaining to HCV Rent Reasonableness will be reviewed in training.

Name(s) of the contact person(s) responsible for corrective action:  
Larry Haqq, Executive Director

Planned completion date for corrective action plan: June 30, 2017

## SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE

2016-004 Failed Inspections

Recommendation: We recommend management should designate one person to oversee the inspection process to ensure that all inspections are being performed in a timely manner. Furthermore, management should ensure no HAP payments are issued for units that have not passed HQS housing inspections.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding: The HCV Supervisor is responsible for overseeing the inspection process to ensure all inspections are being performed on schedule. The HCV Inspector/Scheduler will be responsible for providing the HCV Supervisor with a spreadsheet on a weekly basis which summarizes (inspections scheduled with dates, inspections performed with dates, inspections failed, inspections rescheduled and status of reinspections). The HCV Inspector/Scheduler will note on the spreadsheet which units have failed inspection. The HCV Supervisor will then abate in the system, all future rents until such time as the unit passes inspection. The HCV Supervisor will instruct all HCV Specialists the task of reviewing the HCV files to ensure abatement letters are included. Those files that are identified as deficient (letter not included) will be corrected. The HCV Specialist or Inspection staff responsible for the noted errors and omissions will be disciplined based on the procedures outlined in the Employee Personnel Handbook.

Name(s) of the contact person(s) responsible for corrective action:  
Larry Haqq, Executive Director

Planned completion date for corrective action plan: June 30, 2017

If the U.S. Department of Housing and Urban Development (HUD) has questions regarding this plan, please call Larry Haqq, Executive Director at 404-588-4986.

Sincerely,

A handwritten signature in black ink, appearing to read 'Larry Haqq', with a large, stylized flourish at the end.

Larry Haqq  
Executive Director